Epping Forest District Council

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STATEMENT OF ACCOUNTS
2010-11

STATUTORY STATEMENT OF ACCOUNTS 2010/11

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

INTRODUCTION AND EXPLANATORY FOREWORD

INTRODUCTION

Last year I stated that the days of local authority accounts being relatively straightforward documents that the average person could understand had long passed. Over time the appearance and content of the accounts has changed dramatically and, with the major change to International Financial Reporting Standards (IFRS), this year there have been further significant changes. The process we are required to follow and the key financial statements are outlined below.

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

All local authorities have been required to adopt IFRS for financial years commencing from 1 April 2010. This requirement has necessitated not only the preparation of this year's figures on an IFRS basis but also the restatement of the 2009/10 figures for comparative purposes. Therefore, anyone looking at the figures previously published for 2009/10 and trying to match them to the comparatives in these accounts will notice some differences.

- Comprehensive Income and Expenditure Statement - this brings together all gains and losses during the year to report them in one statement. This new statement replaces the previous Income and Expenditure Account and the Statement of Total Recognised Gains and Losses.

- Movement in Reserves Statement - this shows the movements on all reserves in the bottom half of the Balance Sheet and reconciles the surplus or deficit on the Comprehensive Income and Expenditure Statement to the movement in the General Fund Balance. This replaces the Statement of Movement on General Fund Balance and the note which had previously been used to disclose movements on reserves.

- Balance Sheet - this is the statement of the Council's net worth. There have been presentational changes to the Balance Sheet but it is broadly similar to previous years.

- Cashflow Statement - this reports the movement on cash and cash equivalents in a more summarised form than used previously. Under IFRS some items are now included within cash that would previously have been excluded.

The above are described as core financial statements as all local authorities are required to produce them. Both the Balance Sheet and the Cashflow Statement are long established documents that have not been radically amended over time by the successive SORPs ot this years Code. The Balance Sheet lists what the Council owns, what is owed to the Council and what the Council owes to others. The Cashflow Statement summarises the movements in assets, liabilities and capital broken down into operating, investing and financing activities that have taken place during the year and their effect on the Council's holdings of cash.

2010/11 saw ongoing concerns about the weakness of many Euro zone members such as Greece, Ireland and Portugal. Drastic austerity measures in these countries have not been sufficient to prevent downgrading of their sovereign debt ratings and a need for further bail outs. Fears about a Greek default and the long term viability of the Euro remain. Closer to home, economic growth has remained weak although the probability of a "double dip" recession has reduced. The United Kingdom is one of many economies where a tight rope continues to be walked in reducing public expenditure without killing off the recovery.

The depressed property market and low interest rates have continued to impact on some of the Council's key income streams throughout the year. The new coalition Government had to act quickly given the previously delayed Comprehensive Spending Review (CSR). Cuts in funding had been anticipated but the CSR reduced funding by more than had been expected and imposed these reductions over a much shorter timescale.

For 2010/11 the Council received £9.415 million of formula grant although, due to changes in responsibilities between tiers of local government, this figure was re-stated as £8.71 million for comparisons going forward. The formula grant for 2011/12 of £7.387 million represents a 15.2% reduction against the adjusted 2010/11 figure. The 2011/12 figure is itself then re-stated and the formula grant figure of £6.453 million for 2012/13 is a further 12.1% reduction against that adjusted figure.

The reductions in grant over two years were approximately £100,000 worse than had been anticipated for the entire four year CSR period. In making these reductions the government only gave broad indications of the grant figures beyond 2012/13 as they have stated they want to introduce a new grant allocation model from 2013/14. The severity of the funding reductions meant the Medium Term Financial Strategy (MTFS) had to be re-visited with higher levels of net savings required in each year.

The necessary net savings to the General Fund for 2011/12 were delivered primarily through budget reductions in areas with an historic trend of underspending and through the transfer of commercial properties held in the Housing Revenue Account (HRA) to the General Fund. The Housing Subsidy system is being reformed and I return to this subject later, but at this point it is just worth saying that as part of the consultation on reform it was emphasised that the HRA should only be maintained as a landlord account and not contain commercial property.

In 2010/11 the Council's Balance Sheet has suffered a substantial reduction with adjustments to property values taking £95 million off net book values. To reflect their existing use in social housing, council dwellings and garages have their open market values reduced. In 2010/11 the percentage of open market value recognised in the Balance Sheet has reduced from 46% to 39%, this reduced their aggregate values by £100 million. This reduction was partially off-set by an increase of £5 million in the values of other land and buildings. It is worth re-stating that although this has had an impact on the Council's Balance Sheet, changes in asset values are not taken into account when setting the Council Tax. Whilst the amount of useable capital receipts exceeded the estimate of £201,000 by £82,000 the number of sales is still only in single figures, far short of the 28 and 46 disposals seen in the 2007/08 and 2006/07. No significant disposals of surplus land took place in 2010/11 but interest has been expressed in several potential areas of development which will be explored in 2011/12.

A number of the Council's significant income streams are property related and these have continued to provide much lower returns, although the Continuing Service Budgets have been adjusted down for these trends. A ring-fenced account is maintained for Building Control which is required to break even over a three year rolling period. Cost control measures have again proved effective in 2010/11, as despite operating at a much lower level of income the account has returned a small surplus for the second consecutive year. The MOT service provided by Fleet Operations continues to perform strongly and ways of expanding this service will be considered in 2011/12.

The largest liability on the Council's Balance Sheet is in respect of the pension fund. This has reduced significantly in the year from £56.5 million to £46.3 million. The assets of the scheme have increased in value by £1.1 million but the major change is on the liabilities which have reduced by £9.1 million. Modifications to the scheme have reduced the projected benefits by £7.9 million and this is by far the biggest reason for the overall reduction in the liability. The inclusion of this amount in the Balance Sheet shows the extent of the Council's liability if the pension fund was to close on 31 March 2011. It does not mean that this full liability will have to be paid over to the pension fund in the near future.

The year-end position is better than was anticipated when the revised estimates were set. A predicted General Fund deficit of £309,000 has been eliminated and a surplus of £270,000 was achieved. The Housing Revenue Account has a deficit of £203,000, slightly worse than the revised estimate of a deficit of £127,000. The next section provides more detail on both the revenue and capital outturn for the year.

SUMMARY OF OUTTURN

The following tables provide a summary review of net expenditure and financing for 2010/11.

General Fund

The table below summarises the revenue outturn for the General Fund and the consequential movement in balances for 2010/11

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Net Expenditure after Adjustments	18,048	17,813	17,234	(814)	(579)
Government Grants and Local Taxation	17,504	17,504	17,504	-	-
(Contribution to)/from Balances	544	309	(270)	(814)	(579)
Opening Balances - 1/4/10	(8,300)	(8,300)	(8,300)	-	-
(Contribution to)/from Balances	544	309	(270)	(814)	(579)
Closing Balances - 31/3/11	(7,756)	(7,991)	(8,570)	(814)	(579)

Net expenditure for 2010/11 totalled £17.234 million, which was £814,000 (4.7%) below the original estimate and £579,000 (3.3%) below the revised. When compared to a gross expenditure budget of approximately £76 million, the variances can be restated as 1.1% and less than 0.8% respectively.

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

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening CSB	18,285	17,935	17,459	(826)	(476)
In Year Growth	157	813	852	695	39
In Year Savings	(394)	(935)	(1,077)	(683)	(142)
Total Continuing Services Budget	18,048	17,813	17,234	(814)	(579)
DDF - Expenditure	2,438	2,796	2,707	269	(89)
DDF - One Off Savings	(554)	(890)	(1,935)	(1,381)	(1,045)
Total DDF	1,884	1,906	772	(1,112)	(1,134)
Appropriations	(1,884)	(1,906)	(772)	(1,112)	(1,134)
Net Expenditure	18,048	17,813	17,234	(814)	(579)

Continuing Services Budget

CSB expenditure was £814,000 below the original estimate and £579,000 lower than the revised. The variances have arisen on both the opening CSB, £476,000 lower than the revised estimate and the in year figures, £103,000 lower than the revised estimate.

In common with recent years salary savings make up a proportion of the saving on the opening CSB. Actual salary spending for the Council in total, including agency costs, was some £19.126 million compared against a probable outturn of £19.392 million. The largest salary savings were in the Housing and Planning and Economic Development Directorates. There were a number of other underspent CSB budgets, with the largest underspends being on building maintenance (£49,000), gas and electricity at the Civic Offices (£30,000), the corporate improvement budget (£45,000) and temporary legal staff and consultants (£35,000). In addition to these there were many other budgets which had underspends of between £6,000 and £12,000.

The original in year CSB saving figure of £237,000 was reduced to a saving of £122,000 at the probable outturn stage. This was primarily due to the reduction in investment income, as the budget has been reduced to make allowance for interest rates remaining lower than expected for longer than expected. The actual outturn was £103,000 better than estimated with a saving of £225,000, as savings on Waste Management were £106,000 higher than had been anticipated.

District Development Fund

Net DDF expenditure was £1,112,000 below the original estimate and £1,134,000 below the probable outturn. There are requests for carry forwards totalling £462,000 and therefore the variation actually equates to a £672,000 net under spend on the DDF items undertaken. These one-off projects are akin to capital, in that there is regular slippage and carry forward of budgetary provision. Therefore the only reasonable variance analysis that can be done is against the revised position.

The net DDF spend increased between the Original and Revised position by £22,000, this was due to a mixture of items brought forward from 2009/10 and new items identified during 2010/11. Both expenditure and income items changed by approximately £350,000 to largely off-set each other. As the government again limited capitalisation directions it was necessary to include £176,000 of expenditure on pension deficit contributions, which had originally been budgeted to be funded from capital. There was also substantial rephasing of the funds allocated to the Local Development Framework into 2011/12.

Two Directorates saw variations in excess of £100,000 on their DDF when compared to the probable outturn. Within Corporate Support Services the Planned Building Maintenance Programme and the Asset Rationalisation projects have fallen behind schedule. Within Environment and Street Scene, additional income from off-street parking and the leisure management contractor (under the income share arrangements) contributed to the variances, as did an underspend on remedial works to watercourses. The amounts for the Planned Building Maintenance Programme (£129,000) and the Asset Rationalisation projects (£95,000) have been carried forward.

The effect of non-Directorate specific items was £633,000 better than expected. The main cause of this was a VAT reclaim which produced a net benefit of £714,000. The reclaim related to over declared VAT on sports tuition fees and bulky household waste collections in the period from 1973 to 1997, as the recovery was uncertain no income had been anticipated in the probable outturn. This gain was partially off set by the reduction in investment income being £43,000 greater than the probable outturn. The MTFS set in February 2011 had anticipated that the DDF balance would have reduced to £216,000 at the end of 2014/15 so the improvement of £672,000 in the unallocated balance will increase flexibility in considering further one-off schemes in 2011/12.

Appropriations

The only variations on appropriations arose from the under spend on the DDF.

Housing Revenue Account

The table below summarises the revenue outturn for the HRA.

Housing Revenue Account	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Revenue Expenditure	14,365	14,426	13,741	(624)	(685)
Housing Revenue Account Subsidy Payable	10,052	9,726	9,728	(324)	2
Depreciation	8,011	8,706	12,860	4,849	-
Total Expenditure	32,428	32,858	36,329	3,901	(683)
Gross Dwelling Rents	25,791	25,644	25,676	115	(32)
Other Rents and Charges	4,848	4,697	4,360	488	337
Total Income	30,639	30,341	30,036	603	305
Net Cost of Service	1,789	2,517	6,293	3,298	(988)
Interest and Other Transfers	537	457	497	(40)	40
Transfer from Major Repairs Reserve	3,167	3,905	8,016	4,849	-
Net Operating Income	(1,915)	(1,845)	(2,220)	(1,511)	(418)
Appropriations					
Capital Expenditure	1,763	1,763	2,163	400	400
Charged to Revenue					
Other	159	209	260	101	51
Deficit for Year	7	127	203	(1,010)	33
Opening Balance - 1/4/10	(6,089)	(6,089)	(6,089)	-	-
Deficit for year	7	127	203	196	76
Closing Balance - 31/3/11	(6,082)	(5,962)	(5,886)	196	76

A deficit within the HRAt of £7,000 and £127,000 was expected within its original and probable outturn revenue budgets respectively; the actual outturn was a higher deficit of £203,000. There were a number of areas underspent, including gas and electricity, although these were largely off-set by a reduction in income from shop rents. The HRA also benefited from the salary savings, which exceeded the probable outturn by approximately £180,000.

The Revenue Contribution to Capital Outlay figure is £400,000 higher than the revised estimate at £2.163 million. This was necessary to compensate for the underspends during the year which would have led to the balance on the HRA exceeding the current capitalisation guidelines. This, together with an underspend on the capital programme, has reduced the use of the Major Repairs Reserve (MRR). The MRR is shown in the following section covering the Capital Outturn, where it can be seen that the balance on the MRR is £0.75 million higher than the probable outturn at a very healthy £6.54 million.

The revenue balance on the HRA of £5.886 million is still much higher than the target balance of between £3 million and £4 million agreed by Cabinet when considering the most recent HRA five-year forecast.

Capital Outturn

The table below summarises the capital expenditure outturn and its financing for 2010/11

Capital Expenditure and Financing	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Non-Housing	6,356	3,228	2,584	(3,772)	(644)
Housing	9,111	8,194	7,347	(1,764)	(847)
Total Expenditure	15,467	11,422	9,931	(5,536)	(1,491)
Grants	841	1,398	1,008	167	(390)
Capital Receipts	7,720	3,431	2,680	(5,040)	(751)
Revenue Contributions	6,906	6,593	6,243	(663)	(350)
Total Financing	15,467	11,422	9,931	(5,536)	(1,491)

The table identifies a net underspend against the revised estimate of £1.491 million, some of which has been established as genuine savings. However, the majority represents slippage and expenditure has therefore currently been re-phased into 2011/12.

The main areas of slippage on non-housing items were waste management equipment (£141,000) and works on the Civic Offices (£152,000). Whilst there is a net £644,000 underspend on the non-housing programme £664,000 will be carried forward, this is due to a net overspend of £20,000 on the projects undertaken. On the housing programme the greatest slippage was on the Open Market Shared Ownership Scheme (£435,000) and small capital repairs (£265,000). However, the overall spending position was effectively managed as to balance the slippage of £1.357 million some £510,000 of expenditure was brought forward to leave a net underspend of £847,000. The main items ahead of schedule and brought forward in the housing programme were windows/roofs works (£136,000) and heating/rewiring works (£106,000).

Council house sales remained in single digits for the third year in a row, although the values did slightly exceed the amounts allowed for in the probable outturn. There were no significant land sales in 2010/11, although interest in potential developments is improving. Even with the relatively low level of sales, the Council has substantial capital resources available to it and given the level of these the Council is unlikely to need to borrow to finance the capital programme in the medium term. The movements in capital resources are set out in the tables below:

Usable Capital Receipt Balances	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening Balance - 1/4/10	20,118	21,091	21,091	973	-
Usable Receipts Arising	273	201	283	10	82
Use of Other Capital Receipts	(7,720)	(3,631)	(2,680)	5,040	951
Closing Balance - 31/3/11	12,671	17,661	18,694	6,023	1,033

Major Repairs Reserve	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening Balance - 1/4/10	5,194	5,730	5,730	536	-
Major Repairs Allowance	4,844	4,844	4,844	-	-
Use of MRR	(5,143)	(4,783)	(4,034)	1,109	749
Closing Balance - 31/3/11	4,895	5,791	6,540	1,645	749

CARBON REDUCTION

The Council remains committed to reducing its carbon footprint and in addition to signing the Nottingham Declaration has developed a Carbon Change Strategy. The objectives of the Carbon Change Strategy are:

- Reduce our carbon footprint
  Substantially reduce the amount of CO2 and the other greenhouse gases we as a Council emit through all our services and operations.
- Be a community leader
  To reduce our impact and to lead by example, taking forward our knowledge, partnerships and resources to encourage and help the wider community and stakeholders to become more sustainable.
- Use our powers
  Influence and use our powers in procurement, private housing, commercial sector and planning. Minimise the environmental impact of new development and ensure any future developments are able to withstand the challenge of the changing climate.
- Prepare the Council and the District for the impacts of climate change
  Make preparations to ensure the Council's assets and operations are resilient to the predicted climate change impacts and assist in the work to prepare the District for the new climate.

The Council is working on a number of initiatives to reduce its carbon footprint and has completed the virtualisation of computer servers and the installation of replacement windows and heating at the Civic Offices. The combined effect of these initiatives should be to substantially reduce power consumption.

THE FUTURE

Before looking ahead it is worth a quick look back at 2010/11 and some of the events that have occurred as these have provided further shocks to limit the economic recovery across the world. Natural disasters in New Zealand and Japan will take time to recover from and have thrown up wider questions about the safety and future of nuclear power. Events in the Arab world have seen several regimes replaced whilst others cling to power. This saw oil prices rise and put a brake on activity and investment. Closer to home some of our Euro zone neighbours continue to struggle with deficit reduction measures and have required further bail outs. As the spending reductions start to bite it is inevitable that further strikes and civil disobedience will be seen in this country too. There have been some small signs of recovery but these remain weak and limited and are set against a background of high inflation. There are clearly many challenges ahead for policy makers at all levels.

