Epping Forest District Council

STATUTORY STATEMENT OF ACCOUNTS

Financial Year Ending 31 March 2008

STATUTORY STATEMENT OF ACCOUNTS 2007/08

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

INTRODUCTION AND EXPLANATORY FOREWORD

INTRODUCTION

Last year the foreword started with an explanation of the mechanism for setting the rules that Local Authorities have to follow in producing their accounts. This was necessary as there had been significant changes to the appearance and content of last year's accounts. Whilst there have been relatively few changes this year, it is worth repeating some of the information from last year for the benefit of anyone who is coming afresh to these accounts.

The Chartered Institute of Public Finance and Accountancy (CIPFA) publishes a Statement of Recommended Practice (SORP) every year that Local Authorities are required to follow in producing their financial statements. Before the SORP is published the Accounting Standards Board (ASB) approves the document. In recent years the ASB has insisted that the SORP moves closer to Generally Agreed Accounting Practices (GAAP), so that public sector financial statements more closely resemble those prepared in the private sector.

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

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

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

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

The above are described as core financial statements as all local authorities are required to produce them. There are two other core statements, the Balance Sheet and the Cashflow Statement. The Balance Sheet lists what the Council owns, what is owed to the Council and what the Council owes to others. The Cashflow Statement summarises the movements in assets, liabilities and capital that have taken place during the year and their effect on the Council's holdings of cash. Neither the Balance Sheet nor the Cashflow Statement required direct amendment to comply with the SORP.

A change in accounting policy relating to Intangible Assets has been introduced for 2007/08. This means that assets such as software licences will be amortised to revenue over a five year period beginning with the year following acquisition. It is felt that this better represents the economic reality of the situation than the previous policy of write off in the year of purchase.

2007/08 saw many significant developments and announcements, perhaps the most important of which was the results of the Comprehensive Spending Review (CSR). This review provided details of the grant support that central government would provide to local authorities over the following three years. The table below summarises the disappointing outcome of the CSR for this district.

	2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m
Formula Grant (adjusted)	9.161 -9.229	9.322	9.368	9.415
Increase £	0.534	0.093	0.046	0.047
Increase %	6.20%	1%	0.50%	0.50%
Floor Support/(Loss)	-0.189	0.302	0.173	0.036

The figures shown above represent a poor settlement for the Council and give grant increases of only 1% (against the adjusted 07/08 figure) for 2008/09 and only 0.5% for 2009/10 and 2010/11. This seems odd given the sizeable grant increase seen under this system for 2006/07 (9%) and 2007/08 (6.2%).

The introduction of the four block system saw the Council change from receiving floor support of £412,000 to losing £490,000 to support the floor for others. It had been hoped that the move away from the floor would last longer than two years. However, the benefit of the previous large increase has not been lost, as this has provided the base that the floor increase of 1% has been added to.

The second most significant development in the year was the letting of a new long-term contract for waste management. Following South Herts. Waste Management going into administration in April 2006, Cory Environmental Municipal Services had provided the service on an interim basis. The tendering exercise saw a number of bids that were not only very good technically but also competitive financially. As a result of this exercise Sita were awarded the contract and commenced work in November.

The final significant development to mention here is the latest triennial valuation of the pension fund. This valuation was conducted as at 31 March 2007 and at that time the funding level of the scheme had increased from 71.4% three years earlier to 81.2%. This meant that in setting the contributions for the three years commencing with 2008/09 the actuary was able to reduce the amount of payments for deficit funding. However, increased life expectancies and changes to the scheme from 1 April 2008 meant that it was necessary to increase the level of ongoing employers contributions by 1% per annum for each of the three years (contribution levels for employees have also increased).

Unfortunately the enhanced financial position of the pension fund as at 31 March 2007 did not continue to 31 March 2008. Approximately 70% of the funds assets are invested in shares and between the two balance sheet dates the FT 100 index of leading shares fell by nearly 10%. The Balance Sheet (Note 36, page 26) shows that as a result of this, the pensions liability for the Council has increased in the year from £28.7 million to £43.4 million. The inclusion of this amount in the Balance Sheet shows the extent of the authorities liability if the pension fund was to close on 31 March 2008. It does not mean that this full liability will have to be paid over to the pension fund in the near future.

The year-end position is better than was anticipated when the revised estimates were set. A predicted General Fund surplus of £116,000 has been exceeded and the actual surplus was £701,000. Similarly the Housing Revenue Account has achieved a surplus of some £569,000, slightly better than the revised estimate of £568,000. The next section provides more detail on both the revenue and capital outturn for the year.

SUMMARY OF OUTTURN

The following tables provide a summary review of net expenditure and financing for 2007/08.

General Fund

The table below summarises the revenue outturn for the General Fund and the consequential movement in balances for 2007/08.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Net Expenditure after Adjustments	16,980	16,543	15,958	(1,022)	(585)
Government Grants and Local Taxation	16,659	16,659	16,659	0	0
(Contribution to)/from Balances	**321**	**(116)**	**(701)**	**(1,022)**	**(585)**
Opening Balances - 1/4/07	(6,761)	(6,761)	(6,761)		
(Contribution to)/from Balances	321	(116)	(701)	(1,022)	(585)
Closing Balances - 31/3/08	**(6,440)**	**(6,877)**	**(7,462)**	**(1,022)**	**(585)**

Net expenditure for 2007/08 totalled £15.958 million, which was £1,022,000 (6.5%) below the original estimate and £585,000 (4.0%) below the revised. When compared to a gross expenditure budget of approximately £64 million, the variances can be restated as 1.6% and less than 1% respectively.

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

General Fund	**Original Estimate £000**	**Revised Estimate £000**	**Actual Spend £000**	**Variance from Original £000**	**Variance from Revised £000**
Opening CSB	16,842	16,706	16,180	(662)	(526)
In Year Growth	374	504	460	86	(44)
In Year Savings	(236)	(667)	(682)	(446)	(15)
Total Continuing Services Budget	**16,980**	**16,543**	**15,958**	**(1,022)**	**(585)**
DDF - Expenditure	1,264	2,802	2,558	1,294	(244)
DDF - One Off Savings	(705)	(1,839)	(2,293)	(1,588)	(454)
Total DDF	**559**	**963**	**265**	**(294)**	**(698)**
Appropriations	**(559)**	**(963)**	**(265)**	**294**	**698**
Net Expenditure	**16,980**	**16,543**	**15,958**	**(1,022)**	**(585)**

Continuing Services Budget

CSB expenditure was £1,022,000 below the original estimate and £585,000 lower than the revised. The variances have arisen on both the opening CSB, £526,000 lower than the revised estimate and the in year figures, £59,000 lower than the revised estimate.

Of the savings on the opening CSB over half relates to staff savings due to vacancies. Actual salary spending for the authority in total, including agency costs, was some £18.544 million compared against an original estimate of £18.926 million. Although the saving of £382,000 is rather lower than in recent years it is still substantial and much of this saving has fallen on the General Fund as opposed to the Housing Revenue Account and the Housing Repairs Fund as was the case in 2006/07. Of the remaining savings of £280,000, £82,000 relates to Housing Benefits with a further four areas seeing savings of £20,000 plus, these are Abandoned Vehicles, Electoral Registration, Grounds Maintenance and Environmental Co-ordination.

The in year CSB growth figure of £138,000 became an in year saving of £222,000. Much of this was recognised in the revised estimates, as a saving from the first phase of the top management restructure produced £78,000 and £102,000 of the increased investment income was assessed as being of an ongoing nature. There was also a CSB reduction in the cost of placing people in bed and breakfast accommodation of £85,000 and a number of other items of additional income.

District Development Fund

Net DDF expenditure was £294,000 below the original estimate and £698,000 below the revised. There are requests for carry forwards totalling £469,000 and therefore the variation actually equates to a £229,000 net under spend on the DDF items undertaken. These one-off projects are akin to capital, in that there is regular slippage and carry forward of budgetary provision. Therefore the only reasonable variance analysis that can be done is against the revised position.

The DDF increased between the Original and Revised position by some £404,000, this was due to a mixture of items

Two portfolios saw variations in excess of £100,000 on their DDF when compared to the revised estimate. Finance, Performance Management and Corporate Support Services saw an underspend of £244,000. The three main elements of this relate to unspent Local Housing Allowance set up grant, being able to contain increased costs as a result of maternity cover in Housing Benefits within the existing salaries budget and slippage on the implementation of the new Revenues and Benefits system. Environmental Protection saw a total overspend of £186,000, the result of a £216,000 overspend on Waste Management, which was partially offset by additional licensing income. Although, because the overall position was a net underspend this overspend has in effect been financed by the various other underspends on the DDF.

The appropriation of additional income items and the underspend mean the balance on the DDF has reduced slightly to £2.916 million. Assuming that all the carried forward items are agreed and spent, the DDF is still in a better position than was predicted in the revised estimates. The 2008/09 estimate process allocated all of the DDF to projects including a large amount to the Local Development Framework (LDF). It is unclear at this stage whether the amounts allocated to the LDF so far are sufficient so the additional DDF monies may be required for this, however a full review of the DDF will take place as usual during the budget making process for 2009/10 in the autumn of 2008.

Appropriations

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

Housing Revenue Account

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

Housing Revenue Account	**Original Estimate £000**	**Revised Estimate £000**	**Actual Spend £000**	**Variance from Original £000**	**Variance from Revised £000**
Revenue Expenditure	13,647	13,758	13,321	(326)	(437)
HRA Subsidy Payable	8,868	8,842	8,842	(26)	
Depreciation	7,667	8,527	8,528	861	1
Total Expenditure	**30,182**	**31,127**	**30,691**	**509**	**(436)**
Gross Dwelling Rents	23,467	23,390	23,396	71	(6)
Other Rents and Charges	4,295	4,315	4,498	(203)	(183)
Total Income	**27,762**	**27,705**	**27,894**	**(132)**	**(189)**
Net Cost of Service	**2,420**	**3,422**	**2,797**	**377**	**(625)**
Interest and Other Transfers	1,740	2,164	2,165	(425)	(1)
Transfer from Major Repairs Reserve	3,077	3,939	3,954	(877)	(15)
Net Operating Income	**(2,397)**	**(2,681)**	**(3,322)**	**(925)**	**(641)**
Appropriations					
Capital Expenditure Charged to Revenue	1,985	2,142	2,628	643	486
Other	45	(29)	125	80	154
Deficit/(Surplus) for Year	**(367)**	**(568)**	**(569)**	**(202)**	**(1)**
Opening Balance - 1/4/07	(5,632)	(5,632)	(5,632)		
Deficit/(Surplus) for year	(367)	(568)	(569)	(202)	(1)
Closing Balance - 31/3/08	**(5,999)**	**(6,200)**	**(6,201)**	**(202)**	**(1)**

A surplus within the HRA of £367,000 and £568,000 was expected within its original and revised revenue budgets respectively; the actual surplus was £569,000, which is in line with the revised position. This occurred due to a substantial increase to Capital Expenditure Charged to Revenue (RCCO) that offset savings on Management and Maintenance costs of £436,000 and additional income from other rents and charges.

The increased RCCO figure is countered by an equivalent decrease in usage of the Major Repairs Reserve. This is shown in the following section covering the Capital Outturn, where it can be seen that the balance on the Major Repairs Reserve is now £7.29 million.

The savings on Management and Maintenance arose in a number of areas including Grounds maintenance, Housing Land Cleansing, Piper Alarms and Minor Sewerage Works. There was also some salary savings on the HRA however there was a slight salary overspend on the Repairs Fund.

Capital Outturn

The table below summarises the capital expenditure outturn and its financing for 2007/08.

Capital Expenditure and Financing	**Original Estimate £000**	**Revised Estimate £000**	**Actual Spend £000**	**Variance from Original £000**	**Variance from Revised £000**
Non-Housing	4,452	3,788	3,769	(683)	(19)
Housing	8,109	8,536	6,828	(1,281)	(1,708)
Total Expenditure	**12,561**	**12,324**	**10,597**	**(1,964)**	**(1,727)**
Grants	916	1,185	937	21	(248)
Capital Receipts	5,421	5,080	4,064	(1,357)	(1,016)
Revenue Contributions	6,224	6,059	5,596	(628)	(463)
Total Financing	**12,561**	**12,324**	**10,597**	**(1,964)**	**(1,727)**

The table identifies a net underspend against the revised estimate of £1,727,000, some of which has been established as genuine savings. However, the majority represents slippage and expenditure has therefore currently been re-phased into 2008/09.

The main areas of slippage on non-housing items were ICT (various projects totalling £218,000) and youth sports facilities (£64,000). These were balanced by schemes that required amounts to be brought forward as they had been implemented ahead of schedule, including parking and traffic schemes (£279,000) and Bobbingworth Tip (£274,000). On the housing programme the greatest slippage was on affordable housing contributions (£500,000) and a compulsory purchase order (£378,000). There was also significant slippage in the housing programme of planned maintenance (£222,000), although this was balanced by the Springfields scheme being ahead of schedule (£124,000).

A reduction had been anticipated in the level of council house sales, as the total of 46 sold in 2006/07 was seen as exceptional. The actual sales figure of 28 was slightly lower than estimated, although this was compensated for in part by the sales prices per property being higher than budgeted. There was also the disposal of the T11 Site in 2007/08, which produced a capital receipt of £6 million. The Council has substantial capital resources available to it and given the level of these the Council is likely to remain debt free for the foreseeable future. The movements in capital resources are set out in the tables below:

Usable Capital Receipt Balances	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening Balance - 1/4/07	**23,646**	**26,425**	**26,425**	**2,779**	
Usable Receipts Arising	914	7,032	6,962	6,048	(70)
Use of Transitional Relief Receipts	0	(1,000)	(500)	(500)	500
Use of Other Capital Receipts	(5,421)	(6,580)	(6,064)	(643)	516
Closing Balance - 31/3/08	**19,139**	**25,877**	**26,823**	**7,684**	**946**

Major Repairs Reserve	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening Balance - 1/4/07	**3,010**	**5,655**	**5,655**	**2,645**	
Major Repairs Allowance	4,605	4,603	4,603	(2)	
Use of MRR	(4,239)	(4,074)	(2,968)	1,271	1,106
Closing Balance - 31/3/08	**3,376**	**6,184**	**7,290**	**3,914**	**1,106**

THE FUTURE

The disappointing outcome of the 2008/09 to 2010/11 Comprehensive Spending Review (CSR) has already been mentioned above. This outcome would have been considerably worse if the system of floors and ceilings had not been retained, this is the system which guarantees all local authorities a minimum increase and at the other end of the scale caps grant increases in any one year. For 2008/09 some £302,000 of the Council's grant is due to floor support, a reversal on 2007/08 when our grant was reduced by £189,000 to support others. This change of nearly £0.5 million highlights the unpredictability of the grant allocation mechanism, particularly as the Department for Communities and Local Government (DCLG) claimed they were not making substantial changes this time around.

