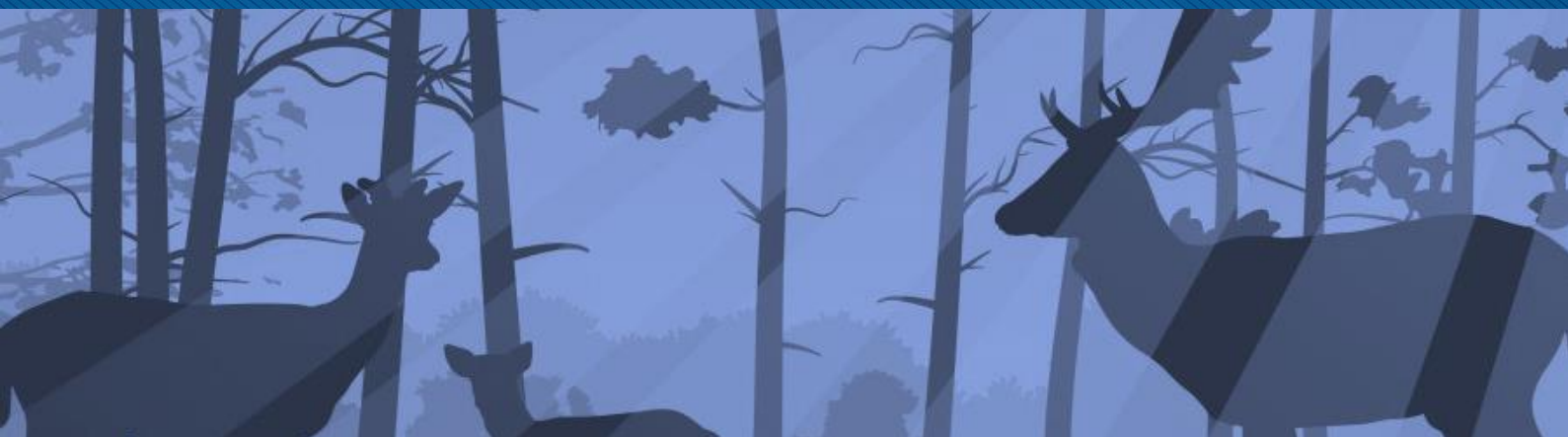


Epping Forest District Council

Statement of Accounts

2021 – 2022



Contents



| | |
|--|----------|
| Narrative Report | Page 3 |
| Statement of Responsibilities | Page 20 |
| Auditors' Report | Page 21 |
| Comprehensive Income & Expenditure Statement (CIES) | Page 26 |
| Movement in Reserves Statement (MIRS) | Page 27 |
| Balance Sheet | Page 28 |
| Cash Flow Statement | Page 29 |
| Notes to the Core Financial Statements | Page 30 |
| Housing Revenue Account Income and Expenditure Statement | Page 75 |
| Collection Fund | Page 81 |
| Group Accounts | Page 84 |
| Annual Governance Statement | Page 91 |
| Glossary of Terms | Page 99 |
| Glossary of Pension-related Terms | Page 107 |



1. INTRODUCING EPPING FOREST DISTRICT COUNCIL

Epping Forest is a district in Essex. It takes its name from the forest which runs from the Greater London border in the south through the district northwards. Covering an area of 131 square miles, Epping Forest shares boundaries with Hertfordshire and four other Essex districts. It is a mixture of rural and urban areas and over a quarter of the population live in rural and rural-related areas.

The district has an estimated resident population of 135,000 (2021 Census), representing an increase of 8.3% in the last decade. Key population centres are the commuter towns in the south of the district - Buckhurst Hill, Chigwell and Loughton. These towns have a combined population of over 50,000 but cover less than 10% of the total area of the district. There are also the market towns of Epping, Waltham Abbey and Ongar and numerous villages and hamlets situated in attractive countryside. The district has good transport links, with both the M25 and M11 running through it and crossing at Theydon Garnon. The area is served by the London Underground Central Line and over ground railway.

92 % of the district is designated within the protective status of the Metropolitan Green Belt with both Epping Forest and Roding Valley Meadows being sites of Special Scientific Interest (SSI). This brings visitors to the district and tourism generates a substantial amount of income for the local economy each year.

The residents of the district are relatively affluent with gross weekly full time pay higher than the East of England (2020) average. Young people are considered successful with their education, with over 80% achieving NVQ Level 2 and above (2020) which is higher than the East of England average. The percentage of the population (aged 16-64) qualified to NVQ Level 4 or above is also higher than the East of England (2020) average.

Epping Forest is in the upper 40% of least deprived Lower Tier Local Authorities (LTLAs) nationally, although there are areas of deprivation and 13% of children (aged 0-15) live in families with a relatively low income. Life expectancy in the district is higher than the national average (2017-19), but an aging population puts pressure on both NHS and local government services. It is estimated that over 30% of the district's population will be aged 60 or over by 2041. Additional properties will be built over the coming years to assist in accommodating the anticipated rise in the population.

In order to present a full picture of the Council's financial position and its exposure to risk, the Group Accounts show the combined position of the Council and its subsidiary companies. The Qualis group of companies was incorporated in October 2019. The Council has owned 100% of the shares for the whole life of all of the companies. Further details can be found in the Group section of the accounts.

Within the district, local government services are provided at three levels; by Epping Forest District Council, Essex County Council and local Town and Parish Councils.

- District Council services – Housing, Street Cleansing, Waste Collection and Recycling, Sports and Recreation, Planning Applications, Electoral Registration, Benefit Administration, Council Tax and Business Rates Collection, and Environmental Health.
- County Council services – Education, Social Care, and Highways and Transportation; and
- Parish and Town Council services – Allotments, Burial Grounds and Cemeteries, Public Halls, and Playgrounds and Sports Grounds.

2. PERFORMANCE AGAINST CORPORATE OBJECTIVES

A new Corporate Plan for 2018-2023 was adopted in December 2017. The Council has a duty to secure continuous improvement in a way in which its functions and services are exercised, and as part of that duty a range of Key Performance Indicators (KPIs) relevant to the Council's service priorities and key objectives are adopted each year.

The Year 4 Action Plan (covering 2021/22) represented the fourth reporting cycle for the Corporate Plan. Performance measures for Year 4 have been expanded to enable a greater understanding on how well corporate objectives are being met, and to support the Council's response to the Pandemic.

The Corporate Plan links the key external drivers influencing Council services, with a set of corporate aims and objectives, grouped under three corporate ambitions.

- Stronger Communities
- Stronger Place; and
- Stronger Council.

Performance against all KPIs is reviewed quarterly and all key corporate programmes are reported on monthly through an internal governance process (and quarterly too, to support and align to KPI's and wider governance requirements). During the year, the Stronger Council Select Committee, Stronger Place Select Committee, Stronger Communities Select Committee and Overview & Scrutiny Committee have had overview and scrutiny roles to ensure continued achievability and relevance, and to identify proposals for appropriate corrective action in areas of under-performance.

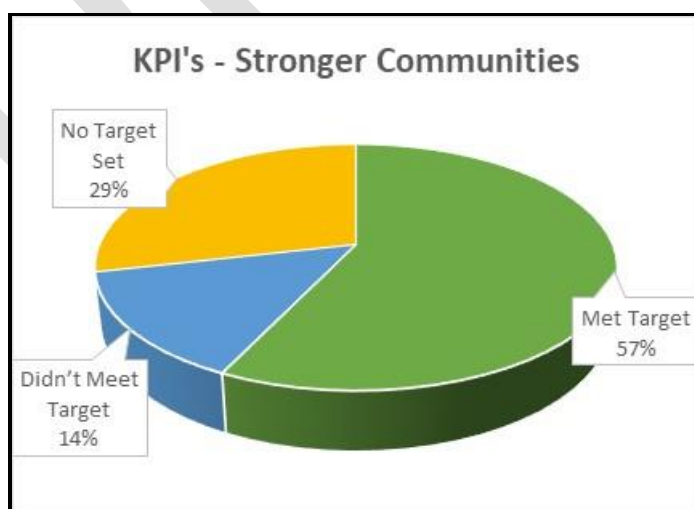
Stronger Communities

The 'Stronger Communities' ambition has three strategic aims supported by six key objectives. In turn these objectives are focused on three corporate programmes: Customer Excellence, Community Data Insights, and Community Health & Wellbeing – which between them – managed seven KPI's.

Key Performance Indicators (KPIs)

The reported outturn for the seven KPIs in the year, was as follows:

- 4 out of 5 (80%) that were measurable met their target
- 1 out of 5 (20%) did not meet its target; and
- 2 out of 7 were information only and had no target set.



First Point of Contact Resolutions performed well despite the pandemic, with the 45% target being exceeded in all four quarters. Meanwhile *Complaints Resolution performance against the SLA target* was also generally positive, most notably in the first and second quarter with cases being resolved on time against a target of 85%.

Customer Satisfaction however proved more challenging, with the overall target of 63% against a target of 80%. Work is now underway to review customer satisfaction as a priority for the Council through a range of key projects.

Targets set for *Engagement in Community, Physical or Cultural Activity* were set during the pandemic at 7,000. This was exceeded by the second quarter of the year and subsequently rose to 14,000.

The *Number of Families in B&B Accommodation for 6 weeks+* has remained at zero throughout each quarter and has supported the Council's legal duty to ensure that no family is kept in Bed & Breakfast accommodation for more than 6 weeks.

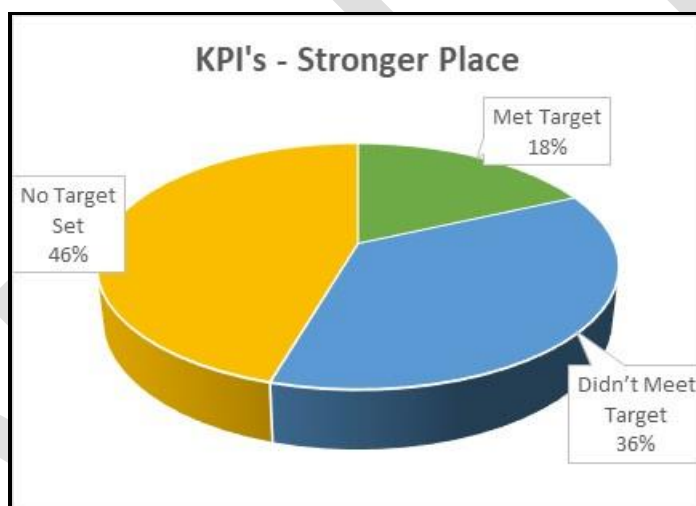
Stronger Place

The 'Stronger Place' ambition also has three strategic aims which are supported by seven key objectives. In turn these objectives are focused on six corporate programmes: Community Health & Wellbeing, Council Housebuilding, District Sustainability, Economic Development, Planning Development, and Town Centre Development – which between them – managed eleven KPIs.

Key Performance Indicators (KPIs)

The reported outturn for the eleven KPIs in the year, was as follows:

- 2 out of 11 (18%) met their target
- 4 out of 11 (36%) missed their target
- 5 out of 11 (46%) were for information only and had no target set.



It has been a consistent year for *Recycling* rates which missed their target by less than 1%, with 59% of waste not going to landfill now, against a target of 60%. In contrast, the *Reduction in Household Waste* was just off target in Quarter 1 and Quarter 2 which is explained by household waste volumes remaining high following the COVID-19 pandemic, and the resulting increase in home workers (shifting waste from commercial properties to residential properties). However, this is now reducing as more home workers return to office-based working.

The overall *Percentage of Planning Applications Determined Within Agreed Timelines* (on Major, Minor and 'Other' applications) was 85.7% for the year, although processing times varied between application categories as follows:

- Major Applications - 70.8% (Target 80%)
- Minor Applications - 79.4% (Target 90%)
- Other Applications (e.g. house extensions) - 87.8% (Target 90%)

Performance generally strengthened in the latter stages of the year as an accumulated backlog, triggered by a delay in planning permissions following the introduction of tougher air quality impact assessment standards (on Epping Forest) has gradually eased following the approval of an Air Pollution Mitigation Strategy. The new air quality requirements can often make Applications more complex and result in an increased need to report to planning committees, often leading to potential delays in reaching decisions within set timeframes.

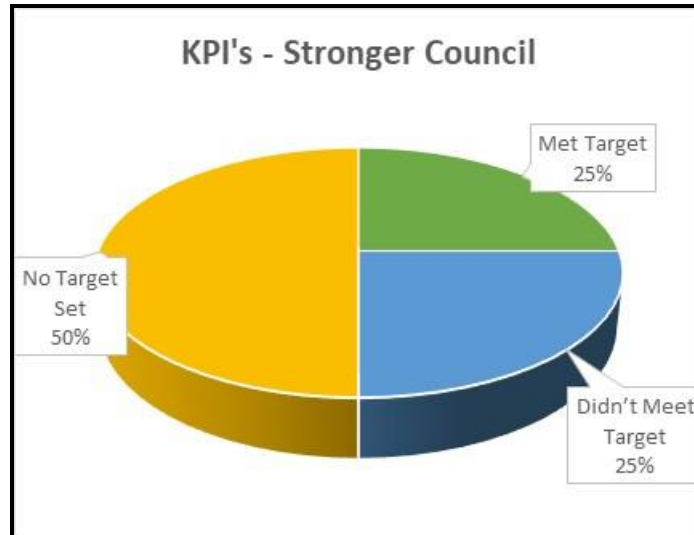
Stronger Council

The 'Stronger Council' ambition has four strategic aims supported by six key objectives. In turn these objectives are focused on three corporate programmes: Accommodation, IT Strategy, and the People Programme – which between them – managed four KPIs.

Key Performance Indicators (KPIs)

The reported outturn for the four KPIs in the year, was as follows:

- 1 out of 4 (25%) met its target
- 1 out of 4 (25%) did not meet its target; and
- 2 out of 4 (50%) were for information only and had no target set.



Staff Turnover was positive throughout the year with targets exceeded in all four quarters, with an average turnover rate of 4% against a maximum target of 11%.

In contrast, *Staff Sickness Absence* has not met targets set, with an average of 3.11% against a target of 2.15% this year. Sickness levels were higher in Quarter 2 and Quarter 3, but there was a decline in Quarter 4; lower than average sickness levels throughout spring / summer, and higher than average sickness levels in autumn / winter, can usually be expected.

Projects

All projects – priority and non-priority – are reported through the monthly internal governance framework. Priority projects are additionally reported on through a quarterly wider Council governance process.

The reported outturn for priority projects in the year, was as follows:

- 4 out of 13 (30%) were completed
- 7 out of 13 (54%) were 'In Delivery' at year end; and
- 2 out of 13 (16%) were at 'Service Design/Scoping' stage.

The four successfully completed projects are as follows and have supported with reducing costs and improved technology.

- Commercial Letting (Civic Offices; 2nd Floor & 323 High Street)
- Digital Support Platform for Business
- Local Enforcement Plan; and
- Councillor Portal.

Of the remaining open projects, delivery is continuing in 2022/23.

3. FINANCIAL REVIEW 2021/22

The extreme volatility – triggered by the Covid-19 pandemic – experienced in 2020/21 gradually receded as the 2021/22 financial year progressed with financial activity resuming to normal pre-pandemic levels in most areas, albeit with a few notable exceptions such as Car Parking income and Waste Collection costs. This combined with a significant General Fund budget surplus, ensuring a positive end to what began as a very uncertain year.

The Consolidated Income & Expenditure Statement (CIES) on Page 24 shows that the Net Cost of Services for 2021/22 was £25.274 million (down £15.346 million compared to 2020/21 figure of £40,620 million); after other factors such as the impact of Taxation and other Gains and Losses, including those from the ring-fenced Housing Revenue Account, are adjusted for, Total Comprehensive Net Income of £92.922 million was recorded (up £76,649 million compared to 2020/21). The largest factor in the reduced Net Cost of Services was an increase in income within the Contracts and Technical Services directorate (up by £5.148 million) as key revenue streams – most notably Car Parking and Leisure – bounced back as the pandemic eased. In addition, an increase of £9.626 million in Financing and Investment income was achieved as the downward valuation adjustments recorded in 2020/21 – during the height of the pandemic – were reversed this year and interest income from Qualis was also a notable factor (up by £2.770 million).

The presentation of individual services (“Continuing Operations”) on the face of the CIES follows the principles established in CIPFA’s “Service Reporting Code of Practice for Local Authorities (2021/22)” (SERCOP); consistency of reporting is achieved with the internal management accounts, which reflect how services are delivered and organised within the Council.

Elsewhere on the CIES, there are substantial fluctuations (both up and down), due to the combined effects of the pandemic and recent changes in Council structure.

However, the CIES reflects a vast range of adjustments required by both statute and accounting standards. Underlying the figures, is the performance of the Council’s General Fund and Housing Revenue Account in the year.

General Fund

The table below reflects the Month 12 (year-end) Management Accounts for 2021/22.

| General Fund Services 2021/22 | Net Expenditure | | Variance |
|----------------------------------|-----------------|---------------|--------------|
| | Budget | Outturn | |
| | £000’s | £000’s | £000’s |
| Chief Executive | 812 | 781 | (31) |
| Commercial & Technical Services | 448 | 827 | 379 |
| Community & Wellbeing | 1,506 | 1,206 | (300) |
| Corporate Services | 8,821 | 8,579 | (242) |
| Customer Services | 2,564 | 1,859 | (705) |
| Finance & Audit | 2,226 | 3,264 | 1,038 |
| Housing & Property | 1,997 | 2,005 | 8 |
| Place | 431 | 330 | (101) |
| Planning & Development | 1,822 | 1,810 | (12) |
| Strategy, Delivery & Performance | 880 | 613 | (267) |
| Qualis Income | (3,365) | (2,856) | 509 |
| Financing & Recharges | (1,273) | (2,541) | (1,268) |
| Totals | 16,869 | 15,877 | (992) |

The Month 12 Accounts show that the General Fund budget was in surplus by £992,042 at year end. The revenue position gradually settled down as the year progressed, following the unprecedented year that was 2020/21 during the height of the pandemic.

The most significant service variance related to Finance and Audit, which was overspent by £1.031 million, reflecting the corporate nature of a range of budgets in this service area. This included overspends on the Bad Debt Provision (an additional contribution of £264,000 above budget was required, also the recharge process was updated which shows an additional £500,000 overspend reported in this area) and Pension Costs (driven by a £246,000 budget pressure on “Added Years/Unfunded Payments”). Budget pressures were also experienced in a range of other frontline services predominantly due to income shortfalls driving notable budget overspends in Land & Property (£589,153), Qualis Income (£509,063), Car Parking (£274,261) and Housing Benefit Overpayments (£206,000). Pension costs increased by £600k change in recharge model.

In contrast, income from Court Costs bounced back as the Magistrates Courts reopened in the year, driving an overall underspend of £740,335 on the Local Taxation cost centre. Significant positive variances were also recorded on HRA Recharges (£696,629), ICT (£315,742) and Contingencies (£500,000).

During the early part of the financial year especially, as with 2020/21, the Government provided significant financial support to local authorities to assist with the local financial pressures triggered by the pandemic; most notably a main allocation for the Council of £663,322, as well as further assistance of £404,269 in direct compensation for loss in income from Sales, Fees and Charges during April to June 2021.

Housing Revenue Account (HRA)

The table below summarises the outturn on the HRA for 2021/22 compared to 2020/21.

| Description | 2021/22 | 2020/21 | Variance |
|---|----------------|----------------|----------------|
| | £000's | £000's | £000's |
| Total Income | (37,182) | (34,764) | (2,418) |
| Total Expenditure | 33,452 | 32,610 | 842 |
| Net Cost of Services (included in CIES) | (3,730) | (2,154) | (1,576) |
| Corporate expenses charged to HRA | 364 | 842 | (478) |
| Net Cost/(Income) of HRA Services (included in CIES) | (3,366) | (1,312) | (2,054) |
| Other accounting adjustments | 1,789 | 2,526 | (737) |
| (Surplus)/Deficit on HRA Services | (1,577) | 1,214 | (2,791) |
| Reconciling adjustments (including reversals) | (482) | (1,289) | 807 |
| (Increase)/Decrease in HRA Balance | (2,059) | (75) | (1,984) |

The HRA Balance increased by £2.059 million in the year (£0.075 million in 2020/21), primarily due to a substantial increase in Income (up £2.418 million), driven by rising Dwelling Rents as newly developed Council Housing as well as Open Market Acquisitions came on stream.

In contrast, there were some significant spending increases in the year, notably in Responsive Repairs and Maintenance (at £8.841 million, up £0.202 million from £8,639 million in 2020/21), which was the single largest factor in total HRA spending of £33.452 million.

Depreciation charges were £9.704 million in the year (£9.238 million 2020/21); the increase of £0.466 million a consequence of the rising value of Domestic Property generally, including Social Housing.

Revaluation Gains rose sharply to £1.950 million (£0.346 million in 2020/21), primarily due to the reversal of previous Revaluation Losses recorded in 2020/21 due to the pandemic. However, Revaluation Gains and Losses and Impairment charges made to the HRA Income and Expenditure Account are reversed out in the Movement in Reserves Statement, to eliminate any potential impact on Housing Rents.

There were no HRA Contributions towards Capital Expenditure in the year (£2.0 million in 2020/21); this was partly a consequence of slippage in the Council's Housebuilding Programme, caused by planning delays. The HRA balance ended the year up at £4.164 million (compared to £2.105 million in 2020/21).

Collection Fund

The Collection Fund is a ring-fenced account for the management of Council Tax and Business Rates income. The Collection Fund bounced back strongly this year following the pandemic-driven major deficit recorded in 2020/21. An overall surplus of £11.699 million was recorded in 2021/22.

Whilst collection rates for both Council Tax and Business Rates suffered dramatically in 2020/21 due to the disruption caused by the pandemic, and it was expected that performance would generally recover with the restoration of the normal recovery process in 2021/22, actual results exceeded expectations. The economy did not experience high unemployment rates as feared in setting Council Tax assumptions for the year, whereas local businesses recovered to something like normal activity levels, with the Government continuing to provide strong support in the form of grants, loans and extended rate reliefs; all of which helped protect both the businesses themselves, and the Business Rates receipts that the Council, and other local preceptors, rely upon.

The Council also continued to benefit from the Essex Council Tax Sharing Agreement this year (bouncing back to £436,578 compared to £95,024 in 2020/21) and the Essex Business Rates Pool (Levy saving £510,489). Thus:

- Council Tax (2021/22 Surplus £2.442 million) – the Epping share of the recorded Surplus is £293,878. A notable factor was the collection of an estimated year-end Collection Fund Deficit of £810,971 (combined contributions from preceptors) for 2020/21, which was determined on 15th January 2021 (at the height of the pandemic); this was a significant help in eliminating the accumulated Deficit on the account
- Business Rates (2021/22 Surplus £9.257 million) – the Epping share of the recorded Surplus is £3,702,139. Whilst recovery was much improved compared to 2020/21, the headline factor was the collection of an exceptionally large estimated year-end Collection Fund Deficit of £17,241,500 for 2020/21, which was determined on 31st January 2021. As with all preceptors, the financing of the Epping Forest District Council share of the Deficit (£6,896,600) was achieved through "Section 31" receipts from Central Government, paid by way of compensation for the extended Business Rate Reliefs introduced to aid businesses during the pandemic.

The Council continued to be compensated by the Government through the awarding of Section 31 grant funding in 2021/22 in recognition of continuing and further Business Rate Reliefs awarded; the Earmarked Reserve set up in 2020/21 for the purposes of offsetting future Collection Fund deficits, retained a balance of £3.450 million as at 31st March 2022.

The Collection Fund carried an overall Deficit as at 31st March 2022 of £5.983 million (Council Tax £1.344 million Surplus, Business Rates £7.327 million Deficit).

Balance Sheet

The Council's Balance Sheet value increased by £93.175 million (14.0%) in 2021/22, resulting in a net position of £758.866 million as at 31st March 2022 (£665.691 million as at 31st March 2021). Notable differences compared to 2020/21 include the following:

- Property, Plant & Equipment (up £42.994 million) – property values have proved resilient despite the pandemic. Most notably, the value of Council Dwellings increased by £57.218 million in the year, although the overall impact was offset by Land & Buildings disposals of £14.515 million to Qualis for redevelopment

- *Investment Properties (up £14.701 million)* – the value of the Council’s Investment Property portfolio has also largely bounced back from the effects of the pandemic, resulting in overall upward valuation adjustments of £13.26 million. The strategy of buying back long leases, to relet on shorter terms at more favourable rates, is also beginning to have a favourable effect on valuations
- *Long-Term Debtors (up £16.859 million)* – the rise in long-term debtors primarily relates to an increase in the principal outstanding on loans made to Qualis (balance outstanding attributable to long-term debtors was £57.421 million as at 31st March 2022)
- *Debtors (down £5.861 million)* – the fall in short-term debtors is heavily influenced by the fall in the Collection Fund deficit in 2021/22 compared to 2020/21. Most significant is the (50%) balance owed by Central Government, which was £8.292 million on 31st March 2021, but had reduced to £3.664 million by 31st March 2022
- *Cash & Cash Equivalents (up £8.262 million)* – the level of Cash carried by the Council is still subject to some volatility and generally higher than pre-pandemic levels. Although the position gradually stabilised in the year (compared to 2020/21) as the pandemic receded, (nationally) there has been some uncertainty as to the winding up arrangements for Covid business grants, including the timing of repayments of unspent balances to Central Government
- *Short-Term Loans (down £7.198 million)* – the strategy of taking out Short-Term Local Authority Loans remained in place during the year; recent rises in short-term borrowing rates meant that less LA loans were taken out in the year (although the approach is kept under constant review with our appointed Treasury Management advisors, Arlingclose); and
- *Long-Term Loans (up £14.683 million)* – the net increase in Long-Term Loans reflects the increase in short-term borrowing rates.

Usable Reserves

The overall balance on Usable Reserves decreased from £47.156 million to £37.744 million over the year.

The General Fund (unallocated) balance began the year at £4.017 million and ended the year at £4.070 million. The stable position reflects a combination of factors. The planned use of £1.350 million to support the 2021/22 budget was offset by a surplus of £0.992 million on the Management Accounts as noted above, which was further added to by funding differences and accounting adjustments with a combined (positive) impact of £0.411 million; this included a positive credit loss adjustment of £0.154 million on the original £6.0 million Working Capital Loan granted to Qualis in 2020/21.

