Webcast Meeting

Epping Forest District Council

AUDIT AND GOVERNANCE COMMITTEE
Monday, 23rd September, 2013

You are invited to attend the next meeting of **Audit and Governance Committee**, which will be held at:

Council Chamber, Civic Offices, High Street, Epping
on **Monday, 23rd September, 2013**
at **7.00 pm** .

Glen Chipp
Chief Executive

Democratic Services Officer

Gary Woodhall
Office of the Chief Executive
Tel: 01992 564470
Email: democraticservices@eppingforestdc.gov.uk

Members:

Councillors A Watts and Ms H Kane

Independent R Thompson

WEBCASTING/FILMING NOTICE

Please note: this meeting may be filmed for live or subsequent broadcast via the Council's internet site - at the start of the meeting the Chairman will confirm if all or part of the meeting is being filmed. The meeting may also be otherwise filmed by third parties with the Chairman's permission.

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If you have any queries regarding this, please contact the Senior Democratic Services Officer on 01992 564249.

1. **WEBCASTING INTRODUCTION**

I would like to remind everyone present that this meeting will be recorded for subsequent repeated viewing on the Internet and copies of the recording could be made available for those that request it.

By being present at this meeting it is likely that the recording cameras will capture your image and this will result in your image becoming part of the broadcast.

You should be aware that this might infringe your human and data protection rights. If you have any concerns please speak to the webcasting officer.

Please could I also remind members to put on their microphones before speaking by pressing the button on the microphone unit.

2. **APOLOGIES FOR ABSENCE**

(Assistant to the Chief Executive) To be announced at the meeting.

3. **DECLARATIONS OF INTEREST**

(Assistant to the Chief Executive) To declare interests in any item on this agenda.

4. **MINUTES**

To confirm the minutes of the last meeting of the Committee held on 27 June 2013 (previously circulated).

5. **MATTERS ARISING**

To consider any matters arising from the previous meeting.

6. **AUDIT AND GOVERNANCE WORK PROGRAMME - 2013/14 (Pages 5 - 6)**

(Director of Finance & ICT) To consider the attached Work Programme for 2013/14.

7. **INTERNAL AUDIT BUSINESS CONTINUITY PLAN (Pages 7 - 16)**

(Chief Internal Auditor) To consider the attached report (AGC-013-2013/14).

8. **INTERNAL AUDIT MONITORING REPORT - APRIL - JUNE 2013 (Pages 17 - 28)**

(Chief Internal Auditor) To consider the attached report (AGC-014-2013/14).

9. **TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS - ANNUAL OUTTURN REPORT 2012/13 (Pages 29 - 48)**

(Director of Finance & ICT) To consider the attached report (AGC-015-2013/14).

10. **AUDIT OF ACCOUNTS - ANNUAL GOVERNANCE REPORT 2012/13 (Pages 49 - 80)**

(External Auditor) International Standard on Auditing 260 requires the External Auditor to report to those charged with governance certain matters before they give an opinion on the Statutory Statement of Accounts. The External Auditor has indicated that their audit of the Council's Statutory Statement of Accounts for 2012/13 is nearly complete and that they wish to present their ISA260 report to this meeting (AGC-016-2013/14).

11. STATUTORY STATEMENT OF ACCOUNTS 2012/13 (Pages 81 - 176)

(Director of Finance & ICT) To consider the attached report (AGC-017-2013/14).

12. ANY OTHER BUSINESS

Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs (6) and (24) of the Council Procedure Rules contained in the Constitution require that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

In accordance with Operational Standing Order 6 (Non-Executive Bodies), any item raised by a non-member shall require the support of a member of the Committee concerned and the Chairman of that Committee. Two weeks notice of non-urgent items is required.

13. EXCLUSION OF PUBLIC AND PRESS

Exclusion:
To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Confidential Items Commencement:
Paragraph 9 of the Council Procedure Rules contained in the Constitution require:

(1) all business of the Council requiring to be transacted in the presence of the press and public to be completed by 10.00 p.m. at the latest;

(2) at the time appointed under (1) above, the Chairman shall permit the completion of debate on any item still under consideration, and at his or her discretion, any other remaining business whereupon the Council shall proceed to exclude the public and press; and

(3) any public business remaining to be dealt with shall be deferred until after the completion of the private part of the meeting, including items submitted for report rather than decision.

Background Papers:
Paragraph 8 of the Access to Information Procedure Rules of the Constitution define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

(a) disclose any facts or matters on which the report or an important part of the report is based; and

(b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information (as defined in Rule 10) and in respect of executive reports, the advice of any political advisor.

Inspection of background papers may be arranged by contacting the officer responsible for the item.

Audit & Governance Committee Report Schedule

2013/14

27 June 2013

- ➢ Internal Audit Annual Report.
- ➢ Review of the Effectiveness of Internal Audit.
- ➢ Audit & Governance Committee Annual Report.
- ➢ Annual Governance Statement.
- ➢ Q4 Internal Audit Monitoring Report.
- ❖ Audit Plan 2012/13.
- ❖ Planning Letter 2013/14.

23 September 2013

- ➢ Treasury Management Annual Outturn Report.
- ➢ Statutory Statement of Accounts.
- ➢ Q1 Internal Audit Monitoring Report.
- ➢ Appointment of Co-Opted Member – Report on Recruitment.
- ➢ Due Diligence for Council Contracts.
- ❖ Annual Governance Report 2012/13.

28 November 2013

- ➢ Treasury Management Mid-Year Report.
- ➢ Q2 Internal Audit Monitoring Report.
- ➢ Review of Business Continuity Plan for Internal Audit.
- ❖ Annual Audit Letter 2012/13.

6 February 2014

- ➢ Treasury Management Investment & Strategy Statements.
- ➢ Q3 Internal Audit Monitoring Report.
- ❖ Grant Claims Audit Report 2012/13.
- ❖ Audit Plan 2013/14.

3 April 2014

- ➢ Effectiveness of Risk Management.
- ➢ Internal Audit Business Plan.
- ❖ Planning Letter 2014/15.

Key

- ➢ EFDC Officer Report.
- ❖ External Auditor Report.

N.B…In addition, the Committee's annual private meetings with the External and Internal Auditors are scheduled to take place prior to the April meeting.

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Report to the Audit and Governance Committee

Report reference: ***AGC-013-2013/14***
Date of meeting: ***23 September 2013***

Epping Forest District Council

Portfolio:	**Finance and Technology**
Subject:	**Report on the Internal Audit Business Continuity Plan**
Responsible Officer:	**Brian Bassington (01992 564446).**
Democratic Services Officer:	**Gary Woodhall (01992 564470).**

Recommendations/Decisions Required:

(1) The Committee is requested to consider and comment upon the Business Continuity Plan for the Internal Audit Unit.

Executive Summary:

This report contains the Business Continuity Plan for the Internal Audit Unit for review by the Audit and Governance Committee, following concern expressed as to the continuation of assurance levels in the Council's systems provided to the Committee should an incident occur to the Internal Audit Unit.

Reasons for Proposed Decision:

Report as requested by the Audit and Governance Committee at the June 2013 meeting.

Other Options for Action:

No other options.

Report:

1. The Business Continuity Plan for the Internal Audit Unit has been in existence for a number of years and has been updated regularly when staff or situations have changed. The most recent update has included the upgrade of ICT equipment to laptops with VPN connection to the Council's network to enable mobile working.

2. The Plan covers the main threats to the Internal Audit Unit's business continuity which are:

    (a) full or partial loss of staff;

    (b) full or partial loss of accommodation;

    (c) full or partial loss of IT facilities; and

    (d) full or partial loss of telephone services.

3. The plan was activated during the flooding incident recently due to access to the Audit Office being severely restricted while the power supply and alarm system was unavailable.

Audit staff continued to work from both home and spare desks in the useable part of the building with minimal disruption.

Resource Implications:

No specific implications.

Legal and Governance Implications:

The Business Continuity Plan seeks to address any Legal and Governance implications.

Safer, Cleaner and Greener Implications:

No specific implications.

Consultation Undertaken:

Corporate Governance Group, Emergency Planning Officer.

