Epping Forest District Council

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STATEMENT OF ACCOUNTS 2016/17

STATUTORY STATEMENT OF ACCOUNTS 2016/17

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

NARRATIVE REPORT

1. INTRODUCTION TO EPPING FOREST DISTRICT COUNCIL

Epping Forest District in Essex takes its name from the forest which runs from its southern boundaries northwards. The district shares boundaries with Greater London and Hertfordshire as well as four other Essex districts. The three main settlements of Buckhurst Hill, Chigwell and Loughton contain more than half the district's population of approximately 132,000 people. However, this southern area amounts to only 5% of the district. The remaining 95% is made up largely of separate market towns, villages and hamlets in attractive countryside. Most of the district is designated within the protective status of the Metropolitan Green Belt.

Services are provided at three levels by Essex County Council, Epping Forest District Council and local Town and Parish Councils.

- District Council services include - housing, street cleansing, waste collection and recycling, sports and recreation, planning applications for homes and business, voter registration, benefit administration, council tax and business rate collection & environmental health.
- County Council services include - education, social care & highways and transportation.
- Parish and Town Council services include - allotments, burial grounds and cemeteries, public halls & playgrounds and sports grounds.

Forecasts suggest that the population of the district could rise significantly from the current 132,000 over the next twenty years. A key factor in this estimated growth is that life expectancy in the district is higher than the national average and rising. Projections indicate that by 2020 over 55% of the district's population will be aged over 60.

Although the population of the district is fairly affluent there are some areas of deprivation with children living in poverty. Nearly a quarter of the district's adult population and almost a fifth of children are classified as obese.

Unemployment is generally low. Many residents commute to jobs in London. The district is well connected by eight London Underground stations and a National Rail station. The M25 and M11 provide good road links including a fast route to Stansted Airport. Local employment opportunities centre on distribution, hotels, restaurants, banks and finance and public services.

2. PERFORMANCE ON CORPORATE OBJECTIVES

The Corporate Plan 2016 - 2021 has three strategic aims and each of these is supported by three key objectives. Performance against the key objectives is monitored on a quarterly basis, with reports to Member meetings of both the Executive and Overview and Scrutiny.

The first strategic aim is to ensure that the Council has appropriate resources, on an ongoing basis, to fund its statutory duties and appropriate discretionary services whilst continuing to keep the Council Tax low. This aim is supported by key objectives covering budgets, property assets and joint working.

The key objective for budgets is to ensure that the Council's Medium Term Financial Strategy (MTFS) meets the Council's financial and service requirements for any forward five year period, whilst minimising any reliance on Government funding. There were five actions to support this objective which included an early start to the budget cycle, delivering the savings already identified for both 2016/17 and 2017/18 and developing additional business cases to address the need for net savings. All of these actions were achieved during 2016/17.

The key objective for property assets is to continue to review and develop the Council's own assets and landholdings for appropriate uses, in order to maximise revenue streams and capital receipts and to deliver four key projects. There were nine actions to support this objective, most of which were linked to the four key projects of the Epping Forest Shopping park, the Council Housebuilding Programme, the St John's Redevelopment Scheme and North Weald Airfield. Progress on the Shopping Park has been good and that action is on target. The various phases of the Council Housebuilding Programme have progressed at different rates. Phase 1 is behind schedule due to problems with the contractor, whilst phases 2 to 4 have achieved their targets with work commencing on site for phases 2 and 3. Progress on the St John's Redevelopment is behind schedule due to a series of delays, most of which can be attributed to Essex County Council. The action relating to North Weald Airfield is on target. Overall five of the actions on property assets have been achieved but four are behind schedule.

The key objective for joint working is to explore appropriate opportunities to make savings and increase income through the shared delivery of services with other organisations, where such arrangements would provide improved and/or more cost effective outcomes. There were thirteen actions shared across the organisation to support this objective. Nine of the actions were achieved in the year and some progress has been made on the other four but they are behind schedule. The actions behind schedule mostly relate to establishing shared service arrangements and on reflection the original timescales set were too ambitious.

The second strategic aim is to ensure that the Council has a sound and approved Local Plan and commences its delivery. This aim is supported by key objectives covering the Local Plan, an Economic Development Strategy and a Leisure and Cultural Strategy.

The key objective for the Local Plan is to produce a sound Local Plan, following consultation with local residents and working with neighbouring councils, that meets the needs of our communities whilst minimising the impact on the District's Green Belt. There were five actions to support this objective, these covered various aspects of the preparatory work necessary to deliver the Local Plan. The only action achieved in the year was to undertake Phase II of a comprehensive Green Belt Review, although the work on the duty to co-operate was also described as on target.

The key objective for economic development is to increase opportunities for sustainable economic development within the District, in order to increase local employment opportunities for residents. The only action to support this objective was the continuation of the apprenticeship scheme, which was achieved.

The key objective for the leisure and cultural strategy is to deliver the strategy, in order to maximise participation and value for money in leisure and cultural services for local residents and visitors. There were five actions to support this objective, these included taking forward the masterplan for the Hillhouse area and investigating the establishment of a development trust for the museum. All of the actions were achieved in the year.

The third strategic aim is to ensure that the Council adopts a modern approach to the delivery of its services and that they are efficient, effective and fit for purpose. This aim is supported by key objectives covering customer contact, modernising Council operations and the district's demographic profile.

The key objective for customer contact is to have efficient arrangements in place to enable customers to easily contact the Council, in a variety of ways, and in most cases have their service needs met effectively on first contact. There were two actions to support this objective, reviewing the increased opening hours at the Limes Centre and producing an implementation plan for improvements to customer contact. Both of the actions were achieved in the year.

The key objective for modernisation is to utilise modern technology to enable Council officers and Members to work more effectively, in order to provide enhanced services to customers and make Council services and information easier to access. There were five actions to support this objective, these covered work on scanning, implementing the ICT Strategy and freeing up computer suite 1 for re-use. All of the actions were achieved in the year.

The key objective for the demographic profile is to ensure that the Council understands the effects of an ageing population and works with other agencies to make appropriate plans and arrangements to respond to this need. There were four actions to support this objective. The two actions covering the multi-service study to identify and better understand the demographics of the ageing population and the effects of this were achieved. Two of the actions were not achieved in the year and these both related to the Council's provision of sheltered and designated accommodation.

The performance for 2016/17 shows a slight improvement on 2015/16, with the percentage of actions achieved in the year improving from 65% to 68%. This was probably helped by the actions being more focused and reducing from 55 to 49. It is pleasing to have improved the percentage of actions achieved and achieving more than two thirds of the actions is a good performance. Many of the 16 actions that were not completed are well underway and will continue to be monitored during 2017/18.

3. PERFORMANCE ON KEY PERFORMANCE INDICATORS

Each of the four Directorates has a set of key performance indicators that Members consider and set targets for on an annual basis. Quarterly monitoring reports on the indicators go to both Overview and Scrutiny and Executive Member meetings. The Communities Directorate had ten key performance indicators for 2016/17 and eight of these achieved the target level of performance. The indicators meeting their targets included rent collection, tenant satisfaction, repairs and the Careline service. The indicators falling short of their targets were the time taken to re-let void properties (38 days against target of 37) and the number of components replaced in order to achieve the modern homes standard (2,806 against target of 3,300). However, during the year Cabinet decided to return to the decent homes standard so not achieving the target for modern homes is in line with the amended policy.

The Governance Directorate had five key performance indicators for 2016/17 and three of these achieved the target level of performance. The indicators all relate to the processing of various types of planning applications and it was a considerable achievement to meet the processing targets whilst also dealing with a much higher volume of work. The indicators that fell short of target were for the percentage of appeals lost, following both officer and Member decisions. Targets of a maximum of 20% for officers and 50% for Members had been set but the outturns were higher at 22.2% and 66.7%. This is disappointing and a process is in place to scrutinise and learn from appeal decisions.

The Neighbourhoods Directorate had thirteen key performance indicators for 2016/17 and eleven achieved their targets. The indicators meeting their targets relate to environmental health issues such as fly tipping and noise nuisance and also the management of the Council's commercial properties. The indicators falling short of their targets cover the recycling part of the waste management service as both the percentage and weight of waste recycled were below target. Several initiatives are being examined with the service provider to try and boost recycling going forwards.

The Resources Directorate had nine key performance indicators for 2016/17 and eight achieved their targets. The indicators meeting their target relate to sickness absence, revenue collection, benefits processing and the Council's website. The indicator that fell short of its targets was the percentage of invoices paid in 30 days. However, performance here at 96% was only just short of the target of 97%.

There were 37 key performance indicators for 2016/17 and 28 (75%) of these achieved their target during the year. This is a strong performance and maintains the level of 75% achieved in 2015/16. Whilst it would have been desirable to see further improvement, the context of the transformation work must be remembered and this level of performance shows a focus has been retained on the key business as usual items reflected in the performance

4. FINANCIAL PERFORMANCE

The following tables provide a summary review of net expenditure and financing for 2016/17.

General Fund

The table below summarises the revenue outturn for the General Fund and the consequential movement in balances for 2016/17.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Net Expenditure after Adjustments	13,252	13,968	14,039	787	71
Government Grants and Local Taxation	(13,216)	(13,191)	(12,974)	242	217
(Contribution to)/from Balances	**36**	**777**	**1,065**	**1,029**	**288**
Opening Balances - 1/04/2016	(7,272)	(7,272)	(7,272)	-	-
(Contribution to)/from Balances	36	777	1,065	1,029	288
Closing Balances - 31/3/17	**(7,236)**	**(6,495)**	**(6,207)**	**1,029**	**288**

Net expenditure for 2016/17 totalled £14.04 million, which was £0.79 million (5.9%) above the original estimate agreed in February 2016 and £71,000 (0.5%) above the revised estimate compiled in December 2016.

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

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening CSB	12,714	13,336	12,465	(249)	(871)
In Year Growth	949	1,408	1,395	446	(13)
In Year Savings	(411)	(778)	(823)	(412)	(45)
Total Continuing Services Budget	**13,252**	**13,966**	**13,037**	**(215)**	**(929)**
Capital Expenditure Charged to Revenue	0	2	1,002	1,002	1,000
Total All CSB Items	**13,252**	**13,968**	**14,039**	**787**	**71**
DDF/ITS - Expenditure	2,106	3,099	2,527	421	(572)
DDF/ITS - One Off Savings/Income	(1,296)	(1,683)	(2,754)	(1,458)	(1,071)
Total DDF/ITS	**810**	**1,416**	**(227)**	**(1,037)**	**(1,643)**
Total Net Expenditure	**14,062**	**15,384**	**13,812**	**(250)**	**(1,572)**

Continuing Services Budget

CSB expenditure was £215,000 below the original estimate and £929,000 lower than the revised. The variances have arisen on both the opening CSB which was £871,000 lower than the revised estimate, and the in year figures which were £58,000 lower than the revised estimate.

In common with most years, when measured against the original budget, salaries were underspent by £529,000. Actual salary spending for the authority in total, including agency costs, was some £21.97 million compared against an original estimate of £24.50 million. When comparing to the revised estimate there was an underspend of £157,000, all of which related to the General Fund, although some salary costs are DDF and this showed a small underspend.

One of the largest variances on the revised opening CSB, when compared to the actuals, was the £105,000 which had been allowed for settlement agreement as little of this was spent. There were also underspends of £133,000 on housing benefits, £103,000 on consultancy costs and £83,000 on the bad debt provision, whilst rents were £112,000 higher than anticipated.

The in year CSB movements were very much in line with the revised estimate, with the actual CSB in year increase of £572,000 being just £58,000 lower than the revised estimate. The largest individual items in the CSB changes were for additional costs relating to waste management, £419,000, and national insurance contributions, £371,000, these were partly off-set by an additional £200,000 from the Council Tax technical agreement.

District Development Fund

Net DDF expenditure was £1,144,000 below the original estimate and £1,542,000 below the revised estimate. There are requests for carry forwards totalling £1,301,000 and therefore the variation actually equates to a £241,000 net under spend on the DDF items undertaken. These one-off projects are akin to capital, in that there is regular slippage and carry forward of budgetary provision. Therefore the only reasonable variance analysis that can be done is against the revised position.

The £1,542,000 difference against the revised estimate arose largely from additional income underspends. Significant additional income was received from the Government in relation to planning matters, with £665,000 to be spent on the Garden Towns and £129,000 on joint working. There was also additional income of £158,000 for the Council Tax technical agreement, where a basic amount has been included in the CSB but amounts in excess of this are credited to the DDF.

Carry forwards of £1,301,000 have been requested, with the largest request being £1,000,000 from the Neighbourhoods Directorate. The two largest amounts have already been mentioned above, being the £665,000 for the Garden Towns and the £129,000 for joint working. The directorate with the second highest carry forward is Resources, with a total of £248,000. The majority of the carry forward from this area relates to Building Maintenance (£92,000). Less significant carry forwards were also seen in the Governance Directorate (£26,000) and the Communities Directorate (£20,000).