Earmarked Reserves reduced from £23.811 million to £6.629 million over the year. There were two dominant factors in the reduction as follows:

- *HRA Self-Financing Reserve (down £12.720 million)* – the Self-Financing Reserve was created when the Council bought itself out of the former Housing Subsidy system in 2012, whereby funding was originally set aside to meet the principal repayments on a 10-Year Variable Rate loan of £31.80 million taken out from the PWLB. The Reserve eventually accumulated a balance of £12.720 million and the loan matured on 28th March 2022; the balance was utilised in full this year as part of the re-financing arrangements for the Variable Rate loan; and
- *Collection Fund Deficit Reserve (CFDR) (down £3.94 million)* – the CFDR reserve was a newly created reserve in 2020/21. Its purpose is to help cover the Council’s share of the Collection Fund loss created by the Pandemic. The original funding for the reserve was received from the Government under Section 31 of the Local Government Act 2003, reflecting a loss in revenue triggered by the temporary expansion of Business Rates Relief to assist local businesses. A drawdown of £3.94 million was utilised this year to offset the Council’s share of losses on Business Rates.

Unusable Reserves

The Council is required to maintain substantial Unusable Reserves, primarily for technical accounting purposes. The overall balance increased from £618.535 million to £721.122 million over the year.

Most notably, the Council's Pension Liability fell by £24.945 million from £69.108 million to £44.163 million in the year. This was predominantly a result of the continued increase in the estimated Fair Value of the Fund Assets of £19.016 million as illustrated in the table below. Funded liabilities fell by £5.704 million.

| Movement in Pension Fund Asset Values 2021/22 | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Asset Type | Fair Value | Fair Value | Increase/ | Increase/ |
| | 31/03/22 | 31/03/21 | (Decrease) | (Decrease) |
| | £000's | £000's | £000's | % |
| Equities | 124,165 | 120,324 | 3,841 | 3.2 |
| Gilts | 5,063 | 4,846 | 217 | 4.5 |
| Other bonds | 9,085 | 9,253 | (168) | (1.8) |
| Property | 17,871 | 13,404 | 4,467 | 33.3 |
| Cash/temporary investments | 5,922 | 4,791 | 1,131 | 23.6 |
| Alternative Assets | 26,371 | 21,861 | 4,510 | 20.6 |
| Other managed funds | 20,749 | 15,731 | 5,018 | 31.9 |
| Total | 209,226 | 190,210 | 19,016 | 10.0 |

Capital

The table below summarises the Capital Expenditure outturn for 2021/22.

| Description | 2021/22 | 2020/21 |
|--------------------------------|----------------|----------------|
| | £000's | £000's |
| General Fund | 25,676 | 49,260 |
| Housing Revenue Account (HRA) | 21,414 | 17,930 |
| Total Capital Programme | 47,090 | 67,190 |

Expenditure on the General Fund Capital Programme decreased by £23.584 million this year as the Council concluded the refurbishment of the Civic Offices. The remaining priorities presented in the Corporate Plan 2018-2023 were the focus for 2021/22, with the most notable expenditure items incurred as follows:

- Qualis Loans/Transfers – £5.0 million in Capital loans were granted to Qualis during the year compared to £36.0 million granted in 2020/21, which is the most significant variance between the two years. The Council makes a revenue return on the loans, thus contributing to the corporate objective “achieving financial independence with low Council Tax” (as part of the “Stronger Council” corporate ambition). In addition, several property assets were transferred to Qualis for £14.752 million (payable over 30 years as part of an ‘Asset Purchase Loan’ arrangement), which was a significant enabler in progressing the Council's regeneration plans
- Epping Leisure Centre – £1.56 million was incurred on enabling works (to gain planning consent) undertaken by Qualis on the Council's behalf as part of the new Epping Leisure Facility development in Bakers Lane; and
- Investment Property – the Council has continued with its strategy of buying back long leases granted on certain investment properties, spending £1.03 million in 2021/22 to buy back a lease on a group of industrial units at Brooker Road; this will generate higher income streams through reletting on shorter terms.

The Council also concluded the extensive refurbishment of the Civic Offices in the early part of the year. As well as providing ‘state of the art’ accommodation to enable employees to work in the new hybrid way of working, the new facility is also delivering an additional income stream for the Council from commercial tenants.

There was a net increase of £3.484 million in expenditure on the HRA Capital Programme in the year compared to 2020/21, as the Council continued to roll out the Housing Development Programme. However, total expenditure – at £21.414 million – on the overall Capital Programme was £17.936 million lower than originally planned, with two notable areas of underspending/slippage; Housing Development and Capital Works as follows:

- Housing Development (underspend £12.859 million) – there were two elements to note:
 - *Housebuilding* – there was an underspend of £15.828 million (against a total budget of £24.506 million). Phases 4.1 and 4.2 were expected to be completed within the year but were significantly delayed due to planning issues; this delayed the start of Phases 4.3 and 4.4 which have now been re-scheduled to 2022/23; and
 - *Open Market Acquisitions* – the underspend on Housebuilding was partially offset by the purchase of some existing properties on the open market (£2.968 million), which allowed the Council to increase its housing stock, whilst averting the potential loss of capital receipts from the Right to Buy (RTB) scheme.
- Capital Works (underspend £5.150 million) – the single largest item of underspending in this category was Structural Works (underspend £1.636 million) relating to the Copperfield/Limes regeneration project, which has been re-scheduled for 2022/23. Access problems and other pandemic-related issues also caused delays to Component Replacement programmes.

Group Accounts

The Council has been required to prepare Group Accounts since 2020/21 following the formation of the Council's wholly owned arms-length company "Qualis" in October 2019; the Qualis group comprises four companies (including a holding company) focusing on development, investment and service delivery.

The Group Accounts – which can be found on pages 83 to 89 – present a full picture of the Council's financial position and its exposure to risk. Transactional volumes were relatively low in 2020/21, but are growing rapidly, so the Group Accounts have grown in importance this year.

COVID-19 Grants

Government grant funding for Covid-19 (both directly and indirectly via Essex County Council), in relation to the COVID-19 pandemic, continued in 2021/22. Once again, most of the funding was used to provide community support to residents and businesses during the pandemic as part of Government schemes, administered locally by the Council. The Council also received some grant funding from the Government to offset the continuing financial effects of the pandemic, such as the loss of income caused by successive lockdowns and social distancing (which was still a factor in the early days of the financial year).

The financial impact of the grants is included within this Statement of Accounts, although specific accounting treatment depends on whether the Council was acting as "Principal" or "Agent" in its administration of each individual scheme.

The Council acted as Agent the following circumstances:

- It was acting as an intermediary between Government and the recipient; and
- It had no control of the grant conditions and there was no flexibility in determining the level of grant payable.

Where the Council acted as Principal, it was able to use its discretion when allocating the grant payable.

Phase 1 Business Grants (Support to the Community) – concluded 2020/21

As reported in the 2020/21 Statement of Accounts, the Council received an overall allocation of £31,102,500 from the Government during the early days of the pandemic; the full allocation was spent during 2020/21:

- A total non-discretionary allocation of £29,605,000 million in “Small Business Grant Fund” (SBGF) and “Retail, Leisure and Hospitality Grant Fund” (RLHGF) was awarded to 3,102 businesses (with the Council acting as agent); and additionally
- A discretionary allocation of £1,497,500 was awarded to 184 businesses (with the Council acting as principal).

Phase 2 Business Grants (Support to the Community) – commencing 2020/21

The Government subsequently introduced a range of grants under the general heading of Local Restrictions Support Grants (LRSB), covering August 2020 to 31st March 2021. In total, the Council received £15,282,288 in grants across nine separate allocations. Each separate tranche of LRSB had its own eligibility criteria.

Most of the grant funding remained open for final payments beyond 31st March 2021, with the Council carrying forward £5,326,968 into 2021/22, which included £220,401 in relation to two LRSB grants covering ‘open businesses’ containing discretionary elements, for which the Council determined eligibility, and therefore acted as principal.

The Council spent £206,005 of the rolled forward LRSB funding in 2021/22. This left a remaining balance of £5,120,963 to be returned to the Government as illustrated in the table below.

| Covid-19 Business Grants: Phase 2 (Community Support) – rolled forward into 2021/22 | | | | | |
|--|--|----------------------------------|-----------------------------|------------------------------|-----------------------------------|
| Description | Total Allocation (received 2020/21) | Balance B/Fwd. (01/04/21) | | Expenditure (2021/22) | Grant Remaining (31/03/22) |
| | | Council as Agent | Council as Principal | | |
| | £'s | £'s | £'s | £'s | £'s |
| LRSB Closed Addendum | 1,905,426 | 640,142 | 0 | 22,674 | 617,468 |
| LRSB Addendum Open Pre-5th November 2020 | 277,704 | 0 | 104,265 | 3,804 | 100,461 |
| LRSB Open 2nd December: 18th December 2020 | 238,804 | 0 | 116,136 | 1,668 | 114,098 |
| Closed Business Lockdown One-Off Payment | 5,715,000 | 1,929,000 | 0 | 31,514 | 1,897,486 |
| LRSB Closed Addendum 5th January – 15th February 2021 | 2,858,139 | 970,710 | 0 | 19,234 | 951,476 |
| LRSB Closed 20th December 2020 – 4th January 2021 | 1,209,172 | 529,686 | 0 | 12,763 | 516,923 |
| LRSB Closed 16th February 2021 – 31st March 2021 | 2,994,241 | 1,037,029 | 0 | 114,348 | 922,681 |
| Totals | 15,198,486 | 5,106,567 | 220,401 | 206,005 | 5,120,963 |

Additional Restrictions Grant (ARG) – commencing 2020/21

In addition to the LRSG, the Government introduced a further discretionary grant scheme, the “Additional Restrictions Grant” (ARG). The Council introduced specific eligibility criteria for grant support based on knowledge of the Epping economy and the local business community. During 2020/21, two rounds of grant were received totalling £3,803,580 for which the Council acted as a principal. By 31st March 2021, £2,174,500 had been spent, with £1,629,080 being carried forward into the new financial year.

All remaining ARG funds were spent in 2021/22 as presented in the table below.

| Additional Restrictions Grant (ARG) – Community Support – rolled forward into 2021/22 | | | | |
|--|--|---------------------------------|--------------------------|----------------------------------|
| | Allocation/ Council as Principal | Balance B/Fwd. (01/04/21) | Expenditure (2021/22) | Grant Remaining (31/03/22) |
| | £'s | £'s | £'s | £'s |
| ARG – Initial Allocation | 2,633,780 | 459,280 | 459,280 | 0 |
| ARG – Top Up Payment | 1,169,800 | 1,169,800 | 1,169,800 | 0 |
| Totals | 3,803,580 | 1,629,080 | 1,629,080 | 0 |

Other Specific Grants (commencing 2020/21)

As outlined in the table below, the COVID-19 pandemic led the Government to introduce a further 13 specific grant regimes for the Council to administer in 2020/21. Each of these grants had its own terms, conditions and eligibility criteria and some had detailed reporting requirements.

In total, £1,604,711 in other specific grants were received in 2020/21. As at 31st March 2021, £684,312 had not been spent and was available for use in the following financial year.

Additional ‘top-up’ allocations of £1,120,657 were received in 2021/22, which helped fund total expenditure of 1,095,341 in the year. This left a remaining balance of £709,628 to be returned to the Government as illustrated in the table below.

| Other Specific Grants (Community Support) – rolled forward into 2021/22 | | | | | | |
|--|---------------------|------------------------------|-------------------------|-----------------------|--------------------|----------------------------------|
| Description | Total Allocation | Balance B/Fwd. (01/04/21) | | Received (2021/22) | Spend (2021/22) | Grant Remaining (31/03/22) |
| | | Council as Agent | Council as Principal | | | |
| | £'s | £'s | £'s | £'s | £'s | £'s |
| Direct (from Central Government) | | | | | | |
| Test & Trace: £25m Grant Fund | 254,189 | 151,189 | 0 | 481,000 | 33,413 | 598,776 |
| Test & Trace: Discretionary Fund (1) | 30,087 | 0 | 87 | 0 | 87 | 0 |
| Test & Trace: £66m Grant Fund (March 2021 allocation) | 3,750 | 3,750 | 0 | 0 | 0 | 3,750 |
| Test & Trace: Discretionary Fund (2) – March 2021 allocation | 25,000 | 0 | 25,000 | 0 | 0 | 25,000 |
| Indirect (via Essex County Council) | | | | | | |
| Compliance & Enforcement | 231,906 | 0 | 189,066 | 171,180 | 278,364 | 81,882 |

| Other Specific Grants (Community Support) – rolled forward into 2021/22 (cont.) | | | | | | |
|--|------------------|---------------------------|----------------------|--------------------|------------------|----------------------------|
| Description | Total Allocation | Balance B/Fwd. (01/04/21) | | Received (2021/22) | Spend (2021/22) | Grant Remaining (31/03/22) |
| | | Council as Agent | Council as Principal | | | |
| | £'s | £'s | £'s | £'s | £'s | £'s |
| Test & Trace/CEV Support | 266,220 | 0 | 169,720 | 75,000 | 244,500 | 220 |
| Contain Outbreak Management Fund (COMF) – via ECC | 53,160 | 0 | 30,000 | 195,977 | 225,977 | 0 |
| Essex Business Adaptations Grant (EBAG) | 242,000 | 0 | 115,500 | 197,500 | 313,000 | 0 |
| Totals | 1,106,312 | 154,939 | 529,373 | 1,120,657 | 1,095,341 | 709,638 |

New Grants for 2021/22

Further Covid-related grants were introduced with effect from 1st April 2021. Most notably, the Council began administering a new round of business support grants known as “Restart Grants” (RG); a total allocation of £6,156,162 was received from the Government, with £4,973,363 being spent. Substantial funding was also received in respect of “Omicron Grants” (OG), with a total of £846,113 being spent in 2021/22 from an overall allocation of £1,324,976.

| Covid-19 Business Grants (Community Support) - new for 2021/22 | | | | | |
|---|----------------------------|------------------|----------------------|------------------|----------------------------|
| Description | Total Allocation (2021/22) | Council as Agent | Council as Principal | Spend (2021/22) | Grant Remaining (31/03/22) |
| | £'s | £'s | £'s | £'s | £'s |
| <i>Direct (from Central Government)</i> | | | | | |
| Reopening the High Streets Safely* | 110,621 | 0 | 110,621 | 110,621 | 0 |
| Restart – strands One and Two (Non-Essential Retail, Hospitality, Accommodation, Leisure, Personal Care and Gyms) | 6,156,162 | 6,156,162 | 0 | 4,973,363 | 1,182,799 |
| Omicron – Hospitality & Leisure Grant | 972,045 | 972,045 | 0 | 765,361 | 206,684 |
| Omicron – Additional Restrictions Grant | 352,931 | 0 | 352,931 | 80,752 | 272,179 |
| <i>Indirect (via Essex County Council)</i> | | | | | |
| Essex Additional Business Support Grant | 333,252 | 333,252 | 0 | 66,500 | 266,752 |
| Totals | 7,925,011 | 7,461,459 | 463,552 | 5,996,597 | 1,928,414 |

*Assumed allocation of £116,694 reported in Statement of Accounts 2020/21 not received; spending of £74,388 carried forward from 2020/21 charged to CIES in 2021/22.

Grants to the Council

In addition to Business and Covid grants, the Council also received further general (un-ringfenced) grants totalling £1,268,291 to compensate for a range of income losses and additional expenses due to the pandemic. These grants have been included in the general unallocated funding for the Council.

| General Grants (Support to the Council) | |
|---|---------------------------|
| Description | 2021/22 Allocation |
| | £'s |
| Covid-19 Emergency Funding: Tranche 5 | 663,322 |
| Sales, Fees & Charges (SFC) Compensation: Tranche 4 | 404,269 |
| New Burdens/Administration Grants | 200,700 |
| Total | 1,268,291 |

The Council also received a total of £3,633,438 awarded by the Government in compensation (under Section 31 of the Local Government Act 2003) for additional Business Rate reliefs awarded.

The overall total Covid-related funding that the Council received and/or administered in 2021/22 was £13,947,347 (£63,749,153 in 2020/21) and is summarised in the table below.

| Description | 2021/22 Allocation (£'s) |
|--|---------------------------------|
| Community Support | |
| Other Specific Grants (commencing 2020/21) | 1,120,657 |
| New Grants for 2021/22 | 7,925,011 |
| Council Support | |
| General Grants | 1,268,291 |
| Business Rates (additional Section 31) | 3,633,438 |
| Total Additional Funding | £13,947,397 |

4. PRINCIPAL RISKS AND UNCERTAINTIES

A Risk Management Strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact.

Annually the Chief Internal Auditor gives their opinion on the adequacy and effectiveness of the Council's governance, risk management arrangements and control processes. For 2020/21 these were found to be adequate and effective. The exception to this, being disaster recovery and the Council is addressing the weaknesses identified.

The Audit and Governance Committee receive regular updates on the Corporate Risk Register and given the opportunity to comment and suggest changes.

The top risks from the Council's Corporate Risk Register as at June 2022 are listed below:

| Top Risks Identified | | |
|--|---|--|
| Risk | Impact | Mitigation |
| The Council does not have an adopted Local Plan. | Potential loss of strategic planning control; vulnerability to planning appeal decisions. | Main Modifications summary of responses sent to the Inspector and awaiting response. Consultants in place to support Habitats Regulations Assessment, Sustainability Assessment statements required alongside the Local Plan adoption. |
| Increase in demand for financial and housing assistance. | Potential increase in evictions and homelessness, and increased costs of temporary accommodation, Increase in Rent and Council Tax arrears and rise in mental health impacts and in safeguarding issues. | Dedicated private sector lettings resource and development of Community Hubs. Virtual customer portal signposting access to a range of help, advice and support services. Monthly tracking for early identification of spikes in demand. |
| Financial resilience | The impact of Covid-19 has added to a recent downward trajectory in available reserves, as income is struggling to keep pace with expenditure. Volatility in the worldwide economy, including sharply rising inflation and increasing interest rates poses a substantial threat to the Council's adopted Medium-Term Financial Plan. | Inflationary impacts are being closely monitored and assessed by Section 151 Officer. Mitigating actions being developed and implemented by Senior Management with higher value expenditure areas (such as pay, contracts and construction projects) being targeted. Potential for cashable efficiency savings for 2022/23 now being vigorously pursued with full Leadership Team support. |
| Failure to achieve strong economic development | Unable to secure enough opportunities; local area and people lose out; insufficient inward investment; impact on economic vitality of area; loss of revenue. | Economic Development Plan (Nurturing Growth) in place and flexed to take account of Covid-19 and post pandemic issues. A range of options developed for recovery of local high streets. |

Top Risks Identified (cont.)

| Risk | Impact | Mitigation |
|--|---|---|
| Data/information | Risk of data held by the Council ends up in inappropriate hands. System loss. Breach of the 2018 Data Protection Act (DPA) and the General Data Protection Regulations | Policies and procedures, staff and Member awareness/training, designated Data Protection Officer and Senior Information Risk Owner. Officer Strategic Information Governance Group and Information Assets Owners Group monitoring progress on action plan |
| Business Continuity (BC) – Inability to function should a significant event occur | Service disruption / loss of service, possible loss of income; staff absence, hardship for some of the community. Council criticised for not responding effectively | Corporate business continuity plan, which has been tested through response to Covid-19. Programme of review and updating service BC plans in progress. |
| Cyber security | Security of data could be compromised leading to loss of system access and/or data, inability to provide Council services, increased costs, reputation damaged, Ransomware payment, corporate fines | Security officer, security measures, IT monitoring of systems and network, installing system updates and patches, data backup. Controls in systems have been strengthened in response to specific occurrences and cyber security training rolled out across the Council. |
| Delays in issuing Planning Permission for development due to the impact on air quality in Epping Forest Special Area of Conservation | Delays in getting an adopted Local Plan in place; loss of New Homes Bonus; restricted Business Rates tax base growth. | Regular meetings with key stakeholders including Natural England. Interim mitigation strategy has been agreed by Council. Draft Air Quality Strategy developed. |
| Lack of response to the climate emergency | Failure to achieve identified carbon reduction targets/ actions, reputational damage and greatly increased costs from Climate Change Adaptation requirements. | Climate Action Plan approved by Cabinet in April 2022. |

5. EXPLANATION OF THE ACCOUNTING STATEMENTS

The Statement of Accounts shows the financial performance for 2021/22 and the financial position as at 31st March 2022. They present the income and expenditure for the year and highlight any significant changes in the Council's financial position during the year.

The document comprises Core and Supplementary Financial Statements, together with Disclosure Notes. The format and content of the financial statements is prescribed by the *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22* ("the Code"), which is underpinned by International Financial Reporting Standards (IFRSs).

The Code requires that the Statement of Accounts give a true and fair view of the financial position of the Council and are prepared on the basis that the Council is a going concern.

In line with the Code, suitable accounting policies have been applied, and where necessary, prudent judgements and estimates have been made.

The Statement of Accounts can be 'technical' and complex, but wherever possible, information is presented as simply and clearly as possible to assist the understanding of users.

Core Financial Statements

Comprehensive Income and Expenditure Statement (CIES)

This statement brings together all Council functions and reports on income and expenditure in accordance with International Financial Reporting Standards (IFRS) rather than just the amount to be funded from local taxes, rents and government grants. The difference is accounted for by a series of adjustments made in accordance with regulations. The cost of services within the Comprehensive Income and Expenditure Statement (CIES) follows the reporting structure used by the Council.

Movement in Reserves Statement (MIRS)

This statement provides a summary of the movement on the different reserves held by the Council over the course of the financial year. These reserves represent the Council's net worth and are divided into 'unusable', and 'usable' (i.e. those that can currently be used to fund expenditure or support local taxation).

Balance Sheet

This is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date. The net assets (assets less liabilities) of the Council are matched by the reserves held by the Council.

Cash Flow Statement

A summary of cash inflows and outflows arising from revenue and capital transactions with third parties.

Notes to the Financial Statements

The notes provide a better understanding of the financial statements and give further detail about the items contained in the core financial statements along with details of accounting policies used by the Council.

Supplementary Financial Statements

Housing Revenue Account (HRA)

This account records the Council's statutory obligation to separately account for the cost of the ring-fenced landlord function in respect of the provision of Council Housing.

Collection Fund

This summarises the collection of council tax and business rates, and the redistribution of that money to other local authorities and central Government.

Group Accounts

The Council has a material interest in Qualis. The Group Accounts show the consolidated position of the activities of the Council and Qualis.

Annual Governance Statement

This sets out the governance structures of the Council and its key internal controls.

The other notes to these statements provide more detail about accounting policies and transactions.

Statement of responsibilities



THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Section 151 Officer) has responsibility for the administration of those affairs
- Manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

.....
Chairman of the Audit & Governance Committee

.... September 2024

THE SECTION 151 OFFICER'S RESPONSIBILITIES

The Section 151 Officer is responsible for the preparation of the Statement of Accounts in accordance with proper practices as set out in the *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing this Statement of Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Code of Practice.

The Section 151 Officer 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 3 to 85 give a true and fair view of the financial position of the Council as at 31st March 2022 and the income and expenditure for the year then ended.

Andrew Small CPFA
Strategic Director & Section 151 Officer

.... September 2024



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EPPING FOREST DISTRICT COUNCIL REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion the financial statements of Epping Forest District Council ('the Authority') and its subsidiaries ('the Group'):

- give a true and fair view of the financial position of the Group and of the Authority as at 31 March 2022 and of the Group's and of the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We have audited the financial statements which comprise:

- the Group and Authority Comprehensive Income and Expenditure Statements;
- the Group and Authority Balance Sheets;
- the Group and Authority Movement in Reserves Statements;
- the Group and Authority Cash Flow Statements;
- the Housing Revenue Account Income and Expenditure Statement;
- the Movement on the Housing Revenue Account Balance Statement;
- the Collection Fund; and
- the related notes to the financial statements including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting (2021/22).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the Group and the Authority is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

Other information

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the Group and the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

We considered the nature of the Group and its control environment and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Finance Act 2012 and Local Government and Housing Act 1989.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. This included relevant employment legislation.

We discussed among the audit engagement team including relevant internal specialists such as valuations specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Matters on which we are required to report by exception

Use of resources

Under the Code of Audit Practice and the Local Audit and Accountability Act 2014, we are required to report to you if we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our work in respect of the Authority's arrangements is not complete at the date of our report on the financial statements. We will report the outcome of our work on the Authority's arrangements and include any additional exception reporting in respect of significant weaknesses in our audit completion certificate and our separate Auditor's Annual Report. We are satisfied that the remaining work is unlikely to have a material impact on the financial statements.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under the Code of Audit Practice and Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2022, as to whether the Authority had proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Authority a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022 by the time of the issue of our audit report. Other findings from our work, including our commentary on the Authority's arrangements, will be reported in our separate Auditor's Annual Report.

Reports in the public interest or to the regulator

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

We cannot formally conclude the audit and issue an audit certificate until we have completed our work in respect of the Authority's arrangements for securing economy, efficiency and effectiveness

in its use of resources (as reported in the Matters on which we are required to report by exception – Use of resources section of our report) and the work necessary to issue our assurance statement in respect of the Authority’s Whole of Government Accounts consolidation pack.