Background Papers:

Corporate Business Continuity Plan.

Impact Assessments:

Risk Management
The Business Continuity Plan seeks to address the various levels of risk that an incident would place upon the continuing service the Internal Audit Unit provides.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?	No
Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?	No

What equality implications were identified through the Equality Impact Assessment process?
There are no specific equalities impacts.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
There are no specific equalities impacts.

BUSINESS CONTINUITY PLAN

INTERNAL AUDIT UNIT

EPPING FOREST DISTRICT COUNCIL

1. Introduction

The major threats to the Internal Audit Unit's business continuity are:

Full or partial loss of staff
Full or partial loss of accommodation
Full or partial loss of IT facilities.
Full or partial loss of telephone services

2. Internal Audit is a Function Required by Legislation

2.1. The Local Government Act 1972

Section 151 requires that:

> *"every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".*

At Epping Forest District Council the Director of Finance is deemed the "responsible officer" and one of the ways in which he exercises his responsibility for financial administration is through the work of Internal Audit.

2.2. The Local Government Finance Act 1982

The Local Government Finance Act 1982 requires External Auditors to satisfy themselves that:

> *"the body whose accounts are being audited has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".*
>
> The existence of an adequate Internal Audit function is an integral part of such *"proper arrangements".*

As part of their work the external auditors seek to ascertain the extent to which the internal audit meets these various requirements and the extent to which they can place reliance on the work of it.

2.3. Accounts and Audit Regulations 2011

Under the regulation Internal Audit has the right of access at all times to documents and explanations as appear necessary to them.

2.4. The Local Government Finance Act 1988

Section 114 of the Local Government Finance Act 1988 places on the Director of Finance a responsibility to ensure that all expenditure is legal. Internal Audit seeks to assist the Director of Finance in meeting that responsibility.

3. Working Practices

The work of the Internal Audit Unit is such that auditors can work from any base provided with a telephone, and if necessary can work almost entirely paper based with tools as simple as a pad of paper, a pen and a calculator.

Records are either paper based in locked cupboards within the Unit's accommodation or computer based with all files held on the Council's network, and therefore subject to the ICT Service's backup procedures with copies held off site by a contractor.

Recovery of paper records would be time consuming but could be recreated from computer files and client records within the Civic Offices and other Council buildings, where not affected by the disaster.

4. Emergency Planning and Response Team

The Chief Internal Auditor is the Unit's representative on the Emergency Planning and Response Team and provides liaison between the Unit and the team.

While it is accepted that auditors must maintain their independence from any process or procedure that they may later be asked to audit, clearly in a disaster situation which does not involve the Internal Audit Unit directly (i.e. audit staffing, accommodation, etc.) audit staff will be available for work at the direction of the Chairman of the Emergency Planning and Response Team or the Chief Executive in the initial days of the incident.

5. Inform Internal Audit Unit Staff

For home and mobile phone numbers and email addresses see appendix 1
(restricted circulation – updated at each establishment change)

Person Responsible:	**Brian Bassington**	**Chief Internal Auditor**
Deputy:	**Sue Linsley**	**Senior Auditor**

6. Full or partial loss of staff

In the event of a loss of staff both temporary and permanent recruitment procedures may have to be brought into action.

6.1. Arrange for counselling of surviving staff if required (contact Human Resources representative).
6.2. List of agencies – temporary staff (see below-others are available)
6.3. Job descriptions/person specifications (see sample documents held in the Audit Operations Manual – copies held off site as part of ICT file backup of the network).
6.4. Contact Essex Audit Group member Authorities for possible experienced audit staff on temporary loan.

7. Agencies

Reed Accountancy Personnel	020 8478 0061
Michael Page (Public Sector)	0845 600 7007
Hays Accountancy Personnel	0171 628 6655

8. Essex Audit Group – Chief Internal Auditors (or EAG contacts)

Basildon District Council	Paula Mills	01268 533333
Braintree District Council	Lesley Day	01376 552525
Brentwood Borough Council	Peter Tanton (ECC)	01245 430430
Castle Point District Council	Linda Everard	01268 792711
Chelmsford City Council	Ray Joy	01245 606606
Colchester Borough Council	Elfreda Walker	01206 282222
Harlow District Council	Julie Sharp	01279 446611
Maldon District Council	Angie Mitchell	01621 854477

Rochford District Council	Tracy Metcalf	01702 546366
Southend Borough Council	Linda Everard	01702 215000
Tendring District Council	Steve Blake	01255 425501
Thurrock Council	Gary Clifford	01375 390000
Uttlesford District Council	Sheila Bronson	01799 510510

9. Identify Additional Risks

Review the Internal Audit Unit Business Plan to identify any changes in risk levels caused by the disaster and re-rank the plan on the new risk index.

Identify any high risk area affected by the disaster where immediate advice on manual internal controls will be required, e.g. cash offices, invoice section, etc., and contact the relevant Director or Assistant Director on:

Main switchboard	01992 564000	Extension
G. CHIPP	CHIEF EXECUTIVE	4758
M. SYME	EXECUTIVE ASSISTANT	4080
D. MACNAB	DEPUTY CHIEF EXECUTIVE	4050
S.HAWKINS	EXECUTIVE ASSISTANT	4051
C. O'BOYLE	DIRECTOR OF CORPORATE SUPPORT SERVICES	4475
A. MITCHELL	ASSISTANT DIRECTOR (CSS)	4017
M. TIPPING	ASSISTANT DIRECTOR (CSS)	4280
P. MAGINNIS	ASSISTANT DIRECTOR (CSS)	4536
R PALMER	DIRECTOR OF FINANCE	4279
P. MADDOCK	ASSISTANT DIRECTOR OF FINANCE	4602
J. TWINN	ASSISTANT DIRECTOR OF FINANCE	4215
R. PAVEY	ASSISTANT DIRECTOR OF FINANCE	4211
D NEWTON	ASSISTANT DIRECTOR OF FINANCE	4580
J. GILBERT	DIRECTOR OF ENVIRONMENT & STREET SCENE	4062
Q.DURRANI	ASSISTANT DIRECTOR (E&SS)	4055
J. NOLAN	ASSISTANT DIRECTOR (E&SS)	4083
J. PRESTON	DIRECTOR OF PLANNING & ECONOMIC DEVEL.	4111
N RICHARDSON	ASSISTANT DIRECTOR (P&ED)	4110
K. POLYZOIDES	ASSISTANT DIRECTOR (P&ED)	4119
A. HALL	DIRECTOR OF HOUSING	4004
P. PLEDGER	ASSISTANT DIRECTOR OF HOUSING	4248
R. WILSON	ASSISTANT DIRECTOR OF HOUSING	4419
L. SWAN	ASSISTANT DIRECTOR OF HOUSING	4146
I. WILLETT	ASSISTANT TO THE CHIEF EXECUTIVE	4243
G.LUNNUN	ASSISTANT DIRECTOR (DEMOCRATIC SERVICES)	4244
J CHANDLER	ASSISTANT DIRECTOR (COMMUNITY & CULTURE)	4214

If any of the above cannot be contacted because of the extent of the disaster affecting their office accommodation or failure of the internal telephone system they should be contacted through their representative on the Emergency Planning and Response Team.

Person Responsible:	**Brian Bassington**	**Chief Internal Auditor**
Deputy:	**Sue Linsley**	**Senior Auditor**

10. Full or partial loss of accommodation

The Unit's accommodation is situated in the rear extension of the Civic Offices and therefore recovery from any loss is covered by the Corporate Business Continuity Plan.

10.1. Establish emergency office

Suitable premises are identified below.

Location of emergency office Staff to work from home in the first instance until notified otherwise with weekly team meetings (each Friday at 2:00pm) at the Leisure Services offices , Hemnall Street, Epping, in the meeting room. If not available staff to be notified of an alternative.

Person Responsible:	**Brian Bassington**	**Chief Internal Auditor**
Deputy:	**Sue Linsley**	**Senior Auditor**

11. Full or partial loss of ICT facilities

The Unit makes full use of ICT facilities for word processing, spreadsheets, audit specific software and access to the Council's network systems. While, as previously stated, auditors can work manually both the quality of reports and working papers and the efficiency in carrying out data analysis would be reduced.

