

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

Opinion on Epping Forest District Council financial statements

We have audited the financial statements of Epping Forest District Council (the Council) for the year ended 31 March 2012 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 Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund Income and Expenditure Account* 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 2011/12.

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.

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 Statement of Accounts, which includes 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 Introduction and 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 financial position of Epping Forest District Council as at 31 March 2012 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In our opinion, the information given in the Introduction and Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the Annual Governance Statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

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

Respective responsibilities of the Council and the 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.

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.

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 2011, 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 2012.

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 2011, 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 2012.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Epping Forest District Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Richard Bint
For and on behalf of PKF (UK) LLP
London, UK
September 2012

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
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<i>Movements in 2010/11</i>										
<i>Balance as at 31 March 2010</i>	8,300	5,574	6,089	4,381	21,091	5,730	331	51,496	599,734	651,230
<i>Surplus/(Deficit) on Provision of Services</i>	(871)		(80,257)					(81,128)	-	(81,128)
<i>Other Comprehensive Income and Expenditure</i>							(21)	(21)	(11,368)	(11,389)
<i>Total Comprehensive Income and Expenditure</i>	(871)	-	(80,257)	-	-	-	(21)	(81,149)	(11,368)	(92,517)
<i>Adjustment between accounting and funding bases under regulations</i>	6 (107)	-	79,806	-	(2,397)	810	(124)	77,988	(78,005)	(17)
<i>Net Increase/(Decrease) before transfer to Earmarked Reserves</i>	(978)	-	(451)	-	(2,397)	810	(145)	(3,161)	(89,373)	(92,534)
<i>Transfers to Earmarked Reserves</i>	1,248	(1,250)	248	(248)				(2)	-	(2)
<i>Increase/(Decrease) in Year</i>	270	(1,250)	(203)	(248)	(2,397)	810	(145)	(3,163)	(89,373)	(92,536)
<i>Balance as at 31 March 2011</i>	8,570	4,324	5,886	4,133	18,694	6,540	186	48,333	510,361	558,694
<i>Movements in 2011/12</i>										
<i>Balance as at 31 March 2011</i>	8,570	4,324	5,886	4,133	18,694	6,540	186	48,333	510,361	558,694
<i>Surplus/(Deficit) on Provision of Services</i>	(263)		(187,573)					(187,836)	-	(187,836)
<i>Other Comprehensive Income and Expenditure</i>								-	(19,214)	(19,214)
<i>Total Comprehensive Income and Expenditure</i>	(263)	-	(187,573)	-	-	-	-	(187,836)	(19,214)	(207,050)
<i>Adjustment between accounting and funding bases under regulations</i>	6 1,208	-	186,624	-	(2,852)	1,701	4	186,685	(186,696)	(11)
<i>Net Increase/(Decrease) before transfer to Earmarked Reserves</i>	945	-	(949)	-	(2,852)	1,701	4	(1,151)	(205,910)	(207,061)
<i>Transfers to Earmarked Reserves</i>	(314)	314	(444)	444	-	-	-	-	-	-
<i>Increase/(Decrease) in Year</i>	631	314	(1,393)	444	(2,852)	1,701	4	(1,151)	(205,910)	(207,061)
<i>Balance as at 31 March 2012</i>	9,201	4,638	4,493	4,577	15,842	8,241	190	47,182	304,451	351,633

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31 March 2012

	Note	Gross Expend £000	2011/12 Income £000	Net Expend £000	2010/11 Net Expend £000
CONTINUING OPERATIONS					
Central Services to the Public		12,442	10,247	2,195	2,606
Corporate and Democratic Core		2,503	-	2,503	2,728
Cultural & Related Services		4,430	677	3,753	5,634
Environmental & Regulatory Services		10,758	2,863	7,895	8,363
Highways and Transport Services		1,833	1,848	(15)	371
Concessionary Fares		26	57	(31)	632
Local Authority Housing		38,349	36,704	1,645	1,505
Planning Services		3,758	1,083	2,675	2,969
Housing Revenue Account		33,735	31,513	2,222	5,649
EXCEPTIONAL ITEMS					
General Fund					
Past Service Gain - Central Services	37			-	(5,345)
Vat Refund - Environmental and Regulatory Services	11	68	321	(253)	-
Vat Refund - Cultural and Related Services	11			-	(714)
Housing Revenue Account					
HRA Self Financing	11	185,456	-	185,456	
Past Service Gain	37			-	(2,506)
Change in Discount Factor	11			-	77,443
NET COST OF SERVICES		293,358	85,313	208,045	99,335
OTHER OPERATING EXPENDITURE	8			3,232	3,367
FINANCING AND INVESTMENT INCOME AND EXPENDITURE	9			(4,265)	(922)
TAXATION AND NON-SPECIFIC GRANT INCOME	10			(19,176)	(20,652)
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES				187,836	81,128
(Surplus)/Deficit on Revaluation of Property Plant and Equipment	22			(29)	15,079
Actuarial (gains)/losses on Pension Assets/Liabilities	37			19,222	(3,711)
Other (Gains)/Losses				21	21
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE				207,050	92,517

