



***STATEMENT OF ACCOUNTS
2012-13***



Epping Forest District Council

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STATUTORY STATEMENT OF ACCOUNTS 2012/13

CONTENTS

		Page
Introduction & Explanatory Foreword	by the Director of Finance & ICT	i
The Statement of Responsibilities	which explains the various responsibilities of the Council and the Chief Finance Officer for the Statement of Accounts	1
The Auditors Report	which sets out the Auditors opinion on the statement of Accounts	2
Movement In Reserves Statement	which is a summary of the increase/decrease in the net worth and resources available to the Council	4
Comprehensive Income and Expenditure Statement (CIES)	which brings together income and expenditure relating to all of the Council's activities	5
Balance Sheet	which sets out the financial position of the Council as at 31 March 2013	6
The Cash Flow Statement	which summarises the movements in assets, liabilities and capital which have taken place during the period and the resultant effect on net liquid funds	7
The Notes to the Core Financial Statements	Detailed notes to all the previous statements	8
The Housing Revenue Account Income and Expenditure Statement	which shows income and expenditure on the provision of council housing	56
The Movement on Housing Revenue Account Statement	which shows the differences between the income and expenditure and the movement on the Housing Revenue Account balance	57
The Notes to Housing Revenue Income and Expenditure Statements	Detailed notes to the Housing Revenue Account statements	58
The Collection Fund	which shows the income and expenditure transactions of the Council as a billing authority in relation to the collection and distribution of the council tax and non domestic rates	63
Annual Governance Statement	which outlines the contents of the Local Code of Corporate Governance and the systems of internal control operating within the Council	66
Members Allowances		69
Glossary of Terms		70
Glossary of Pension Related Terms		77

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

This is the third set of annual accounts to be prepared under the requirements of International Financial Reporting Standards (IFRS) and hopefully stakeholders are now familiar with this format. The accounts are a complex document and readers have not been helped by the previous changes to content and presentation. Thankfully there have been no significant changes for this year and it is hoped that we may now see a reduction in the significance and number of 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) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC) 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. In recent years the Accounting Standards Board (ASB) has insisted that the Code moves closer to Generally Accepted Accounting Principles (GAAP), so that public sector financial statements more closely resemble those prepared in the private sector and hence the switch to IFRS.

- Comprehensive Income and Expenditure Statement - this brings together all gains and losses during the year to report them in one statement. This 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 accounting standards. 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.

2012/13 did not see a significant improvement in the Eurozone economies. Larger economies such as France and Spain are still in recession and struggling with high unemployment, particularly amongst the young. The smaller economies have fared no better, with the Greek privatisation programme suffering from a lack of buyers and a bail in instead of a bail out for Cyprus. Concerns around a sovereign default and the long term viability of the Euro persisted through the year, with a particular focus now on Portugal. Domestically, economic growth has remained weak but it now appears that a "double dip" recession was narrowly avoided. Policy makers across Europe are still walking the tightrope of reducing public expenditure whilst providing some stimulus for growth.

The coalition Government has undertaken a Local Government Resource Review which will fundamentally change the way local authorities are financed from 2013/14. As an incentive to promote economic growth authorities will be able to retain a share of any growth in income from non-domestic rates. As this takes effect from 2013/14 it is discussed more in the later section which covers future prospects.

Local Government has taken its share of cuts to support the deficit reduction programme. The amount received by the Council in formula grant has reduced from £8.71 million in 2010/11 to £6.66 million for 2012/13. This is a reduction of £2.05 million or 23.6% of the 2010/11 amount. However, housing growth in the district has meant this Council has benefited from the introduction of the New Homes Bonus (NHB) in 2011/12. The inclusion in the 2012/13 estimates of £715,000 NHB meant the net funding reduction from 2010/11 was £1.30 million instead of £2.00 million, although this still represents a cut of 15.3%.

In addition to the reductions set out above, formula grant has been reduced by £606,000 to £6.05 million for 2013/14 and is expected to reduce by £925,000 to £5.13 million for 2014/15. These figures represent year on year reductions of 9.1% for 2013/14 and 15.3% for 2014/15. The Medium Term Financial Strategy (MTFS) has been adjusted and levels of net savings required were set for 2013/14 and 2014/15, although these figures will need to be re-visited as the lack of a robust recovery in the economy means further cuts are likely.

A number of the Council's significant income streams are property related and these have continued to provide lower returns than has historically been the case, although the CSB has 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. Income in 2012/13 fell to £386,000 from £505,000 in 2011/12, this could not be fully offset by cost reductions and the account has returned a £73,000 deficit for the year. A reduction was also seen in Local Land Charges where income was down from £196,000 in 2011/12 to £186,000. However, a more positive picture was seen in Development Control where income was up to £561,000 from £524,000 in 2011/12. Previously the MOT service provided by Fleet Operations had performed strongly, although 2012/13 saw reduced income here with a fall from the 2011/12 figure of £289,000 to £248,000 for the year.

The Continuing Services Budget (CSB) position was made worse by a reduction in income from the market at North Weald (2012/13 £53,000 and 2013/14 £174,000) and reductions in administration subsidy from the Department for Work and Pensions for providing the housing benefits service (2012/13 £41,000 and 2013/14 £104,000). Savings for the 2013/14 budget were delivered through the deletion of vacant posts and increases in rental income. It was also the best year so far for NHB and an additional £550,000 of income was included for this in the 2013/14 estimates.

In 2012/13 the Council's Balance Sheet value has increased by £6.20 million to £357.90 million. This increase has been driven by a revaluation of Council Dwellings and Garages which totalled £19.70 million. The increase was partially offset by depreciation and so the overall increase in Property, Plant and Equipment was £15.80 million.

The growth in the Council's Balance Sheet was limited by an increase in Long Term Liabilities, particularly in respect of the pension fund. This has increased significantly in the year from £65.63 million to £75.36 million. The assets of the scheme have increased in value by £9.86 million but the major change is on the liabilities which have increased by £19.59 million. A change in the discount rate for future cash flows produced an increase in liabilities of more than 10% for scheme members and this is by far the biggest reason for the overall increase 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 2013. 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 £29,000 has been eliminated and a surplus of £469,000 was achieved. The Housing Revenue Account has a deficit of £1.12 million, slightly worse than the revised estimate of a deficit of £938,000. 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 2012/13

General Fund

The table below summarises the revenue outturn for the General Fund and the consequential movement in balances for 2012/13.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Net Expenditure after Adjustments	14,735	14,777	14,279	(456)	(498)
Government Grants and Local Taxation	14,748	14,748	14,748	-	-
(Contribution to)/from Balances	(13)	29	(469)	(456)	(498)
Opening Balances - 31/03/2012	(9,201)	(9,201)	(9,201)	-	-
(Contribution to)/from Balances	(13)	29	(469)	(456)	(498)
Closing Balances - 31/3/13	(9,214)	(9,172)	(9,670)	(456)	(498)

Net expenditure for 2012/13 totaled £14.28 million, which was £456,000 (3.1%) below the original estimate and £498,000 (3.4%) below the revised. When compared to a gross expenditure budget of approximately £83 million, the variances can be restated as 0.5% and less than 0.6% respectively.

An analysis of the changes between Continuing Services Budget (ongoing expenditure (CSB)) and District Development Fund (One-off Expenditure (DDF)) expenditure illustrates where the main variances in revenue expenditure have

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening CSB	15,968	16,180	15,708	(260)	(472)
In Year Growth	233	365	490	257	125
In Year Savings	(1,466)	(1,768)	(1,919)	(453)	(151)
Total Continuing Services Budget	14,735	14,777	14,279	(456)	(498)
DDF - Expenditure	1,924	2,610	1,649	(275)	(961)
DDF - One Off Savings	(807)	(2,140)	(1,773)	(966)	367
Total DDF	1,117	470	(124)	(1,241)	(594)
Appropriations	(1,117)	(470)	124	1,241	594
Net Expenditure	14,735	14,777	14,279	(456)	(498)

Continuing Services Budget

CSB expenditure was £456,000 below the original estimate and £498,000 lower than the revised. The variances have arisen on both the opening CSB, £472,000 lower than the revised estimate and the in year figures, £26,000 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 £19.09 million compared against an original estimate of £19.53 million. The saving of £434,000 was primarily spread over three directorates Housing, Environment and Street Scene, and Finance and ICT. The largest monetary saving related to Housing so broadly half of the overall saving fell on the Housing Revenue Account (HRA) or Housing Repairs Fund rather than the General Fund. The saving as a percentage of the original estimate reduced from 4.8% in 2011/12 to 2.2% in 2012/13.

There were a number of other underspent CSB budgets, with the largest underspend of £195,000 being on Housing Benefits. This was partly due to adjustments relating to previous years and the identification of a higher level of overpayments than in previous years. Overpayments are recoverable from the recipients and are therefore shown as income and reduce overall net expenditure. There were also significant savings on admin and support budgets (£96,000), building maintenance (£58,000) and corporate improvement and training (£34,000).

The original in year CSB net saving figure of £1,233,000 increased at revised estimate to a net saving of £1,403,000. The main reasons related to the savings on the waste management contract and the inclusion of the New Homes Bonus. This was offset to a degree by the decision to build the whole of the pension deficit payments into the CSB. Given that the capitalisation direction applied for in respect of 2011/12 was refused this was considered an appropriate and prudent step to take. The actual net savings were very close to the revised figure at £1,429,000, an overall variance of only £26,000.

District Development Fund

Net DDF expenditure was £1,241,000 below the original estimate and £594,000 below the revised estimate. There are requests for carry forwards totaling £836,000 and therefore the variation actually equates to a £242,000 net overspend 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 apparent overspend has arisen due to the re-imburement of amounts relating to the Heritable Bank deposits being incorrectly included in the revised estimates. These amounts reduce the outstanding amount due on the Balance Sheet and should not have been shown as revenue income to the DDF. To correct this error nothing is shown as having been received in the DDF and this creates the apparent overspend. The amount of £234,000 shown in the revised estimates as being due was received during the year and this increased the percentage recovered to 77.2%. The Administrator is still predicting an overall return of 88%.

The net DDF spend reduced between the Original and Revised position by £647,000, this was due to a mixture of items brought forward from 2011/12 and new items identified during 2012/13. The largest item introduced into the revised estimates was additional net income of £237,000 for interest on a compensation payment arising from construction of the M25 on Council owned land. Funds allocated to the Local Plan were partially rephased into 2013/14.

The rephasing of the Local Plan budget was overly optimistic as £292,000 remained unspent and has been carried forward to 2013/14. There were a number of other projects still in progress in Planning and Economic Development and the total DDF carry forward for this directorate is £356,000. The directorate with the second highest carry forward is Corporate Support Services, with a total of £187,000. The two main carry forwards from this area relate to Land Charges (£93,000) and Building Maintenance (£76,000). Significant carry forwards were also seen in the Office of the Chief Executive (£107,000) and the Office of the Deputy Chief Executive (£82,000).

The effect of this is that there is a balance of £3.58 million on the DDF as at 31 March 2013 whereas it was expected that the balance would be £2.987 million. The carry forward provision of £836,000 has been added to the programme for 2013/14 meaning that at the end of that year there is £242,000 less available to spend. The MTFs set in February 2013 had anticipated that the unallocated DDF balance would still be £1.51 million at the end 2016/17 and this has reduced to £1.27 million.

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	13,956	13,379	13,299	(657)	(80)
Depreciation	12,921	12,005	12,652	(269)	647
Total Expenditure	26,877	25,384	25,951	(926)	567
Gross Dwelling Rents	29,148	29,251	29,226	(78)	25
Other Rents and Charges	2,833	2,829	2,710	123	119
Total Income	31,981	32,080	31,936	45	144
Net Cost of Service	(5,104)	(6,696)	(5,985)	(881)	711
Interest and Other Transfers	(568)	(510)	(508)	60	2
Interest Payable	6,312	5,547	5,517	(795)	(30)
Transfer from Major Repairs Reserve	(5,989)	(5,073)	(5,720)	269	(647)
Net Operating Income	(5,349)	(6,732)	(6,696)	(1,347)	36
Appropriations					
Capital Expenditure					
Charged to Revenue	5,200	4,200	4,200	(1,000)	-
Transfer to Self Financing Reserve	-	3,180	3,180	3,180	-
Transfer to Service Enhancement Fund	-	-	170	170	170
Other	448	290	264	(184)	(26)
Deficit for Year	299	938	1,118	819	180
Opening Balance 31/3/13	(4,493)	(4,493)	(4,493)	-	-
Deficit for year	299	938	1,118	819	180
Closing Balance - 31/3/13	(4,194)	(3,555)	(3,375)	819	180

A deficit within the HRA of £299,000 and £938,000 was expected within its original and probable outturn revenue budgets respectively; the actual outturn was a higher deficit of £1,118,000. There were a number of areas underspent, including tenancy management, computer system costs and dispersed alarms. The savings were offset by a reduction in income from other rents and charges. This was caused by lower than expected income from garages and service charges for heating.

Capital Expenditure Charged to Revenue was reduced by £1m in the revised estimate to enable a transfer to be made to a new Self Financing Reserve without creating too larger deficit on the HRA. The reserve was created by a Council resolution when the 2013/14 budget was set with the purpose of setting aside resources (£3.18m per annum for 10 years) to repay the variable rate debt when it falls due in March 2022. The aforementioned £1m reduction was offset by an increased charge to the Major Repairs Reserve. The Balance on this Reserve at 31 March 2013 was nearly £10m.

The revenue balance on the HRA of £3.38 million is in line with the target balance of between £3 million and £4 million agreed by Cabinet when previously considering the HRA five-year forecast.

Capital Outturn

The table below summarises the capital expenditure outturn and its financing for 2012/13.