The effect of these variances is that there is a balance of £4.19 million on the DDF as at 31 March 2017 whereas it was expected that the balance would be £2.65 million. The carry forward provision of £1,301,000 has been added to the programme for 2017/18. The MTFS set in February 2017 had anticipated that additional top-up funds would be needed for the DDF in 2018/19 but it now appears this will not be necessary until 2020/21.

Invest to Save

Spending from the Invest to Save fund was £219,000, some £101,000 below the revised estimate of £320,000. However, carry forwards of £107,000 have been requested, including £45,000 for ICT infrastructure to support the new car park management contract. During the year the fund was topped up with a transfer of £200,000 and at the end of 2016/17 had a balance of £406,000.

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	28,016	26,391	26,270	(1,746)	(121)
Depreciation	12,925	15,765	15,763	2,838	(2)
Total Expenditure	**40,941**	**42,156**	**42,033**	**1,092**	**(123)**
Gross Dwelling Rents	(32,032)	(31,788)	(31,925)	(107)	137
Other Rents and Charges	(8,462)	(10,862)	(10,759)	2,297	(103)
Total Income	**(40,494)**	**(42,650)**	**(42,684)**	**(2,190)**	**(34)**
Deficit/(Surplus) for Year	**447**	**(494)**	**(651)**	**(1,098)**	**(157)**
Opening Balance 1/4/16	(3,202)	(3,202)	(3,202)	0	0
Deficit/ (Surplus) for year	447	(494)	(651)	(1,098)	(157)
Closing Balance - 31/3/17	**(2,755)**	**(3,696)**	**(3,853)**	**(1,098)**	**(157)**

A deficit within the HRA of £447,000 and surplus of £494,000 were expected within its original and revised revenue budgets respectively; the actual outturn was a surplus of £651,000. The difference of £157,000 between the revised estimate and the actual is largely due to savings on expenditure of £121,000. This included savings of £43,000 on sheltered unit management, £26,000 on bad and doubtful debts and a further £16,000 on grounds maintenance.

Income from Dwelling Rents was above expectations but this was largely offset by the shortfall on other income. The revenue balance on the HRA of £3.85 million is in line with the target balance of between £3 million and £4 million previously agreed by Cabinet. The Major Repairs Reserve is also in a healthy state with a balance of £12.7 million.

Capital Outturn

The table below summarises the capital expenditure outturn and its financing for 2016/17.

Capital Expenditure and Financing	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
General Fund	19,320	22,210	19,581	261	(2,629)
Housing Revenue Account	28,277	20,867	17,376	(10,901)	(3,491)
Total Expenditure	**47,597**	**43,077**	**36,957**	**(10,640)**	**(6,120)**
Grants	1,015	1,466	1,799	784	333
External Borrowing	12,621	20,316	9,300	(3,321)	(11,016)
Capital Receipts	8,192	5,077	11,712	3,520	6,635
Revenue Contributions	25,769	16,218	14,146	(11,623)	(2,072)
Total Financing	**47,597**	**43,077**	**36,957**	**(10,640)**	**(6,120)**

The General Fund capital programme was expanded at the revised estimate stage from the original estimate of £19.32 million to £22.21 million. It had been anticipated that the land transactions for the St Johns development would have been completed in 2015/16 but this did not happen so the budget of £7.1 million was rolled forward into 2016/17 at the revised stage. This was partially offset by the delays in completing the Epping Forest Shopping Park, which meant the estimate was reduced from the original £16.2 million to £11.09 million at the revised stage. The underspend on the General Fund programme of £2.6 million comprises of £1.34 million for the shopping park, £990,000 for the surrender of lease and £318,000 on planned maintenance. All of the large underspends were due to slippage and have been carried forward to 2017/18.

The HRA capital programme was significantly reduced at the revised stage from the original estimate of £28.28 million to £20.87 million. This reflected the decision to change back from the modern homes to the decent homes standard and delays in the new build programme. The large underspend on the HRA programme of £3.49 million (16.7%) was made up primarily of £1.46 million on the new house building and £769,000 on the heating and rewiring programme. Similarly to the General Fund, these underspends will be carried forward to 2017/18 to allow the programmes to be completed.

The actual financing of the capital programme varied from the revised estimate as the large underspends meant no new external borrowing was needed during 2016/17.

Balance Sheet

In 2016/17 the Council's Balance Sheet value has increased by £42.93 million to £598.87 million. The improvement in the Balance Sheet total arises primarily from the increase in the value of the Council's fixed assets and investment properties of £69.73 million. This was offset by a reduction in the Council's cash and short term investments of £10.37 million to £41.28 million.

The growth in the Council's Balance Sheet was hindered by an increase in Long Term Liabilities, particularly in respect of the pension fund. This has increased in the year from £66.98 million to £81.12 million. The assets of the scheme have increased in value by £22.22 million but the liabilities have increased by £36.36 million. The key to calculating the value of future costs is the discount rate and as this decreases the size of the liability increases. The decrease in the discount rate from 3.5% to 2.7% reflects the decreasing yields in the corporate bond market, which actuaries are required to base discount rates on. 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 2017. It does not mean that this full liability will have to be paid over to the pension fund in the near future.

5. PRINCIPAL RISKS AND UNCERTAINTIES

A risk management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. The risk management process is audited on an annual basis and the Audit & Governance Committee decided that the arrangements for risk management during 2016/17 were effective.

Below are our top risks from the Council's Corporate Risk Register:

Risk - failure to put in place a Local Plan in a timely manner
Impacts - loss of control of Local Plan process, reduced ability to defend decisions on appeal
Mitigation - external project management support, regular Member briefings, engagement with stakeholders

Risk - failure to deliver developments on strategic sites
Impacts - loss of income potential, sub-optimal economic development, reputational damage
Mitigation - external project management support, overseen by dedicated Cabinet Committee

Risk - residents and the Council adversely affected by welfare reforms
Impacts - increases in rent arrears and homelessness, redundancy costs for staff and systems
Mitigation - multi-disciplinary working group has developed and implemented an action plan

Risk - Council's finances hit by reductions in income
Impacts - reductions in services, increases in Council Tax and charges, reductions in reserves
Mitigation - monthly income monitoring, increased urgency on Local Plan (see above), pooling to improve rate retention

Risk - failure to achieve strong economic development
Impacts - loss of inward investment, reductions in Non Domestic Rates, reduced employment opportunities for residents

6. EXPLANATION OF ACCOUNTING STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2017. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which in turn is underpinned by International Financial Reporting Standards.

The Core Statements are:

Comprehensive Income and Expenditure Statement this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area - this is now in line with management reporting so that local authority accounts and spending can be compared. The bottom half of the statement deals with corporate transactions and funding.

Movement in Reserves Statement - this is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "useable" , which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific purposes.

Balance Sheet - this is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.

Cash Flow Statement - this shows the reasons for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities.

The Supplementary Financial Statements are:

Annual Governance Statement - this sets out the governance structures of the Council's and its key internal controls.

Housing Revenue Account - this separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.

Collection Fund - this summarises the collection of council tax and business rates, and the redistribution of that money to other local authorities and central government.

Note 1 to the financial statements is new this year and reconciles the net expenditure reported in the Comprehensive Income and Expenditure Statement to the net expenditure chargeable to taxation and rents. The outturn is included above. The outturn does not include earmarked reserves.

The other notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.

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 Resources;

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

- Approve the Statement of Accounts

COUNCILLOR DAVID STALLAN
CHAIRMAN OF THE COUNCIL

THE DIRECTOR OF RESOURCES RESPONSIBILITIES

The Director of Resources 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 Resources 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 Resources 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 5 to 56 give a true and fair view of the financial position of the Council as at 31 March 2017 and the income and expenditure for the year then ended.

ROBERT PALMER BA FCA
DIRECTOR OF RESOURCES

September 26, 2017

Opinion on the Council's financial statements

We have audited the financial statements of Epping Forest District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. 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 Statement 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 2016/17.

This report is made solely to the members of Epping Forest District Council in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in the Statement of Responsibilities of Auditors and Audited Bodies within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's statement and for no other purpose. 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 Resources and auditors

As explained more fully in the Statement of the Director of Resources Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which comprises 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 the financial statements 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 Resources; and the overall presentation of the financial statements. In addition, we read the financial and non-financial information included in the document containing the audited financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements 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 (April 2015) 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: Framework (2016 edition)' published by CIPFA/SOLACE or is misleading or inconsistent with other information that is forthcoming from the audit;

• we issue a report in the public interest;

• we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;

• we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;

• we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or

• we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its 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 20 of the Local Audit and Accountability Act 2014 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 National Audit Office requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

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 review of the Council's arrangements for securing economy, efficiency and effectiveness in its 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 National Audit Office in November 2016, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that 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 2017.

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 criterion published by the National Audit Office in November 2016, 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 2017.

Certificate

We certify that we have completed the audit of the accounts of Epping Forest District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Zoe Thompson
For and on behalf of BDO LLP, Appointed Auditor

Ipswich, UK

September 26, 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

MOVEMENT IN RESERVES STATEMENT

	Note	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Total Unusable Reserves**	**Total Reserves**
Movements in 2015/16		***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***
Balance as at 1 April 2015		***9,293***	***2,570***	***17,205***	***19,534***	***11,154***	***96***	***59,852***	***360,727***	***420,579***
Surplus/(Deficit) on Provision of Services		*15,066*	*13,775*	*-*	*-*	*-*	*-*	***28,841***	***-***	***28,841***
Other Comprehensive Income and Expenditure		*-*	*-*	*-*	*-*	*-*	*-*	***-***	***106,521***	***106,521***
Total Comprehensive Income and Expenditure		***15,066***	***13,775***	***-***	***-***	***-***	***-***	***28,841***	***106,521***	***135,362***
Adjustment between accounting and funding bases under regulations	***7***	*(16,711)*	*(10,622)*	*-*	*(15,746)*	*1,137*	*112*	***(41,830)***	***41,830***	***-***
Net Increase/(Decrease) before transfer to Earmarked Reserves		***(1,645)***	***3,153***	***-***	***(15,746)***	***1,137***	***112***	***(12,989)***	***148,351***	***135,362***
Transfers to Earmarked Reserves		*(376)*	*(2,521)*	*2,897*	*-*	*-*		*-*	*-*	*-*
Increase\(Decrease) in Year		***(2,021)***	***632***	***2,897***	***(15,746)***	***1,137***	***112***	***(12,989)***	***148,351***	***135,362***
Balance as at 31 March 2016		***7,272***	***3,202***	***20,102***	***3,788***	***12,291***	***208***	***46,863***	***509,078***	***555,941***
Movements in 2016/17		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance as at 31 March 2016		**7,272**	**3,202**	**20,102**	**3,788**	**12,291**	**208**	**46,863**	**509,078**	**555,941**
Surplus/(Deficit) on Provision of Services		*(2,008)*	*65*					**(1,943)**	**-**	**(1,943)**
Other Comprehensive Income and Expenditure								**-**	**44,874**	**44,874**
Total Comprehensive Income and Expenditure		**(2,008)**	**65**	**-**	**-**	**-**	**-**	**(1,943)**	**44,874**	**42,931**
Adjustment between accounting and funding bases under regulations	**7**	1,631	812	-	(3,788)	413	(41)	**(973)**	**973**	**-**
Net Increase/(Decrease) before transfer to Earmarked Reserves		**(377)**	**877**	**-**	**(3,788)**	**413**	**(41)**	**(2,916)**	**45,847**	**42,931**
Transfers to Earmarked Reserves		(687)	(226)	996			(83)	**-**	**-**	**-**
Increase\(Decrease) in Year		**(1,064)**	**651**	**996**	**(3,788)**	**413**	**(124)**	**(2,916)**	**45,847**	**42,931**
Balance as at 31 March 2017		**6,208**	**3,853**	**21,098**	**-**	**12,704**	**84**	**43,947**	**554,925**	**598,872**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31 March 2017

	Note	2016/17 Gross Expend £000	2016/17 Income £000	2016/17 Net Expend £000	*2015/16 Restated* Gross Expend £000	*2015/16 Restated* Income £000	*2015/16 Restated Net Expend £000*
CONTINUING OPERATIONS							
Office of the Chief Executive		1,384	-	**1,384**	*1,095*	*-*	***1,095***
Communities		5,014	(1,934)	**3,080**	*6,839*	*(1,691)*	***5,148***
Governance		4,734	(2,013)	**2,721**	*4,540*	*(1,936)*	***2,604***
Neighbourhoods		18,971	(4,607)	**14,364**	*15,686*	*(4,365)*	***11,321***
Resources		38,854	(36,268)	**2,586**	*40,881*	*(38,052)*	***2,829***
Housing Revenue Account		32,843	(34,714)	**(1,871)**	*28,762*	*(44,435)*	***(15,673)***
NET COST OF SERVICES		**101,800**	**(79,536)**	**22,264**	**97,803**	**(90,479)**	***7,324***
OTHER OPERATING EXPENDITURE	9			**1,061**			***2,786***
FINANCING AND INVESTMENT INCOME AND EXPENDITURE	10			**(131)**			***(15,819)***
TAXATION AND NON-SPECIFIC GRANT INCOME	11			**(21,251)**			***(23,132)***
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES				**1,943**			***(28,841)***
(Surplus) on Revaluation of Property Plant and Equipment	12			**(56,768)**			***(101,207)***
Actuarial (gains)/losses on Pension Assets/Liabilities	32			**11,900**			***(5,314)***
Other (gains)/losses				**(6)**			***-***
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE				**(42,931)**			***(135,362)***