Previously concern had been expressed that the Government might end the system of floors and ceilings. However, by the end of the current CSR period the Council's floor support will have fallen to £36,000 and so will be of limited significance. One glimmer of hope is that as part of the review for the next CSR the Area Cost Adjustment, a mechanism to increase allocations for authorities in high cost areas, is being re-examined.

As part of the on going efficiency requirements, Local Authorities now have a 3% annual cashable saving requirement to replace the 2.5% half cashable requirement for the previous CSR. Given the substantial gains that have already been made, these further savings will be challenging.

The Council is now settling down after a period of significant organisational change. Having had Joint Chief Executives for a number of years the Council reverted to a single Chief Executive from 1 August 2007. As part of a wider top management review the number of Heads of Service has been reduced and this has necessitated some service areas combining. This process should improve organisational efficiency and assist with the removal of waste and the duplication of effort.

Having reflected above on the appointment of the new long-term waste management contractor, it is important not to lose sight of the need to keep service provision under review. Part of the overspend on waste management in 2007/08 arose from the growth in the green waste service and the cost of the biodegradable sacks used in this service. A more cost effective means of providing this service is needed and it is hoped that it will be possible to work with the new contractor to develop a scheme that might also allow the removal of food waste from the residual waste stream.

Another major change in service took place with concessionary fares from 1 April 2008. From this date the restriction on travel outside the district or scheme boundaries was lifted so that people over 60 and the disabled are able to travel free on any local bus across England. The Government has announced specific grants throughout the CSR which they claim in total are adequate to fund these changes. However, it appears that there are winners and losers from this system and a major campaign is under way to persuade the Government to re-examine this issue.

The change to concessionary fares also represents a challenge for bus operators and it is anticipated that there will be many appeals against the funding offered by Local Authorities. In fact some appeals relating to the previous change, to free travel instead of half fare introduced on 1 April 2006, have still to be settled.

Given the above, it is clear that whilst the General Fund revenue balances are higher than anticipated they still need careful management. The current policy stipulates that the balances should not go below 25% of net budget requirement. This would allow the balances to fall to approximately £4.5 million if budget projections are to increase in line with expectations: the net budget requirement is expected to have reached £18 million by 2011/12. The current balance stands at £7.46 million. As part of the budget setting process Members considered an updated four-year strategy for the General Fund that included deficit budgets from 2009/10 onwards. This strategy suggested that the General Fund revenue balance would still exceed the required amount by the end of 2011/12. However, the implementation of the four-year strategy does require savings of £200,000 from the Continuing Services Budget in each year from 2009/10 onwards. Preliminary work has already commenced on the savings required by this strategy and the strategy will form the basis for discussions on the budget for 2009/10 and subsequent years.

Cabinet approved an updated five-year forecast for the Housing Revenue Account on 10 March 2008. Members agreed that HRA balances should be maintained within the range of £3 to £4 million, which is significantly lower than their current level of £6.2 million. In order to achieve the desired reduction additional revenue contributions to capital outlay have been planned. There is still a considerable capital programme for the HRA and the next four years will see a spend in excess of £24 million, inclusive of amounts carried forward from 2007/08. It is anticipated that the financial strength of the HRA should allow the Decent Homes Standard to be achieved ahead of the Government target of 2010.

The four-year programme of non-housing capital investment totals nearly £15 million, again inclusive of amounts carried forward from 2007/08. Corporate Support Services and ICT have the largest programme, with some £4.5 million being spent. Of which £2.2 million is available for the Customer Services Transformation Programme and £1.5 million for IT projects. The other major projects in the programme include £2 million for the Loughton Broadway town centre enhancement and £0.7 million for parking and traffic schemes.

The Council's financial strength meant it was able to deal with the collapse of the waste management contractor and the expensive interim arrangements without having to cut other services. This foreword has highlighted that despite the difficulties encountered in 2007/08 the Council has increased the considerable revenue and capital resources at its disposal. However, there has been a poor grant settlement and financial pressures could still arise from waste management, concessionary fares and other priority areas. Having put in place the updated four-year financial strategy, the savings targets for future years must be achieved to ensure the Council remains in a sound financial position.

Robert Palmer BA ACA
Director of Finance & ICT

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain 2007. The Code of Practice has been developed by the CIPFA/LASAAC Joint Committee in accordance with the Accounting Standards Board's code of practice for the development of Statements of Recommended Accounting Practice (SORPs).

The Code of Practice is based on approved accounting standards and the requirements of the latest Urgent Issue Task Force's Abstracts extant at 1 October 2007, except where these are inconsistent with specific statutory requirements, and supersedes previous Codes of Practice. The Code of Practice constitutes a 'proper accounting practice' under the terms of section 66(4) of the Local Government and Housing Act 1989.

2. ACCOUNTING CONCEPTS

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

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

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

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

3. ESTIMATION

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

4. FIXED ASSETS

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

Fixed assets were originally valued and recorded in the accounts as at 1 April 1994. These valuations were based upon certificates issued by the Council's Chief Valuer and Estates Surveyor. Additions since that date are included in the accounts at cost. Council dwellings and garages are revalued every year using Beacon Properties as the basis for valuation. Other assets are revalued as part of the Councils rolling programme under which assets are revalued over five years by District Valuer M M Catley MRICS FAAV and the Councils Principal Valuer and Estates Surveyor. A loss in value from impairment, such as obsolescence or decline in market value, is taken to the revaluation reserve. If however the impairment has been caused by the consumption of economic benefits then this is recognised in the Income and Expenditure account in the year when the impairment occurs. The valuations are based upon the facts and evidence prevailing at the date of valuation. The valuation date is 31 March 2007 for Council Dwellings.

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

STATEMENT OF ACCOUNTING POLICIES

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

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

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

Where assets are acquired under leases, the leasing rentals payable are charged to revenue. The cost of assets and the related liability for future rentals payable are not shown in the balance sheet but are disclosed in the notes. (See Note 1, Page 12).

Where a fixed asset has been disposed of, the profit or loss on disposal is applied to the Income and Expenditure account with corresponding entries to Fixed Assets and Cash/Debtors. Subsequently the income derived is credited to the Usable Capital Receipts reserve, and accounted for on an accruals basis. The profit or loss on disposal is then reversed within the Statement of Movement on General Fund Balance to neutralise the effect on the General Fund of the entry in the Income and Expenditure Account. Upon disposal, the net book value of the asset is written off against the Revaluation Reserve. (See Note 25, Page 23).

5. DEPRECIATION

In accordance with the provisions of FRS 15, assets are depreciated on a straight-line basis over their useful economic life. Buildings are depreciated over 60 years, vehicles over 7 years and other equipment over 5 years. Where a unique asset is purchased or constructed the useful life is assessed based on information available concerning that asset. The only general exceptions to this are freehold land and non-operational investment properties. Subsequent expenditure on a fixed asset that maintains or enhances the previously assessed standard of performance of the asset does not negate the need to charge depreciation.

STATEMENT OF ACCOUNTING POLICIES

6. INTANGIBLE ASSETS

Intangible Assets are payments of a capital nature where no tangible fixed asset is created but which are expected to yield future economic benefits to the Council. Software is considered an intangible asset as it fulfils the two tests above. Council policy is to capitalise such expenditure but amortise it to revenue over the useful life of the asset, in this case five years. This is a change from previous practice which was to write off the costs to revenue in the year of purchase. This better reflects the economic reality of software and represents more common practice than that previously adopted by this Authority.

The effect of this change is to reduce the Income and Expenditure Account charge when compared to the charge that would have occured under the previous policy. This though would have been countered by an additional reversal within the Statement of Movement on General Fund Balance leaving the net position on the General Fund unchanged. The effect on the Balance Sheet is to Increase the Net Assets of the Authority by the value of Intangible Assets held at 31 March 2008, the opposite entry would reduce the Balance on the Capital Adjustment Account by the same amount.

7. CAPITAL EXPENDITURE CHARGED TO REVENUE

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

The Council has also obtained capitalisation directions for additional pension contributions made during 2007/08 of £679,959 (General Fund) and £318,806 (Housing Revenue Account). These amounts have been charged to a reserve that was specifically established for this purpose.

9. REVALUATION RESERVE/CAPITAL ADJUSTMENT ACCOUNT

With effect from 31 March 2007 the Fixed Asset Restatement Account and the Capital Financing Account have been replaced by the Revaluation Reserve and a Capital Adjustment Account. On closure of these accounts the balances have been transferred to the Capital Adjustment Account, with the Revaluation Reserve balance starting from nil. Any subsequent upward revaluations have been taken to this reserve.

10. INVESTMENTS

Investments are accounted for in accordance with FRS 26, FRS 27 and FRS 29. These reporting standards prescribe the recognition, measurement and disclosure requirements in relation to Financial instruments. All the Council's Financial Assets are in the form of Loans and Receivables. Investments are therefore shown in the Balance Sheet at cost.

11. STOCKS AND STORES

Separate stores are maintained in the Fleet Operations and Building Maintenance Services. Stores are valued in the accounts at the lower of cost or net realisable value.

12. DEBTORS AND CREDITORS

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

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

13. CAPITAL RECEIPTS

Capital Receipts from the sale of assets are treated in the accounts as laid down by regulations made under the Local Government Act 2003. Under the act 75% of council house sales and 50% of other Housing Revenue Account asset sales must be paid over to a central government pool for re-distribution. If however, non right to buy receipts are used to finance further capital expenditure on affordable housing then pooling can be avoided. Transitional arrangements whereby debt free authorities could retain some of the poolable receipts ended in 2006/07. The amount that remains with the Council is credited to Usable Capital Receipts Reserve and is therefore available to fund capital expenditure.

14. GOVERNMENT GRANTS AND CONTRIBUTIONS

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other capital contribution, the amount of the grant or contribution is credited initially to the Government Grants Deferred Account. Amounts are released to the Income and Expenditure Account over the useful life of the asset, to match the depreciation of the asset to which it relates. (See Note 24, Page 22.) Grants and contributions towards deferred charges are written out directly against the relevant deferred charge within the revenue account. Grants and subsidies have been credited to the appropriate revenue and capital accounts and accruals have been made for balances known to be receivable for the year to 31 March 2008.

15. COST OF SUPPORT SERVICES AND SERVICE ADMINISTRATION

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

16. PROVISIONS

The Council sets aside provisions for specific future expenses or losses, resulting from past events which are likely or certain to be incurred, but uncertain as to the amount or the dates on which they will arise. The only provision included is for bad and doubtful debts (Note19, Page 21).

17. RESERVES

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

18. PENSIONS

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

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

h The overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 0.94% (0.74% 2006/07) lower after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 0.90% (0.64% 2006/07) lower than it would otherwise have been.

h The requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority by 5.82% (4.12% 2006/07).

STATEMENT OF ACCOUNTING POLICIES

19. INTERNAL INTEREST

Interest is credited to the Housing Revenue Account based on the level of its fund balances. The amounts are calculated using the average rate of interest on approved investments, as prescribed in the Housing Revenue Account Item 8 Credit and Item 8 Debit (general) Determinations 2007/08.

20. VALUE ADDED TAX (VAT)

VAT is included in the accounts only to the extent that it is irrecoverable from HM Revenue and Customs. VAT can only be recovered on partially exempt activities where all activities accounts for less than 5% of total VAT on all the Council's activities. The partially exempt proportion for 2007/08 was 2.42% (2.96% 2006/07).

HMRC have previously agreed the Council's method of calculation.

21. LEASES

Finance Leases : The Council has no agreements that fall to be treated as finance leases.
Operating Leases : The Council has a variety of assets under operating leases, including vehicles, vending machines and printing equipment. The leases transfer benefits of ownership without actually transferring title to the assets, and therefore in accordance with accounting practice the leased assets are not stated in the Balance Sheet. Hire purchase contracts similar to operating leases are accounted for on the same basis where applicable.
Rentals are charged to service revenue accounts on a straight line basis over the period of the lease. No provision is made for outstanding lease commitments.
Various Council assets such as HRA shops, industrial estate units, and areas of land , are let to tenants under the heading operating leases, and the fixed assets are recorded and depreciated as appropriate over their useful life. Rental income (net of cash incentives for a lessee to sign a lease) is credited to service revenue accounts on a straight line basis over the period of the lease.

22. KEY RISKS

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

Credit risk: The possibility that other parties might fail to pay amounts due to the Council.

Liquidity risk: The possibility that the Council might not have funds available to meet its commitments to make payments.

Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

23. OVERALL PROCEDURES FOR MANAGING RISK

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice, and investment guidance issued as part of the 2003 Act. The combined effect of these measures is to require the Council to manage risk in the following ways;

By formally adopting the Code of Practice. This was adopted by the Council on 22 April 2002.

By approving prudential indicators in advance of the start of each financial year in respect of the next three financial years, governing;

- The Council's level of external debt
- Its maximum and minimum exposure to fixed and variable rates
- The maturity profile of its debt portfolio
- The limits on investments fixed to terms between one and five years.

By approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

The outturn of these indicators and matters relating to the stewardship of the Treasury function are also reported to Council annually. Both reports are available for public viewing through the Council's website.

In compliance with the CIPFA Code of Practice, the Council maintains a Treasury Manual which contains practical principles for the management of the risks arising from Treasury operations.