USE OF OUR REPORT

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Mohammed Ramzan (Key Audit Partner)
For and on behalf of Deloitte LLP
Birmingham, United Kingdom
..... September 2024

DRAFT

Comprehensive income and expenditure statement



The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the Movement in Reserves Statement.

| | Note | 2021/22 | | | 2020/21 | | |
|--|------|-------------------|-----------------|-----------------|-------------------|-----------------|-----------------|
| | | Gross Expenditure | Income | Net Expenditure | Gross Expenditure | Income | Net Expenditure |
| | | £000's | £000's | £000's | £000's | £000's | £000's |
| Chief Executive | | 886 | (364) | 522 | 1,842 | - | 1,842 |
| Community & Wellbeing Services | | 3,851 | (1,449) | 2,402 | 4,053 | (1,117) | 2,936 |
| Contract & Technical Services | | 17,729 | (9,932) | 7,797 | 19,932 | (4,784) | 15,148 |
| Corporate Services | | 10,471 | (2,855) | 7,616 | 976 | (742) | 234 |
| Customer Services | | 29,110 | (26,993) | 2,117 | 35,694 | (31,240) | 4,454 |
| Finance & Audit Services | | 2,733 | (788) | 1,945 | 9,380 | (85) | 9,295 |
| Housing & Property Services | | 2,719 | (543) | 2,176 | 291 | (1) | 290 |
| Place | | 886 | (433) | 453 | 1,877 | (152) | 1,725 |
| Planning Development Services | | 5,698 | (2,778) | 2,920 | 6,398 | (2,317) | 4,081 |
| Qualis Income Stream | | - | - | - | 1,946 | (1,220) | 726 |
| Strategy, Delivery & Performance | | 691 | - | 691 | 1,351 | (139) | 1,212 |
| Housing Revenue Account | | 33,816 | (37,181) | (3,365) | 33,453 | (34,776) | (1,323) |
| Net Cost of Services | | 108,590 | (83,316) | 25,274 | 117,193 | (76,573) | 40,620 |
| Other Operating Expenditure | 9 | | | 974 | | | 2,857 |
| Financing and Investment Income and Expenditure | 10 | | | (14,821) | | | (5,195) |
| Taxation and Non-Specific Grant Income | 11 | | | (20,982) | | | (25,655) |
| (Surplus)/Deficit on Provision of Services | | | | (9,555) | | | 12,627 |
| (Surplus) on Revaluation of Property Plant and Equipment | 12 | | | (52,588) | | | (28,958) |
| Actuarial (Gains)/Losses on Pension Assets/Liabilities | | | | (30,779) | | | 58 |
| Heritage Assets | | | | | | | |
| Total Comprehensive Income and Expenditure | | | | (92,922) | | | (16,273) |

Movement in reserves statement



| | General Fund Balance | Housing Revenue Account | Earmarked Reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Reserves |
|--|----------------------|-------------------------|--------------------|--------------------------|-----------------------|--------------------------|-----------------------|-------------------------|----------------|
| Movements in 2021/22 | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Balance as at 1st April 2021 | 4,017 | 2,105 | 23,811 | 8,385 | 8,839 | - | 47,156 | 618,535 | 665,691 |
| Surplus / (Deficit) on Provision of Services | 7,978 | 1,577 | - | - | - | - | 9,555 | - | 9,555 |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | - | - |
| Total Comprehensive Income and Expenditure | 7,978 | 1,577 | - | - | - | - | 9,555 | - | 9,555 |
| Adjustment Between Accounting and Funding Basis Under | (12,127) | 482 | - | 3,525 | 526 | 1,354 | (6,240) | 6,240 | - |
| Net Increase / (Decrease) before Transfer to Earmarked Reserves | (4,149) | 2,059 | - | 3,525 | 526 | 1,354 | 3,315 | 6,240 | 9,555 |
| Transfer to Earmarked Reserves | 4,202 | - | (17,182) | - | - | - | (12,980) | 12,980 | - |
| Increase / (Decrease) in Year | 53 | 2,059 | (17,182) | 3,525 | 526 | 1,354 | (9,665) | 19,220 | 9,555 |
| Other Adjustments | - | - | - | - | - | 253 | 253 | 83,367 | 83,620 |
| Balance as at 31st March 2022 | 4,070 | 4,164 | 6,629 | 11,910 | 9,365 | 1,607 | 37,744 | 721,122 | 758,866 |

| | General Fund Balance | Housing Revenue Account | Earmarked Reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Reserves |
|--|----------------------|-------------------------|--------------------|--------------------------|-----------------------|--------------------------|-----------------------|-------------------------|----------------|
| Movements in 2020/21 | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Balance as at 1st April 2020 | 6,417 | 2,030 | 17,513 | 8,830 | 7,123 | 934 | 42,846 | 607,578 | 650,424 |
| Surplus / (Deficit) on Provision of Services | (11,412) | (1,215) | - | - | - | - | (12,627) | - | (12,627) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | 28,900 | 28,900 |
| Total Comprehensive Income and Expenditure | (11,412) | (1,215) | - | - | - | - | (12,627) | 28,900 | 16,273 |
| Adjustment Between Accounting and Funding Basis Under Regulations | 15,563 | 1,037 | - | (445) | 1,716 | - | 17,871 | (17,871) | - |
| Net Increase / (Decrease) before Transfer to Earmarked Reserves | 4,151 | (178) | - | (445) | 1,716 | - | 5,244 | 11,029 | 16,273 |
| Transfer to Earmarked Reserves | (6,551) | 253 | 6,298 | - | - | - | - | - | - |
| Increase / (Decrease) in Year | (2,400) | 75 | 6,298 | (445) | 1,716 | - | 5,244 | 11,029 | 16,273 |
| Other Adjustments | - | - | - | - | - | (934) | (934) | (72) | (1,006) |
| Balance as at 31st March 2021 | 4,017 | 2,105 | 23,811 | 8,385 | 8,839 | - | 47,156 | 618,535 | 665,691 |

Balance sheet



| | Note | 31 March 2022 | | 31 March 2021 | |
|--------------------------------------|------|---------------|------------------|---------------|------------------|
| | | £000's | £000's | £000's | £000's |
| Long Term Assets | | | | | |
| Property, Plant & Equipment | 12 | 854,568 | | 811,574 | |
| Heritage Assets | | 598 | | 542 | |
| Investment Properties | 13 | 162,006 | | 147,305 | |
| Intangible Assets | | 988 | | 272 | |
| Long Term Debtors | 14 | 58,454 | | 41,595 | |
| Total Long Term Assets | | | 1,076,614 | | 1,001,288 |
| Current Assets | | | | | |
| Inventories | | 157 | | 56 | |
| Debtors | 16 | 30,732 | | 36,593 | |
| Cash & Cash Equivalents | 17 | 18,736 | | 10,474 | |
| | | | 49,625 | | 47,124 |
| Current Liabilities | | | | | |
| Creditors | 18 | (51,638) | | (49,663) | |
| Provisions | 19 | (2,381) | | (2,244) | |
| Short-Term Loans | 15 | (55,552) | | (62,750) | |
| | | | (109,571) | | (114,657) |
| Long Term Liabilities | | | | | |
| Long-Term Loans | 15 | (213,639) | | (198,956) | |
| Pensions Liability | 31 | (44,163) | | (69,108) | |
| | | | (257,802) | | (268,064) |
| Total Assets Less Liabilities | | | 758,866 | | 665,691 |
| Usable Reserves | | (37,744) | | (47,156) | |
| Unusable Reserves | 20 | (721,122) | | (618,535) | |
| | | | (758,866) | | (665,691) |

Cash flow statement



| | Note | 2021/22 £000's | 2020/21 £000's |
|--|------|-------------------|-------------------|
| Net Surplus/(Deficit) on Provision of Services | | 9,555 | (12,627) |
| Adjustments to net surplus or deficit on the provision of services for non-cash movements | 21 | 53,389 | 51,555 |
| Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 21 | (29,870) | (7,086) |
| Net cash flows from Operating Activities | | 33,074 | 31,842 |
| Investing Activities | 22 | (15,461) | (62,360) |
| Financing Activities | 23 | (9,351) | 16,270 |
| Net Increase or (Decrease) in cash and cash equivalents | | 8,262 | (14,248) |
| Cash and Cash Equivalents at the beginning of the reporting | | 10,474 | 24,722 |
| Cash and Cash equivalents at the end of the reporting period | 17 | 18,736 | 10,474 |



Notes to the Statement of Accounts

| Note | | Page |
|-------------|---|-------------|
| 1 | Accounting Policies | 31 |
| 2 | Accounting Standards that have been issued but not yet adopted | 39 |
| 3 | Critical judgements in applying Accounting Policies | 40 |
| 4 | Assumptions made about the future and Other Major Sources of Estimation Uncertainty | 40 |
| 5 | Events after the Balance Sheet Date | 42 |
| 6 | Expenditure and Funding Analysis | 43 |
| 7 | Adjustments between Accounting Basis and Funding Basis under Regulation | 46 |
| 8 | Movements in Earmarked Reserves | 48 |
| 9 | Other Operating Expenditure | 49 |
| 10 | Financing and Investment Income and Expenditure | 49 |
| 11 | Taxation and Non-Specific Grant Income | 49 |
| 12 | Property, Plant & Equipment | 50 |
| 13 | Investment Property | 52 |
| 14 | Long Term Debtors | 53 |
| 15 | Financial Instruments | 53 |
| 16 | Debtors and Prepayments | 55 |
| 17 | Cash and Cash Equivalents | 56 |
| 18 | Creditors | 56 |
| 19 | Provisions | 56 |
| 20 | Unusable Reserves | 57 |
| 21 | Cashflow Statement - Operating Activities | 60 |
| 22 | Cashflow Statement - Investing Activities | 61 |
| 23 | Cashflow Statement - Financing Activities | 61 |
| 24 | Member Allowances | 61 |
| 25 | Officer Remuneration | 61 |
| 26 | External Audit Fees | 63 |
| 27 | Grants & Contributions | 64 |
| 28 | Related Party Declarations | 64 |
| 29 | Capital Expenditure and Financing | 65 |
| 30 | Leases | 66 |
| 31 | Pensions | 67 |
| 32 | Nature and Extent of Risks Arising from Financial Instruments | 70 |
| 33 | Capital Commitments | 74 |

1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises Epping Forest District Council's transactions for the 2022/22 financial year and its position at the year-end of 31st March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices.

The Statement of Accounts has been prepared in accordance with proper accounting practices (under Section 21 of the Local Government Act 2003). These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 7 of the Accounts and Audit Regulations 2015.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on an accruals basis and are based on the concept of the Council as a going concern whereby local authorities cannot be created or dissolved without statutory prescription.

The significant accounting policies are set out in alphabetical order (1.2 to 1.18) below:

1.2 ACCRUALS OF INCOME AND EXPENDITURE

Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and its probable that economic benefits or service potential associated with transaction will flow to the Council.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in a specified period of no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are charged with the following amounts to reflect the cost of holding non-current assets during the year:

- depreciation attributable to the asset used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which losses can be written off; and
- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation, however it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance).

Depreciation, revaluation and impairment losses and amortisation are replaced by the contribution in the General Fund Balance by way of a Capital Adjustment transaction in the Movement in Reserves Statement for the difference between the two.

Under the Item 8 Credit and Item 8 Debit (General) Determination issued 24th January 2017 depreciation is charged to the Housing Revenue Accounts. From 1st April 2017 impairment charges and revaluation losses on dwelling assets continue to be reversed out of the Housing Revenue Account post the transitional period and for non-dwelling assets prospectively only from this date. Revaluation gains which reverse a previous impairment and revaluation losses are adjusted for against the Housing Revenue Account Balance.

1.5 COUNCIL TAX AND NON-DOMESTIC RATES

The Council as a billing authority acts as an agent, collecting Council Tax and non-domestic rates (NDR) on behalf of Essex County Council and Essex Police (i.e. the major preceptors, which also includes Essex Fire Authority and Central Government for NDR) and as principal, it collects Council Tax and NDR for itself. Billing authorities are required by statute to maintain a separate fund (the "Collection Fund") for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the CIES is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the year-end balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

1.6 EVENTS AFTER THE REPORTING PERIOD

Events after the Balance Sheet date, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue are of two types:

- Those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.7 FINANCIAL INSTRUMENTS

Financial assets and liabilities are carried at amortised cost. Credits are made to the CIES for Interest Receivable and are based on the carrying amount multiplied by the effective rate of interest. The amount appearing in the Balance Sheet relates to the principal outstanding plus accrued interest.

1.8 GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, Government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied.

Where there are no conditions attached to a grant it should be recognised immediately as income in the CIES. This applies to both revenue and capital grants.

As capital grants and contributions credited to the CIES are not proper income charges to either the General Fund or HRA they must be reversed out through the MIRS to ultimately end up in the Capital Adjustment Account. If there are no conditions attached and the expenditure to which the grant relates has been incurred, then the reversal can be made directly to the Capital Adjustment Account. However, if there are conditions attached then the grant will be recognised in the Capital Grants Receipts in Advance Account until the conditions are met.

Further to this, if the conditions of a capital grant have been met, but the expenditure to be financed from the grant has not been incurred at the Balance Sheet date, then the grant should be reversed out of the CIES through the MIRS to the Capital Grants Unapplied Account. By doing this there is a recognition that the capital grant is not proper income to the General Fund nor HRA and that the capital resources have yet to be applied.

1.9 INVESTMENT PROPERTY

Investment properties are those which are held solely to earn rentals or for capital appreciation purposes. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated but are re-valued annually according to market conditions to ensure that they are held at the highest and best use value on the Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal. Under statute, revaluation and disposal gains and losses are not permitted to impact on the General Fund balance and therefore such gains and losses are reversed out of the General Fund balance in the Movement in Reserves Statement to the Capital Adjustment Account; sale proceeds greater than £10,000 are posted to the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund balance.

1.10 LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee:

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A financing charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution (minimum revenue provision - MRP) is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by the MRP in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor:

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain and loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a long-term lease debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, it is posted out of the General Fund Balance to the Capital Receipt Reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.11 OVERHEADS AND SUPPORT SERVICES

The cost of overheads and support services are not recharged to General Fund service segments. This maintains clearer financial accountability and performance and – especially – ensures consistency with the Council's management accounts, which are reported to councillors throughout the financial year.

However, the cost of overheads and support services are recharged to the Housing Revenue Account, which ensures that a ring-fenced account is maintained, as required by statute.

1.12 PRIOR YEAR ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Prior period adjustments may arise because of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to prior period adjustment.

Changes in accounting policies are made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.13 PROPERTY PLANT AND EQUIPMENT

Assets that have a physical substance and are held for use in the production or supply of goods or services (for rental to others or for administrative purposes) and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property plant and equipment is capitalised on an accruals basis, provided that it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the costs of dismantling and removing the item and restoring the location site.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historic cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Investment properties and surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- Where there is no balance in the Revaluation Reserve or an insufficient balance the carrying amount of the asset is written down against the relevant service line in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated in the Capital Adjustment Account.

Impairment

Assets are reviewed at each year-end for evidence of reductions in value i.e. impairment. Where impairment is identified, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

When impairment losses are identified, they are accounted for as follows:

- Where there is a balance in the revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains; or
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives on a straight-line basis. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). 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.

Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charge on assets and the depreciation that would have been charged based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposal and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. These should be:

- Immediately available for sale
- Sale is highly probable
- Actively marketed; and
- Expected to be sold within 12 months.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Any loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

If an asset no longer meets the criteria to be classified as an asset held for sale it is reclassified again as a non-current asset and valued at the lower of:

- Its carrying amount before it was classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had it not been classified as held for sale; and
- Its recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or asset held for sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from the disposal (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal above £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to central government. The balance of receipts remains within the Capital Receipts' Reserve and then can be used for new capital investment (or set aside to reduce the Council's underlying need to borrow). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against Council Tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1. 14 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking account of relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that the reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation the existence of which will be confirmed by the occurrence or otherwise of uncertain future events which are not wholly within the control of the Council. Contingent liabilities may arise in circumstances also where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the Balance Sheet but disclosed by way of a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset the existence of which will be confirmed by the occurrence or otherwise of uncertain future events which are not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed by way of a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.15 RESERVES

The Council has set aside certain revenue and capital amounts as earmarked reserves for future policy purposes or to cover contingencies. 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 time. All earmarked fund balances and reserves are reviewed periodically as to their size and appropriateness.

Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are unusable and are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits are explained in the relevant policies.

1.16 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions, but which does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves' Statement from the General Fund Balance to the Capital Adjustment Account ensures the accounting principle does not impact on the General Fund Balance.

1. 17 VALUE ADDED TAX (VAT)

VAT is included in the accounts only to the extent that it is irrecoverable from HM Revenue and Customs. VAT can only be recovered on partially exempt activities where all such activities account for less than 5% of total VAT on all the Council's activities. VAT receivable is excluded from income.

1.18 FAIR VALUE MEASUREMENT

The Council measures some of its financial and non-financial assets, such as surplus assets and investment properties and some of its financial instruments, at fair value at the end of each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, (assuming market participants act in their economic best interest).

When measuring fair value of a non-financial asset the Council takes account of a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Council is required to disclose known or reasonably estimated information relevant to assessing the possible impact on the financial statements of an accounting change that will be required by the application of a new standard that has been issued but not yet adopted in the period of application.

The most significant standard which applies for this Council is IFRS 16 ("Leases"). IFRS16 was issued in January 2016 and became effective for the private sector on 1st January 2019. It removes the existing classifications of operating and finance leases for lessees, requiring a lessee to recognise assets and liabilities for all leases with a term of more than 12 months (unless the underlying asset is of low value) on their Balance Sheet.

All material operating leases were required to be recorded on the Balance Sheet from 1st April 2019 in the private sector. However, in the light of Covid-19 pressures, HM Treasury and the Financial Reporting Advisory Board (FRAB) initially decided that the original IFRS 16 implementation deadline of 1st April 2020 for the public sector would be deferred for a further year, to accounting periods beginning 1st April 2021.

However, in December 2021, the Department of Levelling-up Housing and Communities (DLUHC) asked CIPFA/LASAAC to deliberate how time-limited changes to the Code may help ease delays to the publication of audited financial statements (just 9% of local authorities in England met the 30th of September 2021 audit publication deadline). The subsequent consultation issued in February 2022 included the further deferral of the implementation of IFRS 16 as an option, which was duly recommended by CIPFA/LASAAC in March 2022 and subsequently approved by FRAB. The implementation of IFRS 16 has now been deferred until 1st April 2024 (the 2024/25 Code), although early adoption – in 2022/23 or 2023/24 – is permitted.

The Council's current leasing activity (as a lessee) is relatively limited. Nevertheless, a review of the updated leasing position will be undertaken to ensure timely implementation, including consideration of early adoption in 2023/24. At this stage, it is not possible to provide a reasonable estimate of the financial impact that adopting IFRS16 will have.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions in the current economic climate of the high degree of uncertainty about future levels of funding for local government. The Council has determined, however, that this uncertainty is not yet sufficient to provide an indication that its assets might be impaired due to a need to close facilities and reduce levels of service provision.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Accounts contain numerous figures that are estimated based on historical experience, current trends or other factors that are relevant. As these figures cannot be ascertained with certainty it is possible that actual results could be materially different from those estimated. The items in the Balance Sheet where there is a risk of material adjustment are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a range of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, life expectancy rates and expected returns on pension fund assets. Consultant actuaries are engaged to provide advice about assumptions to be applied. The actuary has provided some sensitivity analysis around the assumptions and this is contained within the Pensions Note 31. The carrying value of the Pensions Liability is (£50.913 million).

Fair Value Measurement

The use of the discounted cash flow model to measure the fair value of some of the Council's investment properties and financial instruments are dependent upon significant assumptions for rent growth, void properties and discount rates adjusted for regional factors. Significant changes in any of the inputs would result in a significantly different fair value measurement. The Council's fund manager has provided a sensitivity analysis around a 1% increase in the discount rate used for measuring the fair value of the Council's financial assets and liabilities which is disclosed within the Financial Instruments Note 15.

There are also three major events – “Brexit”, “Coronavirus” and the “War in Ukraine” – which could have a significant financial impact on the assumptions and estimates made in this Statement of Accounts.

The United Kingdom leaving the European Union (“Brexit”)

A resolution to the previous impasse on the land border between Ireland and Northern Ireland was accepted by MPs and subsequently ratified by the European Union (EU) in January 2020. Consequently, the UK ceased to be a member of the European Union at 11pm on 31st January 2020.

Following an 11-month transition period (from 1st February to 31st December 2020) in which the UK remained in the EU single market, its customs union and paid into its budget, the UK eventually withdrew completely from the EU on 31st December 2020, having negotiated an EU-UK Trade and Co-Operation Agreement; the widely feared ‘no deal Brexit’ was therefore averted.

Since leaving the EU, a range of impacts on the UK economy have been reported in the media. In the early post-Brexit days, the disruption to supply chains caused by labour shortages was headline news and more recently – in April 2022 (reflecting on Brexit ‘one-year on’) – the London School of Economics (LSE) Centre for Economic Performance reported that both UK imports and exports from/to the EU fell significantly during 2021, especially amongst low value goods, although some recovery towards the end of the year was noted.

It is still too early to gauge the longer-term impacts of Brexit and the impact on this Statement of Accounts is therefore still unknown. Most notably, asset values could still be negatively impacted as could the valuation of the Pension liability. However, in the absence of intelligence to the contrary, it has been assumed that there will be no significant impairment to the Council's asset values or any change to the Pension Fund liability. These assumptions are kept under constant review.

Coronavirus (Covid-19) Pandemic

On 11th March 2020, the World Health Organisation (WHO) declared a global pandemic due to the rapid spread of the Covid-19 virus. The measures taken by the UK and most major countries worldwide to control the spread of the virus had an immediate and profound impact on economies across the world.

As a provider of frontline public services there were significant operational impacts on Epping Forest District Council at the time as it tried to maintain the delivery of core services, whilst providing additional support to residents and businesses who were facing a range of difficulties due to self-isolation measures and Government-imposed restrictions on businesses and the movement of people.

Whilst core services such as Waste Collection were maintained, other services – including Leisure Centres – were not able to operate (due to enforced closure) for extended periods.

Wherever possible, office-based operations continued through staff working remotely from home. Hybrid working eventually permanently replaced remote working in July 2021.

Over the last two financial years (2020/21 and 2021/22), the Council has been responsible for the frontline delivery of a vast array of (Government-funded) support to residents and businesses ranging from the delivery of supplies to vulnerable residents by volunteers/re-deployed staff during the early days of the pandemic and providing means-tested reductions to Council Tax bills, through to major support for businesses in the form of support grants and Business Rate reductions.

General Financial Impact

Despite the provision of strong and rapid financial Government support, the Council faced a range of other financial pressures on its General Fund and Housing Revenue Account (HRA), predominantly in 2020/21. General Fund income from Fees and Charges especially was particularly badly affected (see comment below on Leisure Centres), along with general revenue funding, from both Council Tax and Business Rates.

However, the situation recovered in most areas during the early months of 2021/22 as the economy began to gradually open-up fully with the easing of Covid restrictions; this allowed the Government to progressively scale back – and gradually withdraw – its Covid-related financial support.

There are some financial legacy issues that are proving challenging to Epping Forest District Council, and local authorities in general, caused by long-lasting/permanent behavioural changes in society following the pandemic. For example, changes in working habits have reduced the level of commuter-driven income that the Council receives from Car Parking fees and Waste Management costs have risen, reflecting an increase in waste being generated. The long-term impacts of changes in shopping habits are still uncertain (although the Council's risk exposure to High Street Commercial Property is relatively limited).

Impact on the Property Portfolio

The Covid-19 pandemic initially caused extensive disruption to businesses and economic activities and the uncertainties increased the estimation uncertainty over the valuation of the property portfolio for the Balance Sheet as at 31st March 2020, which led to valuers issuing a "material valuation uncertainty" with their valuations. This was accompanied by a reduction property values; most notably the Council's Investment Property Portfolio, which dropped by £5.83 million (4.9%).

The impact of the pandemic on property values was more mixed in 2020/21. Whilst Car Parks performed badly (down £0.7 million or 4.4% from 2019/20) and certain Shops (with one Council block in particular – acquired just before the pandemic – being badly hit, suffering a £2.52 million – 14.2% – loss in value compared to the previous year. However, the Investment Property portfolio saw an overall net gain in value of £7.39 million (5.28%).

Most trading sectors were seeing a strong recovery by the end of 2021/22, which is reflected in rising valuations on 31st March 2022 in most cases. In particular, the Investment Property portfolio bounced back strongly, rising in value by £13.26 million (9.01%) compared to year end 2020/21.

But despite the upbeat position at the end of the reporting period, the ongoing War in Ukraine (and the accompanying inflation problem in particular) shows that the worldwide economy, including the UK, faces economic turbulence ahead, which guarantees uncertainty for the Council's property portfolio for some time yet.

Impact on the Leisure Contract

The Council has a 20-year contract with *Places Leisure* (PL) for the provision of leisure services in Epping Forest, which commenced in 2017. Under the terms of the contract, PL is responsible for managing four leisure centres (situated in Epping, Ongar, Loughton and Waltham Abbey) and pays an annual Management Fee to the Council (£1.4 million in 2021/22).

The outbreak of the pandemic saw the rapid closure of all leisure centres in the district in March 2020. This led to the immediate cessation of leisure operations and a complete loss of income from leisure-related fees and charges to PL. There then followed a series of partial re-openings (subject social distancing measures), further closures and – eventually, as the vaccination programme took effect and the Covid-19 threat gradually receded – a return to normal operations during 2021/22.

The Council was cushioned against the full financial impact of the pandemic on leisure service by both direct and indirect Government support in 2020/21, which continued into the early part of 2021/22. Footfall in the leisure centres bounced back strongly in 2021/22 with PL once again able to resume the full payment of the Management Fee. However, there is a very real threat that the recovery may be short lived in the light of soaring energy costs, with heated swimming pools especially being major consumers of energy (see below for discussion on inflation).

The War in Ukraine (including the worldwide “cost of living crisis”)

On 24th February 2022, Russian military forces invaded Ukraine in a major escalation of a conflict that began in 2014. The invasion caused Europe's largest refugee crisis since World War II, with more than 8 million Ukrainians fleeing the country and a third of the population being displaced.

At the time of preparing these financial statements, global food shortages and a major spike in energy prices are both attributable to the war in Ukraine. This has added to pressure already building in the UK economy following Brexit and the Covid-19 pandemic, combining to sharply drive-up inflation (UK CPI reached 9.1% in May 2022, which is its highest level in 40 years; the Bank of England are forecasting rates to go even higher in the Autumn of 2022). Major inflationary pressure (dubbed a “cost of living crisis” by the media) is a global phenomenon; central banks around the world – including the Bank of England – are beginning to raise interest rates in response.

The impact on the Council's finances of rising inflation and interest rates, will begin to emerge in the 2022/23 Statement of Accounts. The longer-term impacts are very uncertain at this stage, with the main threat being one of maintaining balanced budgets in the wake of larger pay settlements, rising contract costs for the delivery of key services such as Leisure and Waste Management and potentially reduced interest margins on Qualis loans. The viability of both existing General Fund and HRA capital commitments is also threatened with the cost of building materials in particular rising sharply.

5. EVENTS AFTER THE BALANCE SHEET DATE

The draft 2021/22 Statement of Accounts were authorised for issue on 7th July 2022 by Andrew Small (Executive Director & Section 151 Officer).

Where events taking place before this date provided information about conditions existing at 31st March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. For example, the anticipated collectability of outstanding debt at 31st March 2022 is reflected in a further increase to the provision for bad debts. No adjustment has been made as a result of the UK High court ruling in *Virgin Media v NTL Pension Trustees II Ltd*.