BALANCE SHEET

	Note	31 March 2017 £000	31 March 2017 £000	*31 March 2016 £000*	*31 March 2016 £000*
LONG TERM ASSETS					
Property, Plant & Equipment	**12**	**760,725**		***695,670***	
Heritage Assets		**542**		***542***	
Investment Properties	**13**	**67,744**		***63,070***	
Intangible Assets		**768**		***651***	
Long Term Debtors	**14**	**4,886**		***5,632***	
TOTAL LONG TERM ASSETS			**834,665**		***765,565***
Current Assets					
Assets held for sale		**-**		***850***	
Inventories		**151**		***154***	
Debtors and Prepayments	**16**	**9,377**		***7,742***	
Short Term Temporary Investments	**15**	**25,017**		***37,672***	
Cash & Cash Equivalents	**17**	**16,258**		***13,969***	
			50,803		***60,387***
Current Liabilities					
Creditors	**18**	**(16,040)**		**(12,897)**	
Provisions	**19**	**(1,404)**		**(1,521)**	
			(17,444)		***(14,418)***
LONG TERM LIABILITIES					
Long Term Loans	**15**	**(185,456)**		***(185,456)***	
Pensions Liability	**32**	**(81,121)**		***(66,981)***	
Leasing liability	**15**	**(2,326)**		***(2,908)***	
Capital Grant Receipts in Advance		**(249)**		***(248)***	
			(269,152)		***(255,593)***
TOTAL ASSETS LESS LIABILITIES			**598,872**		***555,941***
Usable Reserves		**43,947**		***46,863***	
Unusable Reserves	**20**	**554,925**		***509,078***	
			598,872		***555,941***

THE CASH FLOW STATEMENT

	Note	2016/17 £000	*2015/16 £000*
Net Surplus\(Deficit) on Provision of Services		**(1,943)**	***28,841***
Adjustments to net surplus or deficit on the provision of services for non-cash movements	**21**	**24,226**	***(10,201)***
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**21**	**(10,866)**	***(11,344)***
Net cash flows from Operating Activities	**21**	**11,417**	***7,296***
Investing Activities	**22**	**(10,806)**	***(22,415)***
Financing Activities	**23**	**1,678**	***2,879***
Net Increase or (Decrease) in cash and cash equivalents		**2,289**	***(12,240)***
Cash and Cash Equivalents at the beginning of the reporting period		**13,969**	***26,209***
Cash and Cash equivalents at the end of the reporting period	**17**	**16,258**	***13,969***

Index of Notes to the Statement of Accounts

1. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources(government grants,rents,council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accouting practioces is presented more fully in the Comprehensive Income and expenditure Statement.

2015/16 Net Expenditure Chargeable to General Fund & HRA Balances	2015/16 Adjustments between the funding & Accounting Basis	2015/16 Net Expenditure in the Comprehensive Income & Expenditure Statement		2016/17 Net Expenditure Chargeable to General Fund & HRA Balances	2016/17 Adjustments between the funding & Accounting Basis	2016/17 Net Expenditure in the Comprehensive Income & Expenditure Statement
£000	£000	£000		£000	£000	£000
1,072	*23*	***1,095***	Office of the Chief Executive	1,318	66	**1,384**
3,153	*1,995*	***5,148***	Communities	2,811	269	**3,080**
2,247	*357*	***2,604***	Governance	2,375	346	**2,721**
8,633	*2,688*	***11,321***	Neighbourhoods	9,904	4,460	**14,364**
1,666	*1,163*	***2,829***	Resources	815	1,771	**2,586**
(12,907)	*(2,766)*	***(15,673)***	Housing Revenue Account	(12,075)	10,204	**(1,871)**
3,864	***3,460***	***7,324***	**Net Cost of Service**	**5,148**	**17,116**	**22,264**
(5,372)	*(30,793)*	***(36,165)***	Other Income & Expenditure	(5,731)	(14,590)	**(20,321)**
(1,508)	***(27,333)***	***(28,841)***	**Surplus / Deficit**	**(583)**	**2,526**	**1,943**
29,068			**Opening General Fund & HRA Balance**	30,576		
1,508			**Surplus / Deficit on General Fund & HRA Balance in Year**	583		
30,576			**Closing General Fund & HRA Balance at 31 March 2017**	**31,159**		

NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding & Accounting Basis

2016/17	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total
	£000	£000	£000	£000
Office of the Chief Executive		32	34	**66**
Communities	144	126	(1)	**269**
Governance	8	334	4	**346**
Neighbourhoods	4,142	311	7	**4,460**
Resources	1,285	472	14	**1,771**
Housing Revenue Account	9,669	537	(2)	**10,204**
Net Cost of Service	**15,248**	**1,812**	**56**	**17,116**
Other Income & Expenditure from the Expenditure & Funding Analysis	(14,643)	430	(377)	**(14,590)**
Difference between General Fund Surplus / Deficit and Comprehensive Income & Expenditure	**605**	**2,242**	**(321)**	**2,526**

	2015/16			
	Adjustments for Capital Purposes *£000*	Net Change for the Pensions Adjustments *£000*	Other Differences *£000*	Total *£000*
Office of the Chief Executive	*-*	*23*	*0*	***23***
Communities	*1,855*	*132*	*8*	***1,995***
Governance	*10*	*333*	*14*	***357***
Neighbourhoods	*2,335*	*356*	*(3)*	***2,688***
Resources	*645*	*516*	*2*	***1,163***
Housing Revenue Account	*(3,284)*	*526*	*(8)*	***(2,766)***
Net Cost of Service	***1,561***	***1,886***	***13***	***3,460***
Other Income & Expenditure from the Expenditure & Funding Analysis	*(31,436)*	*481*	*161*	***(30,793)***
Difference between General Fund Surplus / Deficit and Comprehensive Income & Expenditure	***(29,875)***	***2,367***	***174***	***(27,333)***

Expenditure & Income Analysed by Nature

	2016/17						
	Office of the Chief Executive	**Communities**	**Governance**	**Neighbourhoods**	**Resources**	**Housing Revenue Account**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	-	(1,255)	(1,931)	(3,864)	(497)	(34,705)	**(42,252)**
Government Grants	-	(679)	(82)	(743)	(35,771)	(9)	**(37,284)**
Total Income	**-**	**(1,934)**	**(2,013)**	**(4,607)**	**(36,268)**	**(34,714)**	**(79,536)**
Employee Expenses	12	2,019	1,813	1,968	2,022	3,408	**11,242**
Other Service Expenses	(324)	1,815	571	10,325	580	8,194	**21,161**
Support Service Recharges	1,696	1,060	2,350	2,699	1,298	3,495	**12,598**
Asset Charges	-	120	-	3,979	652	17,746	**22,497**
Benefit Payments	-	-	-	-	34,302	-	**34,302**
Total Expenditure	**1,384**	**5,014**	**4,734**	**18,971**	**38,854**	**32,843**	**101,800**
Net Cost Of Services	**1,384**	**3,080**	**2,721**	**14,364**	**2,586**	**(1,871)**	**22,264**

2015/16

	Office of the Chief Executive	Communities	Governance	Neighbourhoods	Resources	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-	*(1,252)*	*(1,796)*	*(4,365)*	*(500)*	*(35,246)*	***(43,159)***
Gain on Revaluation						*(9,184)*	***(9,184)***
Government Grants	-	*(439)*	*(140)*	-	*(37,552)*	*(5)*	***(38,136)***
Total Income	**-**	***(1,691)***	***(1,936)***	***(4,365)***	***(38,052)***	***(44,435)***	***(90,479)***
Employee Expenses	*25*	*1,998*	*1,638*	*2,057*	*2,072*	*3,197*	***10,987***
Other Service Expenses	*(330)*	*2,002*	*620*	*9,106*	*808*	*9,052*	***21,258***
Support Service Recharges	*1,400*	*1,068*	*2,282*	*2,322*	*1,484*	*2,939*	***11,495***
Asset Charges	-	*1,771*	-	*2,201*	*6*	*13,574*	***17,552***
Benefit Payments	-	-	-	-	*36,511*	-	***36,511***
Total Expenditure	***1,095***	***6,839***	***4,540***	***15,686***	***40,881***	***28,762***	***97,803***
Net Cost Of Services	***1,095***	***5,148***	***2,604***	***11,321***	***2,829***	***(15,673)***	***7,324***

2. ACCOUNTING POLICIES

2.1 GENERAL PRINCIPLES

General Principles

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom 2016/17. The Code has been developed by the CIPFA/LASAAC Joint Committee under the oversight of the Financial Reporting Advisory Board as opposed to the Accounting Standards Board as previously.

The Code is based on International Financial Reporting Standards (IFRS) which comprises of International Accounting Standards (IAS), interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC). The Code notes that it interprets and adapts IFRS but such instances are identified within the Code.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2.2. ACCOUNTING CONCEPTS

The accounting policies referred to are consistent with the pervasive 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.

2.3 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.

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. Other assets are revalued as part of the Council's rolling programme under which assets are revalued over a five year period.

Within the accounts, Council dwellings and associated land were valued on the basis of Existing Use for Social Housing (EUV-SH) being 38%, (39% 2015/16), 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.

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 & Expenditure Statement (CIES) in the year in which it occurs. The valuations are based upon the facts and evidence prevailing at the date of valuation.

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). Non Current assets (excluding land) are classified as follows:

Type of Asset	Valuation Method
Council Dwellings and Garages	Existing use value for social housing Existing use value
Other land and buildings	Existing use value
Infrastructure assets	Depreciated historic cost
Community assets	Historic cost
Vehicles, plant, furniture and equipment	Depreciated historic cost
Non-operational assets	Existing use value Market value Historic Cost (where market value for existing use cannot be ascertained)

2.4 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.

2.5 INVESTMENT PROPERTIES

The Council has a significant holding of Investment Properties which are valued on an annual basis. The properties were valued by Ashiff Merali (MRICS) as at 28th February 2017. The properties are valued at fair value in accordance with IFRS 13, being the amount that would be received if the assets were sold without restrictions under usual marketing conditions for that type of asset. Any higher alternative use value has been taken into account where applicable.

In order to provide a fair value for a particular asset a Fair Value hierarchy consisting of 3 levels has been established to assist in the process. Level 1 refers to assets that have quoted prices in active markets at the valuation date. Level 2 to assets that do not have quoted prices but do have other observable inputs to the valuation process. Level 3 is where there are no observable inputs.

Investment properties have been valued based on level 3. The techniques applied in the valuation process have been a combination of market approach, income approach and cost approach as approriate.

2.6 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.

2.7 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.

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.

2.8 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.

2.9 FINANCIAL INSTRUMENTS

Financial assets and liabilities are carried at amortised cost. Credits are made to the CIES for Interest Receivable and are based on the carrying amount multiplied by the effective rate of interest. The amount appearing in the Balance Sheet relates to the principal outstanding plus accrued interest.

2.10 GRANTS AND OTHER 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.

2.11 REVENUE GRANTS

Grants are credited to the operational heading to which they relate, or, if they are not specific, to the Taxation and Non-Specific Grant Income section of the CIES, in the year of receipt unless there are conditions attached to the grant that have not yet been met. The Grant is then recognised in the Financial year when the conditions are eventually met.

2.12 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.

2.13 RESERVES

The Council has set aside certain revenue and capital amounts as earmarked reserves. They include reserves for the repayment of Housing debt, District Development Fund, Invest to save, 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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 embedded lease within the waste manangement contract has been treated as 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 CIES.

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 31).

2.18 PRINCIPAL AND AGENT RELATIONSHIPS

Most transactions of the Council are undertaken on its own behalf and thereby the risk and rewards of those transactions belongs to the Council. In these situations the Council is acting as a Principal.

There are, however, some situations where this is not the case and the Council acts as an intermediary or agent. The two main instances relate to the collection of Council Tax and Business Rates where the Council is collecting income on behalf of itself and preceptors. With regard to Council Tax the major preceptors are Essex County Council, Essex Police and Crime Commissioner and Essex Fire Authority and with regard to Business Rates, the Department of Communities and Local Government (DCLG), Essex County Council and Essex Fire Authority.

The Balance Sheet transactions at the year end in relation to these agent relationships are split between the parties with the balances contained in the balance sheet relating to the Council's own portion of the debt and associated balances. The proportion of the transactions relating to the other parties are therefore shown as debtors or creditors due to or from those parties.

2.19 COLLECTION FUND

Accounting for Council Tax

While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out to the major preceptors. The amount credited to the General Fund under statute is the Council's demand for the year plus or minus the Council's share of the surplus or deficit on the Collection Fund for the previous year.

