

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

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

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

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

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

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

**Robert Palmer BA ACA**  
**Director of Finance & ICT**

## BALANCE SHEET

	Note	31 March 2008		31 March 2007	
		£000	£000	£000	£000
<b>LONG TERM ASSETS</b>					
Fixed Assets	13		691,324		648,277
Intangible Assets	14		366		0
Investments	16		10,403		13,401
Long Term Debtors	17		2,161		2,009
<b>TOTAL LONG TERM ASSETS</b>			<b>704,254</b>		<b>663,687</b>
<b>Current Assets</b>					
Stocks and Work in progress	18	281		311	
Debtors	19	6,864		5,092	
Short Term Temporary Investments		47,873		40,557	
Cash at Bank and in Hand		2,375	57,393	1,686	47,646
<b>Current Liabilities</b>					
Creditors and Prepayments	20	(10,784)		(8,500)	
Bank Overdraft		(188)	(10,972)	(502)	(9,002)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>750,675</b>		<b>702,331</b>
Deferred Revenue Income	22		(544)		(861)
Pensions Liability	36		(43,416)		(28,702)
Capital Contributions Deferred	23		(165)		(377)
Government Grants Deferred	24		(4,000)		(3,686)
<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>702,550</b>		<b>668,705</b>
<b>RESERVES</b>					
Revaluation Reserve	25		43,290		0
Capital Adjustment Account	27		642,952		643,144
Usable Capital Receipts	28		26,823		26,425
Pensions Reserve			(43,416)		(28,702)
Major Repairs Reserve	9(HRA)		7,290		5,655
Earmarked Reserves	29		10,311		8,648
Revenue Balances	30		13,699		12,444
Deferred Capital Receipts	31		1,601		1,091
			<b>702,550</b>		<b>668,705</b>

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

ROBERT PALMER BA ACA  
DIRECTOR OF FINANCE AND ICT

26 June 2008

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14. INTANGIBLE ASSETS

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

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

### 15. DEFERRED CHARGES & OTHER DELETIONS

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

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

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

### 16. INVESTMENTS

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

	31 March	
	2008 £000	2007 £000
Long term cash investments	10,000	13,000
Accrued Interest	279	277
Local Government Association Debenture	120	120
Central Government War and Insurance Stock	4	4
<b>Total Long Term Investments</b>	<b>10,403</b>	<b>13,401</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. LONG TERM DEBTORS

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

### 18. STOCKS AND WORK IN PROGRESS

	31 March	
	2008 £000	2007 £000
Work in Progress	123	110
Stocks	158	201
<b>Total Stocks</b>	<b>281</b>	<b>311</b>

### 19. DEBTORS AND PREPAYMENTS

	31 March	
	2008 £000	2007 £000
Amounts falling due in one year		
Government Departments and Other Local Authorities	2,233	1,371
Council Tax Arrears	2,904	2,683
Non Domestic Ratepayers Arrears	726	624
Housing Rent Arrears	855	890
Sundry Debtors	4,061	2,880
Prepayments	243	332
Others	4	7
	<b>11,026</b>	<b>8,787</b>
Less Provision for Bad and Doubtful Debts	(4,162)	(3,733)
	6,864	5,054
Amounts falling due after one year	0	38
<b>Total Current Debtors</b>	<b>6,864</b>	<b>5,092</b>

### 20. CREDITORS

	31 March	
	2008 £000	2007 £000
Government Departments and Other Local Authorities	1,211	1,544
Council Tax	980	930
Non Domestic Ratepayers	242	446
Housing Rents	192	138
Deferred Income	745	812
Sundry Creditors	3,310	3,325
Accruals	4,104	1,305
<b>Total Creditors</b>	<b>10,784</b>	<b>8,500</b>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 25. REVALUATION RESERVE

The Balance Sheet figures as at 31 March 2007 have been adjusted from those included in the 2006/07 Statement of Accounts to accommodate the implementation of the Revaluation Reserve (see accounting Policies note 9). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). A credit balance of £566m existed on the FARA, this has been transferred on 31 March 2007 to the newly formed Capital Adjustment Account. The Revaluation Reserve has therefore been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve as at 31 March 2008 only shows revaluation gains that have occurred since 1 April 2007, the reserve also has to show only the net value of asset revaluations, therefore an additional net entry between this account and the Capital Adjustment Account needs to be made for the difference between depreciation charged on the revalued assets and that charge which would have applied if the revaluation had not taken place.

