

Supplementary Papers to Accompany the Statutory Statement of Accounts

1. The Finance and Performance Management Cabinet Committee considered the draft Statutory Statement of Accounts on Monday 19 June. At that meeting Members were advised that the disclosure requirements in relation to South Herts. Waste Management going into administration had been raised with the District Auditor and that a response was awaited. A response has now been received that requires the information that had been shown under Contingent Liabilities to be moved to the Post Balance Sheet Events section. This has necessitated changes to pages 29 and 31 and so amended pages 29, 30 and 31 are attached as Appendix 1.
2. Members of the Finance and Performance Management Cabinet Committee were also advised that the Cash Flow Statement and accompanying notes, pages 33 and 34, were still being completed. The Cash Flow Statement and accompanying notes have now been completed and so amended pages 33 and 34 are attached as Appendix 2.
3. The Statement on Internal Control forms part of the Statutory Statement of Accounts, pages 35 to 43, however the Accounts and Audit Regulations require that the Statement on Internal Control be considered separately from the Statutory Statement. Members of the Finance and Performance Management Cabinet Committee considered the Statement on Internal Control on Monday 19 June and asked for some amendments to clarify the involvement of Members with internal control issues. The Statement on Internal Control has accordingly been updated and is attached as Appendix 3.
4. In checking the Statutory Statement of Accounts an error has been identified on page 10. An item that should be part of the FRS17 Adjustment has been included in Pensions Interest/Return on Investments. This has now been corrected and an updated page 10 is attached as Appendix 4.

Explanatory Comments on the Statutory Statement of Accounts

1. A very clear message from the finance training provided for Members on 9 and 10 June was the need to make financial information more user friendly. To make the Statutory Statement of Accounts more accessible the following explanatory comments are provided to aid interpretation and highlight key issues. Detailed reports on the Capital Outturn (Cabinet 5 June) and the Revenue Outturn (Finance and Performance Management Cabinet Committee 19 June) have already been made and Members attention is also drawn to these reports.

Introduction and Explanatory Foreword (pages i to vi)

The introduction considers the Council's financial position, picks up the main variances from the outturn reports and comments on some future issues.

- Key Issues
- A new system of allocating Government grant was announced in the year and this will benefit EFDC.

- The Council has remained debt free and has been allowed to keep £1.6 million of capital receipts that would otherwise have been paid over to the Government.
- Revenue accounts achieved higher surpluses than had been anticipated.
- Some capital projects have been subject to delay and the resources carried forward to the next financial year.
- Items that will impact on the Council in the future include:
 - a) Lyons Review of local government finance;
 - b) Customer Services Transformation Programme;
 - c) Changes in methods of service provision; and
 - d) Changes to concessionary fares schemes.

Statement of Accounting Policies (pages 1 to 5)

This statement sets out how the figures in the accounts have been arrived at. There have been no changes to these policies and no key issues arise from them.

Housing Revenue Account (pages 6 to 9)

The Council is required to keep a separate account of all income and expenditure that relates to the provision of council housing.

- Key Issues
- For the financial year 2005/06 income exceeded expenditure by £765,000, this was £357,000 more than had been estimated.
 - Income from other charges and interest was higher than expected whilst expenditure on staff was lower than anticipated.
 - There were 40 properties sold during the year but there are still 6,680 dwellings managed by the Council.
 - The regulations that set out the valuation method that must be used for council housing have changed, now only 46% of open market value can be included instead of the 57% allowed previously. This has had the effect of reducing the value of council housing shown in the accounts by £71 million, although the value used is still some £530 million.

Consolidated Revenue Account (pages 10 to 17)

This account brings together income and expenditure relating to all of the Council's activities for the 2005/06 financial year.

- Key Issues
- For the year income exceeded expenditure by £968,000, this was £639,000 more than had been estimated.
 - Income from Court costs was higher than anticipated and expenditure on staff and dealing with the homeless were lower than anticipated.
 - Trading Operations (Industrial Estates and North Weald Centre) generated a surplus of £803,000, up from £695,000 in the previous year.
 - Spending on the District Development Fund, which is used

to fund one-off projects, was £710,000 below the estimate. However, requests have been made to carry forward £575,000 of this under spend to 2006/07.

Collection Fund (pages 18 to 20)

This shows the income and expenditure for the 2005/06 financial year of the Council as a billing authority in relation to the collection and distribution of the Council Tax and Non Domestic Rates. The Council Tax paid by the residents of the Epping Forest District is shared between a number of different organisations:

Essex County Council	73.1%
Epping Forest District Council	10.5%
Essex Police Authority	8.3%
Essex Fire Authority	4.5%
Parish/Town Councils	3.6%

- Key Issues
- Collection rates for both Council Tax (98.02%) and Non Domestic Rates (98.86%) were up (previously 97.60% and 98.70% respectively).
 - Council Tax income was £66.9 million, of which £9.3 million was retained by EFDC.
 - Non Domestic Rate income was £24.4 million. EFDC was allowed to retain £165,000 to help pay for the costs of collection and received £3.5 million of funding back from the National NDR Pool.

Consolidated Balance Sheet (pages 21 to 31)

This lists what the Council owns, what is owed to the Council and what the Council owes to others as at 31 March 2006. This produces a figure known as Total Assets less Liabilities, which is matched by the amounts shown as Reserves.

- Key Issues
- The biggest figure on the balance sheet is fixed assets, which has reduced from £699 million as at 31 March 2005 to £635 million as at 31 March 2006. This reduction is due to the change in the valuation method for council housing mentioned earlier. During the year £8.8 million was spent on additions to fixed assets.
 - The next largest asset is temporary investments, this is money invested with selected financial institutions, which totalled £43 million at the year-end.
 - Debtors have reduced from £8.6 million to £6.7 million; this is good as it illustrates an improvement in collection rates.
 - The largest liability on the balance sheet is the Pensions Liability of £37.4 million. This shows the extent of the Council's liability if the pension fund was to close on 31 March 2006. It does not mean that this full liability will have to be paid over in the near future.
 - Creditors have reduced from £12.2 million to £8.5 million; this is due to a reduction in the end of year balancing payment due to the National Non Domestic Rate Pool.

- The Council has substantial revenue reserves on both the General Fund (£6.5 million) and the Housing Revenue Account (£5.6 million).

Statement of Total Movements in Reserves (page 32)

This shows the items that have been added to or taken away from the Council's Reserves during the year.

- Key Issues
- The biggest single movement is a £60.9 million unrealised loss following the reduction in the valuation of council housing mentioned above.
 - The Pensions Reserve is a negative reserve that represents the equal and opposite entry for the Pensions Liability described above.
 - There was a surplus on the disposal of assets in the year of £732,000.

Cash Flow Statement (pages 33 and 34)

This summarises the movements in assets, liabilities and capital that have taken place during the year and their effect on the Council's holdings of cash.

- Key Issues
- During the year cash balances increased by £288,000.
 - The largest payments out of cash in the year were £59.6 million in precepts and £24.2 million to the National Non-Domestic Rate Pool.
 - The largest receipts of cash in the year were £59.7 million of Council Tax and £29.1 million from the Department for Work and Pensions to fund benefit payments.