The Council Tax income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to Council Tax shall be measured at the full amount receivable (net of any impairment losses) as the transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from Council Tax payers belongs proportionately to the Council and the major preceptors. The difference between the amounts collected on behalf of the major preceptors and the payments made to them is reflected as a debtor or creditor balance as appropriate.

Accounting for Non Domestic Rates (NDR)

While the NDR income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the Council's General Fund, or paid out to the precepting authorities and the Government. The amount credited to the General Fund under statute is the Council's share of NDR for the year specified in the National Non Domestic Rates NNDR1 return.

The NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of the Collection Fund's accrued income for the year and is as set out in the NNDR3 return. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement. Revenue relating to NDR shall be measured at the full amount receivable (net of any impairment losses) as these transactions are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

The cash collected by the Council from NDR payers belongs proportionately to the Council, the precepting authorities and Government. The difference between the amounts collected on behalf of the precepting authorities and Government and the payments made to them is reflected as a debtor or creditor balance as appropriate.

2.20 EVENTS AFTER THE REPORTING PERIOD

Events occurring after the year end fall into two categories either adjusting or non-adjusting event. In the case of an adjusting event where information becomes available after the year end that provides more certainty relating to conditions that existed at the year end the accounts are adjusted to reflect the new information. In the case of a non adjusting event this usually takes the form of information relevant to an understanding of the accounts rather than relating to conditions that existed at the year end. No adjustment is made to the accounts for such items.

2.21 PRIOR YEAR ADJUSTMENTS

Where there is a material prior period adjustment required due to an error and if it realtes to the previous reporting period then the prior period comparative figures are restated in the accounts and marked as such. If however it relates to a period before the prior period then a third balance sheet reporting the position as at the beginning of the earliest prior period is presented to show the effect of that adjustment.

3. 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 2017 for the 2017/18 financial year).

The changes proposed are not expected to have a material impact on the information in the financial statement

From 2018/19 IFRS 15 Revenue from Contracts with Customers will come into effect. The standard is intended to address inconsistent practices and ensure that revenue is recognised at an amount that reflects the expected consideration in exchange for those goods and services. It is possible that the Leisure Management contract may be affected by this standard as by 2018/19 under the terms of the contract the contractor will be paying the Council to manage the leisure facilities.

From 2019/20 IFRS 16 Leases will come into effect. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). For Lessees the IFRS eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:
(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
(b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

A lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

4. 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.

5. 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:

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 32. The carrying value of the Pensions Liability is (£81 million).

6. EVENTS AFTER THE BALANCE SHEET DATE

Non Adjusting Events

The financial statements and notes have not been adjusted for the following event which took place after 31 March 2017 as it provides information that is relevant to an understanding of the Council's financial position but does not relate to conditions at that date.

Business Rates Revaluation

On 1 April 2017 a business rates revaluation came into effect. The revaluation is carried out by the Valuation Office Agency and is based on property values as at 1 April 2015. Revaluations take into account changes in the property market and are based in the open market rental value of the properties. Revaluations normally occur every 5 years but the Government extended the last revaluations, commencing on 1 April 2010, by two years.

The revaluation resulted in the rateable value for the Council's area increasing from £86m as at 31 March 2017 to £94m

Small business multiplier, which applies to those who qualify for small business relief, is 46.6 pence in the pound (48.4 pence in 2016/17).

Standard multiplier, which apples to everyone else, is 47.9 pence in the pound (49.7 pence in 2016/17).

The effect of this is to increase the gross business rates yield for the Council's area by 4.4%. However, the amount of business rates income actually retained by the Council will not increase by this percentage because the Government also reset the Tariff amount that the Council must pay on business rates income and there is a significant increase in business rates reliefs. It is estimated that the amount of business rates net retained income for 2017/18 will not be materially different to the 2016/17 amount.

The financial statements were authorised for issue on 26 September 2017 by Robert Palmer BA FCA. The financial statements reflect all events up to this date.

7. 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.

	2016/17 £000 *Usable Reserves*					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments involving the Capital Adjustment Account:						
Exclusions;						
Charges for depreciation and impairment of non-current assets	**(2,716)**	**(15,778)**	-	-	-	**18,494**
Upward/(Downward) revaluation of non-current assets	**(1,942)**	**(1,908)**	-	-	-	**3,850**
Movements in the fair value of Investment Properties	**5,044**	-	-	-	-	**(5,044)**
Amortisation of intangible assets	**(176)**	**(8)**	-	-	-	**184**
Capital Grants and contributions applied	**71**	**934**	-	-	-	**(1,005)**
Revenue expenditure funded from Capital under statute	**(1,686)**	-	-	-	-	**1,686**
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	**(189)**	**(4,687)**	-	-	-	**4,876**
Capital expenditure charged against the General Fund and HRA balances	**1,072**	**5,367**	-	-	-	**(6,439)**
Reversal of Notional Lease adjustment	**559**	**23**	-	-	-	**(582)**
Adjustments primarily involving the Capital Grants Unapplied Account	**84**	-	-	-	**41**	**(125)**
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES	**2,241**	**7,847**	**(10,088)**	-	-	-
Transfer from Deferred Capital receipts on receipt of cash	-	-	**(775)**	-	-	**775**
Used to finance new capital expenditure	-	-	**11,712**	-	-	**(11,712)**
Contribution towards administrative costs of non-current asset disposals	-	**(60)**	**60**	-	-	-
Contribution to finance the payments to the Government capital receipts pool	**(2,879)**	-	**2,879**	-	-	-
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	-	**170**	-	-	-	**(170)**
Adjustments relating to the Major repairs Reserve:						
Reversal of Major repairs Allowance credited to the HRA	-	**8,010**	-	**(8,010)**	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	**7,597**	-	**(7,597)**
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited\credited to the CIES.	**(1,523)**	**(717)**	-	-	-	**2,240**
Adjustments involving the Collection Fund Adjustment Account						
Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements.	**470**	-	-	-	-	**(470)**
Adjustments involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	**(61)**	**(5)**	-	-	-	**66**
TOTAL ADJUSTMENTS	**(1,631)**	**(812)**	**3,788**	**(413)**	**41**	**(973)**

	2015/16 £000 Usable Reserves					
	General Fund	*Housing Revenue Account*	*Capital Receipts Reserve*	*Major Repairs Reserve*	*Capital Grants Unapplied*	*Movement in Unusable Reserves*
Adjustments involving the Capital Adjustment Account: Exclusions;						
Charges for depreciation and impairment of non-current assets	*(2,787)*	*(13,514)*	-	-	-	***16,301***
Upward/(Downward) revaluation of non-current assets	*(1,664)*	*9,170*	-	-	-	***(7,506)***
Movements in the market value of Investment Properties	*20,036*	-	-	-	-	***(20,036)***
Amortisation of intangible assets	*(200)*	*(12)*	-	-	-	***212***
Capital Grants and contributions applied	*1,070*	*1,857*	-	-	-	***(2,927)***
Revenue expenditure funded from Capital under statute	*(815)*	-	-	-	-	***815***
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	*(14)*	*(1,792)*	-	-	-	***1,806***
Capital expenditure charged against the General Fund and HRA	*3,151*	*4,344*	-	-	-	***(7,495)***
Reversal of Notional Lease adjustment	*556*	*25*				***(581)***
Adjustments primarily involving the Capital Grants Unapplied Account	-	-	-	-	*(112)*	***112***
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES	*27*	*3,278*	*(4,179)*	-	-	***874***
Transfer from Deferred Capital receipts on receipt of cash	-	-	*(3)*	-	-	***3***
Used to finance new capital expenditure	-	-	*19,046*	-	-	***(19,046)***
Contribution towards administrative costs of non-current asset disposals	-	*(26)*	*26*	-	-	***-***
Contribution to finance the payments to the Government capital receipts pool	*(856)*	-	*856*	-	-	***-***
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	-	*425*	-	-	-	***(425)***
Adjustments relating to the Major repairs Reserve:						
Reversal of Major repairs Allowance credited to the HRA	-	*7,615*	-	*(7,615)*	-	***-***
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	*6,478*	-	***(6,478)***
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited\credited to the CIES	*(1,609)*	*(757)*	-	-	-	***2,366***
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.	*(163)*	-	-	-	-	***163***
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	*(21)*	*9*	-	-	-	***12***
TOTAL ADJUSTMENTS	***16,711***	***10,622***	***15,746***	***(1,137)***	***(112)***	***(41,830)***

8. EARMARKED RESERVES

A summary of balances on earmarked reserves is

	Balance 31 March 2015 £000	Transfers Out £000	Transfers In £000	Balance 31 March 2016 £000	Transfers Out £000	Transfers In £000	Balance 31 March 2017 £000
Housing Repairs Reserve	*1,491*	*(6,336)*	*5,855*	*1,010*	(5,574)	5,800	1,236
District Development Fund	*3,599*	*(1,909)*	*2,052*	*3,742*	(2,308)	2,754	4,188
Invest to Save Reserve	*500*	*(75)*	*-*	*425*	(219)	200	406
Self Financing Reserve	*9,540*	*-*	*3,180*	*12,720*	-	-	12,720
Deferred Revenue Income	*438*	*(22)*	*324*	*740*	(51)	-	689
Insurance Reserve	*1,069*	*(54)*	*-*	*1,015*	(7)	-	1,008
Service Enhancement Fund (HRA)	*179*	*(179)*	*-*	*-*	-	-	-
Building Control	*81*	*-*	*47*	*128*	(13)	-	115
On Street Parking	*16*	*(16)*	*-*	*-*	-	-	-
Museum Fund	*53*	*(6)*	*40*	*87*	(58)	-	29
All Weather Pitch	*17*	*-*	*15*	*32*	-	15	47
O2 Mast Fund	*48*	*(19)*	*6*	*35*	(13)	14	36
Rental Loans	*168*	*(6)*	*-*	*162*	(12)	30	180
Small Loans Fund	*6*	*-*	*-*	*6*	-	-	6
S106 Revenue Contibutions	-	-	-	-	-	57	57
Community Services Projects	-	-	-	-	-	381	381
Total Earmarked Reserves	***17,205***	***(8,622)***	***11,519***	***20,102***	**(8,255)**	**9,251**	**21,098**

9. OTHER OPERATING EXPENDITURE

	31 March 2017 £000	31 March 2016 £000
Parish Council Precepts	3,274	*3,160*
Parish Support Grants	201	*246*
Payments to the Government Housing Receipts Pool	2,879	*856*
(Gains)/losses on the disposal of non-current assets	(5,293)	*(1,476)*
Total	**1,061**	***2,786***

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	31 March 2017 £000	31 March 2016 £000
Total Net Surplus from Trading Operations (Note 24)	(2,391)	*(2,465)*
Interest payable and similar charges	5,572	*5,614*
Pensions interest cost	2,268	*2,172*
Interest receivable and similar income	(366)	*(679)*
Changes in Fair Values of Investment Properties	(5,044)	*(20,036)*
Changes in Value of Deferred Capital Receipts	(170)	*(425)*
Total	**(131)**	***(15,819)***

11. TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

	31 March 2017 £000	31 March 2016 £000
Council Tax income	(11,780)	*(11,581)*
Non Domestic Rate income	(14,341)	*(13,406)*
Non Domestic Rate tariff payment	11,013	*10,230*
Non-ring fenced government grants	(5,107)	*(5,448)*
Capital grants and other contributions	(1,036)	*(2,927)*
Total	**(21,251)**	***(23,132)***

12. PROPERTY,PLANT & EQUIPMENT

	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 1 April 2016	619,114	40,546	18,495	8,504	1,143	1,250	19,546	708,598
Additions	11,262	210	560	231	-	7,095	14,742	34,100
Disposals/Impairments	(4,327)	(1,431)	(498)	(550)	-	-	-	(6,806)
Reclassified in year	(663)	2,126	-	-	-	550	(1,051)	962
Revaluations Applied to the CIES	(1,364)	(767)	-	-	-	-	(5)	(2,136)
Revaluation Credited to the Revaluation reserve	48,134	2,071	-	-	-	-	6,563	56,768
Accumulated Depreciation & Impairment written off on revaluation	(15,364)	(108)	-	-	-	-	(13)	(15,485)
Gross Book Value 31 March 2017	656,792	42,647	18,557	8,185	1,143	8,895	39,782	776,001
Depreciation 1 April 2016	-	(1,354)	(8,514)	(3,057)	-	-	(3)	(12,928)
Reclassified	13	1	2	-	-	-	(13)	3
Depreciation in Year	(15,485)	(1,054)	(1,722)	(233)	-	-	-	(18,494)
Depreciation on Assets Sold	108	63	283	204	-	-	-	658
Accumulated Depreciation & Impairment written off on revaluation	15,364	108	-	-	-	-	13	15,485
Depreciation 31 March 2017	-	(2,236)	(9,951)	(3,086)	-	-	(3)	(15,276)
Net Book Value 31 March 2017	**656,792**	**40,411**	**8,606**	**5,099**	**1,143**	**8,895**	**39,779**	**760,725**