The Unit's ICT facilities are situated in the accommodation in the rear extension of the Civic Offices and therefore recovery from any loss is covered by the Corporate Business Continuity Plan.

Staff have been issued with laptop computers which while in the office are connected to the network via docking ports. Staff regularly undock these laptops so that they can work away from the office or out of office hours from home using the VPN system and Wi-Fi broadband connections where available (all audit staff currently have Wi-Fi connections at their homes).

In a disaster situation where the audit offices are undamaged access would be gained (when authorised) to collect any laptops in the audit office for allocation to staff for use at home.

If the audit offices are lost ICT Services would be contacted for replacement hardware, software and the restoration of the backup copies which are held off site by an external contractor.

If replacement hardware is not available or if the accommodation plan has been activated then the backup files will need to be in a format that can be temporarily restored onto the staff's own PC's at their homes as required, acknowledging the temporary loss of control over password access and backup procedures.

The most critical computer files are draft reports that are currently being worked upon, and these files are held on the network "Z". The ICT Service copy these files each evening as part of their backup procedures.
If any staff do not have access to their laptop, the VPN service or compatible computers at home then this is to be raised with the Chief Internal Auditor so that work can be re-allocated to solve the problem.

Manual working papers will be available as each member of the unit holds an EFDC headed pad off site and if necessary plain pads can be purchased at a local stationers.

Contact: David Newton Assistant Director (ICT) 01992 564580 (or through the ICT representative on the Emergency Planning and Response Team).

Person Responsible:	**Brian Bassington**	**Chief Internal Auditor**
Deputy:	**Sue Linsley**	**Senior Auditor**

12. Full or partial loss of telephone services

The Unit's telephone services are situated in the accommodation in the rear extension of the Civic Offices and therefore recovery from any loss is covered by the Corporate Business Continuity Plan.

If the disaster is only a loss of telephone services then contact to be made with ICT Services for recovery of the facility and contact with clients and auditees can be via the e-mail system, face to face or using staff personal mobile phones (reimbursement of work calls to be discussed at that time).

If the accommodation plan has been activated then the Internet e-mail service will be used for document transfer and external telephone systems (land line or mobile) used for voice communication.

Contact: David Newton Assistant Director (ICT) 01992 564580 (or through the ICT representative on the Emergency Planning and Response Team).
Person Responsible: Brian Bassington Chief Internal Auditor **Deputy: Sue Linsley Senior Auditor**

13. Timetable

Following a disaster that has rendered the Internal Audit Unit accommodation unavailable and assuming that the staff are safe the Unit's requirements are as follows:-

13.1 Loss of Accommodation

24 Hours	Staff to be contacted and directed to work from home. Extent of disaster to be assessed and audit expertise to be offered to assist in Corporate business continuity. Audit plan to be assessed to identify work to be carried out to ensure that high risk audits are covered. Instigate use of laptops or paper based working practices.
48 Hours	Alternative ICT and communications methods to be activated if necessary. If network access unavailable, request to ICT for backups to be made available.
4 Days	Staff to be working from home or alternative accommodation with weekly meetings at identified alternative accommodation.
7 Days	If salvage operation complete then assess the extent of loss of paper based records and identify critical losses. Draw up plan for reconstruction of critical records from client records (where still available).
> 7 Days	Work to continue to be home based until suitable accommodation/ICT/communications are identified by the Emergency Planning and Response Team as part of the overall plan. Critical files to be reconstructed. All computerised file backups to be restored and files created on home computers to be loaded onto network (after media has been scanned for viruses or via email).

13.2 Loss of staff

24 Hours	Surviving staff to be contacted and directed to work from home. Staff to be offered counselling.
48 Hours	Recruitment process to begin for initially temporary and then permanent staff. Nearby District Councils contacted to see if any staff would be available on a temporary basis to cover high risk audits. Specialist recruitment agencies contacted for any available temporary staff.
> 48 Hours	If total loss Following management decision outsourcing process to begin.

Person Responsible: Brian Bassington Chief Internal Auditor

Deputy: Sue Linsley Senior Auditor

If the loss includes the above then:

Person Responsible: Glen Chipp Chief Executive

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Report to the Audit and Governance Committee

Epping Forest District Council

Report reference: **AGC-014-2013/14**
Date of meeting: **23 September 2013**

Portfolio: **Finance and Technology**

Subject: **Internal Audit Monitoring Report - April to June 2013**

Responsible Officer: **Brian Bassington (01992 564446).**

Democratic Services Officer: **Gary Woodhall (01992 564470).**

Recommendations/Decisions Required:

(1) The Committee is requested to note the following issues arising from the Internal Audit Team's first quarter monitoring report for 2013/14:

(a) The reports issued between April and June 2013 and significant findings (Appendix 1);

(b) The Outstanding Priority 1 Actions Status Report (Appendix 2);

(c) The Limited Assurance Audits follow up status report (Appendix 3); and

(d) The 2013/14 Audit Plan status report (Appendix 4).

Executive Summary:

This report provides a summary of the work undertaken by the Internal Audit Unit between April and June 2013, and details the overall performance to date against the Audit Plan for 2013/14. The report also contains a status report on previous Priority 1 audit recommendations which continues to be monitored by the Corporate Governance Group.

Reasons for Proposed Decision:

Monitoring report as required by the Audit and Governance Committee Terms of Reference.

Other Options for Action:

No other options.

Report:

<u>Work Carried Out in the Period</u>

1. The audit reports issued in the first quarter are listed in paragraph 3 below.

2. Audits completed in the first quarter have included audits in progress at the end of the last financial year, the detailed findings of which are in appendix 1. At the end of the quarter a further four audits were in progress or at the draft report stage.

Reports Issued

3. The following audit reports were issued in the quarter:

(a) Full Assurance:
- Business Plans;

(b) Substantial Assurance:
- Management of Sickness Absence;
- Cash Receipting and Income Control;
- Housing Lettings;
- Key Performance Indicators;
- Payroll;
- Procurement Fraud; and
- Housing Rents;

(c) Limited Assurance:
- None;

(d) No Assurance:
- None; and

(e) At Draft Report Stage:
- Housing Benefits.

Limited Assurance

4. During the quarter no reports were issued with a Limited assurance rating.

Follow Up of Previous Priority 1 Recommendations

5. Attached at Appendix 2 is a schedule of outstanding priority 1 recommendations to ensure follow up both by Internal Audit and Service Management. These recommendations are monitored on a monthly basis by the Corporate Governance Group.

Follow Up of Previous Limited Assurance Audits

6. Attached at Appendix 3 is a schedule of previous limited assurance audits to ensure follow up both by Internal Audit and Service Management.

Audit Plan 2013/14 (Appendix 4)

7. The status of the 2013/14 Audit Plan is set out at Appendix 4.

Performance Management

8. The Internal Audit Team has local performance indicator targets to meet in 2013/14, as set out below:

	Actual 2010/11 For year	Actual 2011/12 For year	Actual 2012/13 For year	Target 2013/14 For year	Actual 2012/13 Quarter 1	Actual 2013/14 Quarter 1
% Planned audits completed	82%	82%	85%	90%	16%	11%
% chargeable “fee” staff time	66%	71%	69%	72%	70%	75%
Average cost per audit day	£307	£213	£243	£245	£239	£219
% User satisfaction	86%	89%	N/A	90%	95%	87%

9. The indicators are calculated as follows:

(a) % Planned audits completed - a cumulative calculation is made each quarter based on the approved plan. This indicator is reduced compared with the same quarter last year due to additional work being carried out on top up testing as requested by the external auditors and further work as part of the National Fraud Initiative. This indicator is expected to improve over the following quarters.

(b) % Chargeable fee time - a calculation is made each quarter based on reports produced from Internal Audit’s time recording system.

(c) Average cost per audit day - the calculation is based on the costs for each quarter taken from the budget monitoring reports, divided by the number of fee earning days extracted from the time recording system.