Last year I commented on the previous government delaying the CSR and said how difficult it was setting the MTFS without any information about grant support. The coalition Government surprised most people with the size and speed of their spending reductions. I mentioned above that 2011/12 and 2012/13 will see this authority lose more than 27% of its grant support, with further reductions likely in following years. The whole system of funding is currently under review and the allocation model for grant support will change from 2013/14 with further changes likely for other areas including National Non-Domestic Rates.

Reductions in grant support were partly off-set by the introduction of the New Homes Bonus (NHB) and a grant for councils that chose not to increase their council tax levels. Going forward the NHB could prove to be a major source of income, although there is significant uncertainty as you cannot precisely predict how many new homes will be built in a given year. There is also uncertainty around the funding of NHB as this comes from a top slicing of grant support at the national level. As the top slicing will affect all authorities it is clear that those areas that see the largest increases in homes will benefit at the expense of those with lower growth. So considerable uncertainty remains on the various sources of income from the Government over the medium term. One thing is clear though and that is the need for higher levels of net savings, which now exceed £2.5 million over the life of the MTFS.

During 2010/11 the Council secured £150,000 of funding from the Regional Improvement and Efficiency Partnership to assist in the delivery of future savings. Some of this money is being used to fund consultancy work by PriceWaterhouseCoopers on maximising revenue income and Ernst & Young on developing the organisational structure. These reviews, and the other savings projects that are underway, will provide options to achieve the necessary levels of savings going forward. This will involve prioritisation in how the reduced resources available are used and some difficult choices will have to be made.

Whilst the General Fund revenue balances are higher than anticipated they still need careful management. The current policy stipulates that the balances should not go below 25% of net budget requirement. This would allow a reduction from the current level of £8.6 million to £3.7 million by the end of 2014/15.

The single largest change ahead for the Council is the reform of the Housing Subsidy System. Under a new system of self financing the Council will make a payment in late 2011/12 of approximately £180 million to avoid the ongoing annual payments of £11 million. Despite assurances from the government, concern still exists that this change could have significant detrimental consequences for the General Fund. The accounting requirements and the timing and value of the transaction are still to be confirmed. Officers have been in regular contact with the Department for Communities and Local Government to highlight these issues. For an authority that has been debt free for many years, it is a challenge to have to take on £180 million of debt. A number of key decisions will have to be taken on what ambitions the Council has for house building, how quickly the debt should be repaid and how the debt can be financed.

The four-year programme of non-housing capital investment totals £7.8 million, again inclusive of amounts carried forward from 2010/11. Environment and Street Scene and Corporate Support Services have the largest programmes, with some £6.1 million being spent. Within Environment and Street Scene £1.7 million is available for parking schemes and £1.1 million for waste management vehicles and equipment. The main items under Corporate Support Services are £723,000 for works on the Civic Offices and £416,000 for environmental improvements to shops. The other major projects in the programme include £1 million for the Limes Farm Hall re-development and £513,000 for various ICT projects.

The Council's financial strength has meant its response to the austerity programme could be more measured than many other authorities who have already cut jobs and services. This foreword has demonstrated that the Council still has considerable revenue resources at its disposal and capital resources are higher than originally estimated. However, the reductions in grant support have been greater than anticipated and financial pressures are likely to arise from continuing high inflation and in areas such as benefits. It is likely that, to achieve the savings needed over the medium term the Council will have to reduce the level at which many services are provided and stop providing some completely.

Robert Palmer BA ACA
Director of Finance & ICT

Statement of Responsibilities for the Statement of Accounts

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

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

- Approve the Statement of Accounts

COUNCILLOR ANGOLD-STEPHENS
CHAIRMAN OF THE COUNCIL

THE CHIEF FINANCIAL OFFICERS RESPONSIBILITIES

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code of Practice')

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;

- Made judgements and estimates that were reasonable and prudent;

- Complied with the Code of Practice.

The Chief Finance 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 2 to 58 give a true and fair view of the financial position of the Council as at 31 March 2011 and the income and expenditure for the year then ended.

ROBERT PALMER BA ACA
CHIEF FINANCE OFFICER

27 September 2011

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

Opinion on the financial statements

We have audited the financial statements of Epping Forest District Council (the Council) for the year ended 31 March 2011 under the Audit Commission Act 1998. The financial statements comprise the *Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund* and the related notes. 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 in the United Kingdom 2010/11 (based on International Financial Reporting Standards).

This report is made solely to the members of the Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and ICT and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance and ICT is responsible for the preparation of the Council's Statement of Accounts, that include 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 and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and ICT; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of Epping Forest District Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

Opinion on other matter

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the governance statement on which we report to you if, in our opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

Respective responsibilities of the Council and auditor

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

Our responsibility requires us to review and, where appropriate, examine evidence that is relevant to the Council's corporate performance and financial management arrangements. It therefore excludes arrangements relating specifically to the delivery of front-line services, unless we have identified a significant risk with implications for corporate arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Epping Forest District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

Certificate

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

Richard Bint
For and on behalf of PKF (UK) LLP
London, UK
22 September 2011

MOVEMENT IN RESERVES STATEMENT

	Note	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
Movements in 2009/10		*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Balance as at 31 March 2009		*8,435*	*4,730*	*6,081*	*4,561*	*24,319*	*6,919*	*236*	*55,281*	*563,301*	*618,582*
Surplus/(Deficit) on Provision of Services		*(2,066)*		*24,549*					*22,483*	*-*	*22,483*
Other Comprehensive Income and Expenditure									*-*	*9,120*	*9,120*
Total Comprehensive Income and Expenditure		*(2,066)*	*-*	*24,549*	*-*	*-*	*-*	*-*	*22,483*	*9,120*	*31,603*
Adjustment between accounting and funding bases under regulations	*6*	*2,249*		*(24,721)*		*(3,228)*	*(1,189)*	*95*	*(26,794)*	*26,794*	*-*
Net Increase/(Decrease) before transfer to Earmarked Reserves		*183*	*-*	*(172)*	*-*	*(3,228)*	*(1,189)*	*95*	*(4,311)*	*35,914*	*31,603*
Transfers to Earmarked		*(318)*	*318*	*180*	*(180)*		*-*		*-*	*-*	*-*
Increase\(Decrease) in Year		*(135)*	*318*	*8*	*(180)*	*(3,228)*	*(1,189)*	*95*	*(4,311)*	*35,914*	*31,603*
Balance as at 31 March 2010		*8,300*	*5,048*	*6,089*	*4,381*	*21,091*	*5,730*	*331*	*50,970*	*599,215*	*650,185*
Movements in 2010/11		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2010		8,300	5,048	6,089	4,381	21,091	5,730	331	50,970	599,215	650,185
Surplus/(Deficit) on Provision of Services		(871)		(80,257)					(81,128)	-	(81,128)
Other Comprehensive Income and Expenditure								(21)	(21)	(11,368)	(11,389)
Total Comprehensive Income and Expenditure		(871)	-	(80,257)	-	-	-	(21)	(81,149)	(11,368)	(92,517)
Adjustment between accounting and funding bases under regulations	6	(90)	-	79,806	-	(2,397)	810	(124)	78,005	(78,005)	-
Net Increase/(Decrease) before transfer to Earmarked Reserves		(961)	-	(451)	-	(2,397)	810	(145)	(3,144)	(89,373)	(92,517)
Transfers to Earmarked Reserves		1,231	(1,233)	248	(248)				(2)	-	(2)
Increase\(Decrease) in Year		270	(1,233)	(203)	(248)	(2,397)	810	(145)	(3,146)	(89,373)	(92,519)
Balance as at 31 March 2011		8,570	3,815	5,886	4,133	18,694	6,540	186	47,824	509,842	557,666

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31 March 2011

	Note	2010/11 Gross Expend £000	2010/11 Income £000	2010/11 Net Expend £000	*2009/10 Net Expend £000*
CONTINUING OPERATIONS					
Central Services		12,936	10,330	2,606	*2,089*
Corporate and Democratic Core		2,728	-	2,728	*2,746*
Cultural Related		6,280	646	5,634	*3,969*
Environmental Services		11,259	2,896	8,363	*7,494*
Highways and Transport		2,975	1,972	1,003	*356*
Housing		36,558	35,053	1,505	*1,601*
Planning & Development		4,042	1,073	2,969	*2,563*
Housing Revenue Account		35,548	29,899	5,649	*(25,171)*
EXCEPTIONAL ITEMS					
General Fund					
Past Service Gain	35		5,345	(5,345)	*0*
Vat Refund	11	178	892	(714)	*(1,158)*
Housing Revenue Account					
Past Service Gain	35		2,506	(2,506)	*0*
Change in Discount Factor		77,443		77,443	*0*
NET COST OF SERVICES		*189,947*	*90,612*	*99,335*	*(5,511)*
OTHER OPERATING EXPENDITURE	8			3,367	*3,215*
FINANCING AND INVESTMENT INCOME AND EXPENDITURE	9			(922)	*206*
TAXATION AND NON-SPECIFIC GRANT INCOME	10			(20,652)	*(20,393)*
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES				81,128	*(22,483)*
(Surplus)/Deficit on Revaluation of Property Plant and Equipment	20			15,079	*(22,699)*
Actuarial (gains)/losses on Pension Assets/Liabilities	35			(3,711)	*13,794*
Other (Gains)/Losses				21	*(215)*
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE				92,517	*(31,603)*

BALANCE SHEET

	Note	31 March 2011 £000	31 March 2011 £000	31 March 2010 £000	31 March 2010 £000	1 April 2009 £000	1 April 2009 £000
LONG TERM ASSETS							
Property, Plant & Equipment	12		516,059		*617,866*		*567,567*
Investment Properties	13		39,566		*37,870*		*37,608*
Intangible Assets	14		853		*748*		*711*
Long Term Investments			320		*677*		*11,869*
Long Term Debtors	15		1,800		*1,844*		*1,792*
TOTAL LONG TERM ASSETS			558,598		*659,005*		*619,546*
Current Assets							
Inventories	16	223		*188*		*272*	
Debtors and Prepayments	17	6,591		*11,969*		*4,202*	
Short Term Temporary Investments	15	43,707		*38,163*		*45,007*	
Cash & Cash Equivalents	18	4,730		*4,138*		*1,340*	
			55,251		*54,458*		*50,821*
Current Liabilities							
Creditors	19	(8,704)		*(5,948)*		*(8,997)*	
Bank Overdraft		0		*0*		*(53)*	
			(8,704)		*(5,948)*		*(9,050)*
LONG TERM LIABILITIES							
Deferred Revenue Income		(509)		*(526)*		*(536)*	
Pensions Liability	35	(46,324)		*(56,493)*		*(41,547)*	
Capital Grant Receipts in Advance	31	(646)		*(311)*		*(651)*	
			(47,479)		*(57,330)*		*(42,734)*
TOTAL ASSETS LESS LIABILITIES			557,666		*650,185*		*618,582*
Useable Reserves			47,824		*50,970*		*55,281*
Unuseable Reserves	20		509,842		*599,215*		*563,301*
			557,666		*650,185*		*618,582*

The balance sheet at the beginning of the earliest comparative period is shown for information purposes.

THE CASH FLOW STATEMENT

	Note	2010/11 £000	*2009/10 £000*
Net Surplus or (Deficit) on Provision of Services		(81,128)	*22,483*
Adjustments to net surplus or deficit on the provision of services for non-cash movements	21	190,090	*124,140*
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	(98,244)	*(147,812)*
Net cash flows from Operating Activities	21	10,718	*(1,189)*
Investing Activities	22	(11,752)	*6,591*
Financing Activities	23	1,626	*(2,604)*
Net (Increase) or Decrease in cash and cash equivalents		592	*2,798*
Cash and Cash Equivalents at the beginning of the reporting period		4,138	*1,340*
Cash and Cash equivalents at the end of the reporting period	18	4,730	*4,138*

Index of Notes to the Statement of Accounts

Notes to the Core Financial Statements

1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain 2010. The Code has been developed by the CIPFA/LASAAC Joint Committee under the oversight of the Financial Reporting Advisory Board as opposed to the Accounting Standards Board as previously.

The Code is based on International Financial Reporting Standards (IFRS) which comprises of International Accounting Standards (IAS), interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC). The Code notes that it interprets and adapts IFRS but such instances are identified within the Code. The Code constitutes a 'proper accounting practice' under the terms of section 66(4) of the Local Government and Housing Act 1989.

1.2. ACCOUNTING CONCEPTS

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

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

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

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

1.3. ESTIMATION

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

1.4 CASHFLOW PREPARATION

The Code allows the preparation of the cashflow to be either the direct or indirect method. The Council has prepared the statement using the indirect method.

1.5 GROUP ACCOUNTS

Accounting practice requires that where the Council has a material financial interest and a significant level of control over another entity, it should prepare group accounts. The Council has reviewed its relationships with other entities and has concluded that no material financial interest or significant control exists and group accounts are therefore not required.

1.6 COLLECTION FUND

Until 2008/09 the SORP required the Council Tax income included in the Income and Expenditure Account to be the amount that, under regulation was required to be transferred from the Collection Fund to the General Fund of the billing authority. From the financial year commencing on 1 April 2009 the Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year.

Until 2008/09 the SORP required that debtors and creditors relating to NNDR taxpayers be treated as debtors and creditors of the authority. From 2009/10 the requirement changed such that they should now be treated as debtors and creditors of central government, given that the Council acts as a collecting agent. Prepayments and amounts owing as well as the provision for bad and doubtful debts should be part of the amount either owing to or from the NNDR pool.

1.7 FIXED ASSETS

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

Fixed assets were originally valued and recorded in the accounts as at 1 April 1994. These valuations were based upon certificates issued by the Council's Chief Valuer and Estates Surveyor. Additions since that date are included in the accounts at cost. Council dwellings and garages are revalued every year using the Beacon Properties approach as the basis for valuation. The valuation takes the form of a full revaluation followed by four years of desk top revaluations, with the last full revaluation occurring as at 1 April 2010. Other assets are revalued as part of the Council's rolling programme under which assets are revalued over a five year period. The Council dwellings and Garages valuation has been carried out by District Valuer A Wilcock, MRICS, and other assets by the Council's Principal Valuer and Estates Surveyor.

IFRS has introduced the requirement to value component parts of Fixed Assets for the first time. This applies when an asset is either revalued or a component replaced or created and is subject to a significance test. The purpose of this is to ensure that the depreciation charge accurately reflects the differing useful lives of components particularly where the asset within which the component is situated has a rather longer life. Within the 2010/11 accounts Council Dwellings and associated land have been valued on the basis of Existing Use for Social Housing (EUV-SH) being 39% of the Vacant Possession value. The components within the dwelling have been valued based on the proportion of the total dwelling to which their value relates.

A number of fixed assets were due for revaluation during 2010/11 and as part of that process the necessity to recognise significant components was also considered. A series of significance tests were applied to identify which assets it was appropriate to componentise. The first stage was applied to council housing and leisure centres as the largest fixed asset categories; council house types and leisure centres which had a value greater than 20% of the total value of the asset categories were considered significant. All council dwellings and two leisure centres were identified and a second test was applied; any component which exceeded 20% of the total value of the asset as a whole was deemed significant. The value of plant and equipment within council dwellings and one of the leisure centres, namely Loughton Leisure Centre, was thereby identified as significant and componentisation has been applied to these assets. Componentisation has not been applied to any other assets at this point in time.

An impairment is now defined as a loss in value due to the consumption of economic benefits. Where a valuation reduction occurs due to a fall in prices generally this is known as a downward revaluation. In both cases the loss is taken to the revaluation reserve to the extent that revaluation gains relating to that particular asset exists within the revaluation reserve in the first place.

If the value of the impairment or downward revaluation exceeds the revaluation amount relating to that asset already residing in the revaluation reserve then the difference is recognised in the Comprehensive Income and Expenditure Statement in the year in which it occurs. The valuations are based upon the facts and evidence prevailing at the date of valuation. The latest valuation date is 1 April 2010 for Council dwellings and garages. A review of property values toward the end of the financial year suggested that values had changed little, it was therefore felt that no valuation adjustment was necessary.

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

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

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

Type of Asset	Valuation Method	Estimated Useful Life (Years)
Council Dwellings and Garages	Existing use value for social housing Existing use value	20 to 60
Other land and buildings	Existing use value	20 to 50
Infrastructure assets	Depreciated Historic Cost	15 to 40
Community assets	Historic Cost	Indeterminable
Vehicles, plant, furniture and equipment	Depreciated historic cost	5 to 20
Non-operational assets	Existing use value Market value Historic Cost (where market value for existing use cannot be ascertained)	

Where assets are acquired under leases, the leasing rentals payable are charged to revenue. The cost of assets and the related liability for future rentals payable are not shown in the balance sheet but are disclosed in the notes. (See Note 34).