PROPERTY, PLANT AND EQUIPMENT

	Council Dwellings and Garages	*Other Land and Buildings*	*Vehicles, Plant and Equipment*	*Infrastructure Assets*	*Community Assets*	*Surplus Assets*	*Assets under Construction*	*Total*
	£000	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***
Gross Book Value 1 April 2015	*513,548*	*38,511*	*13,637*	*8,276*	*2,038*	*646*	*4,284*	*580,940*
Additions	*10,182*	*850*	*4,446*	*228*	-	-	*18,758*	*34,464*
Disposals	*(1,782)*	-	*(435)*	-	-	-	*(30)*	*(2,247)*
Reclassified in year	*1,769*	*2,645*	*847*	-	*(895)*	*(106)*	*(4,260)*	-
Revaluations Applied to the CIES	*9,184*	*(1,685)*	-	-	-	-	-	*7,499*
Revaluation Credited to the Revaluation reserve	*99,361*	*338*	-	-	-	*710*	*798*	*101,207*
Accumulated Depreciation & Impairment Written off on revaluation	*(13,148)*	*(113)*	-	-	-	-	*(4)*	*(13,265)*
Gross Book Value 31 March 2016	*619,114*	*40,546*	*18,495*	*8,504*	*1,143*	*1,250*	*19,546*	*708,598*
Depreciation 31 March 2015	*1*	*(454)*	*(7,068)*	*(2,828)*	-	-	-	*(10,349)*
1 April 2015	*1*	*(454)*	*(7,068)*	*(2,828)*	-	-	-	*(10,349)*
Reclassified	*7*	-	-	-	-	-	*(7)*	-
Depreciation in Year	*(13,201)*	*(1,013)*	*(1,277)*	*(229)*	-	-	-	*(15,720)*
Depreciation on leased assets	-	-	*(581)*	-	-	-	-	*(581)*
Depreciation on assets sold	*45*	-	*412*	-	-	-	-	*457*
Accumulated Depreciation & Impairment written off on revaluation	*13,148*	*113*	-	-	-	-	*4*	*13,265*
Depreciation 31 March 2016	-	*(1,354)*	*(8,514)*	*(3,057)*	-	-	*(3)*	*(12,928)*
Net Book Value 31 March 2016	***619,114***	***39,192***	***9,981***	***5,447***	***1,143***	***1,250***	***19,543***	***695,670***

PROPERTY, PLANT AND EQUIPMENT

	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	1,232	18,557	8,185	1,143	7,645	18,845	55,607
Valued at current value as at:								
28 February 2017	656,792	5,626					19,281	681,699
28 February 2016	-	2,343	-	-	-	1,250	1,550	5,143
31 March 2015		24,425	-	-	-	-	66	24,491
31 March 2014	-	9,021	-	-	-	-	40	9,061
31 March 2013	-	0	-	-	-	-	-	0
Total Cost or Valuation	656,792	42,647	18,557	8,185	1,143	8,895	39,782	776,001

The Council dwellings and garages valuation has been carried out by District Valuer Thomas Dimmock and MRICS. The valuation date for 2016/17 is 28 February . As part of this years revaluation the valuer has re-assessed the proportion of value in the Land element and concluded that it should remain unchanged at 35%. The valuer has also provided assurance that the valuation has not changed significantly between the valuation date and the year end.

The useful lives of both dwellings and the components within have been reviewed during 2016/17. The useful life of the buildings has been assessed at 60 years with the average life of components at 26 years. Other property, including investment properties have also been valued as at 28th February 2017 by Ashiff Merali (MRICS).

Type of Asset	**Estimated Useful Life (Years)**
Council Dwellings and Garages	15 to 60
Other land and buildings (buildings element only)	20 to 50
Infrastructure assets	15 to 40
Community assets	Indeterminable
Vehicles, plant, furniture and equipment	5 to 20

13. 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.

	31 March 2017 £000	2016 £000
Rental income from investment property	4,606	*4,170*
Direct operating expenses arising from investment property	(999)	*(900)*
Net gain/(loss)	**3,607**	***3,270***

The following table summarises the movement in fair value of investment properties over the year. Most property valuations have increased, industrial estates by £0.7m and commercial properties by £4.3m. All investment properties have been valued based on Level 3 unobservable inputs using an Income approach and that their current use is their highest and best use. The updated valuations were carried out as at 28 February 2017.

Properties Categorised within level 3

	31 March 2017 £000	2016 £000
Balance as at 31 March	63,070	*43,034*
Reclassified		
Balance as at 1 April	63,070	*43,034*
Reclassified in year	(406)	-
Acquisition	-	-
Construction	36	-
Net gains/(losses) from fair value adjustments	5,044	*20,036*
Balance at end of the year	**67,744**	***63,070***

14. LONG TERM DEBTORS

	31 March 2017 £000	2016 £000
Mortgages	-	*2*
Capital Advances (B3 Living)	526	*584*
Rents to Mortgages	2,029	*2,000*
Other Local Authorities - Transferred Debt	295	*323*
Loan to Waste Management Contractor	1,723	*2,413*
Home Assist Loans	313	260
Place Loans	-	50
Net Carrying Amount at end of year	**4,886**	***5,632***

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long term		Current	
	31March 2017 £000	***31 March 2016 £000***	**31 March 2017 £000**	***31 March 2016 £000***
Financial liabilities at amortised cost				
Borrowing	185,456	*185,456*	-	-
Finance Lease Liability	2,326	*2,908*	582	*582*
Trade Creditors	-	-	9,092	*6,124*
Total financial liabilities	**187,782**	***188,364***	**9,674**	***6,706***
Loans and receivables				
Investments	-	-	25,017	*37,672*
Debtors	4,886	*5,632*	3,342	*3,458*
Cash	-	-	16,258	*13,969*
Total financial assets	**4,886**	***5,632***	**44,617**	***55,099***

On 28 March 2012 the Council took on 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.

Income, Expense, Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments consists of the following items:

	Financial Liabilities:		Financial Assets:	
	2016/17 £000	**2015/16 £000**	**2016/17 £000**	**2015/16 £000**
Interest expense	(5,536)	*(5,579)*	-	-
Impairment (losses) / gains	-	-	-	-
Interest payable and similar charges	**(5,536)**	***(5,579)***	**-**	**-**
Interest income	-	-	366	*679*
Interest and investment income	**-**	**-**	**366**	***679***
Net gain/(loss) for the year	**(5,536)**	***(5,579)***	**366**	***679***

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 2017 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 2017		**31 March 2016**	
	Carrying amount £000	**Fair Value £000**	**Carrying amount £000**	**Fair Value £000**
Financial liabilities				
Borrowing	188,409	*240,940*	188,991	*226,435*
Total Financial Liabilities	**188,409**	***240,940***	**188,991**	***226,435***
Financial assets				
Investments	25,017	*25,017*	37,672	*37,672*
Long-term debtors	4,886	*4,886*	5,632	*5,632*
Total Financial Assets	**29,903**	***29,903***	**43,304**	***43,304***

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.

16. DEBTORS AND PREPAYMENTS

	31 March	
	2017 £000	***2016 £000***
Amounts falling due in one year		
Government Departments	3,621	*1,034*
Other Local Authorities	1,174	*1,345*
Council Tax arrears	471	*482*
NDR arrears	347	*369*
Housing Rent arrears	278	*312*
Sundry debtors	3,272	*3,802*
Prepayments & Deposits	214	*398*
Total Debtors	**9,377**	***7,742***

Council Tax and Business Rates 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 an amount due from major preceptors on the basis that the Council has paid over more in precepts than it has received and is net of prepayments. In 2016/17 there was a net creditor for both Council Tax and Business Rates.

17. CASH AND CASH EQUIVALENTS

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

	31 March	
	2017	***2016***
	£000	***£000***
Cash	20	*45*
Bank current accounts	6,238	*2,424*
Short-term deposits with money market funds	10,000	*11,500*
Total Cash and Cash Equivalents	**16,258**	***13,969***

The 'Short-term deposits' relates to £10m deposits made to a number of different Money Market Funds. 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 put in buys 1 unit, which is re-priced back to £1 at the end of each day.

18. CREDITORS

	31 March	
	2017	***2016***
	£000	***£000***
Government Departments and Other Local Authorities	3,685	*4,003*
Council Tax	246	*219*
Non Domestic Rates	526	*385*
Housing rents	299	*301*
Sundry creditors	6,318	*4,742*
Accruals and deferred income	4,966	*3,247*
Total Creditors	**16,040**	***12,897***

Council Tax and Business Rates prepayments shown above relate only to the Council's proportion of the total debt. The remainder is shown as being due to Government Departments and Other Local Authorities. This is shown net of arrears, Collection Fund balance and, in the case of Business Rates, Provision for Appeals. There was a net creditor in relation to Council Tax and Business Rates at the end of 2016/17.

19. PROVISIONS

With the retention of Business Rates income the Council has had to take on the liability for settling appeals. It has been necessary to make a provision for those appeals within the Collection Fund. The total amount being £3.5 million (£3.6 million 2015/16) of which £1.4 million (£1.4 million 2015/16) relates to this Council.

20. USABLE AND UNUSABLE RESERVES

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

	31 March 2017 £000	31 March *2016 £000*
Revaluation Reserve	178,783	*126,651*
Capital Adjustment Account	452,299	*444,103*
Pensions Reserve	(81,121)	*(66,981)*
Deferred Capital Receipts Reserve	5,094	*5,839*
Collection Fund Adjustment Account	174	*(296)*
Accumulated Absences Account	(304)	*(238)*
Total Unusable Reserves	**554,925**	***509,078***

Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and gains are consumed through depreciation, or
- disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	31 March 2017 £000	31 March *2016 £000*
Balance as at 1 April	126,651	*26,248*
Prior Year Adjustment	-	*(6)*
Revaluations during the year	56,768	*101,207*
Depreciation adjustment	(3,077)	*(743)*
Disposals/Restatements	(1,559)	*(55)*
Balance at 31 March	**178,783**	***126,651***

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 CIES (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.

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 7 details the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve and Deferred Capital Receipts.

	31 March		
	2017		2016
	£000	£000	£000
Balance at 1 April		444,103	*403,186*
Reversal of items relating to capital expenditure debited or credited to the CIES			
Charges for depreciation and impairment of non-current assets	(17,933)		*(15,719)*
Depreciation Leased Assets	(561)		*(581)*
Amortisation of intangible assets	(185)		*(212)*
Reversal of Notional Lease	582		*581*
Revaluation gains/(losses) on Property, Plant and Equipment	(2,136)		*7,506*
Revenue expenditure funded from capital under statute	(1,685)		*(815)*
Transfer To Deferred Capital Receipts	-		*(4,711)*
Amounts for non-current assets written off on disposal or sale as part of gain/loss on disposal to the CIES	(6,445)	(28,363)	*(1,806)*
Adjusting Amounts written out of the Revaluation Reserve		4,637	*799*
		420,377	*388,228*
Capital financing applied in the year			
Use of the Capital Receipts Reserve to finance new capital expenditure	11,712		*19,046*
Use of the Major Repairs Reserve to finance new capital expenditure	7,597		*6,478*
Capital grants credited to the CIES that have been applied to capital financing	1,130		*2,815*
Capital expenditure charged against the General Fund and HRA balances	6,439	26,878	*7,495*
Asset Restatements			*5*
Movement in the market value of Investment Properties debited		5,044	*20,036*
Balance at 31 March		**452,299**	***444,103***

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.

	31 March	
	2017	***2016***
	£000	***£000***
Balance at 1 April	(66,981)	*(69,929)*
Remeasurements of the net defined liability/(asset)	(11,900)	*5,314*
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(6,492)	*(6,518)*
Employers pensions contributions and direct payments to pensioners payable in the year	4,252	*4,152*
Balance at 31 March	**(81,121)**	***(66,981)***

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 cash is eventually received, amounts are transferred to the Capital Receipts Reserve.