Capital Expenditure and Financing	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Non-Housing	2,840	2,647	2,477	(363)	(170)
Housing	15,624	10,440	10,612	(5,012)	172
Total Expenditure	18,464	13,087	13,089	(5,375)	2
Grants	728	758	783	55	25
Capital Receipts	4,910	2,881	2,660	(2,250)	(221)
Revenue Contributions	12,826	9,448	9,646	(3,180)	198
Total Financing	18,464	13,087	13,089	(5,375)	2

The table identifies a net overspend against the revised estimate of £2,000, this includes some schemes showing genuine savings. However, there are several schemes where expenditure was ahead of schedule and these overspends in 2012/13 have been financed by bringing forward £411,000 of funding from 2013/14.

As always with the capital programme, there has been some slippage and £698,000 of funding has been carried forward to 2013/14. The two largest areas of slippage on non-housing items were the planned maintenance programme (£88,000) and Waltham Abbey Regeneration Schemes (£35,000). Whilst there is a £170,000 underspend on the non-housing programme the net carry forward is £179,000, this is due to a net overspend of £9,000 on the projects undertaken. On the housing programme the greatest slippage was on open market shared ownership schemes (£175,000) and service enhancements (£154,000). There was a overspend of £172,000 on the Housing programme however there is a net carry forward of £108,000 leaving an overspend of £280,000 on projects undertaken.

After four years of Council house sales being in single digits the enhanced Right to Buy discounts saw sales increase to 13. However, this was below the revised estimate as 15 sales had been anticipated. There were no significant land sales in 2012/13 although a compensation payment relating to use of Council land for the M25 meant General Fund receipts were £159,000 higher than estimated. The Council continues to have substantial capital resources available to it and, given the level of these, the Council does not need to borrow to finance the current capital programme over the medium term. The movements in capital resources are set out in the tables below:

	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Usable Capital Receipt Balances					
Opening Balance - 01/04/13	14,612	15,841	15,841	1,229	-
Usable Receipts Arising	174	754	717	543	(37)
Use of Other Capital Receipts	(4,910)	(2,881)	(2,660)	2,250	221
Closing Balance - 31/3/13	9,876	13,714	13,898	4,022	184

	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Major Repairs Reserve					
Opening Balance - 01/04/13	6,612	8,241	8,241	1,629	-
Major Repairs Allowance	6,932	6,932	6,932	-	-
Use of MRR	(7,613)	(5,218)	(5,418)	2,195	(200)
Closing Balance - 31/3/13	5,931	9,955	9,755	3,824	(200)

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. Last year I highlighted work on Council Offices and the virtualisation of computer servers but it is also worth mentioning the work being undertaken on the housing stock. The first initiative involves new builds, here a trial scheme has been undertaken to construct houses from straw bales, which provide excellent insulation and greatly reduce heating requirements. The second initiative is on the existing stock where hard to heat solid walled properties are having their external walls insulated. The combined effect of these, and other, initiatives should be to substantially reduce power consumption.

THE FUTURE

Before looking ahead it is worth a quick look at where we are now and back at 2012/13 and some of the events that have occurred as these have provided further shocks that continue to limit the economic recovery across the globe. The Arab world has seen ongoing conflicts and instability, with Syria now in a state of civil war and Egypt suffering a military coup. Closer to home some of our Euro zone neighbours continue to struggle with deficit reduction measures and eye watering levels of unemployment. Worryingly for investors the Cyprus rescue package saw bail ins replacing bail outs. This change has also been seen in the domestic banking arena where the Co-operative Bank was kept afloat with a bail in. There is still concern about the adequacy of many banks' balance sheets and several have recently been required by the regulator to strengthen their capital positions. Central banks have propped up economies with quantitative easing and even the mention of this being stopped at some future point in America caused stock markets to dive across the world. This volatility in stock markets illustrates how weak confidence remains and how fragile any recovery is. This uncomfortable new world where resources are scarcer is one that we have to adjust to as it is likely to be with us for some time yet.

The coalition Government continue full steam ahead on their austerity track. The period from 2011/12 to 2014/15 will see a reduction in our Formula Grant from £7.59 million to £5.13 million, a cut of almost one third. The Spending Review tells us that this trend is likely to continue, starting with a further 10% cut in 2015/16. The system of local authority funding saw many changes introduced at the start of 2013/14 and it will take some time before a clear picture emerges of the effects of each one.

Reductions in grant support have been partly off-set by the introduction of the New Homes Bonus (NHB), the first three years of which now provide an annual income of £1.29 million. As the scheme will cover six years when it is fully operational it will prove to be a major source of income. However, 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. This redistributive effect has led many authorities to complain about NHB and a study on the implementation of the scheme by the National Audit Office was also very critical. However, the Spending Review made no mention of changing the scheme so it seems NHB is here to stay and that is helpful to this Council.

The theme of funding being used to incentivise development is also evident in the local retention of non-domestic rates, where those authorities able to grow their rating lists will be rewarded and those suffering reductions will lose funding. The ability to retain growth can be enhanced by pooling and this option will be actively explored for 2014/15. This creates opportunity but also considerable uncertainty on the various sources of income from the Government over the medium term. This is a challenge in constructing the Medium Term Financial Strategy which needs to be prudent but realistic.

As the Council's position on non-domestic rates broadly matches the DCLG modelling there has been neither a windfall gain nor an unexpected deficit. However, the first two months of 2013/14 have seen a reduction in the gross rating list as businesses have relocated to a nearby Enterprise Zone. Economic development is now a very competitive game and if this Council does not punch its weight it will lose out to more aggressive neighbours.

The localisation of Council Tax Benefit transferred the risk of changes in demand from Central Government to Local Government from 2013/14. Local authorities have been given only 90% of previous spending and had to devise local schemes to allocate the reduced amounts, whilst protecting pensioners. So far, the difficulties flowing from the scheme have not been as great as had been anticipated. The majority of those receiving either bills for the first time or significantly increased bills have engaged with the Council and are attempting to deal with their liability. This indicates that 20% of the full charge is in the correct area for people in these circumstances to be able to deal with. There is a danger going forward that financial pressures, arising from grant reductions, will cause the percentage charged to increase. However, this could prove to be a false economy if fewer people then pay the charge. It is important to remember that many of these people will be having this additional bill to pay at the same time as their benefits will be reducing.

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 £9.7 million to £3.4 million by the end of 2016/17.

The single largest change in 2011/12 was the reform of the Housing Subsidy System. Under the new system of self financing the Council made a payment in late 2011/12 of £185 million to avoid the ongoing annual payments of £11.4 million. The additional funds that are now available within the Housing Revenue Account have meant that a new modern homes standard has been introduced to improve on the previous decent homes standard. The Council is working on a programme to build new Council houses and has appointed a development partner to take forward the detailed design of schemes. Work on site should commence for the first development in 2014/15.

The four-year programme of non-housing capital investment totals £4.5 million, inclusive of amounts carried forward from 2012/13. Environment and Street Scene and Corporate Support Services have the largest programmes, with some £3.7 million being spent. Within Environment and Street Scene £0.4 million is available for parking schemes and a similar amount for waste management vehicles and equipment. The main items under Corporate Support Services are £1.5 million for works on the Civic Offices and £313,000 for upgrades to industrial units. As it is still unclear which of the many development opportunities will be taken forward and on what timescale no provision has been included at this time.

The Council's financial strength has meant its response to the austerity programme has been more measured than many other authorities who have already cut jobs and services. The service restructure that is being worked on will be in place for 2014/15 and provides an opportunity to enhance efficiency and effectiveness whilst realising savings. Reductions in grant support have been greater than anticipated and financial pressures will arise from continuing high inflation and in areas such as benefits. The MTFs is regularly revisited and updated and the net savings targets will need to be increased, to achieve these savings over the medium term the Council will have to consider reductions in the level at which many services are provided and whether some continue to be provided at all.

The Council's accounts were completed and approved for issue on 4 July 2013.

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 MARY SARTIN
CHAIRMAN OF THE COUNCIL**

THE DIRECTOR OF FINANCE AND ICT'S RESPONSIBILITIES

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

In preparing this Statement of Accounts, the Director of Finance and ICT has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgments and estimates that were reasonable and prudent;
- Complied with the Local Authority Code.

The Director of Finance and ICT has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the accounts set out on pages 4 to 63 give a true and fair view of the financial position of the Council as at 31 March 2013 and the income and expenditure for the year then ended.

**ROBERT PALMER BA ACA
DIRECTOR OF FINANCE & ICT**

September 26, 2013

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

Opinion on the Council's financial statements

We have audited the financial statements of Epping Forest District Council for the year ended 31 March 2013 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 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 2012/13.

This report is made solely to the members of Epping Forest District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 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 auditors

As explained more fully in the Statement of the Director of Finance and ICT's 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 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 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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 have nothing to report in respect of the following other matters which the Code of Audit Practice for local government bodies (March 2010) requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement meets the disclosure requirements set out in the guidance 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 or is misleading or inconsistent with other information that is forthcoming from the audit;
- 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.

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

Conclusion on 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 November 2012, 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 2013.

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 November 2012, 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 2013.

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.

David Eagles, Partner
For and on behalf of BDO LLP, Appointed Auditor

[Ipswich, UK]

Xx September 2013

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
Movements in 2011/12										
Balance as at 31 March 2011	8,570	4,324	5,886	4,133	18,694	6,540	186	48,333	510,361	558,694
Surplus/(Deficit) on Provision of Services	(263)		(187,573)					(187,836)	-	(187,836)
Other Comprehensive Income and Expenditure								-	(19,214)	(19,214)
Total Comprehensive Income and Expenditure	(263)	-	(187,573)	-	-	-	-	(187,836)	(19,214)	(207,050)
Adjustment between accounting and funding bases under regulations	6	1,208	-	186,624	-	(2,852)	1,701	4	186,685	(186,696)
Net Increase/(Decrease) before transfer to Earmarked Reserves	945	-	(949)	-	(2,852)	1,701	4	(1,151)	(205,910)	(207,061)
Transfers to Earmarked Reserves	(314)	314	(444)	444					-	-
Increase/(Decrease) in Year	631	314	(1,393)	444	(2,852)	1,701	4	(1,151)	(205,910)	(207,061)
Balance as at 31 March 2012	9,201	4,638	4,493	4,577	15,842	8,241	190	47,182	304,451	351,633
Movements in 2012/13										
Balance as at 31 March 2012	9,201	4,638	4,493	4,577	15,842	8,241	190	47,182	304,451	351,633
Surplus/(Deficit) on Provision of Services	(5,356)		19,518					14,162	-	14,162
Other Comprehensive Income and Expenditure								-	(7,943)	(7,943)
Total Comprehensive Income and Expenditure	(5,356)	-	19,518	-	-	-	-	14,162	(7,943)	6,219
Adjustment between accounting and funding bases under regulations	6	5,870	-	(17,710)	-	(1,942)	1,514	32	(12,236)	12,236
Net Increase/(Decrease) before transfer to Earmarked Reserves	514	-	1,808	-	(1,942)	1,514	32	1,926	4,293	6,219
Transfers to Earmarked Reserves	(45)	45	(2,926)	2,926					-	-
Increase/(Decrease) in Year	469	45	(1,118)	2,926	(1,942)	1,514	32	1,926	4,293	6,219
Balance as at 31 March 2013	9,670	4,683	3,375	7,503	13,900	9,755	222	49,108	308,744	357,852

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31 March 2013

	Note	Gross Expend £000	2012/13 Income £000	Net Expend £000	2011/12 Net Expend £000
CONTINUING OPERATIONS					
Central Services to the Public		12,879	9,995	2,884	2,195
Corporate and Democratic Core		2,557	-	2,557	2,503
Cultural & Related Services		4,544	468	4,076	3,753
Environmental & Regulatory Services		10,404	2,970	7,434	7,895
Highways and Transport Services		1,509	1,415	94	(15)
Concessionary Fares		15	33	(18)	(31)
Local Authority Housing		39,962	38,844	1,118	1,645
Planning Services		4,310	987	3,323	2,675
Housing Revenue Account		25,590	51,038	(25,448)	2,222
EXCEPTIONAL ITEMS					
General Fund					
Vat Refund - Environmental and Regulatory Services	11	-	-	-	(253)
Interest on Compulsory Purchase Compensation	11		237	(237)	-
Housing Revenue Account					
HRA Self Financing	11	-	-	-	185,456
NET COST OF SERVICES		101,770	105,987	(4,217)	208,045
OTHER OPERATING EXPENDITURE	8			3,320	3,232
FINANCING AND INVESTMENT INCOME AND EXPENDITURE	9			5,761	(4,265)
TAXATION AND NON-SPECIFIC GRANT INCOME	10			(19,026)	(19,176)
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES				(14,162)	187,836
(Surplus) on Revaluation of Property Plant and Equipment	12			(298)	(29)
Actuarial (gains)/losses on Pension Assets/Liabilities	39			8,676	19,222
Other (Gains)/Losses				(435)	21
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE				(6,219)	207,050

BALANCE SHEET

	Note	31 March 2013		31 March 2012	
		£000	£000	£000	£000
LONG TERM ASSETS					
Property, Plant & Equipment	12		528,641		512,881
Heritage Assets	13		542		542
Investment Properties	14		39,242		41,541
Intangible Assets	15		616		819
Long Term Investments	18		10,074		140
Long Term Debtors	17		1,977		1,801
TOTAL LONG TERM ASSETS			581,092		557,724
Current Assets					
Assets held for sale	16	515		0	
Inventories	19	213		181	
Debtors and Prepayments	20	5,993		6,682	
Short Term Temporary Investments	18	30,259		32,500	
Cash & Cash Equivalents	21	9,906		13,817	
			46,886		53,180
Current Liabilities					
Creditors	22	(8,131)		(7,246)	
			(8,131)		(7,246)
LONG TERM LIABILITIES					
Long Term Loans	18	(185,456)		(185,456)	
Pensions Liability	39	(75,357)		(65,625)	
Capital Grant Receipts in Advance	35	(1,182)		(944)	
			(261,995)		(252,025)
TOTAL ASSETS LESS LIABILITIES			357,852		351,633
Usable Reserves					
			49,108		47,182
Unusable Reserves					
	23		308,744		304,451
			357,852		351,633

THE CASH FLOW STATEMENT

	Note	2012/13 £000	2011/12 £000
Net Surplus or (Deficit) on Provision of Services		14,162	(187,836)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	660	9,410
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(1,891)	(2,050)
Net cash flows from Operating Activities	24	12,931	(180,476)
Investing Activities	25	(17,791)	4,724
Financing Activities	26	949	184,839
Net Increase or (Decrease) in cash and cash equivalents		(3,911)	9,087
Cash and Cash Equivalents at the beginning of the reporting period		13,817	4,730
Cash and Cash equivalents at the end of the reporting period	21	9,906	13,817

Index of Notes to the Statement of Accounts

	Page
1	9
2	18
3	18
4	2
	18
5	19
6	20
7	22
8	22
9	22
10	23
11	23
12	24
13	26
14	28
15	29
16	29
17	29
18	30
19	31
20	32
21	32
22	33
23	33
24	37
25	38
26	38
27	39
28	42
29	42
30	42
31	43
32	43
33	44
34	45
35	46
36	46
37	47
38	48
39	52
40	53
41	53

1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES & RESTATEMENT OF PRIOR YEAR FIGURES

General Principles

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain 2013. 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.