Where a fixed asset has been disposed of, the profit or loss on disposal is applied to the Comprehensive Income and Expenditure Statement with corresponding entries to fixed assets and cash/debtors. Subsequently the income derived is credited to the Usable Capital Receipts Reserve, and accounted for on an accruals basis. The profit or loss on disposal is then reversed within the Movement in Reserves Statement to neutralise the effect on the General Fund of the entry in the Income and Expenditure Account. Upon disposal, any valuation gains relating to those assets since 1 April 2007 are written off against the Revaluation Reserve with the remainder being written off against the Capital Adjustment Account. (See Note 20).

1.8 DEPRECIATION

In accordance with the provisions of IAS 16, assets are depreciated on a straight-line basis over their useful economic life. Where a unique asset is purchased or constructed the useful life is assessed based on information available concerning that asset. The only general exceptions to this are freehold land, community assets and non-operational investment properties which are not depreciated. Subsequent expenditure on a fixed asset that maintains or enhances the previously assessed standard of performance of the asset does not negate the need to charge depreciation.

1.9 INTANGIBLE ASSETS

Intangible assets are payments of a capital nature where no tangible fixed asset is created but which are expected to yield future economic benefits to the Council. Software, including licences is considered an intangible asset as it fulfils the two tests above. Council policy is to capitalise such expenditure but amortise it to revenue over the useful life of the asset, in this case five years.

1.10 CAPITAL EXPENDITURE CHARGED TO REVENUE

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

1.11 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure funded from capital under statute relates to expenditure of a capital nature that does not result in the creation of a fixed asset either tangible or intangible. This expenditure was previously known as Deferred Charges and such expenditure was initially classified as capital expenditure but then written off in full to the relevant service heading within the Income and Expenditure Account. Proper practice now is that the expenditure is charged directly to revenue. However, because the financing of this expenditure is from a capital source, it is then reversed out within the Movement in Reserves Statement so has no overall effect on the Council Tax nor the General Fund.

The Council has also obtained capitalisation directions for additional pension contributions made during 2010/11 of £450,983 (General Fund) and £211,448 (Housing Revenue Account). These amounts have been charged to a reserve that was specifically established for this purpose.

1.12 REVALUATION RESERVE/CAPITAL ADJUSTMENT ACCOUNT

The Revaluation Reserve contains upward revaluations occurring to Fixed Assets since 1 April 2007, revaluations prior to that date would have been within the now defunct Fixed Asset Restatement Account the balance of which was transferred to the Capital Adjustment Account on the same date. Where a subsequent downward valuation occurs, relating to a fall in market values generally, then previous upward revaluations relating to that particular asset are reversed. Any excess write down is charged to the Capital Adjustment Account after being passed through the Comprehensive Income and Expenditure Statement and the Adjustments between Accounting Basis and Funding Basis Under Regulation.

1.13 INVESTMENTS

Investments are accounted for in accordance with IAS 32, 39 and IFRS 7. These reporting standards prescribe the recognition, measurement and disclosure requirements in relation to financial instruments. All the Council's financial assets are in the form of loans and receivables. Investments are therefore shown in the Balance Sheet at amortised cost. The Council held investments with the Heritable Bank, a UK regulated subsidiary of an Icelandic Bank, that has since gone into administration. As a result the value of the investments held have been impaired in line with CIPFA's LAAP Bulletin 82 which was issued to provide guidance relating specifically to this situation.

1.14 INVENTORIES

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

1.15 DEBTORS AND CREDITORS

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice and IAS 8. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to electricity and similar periodic receipts and payments, which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

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

1.16 FINANCIAL LIABILITIES

Financial liabilities are carried at amortised cost. The Council has no borrowings and the only items falling under this definition are Creditors.

1.17 CAPITAL RECEIPTS

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

1.18 GOVERNMENT CAPITAL GRANTS AND OTHER CAPITAL CONTRIBUTIONS

The treatment relating to Capital Grants and other contributions has been changed under IFRS. Previous practice to amortise Capital Grants over the same period as the depreciation charged relating to the asset in question has been discontinued. Where a grant or contribution has been received the first consideration is whether there is a condition attached to the receipt of that grant. Where there is no condition or the condition is met then the income is recognised in the CIES. This income must then be reversed out within the Movement in Reserves Statement. If the related expenditure has been incurred the reversal is to the Capital Adjustment Account, if the expenditure has not been incurred the reversal is to the Capital Grants Unapplied Account.

Where a condition is not met the income must be recognised in the Capital Grants Received in Advance Account. If in a future accounting period the condition is met, at that point the grant income is recognised in the CIES and reversed out in the Movement in Reserves Statement as before. If there is no prospect of the conditions being met the grant monies are held as a Creditor until such as time as repayment can be made. Where the only condition attached to a grant is that it must be spent on a particular asset or used for a particular purpose then the condition is assumed to be met only when expenditure actually occurs.

1.19 COST OF SUPPORT SERVICES AND SERVICE ADMINISTRATION

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

1.20 RESERVES

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

1.21 PENSIONS

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

1.22 INTERNAL INTEREST

Interest is credited to the Housing Revenue Account based on the level of its fund balances. The amounts are calculated using the average rate of interest on approved investments, as prescribed in the Housing Revenue Account Item 8 Credit and Item 8 Debit (general) Determinations 2010/11.

1.23 CONTINGENT ASSETS

A contingent asset arises when it is possible that an asset will materialise from past events and will only be confirmed by the occurrence of one or more future events which are not wholly within the control of the Council. A number of claims have been lodged with HM Revenue and Customs regarding output tax subsequently deemed over-declared, which fall within this definition (Note 36).

1.24 CONTINGENT LIABILITIES

A contingent liability arises when it is possible that an obligation will materialise from past events and will only be confirmed by the occurrence of one or more future events which are not wholly within the control of the Council, or a present obligation arising from past events is not recognised because it either is unlikely that a transfer of economic benefits will occur or the amount of such a transfer cannot be measured with sufficient reliability (Note 37).

1.25 VALUE ADDED TAX (VAT)

VAT is included in the accounts only to the extent that it is irrecoverable from HM Revenue and Customs. VAT can only be recovered on partially exempt activities where all such activities account for less than 5% of total VAT on all the Council's activities. The partially exempt proportion for 2010/11 was 3.16% (2009/10 1.87%).

1.26 LEASES

Finance Leases: The Council has no agreements that meet the definition of a finance lease.

Operating Leases: The Council has a variety of assets under operating leases, including vehicles, vending machines and mowers. The leases transfer benefits of ownership without actually transferring title to the assets, and therefore in accordance with accounting practice the leased assets are not stated in the Balance Sheet. Hire purchase contracts similar to operating leases are accounted for on the same basis where applicable.

Rentals are charged to service revenue accounts on a straight line basis over the period of the lease. No provision is made for outstanding lease commitments.

Various Council assets such as Commercial Properties, industrial estate units and areas of land are let to tenants under the heading operating leases. Rental income (net of cash incentives for a lessee to sign a lease) is credited to the Income and Expenditure Account.

1.27 COUNCIL TAX

The Balance Sheet shows only the Councils portion of arrears, prepayments and related bad debt provision with the balance being a debtor to major preceptors. Previous practice was to show the total relating to the Council and major preceptors.

1.28 NON DOMESTIC RATES

The Balance Sheet shows the net debtors as being that due to the non domestic rate pool. Previous practice was to show the figures gross as total arrears, prepayments and bad debt provision with the remainder being the amount due to the pool.

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

Accounting standard IFRS 30 Heritage Assets has been issued during 2010/11 and is to be adopted for financial years beginning on or after 1 April 2011. The Council's museum in Waltham Abbey falls within the definition of a heritage asset and will therefore be accounted for as such in future accounting periods. It has not been possible to obtain a valuation on this basis and therefore we have been unable to ascertain the effect this will have on the reported value.

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 or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

The major uncertainty is around future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

The Council is the sole trustee of the Chigwell Row Recreation Ground Charity. Net expenditure by the charity in 2010/11 was £51,481 (2009/10 £49,531) this expenditure was wholly financved by a grant made by the Council to the charity for this purposes.

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

Property Plant and Equipment

Assets are depreciated over useful lives that are dependant on assumptions relating to repairs and maintenance to those assets. It is possible that the Council may not be able to expend the resources necessary to maintain the estimated useful life assessed and therefore additional depreciation and a fall in asset values may occur. For example the annual Depreciation charge for Council Dwellings, being the most significant Council assets, would increase by around £942,000 if the useful economic life of the buildings and significant components were reduced by one year.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Consultant actuaries are engaged to provide advice about assumptions to be applied. The actuary has provide some sensitivity analysis around the assumptions and this is contained within the pensions note no. 35.

Arrears

The Council has a number of sundry debtors relating to arrears and what is felt to be an appropriate provision for bad and doubtful debts has been provided against this. Given the current economic climate it is possible that this level of provision might become inadequate. If collection rates were to deteriorate then the charge to the CIES would increase.

5. EVENTS AFTER THE BALANCE SHEET DATE

From 1 April 2011 responsibility for Concessionary Fares has moved to the County Council. However whilst responsibility has moved the related work is still being carried out by the Council but being reimbursed. Net Expenditure in 2010/11 was £632,000 in 2011/12 expenditure is estimated to be £66,000.

6. 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 capital and revenue expenditure.

	2010/11 £000 *Usable Reserves*					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments involving the Capital Adjustment Account: *Exclusions;*						
Charges for depreciation and impairment of non-current assets	(2,023)	(8,059)		(810)		10,892
Downward revaluation of non-current assets	(2,230)	(77,443)				79,673
Movements in the market value of Investment Properties	643	921				(1,564)
Amortisation of intangible assets	(165)					165
Capital Grants and contributions applied	598	276				(874)
Revenue expenditure funded from Capital under statute	(921)	(174)				1,095
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	(10)	(555)				565
Capital expenditure charged against the General Fund and HRA balances	47	2,163				(2,210)
Application of grants to capital financing transferred to the Capital Adjustment Account					124	(124)
Adjustments involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES	15	1,044	(1,059)			-
Used to finance new capital expenditure			2,680			(2,680)
Contribution towards administrative costs of non-current asset disposals		(49)	49			-
Contribution to finance the payments to the Government capital receipts pool	(744)		744			-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.			(17)			17
Amounts involving the Financial Instruments Adjustment Account:	466					(466)
Adjustments involving the Pensions Reserve:	4,397	2,061				(6,458)
Adjustments involving the Collection Fund Adjustment Account	(21)					21
Adjustments involving the Accumulated Absences Account	38	9				(47)
TOTAL ADJUSTMENTS	90	(79,806)	2,397	(810)	124	78,005

	2009/10 £000 Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments involving the Capital Adjustment Account:						
Exclusions;						
Charges for depreciation and impairment of non-current assets	(1,467)	(3,033)		1,189		3,311
Impairment Reversals on Property, Plant and Equipment	19	25,439				(25,458)
Movements in the market value of Investment Properties	239					(239)
Amortisation of intangible assets	(154)					154
Capital Grants and contributions applied	1,116	292				(1,408)
Revenue expenditure funded from Capital under statute	(886)	(103)				989
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	(10)	(675)				685
Insertions;						
Capital expenditure charged against the General Fund and HRA balances		2,145				(2,145)
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the CIES	120				(125)	5
Application of grants to capital financing transferred to the Capital Adjustment Account					30	(30)
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES	191	1,030	(1,221)			-
Used to finance new capital expenditure			3,674			(3,674)
Contribution towards administrative costs of non-current asset disposals	(10)	(38)	48			-
Contribution to finance the payments to the Government capital receipts pool	(761)		761			-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.			(34)			34
Amounts involving the Financial Instruments Adjustment Account:	245					(245)
Adjustments involving the Pensions Reserve:	(814)	(337)				1,151
Adjustments involving the Collection Fund Adjustment Account	(40)					40
Adjustments involving the Accumulated Absences Account	(37)	1				36
TOTAL ADJUSTMENTS	(2,249)	24,721	3,228	1,189	(95)	(26,794)

7. EARMARKED RESERVES

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

	Balance 1 April 2009 £000	Transfers Out £000	Transfers In £000	Balance 31 March 2010 £000	Transfers Out £000	Transfers In £000	Balance 31 March 2011 £000
Housing Repairs Reserve	*4,035*	*(16)*	*138*	*4,157*	(5,636)	5,600	4,121
District Development Fund	*3,122*	*(1,841)*	*2,760*	*4,041*	(2,707)	1,935	3,269
Pension Deficit Reserve	*1,674*	*(946)*		*728*	(920)	258	66
Insurance Reserve	*500*	*(72)*		*428*	(4)		424
Building Control	*(25)*		*48*	*23*		4	27
On Street Parking	*(27)*		*68*	*41*	(13)		28
Museum Fund	*6*			*6*		2	8
Small Loans Fund	*6*	*(1)*		*5*			5
Total Earmarked Reserves	*9,291*	*(2,876)*	*3,014*	*9,429*	(9,280)	7,799	7,948

8. OTHER OPERATING EXPENDITURE

	31 March 2011 £000	*2010 £000*
Parish Council Precepts	3,068	*2,942*
Payments to the Government Housing Receipts Pool	744	*761*
Gains/losses on the disposal of non-current assets	(445)	*(488)*
Total	3,367	*3,215*

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	31 March 2011 £000	*2010 £000*
Total Net (Surplus)/Deficit from Trading Operations	(1,390)	*(1,496)*
Interest payable and Similar charges	26	*41*
Pensions interest cost and expected return on pensions assets	2,657	*3,238*
Interest receivable and similar income	(653)	*(1,183)*
Changes in Fair Values of Investment Properties	(1,564)	*(239)*
Impairment of Investments	2	*(155)*
Total	(922)	*206*

10. TAXATION AND NON SPECIFIC GRANT INCOMES

	31 March 2011 £000	2010 £000
Council tax income	(11,120)	*(10,846)*
Non domestic rates	(8,221)	*(7,611)*
Non-ring fenced government grants	(1,194)	*(1,757)*
Capital Grants and Other Contributions	(117)	*(179)*
Total	(20,652)	*(20,393)*

11. EXCEPTIONAL ITEMS

There are three exceptional items reported within the Accounts:

There was a refund of VAT deemed to be overdeclared and interest in respect of output tax charged on sports tuition from 1 January 1978 to 31 December 1989 and 1 April to 31 July 1994. In the prior year there was a similar claim payable in relation to overdeclared tax on supplies of leisure services for the period 1 January 1990 to 31 March 1994.

There was a Past Service Gain relating to changes made to pension scheme benefits. The gain has been split between the General Fund and Housing Revenue Account. More information in relation to this is shown under note 35.

There was a change to the discount factor to be applied for existing use for social housing from 46% to 39% of the open market value. The total revaluation reduction on HRA dwellings differs from that reported in the Housing Revenue Account Income and Expenditure Statement as some of the reduction has been written off against previous gains held in the Revaluation Reserve. See alos note 1 of the Housing Revenue Account notes.

12. PROPERTY PLANT AND EQUIPMENT

	OPERATIONAL ASSETS							
	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	WIP Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 31 March 2010	547,474	41,940	20,789	16,052	2,774	715	481	630,225
Reclassified	9,201	(4,460)	(5,806)	927	-	41	107	10
Revalued	(100,524)	5,722	-	-	-	-	-	(94,802)
1 April 2010	456,151	43,202	14,983	16,979	2,774	756	588	535,433
Additions	3,880	1,168	2,190	303	10	-	1,093	8,644
Disposals	(561)	-	(65)	-	-	-	-	(626)
Reclassified in year	19	230	716	-	-	-	(1,183)	(218)
Revalued in year	49	-	-	-	-	-	-	49
Gross Book Value 31 March 2010	459,538	44,600	17,824	17,282	2,784	756	498	543,282
Depreciation 1 April 2010	-	(3,164)	(5,544)	(3,647)	(4)	-	-	(12,359)
Accumulated Depreciation written off	6	-	55	-	-	-	-	61
Depreciation in Year	(12,664)	(500)	(1,292)	(469)	-	-	-	(14,925)
Depreciation 31 March 2010	(12,658)	(3,664)	(6,781)	(4,116)	(4)	-	-	(27,223)
Net Book Value 31 March 2011	446,880	40,936	11,043	13,166	2,780	756	498	516,059

	OPERATIONAL ASSETS							
	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	WIP Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 31 March 2009	501,059	41,807	16,534	14,177	2,612	715	902	577,806
Reclassified	(124)	124	-	(70)	-	-	70	-
Restated	95	-						95
Impairment	-	(33)	-	-	-	-	(14)	(47)
1 April 2009	501,030	41,898	16,534	14,107	2,612	715	958	577,854
Additions	6,022	42	4,324	1,073	162	-	395	12,018
Disposals	(684)	-	(69)	-	-	-		(753)
Reclassified in year	-	-	-	872	-	-	(872)	-
Revalued in year	22,723	-	-	-	-	-	-	22,723
Impairments Reversed	25,473	-	-	-	-	-	-	25,473
Restated in year	(7,090)	-	-	-	-	-	-	(7,090)
Gross Book Value 31 March 2010	547,474	41,940	20,789	16,052	2,774	715	481	630,225
Depreciation 1 April 2009	-	(2,639)	(4,341)	(3,255)	(4)	-	-	(10,239)
Accumulated Depreciation written off	7,090	-	-	-	-	-	-	7,090
Depreciation in Year	(7,099)	(525)	(1,262)	(392)	-	-	-	(9,278)
Depreciation on Assets Sold	9	-	59	-	-	-	-	68
Depreciation 31 March 2010	-	(3,164)	(5,544)	(3,647)	(4)	-	-	(12,359)
Net Book Value 31 March 2010	547,474	38,776	15,245	12,405	2,770	715	481	617,866

There were a number revaluations carried out at 1 April 2010. The Council Dwellings and Garages values decreased, as a result of the reduction in the existing use valuation factor applied to the open market value from 46% to 39%. The reduction amounted to £100,524,000. A number of other non HRA properties were also revalued with a total valuation increase of £5,722,000.