6. EXPENDITURE AND FUNDING ANALYSIS

The objective of the expenditure and funding analysis is to demonstrate to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The expenditure and funding analysis also shows how this expenditure is allocated for decision making purposes between the council's directorates services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2020/21 | | | 2021/22 | | |
|---|--|--|---|--|---|
| Net Expenditure Chargeable to General Fund & HRA Balances | Adjustments between the funding & Accounting Basis | Net Expenditure in the Comprehensive Income & Expenditure Statement | Net Expenditure Chargeable to General Fund & HRA Balances | Adjustments between the funding & Accounting Basis | Net Expenditure in the Comprehensive Income & Expenditure Statement |
| £000s | £000's | £000's | £000's | £000's | £000's |
| 1,774 | 68 | 1,842 | 417 | (105) | 522 |
| 2,609 | 327 | 2,936 | 1,719 | (683) | 2,402 |
| 11,168 | 3,980 | 15,148 | 6,038 | (1,759) | 7,797 |
| (485) | 719 | 234 | 6,327 | (1,289) | 7,616 |
| 3,737 | 717 | 4,454 | 1,422 | (695) | 2,117 |
| 8,699 | 596 | 9,295 | 2,550 | 605 | 1,945 |
| (5,983) | 6,273 | 290 | 1,640 | (536) | 2,176 |
| 1,470 | 255 | 1,725 | 349 | (104) | 453 |
| 3,539 | 542 | 4,081 | 2,242 | (678) | 2,920 |
| (997) | 1,723 | 726 | - | - | - |
| 1,052 | 160 | 1,212 | 612 | (79) | 691 |
| (16,428) | 15,105 | (1,323) | (3,659) | (294) | (3,365) |
| 10,155 | 30,465 | 40,620 | 19,657 | (5,617) | 25,274 |
| | | | | | |
| (14,129) | (13,864) | (27,993) | (17,567) | 17,262 | (34,829) |
| (3,974) | 16,601 | 12,627 | 2,090 | 11,645 | (9,555) |
| | | | | | |
| (25,960) | | Opening General Fund and HRA Balance | (29,932) | | |
| | | Other Transfers from Capital Funds | 12,981 | | |
| | | | | | |
| (29,934) | | Closing General Fund & HRA Balance at 31st March 2021 (For a split of this balance between the General Fund, HRA and Earmarked Reserves - see the Movement in Reserves Statement) | (14,861) | | |

Adjustments between Funding & Accounting Basis

| | Adjustments for Capital Purposes | Net Change for the Pensions Adjustments | Other Differences | Total |
|---|--|---|----------------------|----------------|
| 2021/22 | £000's | £000's | £000's | £000's |
| Chief Executive | - | (75) | (30) | (105) |
| Community & Wellbeing Services | (312) | (329) | (42) | (683) |
| Contract & Technical Services | (652) | (1,132) | 25 | (1,759) |
| Corporate Services | (299) | (912) | (78) | (1,289) |
| Customer Services | - | (737) | 42 | (695) |
| Finance & Audit Services | (38) | 636 | 7 | 605 |
| Housing & Property Services | (311) | (188) | (37) | (536) |
| Place | - | (99) | (5) | (104) |
| Planning Development Services | - | (678) | - | (678) |
| Strategy, Delivery & Performance | - | (65) | (14) | (79) |
| Housing Revenue Account | 789 | (912) | (171) | (294) |
| Net Cost of Service | (823) | (4,491) | (303) | (5,617) |
| Other Income and Expenditure from the Expenditure and Funding Analysis | 13,880 | (1,342) | 4,724 | 17,262 |
| Difference between General Fund (Surplus)/Deficit and Comprehensive Income and Expenditure | 13,057 | (5,833) | 4,421 | 11,645 |

| | Adjustments for Capital Purposes | Net Change for the Pensions Adjustments | Other Differences | Total |
|---|-------------------------------------|---|----------------------|---------------|
| 2020/21 | £000's | £000's | £000's | £000's |
| Chief Executive | 1 | 57 | 10 | 68 |
| Community & Wellbeing Services | 132 | 183 | 12 | 327 |
| Contract & Technical Services | 3,170 | 741 | 69 | 3,980 |
| Corporate Services | 84 | 577 | 58 | 719 |
| Customer Services | 133 | 530 | 54 | 717 |
| Finance & Audit Services | 81 | 133 | 382 | 596 |
| Housing & Property Services | 6,136 | 126 | 11 | 6,273 |
| Place | 48 | 181 | 26 | 255 |
| Planning Development Services | 78 | 405 | 59 | 542 |
| Qualis | - | - | 1,723 | 1,723 |
| Strategy, Delivery & Performance | 58 | 97 | 5 | 160 |
| Housing Revenue Account | 13,914 | 1,148 | 43 | 15,105 |
| Net Cost of Service | 23,835 | 4,178 | 2,452 | 30,465 |
| Other Income and Expenditure from the Expenditure and Funding Analysis | (21,754) | 1,234 | 6,656 | (13,864) |
| Difference between General Fund (Surplus) / Deficit and Comprehensive Income and Expenditure | 2,081 | 5,412 | 9,108 | 16,601 |

Income & Expenditure Analysed by Nature

| | Chief Executive | Community & Wellbeing Services | Contract & Technical Services | Corporate Services | Customer Services | Finance & Audit Services | Housing & Property Services | Place | Planning Development Services | Strategy, Delivery & Performance | Housing Revenue Account | Total |
|--------------------------------------|-----------------|--------------------------------|-------------------------------|--------------------|-------------------|--------------------------|-----------------------------|--------------|-------------------------------|----------------------------------|-------------------------|-----------------|
| 2021/22 | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Fees, Charges & Other Service Income | (364) | (857) | (8,676) | (2,829) | (1,543) | (753) | (543) | (152) | (2,364) | - | (37,181) | (55,262) |
| Government Grants | - | (592) | (1,256) | (26) | (25,450) | (35) | - | (281) | (414) | - | - | (28,054) |
| Total Income | (364) | (1,449) | (9,932) | (2,855) | (26,993) | (788) | (543) | (433) | (2,778) | - | (37,181) | (83,316) |
| Employee Expenses | 765 | 1,796 | 6,260 | 6,156 | 4,200 | 1,655 | 1,088 | 552 | 4,200 | 650 | 5,829 | 33,151 |
| Other Service Expenses | 121 | 1,743 | 8,945 | 4,016 | 2,162 | 1,078 | 1,320 | 334 | 1,498 | 41 | 14,828 | 36,086 |
| Asset Charges | - | 312 | 2,524 | 299 | - | - | 311 | - | - | - | 13,159 | 16,605 |
| Benefit Payments | - | - | - | - | 22,748 | - | - | - | - | - | - | 22,748 |
| Total Expenditure | 886 | 3,851 | 17,729 | 10,471 | 29,110 | 2,733 | 2,719 | 886 | 5,698 | 691 | 33,816 | 108,590 |
| Net Cost of Service | 522 | 2,402 | 7,797 | 7,616 | 2,117 | 1,945 | 2,176 | 453 | 2,920 | 691 | (3,365) | 25,274 |

| | Chief Executive | Community & Wellbeing Services | Contract & Technical Services | Corporate Services | Customer Services | Finance & Audit Services | Housing & Property Services | Place | Planning Development Services | Qualis Income Stream | Strategy, Delivery & Performance | Housing Revenue Account | Total |
|--------------------------------------|-----------------|--------------------------------|-------------------------------|--------------------|-------------------|--------------------------|-----------------------------|--------------|-------------------------------|----------------------|----------------------------------|-------------------------|-----------------|
| 2020/21 | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Fees, Charges & Other Service Income | - | (649) | (4,642) | (737) | (525) | (79) | (1) | (152) | (1,527) | (1,220) | (128) | (34,776) | (44,436) |
| Government Grants | - | (468) | (142) | (6) | (30,715) | (6) | - | - | (790) | - | (11) | - | (32,137) |
| Total Income | - | (1,117) | (4,784) | (743) | (31,240) | (85) | (1) | (152) | (2,317) | (1,220) | (139) | (34,776) | (76,573) |
| Employee Expenses | 785 | 1,368 | 5,530 | 5,957 | 4,282 | 2,369 | 1,111 | 1,412 | 3,486 | - | 804 | 782 | 27,886 |
| Other Service Expenses | 401 | 1,197 | 11,734 | 3,343 | 4,940 | 1,822 | 1,946 | 450 | 1,785 | 1,946 | 443 | 11,145 | 41,152 |
| Support Service Recharges | 656 | 1,362 | (314) | (8,394) | 351 | 5,120 | (8,783) | (29) | 1,059 | - | 49 | 7,260 | (1,663) |
| Asset Charges | - | 126 | 2,984 | 70 | 119 | 69 | 6,017 | 44 | 67 | - | 55 | 14,266 | 23,817 |
| Benefit Payments | - | - | - | - | 26,001 | - | - | - | - | - | - | - | 26,001 |
| Total Expenditure | 1,842 | 4,053 | 19,934 | 976 | 35,693 | 9,380 | 291 | 1,877 | 6,397 | 1,946 | 1,351 | 33,453 | 117,193 |
| Net Cost of Service | 1,842 | 2,936 | 15,150 | 234 | 4,453 | 9,295 | 290 | 1,725 | 4,080 | 726 | 1,212 | (1,323) | 40,620 |

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future revenue and capital expenditure.

| | Usable Reserves | | | | | |
|--|-----------------|-------------------------|--------------------------|-----------------------|--------------------------|--------------------------------|
| | General Fund | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movements in Unusable Reserves |
| 2021/22 | £000's | £000's | £000's | £000's | £000's | £000's |
| Adjustments Involving the Capital Adjustment Account: | | | | | | |
| Exclusions | | | | | | |
| Charges for depreciation and impairment of non-current assets | 2,397 | 9,705 | - | - | - | (12,102) |
| Upward/(Downward) revaluation of non-current assets | 186 | 3,565 | - | - | - | (3,751) |
| Movements in the fair value of Investment Properties | (13,260) | (5) | - | - | - | 13,265 |
| Amortisation of intangible assets | 95 | 3 | - | - | - | (98) |
| Capital Grants and contributions applied | (794) | (906) | - | - | - | 1,700 |
| Revenue expenditure funded from Capital under statute | 796 | - | - | - | - | (796) |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 14,456 | 3,482 | - | - | - | (17,938) |
| Capital expenditure charged against the General Fund and HRA | - | - | - | - | - | - |
| Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements | (725) | - | - | - | - | 725 |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (883) | - | - | - | - | 883 |
| Adjustments Primarily Involving the Capital Grants | | | | | | |
| Transferred from capital Grants Unapplied | (1,353) | - | - | - | 1,354 | (1) |
| Adjustments Involving the Capital Receipts Reserve | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES and other contributions | (76) | (6,854) | 6,930 | - | - | - |
| Transfer from Deferred Capital receipts on receipt of cash | - | - | 585 | - | - | (585) |
| Used to finance new Capital Expenditure | - | - | (3,111) | - | - | 3,111 |
| Contribution towards administrative costs of non-current asset | - | 39 | (39) | - | - | - |
| Contribution to finance the payments to the Government capital receipts pool | 840 | - | (840) | - | - | - |
| Adjustments Involving the Deferred Capital Receipts | | | | | | |
| Transfer of deferred sale proceeds credited/debited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement | (14,672) | (113) | - | - | - | 14,785 |
| Adjustments relating to the Major repairs Reserve | | | | | | |
| Depreciation transferred from HRA | - | (9,705) | - | 9,705 | - | - |
| Use of the Major Repairs Reserve to finance new capital | - | - | - | (9,179) | - | 9,179 |
| Adjustments involving the Pensions Reserve | | | | | | |
| Reversal of items relating to retirement benefits debited/credited | 4,733 | 1,100 | - | - | - | (5,833) |
| Adjustments involving the Collection Fund Adjustment | | | | | | |
| Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements. | (3,999) | - | - | - | - | 3,999 |
| Adjustments Involving the Accumulated Absences Account | | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements. | 132 | 171 | - | - | - | (303) |
| Total Adjustments | (12,127) | 482 | 3,525 | 526 | 1,354 | 6,240 |

| | Usable Reserves | | | | | |
|--|-----------------|-------------------------|--------------------------|-----------------------|--------------------------|--------------------------------|
| | General Fund | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movements in Unusable Reserves |
| 2020/21 | £000's | £000's | £000's | £000's | £000's | £000's |
| Adjustments Involving the Capital Adjustment Account: | | | | | | |
| Exclusions | | | | | | |
| Charges for depreciation and impairment of non-current assets | 2,665 | 8,953 | - | - | - | (11,618) |
| Upward/(Downward) revaluation of non-current assets | 5,509 | 4,623 | - | - | - | (10,132) |
| Movements in the fair value of Investment Properties | (7,377) | (11) | - | - | - | 7,388 |
| Amortisation of intangible assets | 167 | 26 | - | - | - | (193) |
| Capital Grants and contributions applied | (680) | - | - | - | 680 | - |
| Revenue expenditure funded from Capital under statute | 680 | - | - | - | - | (680) |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 901 | 1,717 | - | - | - | (2,618) |
| Capital expenditure charged against the General Fund and HRA balances | (4) | (3,541) | - | - | - | 3,545 |
| Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements | 2,097 | 344 | - | - | - | (2,441) |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (738) | - | - | - | - | 738 |
| Adjustments Primarily Involving the Capital Grants Unapplied Account | | | | | | |
| Transferred from capital Grants Receipt in Advance | - | - | - | - | (680) | 680 |
| Adjustments Involving the Capital Receipts Reserve | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES and other contributions | (465) | (3,415) | 3,880 | - | - | - |
| Transfer from Deferred Capital receipts on receipt of cash | - | - | 1,030 | - | - | (1,030) |
| Used to finance new Capital Expenditure | - | - | (4,498) | - | - | 4,498 |
| Contribution towards administrative costs of non-current asset disposals | - | 18 | (18) | - | - | - |
| Contribution to finance the payments to the Government capital receipts pool | 839 | - | (839) | - | - | - |
| Adjustments Involving the Deferred Capital Receipts Reserve | | | | | | |
| Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages. | - | - | - | - | - | - |
| Adjustments relating to the Major repairs Reserve | | | | | | |
| Depreciation transferred from HRA | - | (8,867) | - | 8,867 | - | - |
| Use of the Major Repairs Reserve to finance new capital expenditure | - | - | - | (7,151) | - | 7,151 |
| Adjustments involving the Pensions Reserve | | | | | | |
| Reversal of items relating to retirement benefits debited/credited to the CIES. | 4,330 | 1,081 | - | - | - | (5,411) |
| Adjustments involving the Collection Fund Adjustment Account | | | | | | |
| Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements. | 7,394 | - | - | - | - | (7,394) |
| Adjustments Involving the Accumulated Absences Account | | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements. | 245 | 109 | - | - | - | (354) |
| Total Adjustments | 15,563 | 1,037 | (445) | 1,716 | - | (17,871) |

8. MOVEMENTS IN EARMARKED RESERVES

A summary of balances on Earmarked Reserves is set out below.

| | Balance 31st March 2020 | Transfers Out | Transfers In | Balance 31st March 2021 | Transfers Out | Transfers In | Balance 31st March 2022 |
|---------------------------------|-------------------------------|------------------|-----------------|-------------------------------|------------------|--------------|-------------------------------|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| General Fund | | | | | | | |
| All Weather Pitch | 89 | - | 15 | 104 | - | 15 | 119 |
| Building Control | 309 | (236) | - | 73 | - | 122 | 195 |
| Collection Fund Deficit Reserve | - | - | 6,650 | 6,650 | (3,940) | - | 2,710 |
| Community Projects | 371 | - | 340 | 711 | (642) | 528 | 597 |
| Deferred Revenue Income | 673 | (8) | - | 665 | (81) | 21 | 605 |
| District Development Fund | 497 | - | 652 | 1,149 | (928) | 391 | 612 |
| Garden Town | 537 | (291) | - | 246 | (164) | - | 82 |
| Insurance Reserve | 150 | - | - | 150 | - | - | 150 |
| Invest to Save Reserve | 292 | - | - | 292 | (89) | - | 203 |
| Local Plan | 964 | (590) | - | 374 | (374) | - | - |
| Museum Fund | 113 | - | 20 | 133 | (23) | - | 110 |
| North Weald Inland Port | - | - | - | - | (40) | 700 | 660 |
| O2 Mast Fund | 37 | (11) | 13 | 39 | (13) | 13 | 39 |
| Planning Appeals | 45 | (3) | - | 42 | (42) | - | - |
| Rental Loans | 378 | - | - | 378 | - | - | 378 |
| S106 Revenue Contributions | 88 | (46) | 43 | 85 | (32) | - | 53 |
| Other Ongoing Projects | - | - | - | - | - | 116 | 116 |
| Housing Revenue Account | | | | | | | |
| Housing Repairs Reserves | 250 | (250) | - | - | - | - | - |
| Self Financing Reserve | 12,720 | - | - | 12,720 | (12,720) | - | - |
| Total Earmarked Reserves | 17,513 | (1,435) | 7,733 | 23,811 | (19,088) | 1,906 | 6,629 |

9. OTHER OPERATING EXPENDITURE

| | 31 March 2022 £000's | 31 March 2021 £000's |
|---|----------------------------|----------------------------|
| Parish Council Precepts | 3,764 | 3,810 |
| Payments to the Government Housing Pool | 840 | 839 |
| (Gains) / losses on the disposal of non-current | (3,630) | (1,793) |
| Total | 974 | 2,857 |

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| | 31 March 2022 £000's | 31 March 2021 £000's |
|--|----------------------------|----------------------------|
| Total Net Surplus from Investment Property | (7,490) | (5,781) |
| Interest payable and similar charges | 6,744 | 6,439 |
| Pensions interest cost | 1,342 | 1,549 |
| Interest receivable and similar income | (2,152) | (25) |
| Changes in Fair Value of Investment Properties | (13,265) | (7,377) |
| Changes in Value of Deferred Capital Receipts | - | - |
| Total | (14,821) | (5,195) |

11. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

| | 31 March 2022 £000's | 31 March 2021 £000's |
|---|----------------------------|----------------------------|
| Council Tax Income | (13,189) | (12,311) |
| Non Domestic Rate Income | (16,787) | (8,915) |
| Non Domestic Rate Tariff Payment and Levy | 11,458 | 12,727 |
| Non-ring fenced Government Grants | (1,711) | (15,084) |
| Capital Grants and Other Contributions | (753) | (2,072) |
| Total | (20,982) | (25,655) |

12. PROPERTY, PLANT AND EQUIPMENT

2021/22

| | Council Dwellings & Garages £000's | Other Land & Buildings £000's | Vehicles, Plant & Equipment £000's | Community Assets £000's | Surplus Assets £000's | Assets Under Construction £000's | Total £000's |
|--|---------------------------------------|----------------------------------|---------------------------------------|----------------------------|--------------------------|-------------------------------------|-----------------|
| Gross Book Value 1st April 2021 | 717,368 | 66,148 | 16,957 | 1,143 | 7,640 | 10,365 | 819,621 |
| Additions | 11,644 | 284 | 1,396 | 0 | 31 | 10,451 | 23,806 |
| Disposals / Impairments | (3,526) | (6,925) | (4,643) | 0 | (7,590) | 0 | (22,684) |
| Reclassified in Year | 7,690 | (2,840) | 0 | 0 | 2,840 | (7,690) | 0 |
| Revaluation Applied to the CIES | (3,565) | 38 | 0 | 0 | 0 | 0 | (3,527) |
| Revaluation Credited to the Revaluation Reserve | 54,342 | 381 | 0 | 0 | (2,394) | (22) | 52,307 |
| Accumulated Depreciation & Impairment Written Off on Revaluation | (9,367) | (96) | 0 | 0 | 0 | 0 | (9,463) |
| Gross Book Value 31st March 2022 | 774,586 | 56,990 | 13,710 | 1,143 | 527 | 13,104 | 860,060 |
| Depreciation 1st April 2021 | 0 | (1,529) | (11,455) | 0 | (1) | 0 | (12,985) |
| Reclassified | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation in Year | (9,412) | (1,114) | (1,434) | 0 | 0 | 0 | (11,960) |
| Depreciation on Disposed Assets | 45 | 76 | 4,629 | 0 | 0 | 0 | 4,750 |
| Accumulated Depreciation & Impairment Written Off on Revaluation | 9,367 | 96 | 0 | 0 | 0 | 0 | 9,463 |
| Depreciation 31st March 2022 | 0 | (2,471) | (8,260) | 0 | (1) | 0 | (10,732) |
| Net Book Value 31st March 2022 | 774,586 | 54,519 | 5,450 | 1,143 | 526 | 13,104 | 849,328 |

2020/21

| | Council Dwellings & Garages £000's | Other Land & Buildings £000's | Vehicles, Plant & Equipment £000's | Community Assets £000's | Surplus Assets £000's | Assets Under Construction £000's | Total £000's |
|--|---------------------------------------|----------------------------------|---------------------------------------|----------------------------|--------------------------|-------------------------------------|-----------------|
| Gross Book Value 1st April 2020 | 688,160 | 64,285 | 16,581 | 1,143 | 7,486 | 9,109 | 786,764 |
| Additions | 12,703 | 8,282 | 892 | 0 | 0 | 4,854 | 26,731 |
| Disposals / Impairments | (1,738) | 0 | (516) | 0 | 0 | 0 | (2,254) |
| Reclassified in Year | 3,598 | 0 | 0 | 0 | 0 | (3,598) | 0 |
| Revaluation Applied to the CIES | (4,734) | (6,103) | 0 | 0 | (630) | 0 | (11,467) |
| Revaluation Credited to the Revaluation Reserve | 28,045 | 723 | 0 | 0 | 594 | 0 | 29,362 |
| Accumulated Depreciation & Impairment Written Off on Revaluation | (8,666) | (1,038) | 0 | 0 | 190 | 0 | (9,514) |
| Gross Book Value 31st March 2021 | 717,368 | 66,149 | 16,957 | 1,143 | 7,640 | 10,365 | 819,622 |
| Depreciation 1st April 2020 | 0 | (1,152) | (10,593) | 0 | (1) | 0 | (11,746) |
| Reclassified | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation in Year | (8,688) | (1,415) | (1,348) | 0 | 0 | 0 | (11,451) |
| Depreciation on Disposed Assets | 22 | 0 | 486 | 0 | 0 | 0 | 508 |
| Accumulated Depreciation & Impairment Written Off on Revaluation | 8,666 | 1,038 | 0 | 0 | 0 | 0 | 9,704 |
| Depreciation 31st March 2021 | 0 | (1,529) | (11,455) | 0 | (1) | 0 | (12,985) |
| Net Book Value 31st March 2021 | 717,368 | 64,620 | 5,502 | 1,143 | 7,639 | 10,365 | 806,637 |

Revaluations

The Council undertakes a rolling programme of valuation that ensures that all Property Plant and Equipment required to be measured at fair value is revalued at least every five years. Carter Jonas LLP undertook valuations on behalf of the Council in 2021/22 for operational and investment property. HRA stock was valued at 31 March 2022 by the Valuation Office Agency.

All valuations of land and buildings were carried out in accordance with methodologies and basis for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

| | Council Dwellings & Garages £000's | Other Land & Buildings £000's | Vehicles, Plant & Equipment £000's | Infrastructure Assets £000's | Community Assets £000's | Surplus Assets £000's | Assets Under Construction £000's | Total £000's |
|---|---------------------------------------|----------------------------------|---------------------------------------|---------------------------------|----------------------------|--------------------------|-------------------------------------|-----------------|
| Carried Historical Cost | 0 | 0 | 13,710 | 8,784 | 1,143 | 0 | 13,104 | 36,741 |
| Valued at Current Value as from: | | | | | | | | |
| 31st March 2022 | 774,586 | 3,146 | 0 | 0 | 0 | 527 | 0 | 778,259 |
| 31st March 2021 | 0 | 27,076 | 0 | 0 | 0 | 0 | 0 | 27,076 |
| 31st March 2020 | 0 | 3,270 | 0 | 0 | 0 | 0 | 0 | 3,270 |
| 28 February 2019 | 0 | 23,211 | 0 | 0 | 0 | 0 | 0 | 23,211 |
| 28 February 2018 | 0 | 287 | 0 | 0 | 0 | 0 | 0 | 287 |
| Total Cost or Valuation | 774,586 | 56,990 | 13,710 | 8,784 | 1,143 | 527 | 13,104 | 868,844 |

Infrastructure Assets

| | 31 March 2022 £000's | 31 March 2021 £000's |
|---------------------------------------|-------------------------|-------------------------|
| Net Book Value 1st April 2021 | 4,938 | 5,571 |
| Additions | 443 | 368 |
| De-Recognition/Disposals | - | (1,170) |
| Depreciation | (141) | (167) |
| Depreciation on disposed assets | - | 336 |
| Net Book Value 31st March 2022 | 5,240 | 4,938 |

The authority has determined in accordance with Regulation 30M of the Local Authorities Capital Finance and Accounting (England) Amendment Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Reconciliation of Infrastructure and Other Assets Net Book Value at 31st March 2022

| | 31 March 2022 £000's | 31 March 2021 £000's |
|--|-------------------------|-------------------------|
| Infrastructure assets | 5,240 | 4,938 |
| Other Property Plant and Equipment assets | 849,328 | 806,637 |
| Total Property Plant and Equipment assets | 854,568 | 811,575 |

Depreciation

The useful lives of both dwellings and the components within have been reviewed during 2021/22. The average useful life of all components, including the buildings has been assessed from 52 to 54 years.

| Type of Asset | Valuation Method (Years) |
|---|--------------------------|
| Council Dwellings and Garages | 15 to 60 years |
| Other Land and Buildings (buildings element only) | 20 to 50 years |
| Infrastructure Assets | 15 to 40 years |
| Community Assets | Indeterminable |
| Vehicles, Plant, Furniture and Equipment | 5 to 20 years |

13. INVESTMENT PROPERTY

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES.

| | 31 March 2022 £000's | 31 March 2021 £000's |
|--|-------------------------|-------------------------|
| Rental Income from Investment Property | 9,240 | 9,421 |
| Direct Operating Expenses Arising from Investment Property | (1,750) | (3,640) |
| Net Gain / (Loss) | 7,490 | 5,781 |

The following table summarises the movement in fair value of Investment Properties over the year. The following table summarises the movement in fair value of investment properties over the year. The Council's Industrial Sites continued to perform strongly during the year, resulting in an increase of £6.058 million in Fair Value. Included within this, is the repurchase of a long lease for a group of units in Brooker Road, Waltham Abbey, where it is expected that there will be greatly improved income potential when re-let. In addition, the Epping Forest Retail Park had a significant increase in Fair Value of £3.7 million (9.74%) and other general Investment Properties had gains of £2.4 million. An overall average increase of 9.01% was gained through property revaluations. All investment properties have been valued based on Level 3 unobservable inputs using an income approach, and their current use is their highest and best use. The updated valuations were carried out as at 31st March 2022 by Jason Sharman MRICS, RICS Registered Valuer (Partner) of Carter Jonas.

| Properties Categorised within Level 3 | 31 March 2022 £000's | 31 March 2021 £000's |
|--|-------------------------|-------------------------|
| Balance as at 31 March | 147,305 | 136,418 |
| Balance as at 01 April | 147,305 | 136,418 |
| Reclassified in year | - | 630 |
| Acquisition | - | - |
| Repurchased leases | 1,035 | 2,681 |
| Enhancements to existing properties | 401 | 188 |
| Net Gains / (Losses) from fair value adjustments | 13,265 | 7,388 |
| Balance at end of the year | 162,006 | 147,305 |

14. LONG TERM DEBTORS

| | 31 March 2022 £000's | 31 March 2021 £000's |
|---|----------------------------|----------------------------|
| Capital Advances (B3 Living) | 279 | 375 |
| Rents to Mortgages | 1,481 | 1,549 |
| Home Assist Loans | 240 | 267 |
| Place Loan | 100 | 100 |
| Qualis Loans | 57,421 | 41,250 |
| Provision for Credit losses | (1,067) | (1,946) |
| Net Carrying Amount at end of the year | 58,454 | 41,595 |

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet.

| | Long-term | | Current | |
|------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 31 March 2022 £000's | 31 March 2021 £000's | 31 March 2022 £000's | 31 March 2021 £000's |
| Financial liabilities | | | | |
| Borrowing | (213,639) | (198,956) | (55,552) | (62,750) |
| Total financial liabilities | (213,639) | (198,956) | (55,552) | (62,750) |
| Financial assets | | | | |
| Debtors | 2,100 | - | 5,733 | - |
| Cash | - | - | 1,736 | - |
| Cash equivalents MMF | - | - | 17,000 | - |
| Cash equivalents DMADF | - | - | - | 1,374 |
| Qualis loans | 57,421 | 40,050 | 2,460 | 1,200 |
| Investments | - | - | - | 9,100 |
| Total financial assets | 59,521 | 40,050 | 26,929 | 11,674 |

On 28th March 2012 the Council borrowed £185.456m from the Public Works Loan Board (PWLB) to pay the Ministry of Housing, Communities and Local Government (formerly the DCLG) on the cessation of the HRA Subsidy System. In addition to principal repayments "EIP" (repayment) loans, the Council also repaid a £31.8 million maturity loan and borrowed a further £16.0 million (£36.0 million in 2020/21) from the PWLB in 2021/22.