THE INCOME & EXPENDITURE ACCOUNT

CONSOLIDATED EXPENSES	Note	2007/08 Gross Expend £000	2007/08 Income £000	2007/08 Net Expend £000	*2006/07 Net Expend £000*
Continuing Operations					
Central Services	1/2/4	10,531	8,847	1,684	*952*
Corporate and Democratic Core	1/2/3	2,832	0	2,832	*2,761*
Cultural Related	1	3,909	341	3,568	*3,882*
Environmental Services	1/5	10,514	1,600	8,914	*8,017*
Highways and Transport	1/6	2,570	1,890	680	*552*
Housing	1	28,558	27,499	1,059	*1,436*
Planning & Development	1/8	4,280	1,299	2,981	*2,808*
Past Service/Settlement Gain	36	616	0	616	*0*
Housing Revenue Account		29,893	27,616	2,277	*2,962*
NET COST OF SERVICES		93,703	69,092	24,611	*23,370*
(Gain)/Loss on disposal of fixed assets				(9)	*1,348*
Precepts paid to Parish councils				2,787	*2,582*
Total Net Surplus from Trading Operations	9			(1,453)	*(1,372)*
Interest payable and similar charges				61	*46*
Housing Capital Receipts Pool				2,588	*2,961*
Interest and Investment Income				(3,630)	*(2,853)*
Pensions Interest/Return on Investments				587	*832*
TOTAL NET OPERATING EXPENDITURE				25,542	*26,914*
AMOUNT TO BE MET FROM GOVERNMENT GRANTS & LOCAL TAXPAYERS					
Receipts from the Collection Fund				(10,285)	*(9,742)*
Transfers to / (from) the Collection Fund				(1)	*(5)*
Revenue Support and other General Grants				(1,835)	*(2,312)*
Distribution from the Non-Domestic Rate Pool				(7,845)	*(7,231)*
DEFICIT FOR YEAR				5,576	*7,624*

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

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

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

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

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

	Note	2007/08 £'000s	*2006/07* *£'000s*
INCREASE IN THE GENERAL FUND BALANCE			
Deficit for the year on the Income and Expenditure Account		**5,576**	***7,624***
Net additional credits	**12**	**(6,277)**	***(7,929)***
Surplus for the year		**(701)**	***(305)***
General Fund Balance brought forward		**(6,761)**	***(6,456)***
General Fund Balance carried forward		**(7,462)**	***(6,761)***

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in it's net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits. (Note 36, page 26) Other gains and losses are made up of the change in the collection fund balance which represents the amount attributable to this council, and the change in value of deferred capital receipts under the rents to mortgages scheme.

	31 March 2008 **£000**	***31 March 2007*** ***£000***
(Deficit) on the Income/Expenditure Account	**(5,576)**	***(7,624)***
Surplus arising on revaluation of Fixed Assets	**53,439**	***28,571***
Actuarial gains/(losses) on Pension Fund Assets/Liabilities	**(14,583)**	***6,397***
Other gains	**565**	***145***
Total recognised gains and losses	**33,845**	***27,489***

BALANCE SHEET

	Note	31 March 2008 £000	31 March 2008 £000	*31 March 2007 £000*	*31 March 2007 £000*
LONG TERM ASSETS					
Fixed Assets	13		691,324		*648,277*
Intangible Assets	14		366		*0*
Investments	16		10,124		*13,124*
Long Term Debtors	17		2,161		*2,009*
TOTAL LONG TERM ASSETS			703,975		*663,410*
Current Assets					
Stocks and Work in progress	18	281		*311*	
Debtors	19	7,647		*5,926*	
Short Term Temporary Investments		47,250		*40,000*	
Cash at Bank and in Hand		2,375	57,553	*1,686*	*47,923*
Current Liabilities					
Creditors and Prepayments	20	(10,665)		*(8,500)*	
Bank Overdraft		(188)	(10,853)	*(502)*	*(9,002)*
TOTAL ASSETS LESS CURRENT LIABILITIES			750,675		*702,331*
Deferred Revenue Income	22		(544)		*(861)*
Pensions Liability	36		(43,416)		*(28,702)*
Capital Contributions Deferred	23		(165)		*(377)*
Government Grants Deferred	24		(4,000)		*(3,686)*
TOTAL ASSETS LESS LIABILITIES			702,550		*668,705*
RESERVES					
Revaluation Reserve	25		43,965		*0*
Capital Adjustment Account	27		642,277		*643,144*
Usable Capital Receipts	28		26,823		*26,425*
Pensions Reserve			(43,416)		*(28,702)*
Major Repairs Reserve	9(HRA)		7,290		*5,655*
Earmarked Reserves	29		10,311		*8,648*
Revenue Balances	30		13,699		*12,444*
Deferred Capital Receipts	31		1,601		*1,091*
			702,550		*668,705*

I certify that the Statement of Accounts presents fairly the financial position of Epping Forest District Council as at 31 March 2008, and its income and expenditure for the year ended as at that date.

ROBERT PALMER BA ACA
DIRECTOR OF FINANCE AND ICT

26 June 2008

THE CASH FLOW STATEMENT

		Note	31 March 2008 £000	31 March 2008 £000	*31 March 2007 £000*	*31 March 2007 £000*
REVENUE ACTIVITIES						
Out	Cash paid to and on behalf of Employees		20,253		*19,185*	
	Other Operating Cash Payments		22,975		*23,664*	
	Housing Benefit Paid Out		12,298		*11,524*	
	National Non-Domestic Rate Payments to National Pool		26,742		*27,153*	
	Precepts Paid		66,235		*62,641*	
	HRA Subsidy payable		8,842		*8,229*	
	Payments to Capital receipts Pool		3,096		*2,590*	
				160,441		*154,986*
In	Rents (after Rebates)		17,892		*17,245*	
	Council Tax Receipts		66,341		*63,296*	
	National Non-Domestic Rate Receipts from National Pool		7,881		*7,232*	
	Non-Domestic Rate Income		26,913		*27,408*	
	Revenue Support Grant		1,317		*1,401*	
	DWP Grants for Benefits		33,809		*32,073*	
	Other Government Grants	47	1,760		*1,704*	
	Cash Received for Goods and Services		5,020		*7,168*	
	Poolable Receipts received		2,588	163,521	*2,961*	*160,488*
	Net Cash Flow from Revenue Activities	46		(3,080)		*(5,502)*
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE						
Out	Interest Paid		48		*4*	
In	Interest Received		3,604	3,556	*2513*	*2,509*
	Net Cash Flow from Investments and Servicing of Finance			(3,556)		*(2,509)*
CAPITAL ACTIVITIES						
Out	Purchase of Fixed Assets		8,614		*8,876*	
	Purchase of long term investments		0		*8,000*	
	Other Capital cash Payments		0	8,614	*630*	*17,506*
In	Sale of Fixed Assets and Repayment of Mortgages		6,957		*9,748*	
	Capital Grants Received	47	180		*774*	
	Repayments of Long Term Investments		3,000			
	Other Capital Cash Income		94	10,231	*707*	*11,230*
	Net Cash Flow from Capital Activities			(1,617)		*6,277*
MANAGEMENT OF LIQUID RESOURCES						
	Net Increase/(Decrease) in short-term deposits	48		7,250		*2,000*
FINANCING						
	Repayment of Amounts Borrowed			0		*0*
	Net (Increase)/Decrease in Cash	49		(1,003)		266

NOTES TO THE CORE FINANCIAL STATEMENTS

1. OPERATING LEASES

Leasing rentals are charged to service revenue accounts .

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

	2007/08 £`000	***2006/07 £`000***
Cars	295	337
Operational Vehicles	55	188
Printing Equipment	6	6
Vending Equipment	5	5
Total	**361**	***536***

The Council is committed to making payments of **£208,000** in 2008/09 made up as follows.

	Land & Buildings £`000	**Vehicles & Equipment £`000**	**Total £`000**
Leases expiring in 2008/2009	0	59	59
Leases expiring between 2009/2010 and 2013/2014	0	149	149
Total	**0**	**208**	**208**

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

Assets Leased to Third Parties	**2007/08 £`000**	***2006/07 £`000***
Land & Buildings		
Shops	1,634	*1,543*
Industrial & Commercial	902	*919*
Other	1,445	*1,492*
Total Rental Receivable	**3,981**	***3,954***

Gross Amount of Assets held for use in operating leases.

	2007/08 £`000	***2006/07 £`000***
Land & Buildings		
Shops	16,543	*12,952*
Industrial & Commercial	12,010	*16,539*
Other	12,246	*12,120*
Total Assets	**40,799**	***41,611***

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

NOTES TO THE CORE FINANCIAL STATEMENTS

2. PUBLICITY ACCOUNT

Under Section 5 of the Local Government Act 1986, all authorities are required to maintain a memorandum publicity account where expenditure exceeds £3,000. The expenditure on publicity incurred in 2007/08 is shown below.

	2007/08 £000	***2006/07 £000***
General Advertising	25	*42*
Recruitment Advertising	85	*113*
Council Website	103	*92*
Other Publicity - including the Council's Forester Magazine	186	*220*
Total	**399**	***467***

3. MEMBER ALLOWANCES AND OFFICER REMUNERATION

Member allowances, including expenses, totalled £220,330 in 2007/08 (£227,762 in 2006/07).

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

	2007/08		***2006/07***	
Remuneration Band	**Number of Employees**	**Left in Year**	***Number of Employees***	***Left in Year***
£50,000 - £59,999	9	-	*5*	-
£60,000 - £69,999	4	-	*6*	-
£70,000 - £79,999	3	1	*1*	-
£80,000 - £89,999	-	-	-	-
£90,000 - £99,999	-	-	-	-
£100,000 - £109,999	-	1	-	-
£110,000 - £119,999	-	-	*2*	-
£120,000 - £129,999	-	-	-	-
£130,000 - £139,999	1	-	-	-

4. AUDIT COMMISSION FEES

The following external audit fees have been paid to the Audit Commission and PKF.

	2007/08 £000	***2006/07 £000***
External audit services in accordance with section 5 of the Audit Commission Act 1998	136	*124*
Statutory inspection under section 10 of the Local Government Act 1999	0	*0*
Certification of grant claims and returns under section 28 of the Audit Commission Act 1998	56	*44*
Total	**192**	***168***

5. AGENCY AND CONTRACTED SERVICES

An agency arrangement was entered into between the Council and the Environment Agency in respect of the maintenance of the Critical Ordinary Watercourses (COWS) within the district. Expenditure of £68,000 was incurred during 2007/08 (£100,000 2006/07), which was fully reimbursed.

NOTES TO THE CORE FINANCIAL STATEMENTS

6. LOCAL AREA AGREEMENT (LAA)

The Council is a participant in a LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08 the LAA completed the second year of its three year agreement.

The purpose of the LAA is:

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

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

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

At the County level the members consist of :-

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

Locally, the Epping Forest Local Strategic Partnership (EFLSP), in which the District Council plays a significant role, is the body responsible for the overall achievement of the aspirations of the LAA in the Epping Forest District. The Epping Forest Local Strategic Partnership comprises a range of statutory and voluntary agencies to include the West Essex PCT, Essex Police, Fire and Ambulance, the Education and Business Sectors, County Council and Epping Forest Voluntary Action.

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

Essex County Council acts as the accountable body for the LAA. This means that they are responsible for the distribution of the grant paid by the Government Office to the partners involved. The total amount of LAA performance award grant received by the accountable body in 2007/08 is £14,845,141.

The EFLSP received grant funding of £143,473, £34,208 for capital purposes and £109,265 for revenue purposes. The Council acts as an agent of the partnership ensuring that grant monies are used in accordance with the wishes of the partnership as a whole. The only amounts included within the Income and Expenditure account relate to the purchase of the Anti Social Behaviour database for which the Council received a grant of £8,900.

7. SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972 (as amended by the Local Government Act 2000) enables this Local Authority to spend up to £234,650 for the benefit of people in their area on activities or projects not specifically authorised by other powers. Expenditure amounts to £127,630 in 2007/08 (£124,120 in 2006/07). This was expended on grant aid to charities and non profit making bodies.

8. BUILDING CONTROL CHARGES

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

	2007/08 £000	*2006/07 £000*
Expenditure		
Employee Costs	328	*312*
Premises	0	*1*
Transport	18	*14*
Supplies & Services	84	*34*
Central & Support Service charges	219	*240*
Asset Rentals	2	*2*
Total Expenditure	***651***	***603***
Income		
Building Regulation Charges	621	*550*
Other Income	0	*12*
Total Income	***621***	***562***
Surplus/(Deficit) for the Year	**(30)**	***(41)***
Balance B/Fwd	15	*56*
Balance C/Fwd	**(15)**	***15***

9. TRADING OPERATIONS

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

Industrial Estates & Other	2007/08 £000	*2006/07 £000*
Income	1,019	*1,013*
Expenditure	107	*107*
Surplus	**912**	***906***
North Weald Centre		
Income	1,389	*1,241*
Expenditure	848	*775*
Surplus	**541**	***466***
Total Surplus	**1,453**	***1,372***

10. MINIMUM REVENUE PROVISION (MRP)

The Capital Financing Requirement (CFR) is negative at 31 March 2008. As a result no MRP has been made.

NOTES TO THE CORE FINANCIAL STATEMENTS

11. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties (bodies or individuals that have the potential to control or influence the Council or to be controlled by the Council). During 2007/2008 the most significant related party transactions have been with government departments and precepting bodies (including parish councils). Details of financial transactions with these bodies are disclosed in the Income and Expenditure Account, Collection Fund and Cash Flow Statement, and associated notes. Other material related party transactions for 2007/2008 which are not fully disclosed elsewhere in the Statement of Accounts were as follows.