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 figure 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

This records all transactions in relation to Council Tax and Non Domestic rates. The Council transfers its share of Council Tax income to the General Fund to finance expenditure and the remainder is passed to precepting authorities. Non Domestic Rate income is passed to Central Government after passing a collection allowance to the General Fund.

1.7 PROPERTY PLANT AND EQUIPMENT

All expenditure on the acquisition, creation or enhancement of property plant and equipment (PPE) is capitalised on an accruals basis in the accounts. Expenditure is capitalised, provided that the 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 assets, which is charged directly to service accounts.

Property Plant and Equipment 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 PPE 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 were 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.

The policy was introduced for PPE revalued 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 asset categories; Council dwellings and leisure centres which had a value greater than 20% of the total value of the asset categories were considered significant. As a result of these tests 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.

The useful lives of both dwellings and the components within have been reviewed during 2012/13. The useful life of the buildings has been reassessed at 60 years with the average life of components at 26 years.

An impairment is 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 valuation date has traditionally been 1 April of the year to which the accounts relate, however, given that this date is practically a year earlier than the Balance Sheet date it has been decided to carry out the valuation as at the Balance Sheet date. The valuation included within the 2012/13 accounts is therefore that carried out at 31 March 2013.

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). Community assets are included in the balance sheet at historical cost and Infrastructure assets at depreciated historic cost.

Long term 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	15 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 operating 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 38).

Where an 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 Comprehensive Income and Expenditure Statement. Upon disposal, any valuation gains since 1 April 2007 relating to those assets are written off against the Revaluation Reserve with the remainder being written off against the Capital Adjustment Account. (See Note 23).

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 HERITAGE ASSETS

The 2011/12 Code introduced the concept of heritage assets. The accounting standard (FRS 30) was introduced during 2010/11 but only applicable from 2011/12. A heritage asset is defined as an asset that is maintained principally for the contribution it makes to knowledge and culture. In the case of the Council the museums service hold a number of artefacts that fall within this definition. The Code also states that such assets should be recognised where the authority has information on the cost or value of the assets but where this is not available a note to that effect should be included. The amount is not material to the accounts themselves and therefore not all the disclosures required by the code have been made.

The Council has an acquisitions and disposals policy in place for these assets. The intention on acquisition is to keep the items in perpetuity and an acquisition would only be made once the long term value and the ability of the museum to provide adequate care and public accessibility to it has been assessed. This would include the ability to acquire the asset with valid title. If an item is to be disposed of it would be necessary to confirm that the museums service could legally do so and would be after due consideration but would not be based on the principle of generating funds. The museum keeps records of its collection on a database allocating a unique reference number to each artefact and is cared for by the collections manager. The Councils Museum is open to the public to view some of the artefacts but a significant number are not generally on display. There is a temporary exhibitions programme whereby certain items are shown for a limited period and some items are being stored in digital format for presentation on the museums part of the web-site.

1.10 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.

1.11 CAPITAL EXPENDITURE CHARGED TO REVENUE

The Local Government and Housing Act 2003 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. 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.

1.12 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.

1.13 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 (CIES) and the Adjustments between Accounting Basis and Funding Basis Under Regulation.

1.14 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.

1.15 ASSETS HELD FOR SALE

Assets are classed as being held for sale where, at the balance sheet date, they were being actively marketed and the sale itself is highly probable in its current condition. The assets concerned is Leader Lodge an HRA property that has been offered for sale and a buyer has been identified.

1.16 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.

1.17 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.

1.18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be capable of being converted into cash within 24 hours.

1.19 FINANCIAL LIABILITIES

Financial liabilities are carried at amortised cost. The Council had no borrowings until 28 March 2012 when a payment had to be made to the Department of Communities and Local Government of £185,456,000 and an equivalent amount had to be borrowed from the Public Works Loan Board. This occurred on the cessation of the HRA subsidy regime.

1.20 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. From 2012/13 there is also the ability for authorities to retain additional monies on the basis that the receipts will be used to finance a one for one replacement program where some proceeds from a sale is used for the provision of a replacement affordable home. The amount that remains with the Council is credited to the Usable Capital Receipts Reserve and is therefore available to fund capital expenditure.

1.21 GOVERNMENT CAPITAL GRANTS AND OTHER CAPITAL CONTRIBUTIONS

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 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.

1.22 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.

1.23 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 earmarked fund balances and reserves are reviewed periodically as to their size and appropriateness.

1.24 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.

1.25 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 2012/13.

1.26 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.

1.27 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 41).

1.28 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.

1.29 LEASES

Finance Leases: A finance lease is defined as a lease that transfers substantially the risks and rewards of ownership without necessarily transferring the title. The Council has no agreements that meet the definition of a finance lease.

Operating Leases: An operating lease is defined as any lease that is not a finance lease. 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.

1.30 COUNCIL TAX

The Balance Sheet shows only the Council's portion of arrears, prepayments and related bad debt provision with the balance being a debtor to major preceptors.

1.31 NON DOMESTIC RATES

The Balance Sheet shows the net debtors as being that due to the non domestic rate pool.

1.32 EXCEPTIONAL ITEMS

An item is treated as exceptional when it arises from an event outside normal Council activity and is felt to be significant when viewed in conjunction with the income and expenditure of the operational heading to which it relates.

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

The Council is required to disclose information on the impact of a change in accounting policy that will be required by an accounting standard that has been issued but not yet adopted. This applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. 1 January 2013 for the 2012/13 financial year). The applicable standards are as follows:

Amendments have been made to IAS 1 The presentation of Financial Statements which are to be adopted for 2013/14. The standard sets out the overall requirements for Financial statements including overriding concepts such as Going Concern, Accruals and the distinction between Current and Non Current Assets. It also changes the groupings currently reported under other comprehensive Income between those that could become part of the provision of service costs and those that will not. The Financial Statements need to contain a Statement of Financial Position, A statement of Profit or Loss and other Comprehensive Income, a Statement of Changes in Equity and a Statement of Cash Flows. This comes into effect for the financial year starting on 1 April 2013 and is purely a presentational issue.

There have been amendments to IAS 12 Income taxes, in particular the treatment of Deferred Tax. This change is not expected to affect the Council.

There have been amendments to IAS 19 Employee Benefits that will result in a change of accounting policy.

There are changes to the point at which the Council must recognise termination benefits. Primarily this means that termination benefits should now be recognised at the earlier of:

- The point at which they have been accepted by the relevant employees and can no longer be withdrawn or
- When recognising costs for restructuring that involves the payment of termination benefits.

Previously recognition was at the point at which the Council was demonstrably committed to provide termination benefits.

A number of changes have been made to the measurement and recognition of post employment benefits. These include:

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate;
- Some consolidation of items previously charged as separate amounts to the Surplus or Deficit on Provision of Services. A single category of Service Cost now includes what was previously charged separately as Current Service Cost, Past Service Cost, Curtailments and Settlements.
- Administration expenses are now accounted for within the Surplus or Deficit on Provision of Services; previously these were deducted from the actual and expected returns on assets.
- The pension actuary has provided amounts for the Comprehensive Income and Expenditure Statement (CIES) if the IAS19 amendments had been effective for 2012/13. These are compared below to the current 2012/13 amounts, as included in Note 39, along with the estimated impact on the Movement in Reserves Statement which has been derived from the CIES amounts provided. The actuary has advised that there is no change to the Balance Sheet liability as the increased Finance cost charged to the CIES will be offset by a gain under remeasurements.

	2012/13 £000s	2012/13 Revised IAS £000s
Comprehensive Income and Expenditure Statement		
Current Service Cost	2,983	-
Curtailment Cost	21	-
Service Cost	-	3,004
Administration Expenses	-	21
Expected Return on Assets	(4,954)	-
Interest on Pension Liabilities	6,835	-
Net Interest on the Defined Liability	-	2,932
Net Total reported in Surplus/Deficit on Provision of Services	4,885	5,957

This change is effective from the financial year commencing on 1 April 2013.

There have been some amendments to the reporting requirements of IFRS7 financial Instruments in relation to the offsetting of Financial Assets and Liabilities. Currently an entity can offset certain Financial Assets and Liabilities but there is not a consistent offsetting model used which can lead to a lack of consistency particularly where an entity has a large volume of derivatives. A common offsetting model is proposed however this Council does not offset nor is it likely to offset Financial Assets and Liabilities so this should not affect the Financial Statements. This is effective from the Financial year beginning on 1 April 2014.

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 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.

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

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

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 a Council Dwelling, being the most significant class of Council assets, would increase by around 4% 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 provided some sensitivity analysis around the assumptions and this is contained within the Pensions note 39. The carrying value of the Pensions Liability is (£75,357,000).

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. The carrying value of the Councils debtors is £6,035,000.

5. EVENTS AFTER THE BALANCE SHEET DATE

The financial statements were authorised for issue on 4 July 2013 by Robert Palmer BA ACA. The financial statements reflect all events up to this date.

From 1 April 2013 there have been some significant changes to the way that Local Government finance operates. There have been changes to Council Tax and Non Domestic Rates both of which have had the effect of transferring financial risk from the Government to Local Authorities.

Until 31 March 2013 those residents who were unable to afford to pay their Council Tax were in receipt of Council Tax Benefit. This was abolished for the financial year beginning on 1 April 2013 and replaced by a council tax discount scheme. There is now a requirement for all residents other than pensioners, including those previously on full benefit, to pay at least some Council Tax. There is expected to be some difficulty recovering monies particularly from those on low incomes and indeed collection costs are expected to increase in order to even maintain the current collection rate.

Until 31 March 2013 all business rates collected by the Council were passed to Central Government (save for a collection allowance) and then an appropriate amount calculated as part of the financial settlement was passed back to Local Authorities. From the financial year beginning on 1 April 2013, the Council initially has to pay 50% of Business Rates collected to Central Government, with the remainder being retained either by the Council (9%) or passed to The County Council (9%) and Fire Authority (1%) in the form of a precept and the remaining amount (31%) passed to Central Government as a 'tariff' payment. Once the Precepts, Tariff and 50% Central Share have been paid, 50% of any additional income due to growth in the tax base can be retained by the Council. However other factors, such as changes in collection rates and successful rating appeals, will also directly affect the amount of income the Council benefits from.

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.

	2012/13 £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	(2,298)	(12,693)	-	-	-	14,991
Reversal of Impairment of non-current assets		19,228	-	-	-	(19,228)
Movements in the fair value of Investment Properties	(2,241)		-	-	-	2,241
Amortisation of intangible assets	(271)	(6)	-	-	-	277
Capital Grants and contributions applied	522	208	-	-	-	(730)
Revenue expenditure funded from Capital under statute	(535)	(172)	-	-	-	707
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	(120)	(816)	-	-	-	936
Capital expenditure charged against the General Fund and HRA balances	28	4,200	-	-	-	(4,228)
Adjustments primarily involving the Capital Grants Unapplied Account	32	-	-	-	(32)	-
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES	236	1,161	(1,319)	-	-	(78)
Transfer from Deferred Capital receipts on receipt of cash	-	-	(12)	-	-	12
Used to finance new capital expenditure	-	-	2,660	-	-	(2,660)
Contribution towards administrative costs of non-current asset disposals	-	(17)	17	-	-	-
Contribution to finance the payments to the Government capital receipts pool	(596)	-	596	-	-	-
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	-	20	-	-	-	(20)
Adjustments relating to the Major repairs Reserve:						
Reversal of Major repairs Allowance credited to the HRA	-	6,932	-	(6,932)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	5,418	-	(5,418)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited\credited to the CIES (see Note 39)	(719)	(337)	-	-	-	1,056
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.	114	-	-	-	-	(114)
Adjustments involving the Accumulated Absences Account	(22)	2	-	-	-	20
TOTAL ADJUSTMENTS	(5,870)	17,710	1,942	(1,514)	(32)	(12,236)

Notes to the core Financial Statements

	2011/12 £000					
	General Fund	Housing Revenue Account	Usable Reserves			Movement in Unusable Reserves
Capital Receipts Reserve			Major Repairs Reserve	Capital Grants Unapplied		
Adjustments involving the Capital Adjustment Account:						
Exclusions;						
Charges for depreciation and impairment of non-current assets	(2,179)	(10,070)	-	-	-	12,249
Upward/(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)	-	-	-	1,074
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	56	2,050	-	-	-	(2,106)
Application of HRA self financing loan transferred to the Capital Adjustment Account	-	(185,456)	-	-	-	185,456
Adjustments primarily involving the Capital Grants Unapplied Account					(4)	4
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)
Transfer from Deferred Capital receipts on receipt of cash			(8)			8
Contribution towards administrative costs of non-current asset disposals	-	(33)	33	-	-	-
Contribution to finance the payments to the Government capital receipts pool	(673)	-	673	-	-	-
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	-	61	-	-	-	(61)
Adjustments relating to the Major repairs Reserve:						
Reversal of Major repairs Allowance credited to the HRA		4,978		(4,978)		-
Use of the Major Repairs Reserve to finance new capital expenditure				3,277		(3,277)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited\credited to the CIES (see Note 39)	(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	(13)	-	-	-	-	13
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	(4)	(19)	-	-	-	23
TOTAL ADJUSTMENTS	(1,208)	(186,624)	2,852	(1,701)	(4)	186,685