Notes to the core Financial Statements

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.

	2011/12 £000					Movement in Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
Adjustments involving the Capital Adjustment Account: <i>Exclusions;</i>						
Charges for depreciation and impairment of non-current assets	(2,179)	(5,092)		(1,701)		8,972
Downward revaluation of non-current assets	(21)	1,298				(1,277)
Movements in the market value of Investment Properties	1,975					(1,975)
Amortisation of intangible assets	(235)	(11)				246
Capital Grants and contributions applied	826	210				(1,036)
Revenue expenditure funded from Capital under statute	(889)	(185)			(4)	1,078
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	(49)	(422)				471
Capital expenditure charged against the General Fund and HRA balances	56	2,050				(2,106)
Application of HRA self financing loan transferred to the Capital Adjustment Account		(185,456)				185,456
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES	52	1,000	(1,052)			-
Used to finance new capital expenditure			3,206			(3,206)
Contribution towards administrative costs of non-current asset disposals		(33)	33			-
Contribution to finance the payments to the Government capital receipts pool	(673)		673			-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.		61	(8)			(53)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited\credited to the CIES (see Note 37)	(54)	(25)				79
Adjustments involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the CIES is different from that calculated in accordance with statutory requirements.	(13)					13
Adjustments involving the Accumulated Absences Account	(4)	(19)				23
TOTAL ADJUSTMENTS	(1,208)	(186,624)	2,852	(1,701)	(4)	186,685

Notes to the core Financial Statements

	2010/11 £000					
	Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
<i>Adjustments involving the Capital Adjustment Account:</i>						
<i>Exclusions:</i>						
<i>Charges for depreciation and impairment of non-current assets</i>	(2,023)	(8,059)		(810)		10,892
<i>Downward revaluation of non-current assets</i>	(2,230)	(77,443)				79,673
<i>Movements in the market value of Investment Properties</i>	643	921				(1,564)
<i>Amortisation of intangible assets</i>	(165)					165
<i>Capital Grants and contributions applied</i>	581	276				(857)
<i>Revenue expenditure funded from Capital under statute</i>	(921)	(174)				1,095
<i>Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES</i>	(10)	(555)				565
<i>Capital expenditure charged against the General Fund and HRA</i>	47	2,163				(2,210)
<i>Application of grants to capital financing transferred to the Capital Adjustment Account</i>					124	(124)
<i>Adjustments involving the Capital Receipts Reserve:</i>						
<i>Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES</i>	15	1,044	(1,059)			-
<i>Used to finance new capital expenditure</i>			2,680			(2,680)
<i>Contribution towards administrative costs of non-current asset disposals</i>		(49)	49			-
<i>Contribution to finance the payments to the Government capital receipts pool</i>	(744)		744			-
<i>Transfer from Deferred Capital Receipts Reserve upon receipt of cash.</i>			(17)			17
<i>Amounts involving the Financial Instruments Adjustment Account:</i>	466					(466)
<i>Adjustments involving the Pensions Reserve:</i>	4,397	2,061				(6,458)
<i>Reversal of items relating to retirement benefits debited\credited to the CIES (see Note 37)</i>						
<i>Adjustments involving the Collection Fund Adjustment Account Amount by which council tax income credited to the CIES is different from that calculated in accordance with statutory</i>	(21)					21
<i>Adjustments involving the Accumulated Absences Account Amount by which officer remuneration charged to CIES on an accruals basis is different from that required in accordance with statutory requirements</i>	38	9				(47)
TOTAL ADJUSTMENTS	73	(79,806)	2,397	(810)	124	78,022