(d) User satisfaction has been based on a customer survey form. A replacement electronic form has been developed for use from April with the new audit plan from which data is currently compiled. The new form has been simplified to encourage completion which has resulted in a higher return rate and positive comments from managers.

Resource Implications:

Within the report.

Legal and Governance Implications:

Within the report.

Safer, Cleaner and Greener Implications:

No specific implications.

Consultation Undertaken:

Corporate Governance Group.

Background Papers:

Audit files and working papers.

Impact Assessments:

Risk Management

Internal Audit has a primary objective to provide an independent and objective opinion on the adequacy of the Council's control environment, including its governance and risk management arrangements. The audit reports referred to in this monitoring report will assist managers to determine the adequacy and effectiveness of the arrangements in place in their services.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?	No
Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?	No

What equality implications were identified through the Equality Impact Assessment process?
There are no specific equalities impacts.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
There are no specific equalities impacts.

EFDC - Definition of Levels of Assurance

Assurance levels:
The level of assurance to be applied will be based on the auditor's assessment of the extent to which system objectives are met, with the agreement of the Chief Internal Auditor. As a guide, the following triggers will be used, taking into account the level of risk of error, loss, fraud or damage to reputation.

Level	Evaluation opinion	Priority Triggers
Full assurance	There is a sound system of control designed to achieve system objectives, and the controls are being consistently applied.	Priority 3s or no audit recommendations.
Substantial assurance	There is a sound system of control designed to achieve system objectives, and the controls are generally being consistently applied. However, there are some minor weaknesses in control, and/or evidence of non-compliance, which are placing some system objectives at risk.	Priority 2s and one Priority 1 (if assessed as a low risk).
Limited assurance	There is a system of control in place designed to achieve system objectives. However, there are significant weaknesses in the application of control in a number of areas, and / or evidence of significant non-compliance, which are placing some system objectives at risk.	Between 1 and four 1s and (usually) several Priority 2s.
No assurance	The system of control is weak, and / or there is evidence of significant non-compliance, which exposes the system to the risk of significant error or unauthorised activity.	Five or more Priority 1s.

Priority Ratings
Each audit finding will generate an audit recommendation. These recommendations will be prioritised in accordance with the following criteria:

Priority 1 – Observations refer to issues that are fundamental to the system of internal control. We believe that these issues have caused or will cause a system objective not to be met and therefore require management action as a matter of urgency to avoid risk of major error, loss, fraud or damage to reputation. Failure to apply a Financial Regulation or Contract standing Order will normally be in this category.

Priority 2 – Observations refer mainly to issues that have an important effect on the system of internal control but do not require immediate management action. System objectives are unlikely to be breached as a consequence of these issues, although Internal audit suggested improvement to system design and / or more effective operation of controls would minimise the risk of system failure in this area.

Priority 3 – Observations refer to issues that would if corrected, improve internal control in general and ensure good practice, but are not vital to the overall system of internal control.

SUMMARY OF AUDITS COMPLETED DURING QUARTER 1
April - June 2013

Appendix 1

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
Business Plans	Office of the Deputy Chief Executive	**Full Assurance** There are satisfactory arrangements to ensure corporate business plans are in place at the start of the financial year.	The audit identified: Each directorate produced a business plan prior to the 1st April 2013. All business plans were approved by the Portfolio Holders prior to 1st April 2013. All business plans were produced in accordance with the requirements of the corporate guidance.
Management of Sickness Absence	Corporate Support Services	**Substantial Assurance** The systems in place for managing sickness absence are operating effectively.	Managers need to ensure the Monthly Certificates of Service accurately record the dates of all sickness absence in the directorate. Directors should ensure that Informal Evaluation Meetings are carried out by the relevant Manager.
Cash Receipting & Income Control	Finance and ICT	**Substantial Assurance** The systems and controls surrounding cash receipting and income control are operating effectively.	Recommendations have been made regarding the reconciliation of community leisure income and the management trail of suspense items.
Housing Lettings	Housing	**Substantial Assurance** The housing lettings process is well managed and demonstrates excellent data quality, accuracy and a stringent process that is consistent and appropriate to ensure eligibility of tenants.	With the changes to the Housing Allocation Scheme projected to go live on 01/09/2013, Audit will conduct a full review of the process as part of the 2013/14 audit plan in agreement with Housing Management.

Title	Service	Assurance Rating/Audit Opinion	Main Conclusions/Comments
Key Performance Indicators	Office of the Deputy Chief Executive	**Substantial Assurance** The system in place for reporting on the Council's performance is operating satisfactorily.	Performance management will ensure supporting documentation is submitted with the summary control forms for all KPIs.
Payroll	Corporate Support Services	**Substantial Assurance** The Payroll Process is a well administered function, data is accurate and controls currently in place ensure the process runs well.	There are areas of improvement in regards control utilisation of the establishment lists, identified by the audit that would safeguard data quality and accuracy.
Procurement Fraud	Finance and ICT	**Substantial Assurance** There was no evidence of fraudulent activity found. However there were issues identified which need to be addressed to reduce the risk to the Council: - there were instances of lack of compliance with Contract Standing Orders; and the Essex Procurement Hub was not always consulted when it should have been.	The subject area is extensive and this report provides a snapshot of the further work that needs to be undertaken in Procurement; Contracts and Creditors Audit subject areas during 2013/14.
Housing Rents	Housing	**Substantial Assurance** The controls surrounding rent invoicing and collection are operating effectively.	OHMS is updated annually with the revised rent figures and a housing stock reconciliation completed annually. Reconciliations between OHMS and the general ledger, cash receipting system and benefits system are performed on a regular basis, although the reconciliations to the general ledger were not carried out between August 2012 and the year end. Former tenant arrears referred to legal services are monitored on a monthly basis but those not referred to legal are not regularly monitored. Recommendations have been raised in respect of these findings.

INTERNAL AUDIT OUTSTANDING PRIORITY 1 ACTIONS – STATUS AS AT August 2013 **Appendix 2**

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
Legal Debt Recovery	This audit has identified improvement areas to enhance the system of control and to ensure the process for collecting unpaid debts is monitored and action is taken to maximise the prospects of debt recovery. The debt recovery process is not always cost effective as the resources are not available to ensure all debts referred to Legal are monitored regularly. The recommendations included in this report will address the weaknesses identified and improve the controls surrounding debt recovery	Assistant Director (Legal)	March 2013	Management Board have agreed that a Working Party be convened to review corporate debt processing. This has been put on hold pending the outcome of the recent debt review undertaken by the National Audit Office, who will be reporting back to Management Board in October 2013 with their recommendations. Depending on the outcome we may still need to convene a Working Group, or just apply their recommendations.	Q4 2012/13	In reviewing the procedures currently in place and the finance systems available to comply with the Audit recommendations it has become apparent that the debt collection process across the Council needs to be reviewed. A detailed report was discussed at Management Board on 3 April 2013. Action. C O'Boyle/R Rose to draft Terms of Reference for the Working Party and suggested membership and chairmanship.
Management of Sickness Absence	Managers should be reminded to ensure the information on the Monthly Certificate of Service is complete and accurate	Assistant Director (Human Resources)		Human Resources have reminded managers on many occasions to accurately complete the Monthly Certificate and to return them to Payroll on time. This audit has shown that in some instances this is still not being done, therefore the responsibility should now sit with Directors to		Directors and Assistant Directors have been reminded of the importance of completing and returning these certificates (29/08/13).

Report Title	Agreed Action	Responsible Officer	Target Date	Director's Assurance	Status	Completion Date / Comments
				ensure the returns provided to Payroll are completed accurately and on time.		

Report Title	Directorate	Date Issued	Agreed Actions by priority	Agreed Actions Outstanding	Time of Follow Up	Outstanding Issues / Comments
Legal Debt Recovery	Corporate Support Services	Sept2012	P1. 4 P2. 3 P3. 1	P1. 1 P2. 0 P3. 0	Q3 2013/14	This audit has identified improvement areas to enhance the system of control and to ensure the process for collecting unpaid debts is monitored and action is taken to maximise the prospects of debt recovery. The debt recovery process is not always cost effective as the resources are not available to ensure all debts referred to Legal are monitored regularly. The recommendations included in this report will address the weaknesses identified and improve the controls surrounding debt recovery. The recommendations have been, or are currently being implemented with the remaining priority one recommendation on hold (as reported in appendix 2).