Notes to the core Financial Statements

7. EARMARKED RESERVES

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

	Balance 1 April 2011 £000	Transfers Out £000	Transfers In £000	Balance 31		Balance 31 March 2013 £000	
				March 2012 £000	Transfers Out £000		
Housing Repairs Reserve	4,121	(5,406)	5,200	3,915	(5,607)	5,200	3,508
District Development Fund	3,269	(1,557)	1,745	3,457	(1,649)	1,773	3,581
Self Financing Reserve	-	-	-	-	-	3,180	3,180
Pension Deficit Reserve	66	-	-	66	-	-	66
Deferred Revenue Income	509	(11)	-	498	(19)	-	479
Insurance Reserve	424	-	719	1,143	(13)	-	1,130
Service Enhancement Fund (HRA)	-	-	-	-	-	170	170
Building Control	27	-	67	94	(73)	-	21
On Street Parking	28	-	-	28	-	-	28
Museum Fund	8	-	1	9	-	9	18
Small Loans Fund	5	-	-	5	-	-	5
Total Earmarked Reserves	8,457	(6,974)	7,732	9,215	(7,361)	10,332	12,186

8. OTHER OPERATING EXPENDITURE

	31 March	
	2013 £000	2012 £000
Parish Council Precepts	3,167	3,107
Payments to the Government Housing Receipts Pool	596	673
(Gains)/losses on the disposal of non-current assets	(443)	(548)
Total	3,320	3,232

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	31 March	
	2013 £000	2012 £000
Total Net Surplus from Trading Operations (Note 29)	(3,340)	(3,037)
Interest payable and similar charges	5,516	90
Pensions interest cost and expected return on pensions assets	1,881	1,472
Interest receivable and similar income	(517)	(693)
Changes in Fair Values of Investment Properties	2,241	(1,975)
Changes in value of Deferred Capital Receipts	(20)	(61)
Impairment of Investments	-	(61)
Total	5,761	(4,265)

Notes to the core Financial Statements

10. TAXATION AND NON SPECIFIC GRANT INCOMES

	31 March	
	2013 £000	2012 £000
Council tax income	(11,373)	(11,215)
Non domestic rates	(6,530)	(5,643)
Non-ring fenced government grants	(1,063)	(2,243)
Capital Grants and Other Contributions	(60)	(75)
Total	(19,026)	(19,176)

11. EXCEPTIONAL ITEMS

There is one exceptional item reported within the Accounts:

A compensation payment of £100,000 and interest of £237,000 has been received in relation to an ongoing compulsory purchase order that dates back to around 1992. The case has been quite complex with the Council needing to prove good title with regard to the land in question. The compensation itself has been treated as a Capital Receipt with the interest being treated as revenue income and credited to the DDF.

There are two further items reported in the prior period, These are:-

There was a refund of VAT deemed to be over-declared and interest in respect of output tax charged on Trade Waste from 1 April 1973 to 30 November 1996. In the prior year there was a similar claim payable in relation to over-declared tax on sports tuition for the period 1 January 1978 to 31 December 1989 and 1 April to 31 July 1994.

On 28 March Year the Council borrowed £185,456,000 from the Public Works Loan Board in order to pay an equivalent amount over to the Department for Communities and Local Government. This payment was the amount prescribed as payable on the cessation of the Housing Revenue Account Subsidy regime on 31 March 2012. The payment is of a Capital nature but as it neither creates or improves an existing asset the payment is written off to the Comprehensive Income and Expenditure Statement in the year of payment. This item is of course reversed out within the Adjustments Between Accounting Basis and Funding Basis under Regulation as it is not funded from revenue resources.

Notes to the Core Financial Statements

12. PROPERTY PLANT AND EQUIPMENT

A thorough review of non current assets was undertaken during 2012/13 as part of the process to implement a new Asset Management System. The review provided a more detailed analysis of the assets owned by the Council and their associated values. It also revealed the need to restate the Council's gross book values and gross depreciation figures in two asset groups: vehicles, plant and equipment; and infrastructure assets. In both cases the gross figures have been restated downwards to account for redundant assets no longer in use. The net book values have not been affected.

	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 2012	454,463	42,823	17,154	17,746	2,822	756	669	536,433
Reclassified	-	-	(282)	282	-	-	-	-
Restated	-	269	(2,500)	(105)	-	-	-	(2,336)
01 April 2012	454,463	43,092	14,372	17,923	2,822	756	669	534,097
Additions	9,069	348	1,485	366	-	-	905	12,173
Disposals	(841)	-	(592)	-	-	-	-	(1,433)
Reclassified in year	(407)	137	134	-	-	38	(357)	(455)
Revalued in year	-	-	-	-	-	-	-	-
Revaluations	19,687	-	-	-	-	-	-	19,687
Accumulated Depreciation & Impairment written off on revaluation	(22,123)	-	-	-	-	-	-	(22,123)
Gross Book Value 31 March 2013	459,848	43,577	15,399	18,289	2,822	794	1,217	541,946
Depreciation 31 March 2012	(9,786)	(1,336)	(7,836)	(4,594)	-	-	-	(23,552)
Reclassified	-	8	196	(196)	-	(8)	-	-
Restated	-	6	2,500	105	-	-	-	2,611
01 April 2012	(9,786)	(1,322)	(5,140)	(4,685)	-	(8)	-	(20,941)
Depreciation in Year	(12,377)	(704)	(1,418)	(492)	-	-	-	(14,991)
Depreciation on Assets Sold	40	-	464	-	-	-	-	504
Accumulated Depreciation & Impairment written off on revaluation	22,123	-	-	-	-	-	-	22,123
Depreciation 31 March 2013	-	(2,026)	(6,094)	(5,177)	-	(8)	-	(13,305)
Net Book Value 31 March 2013	459,848	41,551	9,305	13,112	2,822	786	1,217	528,641

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	
<i>Gross Book Value</i>								
31 March 2011	459,538	41,621	17,824	17,257	2,784	756	498	540,278
Reclassified	1,781	(191)	(1,593)	-	-	-	(18)	(21)
Restated	(12,658)	16	-	-	(4)	-	-	(12,646)
Revalued	1,351	(78)	-	-	-	-	-	1,273
01 April 2011	450,012	41,368	16,231	17,257	2,780	756	480	528,884
Additions	4,882	40	1,573	218	42	-	1,543	8,298
Disposals	(431)	-	(318)	-	-	-	-	(749)
Reclassified in year	-	1,415	(332)	271	-	-	(1,354)	-
Revalued in year	-	-	-	-	-	-	-	-
Gross Book Value								
31 March 2012	454,463	42,823	17,154	17,746	2,822	756	669	536,433
<i>Depreciation</i>								
31 March 2011	(12,658)	(685)	(6,781)	(4,115)	(4)	-	-	(24,243)
Restated Depreciation	-	-	-	-	-	-	-	-
<i>Accumulated Depreciation written off on revaluation</i>	12,658	-	-	-	4	-	-	12,662
01 April 2011	-	(685)	(6,781)	(4,115)	-	-	-	(11,581)
Depreciation in Year	(9,795)	(651)	(1,324)	(479)	-	-	-	(12,249)
Depreciation on assets sold	9	-	269	-	-	-	-	278
Depreciation								
31 March 2012	(9,786)	(1,336)	(7,836)	(4,594)	-	-	-	(23,552)
Net Book Value								
31 March 2012	444,677	41,487	9,318	13,152	2,822	756	669	512,881

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	-	2,103	15,399	18,289	2,822	-	1,217	39,830
Valued at fair value as at:								
31 March 2013	459,848	275	-	-	-	540	-	460,663
31 March 2012	-	1,474	-	-	-	216	-	1,690
31 March 2011	-	31,875	-	-	-	38	-	31,913
31 March 2010	-	7,850	-	-	-	-	-	7,850
Total Cost or Valuation	459,848	43,577	15,399	18,289	2,822	794	1,217	541,946

13. HERITAGE ASSETS

	Waltham Abbey Bible £000	Other Artefacts £000	Civic Chains £000	Epping Fountain £000	Total £000
Gross Book Value 31 March 2012	262	147	110	26	545
Depreciation 31 March 2012	-	-	-	(3)	(3)
Depreciation in Year	-	-	-	-	-
Depreciation					
31 March 2013	-	-	-	(3)	(3)
Net Book Value					
31 March 2013	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 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

Notes to the Core Financial Statements

Waltham Abbey Bible and other artefacts

The Bible and other Artefacts are valued based on their valuation on the current insurance schedule. The items included on the Balance Sheet relate only to the top items featuring on the schedule. The total insurance valuation is rather higher than this but cannot be identified to a particular item or items that are in the Council's collection.

There are some quite significant assets within the collection. The most valuable being the Waltham Abbey Bible valued at £262,500, a painting 'view from the garden, Epping' by artist Lucien Pissarro who lived in the district for a while (£63,000), A purbeck marble bust of a knight valued in 1985 at £36,000, two hoards of coins valued at £21,900 in total and five other items identified separately valued in total at a little over £25,000.

The Council's museums service holds a large collection of Heritage Assets but in many cases no valuation is available.

As well as the assets referred to earlier there are between 25,000 and 30,000 pieces of art work including watercolours and sketches, over 10,000 objects and documents of social historic interest, a large number of photographic and archaeological items and some costumes. Some of this has been catalogued but by no means all. The assets are either held within the museum itself or held in storage. No valuation has been undertaken of these assets as it would have been too onerous to do so in the time scale applicable to the financial statements.

Epping Fountain

The Epping Fountain was previously recognised as an Infrastructure Asset and has been reclassified as a Heritage Asset. The fountain was erected many years ago and, although removed for some years, has now been refurbished and re-erected in its original position.

Civic Chains

The Chains were both passed to the Council by predecessor authorities. They feature a number of symbols related to the history of the district.

The Hunting Horn is the Master Keeper's symbol of office and Chigwell and Loughton were two of the ten walks in the forest over which the Master Keeper had authority. In the forest region, the Lordship of the Manor developed from the office of Master Keeper.

The wreath of Oak Leaves is also symbolic of the forest.

The Stag is thought to be the single feature unifying the district. The Stag is particularly representative of Buckhurst Hill. The Axe-heads were introduced because they were the Verderer's symbol of Office and the Verderer's Court was held at the King's Head, Chigwell. They are also symbolic of the great fight to save the forest from enclosure, in which Loughton was so prominent.

Notes to the Core Financial Statements

14. INVESTMENT PROPERTY

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES. Income and expenditure relating to the General Fund is recorded under trading operations.

	2012/13 £000	2011/12 £000
Rental income from investment property	4,570	4,335
Direct operating expenses arising from investment property	(204)	(266)
Net gain/(loss)	4,366	4,069

The following table summarises the movement in fair value of investment properties over the year. The reduction is due to a fall in the value of land at North Weald Airfield used for the Saturday and Bank Holiday markets. The popularity of the market has diminished recently and fewer traders and members of the public attend. A reduced rent was recently agreed with the operator and as a result the valuation has fallen. Most other property valuations have increased slightly or remained the same. The updated valuations were carried out as at 31 March 2013.

	31 March	
	2013 £000	2012 £000
Balance at start of the year	41,541	39,566
Reclassifications	(68)	-
Construction	10	-
Net gains/(losses) from fair value adjustments	(2,241)	1,975
Balance at end of the year	39,242	41,541

Notes to the Core Financial Statements

15. 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. All but £6,000 (£11,000) of the amortisation charge of £277,000 to revenue in 2012/13 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.

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

	31 March	
	2013 £000	2012 £000
Balance at start of year:-		
Gross carrying amounts	1,445	1,233
Accumulated amortisation	(626)	(380)
Net carrying amount at start of year	819	853
Additions	74	191
Amortisation	(277)	(246)
Reclassifications during the year	-	21
Net Carrying Amount at end of year	616	819

16. ASSETS HELD FOR SALE

A Housing Revenue Account property called Leader Lodge in North Weald was put up for sale toward the end of 2012/13 and has been actively marketed. The book value of the property was £109,000. However it has been revalued to its sale price of £515,000. The sale is expected to take place shortly.

17. LONG TERM DEBTORS

	31 March	
	2013 £000	2012 £000
Mortgages	21	29
Capital Advances (B3 Living)	189	0
Rents to Mortgages	1,366	1,346
Other Local Authorities - Transferred Debt	401	426
Net Carrying Amount at end of year	1,977	1,801

Notes to the Core Financial Statements

18. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long term		Current	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Financial liabilities at amortised cost				
Borrowing	185,456	185,456	-	61
Trade Creditors	-	-	5,006	4,056
Total financial liabilities	185,456	185,456	5,006	4,117
Loans and receivables at amortised costs				
Investments	10,074	140	30,259	32,500
Debtors	1,977	1,801	5,773	5,301
Cash			4,905	3,808
	12,051	1,941	40,937	41,609
Available for Sale	-	-	5,001	10,009
Total financial assets	12,051	1,941	45,938	51,618

On 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. In the prior year the short term borrowing cost of £61,000 related 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 £5m 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 buys 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:	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Interest expense	(5,517)	(61)	-	-
Impairment (losses) / gains	-	-	-	61
Interest payable and similar charges	(5,517)	(61)	-	61
Interest income	-	-	517	693
Interest and investment income	-	-	517	693
Net gain/(loss) for the year	(5,517)	(61)	517	754

Notes to the Core Financial Statements

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. Fair value is the amount for which an asset can be exchanged, or a liability settled. The Council's debt outstanding at 31 March 2013 consists of loans from the Public Works Loan Board (PWLB). The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have to pay to extinguish the loans on these dates.