	2007/08		***2006/07***	
	£'s	**£'s**	***£'s***	***£'s***
	Receipts	**Payments**	***Receipts***	***Payments***
Transactions with organisations related by a declared interest of Council Members or Senior Council Officers.				
Citizens Advice Bureau		107,840		*105,060*
Grants to Voluntary Organisations		127,630		*123,720*
Essex Women's Refuge		16,441		*16,048*
Voluntary Action Epping Forest	10,100	32,360	*10,100*	*46,380*
Epping Forest Crime & Disorder Reduction Partnership	143,473	143,358	*151,697*	*150,538*
Various groups in the District relating to Safer Community project payments		45,618		*25,152*
Local Government Association		5,993		*11,609*
Association of Essex Councils		0		*2,050*
East of England Local Government Conference		12,638		*12,423*
CIPFA		3,875		*3,780*
Waltham Abbey Tourist Information Centre		15,000		*15,000*
Various Hotels - Bed & Breakfast Accommodation for the homeless		151,240		*341,238*
Essex Wild Life Trust		25,530		*25,530*
Essex Police - Community Support		81,000		*79,751*

12. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

	2007/08 £ '000's		*2006/07 £ '000's*	
AMOUNTS TO BE EXCLUDED				
Reversal of General Fund Depreciation	**(1,343)**		***(1,112)***	
Excess of depreciation charged to HRA services over the MRA element of Housing Subsidy	**(3,954)**		***(3,239)***	
Deferred Charges and Intangibles	**(740)**		***(1,633)***	
Grants released	**119**		***252***	
Net gain/(loss) on disposal of fixed assets	**9**		***(1,346)***	
Difference on Pension Calculations	**(3,708)**		***(3,425)***	
		(9,617)		***(10,503)***
AMOUNTS TO BE INCLUDED				
Employers contributions payable to the pension fund	**3,577**		***3,379***	
Less Capital direction received	**(999)**		***(529)***	
	2,578		***2,850***	
Leaseholder contributions	**0**		***149***	
Capital expenditure charged to Housing Revenue Account balance	**2,628**		***2,388***	
Transfer from usable capital receipts equal to the amount payable into the Housing Receipts Pool	**(2,588)**		***(2,961)***	
		2,618		***2,426***
TRANSFERS				
Transfers of surplus for the year on Housing Revenue Account	**569**		***33***	
Transfer to Housing Repairs Fund	**460**		***173***	
Transfer to/(from) other reserves	**(307)**		***(58)***	
		722		***148***
		(6,277)		***(7,929)***

NOTES TO THE CORE FINANCIAL STATEMENTS

13. MOVEMENT OF FIXED ASSETS 2007/08

Movements during the year were as follows:

	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Non-Operational Properties	Total
	£000	£000	£000	£000	£000	£000	£000
Gross Book Value							
31 March 2007	584,370	45,269	13,559	11,446	1,053	43,292	698,989
Reclassified	0	(24)	0	40	0	(16)	0
Restated	0	0	0	0	0	0	0
Re-valued	47,002	0	0	0	0	3,814	50,816
Value							
1 April 2007	631,372	45,245	13,559	11,486	1,053	47,090	749,805
Revalued in year	1,149	0	13	0	0	1,461	2,623
Deletions	0	0	0	0	0	0	0
Additions	3,916	3	2,443	1,011	1,274	335	8,982
Disposals	(3,430)	0	(33)	0	0	(6,061)	(9,524)
Reclassified in year	0	64	500	25	0	(589)	0
Gross Book Value							
31 March 2008	633,007	45,312	16,482	12,522	2,327	42,236	751,886
Depreciation							
1 April 2007	41,766	2,611	3,789	2,542	4	0	50,712
Depreciation in Year	8,027	557	992	324	0	0	9,900
Depreciation on Assets							
Sold	(30)	0	(20)	0	0	0	(50)
Depreciation							
31 March 2008	49,763	3,168	4,761	2,866	4	0	60,562
Net Book Value							
31 March 2008	583,244	42,144	11,721	9,656	2,323	42,236	691,324
Net Book Value							
31 March 2007	*542,604*	*42,658*	*9,770*	*8,904*	*1,049*	*43,292*	*648,277*

The only significant land sale occurring during 2007/08 related to the T11 site at Langston Road, the balance sheet value of which was £6.050 million, and is shown as a disposal under the heading Non Operational Assets.

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

Capital Expenditure on:	**£000**	**Financed by:**	**£000**
Council Dwellings	3,916	Capital Receipts	2,998
Environmental & Flooding Works	1,472	Revenue	2,628
Plant & Equipt in Council Dwellings	1,419	Major Repairs Reserve	2,959
Vehicles and Equipment	926	Grants	397
Highways and Footpaths	711		
Town Centre Enhancements	258		
Information Technology	163		
North Weald Airfield	84		
Leisure Facilities	13		
Shopping Parades	5		
Other	15		
Total	8,982		8,982

NOTES TO THE CORE FINANCIAL STATEMENTS

MOVEMENT OF FIXED ASSETS 2007/08 (CONTINUED)

Fixed assets owned by the Council include the following:

	Number as at 31 March	
	2008	***2007***
HRA Properties		
Council Dwellings		
(including 50 hostel	6,599	*6,627*
Council Garages	2,817	*2,839*
Hostels (50 units)	1	*1*
Operational Land and Buildings		
Civic Offices	1	*1*
Other Offices	3	*3*
Sports Centres	3	*3*
Swimming Pools	1	*1*
Depots	4	*4*
Surface Car Parks	13	*13*
Cemeteries	0	*0*
Museum	1	*1*
Gymnasium	1	*1*
Plant Nursery	1	*1*
Playgrounds	19	*19*
Public Conveniences	8	*8*
Operational Equipment		
Plant and Vehicles	86	*75*
Investment Properties		
Commercial Properties	148	*148*
Industrial Estates	4	*4*
Recreational Airfield	1	*1*
Surplus Land Holdings	3	*4*
Community Assets		
Community Halls	9	*9*

Capital expenditure and financing	31 March	
	2008	***2007***
Opening Capital Financing Requirement as at 1 April	(784)	*(784)*
Capital Investment:		
Fixed Assets	8,982	*8,893*
Deferred Charges	1,250	*1,465*
Intangibles	366	*142*
Sources of Finance:		
Capital Receipts	(4,064)	*(4,735)*
Governments Grants and Other Contributions	(938)	*(1,193)*
Revenue Provision	(5,596)	*(4,572)*
Closing Capital Financing Requirement as at 31 March	*(784)*	*(784)*

NOTES TO THE CORE FINANCIAL STATEMENTS

14. INTANGIBLE ASSETS

Intangible assets are identifiable assets with no physical substance which are expected to yield future economic benefits to the Council. All expenditure relates to the purchase of software licences. Previous practice was to write these off in the year of purchase. From 2007/08 it is Council policy to write intangible assets off over their useful economic life, as a result, there is no charge in the current year. Amortisation of these assets will take place over five years following the year of purchase.

	31 March 2008 £000	31 March *2007 £000*
Balance as at 1 April	0	*0*
Amounts amortised to Revenue	0	*(142)*
Expenditure	366	*142*
Balance as at 31 March	**366**	***0***

15. DEFERRED CHARGES & OTHER DELETIONS

Deferred charges are expenditure items of a capital nature where the Council does not control the economic benefits arising form payment. The Councils expenditure on deferred charges is in respect of private sector renewal grants and a housing association grant to enable the refurbishment of former Council owned sheltered units and some other minor non-Council asset creation.

The movements in the accounts during 2007/08 are summarised below.

		31 March 2008 £000	31 March *2007 £000*
Balance as at 1 April		0	*0*
Expenditure			
	Private Sector Housing Grants	435	*521*
	Affordable Housing Grant	745	*0*
	Other General Fund Expenditure	68	*130*
	Other HRA Expenditure	2	*966*
Capital Grants Applied		(188)	*(126)*
Amounts amortised to Revenue		(1,062)	*(1,491)*
Balance as at 31 March		**0**	***0***

16. INVESTMENTS

The Council's cash investments are fixed term deposits through the money market, and are classified as loans and receivables.

	31 March 2008 £000	31 March *2007 £000*
Long term cash investments	10,000	*13,000*
Local Government Association Debenture	120	*120*
Central Government War and Insurance Stock	4	*4*
Total Long Term Investments	**10,124**	***13,124***

17. LONG TERM DEBTORS

	31 March 2008 £000	31 March *2007* *£000*
Mortgages	134	*202*
Rents to Mortgages	1,467	*890*
Central Government	1	*333*
Other Local Authorities - Transferred Debt	559	*584*
Total Long Term Debtors	**2,161**	**2,009**

18.STOCKS AND WORK IN PROGRESS

	31 March 2008 £000	31 March *2007* *£000*
Work in Progress	123	*110*
Stocks	158	*201*
Total Stocks	**281**	***311***

19.DEBTORS AND PREPAYMENTS

	31 March 2008 £000	31 March *2007* *£000*
Amounts falling due in one year		
Government Departments and Other Local Authorities	556	*1,371*
Council Tax Arrears	2,903	*2,683*
Non Domestic Ratepayers Arrears	726	*624*
Housing Rent Arrears	855	*890*
Sundry Debtors	5,624	*2,880*
Prepayments	243	*332*
Financial Institutions	903	*834*
Others	4	*7*
	11,814	***9,621***
Less Provision for Bad and Doubtful Debts	(4,167)	*(3,733)*
	7,647	*5,888*
Amounts falling due after one year	0	*38*
Total Current Debtors	**7,647**	***5,926***

20. CREDITORS

	31 March 2008 £000	31 March *2007* *£000*
Government Departments and Other Local Authorities	1,211	*1,544*
Council Tax	980	*930*
Non Domestic Ratepayers	242	*446*
Housing Rents	192	*138*
Deferred Income	745	*812*
Sundry Creditors	3,310	*3,325*
Accruals	3,985	*1,305*
Total Creditors	**10,665**	***8,500***

Included within creditors is £3,000 (£3,000 in 2006/07) relating to Waltham Abbey Tourist Information Centre and £5,106 (£5,106 in 2006/07) relating to Essex Wildlife Trust, both of which fall within the definition of related parties.

21. EXTERNAL BORROWING

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

22. DEFERRED REVENUE INCOME

	31 March 2008 £000	31 March *2007* *£000*
Deferred Revenue Receipts	1	*333*
Revenue Commuted Sums	543	*528*
Total Deferred Revenue Income	**544**	***861***

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

23.CAPITAL CONTRIBUTIONS DEFERRED

	31 March 2008 £000	31 March *2007* *£000*
Balance as at 1 April	377	*419*
Contributions Arising	95	*206*
Contributions applied	(329)	*(263)*
Interest Received	22	15
Balance as at 31 March	**165**	**377**

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

24.GOVERNMENT GRANTS AND CONTRIBUTIONS

	31 March 2008 £000	31 March *2007* *£000*
Balance as at 1 April	3,686	*3,020*
Grants Receivable	433	*918*
Written off to Service Accounts	(119)	*(252)*
Balance as at 31 March	**4,000**	***3,686***

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

25. REVALUATION RESERVE

The Balance Sheet figures as at 31 March 2007 have been adjusted from those included in the 2006/07 Statement of Accounts to accommodate the implementation of the Revaluation Reserve (see accounting Policies note 9). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). A credit balance of £566m existed on the FARA, this has been transferred on 31 March 2007 to the newly formed Capital Adjustment Account. The Revaluation Reserve has therefore been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve as at 31 March 2008 only shows revaluation gains that have occurred since 1 April 2007.

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

	31 March	
	2008	***2007***
	£000	***£000***
Balance as at 1 April	0	*0*
Revaluations during the year (see also note 13)	53,439	*0*
Disposal of Fixed Assets (see also note 13)	(9,474)	*0*
Creation of Reserve	0	*0*
Balance as at 31 March	**43,965**	***0***

26. FIXED ASSET RESTATEMENT ACCOUNT

This account was closed on 31 March 2007 when the Revaluation Reserve and the Capital Adjustment Account was created. The balance that existed on the Fixed Asset Restatement Account was transferred to the Capital Adjustment Account on that date.

	31 March	
	2008	***2007***
	£000	***£000***
Balance as at 1 April	0	*553,565*
Revaluations during the year (see also note 13)	0	*22,290*
Restatements during the year (see also note 13)	0	*6,281*
Disposal of Fixed Assets (see also note 13)	0	*(15,301)*
Transfer to Capital Adjustment Account	0	*(566,835)*
Balance as at 31 March	**0**	***0***

27. CAPITAL ADJUSTMENT ACCOUNT

The Capital Financing Account became the Capital Adjustment Account on 31 March 2007. The credit balance on the Fixed Asset Restatement Account (FARA) was transferred here on closure and the account name was amended at that point in time. The Account also contains the amounts that are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to the revenue accounts to repay the principal element of external loans.

The movements on the Capital Adjustment Account are shown below:

	31 March	
	2008	***2007***
	£000	***£000***
Balance as at 1 April	643,144	*77,112*
Minimum Revenue Provision Adjustment:		
Deferred Grants	119	*252*
Depreciation	(9,900)	*(8,878)*
Deferred Charges etc written off in Year (Net)	(1,250)	*(1,633)*
Capital Financing		
Capital Receipts Applied	4,064	*4,735*
Revenue Contributions Applied	2,628	*2,388*
Major Repairs Reserve Applied	2,968	*2,184*
Other	504	*149*
Transfer form former Fixed Asset Restatement	0	*566,835*
Balance as at 31 March	**642,277**	***643,144***

28. USABLE CAPITAL RECEIPTS UNAPPLIED

	31 March	
	2008	***2007***
	£000	***£000***
Balance as at 1 April	26,425	*20,073*
Usable Capital Receipts arising in year	9,550	*14,048*
Usable Capital Receipts applied in year	(4,064)	*(4,735)*
Transfer to Pension Deficit Reserve	(2,500)	*0*
Capital Receipts Pooled	(2,588)	*(2,961)*
Balance as at 31 March	**26,823**	***26,425***

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

29. EARMARKED RESERVES

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

	1 April 2007	**Transfers in**	**Transfers Out**	***31 March 2008***
	£000	**£000**	**£000**	***£000***
Housing Repairs Reserve	3,248	5,700	(5,240)	3,708
District Development Fund	3,181	1,876	(2,141)	2,916
Pension Deficit Reserve	1,145	2,500	(998)	2,647
Insurance Reserve	981			981
Debenture Reserve	120			120
Building Control Charging A/C	15		(30)	(15)
On Street Parking	(51)		(6)	(57)
Museum Fund	4	1		5
Small Loans Fund	5	1		6
Total Earmarked Reserves	**8,648**	**10,078**	**(8,415)**	**10,311**

NOTES TO THE CORE FINANCIAL STATEMENTS

30. REVENUE BALANCES

	31 March 2008 £000	2007 £000
General Fund	7,462	*6,761*
Housing Revenue Account	6,201	*5,632*
Collection Fund	36	*51*
Total Revenue Balances	**13,699**	***12,444***

31. DEFERRED CAPITAL

	31 March 2008 £000	2007 £000
Rents to Mortgages	1,467	*889*
Sale of Council Houses	134	*202*
	1,601	***1,091***

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

32. TRUST FUNDS

The Council acts as sole trustee for a Charity which does not represent assets of the Council, and has not been included in the Consolidated Balance Sheet. In addition to the direct financial support from the Council shown below, the Charity benefits from local voluntary work.