Internal Audit Plan as at June 2013 **Appendix 4**

AUDIT PLAN 2013/14

Audit area	Audit type	Days allocated	Completed	Risk Identifier
FINANCE AND ICT				
Finance				
Bank Reconciliation	system/follow up	15		FFS
Sundry Debtors	system/follow up	15		FFS
Creditors	system/follow up	15		FFS
Treasury Management	system/follow up	15		FFS/R26
Budgetary Control (capital and revenue)	system/follow up	10		FFS
Risk Management and Insurance	system/follow up	15		FFS
Main Accounting and Financial Ledger	system/follow up	15		FFS
Housing Benefits	system/follow up	20		FFS
Council Tax	system/follow up	20		FFS/R27/AC
National Non Domestic Rates	system/follow up	15		FFS/R27
Cash receipting and Income control	system/follow up	15		FFS
Provision for 'top up' testing	systems	30	Completed	FFS
ICT				
ICT Procurement	ICT	10	In Progress	AC/R2
Access controls	ICT	10	In Progress	FFS
Disaster recovery/business continuity	ICT	10	In Progress	R8
TOTAL		**230**		
PLANNING AND ECONOMIC DEVELOPMENT				
Planning Fees	System	20		R27
Countrycare	System	10		R
TOTAL		**30**		
ENVIRONMENT AND STREET SCENE				
Waste Management and Recycling	system	20		R20
Car Parking Contract	system	10	In Progress	R27
North Weald airfield	establishment	15		R27
TOTAL		**45**		
HOUSING				
Housing Rent Collection and Arrears	system/follow up	20		FFS/R27
Right to Buy	system	10		AC
Housing Repairs Service	system	20		
Housing Contracts	system	20	In Progress	R2
Private Sector Housing - Grants	system	15		
Norway House	Establishment	10		
TOTAL		**95**		
CORPORATE SUPPORT SERVICES				

Human Resources				
Payroll	System/follow up	20		FFS
Recruitment and Selection	Follow up	5		AC
Management of Sickness absence	Follow up	5	Completed	R15
Overtime and Committee Allowances	verification	10		R
Travelling & Subsistence Claims	verification	10		R
Car Mileage claims	verification	10		R
Estates/Facilities Management/Other				
Commercial Property portfolio	Follow up	5		R9
Reprographics	System	10		
Fleet Operations income	system	5		R27
Facilities Management Contracts	system	10		R2
Legal				
Debt recovery	Follow up	10		R27
TOTAL		**100**		
MISCELLANEOUS				
Key and Local Performance Indicators	verification	15	Completed	R
Business Plans	verification	10	Completed	R
FRAUD PREVENTION & DETECTION				
Contracts	fraud	15		AC/R20
Procurement	fraud	15		AC/R2
Council Tax Discounts	fraud	15	In Progress	AC/R23
National Fraud Initiative (NFI)	fraud	20	In Progress	R23
Data matching and analysis (IDEA software)	fraud	25		AC
CORPORATE				
Corporate Procurement	system/follow up	15		AC/R2
Gifts and Hospitality (Members & Officers)	system/follow up	10		R
Corporate Asset Register	system	5		FFS
Follow up of Priority 1 Audit recommendations	follow up	10		R23
Governance Statement	management review	5	Completed	AC/R
TOTAL		**160**		
TOTAL DAYS ALLOCATED		**660**		
Contingency/Spot checks/Minor investigations		**50**		R23
Corporate/Service Advice		**65**		
TOTAL		**775**		

Key	**Risk Identifier**
AC	Audit Commission
FFS	Fundamental Finance System
R no.	Risk No. in Corporate Register
R	Reputation of Council

Report to the Audit & Governance Committee

Epping Forest District Council

Report reference: AGC-015-2013/14
Date of meeting: 23 September 2013

Portfolio: **Finance & Technology**

Subject: **Annual Outturn Report on the Treasury Management and Prudential Indicators for 2012/13.**

Responsible Officer: **Simon Alford (01992 564455).**

Democratic Services Officer: **Gary Woodhall (01992 564470).**

Recommendations/Decisions Required:

(1) To consider how the risks associated with Treasury Management have been dealt with during 2012/13; and

(2) To make any comments or suggestions that Members feel necessary to the Finance & Performance Management Cabinet Committee.

Executive Summary:

The annual treasury management outturn report is a requirement of the Council's reporting procedures. It covers the treasury activity for 2012/13 and confirms that there were no breaches of policy during the year.

The risks associated with setting these indicators are highlighted within the report along with how these risks were managed during the year.

Reasons for Proposed Decision:

The proposed decision is necessary in order to show that the risks associated with the treasury strategy were managed during the year and to comply with the requirements of the CIPFA Code of Practice on Treasury Management on reporting on the performance of the treasury activity.

Other Options for Action:

Members could ask for additional information about the CIPFA Codes or the Prudential Indicators.

Report:

<u>Introduction</u>

1. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management), which includes the requirement for reporting on the treasury outturn on the financing and investment

activity for the previous year.

2. The report attached at appendix 1 shows the Treasury Management Outturn Report for 2012/13 in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code.

Capital Activity in the Year

3. The Council undertakes capital expenditure on long-term assets. These activities may either be financed immediately through capital receipts, grants etc; or through borrowing.

4. The Council did not plan to borrow in order to carryout its capital investment. The outturn capital programme is shown below in the table:

Capital Expenditure	**2012/13 Original £m**	**2012/13 Revised £m**	**2012/13 Actual £m**
Non-HRA capital expenditure	5.601	3.569	3.263
HRA capital expenditure	12.863	9.518	9.826
Total Capital expenditure	**18.464**	**13.087**	**13.089**
Financed by:			
Capital grants	0.728	0.758	0.783
Capital receipts	4.910	2.881	2.660
Revenue	12.826	9.448	9.646
Total resources Applied	**18.464**	**13.087**	**13.089**
Closing balance on:			
Capital Receipts	9.876	13.715	13.899
Major Repairs Reserve	5.931	9.955	9.755

5. The closing balance on capital receipts is after taking into account new receipts being generated from the right to buy sales and for major repairs reserve the major repairs allowance received in the year.

6. The financial risk involved within the Capital Activity is the impact on reducing the balance of usable capital receipts over the next three years. This risk has the following potential consequences; loss of interest; loss of cover for contingencies; financial strategy becoming untenable in the long run; service reductions required; and large Council Tax increases required.

7. The table above shows that the balances on Capital Receipts and Major Repairs Reserve are similar to those expected. This means that moving forward the Council is in a similar position to that estimated and therefore it can be concluded that adequate resources exist for the Capital Programme in the medium term.

The Impact on the Council's Indebtedness for Capital Purposes

8. The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council's debt position. Last year the Council borrowed £185.456m to finance the payment to Government for housing self-financing. This resulted in the Council CFR becoming an overall positive CFR (HRA and Non-HRA). No further borrowing was incurred in 2012/13.

CFR	Original 31-Mar-13 £m	Revised 31-Mar-13 £m	Actual 31-Mar-13 £m
Non-HRA	31.097	30.281	30.281
HRA	153.575	154.391	154.391
Closing balance	**184.672**	**184.672**	**184.672**

9. The Council did not breach the Authorised Limit (set at £200m) or the Operational Boundary (set at £188m) and the Maturity Structure of Fixed Rate Borrowing (restricted to 30 years and below).

10. The risks for Councils are associated with affordability, interest rates and refinancing – the affordability risk is whether the Council can afford to service the loan, this was achieved through the Council producing a viable thirty-year financial plan. This plan continues to be reviewed quarterly by officers and half yearly reports are presented to Housing Scrutiny Panel. The interest rate risk is whether a change in interest rate could have an impact on the viability of the financial plan. Only 17% of the amount borrowed in 2011/12 was at a variable rate, the remainder were fixed at preferential rates. Any upward movement in interest rates would be 'hedged' by a corresponding increase in interest earned on Council investments. The refinancing risk is that maturing borrowings, capital project or partnership financing cannot be refinanced on suitable terms. Within the financial plan it is anticipated that all borrowing will be repaid when matured and all future capital expenditure will be financed through internal resources, therefore no risk currently exist for refinancing.