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

	31 March 2013		31 March 2012	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
<u>Financial liabilities</u>				
Borrowing	185,501	199,342	185,517	192,020
Long-term creditors	-	-	-	-
Total Financial Liabilities	185,501	199,342	185,517	192,020
<u>Financial assets</u>				
Investments	40,333	40,333	32,640	32,640
Long-term debtors	1,977	1,977	1,801	1,801
Total Financial Assets	42,310	42,310	34,441	34,441

The fair value of long term liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

The Council had £10,074,000 (£140,000 at 31 March 2012) classed as investments in excess of one year. These relates to two investments totalling £10m made to other local authorities, £70,000 relating to the Heritable investment where the administrator has advised the anticipated repayment of the loan and £4,000 other long term investments. It is assumed that the carrying amount shown in the balance sheet is approximate to the fair value.

19. INVENTORIES

	2013				TOTAL £000
	Franking Machines £000	Miscellaneous Stocks £000	Works Unit £000	Work in progress £000	
Balance at the start of the year	17	74	76	14	181
Purchases	29	304	165	7	505
Recognised as an expense during the year	(28)	(262)	(173)	(10)	(473)
Balance at year end	18	116	68	11	213

Notes to the Core Financial Statements

2012

	Franking Machines	Miscellaneous Stocks	Works Unit	Work In progress	TOTAL
	£000	£000	£000	£000	£000
Balance at the start of the year	15	106	76	26	223
Purchases	27	260	211	23	521
Recognised as an expense during the year	(25)	(292)	(211)	(35)	(563)
Balance at year end	17	74	76	14	181

20. DEBTORS AND PREPAYMENTS

	31 March	
	2013 £000	2012 £000
Amounts falling due in one year		
Government Departments	1,856	1,728
Other Local Authorities	911	2,232
Council Tax arrears	246	244
Housing Rent arrears	319	279
Sundry debtors	2,400	1,690
Prepayments	260	508
Others	1	1
Total Debtors	5,993	6,682

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.

21. CASH AND CASH EQUIVALENTS

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

	31 March	
	2013 £000	2012 £000
Cash	5	4
Bank current accounts	4,900	3,804
Short-term deposits with money market funds	5,001	10,009
Total Cash and Cash Equivalents	9,906	13,817

Notes to the Core Financial Statements

The 'Short-term deposits with money market funds' relates to £5m made to a Money Market Fund and interest accrued (£1,000). This has been included within the cash equivalents as funds can be drawn down and 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.

22. CREDITORS

	31 March 2013 £000	2012 £000
Government Departments and Other Local Authorities	1,455	1,318
Council Tax	178	140
Housing rents	241	217
Sundry creditors	3,564	2,617
Accruals and deferred income	2,693	2,954
Total Creditors	8,131	7,246

Included within creditors is £3,000 (£3,000 at 31 March 2012) relating to Waltham Abbey Tourist Information Centre. This falls within the definition of a related party.

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.

23. USABLE AND UNUSABLE RESERVES

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

	31 March	
	2013 £000	2012 £000
Revaluation Reserve	7,934	8,060
Capital Adjustment Account	374,915	360,870
Pensions Reserve	(75,357)	(65,625)
Deferred Capital Receipts Reserve	1,384	1,372
Collection Fund Adjustment Account	15	(99)
Accumulated Absences Account	(147)	(127)
Total Unusable Reserves	308,744	304,451

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.

Notes to the Core Financial Statements

	31 March	
	2013 £000	2012 £000
Balance as at 1 April	8,060	8,031
Revaluations during the year	458	10
Depreciation adjustment	(584)	
Restatement		19
Balance at 31 March	7,934	8,060

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.

Notes to the Core Financial Statements

	2013		2012
	£000	£000	£000
Balance at 1 April		360,870	547,524
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	(14,990)		(12,249)
Self Financing Payment for Housing Revenue Account Properties	-		(185,456)
Revaluation gains/(losses) on Property, Plant and Equipment	19,228		(78)
Amortisation of intangible assets	(277)		(246)
Revenue expenditure funded from capital under statute	(707)		(1,074)
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	(928)	2,326	(471)
Adjusting Amounts written out of the Revaluation Reserve		584	
		363,780	347,950
Capital financing applied in the year			
Reversal of previous impairments			1,355
Use of the Capital Receipts Reserve to finance new capital expenditure	2,660		3,206
Use of the Major Repairs Reserve to finance new capital expenditure	5,418		3,277
Capital grants credited to the CIES that have been applied to capital financing	730		1,012
Application of grants to capital financing from the Capital Grants Unapplied Account			8
Capital expenditure charged against the General Fund and HRA balances	4,228	13,036	2,106
Restatement of Assets		340	
Movement in the market value of Investment Properties debited or credited to the CIES		(2,241)	1,956
Balance at 31 March		374,915	360,870

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 is not currently in use so does not form part of the Balance Sheet.

Notes to the Core Financial Statements

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.

	2013 £000	2012 £000
Balance at 1 April	(65,625)	(46,324)
Actuarial (gains) or losses on pensions assets and liabilities	(8,676)	(19,222)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(4,885)	(3,804)
Employers pensions contributions and direct payments to pensioners payable in the year	3,829	3,725
Balance at 31 March	(75,357)	(65,625)

Deferred Capital Receipts Reserve

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

	2013 £000	2012 £000
Balance at 1 April	1,372	1,319
Repayment of Mortgages	(8)	(8)
Rents to Mortgages	20	61
Balance at 31 March	1,384	1,372

Notes to the Core Financial Statements

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.

	2013 £000	2012 £000
Balance at 1 April	(99)	(85)
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	114	(14)
Balance at 31 March	15	(99)

Accumulated Absences Account

The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund and Housing Revenue Account balances 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 and Housing Revenue Account is neutralised by transfers to or from the Account.

	2013 £000	2012 £000
Balance at 1 April	(127)	(104)
Reversal of prior year accrual	127	104
Amounts accrued at the end of the current year	(147)	(127)
Amount by which the officer remuneration charges to the CIES is different from remuneration chargeable	(20)	
Balance at 31 March	(147)	(127)

24. CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

	2012/13 £000	2011/12 £000
Depreciation	14,992	12,249
Amortisation	277	246
Impairment and downward valuations	(19,228)	(1,277)
Material Impairment losses on Investment debited to surplus or deficit on the provision of services in year		(61)
Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss a/c		(35)
Increase / (Decrease) in Interest Creditors	(77)	61
Increase / (Decrease) in Creditors	706	(938)
(Increase) / Decrease in Interest and Dividend Debtors	72	36
(Increase) / Decrease in Debtors	(485)	503
(Increase) / Decrease in Inventories	(31)	42
Pension Liability	1,056	79
Contributions to / (from) Provisions	201	(11)
Carrying amount of non-current assets sold	936	472
Movement in Investment Property Values	2,241	(1,956)
Total	660	9,410

Notes to the Core Financial Statements

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

	2012/13 £000	2011/12 £000
Capital Grants credited to surplus or deficit on the provision of services	(576)	(970)
Proceeds from the sale of property and equipment, investment property and intangible assets	(1,315)	(1,080)
Total	(1,891)	(2,050)

Operating activities within the cashflow statement include the following cash flows relating to interest and other operating activities

	2012/13 £000	2011/12 £000
Interest received	589	729
Interest charge for the year	(77)	(61)
Other operating activities	12,419	(181,144)
Total	12,931	(180,476)

Other operating activities in 2011/12 include the HRA self financing payment of £185,456,000.

25. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2012/13 £000	2011/12 £000
Purchase of property, plant and equipment, investment property and intangible assets	(11,941)	(9,070)
Purchase of short-term and long-term investments	(125,039)	(84,000)
Other payments for Investing Activities	(196)	(20)
Proceeds from sale of property, plant and equipment, investment property and intangible assets	1,241	975
Proceeds from short-term and long term investments	117,239	95,447
Other receipts from investing activities	905	1,392
Net cash flows from investing activities	(17,791)	4,724

26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2013 £000	2012 £000
Cash receipts of short and long term borrowing	0	185,456
Other receipts/ (payments) from financing activities	949	(617)
Net cash flows from financing activities	949	184,839

Notes to the Core Financial Statements

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

	2012/13								Total £000
	Corporate Support Services	Deputy Chief Executive	Environmental & Street Scene	Finance & ICT	Housing	Office of the Chief Executive	Planning & Economic Development	Housing Revenue Account	
	£000	£000	£000	£000	£000	£000	£000	£000	
Fees, charges & other service income	4,033	394	5,375	399	697	109	591	31,189	42,787
Impairment Charges								19,228	19,228
Government Grants	-	65	94	47,143	449	-	10	475	48,236
Total Income	4,033	459	5,469	47,542	1,146	109	601	50,892	110,251
Employee Expenses	604	851	1,530	1,950	751	195	1,402	2,778	10,061
Other Service Expenses	494	550	9,647	351	880	375	671	8,219	21,186
Support Service Recharges	683	652	2,070	1,418	463	2,312	1,313	1,944	10,856
Depreciation	23	83	1,560	57	-	-	232	12,717	14,673
Benefit Payments	-	-	-	45,679	-	-	-	-	45,679
Total Operating Expenditure	1,804	2,136	14,807	49,455	2,094	2,882	3,618	25,658	102,455
Net Cost Of Services	(2,229)	1,677	9,338	1,913	948	2,773	3,017	(25,234)	(7,796)

	2011/12								Total £000
	Corporate Support Services	Deputy Chief Executive	Environmental & Street Scene	Finance & ICT	Housing	Office of the Chief Executive	Planning & Economic Development	Housing Revenue Account	
	£000	£000	£000	£000	£000	£000	£000	£000	
Fees, charges & other service income	3,679	643	5,880	446	451	219	552	30,338	42,208
Government Grants			2	45,289	544	-		449	46,284
Total Income	3,679	643	5,882	45,735	995	219	552	30787	88,492
Employee Expenses	597	824	1,508	1,846	678	219	1,270	2,649	9,591
Other Service Expenses	715	489	10,389	433	1,166	917	324	19,741	34,174
Support Service Recharges	518	599	2,105	1,142	434	1,688	1,207	842	8,535
Depreciation	26	75	1,448	52	-	-	267	10,180	12,048
Benefit Payments	-	-	-	43,866	-	-	-	-	43,866
Total Operating Expenditure	1,856	1,987	15,450	47,339	2,278	2,824	3,068	33,412	108,214
Net Cost Of Services	(1,823)	1,344	9,568	1,604	1,283	2,605	2,516	2,625	19,722

Notes to the Core Financial Statements

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

	2012/13 £000	2011/12 £000
Net Expenditure in the Directorate Analysis	7,796	(19,722)
Services and Support Services not in analysis	(68)	68
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(170)	102
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(3,340)	(188,493)
Cost of Services in Comprehensive Income and Expenditure Statement	4,217	(208,045)

Reconciliation to Subjective Analysis

	2012/13				Cost of Services £000	Corporate Amounts £000	Total £000
	Directorate Analysis £000	Services and Support Services not in analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CIES £000			
Fees, charges & other service income	42,787	387	237	(4,883)	38,528	4,883	43,411
Impairment Reversal	19,228	-	-	-	19,228	-	19,228
Interest and Investment Income	-	-	-	-	-	5,471	5,471
Income from Council Tax	-	-	-	-	-	11,373	11,373
Government Grants and Contributions	48,236	-	-	-	48,236	7,653	55,889
Total Income	110,251	388	237	(4,883)	105,992	29,380	135,372
Employee Expenses	10,061	181	0	(605)	9,637	7,440	17,077
Other Service Expenses	66,865	17	407	(635)	66,653	635	67,289
Support Service Recharges	10,856	257	-	(279)	10,834	279	11,113
Depreciation, Amortisation and Impairment	14,673	-	-	(24)	14,649	2,266	16,915
Interest Payments	-	-	-	-	-	5,516	5,516
Precepts and Levies	-	-	-	-	-	3,167	3,167
Payments to Housing Capital Receipts Pool	-	-	-	-	-	597	597
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	-	(443)	(443)
Rents to mortgages valuation increase	-	-	-	-	-	(20)	(20)
Total Expenditure	102,455	455	407	(1,543)	101,775	19,437	121,211
Surplus/(Deficit) on the provision of services	7,796	(68)	(170)	(3,340)	4,217	9,943	14,162

Notes to the Core Financial Statements

Reconciliation to Subjective Analysis

	2011/12						
	Directorate Analysis	Services and Support Services not in analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Cost of Services	Corporate Amounts	Total
Fees, charges & other service income	42,208	1,112	376 -	4,667	39,029	4,667	43,696
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-
Interest and Investment Income	-	-	-	-	-	6,353	6,353
Income from Council Tax	-	-	-	-	-	11,215	11,215
Government Grants and Contributions	46,284	-	-	-	46,284	7,961	54,245
Total Income	88,492	1,112	376 -	4,667	85,313	30,196	115,509
Employee Expenses	9,591	223	- -	621	9,193	7,753	16,946
Other Service Expenses	78,040	495	274 -	697	78,112	697	78,809
Support Service Recharges	8,535	324	- -	286	8,573	286	8,859
Depreciation, Amortisation and Impairment	12,048	2	- -	26	12,024 -	2,011	10,013
Interest Payments	-	-	-	-	-	91	91
Precepts and Levies	-	-	-	-	-	3,107	3,107
Payments to Housing Capital Receipts Pool	-	-	-	-	-	673	673
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	- -	548 -	548
HRA self financing				185,456	185,456		185,456
Rents to mortgages valuation increase						- 61 -	61
Total Expenditure	108,214	1,044	274	183,826	293,358	9,987	303,345
Surplus/(Deficit) on the provision of services	(19,722)	68	102	(188,493)	(208,045)	20,209	(187,836)

Notes to the Core Financial Statements

28. TRADING OPERATIONS

The trading operations of the council comprise a number of Commercial Properties and Industrial Estates including North Weald Airfield where units are leased to local businesses at market rates, the Fleet Operations Service provides MOT testing and motor servicing to the public.