	OPERATIONAL ASSETS							
	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	WIP Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost			11,043	13,166	2,780		498	27,487
Valued at fair value as at:								
1 April 2010	446,880	32,901						479,781
1 April 2009		103						103
1 April 2008						540		540
1 April 2007								0
1 April 2006		7,932				216		8,148
Total Cost or Valuation	446,880	40,936	11,043	13,166	2,780	756	498	516,059

13. INVESTMENT PROPERTY

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

	31 March 2011 £000	31 March *2010 £000*
Rental income from investment property	3,770	*3,987*
Direct operating expenses arising from investment property	(941)	*(818)*
Net gain/(loss)	2,829	*3,169*

The following table summarises the movement in falr value of investment properties over the year.

	31 March 2011 £000	31 March *2010 £000*
Balance at start of the year	37,870	*37,608*
Additions		
Construction	-	*23*
Disposals		
Net gains/losses from fair value adjustments	1,564	*239*
Transfers to/from Property, Plant and Equipment	132	-
Balance at end of the year	39,566	*37,870*

14. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment, and is amortised over a 5 year period.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation charge of £165,000 to revenue in 2010/11 was charged to the ICT cost centre and then absorbed as an overhead across all the service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

Notes to the Core Financial Statements

The movement on Intangible Asset balances during the year is as follows:

	2010/11 Total	*2009/10 Total*
Balance at start of year:-		
Gross carrying amounts	963	*771*
Accumulatedamortisation	(215)	(61)
Net carrying amount at start of year	748	*710*
Reclassifications at start of year	(10)	*0*
Additions	192	*192*
Amortisation	(165)	*(154)*
Reclassifications during the year	88	*0*
Net Carrying Amount at end of year	853	*748*

15. LONG TERM DEBTORS

	31 March 2011 £000	*2010 £000*
Mortgages	34	*51*
Rents to Mortgages	1,285	*1,285*
Other Local Authorities - Transferred Debt	481	*508*
Net Carrying Amount at end of year	1,800	*1,844*

16. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long term		Current	
	31 March 2011 £000	*31 March 2010 £000*	31 March 2011 £000	*31 March 2010 £000*
Financial liabilities at amortised cost				
Trade Creditors	-	-	6,790	*5,772*
Total financial liabilities	-	-	6,790	*5,772*
Loans and receivables at amortised costs				
Investments	320	*677*	43,707	*38,163*
Debtors	1,800	*1,844*	5,038	*6,937*
	2,120	*2,521*	48,745	*45,100*
Available for Sale	-	-	4,002	*2,000*
Total financial assets	2,120	*2,521*	52,747	*47,100*

The item included under Available for Sale in the financial instruments balances table above is included within the cash & cash equivalents on the balance sheet. The £4m relates to an investment made to a Money Market Fund and interest accrued, which needs to be reported under Available for Sale within the financial instruments balances. The Code of Practice requires an Available for Sale Financial Instruments Reserve Account to record any unrealised gains or losses from holding available for sale investment. However, as this is a Money Market Fund which has a constant net asset value, this means that each £1 invested 1 unit, which is re-priced back to £1 at the end of each day. All gains are realised and credited to the CIES.

Income, Expense, Gains and Losses

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

	Financial Liabilities:		Financial Assets:	
	2010/11	2009/2010	2010/11	2009/10
	£000	£000	£000	£000
Interest expense	-	-	-	-
Impairment losses	-	-	(466)	*155*
Interest payable and similar charges	-	-	(466)	*155*
Interest income	-	-	653	*1,183*
Interest and investment income	-	-	653	*1,183*
Net gain/(loss) for the year	-	-	187	*1,338*

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost, i.e. the aggregate of principal and accrued interest. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions: a) where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; b) the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council had £320,000 (£677,000 in 2009/10) classed as investments in excess of one year. This represents the approximate fair value of the anticipated repayment of the loan to the Heritable Building Society.

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with the Revised Prudential Code of Capital Finance for Local Authorities (both updated in November 2009).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy (for 2010/11 this was agreed at Full Council on 16 February 2010). The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the CLG Investment Guidance for local authorities. This guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management practices seekto achieve the highest rate of return whilst maintaining proper levels of security and liquidity.

17. INVENTORIES

2010/11	Franking Machines	Miscellaneous Stocks	Works Unit	Work In progress	TOTAL
	£000	£000	£000	£000	£000
Balance at the start of the year	11	82	72	23	188
Purchases	27	233	211	45	516
Recognised as an expense during the year	(23)	(209)	(207)	(42)	(481)
Balance at year end	15	106	76	26	223

2009/10	*Franking Machines*	*Miscellaneous Stocks*	*Works Unit*	*Work In progress*	*TOTAL*
	£000	*£000*	*£000*	*£000*	*£000*
Balance at the start of the year	*15*	*69*	*73*	*115*	*272*
Purchases	*22*	*429*	*218*	*57*	*726*
Recognised as an expense during the year	*(26)*	*(416)*	*(219)*	*(149)*	*(810)*
Balance at year end	*11*	*82*	*72*	*23*	*188*

18. DEBTORS AND PREPAYMENTS

	31 March 2011	*2010*
	£000	*£000*
Amounts falling due in one year		
Government Departments and Other Local Authorities	3,613	*8,541*
Council Tax arrears	252	*267*
Housing Rent arrears	289	*284*
Sundry debtors	1,983	*2,445*
Prepayments	453	*430*
Others	1	*2*
Total Debtors	6,591	11,969

Council Tax arrears shown above and the related bad debt provision relate only to the Council's proportion of the total debt. The remainder is shown as part of the amount due from major preceptors on the basis that the Council has paid over more in precepts than it has actually received from Council tax payers, the figure itself is net of prepayments. National non-domestic rates arrears are shown as being due from central government as the Council merely acts as an agent collecting the amounts due, this amount is also shown net of prepayments.

19. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements.

	31 March	
	2011	*2010*
	£000	*£000*
Cash	4	*4*
Bank current accounts	724	*2,134*
Short-term deposits with money market funds	4,002	*2,000*
Total Cash and Cash Equivalents	4,730	*4,138*

The item termed 'Short-term deposits with money market funds' relates to £4m made to a Money Market Fund and interest accrued (£2,000). This has been included within the cash equivalents has the fund can be readily available to be used on the day of request. The fund has a constant net asset value, this means that each £1 you put in buys 1 unit, which is re-priced back to £1 at the end of each day.

20. CREDITORS

	31 March		*1 April*
	2011	*2010*	*2009*
	£000	*£000*	*£000*
Government Departments and Other Local Authorities	1,527	*239*	*865*
Council Tax	178	*167*	*169*
Housing rents	211	*188*	*211*
Deferred income	-	*2*	*16*
Sundry creditors	2,729	*2,063*	*2,465*
Accruals	4,059	*3,289*	*5,271*
Total Creditors	8,704	*5,948*	*8,997*

Included within creditors is £3,000 (£3,000 in 2009/10) relating to Waltham Abbey Tourist Information Centre and £0 (£5,106 in 2009/10) relating to Essex Wildlife Trust, both of which fall within the definition of related parties.
Council tax prepayments shown above relate to the Council's proportion of prepayments, the remainder is shown as part of the net amount owed by preceptors which forms part of the debtors figure, the same arrangement applies to non-domestic rates.

21. USABLE AND UNUSABLE RESERVES

Movements in Usable Reserves are shown in detail on the Movement in Reserves Statement.

	31 March	
	2011	*2010*
	£000	*£000*
Revaluation Reserve	8,031	*23,110*
Capital Adjustment Account	547,005	*631,942*
Financial Instruments Adjustment Account	-	*(466)*
Pensions Reserve	(46,324)	(56,493)
Deferred Capital Receipts Reserve	1,319	*1,336*
Collection Fund Adjustment Account	(85)	*(64)*
Accumulated Absences Account	(104)	*(150)*
Total Unusable Reserves	509,842	*599,215*

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	
	2011	*2010*
	£000	*£000*
Balance as at 1 April	23,110	*36*
Revaluations during the year	(15,079)	*48,196*
Restatement	-	*(5)*
Difference between historic cost and current value depreciation on disposals	-	*38*
Difference between historic cost and current value depreciation	-	*337*
Impairment of Fixed Assets	-	*(25,492)*
Balance as at 31 March	8,031	*23,110*

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 Comprehensive Income and Expenditure Statement (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 and gains recognised as donated assets that have yet to be consumed by the Council.
The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6 details the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2011 £000	2011 £000	2010 £000
Balance at 1 April		631,942	604,403
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement			
Charges for depreciation and impairment of non-current assets	(15,091)		(9,432)
Difference between historic cost and current value depreciation	-		(337)
Revaluation losses on Property, Plant and Equipment	(79,673)		-
Revenue expenditure funded form capital under statute	(1,094)		(989)
Amounts for non-current assets written off on disposal or sale as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(627)	(96,485)	(705)
Adjusting Amounts written out of the Revaluation Reserve			101
		535,457	593,041
Net written out amount of the cost of non-current assets consumed in the year		62	(18)
Capital financing applied in the year			
Reveral of previous impairments	-		25,459
Use of the Capital Receipts Reserve to finance new capital expenditure	2,680		3,674
Use of the Major Repairs Reserve to finance new capital expenditure	4,033		5,967
Capital grants credited to the CIES that have been applied to capital financing	874		1,435
Application of grants to capital financing from the Capital Grants Unapplied Account	125		-
Capital expenditure charged against the General Fund and HRA balances	2,210	9,922	2,145
Movement in the market value of Investment Properties debited or credited to the CIES		1,564	239
Balance at 31 March		547,005	631,942

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) was established under Financial Reporting Standards 25, 26 and 29 when Financial Instruments were adopted into the then SORP (2007), now superseded by the Code. The FIAA balance at the end of the financial year represents the amount that should have been charged to income and expenditure in accordance with proper accounting practices under the Code, but which Statutory Provisions allow or require to be deferred over future years.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £2.5m invested in Heritable bank at that time. The Council decided to recognise an impairment based on recovering 85p in the £, in line with Administrators views. The Government had allowed authorities to postpone the impairment until 2010/11 which the Council did. Therefore, the impairment on the principal and on the interest for the year has now been accounted for within the Comprehensive Income and Expenditure Statement, this has resulted in the FIAA being nil as at 31 March 2011.

	31 March 2011 £000	2010 £000
Balance as at 1 April	(466)	*(711)*
Impairment on loan	404	*155*
Impaired Interest for the year	62	*90*
Balance as at 31 March	-	*(466)*

Pensions 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.

	2011 £000	2010 £000
Balance at 1 April	(56,493)	*(41,547)*
Actuarial gains or losses on pensions assets and liabilities	3,711	*(13,794)*
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	2,561	*(5,027)*
Employers pensions contributions and direct payments to pensioners payable in the year	3,897	*3,875*
Balance at 31 March	(46,324)	*(56,493)*

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal on 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 deferred cash settlement deferred cash eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2011 £000	2010 £000
Balance at 1 April	1,336	*1,258*
Repayment of Mortgages	(17)	*(34)*
Rents to Mortgages	-	*112*
Balance at 31 March	1,319	*1,336*

Collection Fund Adjustment Account

The collection fund manages the differences arising from the recognition of council tax income in the CIES as it falls due from Council Tax Payers compared with the statutory arrangements for paying across amounts to General Fund from the Collection Fund.

	2011 £000	*2010 £000*
Balance at 1 April	(64)	*(24)*
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(21)	*(40)*
Balance at 31 March	(85)	*(64)*

Accumulated Absences Account

The Accumulated Absences Account absorbs the difference 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 31 March. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account.

	2011 £000		*2010 £000*
Balance at 1 April		(150)	*(114)*
Reversal of prior year accrual	150		
Amounts accrued at the end of the current year	(104)		
Amount by which the officer remuneration charges to the CIES is different from remuneration chargeable		46	*(36)*
Balance at 31 March		(104)	*(150)*

22. CASH FLOW STATEMENT - OPERATING ACTIVITIES

Adjust net surplus or deficit on the provision of services for non cash movements

	2011 £000	*2010 £000*
Depreciation	15,091	*(16,026)*
Impairment and downward valuations	79,673	*0*
Material Impairment losses on Investment debited to surplus or deficit on the provision of services in year	406	*0*
Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss a/c	(466)	*0*
Increase / Decrease in Creditors	2,270	*(2,301)*
Increase / Decrease in Interest and Dividens Debtors	493	*403*
Increase / Decrease in Debtors	3,752	*(5,164)*
Increase / Decrease in Inventories	(35)	*84*
Pension Liability	(6,458)	*1,151*
Contributions to / (from) Provisions	(17)	*(10)*
Carrying amount of non-current assets sold	565	*722*
Issuing of Council Mortgages relating to deferred capital receipts	-	*(112)*
Carrying amount of short and long term investments sold	96,380	*145,632*
Movement in Investment Property Values	(1,564)	*(239)*
Balance at 31 March	190,090	*124,140*

Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities

	2011 £000	2010 £000
Capital Grants credited to surplus or deficit on the provision of services	(854)	*(1,007)*
Proceeds from the sale of short and long term investments	(96,380)	*(145,632)*
Proceeds from the sale of propertym and equipment, investment property and intangible assets	(1,010)	*(1,173)*
Balance at 31 March	(98,244)	*(147,812)*

Operating activtites within the cashflow statement include the following cash flows relating to interest

	2011 £000	2010 £000
Interest received	1,146	*1,586*
Interest paid	406	*-*
Other operating activities	9,166	*(2,775)*
Balance at 31 March	10,718	*(1,189)*

23. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2011 £000	2010 £000
Purchase of property, plant and equipment, investment property and intangible assets	(8,409)	*(13,101)*
Purchase of short-term and long-term investments	(102,000)	*(128,000)*
Proceeds from sale of property, plant and equipment, investment property and intangible assets	1,012	*1,064*
Proceeds from short-term and long term investments	96,380	*145,632*
Other receipts from investing activities	1,265	*996*
Net cash flows from investing activities	(11,752)	*6,591*

24. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2011 £000	2010 £000
Other receipts from financing activities	1,626	*(2,604)*
Net cash flows from financing activities	1,626	*(2,604)*

25. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

2010/11

	Corporate Support Services	Deputy Chief Executive	Environmental & Street Scene	Finance & ICT	Housing	Office of the Chief Executive	Planning & Economic Development	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	1,830	557	5,383	437	471	64	537	29,483	38,762
Government Grants	34	-	9	43,927	639	-	21	552	45,182
Total Income	1,864	557	5,392	44,364	1,110	64	558	30,035	83,944
Employee Expenses	571	854	1,516	1,944	773	226	1,435	2,790	10,109
Other Service Expenses	546	578	10,243	1,339	279	807	401	18,161	32,354
Support Service Recharges	327	596	2,163	1,414	363	1,820	1,241	2,515	10,439
Depreciation	25	50	1,511	52	-	3	215	12,862	14,718
Impairment Charges	-	-	2,230	-	-	-	-	77,443	79,673
Benefit Payments	-	-	-	42,199	917	-	-	-	43,117
Total Operating Expenditure	1,469	2,078	17,663	46,948	2,332	2,856	3,292	113,772	190,410
Net Cost Of Services	(395)	1,521	12,271	2,584	1,222	2,792	2,734	83,738	106,466

2009/10

	Corporate Support Services	Deputy Chief Executive	Environmental & Street Scene	Finance & ICT	Housing	Office of the Chief Executive	Planning & Economic Development	Housing Revenue Account	Total
		£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	*1,824*	*388*	*4,608*	*632*	*433*	*70*	*676*	*29,741*	*38,372*
Government Grants	*-*	*-*	*568*	*41,877*	*697*	*-*	*83*	*233*	*43,458*
Total Income	*1,824*	*388*	*5,176*	*42,509*	*1,130*	*70*	*759*	*29,974*	*81,830*
Employee Expenses	*538*	*794*	*1,762*	*1,917*	*605*	*168*	*1,342*	*2,580*	*9,706*
Other Service Expenses	*502*	*547*	*9,498*	*1,303*	*334*	*814*	*548*	*18,293*	*31,839*
Support Service Recharges	*315*	*559*	*2,142*	*1,347*	*402*	*1,885*	*1,115*	*2,406*	*10,171*
Depreciation	*13*	*34*	*862*	*-*	*224*	*-*	*174*	*7,777*	*9,084*
Benefit Payments	*-*	*-*	*-*	*40,228*	*662*	*-*	*-*	*-*	*40,890*
Total Operating Expenditure	*1,368*	*1,934*	*14,264*	*44,795*	*2,227*	*2,867*	*3,179*	*31,056*	*101,690*
Net Cost Of Services	*(456)*	*1,546*	*9,088*	*2,286*	*1,097*	*2,797*	*2,420*	*1,082*	*19,860*

Notes to the Core Financial Statements

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement.