The short-term borrowing includes £1.042m (2022: £0.235m) representing accrued interest and principal repayments due within 12 months on long-term borrowing.

Income and Expense Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

| | Financial Liabilities | | Financial Assets | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| | 31 March 2022 £000's | 31 March 2021 £000's | 31 March 2022 £000's | 31 March 2021 £000's |
| Interest expense | 6,744 | 5,403 | - | - |
| Fee expense | 16 | 12 | - | - |
| Total expense in Surplus or Deficit on the Provision of Services | 6,760 | 5,415 | - | - |
| Interest Income | - | - | 2,152.00 | (819) |
| Fee income | - | - | - | - |
| Total income in Surplus or Deficit on the Provision of Services | - | - | 2,152.00 | (819) |
| Net (Gain) / Loss for the year | 6,760 | 5,415 | (2,152) | (819) |

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the Balance Sheet.

| | 31 March 2022 | | | 31 March 2021 | | |
|-------------------------------|-------------------------------|---------------------------------|-------------------------------------|-------------------------------|---------------------------------|-------------------------------------|
| | Gross Assets (Liabilities) | (Liabilities) assets set off | Net position on balance sheet | Gross Assets (liabilities) | (Liabilities) assets set off | Net position on balance sheet |
| | £000's | £000's | £000's | £000's | £000's | £000's |
| Bank Overdrafts | (1,726) | - | | (1,666) | - | |
| Bank Accounts in Credit | - | 3,458 | | - | 3,036 | |
| Total Financial Assets | (1,726) | 3,458 | 1,732 | (1,666) | 3,036 | 1,370 |

Fair Values of Assets and Liabilities

Fair value is the amount for which an asset can be exchanged, or a liability settled. Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost i.e. the aggregate of principal and accrued interest.

The Council's outstanding debt at 31st March 2022 consists of loans from the Public Works Loan Board (PWLB) and short-term loans from the local government authorities. Fair values are estimated as the price the lender would receive to sell the loans to another market participant on 31st March, based on observed market rates for similar transactions. The fair value of short-term financial liabilities held at amortised cost, including trade payables is assumed to approximate to the carrying amount.

The fair value for financial assets can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions: a) where an instrument will mature in the next 12 months, carrying amount is assumed to approximate fair value; b) the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- *Level 1* – fair value is only derived from quoted prices in active markets for identical assets or liabilities e.g. bond prices; and
- *Level 2* – fair value is calculated from inputs that are observable for the asset or liability, other than quoted prices, e.g. interest rates or yields for similar instruments.

| | Fair Value Level | 31 March 2022 | | 31 March 2021 | |
|---|------------------|---------------------------|----------------------|---------------------------|----------------------|
| | | Carrying Amount £000's | Fair Value £000's | Carrying Amount £000's | Fair Value £000's |
| Financial Liabilities held at Amortised Cost | | | | | |
| Long-Term Borrowing | 2 | (213,639) | (223,783) | 198,956 | 236,974 |
| Short-Term Borrowing | | (55,552) | (55,317) | 62,750 | 62,750 |
| Total Financial Liabilities | | (269,191) | (279,100) | 261,706 | 299,724 |
| Financial Assets | | | | | |
| Qualis Loans | 2 | 59,881 | 63,045 | 41,250 | 32,245 |
| Cash and Cash equivalents MMF | 1 | 17,000 | 17,000 | 1,374 | 1,374 |
| Cash and Cash equivalents DMADF | | - | - | - | - |
| Cash and Cash equivalents Bank and Cash | | 1,736 | 1,736 | - | - |
| Long-Term Debtors | 2 | 2,100 | 4,100 | 2,291 | 3,641 |
| Short-Term Debtors | | 5,733 | 5,733 | 9,100 | 9,100 |
| Total Financial Assets | | 86,450 | 91,614 | 54,015 | 46,360 |

The fair value of borrowings is higher than the carrying amount because the Council's portfolio of loans includes several fixed rate loans where the interest rate payable is higher than the current rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2022) arising from a commitment to pay interest to lenders above current market rates.

The table below shows the effect of a 1% increase in the discount rate used to measure the fair values of the Council's Finance Lease and PWLB liabilities.

Fair Value Sensitivities

| | Effect on Fair Values | Effect on Income & Expenditure | Effect on Fair Values | Effect on Income & Expenditure |
|--|-----------------------|--------------------------------|-----------------------|--------------------------------|
| | 31 March 2022 | 31 March 2022 | 31 March 2021 | 31 March 2021 |
| | £000's | £000's | £000's | £000's |
| Impact of 1% increase on discount rate for fair values | | | | |
| PWLB | (25,799) | 9 | (29,997) | 317 |
| Qualis Loans | (4,569) | - | (1,893) | (30) |
| Total | (30,368) | 9 | (31,890) | 287 |

16. DEBTORS AND PREPAYMENTS

| | 31 March 2022 £000's | 31 March 2021 £000's |
|--|-------------------------|-------------------------|
| Government Departments and Other Local Authorities | 17,489 | 24,832 |
| Council Tax Arrears | 1,163 | 69 |
| NDR Arrears | 813 | 1,025 |
| Housing Rent Arrears | 15 | 169 |
| Sundry Debtors | 7,945 | 9,758 |
| Prepayments & Deposits | 847 | 739 |
| Qualis Loan | 2,460 | - |
| Total | 30,732 | 36,593 |

Council Tax and Business Rates arrears shown above, and the related Bad Debt Provisions represent the Council's share of the total debt. The remainder is shown as part of an amount due from major preceptors on the basis that the Council has paid over more in precepts than it has received and is net of prepayments.

17. CASH AND CASH EQUIVALENTS

| | 31 March 2022 £000's | 31 March 2021 £000's |
|--|----------------------------|----------------------------|
| Petty Cash | 4 | 4 |
| Bank Current Accounts | 1,732 | 1,370 |
| Investment MMF | - | 9,100 |
| Investment DMADF | 17,000 | - |
| Total Cash and Cash Equivalents | 18,736 | 10,474 |

18. CREDITORS

| | 31 March 2022 £000's | 31 March 2021 £000's |
|--|----------------------------|----------------------------|
| Government Departments and Other Local Authorities | (29,290) | (26,192) |
| Council Tax | (12) | (14) |
| Non Domestic Rates | (709) | (403) |
| Housing Rents | (555) | (690) |
| Sundry Creditors | (7,150) | (11,166) |
| Accruals and Deferred Income | (6,693) | (5,217) |
| Covid Grants | (7,229) | (5,262) |
| Qualis | - | (719) |
| Total Creditors | (51,638) | (49,663) |

Council Tax and Business Rates prepayments shown above relate only to the Council's proportion of the total debt. The remainder is shown as being due to Government Departments and Other Local Authorities. This is shown net of arrears, Collection Fund balance and, in the case of Business Rates, the Provision for Appeals.

19. PROVISIONS

A provision for Business Rates Appeals is retained. This reflects the Council's share (40%) of the potential liability for successful appeals lodged by local businesses against the Rateable Value of the premises that they occupy, and therefore the potential need for the Council to refund Business Rates paid in 2021/22 and prior years.

The overall liability is shared with Central Government (50%), Essex County Council (9%) and Essex Fire Service (1%), and the movements in the year are presented in the table below.

In addition, the Council is required by accounting standards to make a provision for potential losses in respect of Qualis loans. A total provision of £1.067 million was required for 2021/22 (£1.946 million in 2020/21); this comprises £0.998 million in respect of capital loans and £0.069 million in respect of revenue loans. Provisions in respect of capital loans are reversed under statute out in the Movement in Reserves Statement.

| | 31 March 2022 £000's | 31 March 2021 £000's |
|-------------------------------|----------------------------|----------------------------|
| Business Rates Appeals | | |
| Opening Balance 1st April | 2,244 | 2,145 |
| Amounts Used in Year | (522) | (509) |
| Additional Provision Provided | 659 | 608 |
| Closing Balance | 2,381 | 2,244 |

20. UNUSABLE RESERVES

| | 31 March 2022 £000's | 31 March 2021 £000's |
|------------------------------------|----------------------------|----------------------------|
| Revaluation Reserve | 270,762 | 225,718 |
| Capital Adjustment Account | 441,135 | 431,212 |
| Pension Reserve | (44,163) | (69,108) |
| Deferred Capital Receipts Reserve | 57,172 | 38,191 |
| Collection Fund Adjustment Account | (2,770) | (6,769) |
| Accumulated Absences Account | (1,012) | (709) |
| Total Unusable Reserves | 721,124 | 618,535 |

Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| | 31 March 2022 £000's | 31 March 2021 £000's |
|--|-------------------------|-------------------------|
| Balance as at 1st April | 225,718 | 200,246 |
| Opening Balance Adjustment | - | 13 |
| Upward Revaluation of Assets | 56,047 | 30,911 |
| Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services. | (3,458) | (1,952) |
| Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services | 52,589 | |
| Difference between fair value depreciation and historical cost depreciation | (2,804) | (2,477) |
| Accumulated Gains on assets sold or scrapped | (4,741) | (1,023) |
| Amount written off to the capital adjustment account | (7,545) | |
| Balance as at 31st March | 270,762 | 225,718 |

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

| | 31 March 2022 £000's | 31 March 2021 £000's |
|--|----------------------------|----------------------------|
| Balance as at 1st April | 6,769 | (626) |
| Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements | (3,999) | 7,395 |
| Balance as at 31st March | 2,770 | 6,769 |

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

| | 31 March 2022 £000's | 31 March 2021 £000's |
|---|----------------------------|----------------------------|
| Balance as at 1st April | 709 | 355 |
| Settlement or cancellation of accrual made at the end of the preceding year | (709) | (355) |
| Amounts accrued at the end of the current year | 1,012 | 709 |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 303 | 709 |
| Balance as at 31st March | 1,012 | 709 |

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provision. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 details the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts.

| | 31 March 2022 £000's | 31 March 2021 £000's |
|---|-------------------------|-------------------------|
| Balance as at 1st April | 431,212 | 467,374 |
| Adjustment to Opening Balance | - | 25 |
| Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement | | |
| Charges for depreciation and impairment of PPE | (12,102) | (11,618) |
| Revaluation Gains / (Losses) on Property, Plant and Equipment | (3,751) | (10,243) |
| Revenue Expenditure Funded from Capital under Statute | (796) | (680) |
| Amounts for non-current assets written off on disposal or sale as part of gain / loss on disposal to the CIES | (17,938) | (2,618) |
| Amortisation of Intangible Assets | (98) | (192) |
| | (34,685) | (25,351) |
| Adjusting Amounts Written Out of the Revaluation Reserve | 7,545 | 3,500 |
| Net written out amount of the cost of non-current assets consumed in the year | 404,072 | 445,548 |
| Capital Financing Applied in the Year | | |
| Use of the Capital Receipts Reserve to Finance New Capital Expenditure HRA | 2,553 | 3,261 |
| Use of the Capital Receipts Reserve to Finance New Capital Expenditure General Fund | 358 | 1,237 |
| Use of the Major Repairs Reserve to Finance New Capital Expenditure | 9,180 | 7,151 |
| Capital Grants Credited to the CIES that have been applied to Capital Financing | 1,265 | 680 |
| Statutory Provision for the Financing of Capital Investments Charged against the General Fund and HRA Balances | (4,056) | (38,336) |
| Capital Expenditure Charged against the General Fund and HRA Balances | 13,415 | 3,545 |
| | 22,715 | (22,462) |
| Movement in the Market Value of Investment Properties debited or credited to the CIES | 13,265 | 7,388 |
| Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances | 883 | 738 |
| Repayment Capital Loan | 200 | - |
| Balance as at 31st March | 441,135 | 431,212 |

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance of the Pension Reserve therefore shows a substantial shortfall in the benefits earned by the past and current employees and the resources the Council have set aside to meet them. The statutory arrangements ensure the funding will have been set aside by the time the benefits come to be paid.

| | 31 March 2022 £000's | 31 March 2021 £000's |
|--|----------------------------|----------------------------|
| Balance as at 01 April | (69,108) | (63,637) |
| Remeasurements of the net defined liability / (asset) | 30,200 | (4,568) |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | (10,021) | (5,834) |
| Employers pensions contributions and direct payments to pensioners payable in the year | 4,766 | 4,931 |
| Balance as at 31 March | (44,163) | (69,108) |

Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as useable for financing new capital expenditure until they are backed by cash receipts. When the cash is eventually received, amounts are transferred to the Capital Receipts Reserve.

| | 31 March 2022 £000's | 31 March 2021 £000's |
|--|-------------------------|-------------------------|
| Balance as at 01 April | 38,191 | 3,325 |
| Statutory Provision for the Financing of Capital Investments and Loans Charged against the General Fund and HRA Balances | 19,790 | 36,613 |
| Impairment Charges in Relation to advances charged to the CIES | (224) | (708) |
| Transfer to Capital Receipts Reserve upon receipt of cash | (585) | (1,039) |
| Balance as at 31 March | 57,172 | 38,191 |

21. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items.

| | 31 March 2022 £000's | 31 March 2021 £000's |
|------------------------------|----------------------------|----------------------------|
| Interest Received | 2,152 | 819 |
| Interest Charge for the Year | (6,509) | (6,488) |
| Total | (4,357) | (5,669) |

The surplus or deficit on the provision of services has been adjusted for the following non-cash items:

| | 31 March 2022 £000's | 31 March 2021 £000's |
|--|----------------------------|----------------------------|
| Depreciation | 12,102 | 11,618 |
| Amortisation | 98 | 192 |
| Impairment and upward/downward revaluations | 3,751 | 2,897 |
| Increase / (decrease) in creditors | 9,654 | 28,973 |
| (Increase) / decrease in impairment for bad debt | (879) | - |
| (Increase) / decrease in debtors | 18,121 | (1,769) |
| (Increase) / decrease in inventories | (101) | 25 |
| Pension Liability | 5,833 | 5,349 |
| Carrying amount of Non-Current Assets sold | 17,938 | 4,259 |
| Movement in Investment Property Values and Other Non-Cash Items Charged to the Net Surplus or deficit on the Provision of Services | (13,128) | 10 |
| Total | 53,389 | 51,555 |

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities.

| | 31 March 2022 £000's | 31 March 2021 £000's |
|---|----------------------------|----------------------------|
| Any other items for which the cash effects are investing or financing cash flows | (3,232) | (3,536) |
| Proceeds from the sale of property and equipment, investment property and intangible assets | (26,638) | (3,550) |
| Total | (29,870) | (7,086) |

22. CASH FLOW STATEMENT - INVESTING ACTIVITIES

| | 31 March 2022 £000's | 31 March 2021 £000's |
|--|----------------------------|----------------------------|
| Purchase of Property, Plant and Equipment, Investment Property | (26,327) | (30,063) |
| Purchase of Short-term and Long-term Investments | - | (41,500) |
| Other Payments for Investing Activities | (50) | - |
| Proceeds from Sale of Property, Plant and Equipment, and Investment Property | 7,400 | 3,550 |
| Proceeds from Short-term and Long-term Investments | - | - |
| Other Receipts from Investing Activities | 3,516 | 5,653 |
| Total | (15,461) | (62,360) |

23. CASH FLOW STATEMENT - FINANCING ACTIVITIES

| | 31 March 2022 £000's | 31 March 2021 £000's |
|--|----------------------------|----------------------------|
| Cash receipts of short and long term borrowing | 146,000 | 37,250 |
| Repayments of short and long-term borrowing | (138,750) | - |
| Other payments for financing activities | (16,601) | (20,980) |
| Total | (9,351) | 16,270 |

24. MEMBER ALLOWANCES

| | 31 March 2022 £000's | 31 March 2021 £000's |
|--------------------------------|----------------------------|----------------------------|
| Allowances | 351 | 332 |
| Expenses | 1 | - |
| Total Member Allowances | 352 | 332 |

25. OFFICER REMUNERATION

| | 2021/22 | | | | |
|---|---|---------------------|--------------------------|------------|--|
| | Salary (including fees and allowances) | Benefits in Kind | Pension Contributions | Redundancy | Total Remuneration including Pension Contributions |
| | £'s | £'s | £'s | £'s | £'s |
| Chief Executive | 135,014 | 1,321 | 26,755 | - | 163,090 |
| Chief Operating Officer | 140,070 | - | - | - | 140,070 |
| Strategic Director & Section 151 Officer | 116,725 | - | 24,746 | - | 141,471 |
| Service Director - Planning & Development | 81,048 | 155 | 17,149 | - | 98,352 |
| Service Director - Contract & Technical Services | 12,488 | 27 | 1,494 | - | 14,009 |
| Service Director - Customer Services | 81,048 | 155 | 17,149 | - | 98,352 |
| Service Director - Corporate Services | 81,048 | 155 | - | - | 81,203 |
| Project Director - Housing Revenue Account | 81,085 | - | 17,149 | - | 98,234 |
| Project Director - Community & Wellbeing | 81,016 | - | 17,149 | - | 98,165 |
| Harlow & Gilston Garden Town Director | 97,348 | - | 20,638 | - | 117,986 |
| Service Director - Strategy, Delivery & Performance (Interim) | 80,528 | - | 17,072 | - | 97,600 |
| Total | 987,418 | 1,813 | 159,301 | - | 1,148,532 |

| | 2020/21 | | | | |
|--|---|---------------------|--------------------------|------------|--|
| | Salary (including fees and allowances) | Benefits in Kind | Pension Contributions | Redundancy | Total Remuneration including Pension Contributions |
| | £'s | £'s | £'s | £'s | £'s |
| Chief Executive - Georgina Blakemore | 152,374 | 1,310 | 28,931 | - | 182,615 |
| Chief Operating Officer | 147,878 | - | 5,282 | - | 153,161 |
| Strategic Director & Section 151 Officer | 104,960 | - | 22,252 | - | 127,212 |
| Service Director - Planning & Development | 80,276 | 774 | 16,854 | - | 97,905 |
| Service Director - Community Services | 63,429 | 684 | 12,731 | - | 76,844 |
| Service Director - Contract & Technical Services | 80,276 | 774 | 16,854 | - | 97,905 |
| Service Director - Customer Services | 80,276 | 774 | 16,854 | - | 97,905 |
| Service Director - Corporate Services | 80,276 | 774 | 14,045 | - | 95,096 |
| Project Director - HRA | 78,343 | - | 16,463 | - | 94,807 |
| Project Director - Community & Wellbeing | 76,584 | - | 15,973 | - | 92,557 |
| Harlow & Gilston Town Director | 59,151 | 3,095 | 12,294 | - | 74,539 |
| Total | 1,003,826 | 8,187 | 178,535 | - | 1,190,547 |

There were no payments relating to bonuses in the year. The emoluments above include all taxable employee payments. Pension contributions relate to Employer's contributions of 21.2% (21.2% in 2020/21).

The number of employees whose remuneration, including benefits in kind, but excluding employer's pension contributions, was £50,000 or more, is summarised in bands of £5,000 in the table below. The bandings have remained unchanged for several years, which means that (ignoring all other factors), general pay inflation will result in a gradual increase in the number of employees captured over time, although the position has remained stable this year.

| Remuneration Band | 31 March | |
|---------------------|----------------------------|----------------------------|
| | 2022 No of Employees | 2021 No of Employees |
| £50,000 - £54,999 | 14 | 18 |
| £55,000 - £59,999 | 13 | 7 |
| £60,000 - £64,999 | 9 | 16 |
| £65,000 - £69,999 | 4 | 3 |
| £70,000 - £74,999 | 4 | - |
| £75,000 - £79,999 | 1 | 3 |
| £80,000 - £84,999 | 6 | 4 |
| £85,000 - £89,999 | - | - |
| £90,000 - £94,999 | - | - |
| £95,000 - £99,999 | 1 | - |
| £100,000 - £104,999 | - | 1 |
| £105,000 - £109,999 | - | - |
| £110,000 - £114,999 | - | - |
| £115,000 - £119,999 | 1 | - |
| £120,000 - £124,999 | - | - |
| £125,000 - £129,999 | - | - |
| £130,000 - £134,999 | 1 | - |
| £135,000 - £139,999 | 1 | - |
| £140,000 - £144,999 | 1 | - |
| £145,000 - £149,999 | - | 2 |
| £150,000 - £154,999 | - | 1 |
| £155,000 - £159,999 | - | - |
| £160,000 - £164,999 | - | - |
| £165,000 - £169,999 | - | - |
| £170,000 - £174,999 | - | - |
| £175,000 - £179,999 | - | - |
| £180,000 - £184,999 | - | - |
| £185,000 - £189,999 | - | - |
| £190,000 - £194,999 | - | 1 |
| £195,000 - £199,999 | - | - |
| Total | 56 | 56 |

Employee contracts terminated in 2021/22, are summarised in the table below.

| | 2021/22 | | | Total Cost of Exit Packages in Each Band £'s |
|--|-------------------------------|------------------------|---------------------------|--|
| | No of Compulsory Redundancies | No of Other Departures | Total No of Exit Packages | |
| Termination Benefits | | | | |
| Exit Package Cost Band (including special payments) | | | | |
| £0 - £20,000 | 10 | 2 | 12 | 75,599 |
| £20,001 - £40,000 | 1 | 1 | 2 | 59,319 |
| £40,001 - £60,000 | - | - | - | - |
| £60,001 - £80,000 | 3 | 1 | 4 | 297,737 |
| £80,001 - £100,000 | - | - | - | - |
| above £100,000 | - | - | - | - |
| Total Cost Included in Bandings and in the CIES | 14 | 4 | 18 | 432,655 |

| | 2020/21 | | | Total Cost of Exit Packages in Each Band £'s |
|--|-------------------------------|------------------------|---------------------------|--|
| | No of Compulsory Redundancies | No of Other Departures | Total No of Exit Packages | |
| Termination Benefits | | | | |
| Exit Package Cost Band (including special payments) | | | | |
| £0 - £20,000 | 13 | 11 | 24 | 205,487 |
| £20,001 - £40,000 | 2 | 4 | 6 | 188,432 |
| £40,001 - £60,000 | 1 | 1 | 2 | 106,857 |
| £60,001 - £80,000 | 2 | - | 2 | 151,635 |
| £80,001 - £100,000 | - | - | - | - |
| above £100,000 | 1 | - | 1 | 143,647 |
| Total Cost Included in Bandings and in the CIES | 19 | 16 | 35 | 796,058 |

26. EXTERNAL AUDIT FEES

The following fees have been paid for services carried out by public sector appointed auditors for 2021/22.

| | 31 March | |
|---|-------------------------|-------------------------|
| | 31 March 2022 £000's | 31 March 2021 £000's |
| External Audit Services (Deloitte) | 160 | 80 |
| Certification of Grant Claims & Returns (BDO) | 20 | 21 |
| Other Services | - | - |
| Total External Audit Fees | 180 | 101 |

27. GRANTS AND CONTRIBUTIONS

The Council credited the following grants and contributions to the CIES.

| | 31 March 2022 £000's | 31 March 2021 £000's |
|--|----------------------------|----------------------------|
| Credited to Taxation and Non-Specific Grant Income | | |
| New Homes Bonus | 477 | 1,077 |
| S31 Small Business Rate Relief | 5,693 | 9,570 |
| Community Projects | | 11 |
| COVID 19 Support for the Authority | 1,093 | 4,236 |
| Local Council Tax Support Grant | 135 | |
| Other | 6 | 190 |
| Total Grants and Contributions | 7,404 | 15,084 |
| | | |
| | 31 March 2022 £000's | 31 March 2021 £000's |
| Credited to Services | | |
| Department for Work and Pensions | 23,416 | 26,188 |
| Department for Housing, Communities and Local Government | 2,998 | 5,832 |
| Department of Business, Energy and Strategy | - | - |
| Department of Health and Social Care | 430 | - |
| Homes England (MHCLG) | 244 | 1,048 |
| Cabinet Office | 26 | - |
| Essex County Council | 2,620 | 1,518 |
| Arts Council | 70 | 8 |
| Essex Police, Fire & Crime Commissioner | 97 | 21 |
| Town and Parish Councils | 208 | 168 |
| Broxbourne Borough Council | 10 | 35 |
| National Heritage | 30 | - |
| Harlow Borough Council | 92 | 102 |
| East Herts District Council | 92 | 102 |
| Uttlesford District Council | 10 | 10 |
| Tendring District Council | - | 3 |
| Hertfordshire Council | 20 | - |
| West Essex CCG | 193 | 92 |
| Other | 399 | 87 |
| National Arts Collection Fund | - | 32 |
| Sports Council | - | 279 |
| Royal Opera House | 1 | 7 |
| Total Grants and Contributions Credited to Services | 30,956 | 35,530 |
| Total All Grants and Contributions | 38,360 | 50,614 |

28. 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 or influenced by the Council.

