

NOTES TO THE CONSOLIDATED BALANCE SHEET

20. CONTINGENT GAINS

The Council has a claim for VAT with Customs and Excise 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 to VAT. The claim amounts to £420,000, with a further claim of £740,000 going back to January 1990.

21. PENSIONS

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

The figures disclosed below have been derived by approximate updates from the full actuarial valuation of the Fund carried out by the Fund's Actuary as at 31 March 2004.

The employer's contributions certified by the actuary to the Fund in respect of the period 1 April 2005 to 31 March 2007 are 171% of members (employees) contributions plus lump sum payments of £1.675m (in 2005/06 terms), £1.747m (in 2006/07 terms) and £1.822m (in 2007/08 terms). The projected deficit payments include an allowance for two years salary increases since 31 March 2004 of 4.3%.

In 2005/06 the Council paid an employer's contribution of £3.004m representing 22.85% of employee's pensionable pay into Essex County Council's Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation. The results of the 2004 review as at 31 March 2004 were implemented with effect from 1 April 2005. The Actuary advised that the scheme was still underfunded and that deficiency contributions were required from all participating authorities. The sum required from this authority, included in the above contributions, was £1,674,649 for 2005/06 (£819,000 in 2004/05).

Contributions paid by employees into the Essex County Council Pension Fund in 2005/06 amounted to £0.781m representing 5.94% of employee's pensionable pay.

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2005/06 these amounted to £311,405 representing 2.37% of pensionable pay.

The main financial assumptions adopted as at 31 March 2006 were:

- Retail price inflation 2.9% per annum
- Increases in salaries 4.4% per annum
- Increases in pensions and deferred pensions 2.9% per annum
(parts of pensions in payment representing guaranteed minimum pensions are not increased (pre-1998 accrual) or increased at 2.0% per annum (post-1998 accrual))
- Discount rate 4.9%

The fair values of each main class of assets held by the Fund as at 31 March and the expected rates of return for the year are set out in the following table:

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	As at 31 March 2006		As at 31 March 2005	
	Fair value £m	Expected Return %	Fair value £m	Expected Return %
Equities	1,875	7.0	1,477	7.5
Gilts	277	4.3	236	4.7
Other Bonds	149	4.9	126	5.4
Property	309	6.0	244	6.5
Other	50	4.5	60	4.75
Total	2,660		2,143	

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.

	31 March	
	2006 £m	2005 £m
The fair value of the above assets related to this Council was	74.3	61.2
The value placed on the liabilities related to this Council was	(111.7)	(99.3)
Consequently, at 31 March, the deficiency related to this Council was	(37.4)	(38.1)

The movement in the net pension deficiency for the year to 31 March 2006 is as follows:

	2006 £m	2005 £m
Net pensions liability at 1 April 2005	(38.1)	(24.7)
Movements in the current year		
Current service cost	(2.3)	(2.2)
Employers' contributions payable to scheme	3.3	2.4
Settlement and curtailment gains	.5	0
Past service gains	1.6	0
Interest cost	(5.3)	(5.1)
Expected return on assets in the scheme	4.0	4.0
Actuarial gain/(loss)	(1.1)	(12.5)
Net pensions liability at 31 March 2006	(37.4)	(38.1)

The actuarial asset gain can be analysed into the following categories, measured as absolute amounts and as a percentage of assets at 31 March 2006:

	2005/06	
	£m	%
Differences between the expected and actual return on assets	9.8	13.1
Differences between actuarial assumptions about liabilities and actual experience	0	0
Changes in the demographic and financial assumptions used to estimate liabilities	0	0

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 within a range of possible values.

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The primary cause of the change from an estimated net pension liability of £38.1m at 31 March 2005 to an estimated net pension liability of £37.4m at 31 March 2006 has been an increase in deficiency contributions, a past service gain resulting from the anticipated change in benefits under the Local Government Pension Scheme, and a settlement gain as a result of staff transferring to a private contractor and staff transferring to Essex County Council.

The £37.4m net liability represents the difference between the value of the Council's pension fund assets at 31 March 2006 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 2006 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 2004 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 up to the next review.

Changes to the Local Government Pension Scheme.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment in exchange for a reduction in their future annual pension. On the advice of the actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. The actuaries have advised that this will reduce the value of the Council's pension liabilities by £1.581 million and this has been included within Non-Distributed Costs on the face of the Consolidated Revenue Account.

22. CONTINGENT LIABILITIES

There were no contingent liabilities.

23. POST BALANCE SHEET EVENTS

The Parade Ground Site was sold early in 2006/07. The balance sheet value has been adjusted in view of that sale price.

The waste management contractor in place at the balance sheet date has since gone into administration. A new contractor is in place, however there are possible claims arising from indemnities given to the new contractor for pre-administration employment /TUPE.

The mid/long term effects of the previous waste management contractor going into administration are still to be determined. Members have already approved a supplementary estimate of £300,000 to deal with the short term costs.

APPENDIX 2 TO FOLLOW