	2010/11 £000	*2009/10 £000*
Net Expenditure in the Directorate Analysis	(106,466)	*(19,860)*
Services and Support Services not in analysis	(8)	*114*
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	8,529	*26,753*
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(1,390)	*(1,496)*
Cost of Services in Comprehensive Income and Expenditure Statement	(99,335)	*5,511*

Reconciliation to Subjective Analysis

2010/11

	Directorate Analysis	Services and Support Services not in analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total
Fees, charges & other service income	38,763	1,067	892	40,722	(2,930)	37,792
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-
Interest and Investment Income	-	-	-	-	0	0
Income from Council Tax	-	-	-	-	0	0
Government Grants and Contributions	45,182	-	-	45,182	0	45,182
Total Income	83,945	1,067	892	85,904	(2,930)	82,974
Employee Expenses	10,108	244	(7,851)	2,501	(628)	1,873
Other Service Expenses	75,471	448	214	76,133	(614)	75,519
Support Service Recharges	10,439	381	-	10,820	(298)	10,523
Depreciation, Amortisation and Impairment	94,392	3	-	94,395	-	94,395
Interest Payments	-	-	-	-	-	0
Precepts and Levies	-	-	-	-	-	0
Payments to Housing Capital Receipts Pool	-	-	-	-	-	0
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	-	0
Total Expenditure	190,410	1,076	(7,637)	183,849	(1,540)	182,309
Surplus/(Deficit) on the provision of services	(106,465)	(9)	8,529	(97,945)	(1,390)	(99,335)

Notes to the Core Financial Statements

Reconciliation to Subjective Analysis

	2009/10					
	Directorate Analysis	*Services and Support Services not in analysis*	*Amounts not reported to management for decision making*	*Cost of Services*	*Corporate Amounts*	*Total*
Fees, charges & other service income	*38,371*	*1,106*	*1,448*	*40,925*	*(2,737)*	*38,188*
Fees, charges & other service income						
	-	-	-	-	-	-
Surplus or deficit on associates and joint ventures						
	-	-	-	-	*0*	*0*
Interest and Investment Income						
	-	-	-	-	*0*	*0*
Income from Council Tax						
	43,458	-	-	*43,458*	*0*	*43,458*
Government Grants and Contributions						
	81,829	*1,106*	*1,448*	*84,383*	*(2,737)*	*81,646*
Total Income						
Employee Expenses	*9,705*	*234*	-	*9,939*	*(599)*	*9,340*
Other Service Expenses	*72,729*	*423*	*168*	*73,320*	*(541)*	*72,779*
Support Service Recharges	*10,170*	*332*	-	*10,502*	*(101)*	*10,401*
Depreciation, Amortisation and Impairment	*9,085*	*3*	*(25,473)*	*(16,385)*	*0*	*(16,385)*
Interest Payments	-	-	-	-	*0*	*0*
Precepts and Levies	-	-	-	-	*0*	*0*
Payments to Housing Capital Receipts Pool	-	-	-	-	*0*	*0*
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	*0*	*0*
Total Expenditure	*101,689*	*992*	*(25,305)*	*77,376*	*(1,241)*	*76,135*
Surplus/(Deficit) on the provision of services	*(19,860)*	*114*	*26,753*	*7,007*	*(1,496)*	*5,511*

26. TRADING OPERATIONS

The following gross income and expenditure figures are included on the face of the Income and Expenditure Account.

	2010/11	*2009/10*
Industrial Estates & Other	£000	*£000*
Income	1,330	*1,538*
Expenditure	370	*555*
(Deficit)/Surplus	960	*983*
North Weald Centre		
Income	1,389	*1,384*
Expenditure	959	*871*
(Deficit)/Surplus	430	*513*
Total (Deficit)/Surplus	1,390	*1,496*

27. AGENCY SERVICES

An agreement exists with Sainsbury's supermarket whereby the Council's car parking management contractor manages two car parks on their behalf. In 2010/11 Income from the car parks of £339,000 (2009/10 £349,000) was received, of which £303,000 (2009/10 £313,000), was paid over after allowing for an administration charge.

28. POOLED BUDGETS

Epping Forest Community Safety Partnership (CSP)
The Council is a participant in a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. The purpose of the partnership is:
• To form an agreement between the Essex County Council, Essex's Health Organisations, Fire and Police Services, District Councils and other local partners including the Community and Voluntary Sector and the Government (represented by Government Office for the East of England), to achieve mutually agreed outcomes that are regarded as being key to making Essex a better place to live and work.

• To agree specific outcomes and targets that will be achieved each year.

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

At the County level the members consist of :-

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

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

Essex County Council acts as the accountable body for the Home Office Community Safety Fund. This means that they are responsible for the distribution of the grant paid to the partners involved.

The Epping Forest CSP received grant funding of £109,893. The Council acts as an agent of the partnership ensuring that grant monies are used in accordance with the wishes of the CSP as a whole. The only amounts included within the Income and Expenditure account relate to the provision of CCTV in Epping High Street for which the Council received grant of £22,000. The Council employs a Safer Communities Manager who manages the funds according to the wishes of the CSP.

Local Strategic Partnership (LSP)

One Epping Forest is the Local Strategic Partnership (LSP) for Epping Forest District. It brings together public, private and voluntary sector agencies responsible for the provision of services. The partnership annual running costs are funded from a pooled budget established by Epping Forest District Council, West Essex Primary Care Trust, Essex Police and Essex County Council of £70,000, of this Epping Forest contributes £10,000.

The funding is used to support the costs of the LSP Manager, based at Epping Forest and the LSP Administration team based at Voluntary Action Epping Forest.

29. MEMBER ALLOWANCES

Member allowances and expenses are shown below. Further details of these allowances are available on page 67.

	2010/11 £000	*2009/10 £000*
Allowances	291	*283*
Expenses	23	*21*
Total	314	*304*

30. OFFICER REMUNERATION

The number of employees whose remuneration, including benefits in kind, but excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were (there were no officers in Bands between £110,000 - £149,999).

Remuneration Band	2010/11 Number of Employees	2010/11 Left in Year	*2009/10 Number of Employees*	*2009/10 Left in Year*
£50,000 - £54,999	12		*11*	
£55,000 - £59,999	4		*4*	
£60,000 - £64,999	1		*0*	
£65,000 - £69,999	0		*0*	
£70,000 - £74,999	1		*1*	
£75,000 - £79,999	1		*2*	
£80,000 - £84,999	4		*4*	
£85,000 - £89,999	0		*0*	
£90,000 - £94,999	0		*1*	
£95,000 - £104,999	0		*0*	
£105,000 - £109,999	1		*0*	
£110,000 - £149,999	0		*0*	
£150,000 - £154,999	0		*1*	
£155,000 - £159,999	0		*0*	
£160,000 - £164,999	0	1	*0*	
Total	24	1	24	0

Senior Officers where emoluments - salary is £150,000 or more per year.

	Salary (Including fees & Allowances, and Compensation for loss of employment)	Benefits in Kind	Total Remuneration excluding pension contributions 2010/11	Pension Contributions	Total Remuneration including pension contributions 2010/11
Chief Executive - Peter Haywood	162,904	1,816	164,720	5,940	170,660

The Chief Executive left the authority on 20 July 2010 and was in receipt of a compensation payment for loss of office of £73,764.

Notes to the Core Financial Statements

Senior Officers where emoluments - salary is between £50,000 & £150,000 per year.

Post Title	Salary (Including fees & Allowances)	Benefits in Kind	Total Remuneration excluding pension contributions 2010/11	Pension Contributions	Total Remuneration including pension contributions 2010/11
	£	£	£	£	£
Deputy Chief Executive	105,066	3,989	109,055	13,764	122,819
Director of Housing	79,472	4,314	83,786	10,381	94,167
Director of Planning & Economic Development	78,589	4,918	83,507	10,295	93,802
Director of Finance & ICT	79,101	3,314	82,415	10,361	92,776
Director of Environment & Street Scene	78,834	3,318	82,152	10,327	92,479
Director of Corporate Support Services	77,768	1,239	79,007	10,188	89,195
Assistant to the Chief Executive	73,704	1,239	74,943	9,526	84,469

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 13.1%.

2009/10

Senior Officers where emoluments are between £50,000 & £150,000 per year.

Post Title	*Salary (Including fees & Allowances)*	*Benefits in Kind*	*Total Remuneration excluding pension contributions 2009/10*	*Pension Contributions*	*Total Remuneration including pension contributions 2009/10*
	£	*£*	*£*	*£*	*£*
Chief Executive	*149,323*	*4,078*	*153,401*	*18,060*	*171,461*
Deputy Chief Executive	*89,398*	*3,730*	*93,128*	*10,817*	*103,945*
Director of Planning & Economic Development	*79,177*	*4,596*	*83,773*	*9,576*	*93,349*
Director of Environment & Street Scene	*79,525*	*3,644*	*83,169*	*9,623*	*92,792*
Director of Housing	*79,001*	*3,813*	*82,814*	*9,542*	*92,356*
Director of Finance & ICT	*78,836*	*3,315*	*82,151*	*9,536*	*91,687*
Director of Corporate Support Services	*77,622*	*1,170*	*78,792*	*9,392*	*88,184*
Assistant to the Chief Executive	*74,998*	*1,170*	*76,168*	*9,075*	*85,243*

There were no payments relating to bonuses or compensation for loss of office. The emoluments above include all taxable employee payments.

Termination Benefits

The Authority terminated the contract of the Chief Executive on 20 July 2010, incurring costs of £73,764 for compensation for loss of office. In 2009/10 Waltham Abbey Sports Centre was closed on 3 January 2009 resulting in redundancy payments of £35,696.88 being made to the Centre Manager and six officers.

31. EXTERNAL AUDIT FEES

The following external audit fees have been paid to the Audit Commission and PKF (UK) LLP.

	2010/11 £000	*2009/10 £000*
External audit services in accordance with section 5 of the Audit	150	*168*
Certification of grant claims and returns under section 28 of the Audit Commission Act 1998	74	*62*
Fees paid to the Audit Commission in accordance with statutory inspection	-	*-*
Rebate of fees from Audit Commission for IFRS	(10)	
Fees paid in respect of other services	2	*2*
Fees paid in respect of severance arrangements	-	*10*
Total	216	*242*

The figures above include costs charged to 2010/11 relating to 2009/10 of £70,000 (2009/10 relating to 2008/09 £77,000).

32. GRANT INCOME

The Council credited the following grants and contributions to the CIES in 2010/11:

	2010/11 £000	*2009/10 £000*
Credited to Taxation and Non-Specific Grant Income		
Non domestic rates	8,221	*7,611*
Revenue Support Grant	1,194	*1,757*
Second Homes Discount Allowance	76	*84*
Area Based Grant	41	*23*
Local Authority Business Growth Incentive Scheme	-	*72*
Total	9,532	*9,547*

	2010/11 £000	*2009/10 £000*
Credited to Services		
Department for Work and Pensions	43,648	*41,444*
Department for Communities and Local Government	849	*904*
Essex County Council	590	*1,088*
Department for Environment, Food and Rural Affairs	136	*1*
Department for Transport	99	*241*
Big Lottery Fund	74	*101*
Hughmark Continental	52	*65*
Colchester Borough Council	44	*30*
British Gas	28	*72*
Other grants and contributions received	32	*75*
Total	45,552	*44,021*

The Council has received some grants and contributions that have yet to be recognised as income as they have conditions attached to them that if they are not met will require monies to be returned to the giver. The balances at the year end are as follows:

	2010/11 £000	*2009/10* *£000*	*1 April 2009* *£000*
Capital Grants received in Advance			
Affordable Housing Contributions	435	-	-
Department for Communities and Local Government	118	*285*	*625*
Grange Farm Development	37	-	-
Department for work and Pensions	27	-	-
Hughmark Continental	17	-	-
Parish Councils	6	*20*	*20*
Choice Based Lettings	6	*6*	*6*
Total	646	*311*	*651*

33. RELATED PARTY DECLARATIONS

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.

Central Government

Central 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 the majority 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). Grants received from government departments are set out in the subjective analysis on Note 24 on reporting for resource allocation decisions.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of members allowances paid in 2010/11 is shown in Note 27. During 2010/11 expenditure totalling £369,900 (£370,282 in 2009/10) was paid to organisations in which 24 members had connections with in one capacity or another. In a number of instances grants were made from the grants to voluntary organisations budget and were all made with proper consideration of declarations of interest.

Officers

The were no transactions during the year with organisations in which any officer had declared an interest.

34. CAPITAL EXPENDITURE AND CAPITAL 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.

	2010/11 £000	*2009/10* *£000*
Opening Capital Financing Requirement	(784)	*(784)*
Capital Investment		
Property, Plant and Equipment	8,644	*12,018*
Investment Properties	-	*24*
Intangible Assets	192	*192*
Sources of Finance		
Capital Receipts	(2,319)	*(3,392)*
Government grants and other contributions	(274)	*(730)*
Direct revenue contributions	(6,243)	*(8,112)*
Closing capital Financing Requirement	(784)	*(784)*

35. LEASES

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

The total of future minimum lease payments due within 1 year are:	2010/11 £000	*2009/10 £000*
Cars	349	*355*
Operational Vehicles	24	*28*
Vending Equipment	5	*4*
Total	378	*387*

The timing of total future minimum lease payments are:

	Payments due between 2 and 5 years £000	Total payments due thereafter £000
Vehicles & Equipment	353	-
Total	353	-

The Council also has leases with third parties under operating leases with rental income from the lease being credited to trading operations, or in the case of shops, the Housing Revenue Account.

Assets Leased to Third Parties The total of future minimum lease payments due within 1 year are:	2010/11 £000	*2009/10 £000*
Land & Buildings		
Shops	1,295	*1,561*
Industrial & Commercial	891	*890*
Other	1,584	*1,536*
Total Rental Receivable	3,770	*3,987*

The timing of total future minimum lease payments are:

	Receipts due between 2 and 5 years £000	Total receipts due thereafter £000
Land & Buildings		
Shops	4,971	*3,965*
Industrial & Commercial	2,752	*47,457*
Other	813	*6,710*
Total	8,536	*58,132*

Gross Amount of Assets held for use in operating leases.

	2010/11 £000	*2009/10 £000*
Land & Buildings		
Shops	16,666	*15,615*
Industrial & Commercial	11,293	*10,802*
Other	11,607	*11,454*
Total Assets	39,566	*37,871*

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

36. PENSIONS

Employees of Epping Forest District Council are admitted to the Essex County Council Pension Fund ("the Fund"), which is administered by Essex County Council under the Regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

The Essex County Council Pension Fund is a funded scheme meaning that the authority and employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with investment assets.

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

The figures disclosed below have been derived from a re-assessment of the assets and liabilities as a result of an interim actuarial valuation of the Fund carried out by the Fund's Actuary, Mercer Human Resource Consultancy Ltd, as at 31 March 2010. The approach to calculating the IAS19/FRS17 figures in between full actuarial valuations is approximate in nature. Broadly the approach by the Actuaries assumes that the experience of the Fund will be in line with the actuarial assumptions used for IAS19/FRS17 purposes. The approach adopted by the Actuary follows the CIPFA guide "Financial Reporting Standard 17 - Calculation Guide for Local Authorities".

FRS17 and IAS19 are almost identical to one another. Both standards use the "projected unit method" of valuing liabilities, have very similar methodologies for determining the actuarial assumptions to be used , and the same method of valuing assets. The main accounting figures produced by the two standards are therefore the same.

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

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

The Council has adopted the amendment to IAS19/FRS17, Retirement Benefits, resulting in quoted securities held as assets in the defined pension scheme being valued at bid price rather than mid-market value.