	2012/13 Expenditure	2012/13 Income £000	2012/13 Surplus/Deficit £000
Industrial Estates	86	(1,512)	(1,426)
Commercial Properties	332	(1,788)	(1,456)
Fleet Operations	235	(248)	(13)
North Weald Centre	891	(1,336)	(445)
Total Surplus	1,544	(4,884)	(3,340)
2011/12	1,630	4,667	(3,037)

29. 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 2012/13 income from the car parks of £333,000 (2011/12 £344,000) was received, of which £296,000 (2011/12 £307,000), was paid over after allowing for an administration charge.

30. 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 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 for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Essex by pooling and aligning funding streams.

At the County level the members consist of :-

County and District Councils in Essex
Local Strategic Partnerships
Community Protection Authorities
Health Bodies
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 to the partners involved.

The Epping Forest CSP received grant funding of £24,885. 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 Council employs a Safer Communities Manager who manages the funds according to the wishes of the CSP.

Notes to the Core Financial Statements

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 running costs are funded from a pooled budget established by Epping Forest District Council, to which West Essex Primary Care Trust, Essex Police, Essex County Council, Lee Valley Regional Park, NHS North Essex and the City of London have made contributions. Epping Forest has made a contribution of £10,000 in 2012/13, and the partnership holds a balance of £111,000 available for use in future years.

31. MEMBER ALLOWANCES

Member allowances and expenses are shown below. Further details of these allowances are available on page 69.

	2012/13 £000	2011/12 £000
Allowances	295	289
Expenses	23	22
Total	318	311

32. 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 £115,000 - £149,999).

Remuneration Band	2012/13		2011/12	
	Number of Employees	Left in Year	Number of Employees	Left in Year
£50,000 - £54,999	10		12	
£55,000 - £59,999	4		4	
£60,000 - £64,999	2		1	
£65,000 - £69,999	0		0	
£70,000 - £74,999	0		0	
£75,000 - £79,999	2		2	
£80,000 - £84,999	4		4	
£85,000 - £89,999	0		0	
£90,000 - £94,999	0		0	
£95,000 - £99,999	0		0	
£100,000 - £104,999	1		0	
£105,000 - £109,999	0		0	
£110,000 - £114,999	0		1	
£115,000- £149,999	0		0	
Total	23	0	24	0

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

No Senior Officer fell under this category in 2012/13.

2011/12:

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

No Senior Officer fell under this category in 2011/12.

Notes to the Core Financial Statements

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

2012/13

Post Title	Salary (Including fees & Allowances)	Benefits in Kind	Total Remuneration excluding pension contributions 2012/13	Pension Contributions	Total Remuneration including pension contributions 2012/13
	£	£	£	£	£
Chief Executive - started 01 October 2012	56,000	673	56,673	7,280	63,953
Acting Chief Executive/Deputy Chief Executive	99,769	4,508	104,277	12,970	117,247
Director of Housing	79,872	4,605	84,477	10,356	94,833
Director of Planning & Economic Development	78,948	5,548	84,496	10,263	94,759
Director of Finance & ICT	79,577	3,351	82,928	10,344	93,272
Director of Environment & Street Scene	79,341	1,259	80,600	10,314	90,914
Director of Corporate Support Services	78,010	1,239	79,249	10,141	89,390
Assistant to the Chief Executive	75,623	1,239	76,862	9,699	86,561

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 13.0%.

2011/12

Post Title	Salary (Including fees & Allowances)	Benefits in Kind	Total Remuneration excluding pension contributions 2011/12	Pension Contributions	Total Remuneration including pension contributions 2011/12
	£	£	£	£	£
Acting Chief Executive	110,000	4,249	114,249	14,300	128,459
Director of Planning & Economic Development	78,827	5,232	84,059	10,248	94,307
Director of Environment & Street Scene	79,369	1,294	80,663	10,318	90,981
Director of Housing	78,803	4,526	83,329	10,226	93,555
Director of Finance & ICT	79,301	3,160	82,461	10,303	92,764
Director of Corporate Support Services	76,838	1,239	78,077	9,988	88,065
Assistant to the Chief Executive	75,558	1,239	76,797	9,680	86,477

Termination Benefits

In 2012/13 the Authority terminated one officers employment on the transfer of the management of on and off street parking to the North Essex Parking Partnership (NEPP). A redundancy payment of £46,064 was made to the employee in question which was wholly re-imbursed by Essex County Council.

In 2011/12 the Authority terminated three part time posts on 31 March 2012 relating to one employee who was an activities coach. A redundancy payment of £2,116 was made to the employee.

33. EXTERNAL AUDIT FEES

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

	2012/13 £000	2011/12 £000
External audit services in accordance with section 5 of the Audit Commission Act 1998	100	153
Certification of grant claims and returns under section 28 of the Audit Commission Act 1998	55	59
Rebate of fees from Audit Commission for IFRS	(8)	(11)
Total	147	201

The figures above include costs charged to 2012/13 relating to 2011/12 of £15,000.

Notes to the Core Financial Statements

34. GRANTS AND CONTRIBUTIONS

The Council credited the following grants and contributions to the CIES in 2012/13:

	2012/13 £000	2011/12 £000
Credited to Taxation and Non-Specific Grant Income		
Non domestic rates	6,530	5,643
Revenue Support Grant	127	1,744
New Homes Bonus	719	295
Council Tax Freeze grant	204	203
Second Homes Discount Allowance	60	75
Community Projects	13	0
Total	7,653	7,960

	2012/13 £000	2011/12 £000
Credited to Services		
Department for Work and Pensions	46,998	45,115
Department for Communities and Local Government	626	646
Essex County Council	222	333
Department of Health	27	-
Hughmark Continental	65	20
Colchester Borough Council	-	30
British Gas	36	24
Regional Improvement and Efficiency Partnership	-	150
Contributions to Affordable Housing	199	131
Other grants and contributions received	49	38
Total	48,222	46,487

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:

	2012/13 £000	2011/12 £000
Capital Grants received in Advance		
Affordable Housing Contributions	831	704
Department for Communities and Local Government	199	125
Essex County Council	50	-
Grange Farm Development	38	38
Hughmark Continental	57	70
Parish Councils	7	7
Total	1,182	944

Notes to the Core Financial Statements

35. 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 27 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 2012/13 is shown in Note 32. During 2012/13 expenditure totaling £269,069 (£346,330 in 2011/12) was paid to, and income totaling £50,973 (£57,516 in 2011/12) was received from, organisations in which 22 members (29 in 2011/12) had connections. Included in the expenditure amount is a creditor of £3,000 (£3,000 in 2011/12). The nature of the expenditure was primarily grants to organisations of £243,584, subscriptions of £19,425 and rent of £6,000 with which members had declared interests, with varying levels of involvement.

36. 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.

	2013 £000	2012 £000
<i>Opening Capital Financing Requirement</i>	184,672	(784)
Capital Investment		
Self Financing Payment	0	185,456
Property, Plant and Equipment	12,183	8,298
Revenue Expenditure Funded from Capital Under Statute	906	1,074
Intangible Assets	74	191
<i>Sources of Finance</i>		
Capital Receipts	(2,660)	(3,205)
Government grants and other contributions	(783)	(975)
Value of vehicle written off	(74)	0
Major Repairs Reserve	(5,418)	(3,277)
Direct revenue contributions	(4,228)	(2,106)
Closing Capital Financing Requirement	184,672	184,672

Notes to the Core Financial Statements

37. 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 lease payment in 2012/13 is £245,000.

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

	2012/13 £000	2011/12 £000
Cars	14	98
Operational Vehicles	-	-
Vending Equipment	5	5
Total	19	103

Vehicles & Equipment

	2012/13 £000	2011/12 £000
Payments due;		
Not later than one year	19	103
Later than one year and not later than five years	9	14
Total	28	117

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:

	2012/13 £000	2011/12 £000
Land & Buildings		
Shops	1,633	1,542
Industrial & Commercial	962	919
Other	898	1,196
Total Rental Receivable	3,493	3,657

The timing of total future minimum lease payments are:

	31 March 2013		31 March 2012	
	Receipts due between 2 and 5 years £000	Total receipts due thereafter £000	Receipts due between 2 and 5 years £000	Total receipts due thereafter £000
Land & Buildings				
Shops	4,572	3,968	4,522	4,348
Industrial & Commercial	3,474	51,153	2,934	46,595
Other	3,192	7,077	4,431	7,671
Total	11,238	62,198	11,887	58,614

Gross Amount of Assets held for use in operating leases.

	31 March	
	2013 £000	2012 £000
Land & Buildings		
Shops	16,040	16,666
Industrial & Commercial	12,767	12,255
Other	10,435	12,620
Total Assets	39,242	41,541

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

Notes to the Core Financial Statements

38. 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 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, Barnett Waddington Public Sector Consulting, as at 31 March 2013. The approach to calculating the IAS19 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 purposes. The approach adopted by the Actuary follows "IAS 19 - Calculation Guide for Local Authorities".

The Council recognises cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However the charge made against Council Tax is based on contributions payable to the fund in respect of 2012/13 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, Retirement Benefits, resulting in quoted securities held as assets in the defined pension scheme being valued at bid price rather than mid-market value.

	2012/13 £000	2011/12 £000
Comprehensive Income and Expenditure Statement		
Net Cost of Services		
Current Service Cost	(2,983)	(2,332)
Settlement and Curtailment Loss	(21)	-
Net Operating Expenditure		
Interest Cost	(6,835)	(7,132)
Expected Return on Assets	4,954	5,660
Net charge made to the Comprehensive Income & Expenditure Statement	(4,885)	(3,804)

	2012/13 £000	2011/12 £000
Adjustments between accounting basis and funding basis under regulations		
Net charges made for retirement benefits in accordance with IAS19	(4,885)	(3,804)
Employers contributions payable to the pension fund	3,829	3,725
Net charge	(1,056)	(79)

In 2012/13 the Council paid an employer's normal contribution of £3.829m representing 28.4% of employee's pensionable pay into The 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 2010 review as at 31 March 2010 were implemented with effect from 1 April 2011. The employer's contributions certified by the Actuary to the Fund in respect of the period 1 April 2011 to 31 March 2014 is 13%. (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 2011. In addition to these contributions lump sum payments are also required to address the deficit funding level. These are £1.651m for 2011/2012, £1.725m for 2012/2013 and £1.803m for 2013/2014. There were no creditors relating to pension fund contributions at year end.

Notes to the Core Financial Statements

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. There were no such cases in 2012/13, nor were there any additional early retirement costs due to redundancy.

During the year pensions paid from the fund net of transfers in were £5,092,000, (£3,845,000 2011/12).

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	
	2013 £000	2012 £000	2013 £000	2012 £000
Net pensions liability at 1 April 2012	(4,510)	(3,791)	(65,625)	(46,324)
Movements in the current year				
Current service cost	-	-	(2,983)	(2,332)
Employers' contributions payable to scheme	337	327	3,829	3,725
Settlement and curtailment loss	-	-	(21)	-
Past service gain	-	-	-	-
Interest cost	(200)	(200)	(6,835)	(7,132)
Expected return on assets in the scheme	-	-	4,954	5,660
Actuarial gain/(loss)	(153)	(846)	(8,676)	(19,222)
Net pensions liability at 31 March	(4,526)	(4,510)	(75,357)	(65,625)

	31 March	
	2013 £000	2012 £000
The bid value of the above assets related to this Council was	95,060	85,198
The value placed on the liabilities related to this Council was	(170,417)	(150,823)
Consequently, at 31 March, the deficiency related to this Council was	(75,357)	(65,625)

Reconciliation of fair value of the scheme assets:

	2013 £000	2012 £000
Fair Value of the plan assets at 1 April	85,198	83,812
Expected Rate of Return	4,954	5,660
Actuarial gains and losses	5,610	(4,719)
Employer contributions	3,829	3,725
Contributions by scheme participants	898	892
Benefits paid	(5,429)	(4,172)
Fair value of the plan assets at 31 March	95,060	85,198

Notes to the Core Financial Statements

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 £4,954,000 (£5,660,000 for 2011/12).

Scheme History

	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000
Present Value of Liabilities	(170,417)	(150,823)	(130,136)	(139,219)	(102,295)
Fair Value of Assets	95,060	85,198	83,812	82,726	60,748
Surplus/(deficit) in the scheme	(75,357)	(65,625)	(46,324)	(56,493)	(41,547)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £75,357,000 in the balance sheet has reduced the reported net worth of the Council by 22.22% (18.69% 2011/12).

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 2014 is £3,712,000. The Current Service Cost is expected to be £2,966,000 for the year to 31 March 2014, which is based on an estimated payroll of £13,469,000.

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 Barnett Waddington 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 2010.

Notes to the Core Financial Statements

The principal assumptions used by the actuary have been:

	2012/13 %	2011/12 %
Long term expected rate of return on assets in the scheme:		
Equity investments	6.10	6.40
Government Bonds	3.00	3.30
Other Bonds	4.10	4.60
Property	5.10	5.40
Cash/Liquidity	0.50	0.50
Alternative Assets	6.10	n/a
Mortality Assumptions		
<u>Longevity at 65 for current pensioners:</u>		
Men	22.70	22.70
Women	25.30	25.30
<u>Longevity at 65 for future pensioners:</u>		
Men	24.20	24.10
Women	26.90	26.80
Rate of Inflation RPI	3.30%	3.30%
Rate of Inflation CPI	2.50%	2.50%
Rate of Increase in Salaries	4.30%	4.30%
Rate of Increase in pensions	2.50%	2.50%
Rate for discounting scheme liabilities	4.10%	4.60%
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 2013		As at 31 March 2012	
	£000	%	£000	%
Equities	60,839	64.00	59,638	70.00
Government Bonds	6,654	7.00	3,408	4.00
Other Bonds	7,605	8.00	8,520	10.00
Property	11,407	12.00	11,928	14.00
Cash/Liquidity	3,802	4.00	1,704	2.00
Alternative Assets	4,753	5.00	0	0.00
Total	95,060	100	85,198	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.