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

	Year to 31 March 2008		As at 31 March 2008	
	Direct Income £	**Direct Expenditure £**	**Assets £**	**Liabilities £**
Chigwell Row Recreation Ground	40,628	40,628	53,068	0
Buckhurst Hill Open Space			0	0

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

33. ANALYSIS OF NET ASSETS EMPLOYED

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

	31 March 2008 £000	2007 £000
General Fund	90,304	*85,955*
Housing Revenue Account	612,246	*582,750*
Total	**702,550**	***668,705***

34. CAPITAL COMMITMENTS

The Council has entered into two contracts where at 31 March 2008 there remains significant outstanding capital commitments:-

(1) The Construction of a town centre enhancement scheme at the Broadway in Loughton a commitment of around £2.0 m existed.
(2) A refurbishment scheme at Springfields, Waltham Abbey a commitment of around £3.0 m existed.

35.CONTINGENT GAINS

The Council has a claim for VAT with Customs and Excise relating to off street parking charges resulting from the Isle of Wight tribunal case where it was concluded that off street car parking activities are within article 4.5 and in principle excluded from charges to VAT. The claim amounts to £412,091.21, with a further claim of £896,605.20 going back to January 1990. A stand over application is currently with the VAT and Duties Tribunal pending the judgement of the European Court of Justice in the case of the Isle of Wight Council and others.

36. PENSIONS

Employees of Epping Forest District Council are admitted to the Essex County Council Pension Fund ("the Fund"), which is administered by the Essex County Council under the Regulations governing the Local Government Pension Scheme, a defined benefit scheme.
The Essex County Council Pension Fund is a funded scheme meaning that the authority and employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with investment assets.

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

The figures disclosed below have been derived from a re-assessment of the assets and liabilities as a result of an interim actuarial valuation of the Fund carried out by the Fund's Actuary as at 31 March 2008. The approach to calculating the FRS17 figures in between full actuarial valuations is approximate in nature. The approach adopted by the Actuary follows the CIPFA guide FRS17.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Essex County Council Local Government Pension Scheme	
	2007/08 £000	***2006/07 £000***
Net Cost of Services		
Current Service Cost	*(2,231)*	*(2,594)*
Past Service Cost	*(808)*	*0*
Curtailment Loss	*(82)*	*0*
Net Operating Expenditure		
Interest Cost	*(5,979)*	*(5,463)*
Expected Return on Assets	*5,392*	*4,631*
Amounts to be met from Government Grants & Local Taxation		
Movement on Pension Reserve	*131*	*47*
Actual Amount Charged against Council tax for pensions in year including additional benefits	*3,577*	*3,379*
Employers contributions payable to the scheme	***(3,577)***	***(3,379)***

The employer's contributions certified by the actuary to the Fund in respect of the period 1 April 2005 to 31 March 2008 are 171% of members (employees) contributions plus lump sum payments of £1.675m (in 2005/06 terms), £1.747m (in 2006/07 terms) and £1.822m (in 2007/08 terms). The projected deficit payments include an allowance for two years salary increases since 31 March 2004 of 4.3%. There were no creditors relating to pension fund contributions at year end.

In 2007/08 the Council paid an employer's contribution of £3.188m representing 23.66% of employee's pensionable pay into Essex County Council's Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation. The results of the 2007 review as at 31 March 2007 were implemented with effect from 1 April 2008. The Actuary has advised that the scheme was still under funded and that deficiency contributions were required from all participating authorities. The sum required from this authority, included in the above contributions, was £1,821,765 for 2007/08 (£1,746,659 for 2006/07).

Contributions paid by employees into the Essex County Council Pension Fund in 2007/08 amounted to £802,439 representing 5.95% of employee's pension able pay.

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2007/08 these amounted to £315,930 representing 2.34% of pension able pay. Additional early retirement costs due to redundancy amounted to £72,453, representing 0.54% of pensionable pay.

The main financial assumptions adopted as at 31 March 2008 were:

h Retail price inflation	3.6% per annum
h Increases in salaries	5.1% per annum
h Increases in pensions and deferred pensions	3.6% per annum
h Discount rate	6.1%

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

	As at 31 March 2008		*As at 31 March 2007*	
	Fair value £m	**Expected Return %**	***Fair value £m***	***Expected Return %***
Equities	2,224	7.50	*2,046*	*7.50*
Gilts	298	4.60	*292*	*4.70*
Other Bonds	209	6.10	*186*	*5.40*
Property	339	6.50	*369*	*6.50*
Cash/Liquidity	98	5.25	*59*	*5.25*
Total	3,168		*2,952*	

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

	31 March 2008 £m	***31 March 2007 £m***
The fair value of the above assets related to this Council was	76.9	*82.5*
The value placed on the liabilities related to this Council was	(120.3)	*(111.2)*
Consequently, at 31 March, the deficiency related to this Council was	(43.4)	*(28.7)*

The movement in the net pension deficiency for the year to 31 March 2008 is as follows:

	2008 £m	***2007 £m***
Net pensions liability at 1 April 2007	(28.7)	*(35.1)*
Movements in the current year		
Current service cost	(2.2)	*(2.6)*
Employers' contributions payable to scheme	3.6	*3.4*
Settlement and curtailment loss	(0.8)	*0.0*
Past service cost	(0.1)	*0.0*
Interest cost	(6.0)	*(5.5)*
Expected return on assets in the scheme	5.4	*4.7*
Actuarial gain/(loss)	(14.6)	*6.4*
Net pensions liability at 31 March 2008	(43.4)	*(28.7)*

The actuarial asset gain can be analysed into the following categories, measured as absolute amounts and as a percentage of assets at 31 March 2008:

	2007/08 £m	**2007/08 %**
Differences between the expected and actual return on assets	**(8.9)**	**12.6**
Differences between actuarial assumptions about liabilities and actual experience	**1.9**	**1.6**
Changes in the demographic and financial assumptions used to estimate liabilities	**(7.6)**	**6.3**
	(14.6)	

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

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

The primary cause of the change from an estimated net pension liability of £28.7m at 31 March 2007 to an estimated net pension liability of £43.4m at 31 March 2008 has been an actuarial loss arising from a change in assumptions relating to assets and liabilities, and an asset loss arising from a significant worse than assumed investment performance for the year.

The £43.4m net liability represents the difference between the value of the Council's pension fund assets at 31 March 2008 and the estimated present value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1 April 2008 would also have an impact on the capital value of the pension fund assets.

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in the 2004 actuarial review of the Pension Fund, and more recently in the 2007 review. The anticipated shortfall in the funding of the scheme has determined the future level of pension contributions which will be due in between triennial valuations.

Changes to the Local Government Pension Scheme.

The provisions of the Local Government Pension Scheme were changed during 2007/08, following the introduction of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, together with other supplementary sets of Regulations.The Regulations most significantly introduce a "new look" LGPS with effect from 1 April 2008. The changes mainly affect benefits accruing and member contributions from 1 April 2008 onwards with the result that employer`s current service costs will change from that date. Previous changes to the Local Government Pension Scheme in 2005/06 permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment in exchange for a reduction in their future annual pension. The actuaries initially made assumptions that 50% of members would take up this option, which would reduce the employers pension costs. The actuaries are retaining this assumption for 2007/08. Other changes to the LGPS following the introduction of the LGPS (Amendment) regulations 2006 and the LGPS (Amendment) (No 2) Regulations 2006, related to the removal of the Rule of 85 retirement provisions with effect from April 2008.

In order to continue to fund the increased employers contributions as a result of the 2004 triennial valuation, a capitalisation direction was applied for in 2007/08 to the value of £998,765 (£679,959 General Fund, £318,806 HRA). The direction issued by the Department for Communities and Local Government was for the full amount applied for. In 2006/07 the direction issued was for £528,202 in total which was 57% of the amount applied for. The remaining General Fund element (£269,227) was funded from the Pension Reserve, and the remaining HRA element (£126,230) was funded from HRA revenue sums appropriated to the Pensions Deficit Reserve (£20,520) and the HRA working balance (£105,710).

The 2007 Actuarial Valuation has produced new funding levels for the years 2008/09, 2009/10 and 2010/11. The deficit contribution, will be £1,795,590 for 2008/09, £1,769,416 for 2009/10 and £1,743,241 for 2010/11. The ongoing contribution level will be 11.1% for 2008/09, 12.1% for 2009/10 and 13.1% for 2010/11. This represents a phased increase option as opposed to a full increase. The levels for 2007/08 are 10.21% for the ongoing contribution, and £1,821,765 for the deficit contribution. The increase of 1% in ongoing contributions relates to the amended LGPS from 1 April 2008, increases in life expectancy, and a fall in Bond yields.

37. CONTINGENT LIABILITIES

An investigation into utility supplies to certain areas of council housing has highlighted inconsistencies in billing arrangements. The exact amounts and the numbers of properties involved is unclear at the moment, as is the extent of any liability on the Council. If the Council is found to be liable it is unlikely that this liability will exceed £120,000.

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

A former employee has issued a claim against the Council and his other previous employers for exposure to asbestos. The Council's share of any settlement is unlikely to exceed £100,000. It is anticipated that any costs borne by the Council will ultimately be recoverable from either the current insurers, or the insurers at the time of the claimant's employment. The issue of cover in asbestos cases is being disputed between the two insurers and a number of Local Authorities.

38. POST BALANCE SHEET EVENTS

There were no Post Balance Sheet Events.

39. MOVEMENT ON RESERVES

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

	Balance 1 April 2007 £000	Net Movement in Year £000	Balance 31 March 2008 £000	Purpose of Reserve	Further Details of Movements
Revaluation Reserve	0	43,965	43,965	Store of gains on revaluation of fixed assets	Note 24 above
Capital Adjustment Account	643,144	(867)	642,277	Store of Capital resources set aside to meet past expenditure	Note 25 above
Major Repairs Reserve	5,655	1,635	7,290	Resources available to meet future running costs for council houses	HRA Statements Note 9
Usable Capital Receipts	26,425	398	26,823	Proceeds of fixed asset sales available to meet future capital investment	Note 26 above
General Fund	6,761	701	7,462	Resources available to meet future running costs for non-housing services	Statement of Movement on General Fund Balance
Collection Fund	51	(15)	36	The net surplus/(deficit) retained from Council Tax receipts	The Collection Fund Statement
Pensions Reserve	(28,702)	(14,714)	(43,416)	Balancing account to allow inclusion of Pensions Liability in Balance Sheet	Note 34 above
Housing Revenue Account	5,632	569	6,201	Resources available to meet future running costs for council houses	Statement of movement on Housing Revenue Account Balance
Deferred Credits	1,091	510	1,601	Capital resources that should be received in subsequent periods.	Note 29 above
Other Reserves	8,648	1,663	10,311	Additional reserves allocated for specific purposes.	Note 27 above
Total	668,705	33,845	702,550		

40. FINANCIAL INSTRUMENTS

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

	Long term		Current	
	31 March 2008 £'000's	31 March 2007 £'000's	31 March 2008 £'000's	31 March 2007 £'000's
Financial liabilities (principal amount)	0	0	0	0
Categorised as;				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities at fair value in the I&E	0	0	0	0
Total debt	0	0	0	0
Financial assets (principal amount)	10,124	13,124	47,250	40,000
Categorised as:				
Loans and receivables	10,124	13,124	47,250	40,000
Available for sale	0	0	0	0
	0	0	0	0
Equity investments	0	0	0	0
Total investments	10,124	13,124	47,250	40,000

41. CREDIT RISK

The following analysis summarises the Council's maximum potential exposure to credit risk, based on

	Amount at 31 March 2008	Historical Experience of default	Default risk judged as at 31 March 2008	Estimated maximum default
Investments in banks and building societies (original term 1 - 5 years)	**£`000**	**%**	**%**	**£`000**
AAA rated counterparty	5,000	0.004	0.004	0.20
AA rated counterparties	5,000	0.080	0.080	4.00
	10,000			**4.20**
Investments in banks and building societies (original term up to 1 year				
AA rated counterparties	5,000	0.000	0.000	0.00
A rated counterparties	22,500	0.007	0.007	1.58
Unrated building societies	19,750	0.106	0.106	20.94
	47,250			**30.92**
Cash at banks				
AAA rated counterparty	2,250	0.000	0.000	0.00
AA rated counterparty	120	0.000	0.000	0.00
	2,370			**0.00**
Accrued interest on investments	903	0.030	0.030	0.27
Sundry debtors	3,866	20.090	20.090	776.68
Housing arrears	855	4.100	4.100	35.06
Local taxation debtors	3,976	1.760	1.760	69.98
Total	**69,220**			**917.11**

No breaches of the Council's counterparty criteria occurred during the reporting period, and the Council does not expect to suffer any financial losses from default on its financial instruments.

The investments, cash at bank and accrued interest are not yet due for repayment. The sundry debtors figure of £3.866m contains £2.677m of invoiced debtors. The Council allows thirty days' credit for its invoiced debtors, meaning that £1.484m of these debtors are judged to be overdue. These can be analysed by age as follows;

	£`000
31 to 60 days	120.76
61 to 180 days	196.75
6 to 12 months	224.86
Over one year old	941.79
Total	1,484.16

42. LIQUIDITY RISK

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

43. REFINANCING AND MATURITY RISK

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

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

44. MARKET RISK

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

The in-house Treasury team will monitor market and forecast interest rate movements, and will choose the most advantageous investments allowed within the limits of the Council's Treasury policies. As part of this consideration, only one investment (of £1m principal) has been invested in a variable rate deal; this is fixed at quarterly intervals to a margin over 3 month LIBOR, a rate close to the Council's benchmark rate (7 day LIBID). A 0.1% variance in this rate on one quarterly setting would result in a loss of £249 in interest - less than 0.01% of the Council's total investment income.