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

	31 March	
	2008 £000	2007 £000
Balance as at 1 April	0	0
Revaluations during the year (see also note 13)	53,439	0
Disposal of Fixed Assets (see also note 13)	(9,474)	0
Difference between historic cost and current value depreciation	(675)	0
Creation of Reserve	0	0
<b>Balance as at 31 March</b>	<b>43,290</b>	<b>0</b>

### 26. FIXED ASSET RESTATEMENT ACCOUNT

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 27. CAPITAL ADJUSTMENT ACCOUNT

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

The movements on the Capital Adjustment Account are shown below:

	31 March	
	2008 £000	2007 £000
Balance as at 1 April	643,144	77,112
Minimum Revenue Provision Adjustment:		
Deferred Grants	119	252
Depreciation	(9,900)	(8,878)
Deferred Charges etc written off in Year (Net)	(1,250)	(1,633)
Capital Financing		
Capital Receipts Applied	4,064	4,735
Revenue Contributions Applied	2,628	2,388
Major Repairs Reserve Applied	2,968	2,184
Difference between historic cost and current value depreciation	675	0
Other	504	149
Transfer from former Fixed Asset Restatement	0	566,835
<b>Balance as at 31 March</b>	<b>642,952</b>	<b>643,144</b>

### 28. USABLE CAPITAL RECEIPTS UNAPPLIED

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

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

### 29. EARMARKED RESERVES

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 39. MOVEMENT ON RESERVES

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

	Balance 1 April 2007 £000	Net Movement in Year £000	Balance 31 March 2008 £000	Purpose of Reserve	Further Details of Movements
Revaluation Reserve	0	43,290	43,290	Store of gains on revaluation of fixed assets	Note 25 above
Capital Adjustment Account	643,144	(192)	642,952	Store of Capital resources set aside to meet past expenditure	Note 27 above
Major Repairs Reserve	5,655	1,635	7,290	Resources available to meet future running costs for council houses	HRA Statements Note 9
Usable Capital Receipts	26,425	398	26,823	Proceeds of fixed asset sales available to meet future capital investment	Note 28 above
General Fund	6,761	701	7,462	Resources available to meet future running costs for non-housing services	Statement of Movement on General Fund Balance
Collection Fund	51	(15)	36	The net surplus/(deficit) retained from Council Tax receipts	The Collection Fund Statement
Pensions Reserve	(28,702)	(14,714)	(43,416)	Balancing account to allow inclusion of Pensions Liability in Balance Sheet	Note 36 above
Housing Revenue Account	5,632	569	6,201	Resources available to meet future running costs for council houses	Statement of movement on Housing Revenue Account Balance
Deferred Credits	1,091	510	1,601	Capital resources that should be received in subsequent periods.	Note 31 above
Other Reserves	8,648	1,663	10,311	Additional reserves allocated for specific purposes.	Note 29above
<b>Total</b>	<b>668,705</b>	<b>33,845</b>	<b>702,550</b>		

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 40. FINANCIAL INSTRUMENTS

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

	Long term		Current	
	31 March 2008 £'000's	31 March 2007 £'000's	31 March 2008 £'000's	31 March 2007 £'000's
Financial liabilities (principal amount)	0	0	0	0
Categorised as:				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities at fair value in the I&E	0	0	0	0
Total debt	0	0	0	0
Financial assets (principal amount)	10,403	13,401	47,873	40,557
Categorised as:				
Loans and receivables	10,403	13,401	47,873	40,557
Available for sale	0	0	0	0
Equity investments	0	0	0	0
Total investments	10,403	13,401	47,873	40,557

The Council has £10,279,000 ( £13,277,000 in 2006/07) invested in UK banks for a period in excess of one year. The fair value of these assets at 31 March 2008 based on the PWLB premium/discount method is £10,276,000 (£13,116,000 in 2006/07).

### 41. CREDIT RISK

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

	Amount at 31 March 2008	Historical Experience of default	Default risk judged as at 31 March 2008	Estimated maximum default
	£`000	%	%	£`000
<b>Investments in banks and building societies (original term 1 - 5 years)</b>				
AAA rated counterparty	5,000	0.004	0.004	0.20
AA rated counterparties	5,000	0.080	0.080	4.00
	<b>10,000</b>			<b>4.20</b>
<b>Investments in banks and building societies (original term up to 1 year)</b>				
AA rated counterparties	5,000	0.000	0.000	0.00
A rated counterparties	22,500	0.007	0.007	1.58
Unrated building societies	19,750	0.106	0.106	20.94
	<b>47,250</b>			<b>30.92</b>
<b>Cash at banks</b>				
AAA rated counterparty	2,250	0.000	0.000	0.00
AA rated counterparty	120	0.000	0.000	0.00
	<b>2,370</b>			<b>0.00</b>
Accrued interest on investments	903	0.030	0.030	0.27
Sundry debtors	3,948	20.090	20.090	793.15
Housing arrears	855	4.100	4.100	35.06
Local taxation debtors	3,630	1.760	1.760	63.89
<b>Total</b>	<b>68,956</b>			<b>927.49</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

The investments, cash at bank and accrued interest are not yet due for repayment. The sundry debtors figure of £3.948m contains £2.677m of invoiced debtors. The Council allows thirty days' credit for its invoiced debtors, meaning that £1.484m of these debtors are judged to be overdue. These can be analysed by age as follows;

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

### 42. LIQUIDITY RISK

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

### 43. REFINANCING AND MATURITY RISK

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

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

### 44. MARKET RISK

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

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

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

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