The Council's Treasury Position

11. The table below shows the Council's level of balances for 2012/13:

Treasury position	Original 31-Mar-2013 £m	Revised 31-Mar-13 £m	Actual 31-Mar-13 £m
Balances and Reserves	47.0	47.0	49.1

12. It is important that the cash flow of the Council is carefully monitored and controlled to ensure enough funds are available each day to cover its outgoings. This will become more difficult as the Council uses up capital receipts and reduces investment balances.

13. The Council did not breach any of the following indicators:

(a) The Maximum Upper Limit for Fixed Rate Exposure during 2012/13 was 81% (limit set at 100%) and Maximum Upper Limit for Variable Rate Exposure during 2012/13 was 19% (limit set at 25%);

(b) The maximum amount of the portfolio being invested for longer than 364 days was £12m (limit set at £30m); and

(c) The maximum limit set for investment exposure per country outside of the UK was 1.8% (limit set at 30%).

14. The risks associated with this section are as follows:

(a) Credit and Counterparty Risk – the risk of failure by a third party to meet its contractual obligations to the Council, i.e. goes into liquidation. The Council's counter-party lists and limits reflect a prudent attitude towards organisations with which funds may be deposited and these are regularly updated by our treasury advisors.

(b) Liquidity Risk – the risk that cash will not be available when it is needed, incurring additional unbudgeted costs for short-term loans. The Director of Finance & ICT has monthly meetings with treasury staff, to go through the cash flow for the coming month. A number of instant access accounts are used to ensure adequate cash remains available.

(c) Interest Rate Risk – the risk of fluctuations in interest rates. The Council allows a maximum of 75% of its investments to be invested in variable rates, and the remainder are in fixed rate deposits. This allows the Council to receive reasonable rates, whilst at the same time, gives the Council flexibility to take advantage of any changes in interest rates.

15. The prudential indicators within this section assist the Council to reduce the risk of:

(a) Counterparties going into liquidation by ensuring only highly rated institutions are used when investing the Council's money;

(b) the Council incurring unbudgeted short-term loans, to pay unexpected expenditure items through ensuring adequate level of money is available immediately through instant access accounts; and

(c) potentially losing out on investment income when interest rates start to increase by ensuring that the majority of deposits are kept within one year.

Summary

16. The Council has continued to finance its capital programme through using internal resources. Both capital receipts and Major Repairs Reserve at the year-end matched the anticipated closing balances, resulting in the Council having adequate resources going forward to finance its medium term capital programme. During the previous year the Council procured £185.5m to finance the HRA self-financing payment, resulting in the Council now becoming a debt authority. The Council did not breach any of the treasury prudential indicators during the year.

Resource Implications:

None.

Legal and Governance Implications:

The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2009/10);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;

- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the ODPM (now DCLG) has issued Investment Guidance to structure and regulate the Council's investment activities;
- Under section 21(1) AB of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices; and
- Guidance on Minimum Revenue Provision was issued under this section on 8 November 2007.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

The Council's external treasury advisors provided the framework for this report and have confirmed that the content satisfies all regulatory requirements.

Background Papers:

The report on the Council's Prudential Indicators for 2013/14 to 2015/16 and the Treasury Management Strategy for 2013/14 to 2015/16 went to Council on 19 February 2013.

Impact Assessments:

Risk Management
As detailed in the report, a risk aware position is adopted to minimise the chance of any loss of the capital invested by the Council. The specific risks associated with the different aspects of the treasury management function have been outlined within the main report.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties reveal any potentially adverse equality implications?	No
Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?	N/A

What equality implications were identified through the Equality Impact Assessment process?
N/A.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A.

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Epping Forest District Council Treasury Outturn Report 2012/13

1. Background

The Council's treasury management activity for 2012/13 was underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity for the forthcoming financial year.

The Code also recommends that Members are informed of Treasury Management activities at least twice a year. The Council reports twice a year to the Finance and Performance Management Cabinet Committee and scrutiny of treasury policy, strategy and activity is delegated to the Audit and Governance Committee.

Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.

2. Economic Background and Update

Growth: The UK economy showed some improvement, although growth was subdued. GDP for the first quarter of 2013 was +0.3%, but the underlying numbers were disappointing as inventory growth contributed largely to the output figures. Revisions by the Office of National Statistics to GDP back-data showed the UK avoided a double-dip recession in 2012, but that the downturn in 2008-09 was deeper than previously estimated. Growth is now nearly 4% below its peak back in 2007.

Some positive signs for household spending emerged, mainly from a slower deterioration in real earnings growth (i.e. earnings less inflation) which implied a slower erosion of purchasing power. Household savings rates remained high, which is unsurprising given the uncertain economic outlook.

Inflation: Annual CPI was 2.7% in May. Inflation was expected to pick up again temporarily in the near term, peaking around 3% in June and remaining close to this level throughout the autumn. Further out, inflation should fall back towards the 2% target as external price pressures fade and a revival in productivity growth curbs domestic cost pressures. The oil price (Brent Crude) climbed above $100/barrel on the back of political unrest in Egypt and the unresolved crisis in Syria.

Monetary Policy: There was no change to UK monetary policy with official interest rates and asset purchases maintained at 0.5% and £375bn respectively. Minutes of the Bank of England's Monetary Policy Committee meetings showed that whilst the MPC voted unanimously for no change in official interest rates, it remained split (6-3 in favour of no change) on whether further QE was required to stimulate the economy.

In his testimony to Congress on 22nd May the US Federal Reserve (the Fed), Chairman Ben Bernanke stated that, if the nascent recovery in the US economy became established, the Fed would reduce its $85bn monthly asset purchase programme (QE). The apparent movement by the Fed towards tapering its open-ended QE programme prompted extreme asset price volatility in bonds and equities, as investors sought to crystallise gains driven by excessive liquidity. As a consequence, government bond yields spiked. UK gilt yields jumped up 0.50% over the six weeks to the end of June.

The market negativity appeared to be overdone. Whilst the outlook for the global economy appeared to have improved over the first half of calendar 2013/14, significant economic risks remained, particularly in China and the Eurozone. The Chinese banking system is facing tighter liquidity conditions as officials seek to slow down rampant credit growth, and, despite the time gained by the European Central Bank (ECB) to allow individual members and the Eurozone as a whole to reform their economies, the Eurozone debt crisis has not gone away. The region remains in recession and up-coming political events, such as the German general election (22nd September 2013), could derail any progress towards a more balanced and stable regional economy. The US recovery appears to be in train, but political risks remain regarding the debt ceiling and the federal budget.

3. Debt Management

Borrowing Activity in 2012/13

	Balance on 01/04/2012 £m	Debt Maturing £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 31/03/2013 £m	Avg Rate % and Avg Life (yrs)
CFR	184.672				184.672	
Short Term Borrowing[1]	0	0	0	0	0	
Long Term Borrowing	185.456	0	0	0	185.456	3% - 25yrs
TOTAL BORROWING	185.456	0	0	0	185.456	
Other Long Term Liabilities	0	0	0	0	0	
TOTAL EXTERNAL DEBT	185.456	0	0	0	185.456	
Increase/ (Decrease) in Borrowing £m					0	

PWLB Borrowing

The PWLB remained an attractive source of borrowing for the Council as it offers flexibility and control. As concerns mounted over the timing of the removal or 'tapering' of QE by the US Federal Reserve, gilts sold off and yields rose in May and June. The sharp rise in gilt yields led to a corresponding rise in PWLB rates (see Appendix A), with the most pronounced increase for 5-20 year loans with increases around 0.6% - 0.8%. Affordability and the "cost of carry" remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing.

For the Council the use of internal resources in lieu of borrowing has, therefore, continued to be the most cost effective means of funding £12.177m of capital expenditure. This has lowered overall treasury risk by reducing both external debt and temporary investments. However, the Council acknowledges that this position will not be sustainable over the medium term. Borrowing options and the timing of such borrowing will continue to be assessed in conjunction with the Council's treasury advisor.