		2010/11 £000	*2009/10* *£000*
Comprehensive Income and Expenditure Statement			
Net Cost of Services			
Current Service Cost		(2,633)	*(1,692)*
Past Service Gain	General Fund	5,345	*-*
	Housing Revenue Account	2,506	
Curtailment Loss		-	*(97)*
Net Operating Expenditure			
Interest Cost		(7,748)	*(7,205)*
Expected Return on Assets		5,091	*3,967*
Net charge made to the Comprehensive Income & Expenditure Statement		2,561	*(5,027)*

Notes to the Core Financial Statements

	2010/11 £000	*2009/10 £000*
Adjustments between accounting basis and funding basis under regulations		
Net charges made for retirement benefits in accordance with FRS17/IAS19	2,561	*(5,027)*
Employers contributions payable to the pension fund	3,897	*3,874*
Less Capital directions received	(662)	*(946)*
Less DDF /HRA Revenue contributions	(258)	-
Net charge	5,538	*(2,099)*

The employer's contributions certified by the Actuary to the Fund in respect of the period 1 April 2008 to 31 March 2011 are 11.1% for 2008/09, 12.1% for 2009/10 and 13.1% for 2010/11. (Employees contributions range from 5.5% to 7.5% depending on salary). The average employee contribution rates in respect of the new LGPS benefit structure are based on projected levels of pay as at 1 April 2008. In addition to these contributions lump sum payments are also required to address the deficit funding level. These are £1.796m (in 2008/09 terms), £1.769m (in 2009/10 terms) and £1.743m (in 2010/11 terms). There were no creditors relating to pension fund contributions at year end.

In 2010/11 the Council paid an employer's normal contribution of £3.572m representing 25.71% of employee's pensionable pay into Essex County Council's Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation. The results of the 2007 review as at 31 March 2007 were implemented with effect from 1 April 2008. The Actuary advised that the scheme was still under funded and that deficiency contributions mentioned above were required from all participating authorities. The sum required from this Council, included in the above contributions, was £1,743,241 for 2010/11 (£1,769,416 for 2009/10).

Contributions paid by employees into the Essex County Council Pension Fund in 2010/11 amounted to £946,239 representing 6.81% of employee's pensionable pay.

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2010/11 these amounted to £324,861 representing 2.34% of pensionable pay. Additional early retirement costs due to redundancy amounted to £0 representing 0.00% of pensionable pay.

During the year pensions paid from the fund were £3,600,861 (£3,527,806 for 2009/10), retirement lump sums paid were £1,066,110 (£602,548 for 2009/10), transfer values received were £99,855 (£396,717 for 2009/10), and lump sum death benefits paid were £7,032 (£75,346 for 2009/10).

The past service gain of £7,851,000 (GF £5,345,000 & HRA £2,506,000) shown as at 31 March 2011, is due to a change in scheme benefits.

Assets and Liabilities in relation to retirement benefits
Reconciliation of present value of the scheme liabilities

	Unfunded Liabilities		All Funded/Unfunded Liabilities: Local Government Pension Scheme	
	2011 £000	*2010 £000*	2011 £000	*2010 £000*
Net pensions liability at 1 April 2010	(4,499)	*(3,813)*	(56,493)	*(41,547)*
Movements in the current year				
Current service cost	-	-	(2,633)	*(1,692)*
Employers' contributions payable to scheme	325	-	3,897	*3,875*
Settlement and curtailment loss	-	-	-	*(97)*
Past service gain	209	-	7,851	-
Interest cost	(243)	*(259)*	(7,748)	*(7,205)*
Expected return on assets in the scheme	-	-	5,091	*3,967*
Actuarial gain/(loss)	417	*(427)*	3,711	*(13,794)*
Net pensions liability at 31 March 2011	(3,791)	*(4,499)*	(46,324)	*(56,493)*

	31 March 2011 £000	2010 £000
The bid value of the above assets related to this Council was	83,812	*82,726*
The value placed on the liabilities related to this Council was	(130,136)	*(139,219)*
Consequently, at 31 March, the deficiency related to this Council was	(46,324)	*(56,493)*

Reconciliation of fair value of the scheme assets:

	2011 £000	2010 £000
Fair Value of the plan assets at 1 April	82,726	*60,748*
Expected Rate of Return	5,091	*3,967*
Actuarial gains and losses	(3,554)	*17,453*
Employer contributions	3,897	*3,875*
Contributions by scheme participants	946	*931*
Benefits paid	(5,294)	*(4,248)*
Fair value of the plan assets at 31 March	83,812	*82,726*

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £5,091,000 (£3,967,000 for 2009/10).

Scheme History

	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000
Present Value of Liabilities	(130,136)	(139,219)	(102,295)	(120,356)	(111,216)
Fair Value of Assets	83,812	82,726	60,748	76,853	82,431
Surplus/(deficit) in the scheme	(46,324)	(56,493)	(41,547)	(43,503)	(28,785)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £46,324,000 in the balance sheet has reduced the reported net worth of the Council by 8.31% (8.69% 2009/10).

As a result the overall amount to be met from the General Fund Balance has remained unchanged, but the costs disclosed for individual services are 0.23% (17.55% 2009/10) lower after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 0.23% (64.77% 2009/10) lower than it would otherwise have been.

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

The total employer contributions expected to be made to the scheme by the council in the year to 31 March 2012 is £3,782,000. The Current Service Cost is expected to be £2,418,000, based on 17.4% of pensionable salaries of £13,896,147 as at 31 March 2011.

The projected finance cost items for the year to 31 March 2012 are Interest on pension liabilities of £7,104,000, and Expected return on assets of £5,290,000, giving a net finance cost of £1,814,000. Based on these details the projected deficit as at 31 March 2012, assuming the actuarial assumptions are borne out in practice, is £47,099,000.

Notes to the Core Financial Statements

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, and inflation rates. The District Council fund liabilities have been assessed by Mercer Ltd a firm of actuaries who provide the service for the Essex County Council Pension Fund, being based on the full Actuarial Valuation of the scheme as at 31 March 2007.

The principal assumptions used by the actuary have been:

	2010/11 %	*2009/10* *%*
Long term expected rate of return on assets in the scheme:		
Equity investments	7.50	*7.50*
Government Bonds	4.40	*4.50*
Other Bonds	5.10	*5.20*
Property	6.50	*6.50*
Cash/Liquidity	0.50	*0.50*
Mortality Assumptions		
Longevity at 65 for current pensioners:		
Men	22.60	*22.10*
Women	25.20	*25.00*
Longevity at 65 for future pensioners:		
Men	24.00	*23.10*
Women	26.80	*25.90*
Rate of Inflation RPI	3.40%	*3.30%*
Rate of Inflation CPI	2.90%	*2.80%*
Rate of Increase in Salaries	4.40%	*4.80%*
Rate of Increase in pensions	2.90%	*3.30%*
Rate for discounting scheme liabilities	5.50%	*5.60%*
Take-up of option to convert annual pension into maximum retirement lump sum	50.00%	*50.00%*

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

	As at 31 March 2011		*As at 31 March 2010*	
	£000	%	*£000*	*%*
Equities	58,250	69.50	*55,840*	*67.50*
Government Bonds	5,615	6.70	*6,535*	*7.90*
Other Bonds	7,962	9.50	*8,273*	*10.00*
Property	9,387	11.20	*7,694*	*9.30*
Cash/Liquidity	2,598	3.10	*4,384*	*5.30*
Total	83,812	100	*82,726*	*100*

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

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

	2010/11 %	2009/10 %	2008/09 %	2007/08 %	2006/07 %
Difference between the expected and actual return on assets	4.20	*21.10*	*35.50*	*11.50*	*1.10*
Experience gains and losses on liabilities	4.90	*0.00*	*0.00*	*1.60*	*0.00*

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

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

The primary cause of the change from an estimated net pension liability of £56,493m at 31 March 2010 to an estimated net pension liability of £46,324m at 31 March 2011 has been caused by a fall in benefit obligations brought about by a reduction in liabilities, arising in the main from changes in scheme benefits.

The £46,324m net liability represents the difference between the value of the Council's pension fund assets at 31 March 2011 and the estimated present value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1 April 2011 would also have an impact on the capital value of the pension fund assets.

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

Changes to the Local Government Pension Scheme.

The provisions of the Local Government Pension Scheme were changed during 2007/08, following the introduction of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, together with other supplementary sets of Regulations. The Regulations most significantly introduce a "new look" LGPS with effect from 1 April 2008.

The changes mainly affect benefits accruing and member contributions from 1 April 2008 onwards with the result that employer's current service costs changed from that date. Previous changes to the Local Government Pension Scheme in 2005/06 permit employees retiring after 6 April 2006 to take an increase in their lump sum payment in exchange for a reduction in their future annual pension. The Actuary initially made assumptions that 50% of members would take up this option, which would reduce the employers pension costs. The Actuary has retained this assumption for 2010/11. Other changes to the LGPS following the introduction of the LGPS (Amendment) regulations 2006 and the LGPS (Amendment) (No 2) Regulations 2006, related to the removal of the Rule of 85 retirement provisions with effect from April 2008.

In order to continue to fund the increased employers contributions as a result of the 2007 triennial valuation, a capitalisation direction was applied for in 2010/11 to the value of £920,241 (General Fund £626,500, HRA £293,741). (£946,416 General Fund £644,320, HRA £302,096 for 2009/10). The direction issued by the Department for Communities and Local Government was for £662,431 (General Fund £450,983 , HRA £211,448) which was 71.98% of the amount requested. The remaining General fund element (£175,517) has been funded from DDF revenue appropriated to the Pensions reserve. The remaining HRA element (£82,293) has been funded from HRA revenue sums appropriated to the Pensions Reserve.

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

The 2010 Actuarial Valuation has produced new funding levels for the years 2011/12, 2012/13 and 2013/14. The deficit contributions will be £1,651,000 for 2011/12, £1,725,295 for 2012/13, and £1,802,933 for 2013/14.The ongoing contribution level will be 13.0% for the three years 2011/12 to 2013/14. This represents a stepped increase option over 27 years instead of the existing 20 years. The ongoing contribution for 2010/11 of 13.1% will reduce to 13.0% for 2011/12 and the deficit contribution of £1,743,241 in 2010/11 will reduce to £1,651,000 in 2011/12. The reductions reflect an improved level of performance of the Fund's investments since 1 April 2007.

Sensitivity Analysis as at 31 March 2011	Central	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4
		+0.1% p.a. discount rate as at 31 March 2011	+0.1%p.a. salary inflation as at 31 March 2011	+0.1%p.a expected return on equities as at 31 March 2011	1 year addition to members life expectancy as at 31 March 2011
	£000s	£000s	£000s	£000s	£000s
Liabilities as at 31 March 2011	130,136	128,002	130,711	130,136	133,176
Assets as at 31 March 2011	(83,812)	(83,812)	(83,812)	(83,812)	(83,812)
Deficit/(Surplus) as at 31 March 2011	46,324	44,190	46,899	46,324	49,364
Projected Current Service Cost for the year commencing 1 April 2011	2,418	2,345	2,461	2,418	2,475
The above figure is based on a percentage rate applied to payroll. The percentage rate is :	17.4%	16.9%	17.7%	17.4%	17.8%
The projected pensionable payroll used in the above calculation is:	13,896	13,896	13,896	13,896	13,896
Projected Expected Return on Assets for the year commencing 1 April 2011	(5,290)	(5,290)	(5,290)	(5,348)	(5,290)
Projected Interest Cost for the year commencing 1 April 2011	7,104	7,112	7,137	7,104	7,273

The percentage rate used to calculate the service cost shown above is a budgeted figure only, and could change if there were any significant factors affecting the Scheme or the employer, (e.g. a change in the Scheme's benefit structure, a substantial change in the age /sex/service profile of the employees, or a reorganisation of employments within the employer).

The Finance Cost items shown above assume the same levels of pay, contributions and benefit payments for 2011/12 as for 2010/11. Any changes in these amounts could affect the Finance Cost items shown.

37. CONTINGENT GAINS

The Council has a claim for VAT with HM Revenue and Customs relating to off street parking charges resulting from the Isle of Wight tribunal case where it was concluded that off street car parking activities are within article 4.5 and in principle excluded from charges of VAT. The claim amounts to £450,827, with a further claim of £1,435,914 going back to January 1990, making a total claim of £1,886,741. A stand over application is currently with the VAT and Duties Tribunal pending judgement of the European Court of Justice in the case of the Isle of Wight Council and others.

38. CONTINGENT LIABILITIES

There is a conflict between the Environmental Information Regulations and the Local Land Charge Fee Regulations over the application of charges for some information provided as part of the land search. The issue remains unresolved and at the time of preparing the accounts, it is not known whether any of the charges previously levied may have to be challenged. It is not possible to quantify any costs which might have to be met from the Council's General Fund Balance.

Grange Farm Centre Trust commissioned a leisure pavilion where the construction costs were funded by planning section 106 monies provided by the developer of residential houses at the Grange Farm site and in grants from other bodies including the Football Foundation, and the Grange Farm Centre Trust. The original intention of Grange Farm Centre Trust is for Chigwell Parish Council to lease and operate the facility. In order to reclaim VAT on the construction costs of the pavilion, Grange Farm Centre Trust waived exemption (option to tax) which resulted in section 106 monies receivable by Epping Forest District Council, and for onward payment to Grange Farm Centre Trust for funding purposes, representing a VAT consideration and therefore causing a prospective VAT issue. Pricewaterhouse Coopers LLP (PWC) have been appointed by the three parties involved to ensure that any potential VAT liability was removed.The situation has now changed as Chigwell Parish Council are not leasing the Pavilion and the original agreement has been revoked. This course of events has now neutralised the VAT position as the contributions are s106 monies and not consideration for a lease and as such do not attract VAT.

PWC have confirmed that the latest events have ensured that the Council will not suffer any additional costs resulting from the VAT situation.

39. NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

Credit Risk

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

Investments

The risk is minimised through the Annual Investment Strategy, which requires that deposits are made with Debt Management Office, other local authorities, AAA rated money market funds or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy. It must 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.

The table below summaries the nominal value of the Council's investment portfolio at 31 March 2011, and confirms that all investments were made in line with the Council's approved rating criteria when investment placed:

		Balance invested as at 31 March 2011					
	Credit rating criteria met on 31 March 2011	Up to 1 month	Between 1 and 3 months	Between 4 and 6 months	Between 7 and 12 months	Greater than 12 months	Total
Banks UK	YES	5,000	10,000	10,000	5,000	0	30,000
Banks UK	NO	156	0	123	240	317	836
Banks non-UK	YES	0	0	0	3,000	0	3,000
Total Banks		5,156	10,000	10,123	8,240	317	33,836
Building Societies	YES	0	5,000	2,000	0	0	7,000
Money Market Funds	YES	4,000	0	0	0	0	4,000
Call Accounts	YES	3,000	0	0	0	0	3,000
Total		12,156	15,000	12,123	8,240	317	47,836

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £2.5m invested in Heritable bank at that time. The latest report issued by the administrators Ernst and Young, dated 10 February 2011 did not suggest any change from a return to creditors of 85p in the £ by October 2012. During the year the Council have received dividends of 15.13% (£379,788) and impaired the 15% principal in line with CIPFA's LAAP Bulletin Update No. 4 which was issued May 2011. Projected future timing of recoveries is as follows:

	£
During 2011/12 - 21.25%	519,660
During 2012/13 - 13.65%	316,639

Trade Receivables

The following analysis summarises 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.

	Amount at 31 March 2011	Default risk judged as at 31 March 2011	Bad debt provision for 2011/11
	£000	%	£000
Sundry debtors	3,795	47.75	1,812
Housing arrears	902	67.96	613
Total	4,697		2,425

The sundry debtors figure of £5.002m contains £2.258m of invoiced debtors. The Council allows thirty days credit for its invoiced debtors, meaning that £1.264m of these debtors are judged to be overdue. These can be analysed by age as follows:

	£000
31 to 60 days	179.25
61 to 180 days	129.28
6 to 12 months	100.99
Over one year old	854.59
Total	1,264.11

The credit risk in relation to counterparty investments is relatively small as the likelihood of default is also small. With regard to sundry debtors, housing and taxation debtors, a risk arises by virtue of the fact that they represent amounts owed to the Council and there will always be a level of default inherent in such debts. A provision for non payment of debts is provided within the overall debtors figure stated in the accounts.

Liquidity Risk

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

Market Risk

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

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

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

40. TRANSITION ARRANGEMENTS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Government grants and Investment Properties

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund. Valuation changes in Investment properties now go to the capital adjustment account via the Comprehensive Income and Expenditure Account in all instances. Previously valuation gains above the 1 April 2007 level went to the Revaluation Reserve in line with practice for other fixed assets.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

- A grant received in 2009/10 but not used. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

- Revaluation amounts relating to Investment properties residing in the Revaluation Reserve have been moved to the Capital Adjustment Account

- The value of investment properties is disclosed separately on the face of the Balance Sheet and removed from the Property Plant and Equipment line and note analysis.