Epping Forest District Council Holds a Register of Interests in which all members are required to declare any interests in accordance with the Code of Conduct which is open to public viewing.

Entities Controlled or Significantly Influenced by the Council

The Council has a 100% shareholding in four companies:

- Qualis Group Limited
- Qualis Commercial Limited
- Qualis Management Limited; and
- Qualis Living Limited.

The companies were incorporated in October 2019. The Council has issued two loans to the Qualis Group in 2021-22 with a combined value of £19.753 million, bringing the overall total of loans issued to the Group to £61.753 million up to, and including, 31st March 2022. The loans were issued at commercial rates of interest with a fixed repayment schedule. A total of £2.273 million (excluding interest) had been repaid by 31st March 2022, of which £1.523 million was repaid in 2021/22.

Qualis Management Limited has provided the Housing Repairs service to the Council since October 2020; the Council paid £6.916 million for this service in 2021/22 (£6.113 million Revenue, plus £0.803 million Capital (£3.318 million 2020/21 comprising £2.886 million Revenue, plus £0.432 million Capital). The Council is also paid by Qualis for the provision of seconded staff, accommodation and support services. Group Accounts for the Council, including the Qualis companies, are shown later in this Statement of Accounts (pages 81 to 85).

Central Government

The Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework, within which the Council operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, Housing Benefits).

The 2021/22 financial year continued with an unusually high number of financial transactions with Central Government especially at the beginning (as Coronavirus restrictions were gradually lifted), with the Council receiving £13.751 million (£63.749 million in 2020/21) in additional grants from the Government (either directly, or indirectly via Essex County Council) due to the Covid-19 pandemic. The Financial Review (pages 7 to 16) sets out full details.

29. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

| | 31 March 2022 | 31 March 2021 |
|---|--------------------------|--------------------------|
| Opening Capital Financing Requirement | 301,040 | 250,331 |
| Capital Investment | | |
| Property, Plant and Equipment | | 27,099 |
| Investment Properties | 24,249 | 2,869 |
| Revenue Expenditure Funded from Capital Under Statute | 1,436 | 680 |
| Private Sector Housing Loans | 796 | - |
| Intangible Assets | 37 | 612 |
| Qualis Loans | 819 | 60 |
| | 5,000 | 36,000 |
| Sources of Finance | | |
| Capital Receipts | | - |
| Government Grants and Other Contributions | (2,911) | (4,497) |
| Major Repairs Reserve | (1,700) | (2,225) |
| Direct Revenue Contributions | (9,180) | (7,151) |
| Minimum Revenue Provision | (12,981) | (2,000) |
| Repayment Capital Loans | (883) | (738) |
| | (200) | |
| Closing Capital Financing Requirement | 305,522 | 301,040 |

30. LEASES

The Council has leases with third parties under operating leases with rental income from the lease being credited to trading operations.

The total of future minimum lease payments due within 1 year are:

| | 31 March 2022 £000's | 31 March 2021 £000's |
|---------------------------------------|----------------------------|----------------------------|
| Assets Leased to Third Parties | | |
| Land and Buildings | | |
| Shops (including shopping park) | 5,456 | 5,316 |
| Industrial Units | 1,469 | 2,449 |
| Other | 1,834 | 341 |
| Total Rental Receivable | 8,759 | 8,106 |

The total of future minimum lease payments due after 1 year are:

| | 31 March 2022 | | 31 March 2021 | |
|---------------------------------|---|--|---|--|
| | Receipts Due between 2 and 5 Years £000's | Total Receipts Due Thereafter £000's | Receipts Due between 2 and 5 Years £000's | Total Receipts Due Thereafter £000's |
| Land and Buildings | | | | |
| Shops (including shopping park) | 17,469 | 13,553 | 17,276 | 15,042 |
| Industrial Units | 5,067 | 48,273 | 6,316 | 50,329 |
| Other | 4,545 | 30,410 | 1,279 | 25,909 |
| Total | 27,081 | 92,236 | 24,871 | 91,280 |

Gross Amount of Assets Held for Use in Operating Leases:

| | 31 March 2022 £000's | 31 March 2021 £000's |
|--|----------------------------|----------------------------|
| Gross Amount of Assets Held for Use in Operating Leases | | |
| Land and Buildings | | |
| Shops | 99,142 | 92,363 |
| Industrial Units | 43,089 | 35,996 |
| Other | 19,775 | 18,946 |
| Total Assets | 162,006 | 147,305 |

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

31. PENSIONS

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

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

The Council recognises cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against Council Tax is based on contributions payable to the fund in respect of 2021/22, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure.

As a result of the High Court's recent Lloyds ruling on the equalisation of "Guaranteed Minimum Pensions" (GMPs) between genders, many pension schemes have adjusted accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes".

The Virgin Media vs NTL Pension Trustees II Limited case has the potential to impact benefits due under defined benefit pension schemes. At present, the impact on the pension scheme and the Council's liabilities is not known and will be assessed as more information becomes available.

The transactions below have been made in the CIES during the year.

| | 31 March 2022 £000's | 31 March 2021 £000's |
|---|-------------------------------------|-------------------------------------|
| Comprehensive Income and Expenditure Statement | | |
| Service Cost | 8,587 | 4,147 |
| Net Interest Charged | 1,342 | 1,571 |
| Administration Expenses | 92 | 116 |
| Net Charge made to the CIES | 10,021 | 5,834 |
| Re-Measurements in Other | | |
| Return on Fund Assets in Excess of Interest | 14,197 | 41,186 |
| Other Actuarial Gains / (Losses) | 1,826 | - |
| Changes in Financial Assumptions | 9,887 | (50,958) |
| Change in Demographic Assumptions | 6,085 | 2,441 |
| Experience Gain / (Loss) on Defined | (1,795) | 2,763 |
| Re-Measurement of the Net Assets/(Defined Liability) | 30,200 | (4,568) |
| Pension Assets and Liabilities Recognised in the Balance Sheet | | |
| Present Value of the Funded Obligation | 251,031 | 256,735 |
| Present Value of the Unfunded Obligation | 2,358 | 2,583 |
| Fair Value of Scheme Assets | (209,226) | (190,210) |
| Net Benefit Liability / (Asset) in the Balance Sheet | 44,163 | 69,108 |

| Reconciliation of the Fair Value of the Scheme Liabilities | Unfunded Liabilities | | All Funded/Unfunded Liabilities LGS | |
|--|----------------------|----------------|-------------------------------------|------------------|
| | 31 March 2022 | 31 March 2021 | 31 March 2022 | 31 March 2021 |
| | £000 | £000 | £000 | £000 |
| Net Pensions Liability at 1st April | (2,583) | (2,671) | (259,318) | (217,253) |
| Current Service Cost | 0 | 0 | (8,058) | (7,422) |
| Interest Cost | (49) | (49) | (5,139) | (4,473) |
| Change in Financial Assumptions | 33 | (193) | 9,887 | (50,958) |
| Change in Demographic Assumptions | 84 | 34 | 6,085 | 2,441 |
| Experience Gain | (89) | 39 | (1,795) | 2,763 |
| Liabilities Assumed / (Extinguished) on Settlements | 0 | 0 | 0 | 9,080 |
| Estimated Benefits Paid | 0 | 0 | 6,474 | 8,045 |
| Past Service Cost Including Curtailments | 0 | 0 | (529) | (485) |
| Contributions by Scheme Participants | 0 | 0 | (1,242) | (1,313) |
| Unfunded Pension Payments | 246 | 257 | 246 | 257 |
| Net Pension Liability at 31 March | (2,358) | (2,583) | (253,389) | (259,318) |

| Reconciliation of the Fair Value of the Scheme Assets | 31 March 2022 | 31 March 2021 |
|---|----------------|----------------|
| | £000 | £000 |
| Fair Value of the Plan Assets at 1 April | 190,210 | 153,616 |
| Interest on Assets | 3,797 | 2,902 |
| Return on Assets less Interest | 14,197 | 41,186 |
| Other Actuarial Gains / (Losses) | 1,826 | |
| Administration Expenses | (92) | (116) |
| Employer Contributions including Unfunded | 4,766 | 4,931 |
| Contributions by Scheme Participants | 1,242 | 1,313 |
| Benefits Paid | (6,720) | (8,302) |
| Settlement Prices Received / (Paid) | - | (5,320) |
| Fair Value of the Plan Assets at 31 March | 209,226 | 190,210 |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual gain on assets less interest in the year was £13.6 million (£41.2 million 2020/21).

| Scheme History | 2021/22 | 2020/21 | 2019/20 | 2018/19 | 2017/18 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | £000's | £000's | £000's | £000's | £000's |
| Present Value of Liabilities | (251,031) | (256,735) | (214,582) | (229,281) | (223,074) |
| Fair Value of Assets | 209,226 | 190,210 | 153,616 | 162,440 | 148,214 |
| Present Value of Unfunded Obligation | (2,358) | (2,583) | (2,671) | (3,007) | - |
| Surplus / (Deficit) in the Scheme | (44,163) | (69,108) | (63,637) | (69,848) | (74,860) |

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total net liability of £44.163 million in the balance sheet has decreased the reported net worth of the Council by 36.10% (8.6% 2020/21)..

The financial position of the Council remains healthy. Changes to the pension fund balances are eliminated through reductions/increases in the contributions made over the remaining working life of employees, as assessed by the scheme actuary.

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

The total employer contributions expected to be made to the scheme by the Council in the year to 31 March 2023 is £4.713 million. The Service Cost is expected to be £8.322 million for the year to 31 March 2023.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about life expectancy rates, salary levels, and inflation rates. The District Council fund liabilities have been assessed by Barnett Waddingham, a firm of actuaries who provide the service for the Essex County Council Pension Fund, being based on the full Actuarial Valuation of the scheme as at 31st March 2022.

The principal assumptions used by the actuary have been as follows.

| Principal Assumptions | 2021/22 | 2020/21 |
|---|---------|---------|
| Life Expectancy Assumptions | | |
| Longevity at 65 for current pensioners in | | |
| Men | 21 | 22 |
| Women | 24 | 24 |
| Longevity at 65 for future pensioners in | | |
| Men | 22 | 23 |
| Women | 25 | 25 |
| Other Assumptions | | |
| Rate of inflation RPI | 3.5% | 3.2% |
| Rate of inflation CPI | 3.2% | 2.8% |
| Rate of increase in salaries | 4.2% | 3.8% |
| Rate of increase in pensions | 3.2% | 2.8% |
| Rate for discounting scheme liabilities | 2.6% | 2.0% |

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

| Assets Held | 31 March 2022 | | 31 March 2021 | |
|---------------------|----------------|-------------|----------------|-------------|
| | £000's | % | £000 | % |
| Equities | 124,165 | 59% | 120,324 | 63% |
| Government Bonds | 5,063 | 2% | 4,846 | 3% |
| Other Bonds | 9,085 | 4% | 9,253 | 5% |
| Property | 17,871 | 9% | 13,404 | 7% |
| Cash / Liquidity | 5,922 | 3% | 4,791 | 3% |
| Alternative Assets | 26,371 | 13% | 21,861 | 11% |
| Other Managed Funds | 20,749 | 10% | 15,731 | 8% |
| Total | 209,226 | 100% | 190,210 | 100% |

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 2019 actuarial review of the Pension Fund. The anticipated shortfall in the funding of the scheme has determined the future level of pension contributions which will be due between triennial valuations.

| Sensitivity Analysis as at 31 March 2022 | Sensitivity 1b £000's | Sensitivity 1a £000's | Existing Assumptions £000 | Sensitivity 2a £000 | Sensitivity 2b £000 |
|---|--------------------------|--------------------------|------------------------------|------------------------|------------------------|
| Adjustment to Discount Rate | +0.5% | +0.1% | 0.0% | -0.1% | -0.5% |
| Present Value of Total Obligation | 231,366 | 248,731 | 253,389 | 258,184 | 278,829 |
| Projected Service Cost | 7,026 | 8,043 | 8,322 | 8,612 | 9,888 |
| Adjustment to Long Term Salary | +0.5% | 0.1% | 0.0% | 0.1% | -0.5% |
| Present Value of Total Obligation | 254,790 | 253,666 | 253,389 | 253,114 | 252,033 |
| Projected Service Cost | 8,345 | 8,327 | 8,322 | 8,317 | 8,299 |
| Adjustment to Pension Increases and Deferred Revaluation | +0.5% | +0.1% | 0.0% | -0.1% | -0.5% |
| Present Value of Total Obligation | 277,138 | 257,874 | 253,389 | 249,028 | 232,743 |
| Projected Service Cost | 9,889 | 8,609 | 8,322 | 8,045 | 7,014 |
| Adjustment to Mortality Age Rating | | + 1 Year | None | - 1 Year | |
| Present Value of Total Obligation | | 266,157 | 253,389 | 241,278 | |
| Projected Service Cost | | 8,681 | 8,322 | 7,976 | |

| Sensitivity Analysis as at 31 March 2021 | Sensitivity 1a £000's | Existing Assumptions £000 | Sensitivity 2a £000 |
|---|--------------------------|------------------------------|------------------------|
| Adjustment to Discount Rate | +0.1% | 0.0% | -0.1% |
| Present Value of Total Obligation | 254,656 | 259,318 | 264,070 |
| Projected Service Cost | 8,558 | 8,823 | 9,096 |
| Adjustment to Long Term Salary | +0.1% | 0.0% | -0.1% |
| Present Value of Total Obligation | 259,699 | 259,318 | 258,939 |
| Projected Service Cost | 8,828 | 8,823 | 8,818 |
| Adjustment to Pension Increases and Deferred Revaluation | +0.1% | 0.0% | -0.1% |
| Present Value of Total Obligation | 263,647 | 263,647 | 255,066 |
| Projected Service Cost | 9,093 | 8,823 | 8,560 |
| Adjustment to Mortality Age Rating | +1year | None | -1year |
| Present Value of Total Obligation | 272,584 | 259,318 | 246,734 |
| Projected Service Cost | 9,229 | 8,823 | 8,432 |

32. NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with The Prudential Code of Capital Finance for Local Authorities (both revised in December 2017).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Department for Levelling Up, Housing and Communities Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

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

- *Credit Risk* - the possibility that other parties might fail to pay amounts due to the Council.
- *Liquidity Risk* - the possibility that the Council might not have funds available to meet its commitments to make payments on time; and
- *Market Risk* - The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.

Credit Risk

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

Credit Risk: Treasury Investments

The council manages credit risk through the Investment Strategy, which requires that deposits are made with the Government (Debt Management Office), other local authorities, and A- (as a minimum) credit-rated Banks, Building Societies, Registered Providers (e.g. Housing Associations) and Money Market Funds.

It should also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. A limit of £10 million is placed on the amount of money that can be invested with a single counterparty except the UK Government which is unlimited. The Council also sets a total group investment limit (£10 million) for institutions that are part of the same banking group.

The table below summaries the nominal value of the Council's investment portfolio at 31st March 2022, and confirms that all investments were made in line with the Council's approved rating criteria when investment placed.

The amounts below include Money Market Funds which are included in Cash and Cash Equivalents.

| Balances Invested as at 31 March 2022 | | | | | | | |
|---------------------------------------|----------------------------|-------------------------|------------------------|------------------------|-------------------------|----------------------------------|-----------------|
| | Credit Rating Criteria Met | Up to 1 Month £000's | 1 - 3 Months £000's | 4 - 6 Months £000's | 7 - 12 Months £000's | Greater than 12 Months £000's | Total £000's |
| Banks UK | YES | 1,732 | - | - | - | - | 1,732 |
| Money Market Funds | YES | 17,000 | - | - | - | - | 17,000 |
| Total | - | 18,732 | - | - | - | - | 18,732 |

| Balances Invested as at 31 March 2021 | | | | | | | |
|---------------------------------------|----------------------------|-----------------------|----------------------|----------------------|-----------------------|--------------------------------|---------------|
| | Credit Rating Criteria Met | Up to 1 Month £000 | 1 - 3 Months £000 | 4 - 6 Months £000 | 7 - 12 Months £000 | Greater than 12 Months £000 | Total £000 |
| Banks UK | YES | 1,370 | - | - | - | - | 1,370 |
| Money Market Funds | YES | 9,100 | - | - | - | - | 9,100 |
| Total | - | 10,470 | - | - | - | - | 10,470 |

Credit Risk - Debtors

The following analysis summaries the Council's potential maximum exposure to credit risk, based on the experience gathered over the last five financial years on the level of default on Trade Debtors, adjusted for market conditions.

| | 31 March 2022 | | |
|--------------------------------|------------------|-----------------------------|---------------------------------|
| | Amount £000's | Default Risk Judged % | Bad Debt Provision £000's |
| Trade Debtors | 6,382 | 10.2% | 649 |
| Housing Arrears | 860 | 98.3% | 845 |
| Net Charge made to CIES | | | 1,494 |

| | 31 March 2021 | | |
|--------------------------------|------------------|-----------------------------|---------------------------------|
| | Amount £000's | Default Risk Judged % | Bad Debt Provision £000's |
| Trade Debtors | 13,338 | 26.8% | 3,580 |
| Housing Arrears | 928 | 81.8% | 759 |
| Net Charge made to CIES | | | 4,339 |

The credit risk in relation to counterparty investments is relatively small as the likelihood of default is also small. A risk arises with Sundry Debtors, Housing and Taxation Debtors, because they represent amounts owed to the Council and there will always be a level of default inherent in such debts. A provision for non-payment of debts is provided within the overall Debtors' figure stated in the Accounts.

Credit Risk - Service Loans

In furtherance of the Council's service objectives, it has lent money to its subsidiary Qualis Group Ltd who then on-lends to other Qualis companies.

The amounts recognised on the balance sheet, and the Council's total exposure to credit risk from these instruments are:

| | | 31 March 2022 | | |
|--------------|--------------------------------|------------------|-----------------------------|-------------------------|
| Borrower | Exposure Type | Amount £000's | Default Risk Judged % | Expected Credit Loss |
| Qualis Loans | Loan Commitment at market rate | 59,881 | 2% | 1,067 |

| | | 31 March 2021 | | |
|--------------|--------------------------------|------------------|-----------------------------|-------------------------|
| Borrower | Exposure Type | Amount £000's | Default Risk Judged % | Expected Credit Loss |
| Qualis Loans | Loan Commitment at market rate | 41,250 | 5% | 1,946 |

Liquidity Risk

The Council has access to borrowing facilities via the Public Works Loan Board (PWLB), commercial banks, bond issues and other local authorities. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also manages the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates.

The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current Capital Programme or to finance future debt maturities.

The maturity analysis of the nominal value of the Council's debt at 31st March 2022 is as follows.

| | | 31 March 2022 £000's | % of Total Debt Portfolio | Cash Flows including Interest £000's |
|-----------------------------|-------------------------|----------------------------|---------------------------------|---|
| Short Term Borrowing | Less than 1 Year | 55,317 | 21% | 62,445 |
| Long Term Borrowing | Over 1 but not Over 2 | 1,317 | 1% | 7,998 |
| | Over 2 but not Over 5 | 3,950 | 1% | 23,811 |
| | Over 5 but not Over 10 | 36,583 | 14% | 68,153 |
| | Over 10 but not Over 15 | 6,583 | 2% | 35,232 |
| | Over 15 but not Over 20 | 156,906 | 58% | 174,546 |
| | Over 20 but not Over 25 | 3,250 | 1% | 4,156 |
| | Over 25 | 5,050 | 2% | 5,807 |
| Long-Term Borrowing | | 213,639 | 100% | 319,703 |

The maturity analysis of the nominal value of the Council's debt at 31st March 2021 was as follows.

| | | 31 March 2021 £000's | % of Total Debt Portfolio | Cash Flows including Interest £000's |
|-----------------------------|-------------------------|----------------------------|---------------------------------|---|
| Short-Term Borrowing | Less than 1 Year | 62,750 | 24% | 79,187 |
| Long-Term Borrowing | Over 1 but not Over 2 | 4,500 | 2% | 5,313 |
| | Over 2 but not Over 5 | 35,906 | 14% | 37,863 |
| | Over 5 but not Over 10 | 122,250 | 47% | 143,815 |
| | Over 10 but not Over 15 | 2,250 | 1% | 30,341 |
| | Over 15 but not Over 20 | 32,250 | 12% | 63,099 |
| | Over 20 but not Over 25 | 1,350 | 1% | 20,367 |
| | Over 25 | 450 | 0% | 6,812 |
| Long-Term Borrowing | | 198,956 | 100% | 307,611 |

Interest Rate Risk

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 25% on external debt that can be subject to variable rates. Following the repayment of a PWLB variable interest rate loan of £31.8 million on 28th March 2022, 100% of the debt portfolio was held in fixed rate instruments as at 31st March 2022.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be as presented in the table below.

| | 2022 £000's | 2021 £000's |
|--|----------------|----------------|
| Increase in Interest Payable on Variable Rate Borrowing | 9 | 318 |
| Increase in Interest Receivable on Variable Rate Investments | (169) | (1) |
| Impact on Surplus or Deficit on the Provision of Services | (160) | 317 |
| | | |
| Share of Overall Impact debited/(credited) to HRA | (160) | 317 |

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. Assumptions are based on the same methodology as used in the Fair Value disclosure note.

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.

33. CAPITAL COMMITMENTS

The Council has a large Housing Development Programme which continues to be rolled out over the district. Total contractual commitments - with multiple suppliers - of £25.384 million have been made to enable the development of Phase 4 of the Programme.

As at 31st March 2022, contracted development works (including construction works and associated professional services) to the value of £12.761 million had been completed and invoiced on Phase 4 of the Programme and are reflected in the transactions presented in these financial statements.

The remaining contractual commitments on Phase 4 of the Housing Development Programme as at 31st March 2022 total £12.623 million, and are expected to be met over the next three financial years as follows:

- 2022/23 - £4,132,843
- 2023/24 - £6,495,630
- 2024/25 - £1,994,219.

DRAFT

Housing revenue account income and expenditure statement



| | Note | 2021/22 £000's | 2020/21 £000's |
|--|------|-------------------|-------------------|
| Income | | | |
| Dwelling Rents | 3 | (33,958) | (32,034) |
| Non Dwelling Rents | | (783) | (772) |
| Charges for Services and Facilities | | (2,025) | (1,623) |
| Contributions Towards Expenditure | | (416) | - |
| Revaluation of Fixed Assets | | - | (346) |
| Total Income | | (37,182) | (34,775) |
| Expenditure | | | |
| Repairs and Maintenance | | 8,841 | 8,639 |
| Supervision and Management | | 10,706 | 8,811 |
| Revaluation of Fixed Assets | | 3,451 | 5,318 |
| Rents, Rates, Taxes and Insurance | | 600 | 519 |
| Depreciation and Amortisation | 7/8 | 9,708 | 9,239 |
| Debt Management | | 22 | 71 |
| Provision for bad and doubtful debt | | 124 | 13 |
| Total Expenditure | | 33,452 | 32,610 |
| Net Cost of Services as Included in the Comprehensive | | (3,730) | (2,165) |
| HRA services share of Corporate Expenses | | 364 | 842 |
| Net Cost (Income) of HRA Services | | (3,366) | (1,323) |
| HRA Share of the Income and Expenditure included in the | | (3,366) | (1,323) |
| Capital Grants and Contributions | | (472) | (1,392) |
| Gain on Sale of HRA Non-Current Assets | | (3,333) | (1,812) |
| Interest Payable and similar charges | | 5,476 | 5,403 |
| Interest and Investment Income | | (65) | (49) |
| Changes in Fair Value of Investment Properties | | (5) | - |
| Pensions Interest / Return on Assets | | 188 | 387 |
| (Surplus) / Deficit for the Year on HRA Services | | (1,577) | 1,214 |

Movement on Housing Revenue Account Statement

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the Council's 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:

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

The HRA Statement compares the Council's spending against the income that it raised for the year, taking account of 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 HRA Income and Expenditure Statement and the HRA balance.

Note 7 details the source of all the transactions posted to the HRA, apart from those involving the Revaluation Reserve and Deferred Capital Receipts.

| Increase / decrease in the Housing Revenue Account Balance | Note | 2021/22 £000's | 2020/21 £000's |
|--|------|-------------------|-------------------|
| (Surplus)/ deficit for the year on the Housing Revenue Account Income and Expenditure Statement | | (1,577) | 1,214 |
| Adjustments between accounting basis and funding basis under statute (including to or from reserves) | 10 | (482) | (1,036) |
| Transfers to Earmarked Reserves | 10 | 0 | (253) |
| (Increase) / decrease in the Housing Revenue Account Balance | | (2,059) | (75) |
| Housing Revenue Account Surplus Brought Forward | | (2,105) | (2,030) |
| Housing Revenue Account Surplus Carried Forward | | (4,164) | (2,105) |

1. HOUSING REVENUE ACCOUNT ASSET VALUATION

The balance sheet values of HRA assets were as follows:

| | 31 March 2022 £000's | 31 March 2021 £000's |
|-----------------------------|----------------------------|----------------------------|
| Dwellings | 774,586 | 717,367 |
| Plant, vehicles & equipment | 1,273 | 1,223 |
| Other operational property | 17,025 | 15,523 |
| Investment property | 155 | 150 |
| Total | 793,039 | 734,263 |

The Dwellings 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 secure tenancies. The corresponding value of those Dwellings if sold on the open market without tenants (i.e. vacant possession) is £1,876,331,700 at 31st March 2022. The difference between the two values represents the economic cost of providing Council Housing at less than open market rent.