Notes to the Core Financial Statements

	OPERATIONAL ASSETS							Total
	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	WIP Assets	
	£000	£000	£000	£000	£000	£000	£000	
Carried at historical cost	4,882	1,586	17,154	17,746	2,822		669	44,859
Valued at fair value as at:								
31 March 2012	449,581	1,474				216		451,271
31 March 2011		31,913						31,913
31 March 2010		7,850						7,850
31 March 2009						540		540
Total Cost or Valuation	454,463	42,823	17,154	17,746	2,822	756	669	536,433

13. HERITAGE ASSETS

	Waltham Abbey Bible £000	Other Artefacts £000	Civic Chains £000	Epping Fountain £000	Total £000
Gross Book Value 31 March 2011	262	147	110	26	545
Depreciation 31 March 2011	-	-	-	(2)	(2)
Depreciation in Year	-	-	-	(1)	(1)
Depreciation 31 March 2012	-	-	-	(3)	(3)
Net Book Value 31 March 2012	262	147	110	23	542

	Waltham Abbey Bible £000	Other Artefacts £000	Civic Chains £000	Epping Fountain £000	Total £000
Gross Book Value 31 March 2010	262	147	110	26	545
Depreciation 31 March 2010	-	-	-	(1)	(1)
Depreciation in Year	-	-	-	(1)	(1)
Depreciation 31 March 2011	-	-	-	(2)	(2)
Net Book Value 31 March 2011	262	147	110	24	543

Notes to the Core Financial Statements

17. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long term		Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000 <i>Restated</i>
Financial liabilities at amortised cost				
Borrowing	185,456	-	61	-
Trade Creditors	-	-	4,056	6,790
Total financial liabilities	185,456	-	4,117	6,790
Loans and receivables at amortised costs				
Investments	140	320	32,500	43,707
Debtors	1,801	1,800	5,301	5,038
Cash			3,808	728
	1,941	2,120	41,609	49,473
Available for Sale	-	-	10,009	4,002
Total financial assets	1,941	2,120	51,618	53,475

On the 28 March 2012 the Council took on new debt of £185.456m from the Public Works Loan Board (PWLB) to pay the Department of Communities and Local Government on the cessation of the HRA Subsidy System. The short term borrowing cost of £61,000 relate to the interest accrued on the PWLB loan for 2011/12.

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 £10m 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:	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
Interest expense	(61)	-	-	-
Impairment (losses) / gains	-	-	61	(466)
Interest payable and similar charges	(61)	-	61	(466)
Interest income		-	693	653
Interest and investment income	-	-	693	653
Net gain/(loss) for the year	(61)	-	754	187

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

INCOME	Note	2011/12 £000	2010/11 £000
Council Tax	1	81,590	81,413
Non Domestic Rates	2	31,119	27,650
TOTAL INCOME		112,709	109,063
EXPENDITURE			
Precepts and Demands:			
Essex County Council		59,347	59,087
Essex Police		7,215	7,183
Essex Fire Authority		3,627	3,611
Epping Forest District Council		11,231	11,158
Distribution of Estimated Collection Fund Surplus/(Deficit).			
	3		
Essex County Council		(8)	(81)
Essex Police		(1)	(10)
Essex Fire Authority		(1)	(5)
Epping Forest District Council		(2)	(15)
Non Domestic Rate			
Payment to National Pool		30,946	27,478
Cost of Collection Allowance		173	172
Provision for Non Payment of Council Tax		45	194
Council Tax Write Offs		242	445
TOTAL EXPENDITURE		112,814	109,217
DEFICIT / (SURPLUS) FOR YEAR		105	154
BALANCE BROUGHT FORWARD		615	461
BALANCE CARRIED FORWARD		720	615

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: 54,608 for 2011/12, 54,370 for 2010/11). The basic amount of Council Tax for a Band D property (£1,434.06 for 2011/12, £1,434.06 for 2010/11) 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	5/9	1
Band A	1,680	1,315	6/9	877
Band B	4,782	3,864	7/9	3,005
Band C	11,172	9,709	8/9	8,630
Band D	13,624	12,366	1	12,366
Band E	9,205	8,446	11/9	10,322
Band F	6,573	6,122	13/9	8,842
Band G	5,800	5,432	15/9	9,053
Band H	1,102	1,032	18/9	2,065
Total Band D				55,161
Less Adjustment for Collection Rate				552
Council Tax Base				54,608

The income of £81,589,884 for 2011/12 (£81,412,787 for 2010/11) is receivable from the following sources.

	2011/12 £000	2010/11 £000
Billed to Council tax payers	72,558	72,116
Council Tax Benefits	9,032	9,297
	81,590	81,413