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

45. GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	Financial Liabilities	Financial Assets			Total
	Liabilites measured at amortised cost	Loans and Receivables	Available for sale assets	Fair value through the I&E	
	£'000's	£'000's	£'000's	£'000's	£'000's
Interest expense	0	0	0	0	0
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
Interest payable and similar charges	**0**	**0**	**0**	**0**	**0**
Interest income	0	3,630	0	0	3,630
Gains on derecognition	0	0	0	0	0
Interest and investment income	**0**	**3,630**	**0**	**0**	**3,630**
Gains on revaluation	0	0	0	0	
Losses on revaluation	0	0	0	0	
Amounts recycled to the I&E account after impairment	0	0	0	0	
Surplus/deficit arising on revaluation of financial assets	**0**	**0**	**0**	**0**	
Net gain/(loss) for the year	**0**	**3,630**	**0**	**0**	

46. RECONCILIATION OF OPERATIONS TO NET CASH FLOW

	31 March 2008		*31 March 2007*	
	£ 000's	£ 000's	*£ 000's*	*£ 000's*
General Fund Surplus	(701)		*(305)*	
Housing Revenue Account Surplus	(569)		*(33)*	
Collection Fund Deficit / (Surplus)	15	(1,255)	*(63)*	*(401)*
Revenue Contributions to Capital	(5,596)		*(4,572)*	
Contributions (to) / from Reserves	(804)	(6,400)	*(1,660)*	*(6,232)*
(Decrease)/Increase in Stocks	(30)		*17*	
(Decrease)/Increase in Revenue Debtors	1,653		*(1,160)*	
Decrease/(Increase) in Revenue Creditors	(615)	1,008	*(532)*	*(1,675)*
Financing Items		3,567		*2,806*
Net Cash Flow from Revenue Activities		(3,080)		*(5,502)*

47. ANALYSIS OF GOVERNMENT GRANTS

	2007/08	*2006/07*
Revenue Grants		
DCLG Subsidy	711	*518*
Other	1,049	*1,186*
Total Revenue	**1,760**	***1,704***
Capital Grants		
N W Airfield	84	*0*
Planning Delivery Grant	34	*33*
PSA Grant	0	*105*
Election	0	*10*
DEFRA	56	*54*
DCLG Grants	0	*572*
Others	6	*0*
Total Capital	**180**	***774***

48. RECONCILIATION OF LIQUID RESOURCES TO TEMPORARY INVESTMENTS

	2007/08	*2006/07*
Temporary Investments as at 1 April	40,000	*38,000*
Net Movement in Liquid Resources	7,250	*2,000*
	47,250	*40,000*

49. MOVEMENT IN CASH AND CASH EQUIVALENTS

	1 April 2007	31 March 2008	Difference
Cash	139	194	55
Bank of Scotland	1,547	2,181	634
Bank Overdraft	(502)	(188)	314
Total Cash and Cash Equivalents	**1,184**	**2,187**	**1,003**

THE HOUSING REVENUE INCOME & EXPENDITURE ACCOUNT

	Note	2007/08 £000	*2006/07* *£000*
INCOME			
Dwelling Rents (Gross)	3	23,396	*22,039*
Non Dwelling Rents		2,494	*2,388*
Charges for Services and Facilities		1,726	*1,753*
Contributions towards expenditure		0	*149*
TOTAL INCOME		27,616	*26,329*
EXPENDITURE			
Repairs and maintenance	4	5,239	*5,327*
Supervision and Management		6,280	*6,295*
Rents, Rates, Taxes and Insurance		343	*284*
Housing Revenue Account Subsidy Payable	5	8,842	*8,229*
Deferred Charges		2	*966*
Depreciation	2/9/10	8,528	*7,766*
Debt Management		53	*48*
Provision for Bad / Doubtful Debts		82	*103*
Past Service Settlement/Gain		274	*0*
TOTAL EXPENDITURE		29,643	*29,018*
NET COST OF SERVICES INCLUDED IN CONSOLIDATED INCOME & EXPENDITURE ACCOUNT		2,027	*2,689*
HRA services share of Corporate & Democratic Core		569	*379*
HRA share of other services		23	*22*
NET COST OF HRA SERVICES		2,619	*3,090*
HRA SHARE OF THE INCOME AND EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT		2,619	*3,090*
Loss on HRA Fixed Assets		(9)	*1,317*
Interest and Investment Income		(2,165)	*(1,735)*
Pensions Interest/Return on Assets		187	*266*
DEFICIT FOR YEAR		632	*2,938*

STATEMENT OF MOVEMENT ON HOUSING REVENUE ACCOUNT BALANCE

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

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

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

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

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

	Note	2007/08 £'000s	*2006/07* *£'000s*
INCREASE/DECREASE IN THE HOUSING REVENUE ACCOUNT BALANCE			
Deficit for the year on the HRA Income and Expenditure Account		**632**	***2,938***
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	**12**	**(1,201)**	***(2,971)***
Increase or decrease in the Housing Revenue Account Balance		**(569)**	***(33)***
Housing Revenue Account surplus brought forward		**(5,632)**	***(5,599)***
Housing Revenue Account surplus carried forward		**(6,201)**	***(5,632)***

NOTES TO THE HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT

1. HOUSING STOCK

The Council was responsible for managing on average 6,613 (6,654) dwellings during 2007/08. Changes in the stock are summarised below. The figures include 48 units for the homeless at Norway House, North Weald, 7 wardens' and caretakers' dwellings, and 20 special lets.

		2007/08	2006/07
Stock as at 1 April		6,627	*6,680*
Less	Sales	(28)	*(46)*
	Stock Transfers / Conversions	(2)	*(16)*
Add	New / Reinstated Properties	2	*1*
	Properties repurchased		*8*
Stock as at 31 March		6,599	*6,627*
Houses and Bungalows		54%	*54%*
Flats and Maisonettes		45%	*45%*
Other		1%	*1%*

2. STOCK VALUATION

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

	Land £000	**Dwellings £000**	**Garages £000**	**Equipment £000**	**Investment Assets £000**	**Other £000**	**Total £000**
Balance Sheet Value as at 31 March 2007	165,484	372,512	4,608	7,650	12,962	809	564,025
Reclassified	0	0	0	0	0	0	0
Revaluation	12,821	33,573	609	0	3,576	0	50,579
Value as at 1 April 2007	178,305	406,085	5,217	7,650	16,538	809	614,604
Revaluation	345	804	0	0	0	11	1,160
Additions	0	3,916	0	1,419	5	259	5,599
Depreciation	0	(7,701)	(326)	(483)	0	(18)	(8,528)
Disposals	(1,029)	(2,371)	0	0	0	(11)	(3,411)
Deletions	0	0	0	0	0	0	0
Balance Sheet Value as at 31 March 2008	177,621	400,733	4,891	8,586	16,543	1,050	609,424

The dwelling valuation shown in the balance sheet represents the value of the housing stock to the Council in its existing use as social housing occupied on the basis of secured tenancies. The corresponding value of those dwellings if sold on the open market without tenants, i.e. vacant possession, is £1,235,998,000. The difference between the two values represents the economic cost of providing council housing at less than open market rents.

NOTES TO THE HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT

3. GROSS DWELLING RENT INCOME

During 2007/08 1.06% (1.01% in 2006/07) of all lettable dwellings were vacant. Average rents were £68.09 per week, an increase of £3.23 or 4.98% over the previous year. 53% (53% in 2006/07) of all Council tenants received some help through rent rebates in 2007/08. Rent arrears decreased to £882,822 (£899,932), which represents 3.8% (4.1%) of gross dwelling rent income. The provision for bad and doubtful debts on these arrears amounted to £590,000 (£611,000). Amounts written off during the year totalled £108,695 (£91,981). Dwelling rents are shown after allowing for voids.

4. HOUSING REPAIRS FUND

The Council maintains a Housing Repairs Fund that evens out the annual cost to tenants of a cyclical repairs programme. The movement on the Fund is as follows:

	2007/08		***2006/07***	
	£000	**£000**	***£000***	***£000***
Balance as at 1 April		(3,248)		*(3,075)*
Contribution from the HRA	(5,700)		*(5,500)*	
Other Income	(236)		*(64)*	
Total Income		(5,936)		*(5,564)*
Responsive & Void Repairs	3,397		*3,176*	
Planned Maintenance	1,902		*1,980*	
Other	177		*235*	
		5,476		*5,391*
Balance as at 31 March		**(3,708)**		***(3,248)***

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

5. SUBSIDY ENTITLEMENT

Housing Revenue Account Subsidy for any year is calculated by constructing a Notional Housing Revenue Account, where all amounts are calculated in accordance with the Housing Revenue Account Subsidy Determinations

	2007/08		***2006/07***	
	£000	**£000**	***£000***	***£000***
Management and Maintenance Allowance		10,354		*9,935*
Major Repairs Allowance		4,603		*4,527*
Transitional relief for 5% rent cap		603		*199*
Less				
Notional Rents	(23,583)		*(22,146)*	
Interest on Receipts	(819)		*(744)*	
		(24,402)		*(22,890)*
Total (Payable)		**(8,842)**		***(8,229)***

NOTES TO THE HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT

6. PENSIONS

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

Following the 2004 actuarial review of the pension fund, the decision was taken to build up the Pension Fund Reserve. In 2007/08 the DCLG gave permission for a full capitalisation of the contribution; accordingly, a contribution of £998,765 from capital funding was made towards the Pensions Reserve. The HRA's share of this contributions was £318,806, representing 31.9 % of the total.

7. HRA CAPITAL RECEIPTS

The Council received £3,488,000 in respect of HRA capital receipts during 2007/08. This arose as a result of the sale of council houses (£3,476,000), sale of land (£11,000) and principal repayments on mortgages (£68,000). Of this the Council was able to keep £954,000 to fund future capital projects and had to pay to the central government pool an amount of £2,588,000.

This is currently the case; cap pool figures may need to be recalculated by 30 June

8. CAPITAL EXPENDITURE

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

Capital Expenditure on:	**£000**	**Financed by:**	**£000**
Council Dwellings	3,910	Capital Receipts	11
Plant and Equipment	1,419	Government Grants	0
Shopping Parades	5	Revenue	2,628
Other	258	Major Repairs Reserve	2,968
	5,592	Charged to Leaseholders	(6)
Other non-HRA Assets	9		
	5,601		5,601

The Revenue Contributions to Capital Expenditure figure of £2,628,000 shown on note to the statement of movement on HRA balance (note 12) excludes the £50,000 in respect of the Housing Maintenance DSO.

9. MAJOR REPAIRS RESERVE

With effect from 1 April 2001 the Council is required to maintain a Major Repairs Reserve, to account for money received from the Government used to fund major, capital repairs to the Housing Stock. The Housing Revenue Account receives funding via its Housing Subsidy (see note 5 above), which is then transferred into the Major Repairs Reserve via a depreciation charge. This income can then be used to fund repairs of a capital nature. The Council is allowed to transfer certain sums back to its Housing Revenue Account, namely any excess of depreciation charged over and above the level of the Major Repairs Allowance received. The movement on the reserve is as follows:

	2007/08		***2006/07***	
	£000	**£000**	***£000***	***£000***
Balance as at 1 April		(5,655)		*(3,312)*
Depreciation transferred from the HRA		(8,528)		*(7,766)*
Used to fund Capital Expenditure on Council Dwellings	2,968		*2,184*	
Transferred to the HRA	3,925		*3,239*	
Total Expenditure		6,893		*5,423*
Balance as at 31 March		**(7,290)**		***(5,655)***

NOTES TO THE HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT

10. DEPRECIATION

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

11. DEFERRED CHARGES

A charge of £2,000 (£966,000 in 2006/07) was made in respect of deferred charges. In 2007/08 £8,000 of this related to the transfer of a sheltered housing unit to a housing association for refurbishment and on-going management, (£6,000) related to recharges to leaseholders for repairs.

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

		2007/08 £ '000's			*2006/07 £ '000's*	
AMOUNTS TO BE EXCLUDED						
Depreciation		**(3,954)**			*(3,239)*	
Deferred charges		**(2)**			*(966)*	
Gain/(loss) on disposal of HRA fixed assets		**9**			*(1,317)*	
Transfer from Reserves		**(6)**			*(20)*	
Transfer to General Fund		**0**			*0*	
Grants released		**15**			*44*	
Transfer to Housing Repairs Fund		**460**			*173*	
HRA share of contributions to/ (from) pensions reserve		**(1,174)**			*(1,093)*	
			(4,652)			*(6,418)*
AMOUNTS TO BE INCLUDED						
Leaseholder Contributions		**0**			*149*	
Employers contributions payable to the pension fund	**1,142**			*1,079*		
Less Capital direction received	**(319)**			*(169)*		
		823			*910*	
Capital expenditure funded by the HRA		**2,628**			*2,388*	
			3,451			*3,447*
			(1,201)			*(2,971)*

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT FOR 2007/08

INCOME	Note	2007/08 £000	*2006/07 £000*
Council Tax	1	74,095	*70,647*
Transfers from the General fund			
Non Domestic Rates	2	26,913	*27,267*
TOTAL INCOME		101,008	*97,914*
EXPENDITURE			
Precepts and Demands:			
Essex County Council		53,961	*51,036*
Essex Police		6,259	*5,897*
Essex Fire Authority		3,222	*3,094*
Epping Forest District Council		10,285	*9,742*
Distribution of Estimated Collection Fund Surplus/(Deficit).	3		
Essex County Council		(72)	*358*
Essex Police		(6)	*42*
Essex Fire Authority		(7)	*22*
Epping Forest District Council		1	*5*
Non Domestic Rate			
Payment to National Pool		26,742	*27,098*
Cost of Collection Allowance		171	*169*
Provision for Non Payment of Council Tax		101	*48*
Council Tax Write Offs		366	*340*
TOTAL EXPENDITURE		101,023	*97,851*
DEFICIT / (SURPLUS) FOR YEAR		15	*(63)*
BALANCE BROUGHT FORWARD		(51)	*12*
Deficit / (Surplus) for Year		15	*(63)*
BALANCE CARRIED FORWARD		(36)	*(51)*

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council, Essex Police, Essex Fire Authority and this Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted discounts: (53,748.6 for 2007/08). The basic amount of Council Tax for a Band D property (£1,319.85 for 2007/08, £1,312.91 for 2006/07) is multiplied by the proportion specified for the particular band to give an individual amount due.