	31 March	
	2017	***2016***
	£000	***£000***
Balance at 1 April	5,839	*1,580*
Repayment of Mortgages	(1)	*(3)*
Rents to mortgages	29	*425*
B3 Living loans	(58)	-
Waste Contractor Loan	(715)	-
Balance at 31 March	**5,094**	***5,839***

21. CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

	31 March	
	2017	***2016***
	£000	***£000***
Depreciation	17,907	*15,720*
Amortisation	184	*212*
Impairment and upward revaluations	2,136	*(7,512)*
Increase / (Decrease) in Creditors	2,057	*(70)*
(Increase) / Decrease in Interest and Dividend Debtors	64	*(7)*
(Increase) / Decrease in Debtors	(1,587)	*(3,024)*
(Increase) / Decrease in Inventories	3	*86*
Pension Liability	2,240	*2,366*
Carrying amount of non-current assets sold	6,449	*1,806*
Other non-cash items charged to the net surplus or deficit on the provision of services	(5,227)	*(19,778)*
Total	**24,226**	***(10,201)***

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

	31 March	
	2017	***2016***
	£000	***£000***
Any other items for which the cash effects are investing or financing cash flows	(808)	*(2,927)*
Proceeds from the sale of property and equipment, investment property and intangible assets	(10,058)	*(8,417)*
Total	**(10,866)**	***(11,344)***

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

	31 March	
	2017	***2016***
	£000	***£000***
Interest received	431	*595*
Interest charge for the year	(5,572)	*(4,806)*
Other operating activities	16,558	*11,507*
Total	**11,417**	***7,296***

22. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	31 March	
	2017	***2016***
	£000	***£000***
Purchase of property, plant and equipment, investment property	(34,955)	*(30,957)*
Purchase of short-term and long-term investments	(84,000)	*(105,500)*
Other payments for Investing Activities	(238)	*(6,245)*
Proceeds from sale of property, plant and equipment, investment	10,832	*9,293*
Proceeds from short-term and long term investments	96,500	*110,001*
Other receipts from investing activities	1,055	*993*
Net cash flows from investing activities	**(10,806)**	***(22,415)***

23. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31 March	
	2017	***2016***
	£000	***£000***
Billing Authorities - Council Tax and NNDR adjustments	1,678	*2,879*
Net cash flows from financing activities	**1,678**	***2,879***

24. 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, and is currently under review.

	2016/17 Expenditure £000	2016/17 Income £000	2016/17 Surplus/Deficit £000
Industrial Estates	210	(1,560)	(1,350)
Commercial Properties	578	(2,211)	(1,633)
Fleet Operations	248	(195)	53
North Weald Centre	1,374	(835)	539
Total Surplus	**2,410**	**(4,801)**	**(2,391)**
2015/16	***1,934***	***(4,399)***	***(2,465)***

25. MEMBER ALLOWANCES

Member allowances and expenses are shown below.

	2016/17 £000	*2015/16 £000*
Allowances	352	*313*
Expenses	5	*6*
Total	**357**	***319***

26. OFFICER REMUNERATION

	2016/17			
	Salary (Including fees & Allowances) £	Benefits in Kind £	Pension Contributions £	Total Remuneration including pension contributions. £
Chief Executive	113,120	1,339	17,986	**132,445**
Director of Neighbourhoods	94,628	1,332	15,046	**111,006**
Director of Communities	92,910	1,274	14,756	**108,940**
Director of Resources	93,542	1,933	14,873	**110,348**
Director of Governance	93,593	1,268	14,881	**109,742**

	2015/16			
	Salary (Including fees & Allowances)	*Benefits in Kind*	*Pension Contributions*	*Total Remuneration including pension contributions.*
Chief Executive	*112,000*	*1,354*	*17,808*	***131,162***
Director of Neighbourhoods	*93,847*	*2,893*	*14,922*	***111,662***
Director of Communities	*92,904*	*1,275*	*14,735*	***108,914***
Director of Resources	*92,224*	*2,390*	*14,663*	***109,277***
Director of Governance	*91,970*	*1,264*	*14,623*	***107,857***

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 15.9%.

The number of employees whose remuneration, including benefits in kind, but excluding employers 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	**2016/17 Number of Employees**	***2015/16 Number of Employees***
£50,000 - £54,999	4	*3*
£55,000 - £59,999	9	*12*
£60,000 - £64,999	6	*1*
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	2	*4*
£95,000 - £99,999	2	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	1	*1*
Total	**24**	***21***

Termination Benefits

Exit Package Cost Band (including special payments)	**2016/17** Number of Compulsory Redundancies	Number of Other Departures	Total number of Exit Packages	Total Cost of Exit Packages in each band
£0- £20,000	3	-	3	30,138
Total cost included in bandings and in the CIES			**3**	**30,138**

Termination Benefits

Exit Package Cost Band (including special payments)	**2015/16** Number of Compulsory Redundancies	Number of Other Departures	Total number of Exit Packages	Total Cost of Exit Packages in each band
£0- £20,000	1	2	3	37,066
Total cost included in bandings and in the CIES			**3**	**37,066**

27. EXTERNAL AUDIT FEES

The following external audit fees have been paid to Public Sector Audit Appoinments Ltd.

	2016/17 £000	***2015/16 £000***
Fees payable to BDO LLP with regard to external audit services carried out by the appointed auditor for the year.	65	*65*
Fees payable to BDO LLP for the certification of grant claims and returns for the year.	19	*19*
Fees paid in respect of other sevices	2	*2*
Total	**86**	***86***

28. GRANTS AND CONTRIBUTIONS

The Council credited the following grants and contributions to the CIES in 2016/17:

Credited to Taxation and Non-Specific Grant Income	2016/17 £000	*2015/16 £000*
Revenue Support Grant	1,534	*2,445*
New Homes Bonus	2,684	*2,113*
S31 Small business rate Relief	826	*793*
Council Tax Freeze grant	-	*83*
Transitional Grant	54	-
Community Projects	8	*9*
Other	1	*5*
Total	**5,107**	***5,448***

Credited to Services	2016/17 £000	*2015/16 £000*
Department for Work and Pensions	35,268	*37,237*
Department for Communities and Local Government	1,110	*499*
Essex County Council	1,353	*1,082*
Arts Council	122	-
Essex Police Authority	79	*79*
Town and Parish councils	21	*6*
Broxbourne Borough Council	85	*82*
Cabinet office	74	*37*
Essex Fire Authority	33	*36*
Lottery Fund	47	-
National Heritage	44	-
Harlow Borough Council	44	*24*
East Herts District Council	43	-
Uttlesford District Council	43	-
Housing Associations	23	-
Colchester Borough Council	18	-
Other grants and contributions received	14	*24*
Total	**38,421**	***39,106***

29. 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. During 2016/17 expenditure of £78,248 (£0 in 2015/16) was paid to Fortismere Associates for personnel management services. The director of the company was employed to act as an interim Assistant Director of Neighbourhoods during the year. Included in the expenditure amount is a creditor of £20,970 (£0 in 2015/16). The Council holds a Register of Interests in which all members are required to declare any interests in accordance with the code of conduct which is open to the public.

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 a significant amount 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).

30. 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.

	2017 £000	*2016* *£000*
Opening Capital Financing Requirement	184,672	*184,672*
Capital Investment		
Property, Plant and Equipment	34,100	*34,464*
Investment Properties	36	*-*
Revenue Expenditure Funded from Capital Under Statute	1,685	*2,322*
Private Sector Housing Loans	53	*265*
Intangible Assets	304	*248*
Sources of Finance		
Capital Receipts	(11,712)	*(19,046)*
Government grants and other contributions	(1,130)	*(3,725)*
Major Repairs Reserve	(7,597)	*(6,477)*
Direct revenue contributions	(6,439)	*(8,051)*
Closing Capital Financing Requirement	**193,972**	***184,672***

31. LEASES

The Council has leases with third parties under operating leases with rental income from the lease being credited to trading operations.

Assets Leased to Third Parties The total of future minimum lease payments due within 1 year are:	**2016/17** **£000**	***2015/16*** ***£000***
Land & Buildings		
Shops	1,869	*1,835*
Industrial & Commercial	1,243	*1,021*
Other	329	*313*
Total Rental Receivable	**3,441**	***3,169***

The timing of total future minimum lease payments are:

	31 March 2017		***31 March 2016***	
	Receipts due between 2 and 5 years	**Total receipts due thereafter**	***Receipts due between 2 and 5 years***	***Total receipts due thereafter***
	£000	**£000**	***£000***	***£000***
Land & Buildings				
Shops	5,444	6,958	*5,902*	*7,327*
Industrial & Commercial	4,515	51,245	*3,954*	*51,779*
Other	831	4,340	*944*	*5,167*
Total	**10,790**	**62,543**	***10,800***	***64,273***

Gross Amount of Assets held for use in operating leases.

	31 March	
	2017 **£000**	***2016*** ***£000***
Land & Buildings		
Shops	31,618	*29,785*
Industrial & Commercial	22,474	*21,872*
Other	13,652	*11,413*
Total Assets	**67,744**	***63,070***

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

Notional lease with Biffa.

Under IFRIC 4 the Waste Collection contract is deemed to contain a finance lease.
The contract contains a capital element related to the provision of specialised vehicles.
The Council has to recognise these assets in it's own Balance Sheet together with a liability for a Finance Lease.

The assets are carried as PPE as the following net amounts :-

	2016/17 £000	*2015/16 £000*
Vehicles, Plant, Furniture and Equipment	2,908	*3,490*
	2,908	***3,490***

The Council is committed to making payments under this lease comprising settlement of the long term liability for the interest in the property acquired by the Council, and the finance costs that are payable.
The minimum lease payments are made up of the following amounts :-

		2016/17 £000	*2015/16 £000*
Minimum lease payments	Current	582	*582*
	Non Current	2,327	*2,908*
Finance Costs payable in future years		361	*519*
Minimum Lease Payments		**3,270**	***4,009***

The Minimum lease payments will be payable over the following periods :-

	Minimum Lease Payments		Finance Lease Liabilities	
	31.3.2017 Net Exp £000	**31.3.2016 Net Exp £000**	**31.3.2017 Net Exp £000**	**31.3.2016 Net Exp £000**
Not later than one year	711	*739*	582	*582*
Later than one year and not later than 5 years	2,559	*2,673*	2,326	*2,326*
Later than 5 years	0	*597*	0	*582*
	3,270	***4,009***	**2,908**	***3,490***

32. 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 Waddingham Public Sector Consulting, as at 31 March 2017. 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 2016/17 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 CIES during the year.

Comprehensive Income and Expenditure Statement

	2016/17 £000	*2015/16 £000*
Service Cost	4,167	*4,290*
Net interest charged	2,268	*2,172*
Administration Expenses	49	*56*
Net charge made to the CIES	**6,484**	***6,518***

Re-measurements in other comprehensive income

	2016/17 £000	*2015/16 £000*
Return on Fund assets in excess of interest	18,445	*(913)*
Other actuarial gains\(losses)	(145)	-
Change in financial assumptions	(33,807)	*6,130*
Change in demographic assumptions	3,871	-
Experience gain/(loss) on defined benefit obligation	(272)	*97*
Net settlements received	8	-
Remeasurement of the net assets/(defined liability)	**(11,900)**	***5,314***

Pension Assets and Liabilities Recognised in the Balance Sheet

	2016/17 £000	*2015/16 £000*
Present value of the funded obligation	216,448	*179,907*
Present value of the unfunded obligation	3,554	*3,733*
Fair value of scheme assets	(138,881)	*(116,659)*
Net Liability in the Balance Sheet	**81,121**	***66,981***

Reconciliation of the fair value of the Scheme Liabilities

	Unfunded Liabilities		All Funded/Unfunded Liabilities: Local Government Pension Scheme	
	2017 £000	***2016 £000***	**2017 £000**	***2016 £000***
Net pensions liability at 1 April	(3,733)	*(4,086)*	(183,640)	*(185,018)*
Current service cost	-	-	(4,164)	*(4,273)*
Interest cost	(125)	*(126)*	(6,350)	*(5,837)*
Change in financial assumptions	(282)	*62*	(33,807)	*6,130*
Change in demographic assumptions	200	-	3,871	-
Experience gain	80	*97*	(272)	*97*
Liabilities assumed\(extinguished) on settlements	-	-	30	-
Estimated benefits paid	-	-	5,108	*5,994*
Past service cost including curtailments	-	-	(11)	*(17)*
Contributions by scheme participants	-	-	(1,073)	*(1,036)*
Unfunded pension payments	306	*320*	306	*320*
Net pensions liability at 31 March	**(3,554)**	***(3,733)***	**(220,002)**	***(183,640)***

Reconciliation of fair value of the Scheme Assets:

	2017 £000	***2016 £000***
Fair value of the plan assets at 1 April	116,659	*115,089*
Interest on assets	4,082	*3,665*
Return on assets less interest	18,445	*(913)*
Other actuarial gains\(losses)	(145)	-
Administration Expenses	(49)	*(56)*
Employer contributions including unfunded	4,252	*4,152*
Contributions by scheme participants	1,073	*1,036*
Benefits paid	(5,414)	*(6,314)*
Settlement prices received\(paid)	(22)	-
Fair value of the plan assets at 31 March	**138,881**	***116,659***

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 assets less interest in the year was £18.4 million (£0.9 million for 2015/16). The major factor in the downward trend in investment returns is due to the volatile nature of assets employed being below the discount factor employed by the Actuaries. The weighted average duration of the defined benefit obligation for scheme members is 17 Years (17 years in 2015/16).

Scheme History

	2016/17 £000	**2015/16 £000**	**2014/15 £000**	**2013/14 £000**	**2012/13 £000**
Present Value of Liabilities	(220,002)	(183,640)	(185,018)	(159,515)	(170,417)
Fair Value of Assets	138,881	116,659	115,089	101,695	95,060
Surplus/(deficit) in the scheme	(81,121)	(66,981)	(69,929)	(57,820)	(75,357)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £ 81.1 million in the balance sheet has decreased the reported net worth of the Council by 14% (12% 2015/16).