2. HOUSING STOCK

The Council was responsible for managing on average 6,436 dwellings during 2021/22 (6,429 in 2020/21). Changes in the stock are summarised below. The figures include 54 units for the homeless at Norway House, North Weald.

| | 31 March 2022 | 31 March 2021 |
|-------------------------------|------------------|------------------|
| Stock as at 1st April | 6,437 | 6,421 |
| Add/(Subtract): | | |
| Sales | (30) | (14) |
| Other Movements | 19 | 12 |
| New Properties | 10 | 18 |
| Stock as at 31st March | 6,436 | 6,437 |
| Number of: | | |
| Houses and Bungalows | 3,500 | 3,496 |
| Flats and Maisonettes | 2,882 | 2,887 |
| Other | 54 | 54 |
| Stock as at 31st March | 6,436 | 6,437 |

3. GROSS DWELLING RENT INCOME

During 2021/22:

- 0.8% (1.37% in 2020/21) of all lettable dwellings were vacant
- Average rents were £102.32 per week including affordable rents, an increase of £2.97 or 3.0%, on the previous year
- On average, 35.2% (40.0% in 2020/21) of Council tenants received some help through rent rebates in 2021/22
- Rent arrears reduced to £860,317 (£928,435 in 2020/21), which represents 2.36% (2.60% in 2020/21) of gross income
- The provision for bad and doubtful debts on these arrears amounted to £717,510 (£759,173 in 2020/21)
- Amounts written off during the year totalled £368,414 (£91,581 in 2020/21); and
- Dwelling rents are shown after allowing for voids.

4. HOUSING REPAIRS FUND

The Council previously maintained a Housing Repairs Fund that evened out the annual cost to tenants of the Council's cyclical repairs programme. The Council now pays Qualis a management fee to deliver the Housing Repairs service, which has the effect of smoothing the costs incurred by the HRA. Consequently, the Housing Repairs Fund was extinguished in 2020/21. The movements on the fund in its final year are presented in the comparative information below.

| | 2021/22 | | 2020/21 | |
|---------------------------------|---------|--------|---------|----------------|
| | £000's | £000's | £000's | £000's |
| Balance as at 1st April | - | - | | (250) |
| Contribution from the HRA | - | - | (8,252) | |
| Other Income | - | - | (137) | |
| Total Income | - | - | | (8,389) |
| Responsive and Void Repairs | - | - | 6,306 | |
| Planned Maintenance | - | - | 2,333 | |
| Other Expenditure | - | - | - | |
| Total Expenditure | - | - | | 8,639 |
| Balance as at 31st March | - | - | | - |

In 2020/21 the amount shown on the face of the Housing Revenue Income and Expenditure Statement 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 adjustments between accounting basis and funding basis under regulations (Note 10).

5. PENSIONS

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against the HRA is based on the contributions payable to the fund in respect of 2021/22; the real cost of retirement benefits is therefore reversed out of the Housing Revenue Account after Net Operating Expenditure.

6. HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS

The Council received £7,034,523 in HRA capital receipts during 2021/22 (£3,749,060 in 2020/21). The receipts came from the sale of Council Houses £6,833,275 (£3,415,800 in 2020/21), Right to Buy ("RTB") discounts repaid £20,768 (£58,491 in 2020/21), Rent to Mortgage sales £180,480 (£203,000 in 2020/21), and other sales £nil (£70,769 in 2020/21). The receipts have been allocated in accordance with the prescribed proportions - £1,512,333 (£1,945,004 in 2020/21) for house building projects, £39,000 (£18,200 in 2020/21) to offset the cost of administration of the sales, £839,616 (£839,313 in 2020/21) to be paid over to the Central Government Pool, with the remainder of £4,643,574 (£946,543 in 2020/21) available to fund other capital projects.

7. HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

The HRA incurred the following capital expenditure:

| Capital Expenditure | 2021/22 £000's | 2020/21 £000's |
|---------------------------------|-------------------|-------------------|
| Council Dwellings | 15,023 | 6,692 |
| House Building and Developments | 4,629 | 10,552 |
| Disabled Adaptations | 765 | 500 |
| Plant, Vehicles and Equipment | 555 | 8 |
| Environmental Works | 443 | 178 |
| Total Expenditure | 21,414 | 17,930 |
| <i>Financed by:</i> | | |
| Revenue | - | 2,000 |
| Major Repairs Reserve | 9,180 | 7,151 |
| Self Financing Reserve | 8,743 | - |
| Capital Receipts | 2,553 | 3,261 |
| Other Contributions | 938 | 1,541 |
| Borrowing | - | 3,977 |
| Total Financing | 21,414 | 17,930 |

8. MAJOR REPAIRS RESERVE

The Council is required to maintain a Major Repairs Reserve. This was originally funded from the Government via Housing Subsidy but is now funded from the HRA directly. The Housing Revenue Account is charged with the depreciation for the year the opposite entry of which is a credit to the Major Repairs Reserve. This income can then be used to fund repairs of a capital nature. The movement on the reserve is as follows:

| | 2021/22 | | 2020/21 | |
|---|--------------|----------------|--------------|----------------|
| | £000 | £000 | £000 | £000 |
| Balance as at 1st April | | (8,840) | | (7,123) |
| Depreciation Transferred from the HRA | (9,705) | | (8,867) | |
| Used to Fund Capital Expenditure on Council Dwellings | <u>9,180</u> | | <u>7,150</u> | |
| Total Expenditure | | (525) | | (1,717) |
| Balance as at 31st March | | (9,365) | | (8,840) |

9. DEPRECIATION AND IMPAIRMENTS

Depreciation is charged on Housing Revenue Account assets in accordance with IAS 16. Depreciation is charged with reference to balance sheet values and the average life remaining on the housing stock and its major components. No depreciation is chargeable on the HRA investment assets. The difference between the figure shown on the face of the HRA and Note 8 above relates to £3,000 (2020/21 £372,000) in amortisation of intangible assets, other non-dwellings depreciation, revenue expenditure funded from capital and impairments.

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

| | 2021/22 £000's | 2020/21 £000's |
|---|-------------------|-------------------|
| Amounts to be Excluded | | |
| Depreciation/ Amortisation Reversals and Impairments | (9,708) | (8,979) |
| Revaluation of Council Dwellings and Garages | (3,565) | (4,622) |
| Movements in the fair value of investment | 5 | 11 |
| Deferred receipt rents to mortgages | 113 | (343) |
| Gain / (loss) on disposal of HRA Fixed Assets | 3,333 | 1,680 |
| Accumulated Absences Accruals | (171) | (109) |
| HRA share of contributions to / (from) Pensions Reserve | (1,100) | (1,082) |
| Total of Amounts to be Excluded | (11,093) | (13,444) |
| Amounts to be Included | | |
| Transfer to Major Repairs Reserve | 9,705 | 8,867 |
| Capital expenditure funded by the HRA | - | 2,000 |
| Capital contributions applied | 906 | 1,541 |
| Total of Amounts to be Included | 10,611 | 12,408 |
| Net increase/(decrease) before transfers to / from Reserve | (482) | (1,036) |
| Transfers to /from Earmarked Reserves | | |
| Housing Repairs Fund | - | (250) |
| Section 106 | - | (3) |
| Total Transfers To Earmarked Reserves | - | (253) |
| Total | (482) | (1,289) |

11. TRANSFER TO SELF FINANCING RESERVE

The HRA Self-Financing Reserve was set up for the original purpose of receiving a transfer of £3.18 million per annum to accumulate enough funds to repay a £31.8 million loan due for repayment in March 2022. Whilst this was the stated purpose of the fund, this did not preclude the use of these funds for another HRA purpose. The balance on the reserve at the beginning of 2021/22 was £12.72 million. In 2021/22, £3.977 million has been used to repay debt and the remaining balance of £8.743 million has been used to fund spending on the HRA Capital Programme, thereby negating the need to borrow.

Collection fund



| | Note | 2021/22 | | | 2020/21 | | |
|--|------|-----------------------|---------------------------------|------------------------------------|-----------------------|---------------------------------|------------------------------------|
| | | Council Tax £000's | Non-Domestic Rates £000's | Collection Fund Total £000's | Council Tax £000's | Non-Domestic Rates £000's | Collection Fund Total £000's |
| Income | | | | | | | |
| Council Tax | 1 | (102,445) | - | (102,445) | (99,840) | - | (99,840) |
| Non-Domestic Rates | 2 | - | (28,933) | (28,933) | - | (19,287) | (19,287) |
| Total Income | | (102,445) | (28,933) | (131,378) | (99,840) | (19,287) | (119,127) |
| Expenditure | | | | | | | |
| Precepts and Demands | | | | | | | |
| Central Government | | - | 17,857 | 17,857 | - | 17,408 | 17,408 |
| Epping Forest District Council | | 12,000 | 14,286 | 26,286 | 12,154 | 13,927 | 26,081 |
| Essex County Council | | 72,434 | 3,214 | 75,648 | 72,303 | 3,133 | 75,436 |
| Essex Police | | 11,265 | - | 11,265 | 10,871 | - | 10,871 |
| Essex Fire Authority | | 3,991 | 357 | 4,348 | 4,044 | 348 | 4,392 |
| Distribution of Estimated Collection Fund Surplus/(Deficit) | | | | | | | |
| Central Government | 3 | - | (8,621) | (8,621) | - | 971 | 971 |
| Epping Forest District Council | | (99) | (6,897) | (6,996) | 119 | 777 | 896 |
| Essex County Council | | (590) | (1,552) | (2,142) | 687 | 175 | 862 |
| Essex Police | | (89) | - | (89) | 104 | - | 104 |
| Essex Fire Authority | | (33) | (172) | (205) | 39 | 19 | 58 |
| Other | | | | | | | |
| Transitional Protection (NDR) | | - | (33) | (33) | - | 5 | 5 |
| Cost of Collection Allowance (NDR) | | - | 174 | 174 | - | 173 | 173 |
| Provision for Appeals (NDR) | | - | 343 | 343 | - | (1,272) | (1,272) |
| Provision for Non Payment | | 1,124 | 720 | 1,844 | 793 | 1,705 | 2,498 |
| Total Expenditure | | 100,003 | 19,676 | 119,679 | 101,114 | 37,369 | 138,483 |
| Deficit / (Surplus) for the Year | | (2,442) | (9,257) | (11,699) | 1,274 | 18,082 | 19,356 |
| Balance Brought Forward | | 1,098 | 16,584 | 17,681 | (176) | (1,499) | (1,675) |
| Balance Carried Forward | | (1,344) | 7,327 | 5,983 | 1,098 | 16,584 | 17,681 |

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 1st 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 for discounts: 54,019 for 2021/22 (54,729 for 2020/21). The basic amount of Council Tax for a Band D property of £1,775.79 for 2021/22 (£1,746.09 for 2020/21) is multiplied by the proportion specified for the band to give an individual amount due.

Total income of £102,444,803 for 2021/22 (£99,840,261 for 2020/21) was receivable from Council Taxpayers.

| | Chargeable Dwellings | Chargeable Dwellings after Discount, Exemptions and Disabled Relief | Ratio to Band D | Band D Equivalents |
|---|----------------------|---|-----------------|--------------------|
| Band A Disabled | - | 5 | 5/9 | 3 |
| Band A | 1,807 | 1,565 | 2/3 | 1,043 |
| Band B | 4,958 | 4,181 | 7/9 | 3,252 |
| Band C | 11,538 | 10,463 | 8/9 | 9,300 |
| Band D | 13,963 | 12,967 | 9/9 | 12,967 |
| Band E | 9,836 | 9,239 | 11/9 | 11,292 |
| Band F | 6,875 | 6,541 | 13/9 | 9,449 |
| Band G | 6,052 | 5,800 | 15/9 | 9,667 |
| Band H | 1,189 | 1,126 | 18/9 | 2,252 |
| Total Band D | | | | 59,224 |
| Less Band D equivalents entitled to Council Tax Support | | | | 3,822 |
| Total Band D Equivalents | | | | 55,402 |
| Less: Adjustment for Collection Rate | | | | 1,383 |
| Council Tax Base | | | | 54,019 |

2. NON-DOMESTIC RATES

Non-Domestic Rates are organised on a national basis. The Government specifies an amount, 49.9p (small business) and 51.2p (all others) in 2021/22 (49.9p and 51.2p in 2020/21) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

From 1st April 2013 Business Rates Retention was introduced whereby local authorities retain 50% of the Business Rates collected and pay the remainder over to Central government. The amount retained is shared between the Council (40%), Essex County Council (9%) and Essex Fire Authority (1%). In addition, the Government has set a level of Business Rates Funding deemed to be applicable to each area and every Council either receives a top up (where business rates are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding). In 2021/22 this Council paid a tariff of £10,880,558 (£10,880,558 in 2020/21).

If the Council increases its Business Rates base, and therefore its income, it's allowed to retain a proportion of the increased income whilst paying up to 50% to Central Government. This payment is known as a Levy payment.

If a reduction of Business Rates income of more than 7.5% of its funding baseline has occurred, then the Government will make up any difference between this and the actual loss in the form of a Safety Net Payment.

The Council is part of the Essex Business Rates Pool. A pool minimises the potential Levy on Business Rates growth that an individual authority might need to pay Central Government; authorities paying a Tariff to the Government, join a pool with an authority receiving a Top Up. In the case of the Essex Pool, the County Council are receiving a Top Up and the Districts are paying a Tariff, and by pooling their Business Rates can significantly reduce their Levy rates from the 50% they would face alone.

The total Non-Domestic Rateable Value at the year-end was £97,250,516 (£97,043,793 in 2020/21).

3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

The surplus or deficit on the Collection Fund arising from Council Tax and Business Rates transactions relates to this Council, other major precepting authorities and Central Government. The surplus or deficit on the fund is estimated as at 15th January every year and paid over or recovered from the Council's General Fund and major precepting authorities in the following financial year. The balance on the Fund represents the difference between the estimated surplus or deficit and the actual position.

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Group accounts



Introduction

In order to present a full picture of the Council's financial position and its exposure to risk, the Group Accounts show the combined position of the Council and its subsidiary companies.

The Qualis group of companies was incorporated in October 2019. The Council has owned 100% of the shares for the whole life of all of the companies. The Qualis group comprises four companies:

- Qualis Group Ltd – a holding company
- Qualis Commercial Ltd – a development company
- Qualis Living Ltd – an investment company; and
- Qualis Management Ltd – a services company.

With effect from 5th October 2020, Qualis Management Ltd has provided the main part of the Repairs and Maintenance service for the Council's housing stock.

Accounting Policies

The Qualis group of companies initially had a financial year from 1st November to 31st October, but this has now been amended to run from 1st October to 30th September. These Group Accounts have been prepared using the best estimates provided by the group of activities from 1st April 2021 to 31st March 2022 and of the financial position of the group as at 31st March 2022.

Qualis investment property valuation was done in September 2022, in line with the year end of the subsidiary. As at 31st March 2022 investment property is included at acquisition cost as no additional revaluation has been undertaken.

Qualis companies' policy is to classify some expenditure on preparation and planning for future contracts as "prepayments" and this expenditure is included in the Group Balance Sheet within Debtors and Prepayments.

Group Comprehensive Income and Expenditure Statement

| | Note | 2021/22 | | | 2020/21 | | |
|--|------|-------------------|-----------------|-----------------|-------------------|-----------------|-----------------|
| | | Gross Expenditure | Income | Net Expenditure | Gross Expenditure | Income | Net Expenditure |
| | | £000's | £000's | £000's | £000's | £000's | £000's |
| Chief Executive | | 886 | (364) | 522 | 1,842 | - | 1,842 |
| Community & Wellbeing Services | | 3,851 | (1,449) | 2,402 | 4,053 | (1,117) | 2,936 |
| Contract & Technical Services | | 17,729 | (9,932) | 7,797 | 19,932 | (4,784) | 15,148 |
| Corporate Services | | 10,471 | (2,855) | 7,616 | 976 | (742) | 234 |
| Customer Services | | 29,110 | (26,993) | 2,117 | 35,694 | (31,240) | 4,454 |
| Finance & Audit Services | | 2,733 | (788) | 1,945 | 9,380 | (85) | 9,295 |
| Housing & Property Services | | 2,719 | (543) | 2,176 | 291 | (1) | 290 |
| Place | | 886 | (433) | 453 | 1,877 | (152) | 1,725 |
| Planning Development Services | | 5,698 | (2,778) | 2,920 | 6,398 | (2,317) | 4,081 |
| Qualis Income Stream | | - | - | - | 1,946 | (1,220) | 726 |
| Strategy, Delivery & Performance | | 691 | - | 691 | 1,351 | (139) | 1,212 |
| Housing Revenue Account | | 33,816 | (37,181) | (3,365) | 33,453 | (34,776) | (1,323) |
| Net Cost of Services | | 108,590 | (83,316) | 25,274 | 117,193 | (76,573) | 40,620 |
| Other Operating Expenditure | | | | 211 | | | 7,505 |
| Financing and Investment Income and Expenditure | | | | (13,208) | | | (4,402) |
| Taxation and Non-Specific Grant Income | | | | (20,982) | | | (25,655) |
| (Surplus)/Deficit on Provision of Services | | | | (8,705) | | | 18,068 |
| (Surplus) on Revaluation of Property Plant and Equipment | | | | (52,588) | | | (28,958) |
| Actuarial (Gains)/Losses on Pension Assets/Liabilities | | | | (31,480) | | | 58 |
| Heritage Assets | | | | | | | |
| Total Comprehensive Income and Expenditure | | | | (92,773) | | | (10,832) |

Group Balance Sheet

| | Note | 31 March 2022 | | 31 March 2021 | |
|--------------------------------------|-----------|---------------|------------------|---------------|------------------|
| | | £000's | £000's | £000's | £000's |
| Long Term Assets | | | | | |
| Property, Plant & Equipment | | 869,441 | | 811,697 | |
| Heritage Assets | | 598 | | 542 | |
| Investment Properties | G2 | 192,398 | | 168,098 | |
| Intangible Assets | | 988 | | 272 | |
| Long Term Debtors | G3 | 1,033 | | 345 | |
| Total Long Term Assets | | | 1,064,458 | | 980,954 |
| Current Assets | | | | | |
| Inventories | | 157 | | 56 | |
| Debtors and Prepayments | G4 | 29,880 | | 40,332 | |
| Cash & Cash Equivalents | G5 | 24,110 | | 26,027 | |
| | | | 54,147 | | 66,415 |
| Current Liabilities | | | | | |
| Creditors | | (47,333) | | (51,080) | |
| Provisions | | (2,381) | | (2,244) | |
| Short Term Loan | | (55,552) | | (23,000) | |
| | | | (105,266) | | (76,324) |
| Long Term Liabilities | | | | | |
| Long Term Loans | | (213,639) | | (238,706) | |
| Provision for deferred tax | | - | | - | |
| Pensions Liability | | (46,831) | | (72,497) | |
| | | | (260,470) | | (311,203) |
| Total Assets Less Liabilities | | | 752,869 | | 659,842 |
| Usable Reserves | | (34,406) | | (44,667) | |
| Unusable Reserves | | (718,463) | | (615,175) | |
| | | | (752,869) | | (659,842) |

Group Cash Flow Statement

| | 2021/22 £000's | 2020/21 £000's |
|--|-------------------|-------------------|
| Net Surplus/(Deficit) on Provision of Services | 8,705 | (18,068) |
| Adjustments to net surplus or deficit on the provision of services for non-cash movements | 64,894 | 56,092 |
| Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (29,870) | (7,086) |
| Net cash flows from Operating Activities | 43,729 | 30,938 |
| Investing Activities | (39,839) | (46,315) |
| Financing Activities | (5,807) | 16,270 |
| Net Increase or (Decrease) in cash and cash equivalents | (1,917) | 893 |
| Cash and Cash Equivalents at the beginning of the reporting period | 26,027 | 25,134 |
| Cash and Cash equivalents at the end of the reporting period | 24,110 | 26,027 |

Group Movement in Reserves Statement

| | Single Entity (EFDC) | | | | | | | | | Qualis | | Group | | |
|---|----------------------|-------------------------|--------------------|--------------------------|-----------------------|------------------------|-----------------------|-------------------------|----------------|----------------|------------------|-----------------------------|-------------------------------|----------------|
| | General Fund Balance | Housing Revenue Account | Earmarked Reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Applied | Total Usable Reserves | Total Unusable Reserves | Total Reserves | Qualis Usable | Qualis Un Usable | Group Total Usable reserves | Group Total Unusable Reserves | Group Total |
| Movements in 2021/22 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance as at 1st April 2021 | 4,017 | 2,105 | 23,811 | 8,385 | 8,839 | - | 47,156 | 618,535 | 665,691 | (2,488) | (3,359) | 44,668 | 615,176 | 659,844 |
| Surplus / (Deficit) on Provision of Services | 7,978 | 1,577 | - | - | - | - | 9,555 | - | 9,555 | (850) | - | 8,705 | - | 8,705 |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Comprehensive Income and Expenditure | 7,978 | 1,577 | - | - | - | - | 9,555 | - | 9,555 | (850) | - | 8,705 | - | 8,705 |
| Adjustment Between Accounting and Funding Basis Under Regulations | (12,127) | 482 | - | 3,525 | 526 | 1,354 | (6,240) | 6,240 | - | - | - | (6,240) | 6,240 | - |
| Net Increase / (Decrease) before Transfer to | (4,149) | 2,059 | - | 3,525 | 526 | 1,354 | 3,315 | 6,240 | 9,555 | (850) | - | 2,465 | 6,240 | 8,705 |
| Transfer to Earmarked Reserves | 4,202 | - | (17,182) | - | - | - | (12,980) | 12,980 | - | - | - | (12,980) | 12,980 | - |
| Increase / (Decrease) in Year | 53 | 2,059 | (17,182) | 3,525 | 526 | 1,354 | (9,665) | 19,220 | 9,555 | (850) | - | (10,515) | 19,220 | 8,705 |
| Other Adjustments | - | - | - | - | - | 253 | 253 | 83,367 | 83,620 | - | 700 | 253 | 84,067 | 84,320 |
| Balance as at 31 March 2022 | 4,070 | 4,164 | 6,629 | 11,910 | 9,365 | 1,607 | 37,744 | 721,122 | 758,866 | (3,338) | (2,659) | 34,406 | 718,463 | 752,869 |

| | Single Entity (EFDC) | | | | | | | | | Qualis | | Group | | |
|--|----------------------|-------------------------|--------------------|--------------------------|-----------------------|------------------------|-----------------------|-------------------------|----------------|----------------|------------------|-----------------------------|-------------------------------|----------------|
| | General Fund Balance | Housing Revenue Account | Earmarked Reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Applied | Total Usable Reserves | Total Unusable Reserves | Total Reserves | Qualis Usable | Qualis Un Usable | Group Total Usable reserves | Group Total Unusable Reserves | Group Total |
| Movements in 2020/221 | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Balance as at 1 April 2020 | 6,417 | 2,030 | 17,513 | 8,830 | 7,123 | 934 | 42,846 | 607,578 | 650,424 | (406) | - | 42,440 | 607,578 | 650,018 |
| Surplus / (Deficit) on Provision of Services | (11,412) | (1,215) | - | - | - | - | (12,627) | - | (12,627) | (5,470) | - | (18,097) | - | (18,097) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | 28,900 | 28,900 | 29 | - | 29 | 28,900 | 28,929 |
| Total Comprehensive Income and Expenditure | (11,412) | (1,215) | - | - | - | - | (12,627) | 28,900 | 16,273 | (5,441) | - | (18,068) | 28,900 | 10,832 |
| Adjustment Between Accounting and Funding Basis Under Regulations | 15,563 | 1,037 | - | (445) | 1,716 | - | 17,871 | (17,871) | - | 3,359 | (3,359) | 21,230 | (21,230) | - |
| Net Increase / (Decrease) before Transfer to Earmarked Reserves | 4,151 | (178) | - | (445) | 1,716 | - | 5,244 | 11,029 | 16,273 | (2,082) | (3,359) | 3,162 | 7,670 | 10,832 |
| Transfer to Earmarked Reserves | (6,551) | 253 | 6,298 | - | - | - | - | - | - | - | - | - | - | - |
| Increase / (Decrease) in Year | (2,400) | 75 | 6,298 | (445) | 1,716 | - | 5,244 | 11,029 | 16,273 | (2,082) | (3,359) | 3,162 | 7,670 | 10,832 |
| Other Adjustments | - | - | - | - | - | (934) | (934) | (72) | (1,006) | - | - | - | - | (1,006) |
| Balance as at 31 March 2021 | 4,017 | 2,105 | 23,811 | 8,385 | 8,839 | - | 47,156 | 618,535 | 665,691 | (2,488) | (3,359) | 45,602 | 615,248 | 659,844 |

G1. OTHER OPERATING EXPENDITURE

Total comprehensive expenditure for all Qualis companies for 2022-23 was £0.149m. Which included £0.701m actuarial gains on Pension liabilities.