The Authority funded none of its capital expenditure from borrowing in 2012/13. The PWLB remains the Authority's preferred source of borrowing given the transparency and control that its facilities continue to provide.

[1] Loans with maturities less than 1 year.

This strategic exposure to variable interest rates will be regularly reviewed and, if appropriate, reduced by switching into fixed rate loans.

Debt Rescheduling:
The increase in PWLB repayment rates during this year lowered the premium that would apply on premature redemption of loans, but the premia were still relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

A year after their commencement, the £185.456m of loans borrowed on 28th March 2012 for the HRA self-financing settlement became eligible for rescheduling. These loans were borrowed at one-off preferential rates made available specifically for the settlement. If the increases in gilt yields and PWLB redemption rates seen at the end of this quarter prevail in subsequent months, they may present early loan repayment opportunities at close to par. Early repayment or rescheduling will first be assessed against the requirements of the HRA business plan and any future borrowing requirements. Where rescheduling is appropriate, the Authority will consider alternative refinancing to achieve cost savings and a reduction in risk.

4. Investment Activity

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

Investment Activity in 2012/13

Investments	Balance on 01/04/2012 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 31/03/2013 £m	Avg Rate % and Avg Life (yrs)
Short Term Investments	32.500	115.004	117.245	30.259	0.97% 114 days
Long Term Investments	0.140	9.934	0	10.074	1.15% 1278 days
Investments in Pooled Funds (MMF)	10.000	0	5.000	5.000	
TOTAL INVESTMENTS	42.64	124.938	122.245	45.333	

Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2012/13. Investments during the year included :

- Investments in AAA-rated Stable Net Asset Value Money Market Funds
- Call accounts and deposits with Banks and Building Societies systemically important to the UK Banking system
- UK Local Authorities

Counterparty credit quality is assessed and monitored with reference to: Credit Ratings (the Authority's minimum long-term counterparty rating of A- (or equivalent) across rating agencies Fitch, S&P and Moody's); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; sovereign support mechanisms /potential support from a well-resourced parent institution; share price. The minimum long-term counterparty credit rating determined for the 2012/13 treasury strategy was A- across rating agencies Fitch, S&P, and Moody's.

Credit Risk
Counterparty credit quality has been maintained as demonstrated by the Credit Score Analysis summarised below where it can be seen that the target of remaining below an average credit risk score of 6 was achieved throughout the year. Table 3 in the Appendix explains the credit score.

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average - Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average - Credit Rating	Average Life (days)
31/03/2012	AA-	4.35	A+	5.36	42
30/06/2012	AA-	4.12	A	5.56	19
30/09/2012	A+	4.56	AA+	2.42	118
31/12/2012	A+	5.02	AA	2.68	277
31/03/2013	A+	5.27	AA	2.71	233

Scoring:
-Value weighted average reflects the credit quality of investments according to the size of the deposit
-Time weighted average reflects the credit quality of investments according to the maturity of the deposit
-AAA = highest credit quality = 1
- D = lowest credit quality = 26
-Aim = A- or higher credit rating, with a score of 6 or lower, to reflect current investment approach with main focus on security

Counterparty Update
In April Fitch downgraded the UK's long-term sovereign rating by one notch from AAA to AA+, the second of the rating agencies to do so (Moody's had downgraded the UK's ratings in February to Aa1). Where assigned, local authorities' ratings, which benefit from an uplift due to their close and direct links to central government, were also downgraded.

The proposed sale of 632 Lloyds' branches to the Co-op Bank – referred to as Project Verde – fell through in April. Lloyds now instead plans to sell the branches in an Initial Public Offering (IPO) later this year.

In May Moody's downgraded the long-term rating of Co-op Bank by six notches from A3 to Ba3 which is sub-investment grade. The downgrade reflected the agency's opinion that the bank faced the risk of further substantial losses in its non-core portfolio. In June the Co-op announced it had a £1.5bn regulatory capital shortfall requiring a recapitalisation via burden-sharing with junior creditors and asset disposals of its parent's insurance businesses. Moody's downgraded the bank's long-term rating a further four notches to Caa1 whilst Fitch downgraded the long-term from BBB- to BB-.

In the Chancellor's Mansion House speech on 19th June he signalled his intention to sell the government's stake in the Lloyds Banking Group reasonably soon, whilst the situation was more complicated with RBS since its problems were greater and reflected in its share price. It appeared that a 'good bank' and 'bad bank' split for RBS was being favoured by the Chancellor and sat behind the announcement concerning the departure of RBS Chief Executive, Stephen Hester, who disagreed with that route.

Update on Investments with Icelandic Banks

Following the lastest guidance from CIPFA, issued 28th May 2013, it is expected that the latest position on the Heritable dividend/impairment will be a recovery overall for the Heritable investment of approximately 94p in the pound, this may rise depending on the September 2013 report from the Administrators. Repayments in 12/13 were 3.79% on 24.4.12, 2.85% on 23.7.12, 2.72% on 18.1.13. In total 77.28% has been repaid to 31st March 2013. The Council has since received 16.73% on August 2013.

Budgeted Income and Outturn

The Authority's budgeted investment income for the year had been estimated at £0.561_m. The average cash balances representing the Council's reserves, were £53.9m during the period and interest earned was £0.517m.

5. Compliance with Prudential Indicators

The Council can confirm that it has complied with its Prudential Indicators for 2012/13, which were approved on 14th February 2012 as part of the Council's Treasury Management Strategy Statement.

6. Outlook for Q1

At the time of writing this activity report in July 2013, the UK economic outlook appears to have improved, but the projected path for growth remains subdued. Recent data has been mixed and what previously looked likely to be a strong start to the year is now more doubtful. Looking forward the only likely positive contributor to overall growth is household consumption, which itself remains under pressure given the deterioration in real earnings growth, high unemployment and general low confidence. A variety of other factors will continue to weigh on a domestic recovery, including on-going fiscal consolidation, muted business confidence and subdued foreign demand.

7. Summary

In compliance with the requirements of the CIPFA Code of Practice this report provides Members with a summary report of the treasury management activity during the year 2012/13. None of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

Epping Forest District Council Treasury Outturn Report 2012/13

Appendix 1

Capital Financing Requirement
Estimates of the Authority's cumulative maximum external borrowing requirement for 2012/13 to 2014/15 are shown in the table below:

	31/03/2013 Estimate £m	31/03/2013 Actual £m	31/03/2014 Estimate £m	31/03/2015 Estimate £m
Gross CFR	184.672	184.672	184.672	184.672
Less: Other Long Term Liabilities	0	0	0	0
Borrowing CFR	**184.672**	**184.672**	**184.672**	**184.672**
Less: Existing Profile of Borrowing	185.456	185.456	185.456	185.456
Gross Borrowing Requirement/Internal Borrowing	**(0.784)**	**(0.784)**	**(0.784)**	**(0.784)**
Usable Reserves	**47**	**49.1**	**43.8**	**43.8**
Net Borrowing Requirement/Investment Capacity	**(47.784)**	**(49.884)**	**(44.584)**	**(44.584)**

In the Prudential Code Amendment (November 2012), it states that the chief finance officer should make arrangements for monitoring with respect to gross debt and the capital financing requirement such that any deviation is reported to him/her, since any such deviation may be significant and should lead to further investigation and action as appropriate.

	31/03/2013 Estimate £m	31/03/2013 Actual £m	31/03/2014 Estimate £m	31/03/2015 Estimate £m
CFR	184.672	184.672	184.672	184.672
Gross Debt	185.456	185.456	185.456	185.456
Difference	**(0.784)**	**(0.784)**	**(0.784)**	**(0.784)**
Borrowed in excess of CFR? (Yes/No)	**Yes**	**Yes**	**Yes**	**Yes**

Usable Reserves
Estimates of the Authority's level of Usable Reserves for 2013/14 to 2015/16 are as follows:

	31/03/2013 Estimate £m	31/03/2013 Actual £m	31/03/2014 Estimate £m	31/03/2015 Estimate £m
Usable Reserves	47	49.1	43.8	43.8

Prudential Indicator Compliance

(a) Authorised Limit and Operational Boundary for External Debt

The Local Government Act 2003 requires the Authority to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached.