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 2018 is £3.9 million. The Service Cost is expected to be £5.9 million for the year to 31 March 2018.

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 Waddingham, 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 2014.

The principal assumptions used by the actuary have been:

	2016/17	***2015/16***
Mortality Assumptions		
Longevity at 65 for current pensioners in years:		
Men	22	*23*
Women	25	*25*
Longevity at 65 for future pensioners in years:		
Men	24	*25*
Women	27	*28*
Rate of Inflation RPI	3.50%	*3.20%*
Rate of Inflation CPI	2.60%	*2.30%*
Rate of Increase in Salaries	4.10%	*4.10%*
Rate of Increase in pensions	2.60%	*2.30%*
Rate for discounting scheme liabilities	2.70%	*3.50%*

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

	As at 31 March 2017		***As at 31 March 2016***	
	£000	**%**	***£000***	***%***
Equities	94,860	68	*78,956*	*68*
Government Bonds	5,254	4	*3,439*	*3*
Other Bonds	5,644	4	*5,599*	*5*
Property	13,511	10	*13,893*	*12*
Cash/Liquidity	4,180	3	*3,790*	*3*
Alternative Assets	9,262	7	*5,187*	*4*
Other Managed Funds	6,170	4	*5,795*	*5*
Total	**138,881**	**100**	***116,659***	***100***

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 2014 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 2017	**Sensitivity 1**	**Sensitivity 2**	**Sensitivity 3**
	£000s	**£000s**	**£000s**
Adjustment to discount rate	**+0.1% p.a.**	**0.0% p.a.**	**-0.1% p.a.**
Present value of total obligation	216,293	220,002	223,779
Projected service cost	5,758	5,884	6,012
Adjustment to long term salary increase			
Present value of total obligation	220,536	220,002	219,472
Projected service cost	5,884	5,884	5,884
Adjustment to pension increases and deferred revaluation			
Present value of total obligation	223,245	220,002	216,816
Projected service cost	6,012	5,884	5,758
Adjustment to mortality age rating assumption	**+1year**	**none**	**-1year**
Present value of total obligation	228,330	220,002	211,988
Projected service cost	6,072	5,884	5,702

33. 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 2016/17 this was agreed at Full Council on 20 February 2016). 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 excepting UK Central Government which is unlimited. The Council also sets a total group investment limit (£10m) for institutions that are part of the same banking group.

The table below summaries the nominal value of the Council's investment portfolio at 31 March 2017, and confirms that all investments were made in line with the Council's approved rating criteria when investment placed:

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

		Balance invested as at 31 March 2017					
	Credit rating criteria met	**Up to 1 month**	**Between 1 and 3**	**Between 4 and 6 months**	**Between 7 and 12**	**Greater than 12 months**	**Total**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
Banks UK	YES	11,076	-	5,000	-	-	16,076
Total Banks		**11,076**	**-**	**5,000**	**-**	**-**	**16,076**
Building Societies	YES	-	-	-	-	-	-
Local Authorities		4,000	6,000	5,000	-	-	15,000
Money Market Funds	YES	10,000	-	-	-	-	10,000
Total		**25,076**	**6,000**	**10,000**	**-**	**-**	**41,076**

Debtors

The following analysis summaries 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 2017	**Default risk judged as at 31 March 2017**	**Bad debt provision for 2016/17**
	£000	**%**	**£000**
Sundry Debtors	5,789	43.4	2,517
Housing Arrears	884	68.6	606
Total	**6,673**		**3,123**

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 2017 was as follows:

		31 March 2017 £000	% of total debt portfolio	Cash flows including interest £000
Short Term Borrowing	**Less than 1 Year**	**-**	**0%**	**5,499**
Long Term Borrowing	Over 1 but not over 2	-	0%	5,499
	Over 2 but not over 5	31,800	17%	48,298
	Over 5 but not over 10	-	0%	26,740
	Over 10 but not over 15	-	0%	26,740
	Over 15 but not over 20	-	0%	26,740
	Over 20 but not over 25	153,656	83%	181,296
Long Term Borrowing		**185,456**	**100%**	**315,313**

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 2017, 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	(153)
Impact on Surplus or Deficit on the Provision of Services	**165**
Share of overall impact debited/(credited) to HRA	**165**

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.

34. CAPITAL COMMITMENTS

The Council is in the process of constructing a shopping park on land that it owns in Langston Road, Loughton. There are two parts to the scheme the shopping park itself and S278 works to the highway nearby. Work commenced during 2016/17 with construction costs to 31 March 2017 for the shopping park being £8.118m (£11.879m in 2015/16 which related to land purchase and fees.)and for the S278 works £1.628m (£0.703m in 2015/16). Practical completion on the shopping park is due on 29th September 2017 and the S278 works are expected to be completed by the end of September 2017.

The final cost of construction of the park is expected to be a little over £16m which includes incentive payments to tenants and various other fees and fitting out costs. A number of tenants have signed leases with others due to sign shortly the first unit opening in August. Marketing of the remaining units is ongoing and it is expected that all units will be occupied by Christmas.

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

	Note	2016/17 £000	*2015/16 £000*
INCOME			
Dwelling Rents (Gross)	3	(31,925)	*(32,150)*
Non Dwelling Rents		(846)	*(856)*
Charges for Services and Facilities		(1,930)	*(1,831)*
Leaseholder Contributions		(13)	*(414)*
Revaluation of Fixed Assets	1	-	*(9,184)*
TOTAL INCOME		(34,714)	*(44,435)*
EXPENDITURE			
Repairs and maintenance	4	5,961	*6,451*
Supervision and Management		7,937	*7,265*
Revaluation of Fixed Assets		1,917	*-*
Rents, Rates, Taxes and Insurance		402	*363*
Revenue Expenditure funded from Capital under Statute		13	*414*
Depreciation & Amortisation	8/9	15,764	*13,498*
Debt Management		67	*68*
Provision for Bad / Doubtful Debts		75	*75*
TOTAL EXPENDITURE		32,136	*28,134*
NET COST OF SERVICES AS INCLUDED IN THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT		(2,578)	*(16,301)*
HRA services share of Corporate Expenses		675	*583*
HRA share of other services		32	*45*
NET COST (INCOME) OF HRA SERVICES		(1,871)	*(15,673)*
HRA SHARE OF THE INCOME AND EXPENDITURE INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		(1,871)	*(15,673)*
Capital Grants and Contributions		(934)	*(1,857)*
Gain on sale of HRA non-current assets		(3,110)	*(1,460)*
Interest Payable and Similar Charges		5,538	*5,573*
Interest and Investment Income		(244)	*(628)*
Valuation increase Rent to Mortgages		(170)	*(425)*
Pensions Interest/Return on Assets		726	*695*
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES		(65)	*(13,775)*

MOVEMENT ON HOUSING REVENUE ACCOUNT STATEMENT

The Housing Revenue Income and Expenditure Statement shows the Council's actual financial performance for the year in managing its housing stock, measured in terms of the resources consumed and generated over the last twelve months. However,

- 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	2016/17 £000	*2015/16* *£000*
INCREASE/DECREASE IN THE HOUSING REVENUE ACCOUNT BALANCE			
(Surplus)/Deficit for the year on the Housing Revenue Account Income and Expenditure Statement		**(65)**	***(13,775)***
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	**10**	**(812)**	***10,622***
Transfers to Earmarked Reserves	**10**	**226**	***2,521***
(Increase) or decrease in the Housing Revenue Account balance		**(651)**	**(632)**
Housing Revenue Account surplus brought forward		**(3,202)**	***(2,570)***
Housing Revenue Account surplus carried forward		**(3,853)**	***(3,202)***

1. HOUSING REVENUE ACCOUNT ASSET VALUATION

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

	OPERATIONAL ASSETS						NON-OPERATIONAL ASSETS	
	Land £000	Dwellings £000	Garages £000	Vehicles & Equipment £000	Other Land & Buildings £000	Other £000	Investment Properties £000	Total £000
Gross Book Value								
1 April 2016	218,640	395,482	4,993	3,252	1,459	7,422	143	631,391
Restated	-	-	-	-	(857)	338	-	(519)
Additions	-	11,251	11	90	-	5,997	-	17,349
Disposals	(1,514)	(2,813)	-	(103)	-	-	-	(4,430)
Reclassified in Year	(298)	-	(365)	-	-	2,125	-	1,462
Revaluations Debited to the CIES	(477)	(888)	-	-	55	(5)	(14)	(1,329)
Revaluation Credited to the Revaluation reserve	14,379	33,526	229	-	298	325	-	48,757
Accumulated Depreciation Written Off	-	(15,190)	(174)	-	(28)	(13)	-	(15,405)
Gross Book Value	230,730	421,368	4,694	3,239	927	16,189	129	677,276
1 April 2016	-	-	-	(2,062)	(38)	(601)	-	(2,701)
Restated	-	-	-	-	-	(83)	-	(83)
Accumulated Depreciation Written Off	-	15,190	174	-	28	13	-	15,405
Reclassified	-	-	13	-	-	(32)	-	(19)
Depreciation in Year	-	(15,298)	(187)	(220)	(21)	(79)	-	(15,805)
Depreciation on Assets Sold	-	108	-	75	-	-	-	183
Depreciation 31 March 2017	-	-	-	(2,207)	(31)	(782)	-	(3,020)
Net Book Value 31 March 2017	**230,730**	**421,368**	**4,694**	**1,032**	**896**	**15,407**	**129**	**674,256**
Net Book Value 1 April 2016	***218,640***	***395,482***	***4,993***	***1,190***	***1,421***	***6,821***	***143***	***628,690***

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 £1,554,535,000 based on stock figures from 31 March 2017 and values as at 1 April 2016. The difference between the two values represents the economic cost of providing council housing at less than open market rents.

2. HOUSING STOCK

The Council was responsible for managing on average 6409 (6432 in 2015/16) dwellings during 2016/17. 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.

		2016/17	***2015/16***
Stock as at 1 April		6,428	*6,435*
Less	Sales	(46)	*(20)*
	Stock Transfers / Conversions	-	*14*
	Other Movements	1	*(1)*
Add	New Properties	6	*-*
Stock as at 31 March		6,389	*6,428*
Number of:			
Houses and Bungalows		3,441	*3,455*
Flats and Maisonettes		2,938	*2,963*
Other		10	*10*
		6,389	*6,428*

3. GROSS DWELLING RENT INCOME

During 2016/17 1.12% (0.71% in 2015/16) of all lettable dwellings were vacant. Average rents were £96.92 per week including affordable rents, a reduction of £0.62 or 0.6% on the previous year. 52% (48% in 2015/16) of all Council tenants received some help through rent rebates in 2016/17. Rent arrears decreased to £884,461 (£929,681 in 2015/16), which represents 2.76% (2.87% in 2015/16) of gross dwelling rent income. The provision for bad and doubtful debts on these arrears amounted to £606,397 (£617,907 in 2015/16). Amounts written off during the year totalled £84,940 (£51,751 in 2015/16). 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:

	2016/17		***2015/16***	
	£000	**£000**	***£000***	***£000***
Balance as at 1 April		(1,010)		*(1,491)*
Contribution from the HRA	(5,800)		*(5,855)*	
Other Income	(387)		*(114)*	
Total Income		(6,187)		(5,969)
Responsive & Void Repairs	3,856		*3,887*	
Planned Maintenance	2,079		*2,476*	
Other	26		*88*	
Total Expenditure		5,961		*6,451*
Balance as at 31 March		**(1,236)**		***(1,010)***

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 8 page 21).

5. 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 HRA is based on the contributions payable to the fund in respect of 2016/17; the real cost of retirement benefits is therefore reversed out of the Housing Revenue Account after Net Operating Expenditure.

6. HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS

The Council received £7,723,140 in respect of HRA capital receipts during 2016/17. This arose as a result of the sale of council houses (£7,400,845), sale of other property (£290,000), sale of Land (£30,500) and principal repayments on mortgages (£1,795). Of this the Council used £3,432,941 for housebuilding projects and £59,800 for the administration of the sales which left £1,351,226 to fund other capital projects and pay the central government pool an amount of £2,879,173.

7. CAPITAL EXPENDITURE

The HRA incurred the following capital expenditure.

Capital Expenditure on:	**£000**	**Financed by:**	**£000**
Council Dwellings	8,616	Revenue	5,367
House Building and developments	7,880	Major Repairs Reserve	7,597
Disabled Adaptations	543	Capital Receipts	3,359
Plant, Vehicles and Equipment	90	Other Contributions	1,026
Environmental Works	220		
	17,349		**17,349**

8. MAJOR REPAIRS RESERVE

The Council is required to maintain a Major Repairs Reserve. This was originally funded from the Government via Housing Subsidy but is now funded from the HRA directly. The Housing Revenue Account is charged with the depreciation for the year the opposite entry of which is a credit to the Major Repairs Reserve. This income can then be used to fund repairs of a capital nature. For a transitionary period of five years the Council is allowed to transfer back to the HRA a notional sum calculated by the Government in lieu of the Major Repairs Allowance received. The movement on the reserve is as follows:

	2016/17		***2015/16***	
	£000	**£000**	***£000***	***£000***
Balance as at 1 April		(12,291)		*(11,154)*
Depreciation transferred from the HRA		(15,748)		*(13,486)*
Used to fund Capital Expenditure on Council Dwellings	7,597		*6,478*	
Transferred to the HRA	7,738		*5,871*	
Total Expenditure		15,335		*12,349*
Balance as at 31 March		**(12,704)**		**(12,291)**

9. DEPRECIATION

Depreciation is charged on Housing Revenue Account assets in accordance with IAS 16. Depreciation is 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 HRA investment assets. The difference between the figure shown on the face of the HRA and Note 8 above relates to £16,000 amortisation of intangible assets and other non dwellings depreciation.