Notes to the Core Financial Statements

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012.

	2012/13 %	2011/12 %	2010/11 %	2009/10 %	2008/09 %
Difference between the expected and actual return on assets	5.90	5.54	4.20	21.10	35.50
Experience (gains) and losses on liabilities	0.00	(0.45)	4.90	0.00	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 £75,357m net liability represents the difference between the value of the Council's pension fund assets at 31 March 2013 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 2013 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 2010 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.

Sensitivity Analysis as at 31 March 2013

	Sensitivity 1	Sensitivity 2	Sensitivity 3
	+0.1% p.a. discount rate as at 31 March 2013 £000s	0.0% p.a. discount rate as at 31 March 2013 £000s	-0.1% p.a. discount rate as at 31 March 2013 £000s
The table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service cost along with a plus/minus year age rating adjustment to the mortality assumption.			
Present Value of Total Obligation	167,404	170,417	173,501
Projected Service Cost	3,379	3,486	3,598
Adjustment to mortality age rating assumption	+1year	none	-1year
Present Value of Total Obligation	164,350	170,417	176,542
Projected Service Cost	3,333	3,486	3,642

39. CONTINGENT ASSETS

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 £487,141, with a further claim of £1,731,465 going back to January 1990, making a total claim of £2,218,606. 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.

Notes to the Core Financial Statements

40. CONTINGENT LIABILITIES

Epping Forest District Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £4,000 plus interest and costs. A secondary group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council had been informed that the value of those claims at present is £150,000 plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

There has for sometime been a possibility that the Council might become liable for the settlement of claims relating to Mesothelioma, the lung disease associated with exposure to Asbestos. There have been court proceedings in an attempt to ascertain whether liability to settle any claims rests with the Council's current insurers or the insurers at the time of employees' exposure to the risk. On 28 March 2012 judgement was passed that liability rests with the insurers at the time of potential exposure. The insurers at the time are no longer trading as such and it is unlikely that there are sufficient assets to meet the totality of any claims, which will therefore mean some liability if not all will fall on the scheme creditors of which this Council is one. Whilst there is a little more clarity suggesting that 15% or £84,500 might be the extent of the liability this is by no means certain. Having reviewed the situation it is felt for the time being the transfer made to the fund of £650,000 in 2011/12 should remain until such time as things become clearer.

41. NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with The Prudential Code of Capital Finance for Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy (for 2012/13 this was agreed at Full Council on 14 February 2012). 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 are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

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. A limit of £10m is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit (£10m) for institutions that are part of the same banking group.

Until November 2011 the minimum credit rating criteria for new investments in 2011/12 was a long term rating of A+ (Fitch) or equivalent. Following downgrades to a number of systemically important financial institutions in Autumn 2011, a lower minimum credit rating criteria of A- (Fitch) or equivalent was adopted by the authority once the revised Treasury Strategy was approved by Full Council.

The table below summarises the nominal value of the Council's investment portfolio at 31 March 2013, and confirms that all investments were made in line with the Council's approved rating criteria when investment placed:

Notes to the Core Financial Statements

The amounts below include the money market fund which is included in cash and cash equivalents.

	Credit rating criteria met on 31 March 2012	Balance invested as at 31 March 2013					Total £000
		Up to 1 month £000	Between 1 and 3 months £000	Between 4 and 6 months £000	Between 7 and 12 months £000	Greater than 12 months £000	
Banks UK	YES	8,000	20,000		2,000	0	30,000
Banks UK	NO		0	50	130	71	251
Banks non-UK	NO		0	0	0	0	0
Total Banks		8,000	20,000	50	2,130	71	30,251
Building Societies	YES	0	0		0	0	0
Local Authorities		0	0		0	10,000	10,000
Money Market Funds	YES	5,000	0	0	0	0	5,000
Total		13,000	20,000	50	2,130	10,071	45,251

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 11 February 2013 did not suggest any change from a return to creditors of 86p to 90p in the £ by April 2015. In line with CIPFA's LAAP bulletin Update No 6, the Council is estimating a recoverable amount of 88p in the £ based on the mid point of the base case return. During the year the Council have received dividends of 9.4% (£234,925). Projected future timing of recoveries is as follows:

	£
During 2013/14 - 7.19%	180,285
During 2014/15 - 2.81%	70,541

Debtors

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 2013 £000	Default risk judged as at 31 March 2013 %	Bad debt provision for 2012/13 £000
Sundry debtors	4,656	39.1	1,820
Housing arrears	1,054	69.8	736
Total	5,710		2,556

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

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

The maturity analysis of the nominal value of the Council's debt at 31 March 2013 was as follows:

Notes to the Core Financial Statements

		31 March 2013 £000	% of total debt portfolio
Short Term Borrowing	Less than 1 Year	0	0
Long Term Borrowing	Over 1 but not over 2	0	0.00
	Over 2 but not over 5	0	0.00
	Over 5 but not over 10	31,800	17.15
	Over 10 but not over 15	0	0.00
	Over 15 but not over 20	0	0.00
	Over 20 but not over 25	0	0.00
	Over 25 but not over 30	153,656	82.85
Long Term Borrowing		185,456	100.00

Market Risk

Interest Rate Risk - The Council is exposed to risks arising from movements in interest rates. The Treasury Strategy aims to mitigate these risks by setting an upper limit of 25% on external debt that can be subject to variable rates. At 31 March 2013, 83% of the debt portfolio was held in fixed rate instruments and 17% in variable rate instruments.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest payable on variable rate borrowing	318
Increase in interest receivable on variable rate investments	(181)
Impact on Surplus or Deficit on the Provision of Services	137
Share of overall impact debited/credited to HRA	137

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

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

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

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

	Note	2012/13 £000	2011/12 £000
INCOME			
Dwelling Rents (Gross)	3	29,226	27,538
Non Dwelling Rents		852	890
Charges for Services and Facilities		1,560	1,545
Leaseholder Contributions		172	185
Revaluation of Fixed Assets	1	19,228	1,355
TOTAL INCOME		51,038	31,513
EXPENDITURE			
Repairs and maintenance	4	5,607	5,406
Supervision and Management		6,400	6,024
Rents, Rates, Taxes and Insurance		524	496
Housing Revenue Account Subsidy Payable	5	-	11,304
Revenue Expenditure funded from Capital under Statute	11	172	185
Depreciation	2/9/10	12,652	10,032
Revaluation of Fixed Assets	1	-	57
Debt Management		59	141
Provision for Bad / Doubtful Debts		176	90
HRA Self-Financing	14	-	185,456
TOTAL EXPENDITURE		25,590	219,191
NET COST OF SERVICES AS INCLUDED IN THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT		(25,448)	187,678
HRA services share of Corporate & Democratic Core		572	572
HRA share of other services		50	36
NET COST (INCOME) OF HRA SERVICES		(24,826)	188,286
HRA SHARE OF THE INCOME AND EXPENDITURE INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		(24,826)	188,286
Gain on sale of HRA non-current assets		(328)	(545)
Interest Payable and Similar Charges		5,517	61
Interest and Investment Income		(461)	(638)
Changes in the Fair Value of Investment Properties		-	-
Valuation increase Rent to Mortgages		(20)	(61)
Pensions Interest/Return on Assets		600	470
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES		(19,518)	187,573

MOVEMENT ON HOUSING REVENUE ACCOUNT STATEMENT

The Housing Revenue Income and Expenditure Statement shows the Councils' actual financial performance for the

- 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	2012/13 £000	2011/12 £000
INCREASE/DECREASE IN THE HOUSING REVENUE ACCOUNT BALANCE			
(Surplus)/Deficit for the year on the Housing Revenue Account Income and Expenditure Statement		(19,518)	187,573
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	12	17,710	(186,624)
Transfers to Earmarked Reserves	12	2,926	444
(Increase) or decrease in the Housing Revenue Account balance		1,118	1,393
Housing Revenue Account surplus brought forward		(4,493)	(5,886)
Housing Revenue Account surplus carried forward		(3,375)	(4,493)

Notes to the Housing Revenue Income and Expenditure Account

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	Total £000
	Land £000	Dwellings £000	Garages £000	Equipment £000	Vehicles £000	Other £000	Investment Properties £000	
Gross Book Value								
31 March 2012	149,348	301,246	3,869	4,614	499	2,058	143	461,777
Revalued								
Restated	-			(1,737)	(131)	(32)	-	(1,900)
Reclassified	-		-	(282)	-	282	-	-
1 April 2012	149,348	301,246	3,869	2,595	368	2,308	143	459,877
Revalued in year	-	-	-	-	-	-	-	-
Additions	-	9,066	3	270	37	265	-	9,641
Disposals	(274)	(567)	-	-	(32)	-	-	(873)
Reclassified in year	3	(402)	-	-	-	(48)	-	(447)
Accumulated Depreciation Written Off		(21,842)	(281)					(22,123)
Revalued	3,520	15,889	278					19,687
Gross Book Value	152,597	303,390	3,869	2,865	373	2,525	143	465,762
Depreciation								
1 April 2012	-	(9,653)	(133)	(2,922)	(352)	(165)	-	(13,225)
Restated				1,737	131	32		1,900
Reclassified				196		(196)		-
1 April 2012	-	(9,653)	(133)	(989)	(221)	(329)	-	(11,325)
Accumulated Depreciation Written Off		21,842	281		-	-	-	22,123
Reclassified								
Depreciation in Year	-	(12,229)	(148)	(219)	(41)	(54)	-	(12,691)
Depreciation on Assets Sold	-	40	-	-	23	-	-	63
Depreciation								
31 March 2012	-	-	-	(1,208)	(239)	(383)	-	(1,830)
Net Book Value								
31 March 2013	152,597	303,390	3,869	1,657	134	2,142	143	463,932
Net Book Value								
31 March 2012	149,348	291,594	3,736	1,692	147	1,893	143	450,446

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 £1,161,079,000. The difference between the two values represents the economic cost of providing council housing at less than open market rents.

Notes to the Housing Revenue Income and Expenditure Account

2. HOUSING STOCK

The Council was responsible for managing on average 6,563 (6,573 in 2011/12) dwellings during 2012/13. Changes in the stock are summarised below. The figures include 48 units for the homeless at Norway House, North Weald, and 6 wardens' and caretakers' dwellings.

		2012/13	2011/12
Stock as at 1 April		6,570	6,576
Less	Sales	(13)	(7)
	Stock Transfers / Conversions	(5)	-
Add	New / Reinstated Properties	4	1
Stock as at 31 March		6,556	6,570
Number of:			
Houses and Bungalows		3,518	3,521
Flats and Maisonettes		3,028	3,039
Other		10	10

3. GROSS DWELLING RENT INCOME

During 2012/13 0.76% (0.91% in 2011/12) of all lettable dwellings were vacant. Average rents were £87.14 per week, an increase of £4.95 or 6% over the previous year. 54% (54% in 2011/12) of all Council tenants received some help through rent rebates in 2012/13. Rent arrears increased to £1,054,450 (£911,651 in 2011/12), which represents 3.7% (3.5% in 2011/12) of gross dwelling rent income. The provision for bad and doubtful debts on these arrears amounted to £735,794 (£632,421 in 2011/12). Amounts written off during the year totalled £73,122 (£71,231 in 2011/12). 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:

	2012/13		2011/12	
	£000	£000	£000	£000
Balance as at 1 April		(3,915)		(4,121)
Contribution from the HRA	(5,200)		(5,200)	
Other Income	(81)		(105)	
Total Income		(5,281)		(5,305)
Responsive & Void Repairs	3,317		3,038	
Planned Maintenance	2,201		2,333	
Other	170		140	
Total Expenditure		5,688		5,511
Balance as at 31 March		(3,508)		(3,915)

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 Statement is the actual net expenditure on repairs and maintenance rather than the contribution to the repairs fund. The difference between the two figures forms part of the adjustments between accounting basis and funding basis under regulations (Note 6 page 20).

Notes to the Housing Revenue Income and Expenditure Account

5. SUBSIDY ENTITLEMENT

The Housing Revenue Account Subsidy system was abolished from 1 April 2012. On 28 March 2012 the Council took out loans to make a payment to Central Government on the cessation of the system. There are therefore no subsidy transactions relating to 2012/13.

	2012/13		2011/12	
	£000	£000	£000	£000
Management and Maintenance Allowance				10,994
Major Repairs Allowance				4,978
Less				
Notional Rents			(27,167)	
Interest on Receipts			(95)	
		0		(27,262)
Adjustment relating to previous year				(14)
Total (Payable)		0		(11,304)

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 contributions payable to the fund in respect of 2012/13; the real cost of retirement benefits is therefore reversed out of the Housing Revenue Account after Net Operating Expenditure.

The 2010 Actuarial Valuation has produced new funding levels for the years 2011/12, 2012/13 and 2013/14. The deficit contributions in total for the Council will be £1,651,000 for 2011/12, £1,725,295 for 2012/13, and £1,802,933 for 2013/14, with the HRA share being 31.92%, £550,714 in 2012/13. As the capitalisation direction applied for in 2011/12 was rejected by the Department for Communities and Local Government, no application was made in 2012/13 and the deficiency payments have been funded in full by the HRA.

7. HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS

The Council received £1,141,000 in respect of Housing Revenue Account capital receipts during 2012/13. This arose as a result of the sale of council houses (£1,133,000) and principal repayments on mortgages (£8,000). Of this the Council used £17,000 for the administration of the sales which left £1,124,000 to fund capital projects and pay the central government pool an amount of £596,000.