This has resulted in the following changes being made to the 2009/10 financial statements:

	2009/10 Statements £000	*Adjustments Made £000*
Opening 1 April 2009 Balance Sheet		
Creditors	(9,658)	*661*
Capital Grants Received in Advance	(226)	*(425)*
Capital Grants Unapplied	0	*(236)*
Government Grants Deferred	(4,286)	*4,286*
Revaluation Reserve	(3,403)	*3,367*
Capital Adjustment Account	(596,749)	*(7,653)*
31 March 2010 Balance Sheet		
Creditors	(6,311)	*362*
Capital Grants Received in Advance	(280)	*(31)*
Capital Grants Unapplied	0	*(331)*
Property plant and Equipment	655,737	*(37,870)*
Investment Properties	0	*37,870*
Government Grants Deferred	(4,796)	*4,796*
Revaluation Reserve	26,716	*3,606*
Capital Adjustment Account	(623,540)	*(8,402)*

Notes to the Core Financial Statements

2009/10 Comprehensive Income and Expenditure Statement		
Central Services	2,025	*64*
Cultural Related Services	3,918	*51*
Environmental Services	7,964	*(470)*
Housing Services	1,606	*(5)*
Planning & Development	2,535	*28*
Highways & Transport	360	*(4)*
Housing Revenue Account	(25,012)	*(159)*
(Gain) / Loss on Trading Operations	1,438	*(58)*
Capital Grants and Other Contributions	129	*50*

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

	Note	2010/11 £000	*2009/10* *£000*
INCOME			
Dwelling Rents (Gross)	3	25,676	*25,145*
Non Dwelling Rents		2,219	*2,444*
Charges for Services and Facilities		1,830	*2,093*
Leaseholder Contributions		174	*103*
Impairment Reversals		-	*25,473*
Past Service Gain	6	2,506	*-*
TOTAL INCOME		32,405	*55,258*
EXPENDITURE			
Repairs and maintenance	4	5,636	*5,478*
Supervision and Management		6,605	*6,421*
Rents, Rates, Taxes and Insurance		435	*413*
Housing Revenue Account Subsidy Payable	5	9,728	*9,751*
Revenue Expenditure funded from Capital under Statute	11	174	*103*
Depreciation	2/9/10	12,860	*7,776*
Revaluation of Fixed Assets	1	77,443	*33*
Debt Management		46	*40*
Provision for Bad / Doubtful Debts		64	*72*
TOTAL EXPENDITURE		112,991	*30,087*
NET COST OF SERVICES AS INCLUDED IN THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT		80,586	*(25,171)*
HRA services share of Corporate & Democratic Core		635	*614*
HRA share of other services		45	*46*
NET COST (INCOME) OF HRA SERVICES		81,266	*(24,511)*
HRA SHARE OF THE INCOME AND EXPENDITURE INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		81,266	*(24,511)*
Gain on sale of HRA non-current assets		(439)	*(317)*
Interest and Investment Income		(497)	*(755)*
Changes in Fair Value on Investment Properties		(921)	*-*
Pensions Interest/Return on Assets		848	*1,034*
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES		80,257	*(24,549)*

MOVEMENT ON HOUSING REVENUE ACCOUNT STATEMENT

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

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

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

This reconciliation statement summarises the differences between the outturn in the Housing Revenue Income and Expenditure Statement and the Housing Revenue Account balance.

	Note	2010/11 £000	*2009/10* *£000*
INCREASE/DECREASE IN THE HOUSING REVENUE ACCOUNT BALANCE			
(Surplus)/Deficit for the year on the Housing Revenue Account Income and Expenditure Statement		80,257	*(24,549)*
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	12	(80,054)	*24,541*
(Increase) or decrease in the Housing Revenue Account balance		203	*(8)*
Housing Revenue Account surplus brought forward		(6,089)	*(6,081)*
Housing Revenue Account surplus carried forward		(5,886)	*(6,089)*

Notes to the Housing Revenue Account Income and Expenditure Statement

1. HOUSING REVENUE ACCOUNT ASSET VALUATION

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

	OPERATIONAL ASSETS						NON-OPERATIONAL ASSETS	
	Land £000	Dwellings £000	Garages £000	Equipment £000	Vehicles £000	Other £000	Investment Properties £000	Total £000
Gross Book Value 31 March 2010	165,321	378,206	3,947	13,312	452	1,607	15,615	578,460
Revalued	(13,966)	(86,480)	(77)	-	-	-	730	(99,793)
Restated	(3)	3	-	-	-	-	-	-
Reclassified	-	9,201	-	(9,201)		-	-	-
1 April 2010	151,352	300,930	3,870	4,111	452	1,607	16,345	478,667
Revalued in year	16	33		-	-	-	191	240
Additions	-	3,880		1,955	47	449	-	6,331
Disposals	(185)	(376)		-	-	-	-	(561)
Reclassified in year	6	13		287		(436)	130	-
Gross Book Value 31 March 2010	151,189	304,480	3,870	6,353	499	1,620	16,666	484,677
Depreciation 1 April 2010	-	-	-	(2,562)	(261)	(94)	-	(2,917)
Depreciation in Year	-	(12,535)	(129)	(164)	(42)	(33)	-	(12,903)
Depreciation on Assets Sold	-	6	-	-	-	-	-	6
Transferred to General Fund	-	-	-	-	-	-	(16,523)	(16,523)
Depreciation 31 March 2011	-	(12,529)	(129)	(2,726)	(303)	(127)	(16,523)	(32,337)
Net Book Value 31 March 2011	151,189	291,951	3,741	3,627	196	1,493	143	452,340
Net Book Value 31 March 2010	*165,321*	*378,206*	*3,947*	*10,750*	*191*	*1,513*	*15,615*	*575,543*

The dwelling valuation shown in the balance sheet represents the value of the housing stock to the Council in its existing use as social housing occupied on the basis of secured tenancies. The corresponding value of those dwellings if sold on the open market without tenants, i.e. vacant possession, is £1,157,241,500. The difference between the two values represents the economic cost of providing council housing at less than open market rents. Previous practice was to include an allowance of 2% for acquisition costs as part of the valuation, however this is only really relevant when there has been a significant change to HRA stock during the year and this is not the case in 2010/11.

The reduction on revaluation relates to the change in the existing use for social housing factor from 46% to 39% of the open market value. The total revaluation reduction on HRA dwellings differs from that reported in the Housing Revenue Account Income and Expenditure Statement as some of the reduction has been written off against previous gains held in the Revaluation Reserve.

Notes to the Housing Revenue Account Income and Expenditure Statement

2. HOUSING STOCK

The Council was responsible for managing on average 6,580 (6,588 in 2009/10) dwellings during 2010/11. Changes in the stock are summarised below. The figures include 49 units for the homeless at Norway House, North Weald, and 6 wardens' and caretakers' dwellings.

		2010/11	2009/10
Stock as at 1 April		6,584	*6,592*
Less	Sales	(9)	*(9)*
	Stock Transfers / Conversions	-	-
Add	New / Reinstated Properties	1	*1*
Stock as at 31 March		6,576	*6,584*
Number of:			
Houses and Bungalows		3,527	*3,530*
Flats and Maisonettes		3,039	*3,044*
Other		10	*10*

3. GROSS DWELLING RENT INCOME

During 2010/11 0.97% (0.82% in 2009/10) of all lettable dwellings were vacant. Average rents were £76.61 per week, an increase of £1.80 or 2.40% over the previous year. 55% (55% in 2009/10) of all Council tenants received some help through rent rebates in 2010/11. Rent arrears increased to £901,734 (£884,619 in 2009/10), which represents 3.5% (3.5% in 2009/10) of gross dwelling rent income. The provision for bad and doubtful debts on these arrears amounted to £613,000 (£601,000 in 2009/10). Amounts written off during the year totalled £51,808 (£46,331 in 2009/10). Dwelling rents are shown after allowing for voids.

4. HOUSING REPAIRS FUND

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

	2010/11		*2009/10*	
	£000	£000	*£000*	*£000*
Balance as at 1 April		(4,157)		*(4,035)*
Contribution from the HRA	(5,600)		*(5,600)*	
Other Income	(102)		*(82)*	
Total Income	(5,702)		*(5,682)*	
Responsive & Void Repairs	3,065		*3,187*	
Planned Maintenance	2,422		*2,194*	
Other	251		*179*	
		5,738		*5,560*
Balance as at 31 March		1,581		*1,525*

In accordance with the accounting changes introduced for the 2006/07 accounts, the amount shown on the face of the Housing Revenue Income and Expenditure Statenment 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 6 page 15).

5. SUBSIDY ENTITLEMENT

Housing Revenue Account Subsidy for any year is calculated by constructing a Notional Housing Revenue Account, where all amounts are calculated in accordance with the Housing Revenue Account Subsidy Determinations (2010/11).

	2010/11		*2009/10*	
	£000	£000	*£000*	*£000*
Management and Maintenance Allowance		10,724		*10,709*
Major Repairs Allowance		4,844		*4,778*
Less				
Notional Rents	(25,379)		*(24,911)*	
Interest on Receipts	(106)		*(327)*	
	(25,485)		*(25,238)*	
Adjustment relating to previous year		189		*0*
Total (Payable)		15,757		15,487

6. PENSIONS

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

In order to continue to fund the increased employers contributions as a result of the 2007 triennial valuation, a capitalisation direction was applied for in 2010/11 to the value of £920,241. The Housing Revenue Account share of this contribution was £293,741, representing 31.92% of the total. The direction issued by the Department for Communities and Local Government was for £662,431, which was 71.98% of the amount requested. £211,448 of the direction related to the HRA. The remaining shortfall of £82,293 has been funded from HRA revenue appropriated to the Pensions Reserve. The past service gain of £2,506,000 (Note 35) as at 31 March 2011 is due to a change in scheme benefits.

7. HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS

The Council received £1,039,000 in respect of Housing Revenue Account capital receipts during 2010/11. This arose as a result of the sale of council houses (£1,022,000), and principal repayments on mortgages (£17,000). Of this the Council used £49,000 for the administration of the sales which left £255,000 to fund capital projects and had to pay the central government pool an amount of £744,000, which includes an adjustment of £9,000 relating to 2009/10.

8. CAPITAL EXPENDITURE

The Housing Revenue Account incurred the following capital expenditure. (See also note 12 of the Notes to the Core Financial Statements).

Capital Expenditure on:	£000	Financed by:	£000
Council Dwellings	3,880	Government Grants	74
Plant and Equipment	1,954	Revenue	2,163
Shopping Parades	0	Major Repairs Reserve	4,033
Vehicles	47	Other Contributions	28
Other	449	Capital Reciepts	32
	6,330		6,330

9. MAJOR REPAIRS RESERVE

With effect from 1 April 2001 the Council is required to maintain a Major Repairs Reserve, to account for money received from the Government used to fund major, capital repairs to the Housing Stock. The Housing Revenue Account receives funding via its Housing Subsidy (see note 5, page 53), which is then transferred into the Major Repairs Reserve via a depreciation charge. This income can then be used to fund repairs of a capital nature. The Council is allowed to transfer certain sums back to its Housing Revenue Account, namely any excess of depreciation charged over and above the level of the Major Repairs Allowance received. The movement on the reserve is as follows:

	2010/11		*2009/10*	
	£000	£000	*£000*	*£000*
Balance as at 1 April		(5,730)		*(6,919)*
Depreciation transferred from the HRA		(12,859)		*(7,775)*
Used to fund Capital Expenditure on Council Dwellings	4,033		*5,967*	
Transferred to the HRA	8,016		*2,997*	
Total Expenditure		12,049		*8,964*
Balance as at 31 March		(6,540)		*(5,730)*

10. DEPRECIATION

Depreciation is charged on Housing Revenue Account assets in accordance with IAS 16. Depreciation is now charged with reference to balance sheet values and the average life remaining on the housing stock. No depreciation is chargeable on the Housing Revenue Account investment assets. (See also note 1, page 51)

11. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

A charge of £174,000 (£103,000 in 2009/10) was made in respect of revenue expenditure funded from capital under statute. This related to recharges to leaseholders for repairs.

Notes to the Housing Revenue Account Income and Expenditure Statement

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

			2010/11 £000			*2009/10* *£000*
AMOUNTS TO BE EXCLUDED						
Transfer from Major Repairs Reserve and other depreciation reversals and impairments		(85,502)			*22,407*	
Revenue expenditure funded from Capital under statute		(174)			*(103)*	
Movement in fair value on investment properties		921			-	
Gain/(loss) on disposal of HRA fixed assets		439			*317*	
Flexi / Leave Accruals		9			*1*	
Transfer to Housing Repairs Fund		(36)			*122*	
HRA share of contributions to/ (from) pensions reserve		818			*(1,573)*	
			(83,525)			*21,171*
AMOUNTS TO BE INCLUDED						
Leaseholder Contributions		174			*103*	
Employers contributions payable to the pension fund	1,244			*1,236*		
Less Capital direction received	(294)			*(302)*		
		950			*934*	
Pension Deficit		82			-	
Capital Grants		102			*188*	
Capital expenditure funded by the HRA		2,163			*2,145*	
			3,471			*3,370*
TOTAL			(80,054)			*24,541*

13. TRANSFER OF COMMERCIAL PROPERTIES TO THE GENERAL FUND

The Council resolved at the Council meeting on 2 November 2010 to transfer commercial properties accounted for within the Housing Revenue Account to the General Fund. In total 143 leases were transferred on the 31 March 2011 with a valuation of £16,522,950. Of the 143 leases transferred, the Council received consent from the Secretary of State for Communities and Local Government under section 19 of the Housing Act 1985 for 33 leases where approval was required as the leases included dwellings.

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

INCOME	Note	2010/11 £000	*2009/10 £000*
Council Tax	1	81,413	*79,422*
Non Domestic Rates	2	27,539	*30,286*
TOTAL INCOME		108,952	*109,708*
EXPENDITURE			
Precepts and Demands:			
Essex County Council		59,087	*57,782*
Essex Police		7,183	*6,948*
Essex Fire Authority		3,611	*3,501*
Epping Forest District Council		11,157	*10,885*
Distribution of Estimated Collection Fund Surplus/(Deficit).	3		
Essex County Council		(193)	*(210)*
Essex Police		(23)	*(25)*
Essex Fire Authority		(12)	*(12)*
Epping Forest District Council		(15)	-
Non Domestic Rate			
Payment to National Pool		27,367	*30,113*
Cost of Collection Allowance		172	*173*
Provision for Non Payment of Council Tax		194	*313*
Council Tax Write Offs		445	*280*
TOTAL EXPENDITURE		108,973	*109,748*
DEFICIT / (SURPLUS) FOR YEAR		21	*40*
BALANCE BROUGHT FORWARD		64	*24*
BALANCE CARRIED FORWARD		85	*64*

Notes to the Collection Fund

1. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council, Essex Police, Essex Fire Authority and this Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted discounts: (54,369.8 for 2010/11). The basic amount of Council Tax for a Band D property (£1,434.06 for 2010/11, £1,405.98 for 2009/10) is multiplied by the proportion specified for the particular band to give an individual amount due.

	Chargeable Dwellings	Chargeable Dwellings after Discount, Exemptions and Disabled Relief	Ratio to Band D	Band D Equivalents
Band A Disabled	-	3	0.56	1
Band A	1,530	1,315	0.67	877
Band B	4,549	3,780	0.78	2,940
Band C	10,882	9,694	0.89	8,617
Band D	13,322	12,296	1.00	12,296
Band E	9,016	8,409	1.22	10,278
Band F	6,466	6,115	1.44	8,832
Band G	5,694	5,425	1.67	9,041
Band H	1,075	1,019	2.00	2,037
Total Band D				54,919
Less Adjustment for Collection Rate				549
Council Tax Base				54,370

The income of £81,412,787 for 2010/11 (£79,422,102 for 2009/10) is receivable from the following sources.

	2010/11 £000	*2009/10 £000*
Billed to Council tax payers	72,116	*70,343*
Council Tax Benefits	9,297	*9,079*
	81,413	*79,422*

Notes to the Collection Fund

2. NATIONAL NON DOMESTIC RATES

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 40.7p (small business) and 41.4p (others) in 2010/11, (48.5p (small business) 48.1p (others) in 2009/10) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

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

The total non-domestic rateable value at the year-end was £88,073,069 (£73,739,694 in 2009/10). The increase in rateable values between the two years is due to the revaluation process that takes place every five years and changes in the businesses on the rateable list.

3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

The surplus or deficit on the Collection Fund arising from council tax transactions relates to this Council's portion only. The elements relating to Essex County Council, Essex Police and Essex Fire form part of the Distribution of estimated collection fund surplus/deficit. In 2010/11 a total deficit of £111,000 was recovered, of which this Council's share was £15,000.

Annual Governance Statement

1 Scope of Responsibility

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

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

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

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

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

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

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

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

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

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

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

2 The Purpose of the Governance Framework

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

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

2.3 A governance framework has been in place at the Council for a number of years and has been effective for the year ended 31 March 2011, and up to the date of approval of the Statement of Accounts.

3 The Governance Framework

3.1 The Council has an established Council Plan setting out its objectives, and there is an accompanying Performance Plan in which achievement of the objectives is monitored.

3.2 The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios. There are Standing Scrutiny Panels to cover key policy areas, Task and Finish Panels to undertake specific reviews and a co-ordinating Overview and Scrutiny Committee. An Audit and Governance Committee provides independent assurance to the Council on risk management and internal control and the effectiveness of the arrangements the Council has for these matters.

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

3.4 The Council's risk management arrangements are subject to regular review. Leadership to the risk management process is provided by the Director of Finance and ICT and the Portfolio Holder for Finance and Economic Development, who are the Officer and Member leads for risk management, respectively. The Council has approached embedding of risk management in accordance with best practice guidance, with a Corporate Risk Register supported by Directorate and Sectional risk registers.