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

	2016/17 £000		*2015/16 £000*	
AMOUNTS TO BE EXCLUDED				
Transfer from Major Repairs Reserve and other depreciation reversals and impairments	**(7,776)**		***(5,925)***	
Upward revaluation of Council Dwellings and Garages	**(1,908)**		***9,184***	
Revenue expenditure funded from Capital under statute	**(13)**		***(414)***	
Reversal of Notional Lease payment	**23**		***25***	
Valuation changes Rents to Mortgages	**170**		***425***	
Gain/(loss) on disposal of HRA fixed assets	**3,100**		***1,460***	
Flexi / Leave Accruals	**(5)**		***9***	
HRA share of contributions to/ (from) pensions reserve	**(2,240)**		***(2,086)***	
		(8,649)		***2,678***
AMOUNTS TO BE INCLUDED				
Leaseholder Contributions	**13**		***414***	
Employers contributions payable to the pension fund	**1,523**		***1,329***	
Capital Expenditure funded by the HRA	**5,367**		***4,344***	
Capital Contributions Applied	**934**		***1,857***	
		7,837		***7,944***
Net Increase or (Decrease) before Transfers to/from Reserves		**(812)**		***10,622***
TRANSFERS (TO)\FROM EARMARKED RESERVES				
Housing Repairs Fund	**226**		***(480)***	
Self Financing Reserve	**-**		***3,180***	
Service Enhancement Fund	**-**		***(179)***	
		226		***2,521***
		(586)		***13,143***

11. TRANSFER TO SELF FINANCING RESERVE

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. The balance on the Reserve as at 1 April 2016 was £12.72m, however it was agreed that in 2016/17 the contribution would be suspended leaving the year end balance unchanged.

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

INCOME	Note	Council Tax 2016/17 £000	Non Domestic Rates 2016/17 £000	Collection Fund Total 2016/17 £000	*Council Tax 2015/16 £000*	*Non Domestic Rates 2015/16 £000*	*Collection Fund Total 2015/16 £000*
Council Tax	1	(83,186)	-	(83,186)	*(79,403)*	*-*	*(79,403)*
Non Domestic Rates	2	-	(36,509)	(36,509)	*-*	*(35,465)*	*(35,465)*
TOTAL INCOME		(83,186)	(36,509)	(119,695)	*(79,403)*	*(35,465)*	*(114,868)*
EXPENDITURE							
Precepts and Demands:							
Essex County Council		59,058	3,216	62,274	*55,637*	*3,115*	*58,752*
Essex Police		7,948	-	7,948	*7,534*	*-*	*7,534*
Essex Fire Authority		3,537	357	3,894	*3,400*	*346*	*3,746*
Epping Forest District Council		11,048	14,294	25,342	*10,776*	*13,846*	*24,622*
Distribution of Estimated Collection Fund Surplus/(Deficit).	3						
Essex County Council		1,420	(122)	1,298	*1,095*	*(57)*	*1,038*
Essex Police		192	-	192	*145*	*-*	*145*
Essex Fire Authority		87	(14)	73	*67*	*(6)*	*61*
Epping Forest District Council		275	(544)	(269)	*211*	*(253)*	*(42)*
Non Domestic Rate							
Payment to Central Government		-	17,868	17,868	*-*	*17,306*	*17,306*
Repayment of Deficit		-	(680)	(680)	*-*	*(316)*	*(316)*
Transitional Protection		-	45	45	*-*	*322*	*322*
Cost of Collection Allowance		-	172	172	*-*	*171*	*171*
Provision for Appeals		-	262	262	*-*	*1,138*	*1,138*
Provision for Non Payment		(25)	(62)	(87)	*(102)*	*1*	*(101)*
Write Offs		413	290	703	*464*	*319*	*783*
TOTAL EXPENDITURE		83,953	35,082	119,035	*79,227*	*35,932*	*115,159*
DEFICIT / (SURPLUS) FOR YEAR		767	(1,427)	(660)	*(176)*	*467*	*291*
BALANCE BROUGHT FORWARD		(2,216)	1,514	(702)	*(2,040)*	*1,047*	*(993)*
BALANCE CARRIED FORWARD		(1,449)	87	(1,362)	*(2,216)*	*1,514*	*(702)*

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: 52,258 for 2016/17, 51,196 for 2015/16). The basic amount of Council Tax for a Band D property (£1,498.68 for 2016/17, £1,449.09 for 2015/16) 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	1	1	5/9	1
Band A	1,663	1,434	2/3	956
Band B	4,824	4,022	7/9	3,128
Band C	11,277	10,128	8/9	9,003
Band D	13,680	12,698	1	12,698
Band E	9,467	8,889	1 2/9	10,864
Band F	6,740	6,403	1 4/9	9,249
Band G	5,741	5,535	1 2/3	9,225
Band H	1,114	1,072	2	2,144
Total Band D				57,268
Less Band D equivalents entitled to Council Tax Support				4,215
Total Band D equivalents				53,053
Less Adjustment for Collection Rate				795
Council Tax Base				52,258

Income of £83,186,116 for 2016/17 (£79,403,095 for 2015/16) was receivable from council tax payers. An amount of £22,995 (£57,923 in 2015/16) was clawed back from Council Tax payers and passed to the General Fund.

2. NON DOMESTIC RATES

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 48.4p (small business) and 49.7p (others) in 2016/17, (48.0p (small business) 49.3p (others) in 2015/16) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

In 2013/14 the method of distributing and accounting for Business Rates changed. Prior to 1 April 2013 Non Domestic Rates were collected by the Council and paid over to Central Government who then redistributed the sums collected in the form of Non Domestic rates grant.

From 1 April 2013 Business Rates Retention was introduced whereby Local Authorities retain 50% of the Business Rates collected and pay the remainder over to Central government. The amount retained is shared between the Council (40%), Essex County Council (9%) and Essex Fire Authority (1%). In addition, the Government has set a level of Business Rates Funding deemed to be applicable to each area and every Council either receives a top up (where business rates are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding). In 2016/17 this Council paid a tariff of £10,314,922 (£10,230,000 in 2015/16).

If the Council increases its business rates base and therefore income it is allowed to retain a proportion of this increased income whilst paying up to 50% to Central Government. This payment is known as a levy payment.

If a reduction of business rates income of more than 7.5% of its funding baseline has occurred then the government will make up any difference between this and the actual loss in the form of a safety net payment.

The Council is part of the Essex Business Rates Pool. A pool is set up in order to minimise the potential levy on business rate growth that an individual authority might need to pay Central Government. A number of Authorities that are paying a tariff to the Government join a pool with an authority receiving a top up. In the case of the Essex Pool the County Council are receiving a top up and the districts are paying a tariff and by pooling their business rates can significantly reduce their levy rates from the 50% they would face if on their own.

The total non-domestic rateable value at the year-end was £86,591,046 (£86,608,906 in 2015/16).

3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

The surplus or deficit on the Collection Fund arising from council tax and business rates transactions relates to this Council, other Major Precepting Authorities and Central Government. 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 Councils 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 2015, 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 (2016).

The Council's Code of Governance recognises that effective governance is achieved through the following seven CIPFA/SOLACE principles.

(i) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

(ii) Ensuring openness and comprehensive stakeholder engagement.

(iii) Defining outcomes in terms of sustainable economic, social and environmental benefits.

(iv) Determining the interventions necessary to optimise the achievement of intended outcomes.

(v) Developing the Council's capacity, including the capability of its leadership and the individuals within it.

(vi) Managing risks and performance through robust internal control and strong public financial management.

(vii) Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

At their February 2017 meeting the Audit and Governance Committee agreed a new Local Code of Corporate Governance, which was updated to reflect the latest CIPFA/SOLACE guidance. It is important the Council can demonstrate that its Annual Governance Statement is aligned with its Local Code.

The table below summarises the Council's Governance Framework (which includes the system of internal control) for the year ending 31st March 2017 and up to the date of approval of this Statement and the Statement of Accounts.

No.	The Governance Framework
	The key elements of the Council's governance arrangements for 2016/17 were:
1	A Corporate Plan covering 2015-2020, 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; and **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. The Council's Local Code of Governance was refreshed during 2016/17.
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, Director of Communities and the Chief Internal Auditor, meeting monthly
9	A Corporate Risk Strategy managed by a Risk Management Group meeting quarterly.
10	A standard committee report format that includes specific consideration of all legal, financial, professional and technical considerations.
11	A Medium Term Financial Strategy which informs service planning and budget setting.
12	A compliments and complaints procedure.
13	A risk-based approach to internal audit, emphasising the need for sound control and good value.
14	A robust whistle blowing policy and process along with supporting documents outlining the Council's zero tolerance approach to fraud and corruption, which include anti bribery and anti money laundering policies.

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 and concludes that the arrangements continue to be regarded as fit for purpose in accordance with the council's governance framework:

- Directors governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively. For the first time, these were completed by the Directors in conjunction with their Assistant Directors;
- Documentary evidence of processes, procedures and standards:
- A Corporate Fraud Team, which supports the Council's counter fraud and corruption framework in taking action to prevent, detect and investigate fraud.
- 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 substantial, limited or no assurance, on the adequacy and effectiveness of the Council's control environment, including key financial systems;
- 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 and from 2016/17.

This final part of the Annual Governance Statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues identified. The Council's Corporate Governance Group, who monitors and reviews the corporate governance framework, has ensured that the issues raised in the previous AGS have been addressed as detailed in Table one below.

Table One: Progress on significant governance issues identified in the 2015/16 AGS

No.	Significant issue identified in 15/16 AGS	Action taken in 2016/17 to address the issue
1	**Procurement Rules** A common theme coming out of 2014/15 internal audit reviews was non-compliance with Contract Standing Orders as these had developed over time and were difficult to follow. On 26 April 2016 Council approved the new Procurement Rules, which replaced the Council's previous Contract Standing Orders. These provide a more flexible approach and are more responsive to the current and future procurement needs of the Council.	A wide range of staff were trained on the Council's new Procurement Rules and a review of their effectiveness, led by the Director of Communities, concluded the new rules were generally being followed, being easier to follow. Refresher training will take place during 2017/18 following minor amendments proposed as a consequence of the review.
2	**Corporate Policies** A need to raise awareness of, and communicate changes to, corporate policies e.g. Whistleblowing Policy and Officer Code of Conduct was a common theme coming out of this years' Service Assurance Statements.	Partially completed as there have been periodic reminders in the staff newsletter (District Lines) on whistleblowing. The anti-fraud and corruption policy is currently being updated and a staff awareness programme will initiated to promote its contents once approved.
3	**Project Management** Service Assurance Statements also identified a need to develop project management processes and provide training in this area.	A Project and Programme Management project team was set up, sponsored by the Chief Executive, and has been meeting monthly. Via the project team an IT system solution is currently being rolled out which will include both system and project management training.

In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement or require careful monitoring. These are set out in the table below, together with the steps to be taken to address them.

Table Two: Areas for improvement or monitoring during 2017/18

No.	Issue	Management response
1	**General Data Protection Regulations (GDPR)** It is imperative that businesses and public bodies are prepared for the GDPR which will apply in the UK from 25 May 2018. The government has confirmed that the UK's decision to leave the EU will not affect the commencement of the GDPR.	Work is already in hand to ensure Epping Forest is compliant with the requirements of the GDPR ahead of May 2018 and beyond.
2	**Corporate Policies** For the second year, Service Assurance Statements identified a need to raise awareness of, and communicate changes to, corporate policies in particular Officer Code of Conduct, data protection policies, anti-fraud and Whistleblowing.	A staff awareness campaign will be devised and implemented to address this and will include use of metacompliance to ensure staff have read relevant policies, articles in the monthly staff newsletter District Lines, and reminders at staff briefings.

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 ……………………………………..
Glen Chipp
Chief Executive

Signed ……………………………………..
Councillor Chris Whitbread
Leader of the Council

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.

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 other authorities (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.

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 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.

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.

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.

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.

PROPERTY, PLANT AND EQUIPMENT

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.

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.

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

An 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.

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.

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 until received in the form either of cash or of other assets, or a reliable estimate of the cash realisation can be assessed with reasonable certainty.

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 of a guarantee to a third party in relation to a liability or obligation of a related party;
(iii) the provision of services to a related party, including the provision of pension fund administration services;

(iv) 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.

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.

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

(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.