	Chargeable Dwellings	**Chargeable Dwellings after Discount, Exemptions and Disabled Relief**	**Ratio to Band D**	**Band D Equivalents**
Band A Disabled	1	1	0.55	1
Band A	1,535	1,290	0.67	860
Band B	4,468	3,694	0.78	2,873
Band C	10,763	9,550	0.89	8,489
Band D	13,194	12,150	1.00	12,150
Band E	8,619	8,333	1.22	10,185
Band F	6,425	6,072	1.44	8,770
Band G	5,613	5,379	1.67	8,965
Band H	1,031	1,000	2.00	1,999
Total Band D				54,292
Less Adjustment for Collection Rate				543
Council Tax Base				**53,749**

The income of £74,095,000 for 2007/08 (£70,647,000 for 2006/07) is receivable from the following sources.

	2007/08 £000's	***2006/07 £000's***
Billed to Council tax payers	66,410	*63,192*
Council Tax Benefits	7,685	*7,455*
	74,095	*70,647*

2. NATIONAL NON DOMESTIC RATES

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 44.1p (small business) and 44.4p (others) in 2007/08 (42.6p (small business) 43.3p (others) in 2006/07) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

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

NOTES TO THE COLLECTION FUND

The total non-domestic rateable value at the year-end was £73,226,785 (£74,559,085 in 2006/07). The increase in rateable values between the two years is due to the revaluation process that takes place every five years and changes in the businesses on the rateable list.

3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

The surplus or deficit on the Collection Fund arising from council tax transactions relates to this Council's portion only. The elements relating to Essex County Council, Essex Police and Essex Fire form part of the Distribution of estimated collection fund surplus/deficit. In 2007/08 a total surplus of £6,900 was distributed, of which this Council's share was a surplus of £1,000.

ANNUAL GOVERNANCE STATEMENT 2007/08

1. Scope of Responsibility

1.1 Epping Forest District Council (EFDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In addition, the Council has a key role with respect to Community Leadership, exercising its powers under the Community Wellbeing Act 2000, facilitating effective engagement and collaborative working through the auspices of the Local Strategic Partnership.

1.3 In discharging this overall responsibility, EFDC is responsible for putting in place proper arrangements for the governance of its affairs, and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions, and which includes arrangements for the management of risk.

1.4 EFDC has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is on our website at www.eppingforest.gov.uk. This statement explains how the Authority has complied with the Code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2006, in relation to the publication of a Statement on Internal Control.

1.5 The Authority's revised Code of Governance recognises that effective governance is achieved through the following core principles:

(I) focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;

(ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles;

(iii) promoting values for the authority and demonstrating good governance through upholding high standards of conduct and behaviour;

(iv) taking informed and transparent decisions which are subject to effective scrutiny and management of risk;

(v) developing the capacity and capability of members and officers to be effective;

(vi) engaging with local people and other stakeholders to ensure robust public accountability.

2. The Purpose of the Governance

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

2.2 The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to fully achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 A governance framework has been in place for a number of years at EFDC and has been effective for the year ended 31 March 2008, and up to the date of approval of the Statement of Accounts.

3 The Governance Framework

3.1 EFDC continues to have an established Council Plan setting out its objectives and there is an accompanying Performance Plan in which achievement of the Authority's objectives is monitored.

3.2 The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios. There are Scrutiny Panels to cover key policy areas, and a Co-ordinating Overview and Scrutiny Committee. An Audit and Governance Committee provides independent assurance to the Council on risk management and internal control, and the effectiveness of the arrangements the Authority has for these matters. The Constitution is reviewed annually by the Deputy Monitoring Officer and is codified into one document that is available on the intranet and external web pages.

3.3 The Council has continued to enhance and strengthen its internal control environment through the introduction of new policies and procedures, which ensure compliance with established policies, procedures, laws and regulations. A comprehensive corporate induction programme is in place and information regarding policies and procedures are held on the intranet, which continues to be enhanced and developed. The Council's Internal Audit function has been effective in recent years and there are well established protocols for working with External Audit. The Audit Commission through its inspectorate functions also reviews compliance with policies, laws and regulations within their remit.

3.4 The Authority's risk management arrangements are subject to regular review. Leadership to the risk management process is provided by the Director of Finance and ICT and the Portfolio Holder for Finance and Performance Management, who are the Officer and Member leads for risk management, respectively. The Authority has approached embedding of risk management in accordance with best practice guidance, with a Corporate Risk Register supported by Directorate and Sectional risk registers. In the Audit Commission's 2007 Use of Resources Assessment the Council scored 3 out of 4 for the way it manages its significant business risks, following two years of improvement. The Authority is now assessed in this category as "performing well" (see also paragraph 7.4).

3.5 Financial management in EFDC and the reporting of financial standing is undertaken through a General Ledger Financial Information System, CEDAR, which integrates the general ledger function with those of budgetary control. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated.

3.6 Performance management in EFDC continues to be improved with a widely consulted upon Council Plan, setting out the Council's priorities and supported by a Performance Plan, which explains how the Council will deliver the priorities and the commitments made in the Council Plan. These Plans focus on corporate priorities and reflect the Council's determination to prioritise key Service areas. Information on performance across all Best Value Performance Indicators (National Performance Indicators from 2008/09) is also included. The Performance Plan is also supported by a range of Service Plans. These set out detailed objectives, priorities and actions, plus performance indicators and resources, for every major area of Council service. Performance indicators are recorded and monitored on the 'TEN' performance management system.

3.7 The Council has been actively engaged in the development of the new Essex Local Area Agreement (LAA2) and will be implementing mechanisms to ensure its effective contribution to those priorities it has given specific regard to.

4 Financial Management

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

4.2 The External Auditor again provided an unqualified opinion on the Authority's accounts for 2006/07, which were prepared within the statutory timescale and supported by comprehensive working papers. The Auditor made a number of recommendations in order to resolve specific system weaknesses that had been identified. Some of these weaknesses had already been reported by Internal Audit but had been highlighted again to emphasise their importance. The Audit and Governance Committee is monitoring the implementation of the agreed actions.

4.3 In the 2007 Use of Resources Assessment the Council again scored 3 out of 4 for financial management, assessed by the Audit Commission as "performing well". The Audit Commission concluded that the Council's medium term financial strategy, budgets and capital programme are generally soundly based and designed to deliver its strategic priorities. However, a recommendation was made that the Council should improve the links between the financial strategy and the targets within the Local Area Agreement. It was also stated that, whilst there is adequate management of the Council's asset base, a more robust system of asset management performance monitoring should be introduced.

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

In particular, the process in 2007/08

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

- Managing risk in key financial service areas.

5. Standards Committee

5.1 The Council's three independent Standards Committee members were reappointed during 2007 for a three year term ending in 2010. The Committee also includes one parish representative (and deputy) and two District Councillors. The Terms of Reference of the Committee are defined by Statute and various Government Regulations. Amongst other things the Committee gives advice and training on ethical governance issues and investigates/adjudicates on complaints against elected members as referred by the Standards Board for England. It is also available to assist with interpretation of Council protocols. The Committee submits an annual report on its activities to the Council. It is worth noting that the advice of the Standards Committee to Members has, on occasions, preceded the same guidance being issued by the Standards Board for England e.g. representation on outside bodies.

5.2 During 2007/08 the Standards Committee has not been called upon to adjudicate on any complaints against Councillors. There have been complaints to the Standards Board for England during the year but the numbers have shown a declining trend. Further training courses have been held on the Code of Conduct and the Planning Protocol. A further review of the protocol has been undertaken to take account of changes made in the Code of Conduct, in particular the ability of Councillors to address regulatory bodies such as planning committees even where they have prejudicial interests. Specific advice to all district Councillors and parish and town Councillors was issued on this aspect and this will be followed up in training courses in the new Council year.

5.3 The Standards Committee has also issued further guidance to all Councillors regarding the position of those who serve on more than one Council. This issue arose directly from the review of the protocol and the consultation responses received. The Committee also dealt with a number of applications for dispensation arising from a Member who had a prejudicial interest in a potential Cabinet decision. The robustness of their consideration can be demonstrated by the outcome - in that some dispensations were granted, but others were refused. The Committee gave full reasons for its decisions.

5.4 The Committee continues to await the publication of Government regulations concerning the so called "first screen" of complaints. These regulations will facilitate the transfer the responsibility for deciding whether complaints about breaches of the Code of Conduct should be investigated or not. Currently this role is performed by the Standards Board for England and will in future fall to the Council's Standards Committee.

5.5 Although the regulations have not been formalised, it is now clear that the officer responsibilities previously allocated for dealing with the complaints process will be reflected in the role of the Standards Committee members themselves. It is likely that the size of the Committee will need to be increased to permit proper separation of roles. During the year the Committee has considered changes to its constitution, and the Council will consider these further changes in the new municipal year when the regulations are published.

5.6 A training session for Standards Committee members is being arranged for early in the new council year to deal with these changes in their role. This will be supplemented by further training on the Committee's new role, in adjudicating on appeals by staff against decisions by the Council to designate their posts as politically restricted.

6. Review of Effectiveness

6.1 EFDC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the External Auditors and other review agencies and inspectorates.

6.2 The Council contributes to the delivery of the Sustainable Community Strategy for the District through active participation on the Local Strategic Partnership, and the alignment of the Key Themes of the Council Plan 2006/10 with the Community Strategy. This is supported by a planning framework which includes the Council Plan and Directorate/Service Plans. The Council monitors and reports on progress so that Members can see how issues are being tackled. The Plan is monitored on a quarterly basis by the Finance and Performance Management Scrutiny Panel.

6.3 Directorate and Sectional business plans contain a variety of performance indicators and targets that are regularly reviewed.

6.4 The Council's Constitution, which is annually reviewed by a nominated group of officers led by the Deputy Monitoring Officer, sets out the responsibilities of both Members and senior managers. In particular the Council has three statutory posts as follows:-

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

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

6.6 The Council is required to maintain an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2003 (amended in 2006). The Internal Audit function is managed by the Chief Internal Auditor and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The annual Internal Audit work plan is discussed with senior officers and approved by the Audit and Governance Committee in consultation with the Finance and Performance Management Cabinet Committee. All internal audit reports include an assessment of the adequacy of internal control and result in prioritised action plans to address any areas needing improvement. These are submitted to Service Directors, and an executive summary is provided to the Corporate Executive Forum and the relevant Portfolio Holder.

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

- Directorate assurance based on management information, performance information and Director assurance statements;

- The work undertaken by Internal Audit during the year;

- The work undertaken by the external auditor reported in their annual audit and inspection letter and other review reports;

- Other work undertaken by independent inspection bodies.

6.8 From the work undertaken by Internal Audit in 2007/08 the Chief Internal Auditor made the following statement in his Annual Report:

"Despite the measures taken in 2007/08 and previous years, to heighten awareness of governance requirements and to promote improvement in systems, no assurance can be absolute or all the risks eliminated altogether. However, the opinion given in this report provides a reasonable assurance that there are no significant weaknesses in the Council's control environment. In general, the reports submitted to Service Management during 2007/08 concluded that systems were generally operating satisfactorily, and appropriate follow up action had been taken where required from previous audits."

In this context 'reasonable assurance' means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the Council's Annual Accounts or financial standing. Internal Audit did identify a number of concerns during 2007/08 that required remedial action and these were reported to the appropriate Service Director or Senior Manager during the year.

6.9 The Audit and Governance Committee undertook a review of the Council's Business Assurance Framework during 2007/08. That review listed the key policies and procedures that comprise the core of the process. They are subject to ongoing or periodic review, to ensure continuous improvement in the governance and internal control systems.

7. Significant Governance Issues

Introduction

7.1 The District Council, working with strategic partners and local communities, has set out the following priority objectives which aim to benefit all Epping Forest District residents:

- To make the Epping Forest District safer, cleaner and greener, and to further improve levels of recycling and street cleansing;
- To protect local heritage and the green belt areas of the District from development;
- To encourage the provision of affordable housing for local people;
- To build safer communities to make the District a better place for our residents;
- To continue to look at ways to revitalise local town centres and increase economic prosperity; and increase economic prosperity; and
- To be a Council that always puts residents first, and listens not lectures.

These priorities form the basis for the Council Plan 2006/10 and Performance Plans referred to above, and provide the focus for the improvements which are being made in all areas of the Council's services.

7.2 The Audit Commission's Comprehensive Performance Assessment (CPA) framework currently assesses the Council as a 'good' authority. The Commission's annual 'Direction of Travel' assessment of the Council for 2007/08 identified that the Council is making progress in achieving its priority objectives, is improving performance in key service areas such as waste management and planning services, and that the Council's arrangements for securing value for money are improving. It was also noted that the Council consults effectively with the local community, as well as being financially sound.

7.3 The Audit Commission also undertakes an annual 'Use of Resources' assessment, which evaluates how well Councils manage and use their financial resources. Aspects of the review have been referred to earlier in this Statement. The Audit Commission assesses the Council's overall performance against five key lines of enquiry (KLOEs), as set out in the table below. The Council is rated for each KLOE using a four point scale: 4 performing strongly; 3 performing well; 2 performing adequately; and 1 performing inadequately. EFDC has shown improvement in each of the last two years, and for 2007 its overall score rose to 3, assessed by the Audit Commission as 'performing well'.

Key Line of Enquiry	2005 Score	2006 Score	2007 Score
Financial Reporting	1	2	3
Financial Management	3	3	3
Financial Standing	2	3	3
Internal Control	2	2	3
Value for Money	2	2	2

7.4 The Audit Commission's assessments highlighted a number of potential improvement areas, including meeting the affordable housing needs of the District, working with partners to reduce levels of crime, and preventing high levels of staff sickness from being a barrier to further service improvement.