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

3.6 The Council has adopted a new Corporate Plan for 2011/12 to 2014/15. The Corporate Plan is the Council's key strategic planning document, setting out service delivery priorities over the four-year period, with strategic themes reflecting those of the Sustainable Community Strategy for the district. The Corporate Plan is an important element of the Council's Performance Management Framework and it's corporate business planning processes, and informs the content of annual Business Plans to illustrate the work that Directorates and Services perform that directly contributes towards the achievement of the Council's corporate objectives. The Corporate Plan also provides the emerging policy foundation for the Medium-Term Financial Strategy.

3.7 As part of the duty to secure continuous improvement, new Medium-Term Aims have also been adopted for 2011/12 to 2014/15. The identification of the Council's service delivery priorities over the four-year period of the new Corporate Plan, and the annual adoption of key objectives for each year of the Plan, provides an opportunity for the Council to focus specific attention on how areas for improvement will be addressed, opportunities exploited and better outcomes delivered for local people. A range of Key Performance Indicators (KPI) relevant to the Council's services and key objectives are also adopted each year. A number of the KPIs are used as performance measures for the key objectives, and relevant performance management processes are in place to review and monitor performance against the key objectives and KPIs, to ensure their continued achievability and relevance, and to identify proposals for appropriate corrective action in areas of under performance.

4 Financial Management and Reporting

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

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

4.3 In their Annual Audit Letter for 2009/10, the Council's External Auditor (PKF) stated the following key findings:

4.3.1 The External Auditor issued an unqualified opinion on the Council's financial statements on 30th September 2010. Their opinion confirmed that the financial statements gave a true and fair view of Council's financial affairs as at 31st March 2010 and of its income and expenditure for the year then ended.

4.3.2 The External Auditor was satisfied that the Annual Governance Statement was not inconsistent or misleading with other information they were aware of from their audit of the financial statements.

4.3.3 The External Auditor identified some notable control weaknesses from their review of the Council's accounting and internal control systems, which adversely impacted the audit approach. These were:

a) Benefits: Reconciliations, both between the housing and council tax benefits module of the Academy system and the general ledger and between the housing and council tax benefits module of the Academy system and the council tax module, had not been completed during the year. In addition, accuracy checks on claims processed had lapsed during the year.

b) Creditors: Controls over the ordering of goods and services were found to have lapsed, with notable amounts of orders being placed outside of the I&DEA Marketplace, the Council's electronic ordering system.

4.3.4 Although the draft accounts were prepared on time not all of the working papers requested were provided in time for the agreed start date of the audit, most significantly the reconciliations of housing and council tax benefit expenditure to the financial ledger and working papers that support the figures in the Cash Flow Statement.

4.3.5 Errors were identified and corrected during the course of the audit, of which six were significant enough to report in some detail in our Annual Governance Report.

The most significant was a material misstatement of £25.5m in respect of accounting for fixed asset revaluations. The overall impact of the correction of this misstatement was to change the Council's reported outturn from a £4m deficit to a £21m surplus for the year in the Income and Expenditure account but did not have an impact on the General Fund balance.

4.3.6 In addition, the cash flow statement required substantial restatement and amendment to comparatives to fully reflect the requirements of the SORP in respect of agency accounting.

5 Standards Committee

5.1 During 2010/11 the Standards Committee has dealt with 9 complaints against Councillors. These mainly concern Parish and Town Councillors. At the time of writing, there are no current cases awaiting adjudication and under investigation.

5.2 During the year, the Standards for England Direction regarding one Parish council and the institution of a series of training and conflict resolution measures designed to address continuing complaints was cancelled. This was due to the difficulties encountered at the first two training sessions which led the trainer, the Monitoring Officer and the Standards Committee to question the likelihood of achieving a positive outcome and the cost of the programme.

5.3 The Committee continues to give advice and training on ethical governance issues and investigates/adjudicates on complaints against elected members as referred by the Standards Board for England. It is also available to assist with interpretation of Council protocols. During 2009/10 the Committee considered and issued Standards for England guidance on Predisposition, Predetermination or Bias and the Code of Conduct. The Committee submits an annual report on its activities to the Council. A further review of the Planning Protocol has been launched and will be concluded during 2011/12.
Planning and Legal Officers, planning agents and Town and Parish Councils have made submissions concerning the protocol.

5.4 During 2008/09, the Standards Committee responded to Government consultation on a new Code of Conduct. This proposed revision to the code has not been pursued by the new government which has, instead indicated that the present ethical framework and standards regime will be discontinued along with Standards for England, the national appeal body, mandatory Standards Committees and Codes of Conduct. The new regime is currently before Parliament and when legislation is enacted the District Council will need to review what takes its place at a local level, if anything. A new legal duty is likely to be introduced by the Government regarding failure by elected members to declare financial interests which, if proved, to be willful in nature may risk a criminal conviction.

5.5 The new legislation is thought likely to come into force in late 2011 or early 2012.

6 Review of effectiveness

6.1 The Council has responsibility for conducting an annual audit review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the Corporate Governance Group, the Chief Internal Auditor's annual report, and also by comments made by the External Auditors and other review agencies and inspectorates.

6.2 The Council contributes to the delivery of the Sustainable Community Strategy for the District through active participation on One Epping Forest, formerly the Local Strategic Partnership, and the alignment of the Key Themes of the Council Plan 2006/10 with the Community Strategy. This is supported by a planning framework which includes the Council Plan and Directorate/Service Plans. The Council, through the Finance and Performance Management Scrutiny Panel, monitors and reports on progress so that Members can see how issues are being tackled. The Corporate Plan (formerly Council Plan) has been updated for 2011/15 and is awaiting Council approval.

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

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

6.5 The Council has three statutory posts as follows:-

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

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

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

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

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

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

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

7 Governance – Service Issues and Improvements

7.1. Service Directors have reviewed the governance arrangements operating within their Service Areas using a detailed checklist, and have provided assurance statements confirming their belief that appropriate controls were in place during 2010/11. Significant areas where governance arrangements have been strengthened are detailed below.

7.1.1. Office of the Chief Executive
Throughput of Freedom of Information requests is sometimes at risk due to the number of applications received corporately and dealt with / monitored through the Democratic Services Department. Controls have been strengthened to ensure all requests are processed through the Anite @ Work reporting system, providing a greater level of monitoring.

7.1.2. One significant breach of Data Protection Act requirements in 2009/10 has been addressed through revised data protection processes and continue to be carefully monitored.

7.1.3. Corporate Support Services
Within Corporate Support Services no significant weaknesses have been identified by the review, internal /external audits or otherwise.
A corporate issue which the Corporate Governance Group has considered and referred to Management Board concerns the Council's membership of Unincorporated Associations.
Directors are reviewing such memberships in the light of advice with a view to a register being established and maintained.

7.1.4. Environment and Street Scene
A number of Internal Audit reports were issued during 2010/11 which required actions by the Directorate. Those reports requiring specific action by the Directorate included:

- Contracts Compliance (553)
- Waste Management (558)
- Business Plans (562)
- Grounds Maintenance (566)
- Car Parking (589)
- Licensing Enforcement (590)

Action plans have been agreed between Internal Audit and the Directorate Management and steps have been taken to deal with the issues raised and ensure compliance.

Following previous difficulties regarding breaches of contract standing orders arising from multiple small contacts, a new ICT system which monitors the totality of contract expenditure has been successfully implemented thereby reducing the risks of unintended breaches of contract standing orders.

7.1.5. Finance and ICT
During the first three quarters of 2010/11 there were no audits with limited assurance that related directly to the Directorate of Finance & ICT and follow ups have indicated positive progress on previous recommendations.

Last year one significant weakness was identified as the Audit Commission decided that progress on improving the Benefits Service was too slow and the service was inspected during 2009/10. Following the inspection, action plans were agreed with both the Audit Commission and the Department for Work and Pensions. Reports on progress have been made to the Finance & Performance Management Scrutiny Panel and the Audit & Governance Committee. All key actions have been implemented and significant improvements have been made in processing times.

During the year a firm of bailiffs used by the Council were placed in administration. Legal action is being pursued against the directors of the company to recover the money owed to the Council. A procurement exercise is underway for replacement bailiffs and controls around the use of external bailiffs have been reviewed.

7.1.6. Housing

A number in Internal Audit Reports since the Housing Directorate has taken over responsibility for the former Building Maintenance Works Unit have highlighted internal control deficiencies within that section (now known as the Housing Repairs Service) with regard to procedures relating to the Stores. Although, in monetary terms, discrepancies between actual and recorded stock are relatively small, the number of discrepancies is outside of an acceptable tolerance.

Since taking over the Stores, the Asst. Director (Property) has taken a number of steps to improve the position in the short term. However, improvement has been hampered by the limitations of the legacy IT system.

The Housing Directorate has ensured that this weakness will be addressed in the medium term through the appointment of the Private Repairs Management Contractor (Mears) in May 2011 - one of the 5 "key deliverables" which Mears must deliver in the first year of the contract is to improve the supply chain for materials.

This will not only result in better value for money - through lower unit costs being harnessed through Mears' bulk purchasing power – but will also include the introduction of the contractor's own IT system for the control of materials, with more sophisticated internal controls.

7.1.7. Planning and Economic Development

Corporately, there has been recognition that a flow chart to ensure compliance with Contract Standing Orders is necessary, in part because of their complexity, and, in part to ensure that the most up to date Orders are being applied. The flow chart will be a helpful tool.

The various financial systems do not allow for the highlighting of accumulated consultancy work within the Planning and Economic Development Directorate, which would exceed contract standing orders to be avoided.

7.2. Governance – Internal Control Issues

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

7.2.1. Internal Audit had identified one income system where controls were in place. However, the audit identified control weaknesses in the reconciliation of income and data quality. Management now ensure that income is recorded correctly to enable a full reconciliation of income due to the amount received.

7.2.2. Within the corporate systems for processing purchase orders and invoices, there are still instances of weaknesses and departures from Contract Standing Orders, Financial Regulations and good practice. While further instances of departures from Financial Regulations have been identified through audit review and corrective guidance given, it should be noted that the audit priority 1 recommendations which cover such departures, have fallen from 39 (09/10) to 29 (10/11). A course for managers on finance and regulatory issues continues to be regularly held for both new staff and existing staff where the need for a refresher has been identified through audit review or as part of Performance Development Reviews. An officer working group has reviewed Contract Standing Orders and Financial Regulations and a simplified instruction guide is in preparation.

7.2.3. Two Internal Audit reports have identified areas where documentation has not been retained for a sufficient period to provide evidence for audit purposes or legislative requirements. Initial guidance had been given and an officer working group is in the process of updating the document retention policy and guidelines.

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

Signed ………………………………	Signed ………………………………
Derek Macnab Acting Chief Executive	Councillor Lesley Wagland Leader of the Council

Members Allowances

The allowances of £313,721 listed below include the connect scheme, travel and subsistence and employers national insurance and pension costs. The figures also include allowances paid to lay members of the Audit & Governance Committee and the Standards Committee.

		£		£
A.HAIGH		337	**B.A.ROLFE**	10,237
R.H.MORGAN		7,164	**R.BASSETT**	10,783
P.SMITH		11,492	**A.WATTS**	3,400
D.J.STALLAN		10,355	**H.ULKUN**	3,400
D.J.JACOBS		4,209	**E.A.WEBSTER (SPINKS)**	3,400
A.G.GRIGG	Chairman	11,075	**M.WRIGHT**	500
S.W.MURRAY		5,300	**R.E.BROOKES**	3,412
J.M.WHITEHOUSE		3,400	**R.BARRETT**	3,650
M.A.MCEWEN		6,198	**A.L.BOYCE**	5,791
J.KNAPMAN		3,400	**R.COHEN**	338
C.L.WHITBREAD		10,210	**J.F.COLLIER**	3,400
J.WHITEHOUSE		3,419	**D.P.DODEJA**	3,644
P.C.BROOKS		3,412	**J.PHILIP**	5,448
U.M.GADSBY		4,137	**W.J.PRYOR**	3,400
P.GODE		3,400	**J.M.SUTCLIFFE**	3,400
M.SARTIN		10,210	**D.J.WIXLEY**	3,698
M.M.COHEN		1,012	**M.A.PEDDLE (RICKMAN)**	500
J.M.HART		5,787	**S.A.LYE**	500
D.M.COLLINS	Leader	19,093	**M.E.MARSHALL**	38
J.LEA		3,400	**R.THOMPSON**	500
P.RICHARDSON		3,627	**D.JACKMAN**	500
A.G.GREEN		5,569	**A.CLARK**	377
M.H.COLLING		591	**A.LION**	3,635
J.A.MARKHAM		3,179	**C.EDWARDS**	5,746
C.P.POND		3,816	**W.S.BREARE-HALL**	3,681
B.P.SANDLER		5,787	**T.O.COCHRANE**	3,417
S.A.STAVROU		10,916	**J.HART**	3,464
K.ANGOLD-STEPHENS VC	Vice-Chairman	6,398	**B.JUDD**	3,754
G.WELTCH		167	**Y.R.KNIGHT**	3,313
K.S.CHANA		3,520	**S.I.WATSON**	2,813
S.I.CLAPP		337	**L.T.LEONARD**	3,313
A.M.COOPER		337	**D.JOHNSON**	3,313
R.FRANKEL		337	**R.COHEN**	3,318
R.LAW		337	**S.JONES**	3,312
G.MOHINDRA		5,192	**C.W.FINN**	2,884
P.J.SPENCER		3,530	**R.KELLY**	427
P.TURPIN		337	**J.GUTH**	427
L.A.WAGLAND		9,523		
J.A.WYATT		6,078		
Total		196,588	Total	117,133
			GRAND TOTAL	313,721

Glossary of Terms

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

ACCRUALS

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

BALANCE SHEET

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

CAPITAL EXPENDITURE

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

CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL FINANCING REQUIREMENT

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

CASH FLOW STATEMENT

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

COLLECTION FUND

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

COMMUNITY ASSETS

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

Glossary of Terms

CONSISTENCY

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

CONTINGENCY

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

CONTINGENT LIABILITIES

A contingent liability is either:

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

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

It is considered that a contingent liability below £50,000 need not be disclosed, as any such amounts would not be significant.

CONTINGENT GAINS

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

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose nominated bodies managing the same services.

INTANGIBLE ASSETS

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

REVENUE EXPENDITURE CHARGED TO CAPITAL UNDER STATUTE

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

Glossary of Terms

DEPRECIATION

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

EXCEPTIONAL ITEMS

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

EXTRAORDINARY ITEMS

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

FAIR VALUE

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

FINANCE LEASE

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

FIXED ASSETS

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

GENERAL FUND

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

GOING CONCERN

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

Glossary of Terms

GOVERNMENT GRANTS

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

HOUSING REVENUE ACCOUNT

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

IMPAIRMENT

An impairment occurs when a fixed assets suffers a loss in value either due to a fall in market values generally, or as a result of use of the asset other than normal wear and tear.

INFRASTRUCTURE ASSETS

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

INVESTMENTS

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

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

INVESTMENT PROPERTIES

Interest in land and / or buildings:

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

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

LONG-TERM CONTRACTS

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

Glossary of Terms

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET CURRENT REPLACEMENT COST

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

NET REALISABLE VALUE

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASES

Leases other than a finance lease.

OPERATIONAL ASSETS

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

POST BALANCE SHEET EVENTS

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

PRIOR YEAR ADJUSTMENTS

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

Glossary of Terms

PROVISIONS

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

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

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

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

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

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

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

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

PRUDENCE

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

RELATED PARTIES

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

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

Examples of related parties of an authority include:

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

Examples of related parties of a pension fund include its:

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

These lists are not intended to be comprehensive.

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

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

RELATED PARTY TRANSACTION

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

(i) the purchase, sale, lease, rental or hire of assets between related parties;
(ii) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
(iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
(iv) the provision of services to a related party, including the provision of pension fund administration services;

(v) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

This list is not intended to be comprehensive.

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

REVALUATION RESERVE

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

STOCKS

Comprise the following categories:

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

UNAPPORTIONABLE CENTRAL OVERHEADS

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

Glossary of Pension Related Terms

ACTUARIAL GAINS AND LOSSES

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

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

(ii) the actuarial assumptions have changed

CURRENT SERVICE COST

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

CURTAILMENT

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

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

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

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DISCRETIONARY BENEFITS

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

EXPECTED RATE OF RETURN ON PENSION ASSETS

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

Glossary of Pension Related Terms

EXTRAORDINARY ITEMS

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

FRS17/IAS19

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (NON-PENSIONS FUND)

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

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

INVESTMENTS (PENSIONS FUND)

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

PAST SERVICE COST

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

PROJECTED UNIT METHOD

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

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

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

RETIREMENT BENEFITS

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

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

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

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

SCHEME LIABILITIES

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

SETTLEMENT

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

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

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

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

VESTED RIGHTS

In relation to a defined benefit scheme, these are:

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

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

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

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