G2. INVESTMENT PROPERTY

| | 31 March 2022 EFDC (Single entity) | 31 March 2022 EFDC GROUP | 31 March 2021 EFDC (Single entity) Note 13 | 31 March 2021 EFDC GROUP |
|--|---|-----------------------------------|---|-----------------------------------|
| Balance as at 31 March | 147,305 | 168,098 | 136,418 | 136,418 |
| Balance as at 01 April | 147,305 | 168,098 | 136,418 | 136,418 |
| Reclassified in year | - | - | 630 | 630 |
| Acquisition | - | 9,599 | - | 20,793 |
| Repurchased leases | 1,035 | 1,035 | 2,681 | 2,681 |
| Enhancements to existing properties | 401 | 401 | 188 | 188 |
| Net Gains / (Losses) from fair value adjustments | 13,265 | 13,265 | 7,388 | 7,388 |
| Balance at end of the year | 162,006 | 192,398 | 147,305 | 168,098 |

G3. LONG-TERM DEBTORS

| | 31 March 2022 EFDC (Single entity) Note 14 £000 | 31 March 2022 EFDC GROUP £000's | 31 March 2021 EFDC (Single entity) Note 14 £000 | 31 March 2021 EFDC GROUP £000's |
|---|--|---|---|---|
| Capital Advances (B3 Living) | 279 | 279 | 375 | 375 |
| Rents to Mortgages | 1,481 | 1,481 | 1,549 | 1,549 |
| Home Assist Loans | 240 | 240 | 267 | 267 |
| Place Loan | 100 | 100 | 100 | 100 |
| Qualis Loans | 57,421 | - | 41,250 | - |
| Provision for Credit losses | (1,067) | (1,067) | (1,946) | (1,946) |
| Net Carrying Amount at end of the year | 58,454 | 1,033 | 41,595 | 345 |

G4. DEBTORS AND PREPAYMENTS

| | 31 March 2022 EFDC (Single entity) Note 16 £000 | 31 March 2022 EFDC GROUP £000's | 31 March 2021 EFDC (Single entity) Note 16 £000 | 31 March 2021 EFDC GROUP £000's |
|--|--|---|---|---|
| Government Departments and Other Local Authorities | 9,601 | 9,601 | 24,832 | 24,832 |
| Council Tax Arrears | 1,789 | 1,789 | 69 | 69 |
| NDR Arrears | 1,592 | 1,592 | 1,025 | 1,025 |
| Housing Rent Arrears | 860 | 860 | 169 | 169 |
| Sundry Debtors | 11,892 | 21,086 | 9,758 | 13,497 |
| Prepayments & Deposits | 847 | 847 | 739 | 739 |
| Qualis Loan | 2,459 | 301 | - | - |
| Bad Debt provision | (6,195) | (6,195) | - | - |
| Total | 22,844 | 29,880 | 36,593 | 40,332 |

G5. CASH AND CASH EQUIVALENTS

| | 31 March 2022 EFDC (Single entity) Note 17 £000 | 31 March 2022 EFDC GROUP £000's | 31 March 2021 EFDC (Single entity) Note 17 £000 | 31 March 2021 EFDC GROUP £000's |
|--|--|---|--|---|
| Cash | 4 | 4 | 4 | 4 |
| Bank Current Accounts | 1,732 | 7,106 | 1,370 | 16,923 |
| Investment MMF | - | - | 9,100 | 9,100 |
| Investment DMADF | 17,000 | 17,000 | - | - |
| Total Cash and Cash Equivalents | 18,736 | 24,110 | 10,474 | 26,027 |

G2. LONG-TERM DEBTORS

Net pension liability in Qualis subsidiaries was calculated in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to employees of Qualis Management (the Employer) as at 31 March 2021.

Further information about the LGPS can be found in Note 31 of the EFDC Single entity accounts.

| Pension Assets and Liabilities Recognised in the Balance Sheet | 31 March 2022 EFDC Note 31 £000 | 31 March 2021 EFDC Note 31 £000 |
|---|--|--|
| Present Value of Liabilities | (251,031) | (256,735) |
| Present Value of the Unfunded Obligation | 209,226 | 190,210 |
| Fair Value of Scheme Assets | (2,358) | (2,583) |
| EFDC Net Asset /(Liability) in the Balance Sheet | (44,163) | (69,108) |
| Group - Net Liability in Qualis subsidiaries | (2,668) | (3,389) |
| EFDC GROUP Net Liability in the Balance Sheet | (46,831) | (72,497) |



Annual Governance Statement 2021/22

1. Scope of Responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Local Code of Governance (last reviewed November 2021), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Council's Constitution. A copy of the Code is on our website at www.eppingforestdc.gov.uk. The code is aligned to the 2016 edition of the CIPFA/SOLACE framework.

This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 6(1) of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement (AGS).

2. The Purpose of the Governance Framework

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

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. It is also responsible for evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Council's Code of Governance recognises that effective governance is achieved through the following seven CIPFA/SOLACE principles.

- (i) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- (ii) Ensuring openness and comprehensive stakeholder engagement.
- (iii) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- (iv) Determining the interventions necessary to optimise the achievement of intended outcomes.
- (v) Developing the Council's capacity, including the capability of its leadership and the individuals within it.
- (vi) Managing risks and performance through robust internal control and strong public financial management; and
- (vii) Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

It is important the Council can demonstrate that its Annual Governance Statement is aligned with its Local Code and the seven CIPFA/SOLACE principles and this is set out in Appendix 1.

The table below summarises the Council's Governance Framework (which includes the system of internal control) for the year ending 31 March 2022 and up to the date of approval of this Statement and the Statement of Accounts.

| No. | The Governance Framework |
|-----|--|
| | The key elements of the Council's governance arrangements for 2021/22 were: |
| 1 | The corporate plan covering 2018-2023, setting out the Council's priorities and defining the goals to be achieved |
| 2 | The Constitution, which is revised each year: |
| | 2.1 sets out the Council's decision-making framework; |
| | 2.2 gives a clear definition of the roles and responsibilities of members, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer); |
| | 2.3 includes a scheme of delegation of responsibility, Financial Regulations and Procurement Rules; and |
| | 2.4 defines codes of conduct for members and officers, and a protocol for how the two work together. |
| 3 | The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios. The Council's Local Code of Governance was reviewed and approved by the Audit and Governance Committee January 2022. |
| 4 | There are three Select Committees to cover the Council's corporate ambitions being Stronger Communities, Stronger Place and Stronger Council. In addition, Task and Finish Panels undertake specific reviews and there is a co-ordinating Overview and Scrutiny Committee. |
| 5 | A Standards Committee |
| 6 | An Audit and Governance Committee |

| No. | The Governance Framework (cont.) |
|-----|--|
| 7 | A Leadership Team consisting of the Chief Executive, Strategic Director, and a Chief Operating Officer. The Chief Executive as Head of Paid Service is supported by the Council's Monitoring Officer and Section 151 Officer. |
| 8 | A Corporate Governance Group consisting of the Chief Executive, Section 151 Officer, Monitoring Officer, the Chief Operating Officer, the Strategy, Delivery & Performance Director, the Chief Internal Auditor, and other senior officers as required depending on the agenda, meeting monthly |
| 9 | A Corporate Risk Strategy overseen by a Risk Management Group meeting quarterly |
| 10 | A standard committee report format that includes specific consideration of all legal, financial, professional, technical, risk management and equalities implications |
| 11 | A Medium-Term Financial Plan which informs service planning and budget setting, and a Finance and Performance Management Cabinet Committee that meets regularly |
| 12 | A comments, compliments, and complaints procedure |
| 13 | A risk-based approach to internal audit, emphasising the need for sound control, governance and risk management arrangements |
| 14 | A robust whistle blowing policy and process (reviewed and last updated November 2021) along with an anti-fraud and corruption strategy (which was reviewed and approved by the Audit and Governance Committee in November 2021) outlining the Council's zero tolerance approach to fraud and corruption and include anti-bribery and anti-money laundering policies. |

3. Review of Effectiveness

The Council is responsible 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 various sources noted below and concludes that the arrangements continue to be regarded as fit for purpose in accordance with the Council's governance framework:

The Chief Executive and Service Director governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively.

Documentary evidence of processes, procedures, and standards.

A Corporate Fraud Team, which supports the Council's counter fraud and corruption framework in taking action to prevent, detect and investigate fraud.

The Chief Internal Auditor's annual opinion on the Council's control environment, delivered to the Audit and Governance Committee, as the body charged with governance. Audit reports issued along with the assurance ratings of, substantial, moderate, limited or no assurance, on the adequacy and effectiveness of the Council's control environment, including key financial systems.

The work undertaken by the External Auditor reported in their annual audit and their "Communication with those Charged with Governance" (ISA260) and other review reports.

Significant governance issues from previous years and from 2021/22.

4. Impact of Coronavirus on the Council’s Governance Arrangements for 2021/22

As a result of the pandemic during 2020/21 the majority of staff worked from home. and Council meetings were held virtually and were still open to the public. Regulations which allowed authorities to meet remotely ceased after 06 May 2021, and since then all decision-making meetings have been held in person.

During 2021/22 the majority of staff have continued to work from home but since April 2022 there has been expectation that staff come into the office two to three days a week.

Similar to 2020/21, throughout 2021/22 key Council services, including all statutory ones, continued during lockdown although some processes were amended to allow for remote working, for example allowing approval by email instead of a wet signature and discussed with Internal Audit first. Some services continued to be paused during the first part of 2021/22 for example leisure services. Some new activities started in 2020/21 continued, for example distribution of the government’s Covid-19 related business grants by the Revenues and Benefits service.

5. Overall opinion of Epping Forest District Council’s Governance Arrangements

Despite coronavirus this AGS demonstrates that the Council’s governance arrangements have remained fit for purpose. There has been no significant detriment on the Council’s ability to deliver its services.

The Corporate Governance Group has undertaken an assessment of the arrangements for governance during 2021/22 including a review of the assurance checklists and statements submitted by managers. It has concluded that arrangements are fit for purpose and working effectively, and this has been endorsed by SLT (Senior Leadership Team). As a result of this assessment, a small number of other governance issues have been identified to further strengthen arrangements, as detailed in table two.

6. Significant Governance Issues

This final part of the Annual Governance Statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues or risks. The Council’s Corporate Governance Group, who monitor and review the corporate governance framework, has ensured that the issues raised in the previous AGS have been addressed as detailed in Table one below.

Table One: Progress on significant governance issues identified in the 2020/21 AGS

| No. | Significant issue identified in 2020/21 AGS | Action taken in 2021/22 to address the issue |
|-----|---|---|
| 1 | Ensuring the health and safety of staff, partners, and the public in the way it delivers its services As in 2020/21 the Council will keep under review Health and Safety measures both within the Council and across the district to ensure government legislation and guidance is being followed regarding the country’s recovery from Covid-19, especially where the Council is delivering its services. | The Council keeps Health and Safety measures both within the Council and across the District under constant review through the Senior Leadership and Wider Leadership Team. |

| No. | Significant issue identified in 2020/21 AGS (cont.) | Action taken in 2021/22 to address the issue |
|-----|---|--|
| 2 | <p>Financial Management Code review</p> <p>2020/21 saw the introduction of CIPFA's Financial Management Code 2019. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management.</p> <p>An assessment will be undertaken to ensure the Council can demonstrate compliance with the Code. If there are deficiencies, an action plan will be developed to address these</p> | <p>This is programmed in for 2022/23.</p> |
| 3 | <p>Statement of Accounts</p> <p>Due to both technical and resource issues (due to Covid-19) there has been a delay in the final approval of the 2018/19 and 2019/20 accounts. This may impact on the approval of the final accounts for 2020/21, the date of publication (which is also the target date for the completion of the external audit) is 30 September 2021.</p> <p>A restructure of the accountancy team and a review of Council processes will be undertaken to mitigate the risk of future delays for subsequent years production and approval of the Council's Statement of Accounts</p> | <p>The Statement of Accounts for 2018/19 and 2019/20 have been signed off with the external auditor issuing an unqualified audit opinion in both cases</p> <p>The Council continues to work with its External Auditors to resolve final issues from this year's audit.</p> <p>The restructure of the Finance Team is complete and year end processes in place.</p> |
| 4 | <p>Disaster recovery (DR)</p> <p>An Internal Audit found significant deficiencies in the Council's IT Disaster Recovery management control framework, which led to the Chief Internal Auditor's giving a qualified opinion for 2020/21. This is a known problem and extensive work commenced prior to the audit to strengthen this.</p> <p>Progress against the recommendations made will be closely monitored by the Corporate Governance Group and any slippage reported to the Audit and Governance Committee.</p> | <p>An IT disaster recovery plan has been prepared and tested.</p> <p>In addition to loss of key Council sites, provision has been made for loss of internet connectivity. A contracted disaster recovery provider is in place and data is replicated across two sites.</p> |

| No. | Significant issue identified in 2020/21 AGS (cont.) | Action taken in 2021/22 to address the issue |
|---|--|--|
| Common themes from the Service Assurance Statements were: | | |
| 6 | Risk management and business/service planning Work commenced in 2020/21 to better align service/business plans and risk management processes. This will continue in 2021/22 | A Risk Management Working Group has been established to help move risk management forward in the Council. The Group is reviewing the Risk Management Framework and to align this with service planning and project management. |
| 7 | Financial Regulations Financial Regulations are due to be reviewed in 2021/22. There was a consensus that officers would welcome guidance and training on the Council's Financial Regulations. There will be a joined-up approach between Finance, HR and Internal Audit to ensure this is both proportionate and targeted. | Financial Regulations were due to be revised in quarter four 2021/22 but this has slipped into 2022/23. Following the review, appropriate and relevant training will be provided to staff. |

In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement or require careful monitoring. These are set out in the table below, together with the steps to be taken to address them.

Table Two: Areas for improvement or monitoring during 2022/23

| No. | Objective | Risk area/action plan for 2022/23 |
|-----|---|--|
| 1 | Economic issues At the time of writing this AGS, both national and global events have led to a very volatile economic situation. Unprecedented increases in inflation compared to previous years are being seen and availability of raw materials etc. is a problem globally. This has a direct impact on the Council in terms of potential cost increases including major works and projects. There may also be an indirect consequence with a potential increase in demand by those accessing Council services | Implications are being monitored with mitigating strategies being developed and implemented by the Senior Leadership Team and will feature as key considerations in the reports presented to Cabinet through 2022/23 and in the development of the MTFP (Medium Term Financial Plan) for 2023/24 and future years. |

| No. | Objective | Risk area/action plan for 2022/23 |
|--|---|---|
| 2 | <p>Statement of Accounts</p> <p>As reported in last year's AGS, due to technical and resource issues (mainly with the External Auditor) there has been a delay in the final approval of the 2020/21 accounts. Nationally, there has been an ongoing issue with councils being unable to get their final accounts audited. This will have a knock effect on the 2021/22 Accounts</p> | <p>The Council continues to work with its External Auditors to resolve the current issues. Once resolved a timetable will be agreed regarding the outstanding accounts. The Audit and Governance Committee will be kept abreast on progress.</p> |
| 3 | <p>Financial Management Code review</p> <p>Carried over from last year's AGS action plan</p> | <p>An assessment will be undertaken to ensure the Council can demonstrate compliance with the Code. Or if there are deficiencies, develop an action plan to address these</p> |
| <p>Common themes from the Service Assurance Statements were:</p> | | |
| 4 | <p>Business Continuity</p> <p>As we emerge from the pandemic there is a need to revisit and maintain service business continuity plans. As well as ensuring staff are aware of the business continuity arrangements and testing the plans.</p> | <p>A business continuity project is being initiated to review the business continuity framework and processes and will progressed during the year, overseen by the officer Corporate Governance Group (which is chaired by the Chief Executive)</p> |
| 5 | <p>Financial Regulations</p> <p>Carried over from last year's AGS</p> | <p>Financial Regulations</p> <p>Once Financial Regulations have been reviewed, Finance, with the assistance of HR and Internal Audit, will ensure training provided is both proportionate and targeted</p> |


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

Signed 

28th June 2022

Georgina Blakemore

Chief Executive

Signed ... 

28th June 2022

Councillor Chris Whitbread

Leader of the Council

| INTEGRITY | OPENNESS | VISION | OUTCOMES | CAPACITY & CAPABILITY | PERFORMANCE | ACCOUNTABILITY |
|--|--|---|---|--|---|--|
| Behave with integrity, demonstrating a strong commitment to ethical values and respect the rule of law. | Ensure openness and comprehensive stakeholder engagement | Define outcomes in terms of sustainable economic, social and environmental benefits | Determining the interventions necessary to optimise the achievement of intended outcomes | Develop the Council's capacity, including the capability of its leadership and the individuals within it. | Manage the Council's risk and performance through robust internal control and strong public financial management. | Implement good practice in transparency, reporting and audit to deliver effective accountability. |
| Examples supporting the Annual Governance Statement (AGS) 2020/21 | | | | | | |
| <p>Constitution sets out code of conduct for Members and staff.</p> <p>Regularly publicised whistleblowing policy. Zero tolerance to anti-fraud and corruption.</p> <p>Clear and transparent decision-making process. Section 151/Monitoring Officer part of report clearing process.</p> <p>Standards Committee</p> | <p>Published Freedom of Information and complaints/compliments scheme.</p> <p>Publicly available agenda and minutes of meetings.</p> <p>Monitoring and maintaining a record of partnerships. Member appointment to community organisations.</p> <p>Active consultation through the Council's Consultation policy and plan</p> <p>'Critical friend' challenge through the Council's scrutiny process.</p> <p>Revised and updated Code of Governance</p> | <p>2018-2023 Corporate Plan which is supported by service/operational plans.</p> <p>Draft Local plan that supports the Council's vision.</p> <p>Decision making process that take into account these effects on its residents, paying due regard to the public sector equality duty.</p> <p>Providing fair access to Council services offered.</p> <p>Economic Development Strategy</p> | <p>Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance.</p> <p>Decision making processes that receive objective and rigorous involvement including involvement of the Monitoring and Section 151 Officers</p> <p>Anti-Fraud and Corruption strategy.</p> | <p>People Strategy</p> <p>Established induction and training programme for existing and new Councillors. Process includes mentoring and training events.</p> <p>Induction process for staff, access to personal development appropriate to their roles. Formal Personal Development Review (PDR) for staff and access to health and wellbeing opportunities.</p> | <p>Risk management is an integral part of the council's activities and decision making.</p> <p>Internal Audit function that provide assurance on governance, risk management and controls reporting to the Audit and Governance Committee</p> <p>Active corporate fraud team</p> <p>Medium Term Financial Plan.</p> | <p>Defined process to ensure reports for the public/stakeholders are fair, balanced, easily accessible and understandable.</p> <p>Reporting regularly on performance and on the use of resources.</p> <p>Processes to ensure external/internal audit recommendations are acted upon.</p> <p>Requirement for Service Directors to produce annual assurance statements which feed into the AGS</p> |
| An active Corporate Governance Group which takes charge of the Annual Governance Statement | | | | | | |

Appendix 1 Epping Forest Code of Governance

Glossary of terms



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

ACCOUNTING PERIOD

This is the period covered by the accounts, normally a period of twelve months commencing on 1st April. The end of the accounting period is the Balance Sheet date.

ACCOUNTING POLICIES

The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

ACCRUALS

Amounts included in the final accounts to recognise income earned and expenditure incurred for both revenue and capital in the financial year, but for which actual payment had not been received or made as at 31st March.

AMORTISATION

A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

ANNUAL GOVERNANCE STATEMENT

The annual governance statement is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

ASSET

An asset is an item having a value to the Council in monetary terms. Assets are categorised as either non-current or current:

- A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible (e.g. a leisure centre), or intangible (e.g. computer software licences); and
- A current asset will be consumed or cease to have material value within the financial year (e.g. cash and stock).

AUDIT OF ACCOUNTS

An independent examination of the Council's financial affairs.

BALANCES (OR RESERVES)

These are usable or unusable reserves. Usable reserves represent accumulated funds from prior years that are available to the Council and can be spent. Some reserves may be earmarked for specific purposes and are for funding future defined initiatives or meeting identified risks or liabilities. Unusable reserves have been established for technical purposes and are not available to spend nor can be used to fund service provision.

BALANCE SHEET

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

CAPITAL EXPENDITURE

This is the expenditure on the acquisition, construction, enhancement or replacement of a non-current asset such as land, buildings, and computer. It is expenditure that enhances and improves the use of the assets. It isn't expenditure that merely maintains the value of an existing asset.

CAPITAL ADJUSTMENT ACCOUNT

This account records the accumulated amount of set aside capital receipts and minimum revenue provision (the contribution from revenue to cover repayment of the borrowing that has been undertaken to fund capital expenditure) together with capital expenditure financed by way of capital receipts, grants 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 and are paid for by council taxpayers.

CAPITAL FINANCING

Funds used to pay for capital expenditure. There are various sources of funding available to finance capital expenditure including borrowing, leasing, revenue contributions, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL FINANCING REQUIREMENT

This measures the change in the underlying need for the council to borrow to finance capital expenditure. Where all capital expenditure is financed when it is incurred by resources generated by the council, e.g. revenue contributions, grants and capital receipts, the Capital Financing Requirement (CFR) will not increase. However, if borrowing is required to finance capital expenditure then the CFR will increase. The annual minimum revenue provision will be applied to reduce the CFR each year and capital receipts can also be used to reduce the CFR.

CAPITAL RECEIPT

A capital receipt is the proceeds from the disposal of land or other non-current asset. The government regulates the proportion of capital receipts that can be used to finance new capital expenditure. Capital receipts cannot ordinarily be used to finance revenue expenditure.

CASH FLOW STATEMENT

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

CIPFA

This is the Chartered Institute of Public Finance and Accountancy. This organisation produces the Code of Practice that practitioners follow so that all local authorities prepare their accounts in a consistent and comparable way.

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 other authorities (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.

COMPREHENSIVE EXPENDITURE AND INCOME STATEMENT (CIES)

This is the statement that shows the accounting cost (surplus/deficit) in the year of providing services in accordance with generally accepted accounting practices. It is not the amount funded from taxation. The Council raises taxation to cover the cost of expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

CONSISTENCY

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

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.

CONTINGENT LIABILITIES

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the authority's control; or
- A 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 £100,000 need not be disclosed, as any such amounts would not be significant.

CORPORATE AND DEMOCRATIC CORE

This includes all the activities which local authorities engage in specifically because they are elected, multi-purpose organisations. The costs of these activities are those that are over and above those that would be incurred by a series of independent, single purpose nominated bodies managing the same services. It includes costs relating to the corporate management and democratic representation.

COUNCIL TAX

A local tax on dwellings within the district, set by billing authority (Epping Forest District Council) and the precepting authorities (the county council, fire and rescue services, the police and town and parish councils). It is calculated by taking the revenue expenditure requirements for each authority divided by the council tax base for the year.

CREDITORS

Amounts owed by the Council for goods and services that it has received before 31st March, but that have not been paid for at that date.

DEBTORS

Amounts owed to the Council for goods and services that it has provided before 31st March, but where the associated income was not received at that date.

DEPRECIATION

This is 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 Council will derive benefit from the use of a fixed asset.

FAIR VALUE

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

FINANCE LEASE

This is 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.

GENERAL FUND

This is the account where all the costs of providing the Council services (with the exception of the landlord services, the costs of which sit in the HRA and Local Council precepts) are charged to which are then paid for from Council Tax and government grants.

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 of 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.

IMPAIRMENT

This is a reduction in the carrying value of a non-current asset to below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment).

INTANGIBLE ASSETS

This is 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. One of the most common examples would be software licences.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB).

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

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

An interest in land and/or buildings:

- In respect of which construction work and development have been completed; and
- Which are held for their investment potential, any rental income being negotiated at arm's length.

LIABILITY

A liability exists where the Council owes payment to an individual or another organisation

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over time.

LONG TERM DEBTORS

These debtors represent the capital income still to be received, e.g. from the sale of an asset or the granting of a mortgage or a loan.

MINIMUM REVENUE PROVISION (MRP)

This is the minimum amount that the Council must charge to the CIES each year to provide for the repayment of General Fund debt.

MOVEMENT IN RESERVES STATEMENT

This financial statement presents the movement in usable and unusable reserves (the Council's total reserve balances).

NON-DOMESTIC RATES (NDR) (also known as Business Rates)

Non-domestic rates, or business rates, collected by the Council are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1st April 2013, local authorities keep a proportion of the business rates paid locally (currently 50%). This money, together with revenue from council taxpayers, fees and charges and certain other sums, is used to pay for the services provided by the Council.

NET BOOK VALUE

The amount at which non-current 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

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

NET REALISABLE VALUE

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

NON-OPERATIONAL ASSETS

Non-current 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

Non-current 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

These are 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.

PRECEPT

The levy (demand for money) made by precepting authorities (the authorities with the power to instruct another local authority (the billing authority) to collect an amount from council tax on their behalf). Precepts are demanded by the county council, fire and rescue services, the police and pariah and town councils.

PRIOR YEAR ADJUSTMENTS

These are 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.

PROPERTY, PLANT AND EQUIPMENT

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

PROVISIONS

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

- The local authority has a present obligation (legal or constructive) as a result of a past event;
- It is probable that a transfer of economic benefits will be required to settle the obligation; and
- 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;

- 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
- As a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

PRUDENCE

This is the concept that revenue is not anticipated until received in the form either of cash or of other assets, or a reliable estimate of the cash realisation can be assessed with reasonable certainty.

PRUDENTIAL CODE

Since 1st April 2004, local authorities have been subject to a self-regulatory “prudential system” of capital controls. This gives authorities the freedom to determine how much of their capital investment they can afford to fund by borrowing. The objectives of the code are to ensure that the local authority’s capital investment plans are affordable, prudent and sustainable, with Councils being required to set specific prudential indicators.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the Government can borrow itself. Virtually all borrowing undertaken by local authorities comes from the PWLB.

RELATED PARTIES

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

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- 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
- 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.

Advice from CIPFA is that related parties to a local authority include Central Government, precepting bodies or bodies levying demands on the Council Tax, members and chief officers of the Council and its pension fund.

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:

- The purchase, sale, lease, rental or hire of assets between related parties;
- The provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- The provision of services to a related party, including the provision of pension fund administration services; and
- 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.

REMUNERATION

This is all sums paid to or receivable by an employee and any sums due by way of expenses and allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

REVALUATION RESERVE

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

REVENUE EXPENDITURE

These are the day to day payments on the running of Council services including salaries, wages, contract payments, supplies and capital financing costs.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

This is 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.

STOCKS

These are items of raw materials and stores a Council has procured and holds in expectation of future use. Stock comprises the following categories:

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

THE CODE

The Code of Practice on Local Authority Accounting in the United Kingdom known as 'The Code' incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003. There are also accompanying guidance notes for practitioners.

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:

- Actual events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses); or
- 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:

- Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
- 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

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

DEFINED CONTRIBUTION SCHEME

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

DISCRETIONARY BENEFITS

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

EXPECTED RATE OF RETURN ON PENSION ASSETS

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

IAS19

International Accounting Standard 19 (IAS19) 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 (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.

NON-DISTRIBUTED COSTS

Non-distributed costs are defined as comprising:

- Retirement benefit costs including past service costs, settlements and curtailments. To note, current service pension costs are included in the total costs of services;
- The costs associated with unused shares of IT facilities; and
- The costs of shares of other long-term unused but unrealisable assets.

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.

PENSION SCHEME LIABILITY

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

PROJECTED UNIT METHOD - PENSION FUND VALUATION

This is 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:

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

RETIREMENT BENEFITS

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

- An employer's decision to terminate an employee's employment before the normal retirement date; or
- 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:

- A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
- The purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- 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:

- For active members, benefits to which they would unconditionally be entitled on leaving the scheme
- For deferred pensioners, their preserved benefits; and
- For pensioners, pensions to which they are entitled.

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