7.5 The Council has been instrumental in contributing to the development of the "Story of Place", a narrative of the main issues facing people living, working and visiting our area, which has been adopted by the Local Strategic Partnership and will be reflected in the new Essex LAA2.

<u>Governance - Community and Service Issues</u>

7.6 The current review of the Council's governance arrangements has highlighted a number of significant areas where governance arrangements have been strengthened in seeking to meet the objectives of the Council.

7.6.1 Equality and Diversity is a key element of the Council Plan 2007/10. Priority actions include improving ways for people particularly seldom heard and disengaged groups to communicate with and influence the Council. The Council has revised its equalities impact assessment process so that any new policies or functions do not unduly have an adverse impact on any groups in the Community. A monitoring policy has also been introduced to ensure that the Authority records equalities monitoring in a standardised way. Work has commenced in an update of the Council's Social Inclusion Strategy, thus ensuring that services are targeted at the area of greatest need;

7.6.2 Although perceived to be an area of affluence, recent studies indicate significant health inequalities across the District. Analysis of trends shows that for men, life expectancy is not increasing as fast as the national rate and there is a 10-year difference in life expectancy between the highest (80-86 years) and the lowest wards (between 70 and 75 years). All dimensions of deprivation impact significantly on quality of life.
The Authority's current Social Inclusion Strategy includes actions and targets in specific categories, including debt and benefits; housing and homelessness; health, isolation and care; employment and training; leisure; public transport and other general initiatives. Working alongside partner organisations in many instances, the Council has developed or been involved with a number of initiatives aimed at combating deprivation. Specific examples include various schemes at Limes Farm, youth initiative projects in rural areas, and the setting up of Childrens' Centres. The Council is in the process of redefining its Social Inclusion Strategy and it is anticipated that an updated strategy, taking account of current trends and needs, will be available in 2008/09;

7.6.3 Epping Forest Youth Council has been established to enable the Council to engage with young people and to seek their views or opinions on a range of local issues and the services they use. Their first major initiative planned for the autumn of 2008 is a District Wide Youth Debate, which will raise awareness of what is important to Young People;

7.6.4 The Authority continues to be actively involved in developing the way it works with partners and is structured itself to deliver services. Developments of this nature require careful management and the Council has sought to identify and minimise the impact of risks associated with these changes. A significant re-organisation of the Council's Directorates was implemented towards the end of 2007/08 following a senior management restructuring. This rationalised services and achieved efficiency savings, a significant proportion of which has been reinvested back into front line service provision;

7.6.5 The Council has worked in partnership with 5 neighbouring authorities, through a consortium arrangement, to successfully introduce a new choice based lettings scheme, whereby housing applicants are able to express an interest for vacant Council and housing association properties, with the properties offered to those who express an interest who are in the most housing need. The scheme went live in November 2007. The Consortium was successful in securing a grant of £96,000 from the Government for the implementation;

7.6.6 The Council has an effective Tenants and Leaseholders Federation in place, which comprises representatives of recognised tenants associations in the District. The Federation is consulted on current and new housing policy issues throughout the year. The Chairman of the Federation also attends all meetings of the Housing Scrutiny Panel;

7.6.7 During 2007/08, a Rural Tenants Forum has been developed, comprising representatives from rural areas of the District, who are consulted on housing issues that particularly affect rural areas (e.g. the use of renewable energy sources for heating systems) as well as on general housing issues. The Rural Tenants Forum also has representation on the Tenants and Leaseholders Federation;

7.6.8 The waste management contract was re-tendered in 2007/08 with a view to improving the service taking into account the views of residents following a consultation process. The revised specification will ensure continued high levels of recycling and improved street cleansing through the setting of cleanliness standards above those suggested in statutory codes of practice;

7.6.9 The Council successfully retained its Investors in People (IiP) accreditation against the revised IiP standard during 2007/08. The Assessor commented the Council "should be seen as strong in terms of IiP standard." This has meant improvement and achievement of good practice in the areas of organisational communications, business planning, learning & development, appraisals, equality of opportunity for staff to access training, management effectiveness and strategic evaluation of training/ development activity linked to Council goals. The IiP development work will continue as part of an ongoing action plan during 2008/09;

7.6.10 The Council's Housing Directorate continues to be accredited with the ISO 9001:2000 quality assurance award, which gives assurance that its services are provided in a consistent way and to a high standard. Re-accreditation is due in May 2008. Grounds Maintenance has also retained its accreditation, along with Building Services, Environmental Health and Reprographics;

7.6.11 During 2007/08, the Council's Housing Directorate was awarded with the Cabinet Office's Charter Mark for Customer Service Excellence in the Public Sector. This has been awarded for a further three years and demonstrates that the Council's housing services are provided to a high standard for its customers. In addition, the Council's Legal Service retained the Law Society's 'Lexcel Practice Management Accreditation', with 12 areas of identified good practice including business planning, risk management, file management and client care;

7.6.12 The Council continues to develop and implement an efficiency programme to improve services and respond to the challenges of the Gershon report and the need to identify on-going savings in both the current and future years;

7.6.13 The Council has introduced a management development programme to equip staff in modern management techniques as part of the drive for continued improvement in services. Ten managers completed the programme in 2007/08, which has resulted in some positive management behaviour changes, i.e. improved communication within teams, improved planning and challenging existing processes. Another ten managers will start the programme in October 2008. In addition seven senior managers have either completed or are currently engaged in the Essex Leadership Programme, with similar positive outcomes being achieved;

7.6.14 The Council has also introduced a positive action training programme for women, to enhance the skills and aspirations of female employees who comprise over half of the Council's workforce;

7.6.15 The Personal Development Review (appraisal) process has been revised to focus more on target setting and the development of actions needed to support the Council's policy objectives through the Performance Management Framework;

7.6.16 An Employee Wellbeing Framework has been introduced to complement the Council's managing absence initiative, aimed at driving down levels of staff sickness absence; and

7.6.17 Epping Forest Countrycare has for more than two decades involved the public with practical nature conservation tasks. An example of this is the 50 Favourite Trees project, undertaken 2007/8, which involved workshops with several schools from around the district and open sessions for the general public.

Governance - Internal Control Issues

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

7.7.1 The Council's Contract Standing Orders, Financial Regulations and Delegated Authorities were reviewed during 2007/08 and revised versions will be formally adopted by the Council early in the new financial year. The executive summary of Financial Regulations will be updated and re-issued during 2008/09;

7.7.2 An External Funding Strategy was introduced in 2007/08, to ensure a more co-ordinated approach to the sourcing of external funding in assisting the achievement of the Council's objectives;

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

7.7.4 The Council established an Audit and Governance Committee, in line with CIPFA guidance, in order to demonstrate independent assurance on the adequacy of the Council's risk management and internal control arrangements. The Committee met five times throughout 2007/08;

7.7.5 The Council's Anti-fraud policy is available to the majority of staff via the Council's intranet, and induction training on the existence and purpose of the strategy is given to new Council employees. The policy was re-issued to all employees during 2007/08 and will be updated during 2008/09;

7.7.6 The Audit and Governance Committee expressed its concern that not all Service Business Plans appear to be in place by 1st April each year. The Committee therefore requested an Audit report on any plans that had not been completed within the required timescale in the future;

7.7.7 There was a failing in the Council's processes for a land disposal which resulted in the Council not preventing an assignment of the sale agreement to a party whose credentials had not been verified. However, no financial loss to the Council resulted from this lapse and procedures have now been strengthened;

7.7.8 An Internal Audit report identified an issue in relation to the acceptance (but not the recording) of gifts and hospitality by a minority of staff. Immediate steps were taken to regularise the controls and inform all staff of their responsibilities. There was no evidence that any inappropriate gifts or hospitality to EFDC staff had led to undue favours to third parties;

7.7.9 Following previous audit reports into the behaviour of a small number of staff in a position of trust using Council vehicles when carrying out their duties, vehicle tracking devices were tested on a pilot basis and plans are now in place to extend their use to a wider range of vehicle users;

7.7.10 Within the corporate systems for processing purchase orders and invoices, there are still examples of weaknesses and departures from Financial Regulations and good practice. A further reminder about the correct procedure has been issued to all staff, and is covered in a bi-annual course for managers on finance and regulatory issues. Over 150 staff in total have now received this training;

7.7.11 Following an audit of the use of consultants across all Directorates, it has been necessary to remind Directors of the need to apply the Authority's Contract Standing Orders when procuring these services;

7.7.12 An Internal Audit report also identified the need to raise awareness of good procurement practice to staff at all levels across the Authority, in ensuring that value for money is obtained from the procurement of goods and services. This need had been addressed in the recent Service restructuring and a specific post will be responsible for the development and implementation of the Corporate Procurement Strategy;

7.7.13 A need has been identified, to communicate the corporate health and safety policy more effectively to all employees of the Council;

7.7.14 A specific control issue was identified in 2007/08, in relation to communal and individual gas charges to tenants and leaseholders in a number of blocks of flats, following arrangements originally put in place by British Gas, and now affected by the opening up of the gas supply market to other providers. The cause, extent and implications of the situation are currently being assessed;

7.7.15 A recent internal audit report identified that a decision in relation to the future of Fleet Operations has not been acted upon. The realignment of this Service within the recent restructure provides for the resolution of this issue, together with a rationalisation of depot accommodation; and

7.7.16 Service Directors have reviewed the governance arrangements operating within their Service Areas using a detailed checklist, and have provided assurance statements confirming their belief that appropriate controls were in place during 2007/08.

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

Signed	Signed ....
Peter Haywood Chief Executive	Councillor Di Collins Leader of the Council

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and ICT;

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- Approve the Statement of Accounts

I confirm that these accounts were approved by the Council at the meeting held on 26 June 2008

COUNCILLOR JOHN KNAPMAN
CHAIRMAN OF THE COUNCIL

June 26, 2008

THE HEAD OF FINANCE'S RESPONSIBILITIES

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

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

- Selected suitable accounting policies and then applied them consistently;

- Made judgements and estimates that were reasonable and prudent;

- Complied with the Code of Practice.

The Director of Finance and ICT has also:

- Kept proper accounting records which were up to date; and

- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the accounts set out on pages 1 to 53 present fairly the financial position of the Council as at 31 March 2008 and the income and expenditure for the year then ended.

ROBERT PALMER BA ACA
DIRECTOR OF FINANCE AND ICT

June 26, 2008

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

Opinion on the financial statements

We have audited the Authority accounting statements and related notes of Epping Forest District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Epping Forest District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 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 relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report to you our opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31March 2008 and its income and expenditure for the year then ended.

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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

We are 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 us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local government bodies. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, We are satisfied that, in all significant respects, Epping Forest District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Certificate

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

PKF (UK) LLP

Date: XX September 2008

Farringdon Place
20 Farringdon Road
London
EC1M 3AP

GLOSSARY OF TERMS

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

ACCRUALS

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

BALANCE SHEET

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

CAPITAL EXPENDITURE

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

CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL FINANCING REQUIREMENT

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

CASH FLOW STATEMENT

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

COLLECTION FUND

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

COMMUNITY ASSETS

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

CONSISTENCY

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

CONTINGENCY

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

GLOSSARY OF TERMS

CONTINGENT LIABILITIES

A contingent liability is either:

(i) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain event not wholly within the authority's control; or

(ii) a present (current) obligation arising from past events where it is not probable (but not impossible) that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

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

CONTINGENT GAINS

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

CORPORATE AND DEMOCRATIC CORE

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

INTANGIBLE ASSETS

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

DEFERRED CHARGES

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

DEPRECIATION

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

EXCEPTIONAL ITEMS

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

EXTRAORDINARY ITEMS

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

FAIR VALUE

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

FINANCE LEASE

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

GLOSSARY OF TERMS

FIXED ASSETS

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

FIXED ASSET RESTATEMENT ACCOUNT

This account recorded the deficits of surpluses arising on the revaluation of assets and is written down by the net book value of assets as they are disposed of. On 31 March 2007 this account was closed and the balance transferred to the Capital Adjustment Account

GENERAL FUND

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING REVENUE ACCOUNT

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

INFRASTRUCTURE ASSETS

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

INVESTMENTS

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

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

INVESTMENT PROPERTIES

Interest in land and / or buildings:

(i) in respect of which construction work and development have been completed; and

(ii) which is held for its investment potential, any rental income being negotiated at arms length.

LONG-TERM CONTRACTS

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

GLOSSARY OF TERMS

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET CURRENT REPLACEMENT COST

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

NET REALISABLE VALUE

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASES

Leases other than a finance lease.

OPERATIONAL ASSETS

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

POST BALANCE SHEET EVENTS

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

PRIOR YEAR ADJUSTMENTS

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

GLOSSARY OF TERMS

PROVISIONS

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

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

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

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

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

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

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

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

PRUDENCE

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

RELATED PARTIES

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

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

Examples of related parties of an authority include:

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

Examples of related parties of a pension fund include its:

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

These lists are not intended to be comprehensive.

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

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

GLOSSARY OF TERMS

RELATED PARTY TRANSACTION

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

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

This list is not intended to be comprehensive.

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

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

STOCKS

Comprise the following categories:

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

TRANSFER OF UNDERTAKINGS PROTECTION OF EMPLOYEES (TUPE)

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

UNAPPORTIONABLE CENTRAL OVERHEADS

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

GLOSSARY OF PENSION RELATED TERMS

ACTUARIAL GAINS AND LOSSES

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

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

(ii) the actuarial assumptions have changed

CURRENT SERVICE COST

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

CURTAILMENT

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

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

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

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DISCRETIONARY BENEFITS

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

EXPECTED RATE OF RETURN ON PENSION ASSETS

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

EXTRAORDINARY ITEMS

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

FRS17

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (NON-PENSIONS FUND)

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

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

INVESTMENTS (PENSIONS FUND)

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

PAST SERVICE COST

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

PROJECTED UNIT METHOD

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

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

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

RETIREMENT BENEFITS

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

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

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

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

SCHEME LIABILITIES

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

SETTLEMENT

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

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

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

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

VESTED RIGHTS

In relation to a defined benefit scheme, these are:

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

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

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

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