8. CAPITAL EXPENDITURE

The Housing Revenue Account incurred the following capital expenditure.

Capital Expenditure on:	£000	Financed by:	£000
Council Dwellings	8,611	Revenue	4,200
Disabled Adaptations	418	Major Repairs Reserve	5,418
Plant and Equipment	307	Other Contributions	36
Intangibles	13		
Environmental Works	305		
	9,654		9,654

Notes to the Housing Revenue Income and Expenditure Account

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 58), 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:

	2011/12		2011/12	
	£000	£000	£000	£000
Balance as at 1 April		(8,241)		(6,540)
Depreciation transferred from the HRA		(12,652)		(10,032)
Used to fund Capital Expenditure on Council Dwellings	5,418		3,277	
Transferred to the HRA	5,720		5,054	
Total Expenditure		11,138		8,331
Balance as at 31 March		(9,755)		(8,241)

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 and its major components. No depreciation is chargeable on the Housing Revenue Account investment assets. (See also note 1, page 56)

11. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

A charge of £172,000 (£185,000 in 2011/12) was made in respect of revenue expenditure funded from capital under statute. This related to recharges to leaseholders for repairs.

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

	2012/13	2011/12
	£000	£000
AMOUNTS TO BE EXCLUDED		
Transfer from Major Repairs Reserve and other depreciation reversals and impairments	(5,767)	(3,805)
Upward revaluation of Council Dwellings and Garages	19,228	0
HRA Self-Financing	0	(185,456)
Revenue expenditure funded from Capital under statute	(172)	(185)
Valuation changes Rents to Mortgages	20	61
Gain/(loss) on disposal of HRA fixed assets	328	546
Flexi / Leave Accruals	2	(19)
HRA share of contributions to/ (from) pensions reserve	(1,559)	(1,214)
	12,080	(190,072)

Notes to the Housing Revenue Income and Expenditure Account

AMOUNTS TO BE INCLUDED	2012/13 £000	2011/12 £000
Leaseholder Contributions	172	185
Employers contributions payable to the pension fund	1,222	1,189
Capital Expenditure funded by the HRA	4,200	2,050
Capital Contributions Applied	36	24
	5,630	3,448
	17,710	(186,624)
TRANSFERS TO EARMARKED RESERVES		
Housing Repairs Fund	(407)	(206)
Self Financing Reserve	3,180	
Service Enhancement Fund	170	
Insurance Fund	(17)	650
	2,926	444
	20,636	(186,180)

13. SETTLEMENT PAYMENTS DETERMINATION 2012 (HRA SELF-FINANCING)

On 28 March 2012 the Council borrowed £185,456,000 from the Public Works Loan Board in order to pay an equivalent amount over to the Department for Communities and Local Government. This payment was the amount prescribed as payable on the cessation of the Housing Revenue Account Subsidy regime on 31 March 2012. The payment is of a Capital nature but as it neither creates or improves an existing asset the payment is written off to the Comprehensive Income and Expenditure Statement in the year of payment. This item is of course reversed out within the Adjustments Between Accounting Basis and Funding Basis under Regulation as it is not funded from revenue resources.

The new financial freedoms and additional funding available from 1 April 2012 has meant that some components, such as bathrooms and kitchens, are being replaced more frequently and therefore have shorter useful economic lives. This has had the effect of increasing the depreciation charge. The increase in 2012/13 over 2011/12 is around £2m.

The change to the self-financing has seen the annual subsidy payment of £11.3 million replaced with an interest charge and borrowing repayments of £5.5 million. The full borrowing of £185 million will be repaid over the life of the 30 year business plan.

14. TRANSFER TO INSURANCE FUND

There has for sometime been a possibility that the Council might become liable for the settlement of claims relating to Mesothelioma. There have been court proceeding in an attempt to ascertain whether liability to settle any claims rests with the Councils current insurers or the insurers at the time of employees exposure to the risk. On 28 March 2012 judgement was passed that liability rests with the insurers at the time of potential exposure. The insurers at the time are no longer trading as such and it is unlikely that there are sufficient assets to meet the totality of any claims, which will therefore mean some liability if not all will fall on the scheme creditors of which this Council is one. Whilst there is a little more clarity suggesting that 15% or £84,500 might be the extent of the liability this is by no means certain. Having reviewed the situation It is felt for the time being the transfer made to the fund of £650,000 in 2011/12 should remain until such time as things become clearer.

Notes to the Housing Revenue Income and Expenditure Account

15. TRANSFER TO SELF FINANCING RESERVE/SERVICE ENHANCEMENT FUND

As part of the new financial arrangements for the Housing Revenue Account two new earmarked reserves have been set up. A Self Financing Reserve was set up with the purpose of receiving a transfer of £3.18m per annum to accumulate enough funds to repay the £31.8m variable loan. Whilst this is the stated purpose of the fund the decision does not preclude the use of these funds for another HRA purpose. Self financing has meant additional funds have become available for HRA expenditure, as a result a programme of service enhancements and improvements have been agreed by the Council. It was agreed that any unspent monies allocated in 2012/13 should be carried forward within the fund for use in future accounting periods. The value of this carry forward at the end of the financial year was £170,000.

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

INCOME	Note	2012/13 £000	2011/12 £000
Council Tax	1	82,973	81,590
Non Domestic Rates	2	32,301	31,119
TOTAL INCOME		115,274	112,709
EXPENDITURE			
Precepts and Demands:			
Essex County Council		59,663	59,347
Essex Police		7,505	7,215
Essex Fire Authority		3,647	3,627
Epping Forest District Council		11,334	11,231
Distribution of Estimated Collection Fund			
Surplus/(Deficit).	3		
Essex County Council		(400)	(8)
Essex Police		(49)	(1)
Essex Fire Authority		(24)	(1)
Epping Forest District Council		(75)	(2)
Non Domestic Rate			
Payment to National Pool		32,127	30,946
Cost of Collection Allowance		174	173
Provision for Non Payment of Council Tax		28	45
Council Tax Write Offs		509	242
TOTAL EXPENDITURE		114,439	112,814
DEFICIT / (SURPLUS) FOR YEAR		(835)	105
BALANCE BROUGHT FORWARD		720	615
BALANCE CARRIED FORWARD		(115)	720

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: 54,900 for 2012/13, 54,608 for 2011/12). The basic amount of Council Tax for a Band D property (£1,438.65 for 2012/13, £1,434.06 for 2011/12) 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	2
Band A	1,727	1,350	2/3	900
Band B	4,868	3,903	7/9	3,036
Band C	11,322	9,835	8/9	8,743
Band D	13,659	12,355	1	12,355
Band E	9,231	8,446	1 2/9	10,323
Band F	6,634	6,195	1 4/9	8,948
Band G	5,785	5,437	1 2/3	9,062
Band H	1,116	1,043	2	2,086
Total Band D				55,455
Less Adjustment for Collection Rate				555
Council Tax Base				54,900

The income of £82,973,314 for 2012/13 (£81,589,884 for 2011/12) is receivable from the following sources.

	2012/13 £000	2011/12 £000
Billed to Council tax payers	73,959	72,558
Council Tax Benefits	9,014	9,032
	82,973	81,590

Notes to the Collection Fund

2. NATIONAL NON DOMESTIC RATES

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 45.0p (small business) and 45.8p (others) in 2011/12, (42.6p (small business) 43.3p (others) in 2011/12) 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 £86,549,824 (£87,790,574 in 2011/12).

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 and the other Major Precepting Authorities. The surplus or deficit on the fund is estimated as at 15 January every year and paid over or recovered from the Council's General fund and major precepting authorities in the following Financial year. The balance on the Fund represents the difference between the estimated surplus or deficit and the actual position.

Annual Governance Statement

1 Scope of Responsibility

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

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

The Council has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Council's Constitution. A copy of the Code is on our website at www.eppingforestdc.gov.uk. 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 2011, in relation to the publication of a Statement on Internal Control.

2 The Purpose of the Governance Framework

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

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

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

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.

The table below summarises the Council's Governance Framework (which includes the system of internal control) for the year ending 31st March 2013 and up to the date of approval of this Statement and the Statement of Accounts.

The Governance Framework	
	The key elements of the Council's governance arrangements are:
1	A corporate plan covering 2011-2015, setting out the Council's priorities and defining the goals to be achieved.
2	The Constitution, which is revised each year
2.1	sets out the Council's decision-making framework,
2.2	gives a clear definition of the roles and responsibilities of members, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer),
2.3	includes a scheme of delegation of responsibility, financial regulations and contract standing orders,
2.4	defines codes of conduct for members and officers, and a protocol for how the two work together.
3	The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios.
4	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.
5	A Standards Committee.
6	An Audit and Governance Committee.
7	A Management Board consisting of the Chief Executive, Deputy Chief Executive and Directors.
8	A Corporate Governance Group consisting of the Chief Executive, Deputy Chief Executive, Section 151 Officer, Monitoring Officer, Deputy Monitoring Officer and The Chief Internal Auditor, meeting monthly.
9	A Corporate Risk Strategy managed by a Risk Management Group meeting quarterly.
10	Working Group on Financial Regulations, Contract Standing Orders and Delegated Authorities (reviewed annually).
11	A standard committee report format that includes specific consideration of all legal, financial, professional and technical considerations.
12	A Medium Term Financial Strategy which informs service planning and budget setting,
13	A compliments and complaints procedure.
14	A risk-based approach to internal audit, emphasising the need for sound control and good value.
15	A robust whistle blowing policy and process, refreshed in 2011-12, along with supporting documents outlining the Council's zero tolerance approach to fraud and corruption.
16	Contribution 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 Corporate Plan 2011/15 with the Community Strategy.

3 Review of effectiveness

The Council is responsible for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the various sources noted below. In respect of partnerships, the Council has relied on statements from the partner bodies.

Directors governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively;

Documentary evidence of processes, procedures and standards:

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

The work undertaken by the External Auditor reported in their annual audit and inspection letter and other review reports;

Significant governance issues from previous years;

Significant governance Issues from 2012/13.

In preparing this statement and reviewing the effectiveness of the council's governance arrangements, we have identified areas for improvement which are set out in the table below, together with the steps to be taken to address them.

No.	Issue	Action to be taken
1	<p>Housing Repairs Service Stores</p> <p>A number of 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.</p>	<p>Since taking over the Stores, the Asst. Director (Property) has taken a number of steps to improve the position in the short term. To improve efficiency, value for money and financial controls, an EU-compliant competitive tender exercise has therefore been undertaken to appoint a company to provide a material supply chain, with adequate control measures being a key component of the specification. This new contract will commence in May 2013.</p>
2	<p>Housing and Council Tax Benefits Accuracy checks</p> <p>Last year the Governance Statement mentioned an internal control issue in Benefits. This problem had been raised by both external and internal audit and related to the amount of checking that was being undertaken. The internal audit report issued on Benefits in June 2012 (relating to the 2011/12 year) still had a limited assurance rating because of the checking control.</p>	<p>This control has been addressed and checking has taken place to cover the whole of the 2012/13 financial year.</p>

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

Signed

Glenn Chipp
Chief Executive

Signed

Councillor Chris Whitbread
Leader of the Council

Members Allowances

The allowances of £318,441 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.

	£		£
R.H.MORGAN	7,109	J.F.COLLIER	320
P.SMITH	6,760	D.P.DODEJA	320
D.J.STALLAN	9,915	J.PHILIP	4,700
D.J.JACOBS	4,099	W.J.PRYOR	320
A.G.GRIGG	9,036	J.M.SUTCLIFFE	320
S.W.MURRAY	5,300	D.J.WIXLEY	3,966
J.M.WHITEHOUSE	3,620	M.A.PEDDLE(Nee Rickman)	500
M.A.MCEWEN	5,334	S.A.LYE	500
J.KNAPMAN	4,306	R.THOMPSON	500
C.L.WHITBREAD	16,746	D.JACKMAN	500
J.H.WHITEHOUSE	3,400	A.LION	5,254
U.M.GADSBY	4,436	W.S.BREARE-HALL	10,035
P.GODE	3,400	T.O.COCHRANE	3,544
M.SARTIN	9,275	J.HART	3,398
J.M.HART	6,467	Y.R.KNIGHT	3,400
D.M.COLLINS	320	S.I.WATSON	3,400
J.LEA	3,400	L.T.LEONARD	5,254
P.RICHARDSON	342	D.JOHNSON	3,930
J.A.MARKHAM	3,150	R.COHEN	3,400
C.P.POND	3,571	S.JONES	3,400
B.P.SANDLER	5,762	C.W.FINN	3,150
S.A.STAVROU	9,590	R.KELLY	500
K.ANGOLD-STEPHENS	5,192	J.GUTH	111
K.S.CHANA	3,556	K.AVEY	3,150
G.MOHINDRA	4,272	P.KESKA	3,400
P.J.SPENCER	3,631	A.MITCHELL	4,170
L.A.WAGLAND	5,506	G.WALLER	11,097
J.A.WYATT	6,780	H.BRADY	3,449
B.A.ROLFE VC	10,927	G.CHAMBERS	3,522
R.BASSETT	10,238	A.J.CHURCH	2,842
E.A.WEBSTER(SPINKS)	5,550	L.GIRLING	3,518
M.WRIGHT	9,355	H.KANE	3,342
R.E.BROOKES	9,417	H.MANN	2,842
R.BARRETT	125	G.SHEILL	3,342
A.L.BOYCE	320	T.THOMAS	3,342
A.WATTS	320	N.WRIGHT	2,842
H.ULKUN	6,334		
Total	206,861	Total	111,580
		GRAND TOTAL	318,441

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 events 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 of 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 asset 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 construction 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:

Glossary of Terms

- (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.

IAS19

International Accounting Standard 19 (IAS19) ensures that organisations account for employee retirement benefits when they are committed to pay them, even if the actual payment may be years into the future.

INTEREST COST (PENSIONS)

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

INVESTMENTS (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

Glossary of Pension Related Terms

(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.