The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.

The Director of Finance and ICT confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year; borrowing at its peak was £185.5m.

	Authorised Limit (Approved) as at 31/03/2013 £m	Operational Boundary (Approved) as at 31/03/2013 £m	**Actual External Debt** as at 31/03/2013 £m
Borrowing	200	188	185.456
Other Long-term Liabilities	0	0	0
Total	**200**	**188**	**185.456**

(b) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- These indicators allow the Authority to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Approved Limits for 2012/13 £/%	Maximum during 2012/13 £/%
Upper Limit for Fixed Rate Exposure on Debt Investment	 100 (100)	 81 (66)
Compliance with Limits:		Yes
Upper Limit for Variable Rate Exposure on Debt Investment	 25 (75)	 19 (34)
Compliance with Limits:		Yes

(c) Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 31/3/2013 £m	% Fixed Rate Borrowing as at 31/3/2013	Compliance with Set Limits?
under 12 months	100	0	0	0	Yes
12 months and within 24 months	100	0	0	0	Yes
24 months and within 5 years	100	0	0	0	Yes
5 years and within 10 years	100	0	0	0	Yes
10 years and within 20 years	100	0	0	0	Yes
20 years and within 30 years	100	0	153.656	100	Yes
30 years and above	100	0	0	0	Yes

(d) **Total principal sums invested for periods longer than 364 days**

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	2012/13 Approved £m	2012/13 Actual £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
	30	12	30	30	30

(e) **HRA Limit on Indebtedness**

This indicator reports on the level of the limit imposed by the CLG at the time of the self-financing settlement (or subsequently amended) to which the HRA Capital Financing Requirement is compared.

	2012/13 Approved £m	2012/13 Revised £m	2013/2014 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
HRA Debt Cap (as prescribed by CLG)	**185.457**	**185.457**	**185.457**	**185.457**	**185.457**
HRA CFR	**153.575**	**154.391**	**154.391**	**154.391**	**154.391**
Difference	**31.882**	**31.066**	**31.066**	**31.066**	**31.066**
HRA Debt (Actual)	**185.456**	**185.456**	**185.456**	**185.456**	**185.456**

(f) **Capital Expenditure**

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits, and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels. This includes Revenue Expenditure funded from Capital under Statute (REFCuS) REFCuS relates to expenditure of a capital nature that does not result in the creation of a fixed asset either tangible or intangible. Previously known as Deferred Charges.

Capital Expenditure Including REFCuS	2012/13 Estimate £m	2012/13 Actual £m	2013/14 Estimate £m	2014/15 Estimate £m
Non-HRA	**2.700**	**2.529**	**3.457**	**1.361**
REFCuS	**0.869**	**0.906**	**0.869**	**0.869**
HRA	**9.518**	**9.654**	**13.918**	**16.223**
Total	**13.087**	**13.089**	**18.244**	**18.453**

Capital expenditure has been and will be financed as follows:

Capital Financing	2012/13 Estimate £m	2012/13 Actual £m	2013/14 Estimate £m	2014/15 Estimate £m
Capital Receipts	**2.763**	**2.734**	**4.398**	**2.224**
Government Grants & Other Contributions	**0.758**	**0.783**	**0.937**	**0.569**
Major Repairs Allowance	**5.218**	**5.418**	**8.709**	**9.960**
Revenue Contributions	**4.230**	**4.228**	**4.200**	**5.700**
Total Financing	**12.969**	**13.163**	**18.244**	**18.453**

(g) **Ratio of Financing Costs to Net Revenue Stream**

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2012/13 Estimate %	2012/13 Actual %	2013/14 Estimate %	2014/15 Estimate %
Non-HRA	-0.03	-0.39	-0.36	-0.36
HRA	16.54	16.97	16.20	15.77

(h) **Incremental Impact of Capital Investment Decisions**

This is an indicator of affordability that shows the potential impact if funded through Council Tax / Rents, not what the actual impact will be of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	**2012/13 Estimate £**	**2012/13 Actual £**	**2013/14 Estimate £**	**2014/15 Estimate £**
Increase in Band D Council Tax	0.32	-0.55	-0.30	-0.45
Increase in Average Weekly Housing Rents	9.33	6.37	-2.84	-0.48

Appendix 2

Money Market Data and PWLB Rates

The average, low and high rates correspond to the rates during the financial year rather than those in the tables below.

Please note that the PWLB rates quoted below relate to the standard rates.

Table 1: Bank Rate, Money Market Rates

Date		Bank Rate		O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2013		0.50		0.40	0.50	0.40	0.44	0.51	0.75	0.59	0.68	0.97
30/04/2013		0.50		0.50	0.47	0.40	0.44	0.51	0.75	0.57	0.64	0.91
31/05/2013		0.50		0.38	0.42	0.40	0.44	0.51	0.75	0.68	0.82	1.15
30/06/2013		0.50		0.43	0.38	0.42	0.51	0.51	0.86	0.79	0.98	1.55
Average		**0.50**		**0.43**	**0.45**	**0.40**	**0.44**	**0.51**	**0.75**	**0.65**	**0.76**	**1.10**
Maximum		**0.50**		**0.50**	**0.50**	**0.42**	**0.51**	**0.51**	**0.86**	**0.95**	**1.12**	**1.79**
Minimum		**0.50**		**0.35**	**0.38**	**0.40**	**0.44**	**0.51**	**0.75**	**0.55**	**0.62**	**0.87**
Spread		--		**0.15**	**0.12**	**0.02**	**0.07**	**0.00**	**0.11**	**0.40**	**0.60**	**0.92**

Table 2: PWLB Borrowing Rates - Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2013	125/13	1.11	1.74	2.83	3.87	4.18	4.25	4.22
30/04/2013	166/13	1.16	1.72	2.72	3.74	4.06	4.13	4.08
31/05/2013	208/13	1.26	1.97	3.03	3.99	4.29	4.36	4.33
28/06/2013	248/13	1.22	2.34	3.49	4.30	4.52	4.56	4.54
	Low	1.11	1.70	2.71	3.71	4.02	4.08	4.04
	Average	1.22	1.95	3.01	3.96	4.26	4.32	4.29
	High	1.40	2.51	3.59	4.36	4.58	4.62	4.61

Table 3: PWLB Borrowing Rates - Fixed Rate, Equal Instalment of Principal (EIP) Loans

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2013	125/13	1.30	1.80	2.87	3.39	3.89	4.08
30/04/2013	166/13	1.31	1.77	2.76	3.39	3.75	3.96
31/05/2013	208/13	1.49	2.02	3.07	3.67	4.00	4.19
28/06/2013	248/13	1.66	2.41	3.53	4.05	4.30	4.45
	Low	1.29	1.76	2.75	3.37	3.72	3.91
	Average	1.46	2.01	3.05	3.64	3.97	4.16
	High	1.85	2.58	3.63	4.13	4.37	4.51

Table 4: PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
01/04/2013	0.5700	0.5600	0.5500	1.4700	1.4600	1.4500
30/04/2013	0.5700	0.5500	0.5400	1.4700	1.4500	1.4400
31/05/2013	0.5600	0.5600	0.5600	1.4600	1.4600	1.4600
28/06/2013	0.5600	0.5600	0.5600	1.4600	1.4600	1.4600
Low	0.5500	0.5500	0.5400	1.4500	1.4500	1.4400
Average	0.5664	0.5597	0.5539	1.4664	1.4597	1.4539
High	0.5800	0.5700	0.5600	1.4800	1.4700	1.4600

Appendix 3

Maturity limits for new investments as at 30/6/2013 as recommended by Arlingclose.

UK Institutions

- Royal Bank of Scotland and National Westminster Bank for a maximum period of overnight;
- Santander UK and Close Brothers for a maximum period of 100 days;
- Lloyds TSB and Bank of Scotland for a maximum period of 6 months;
- **Royal Bank of Scotland and National Westminster Bank for a maximum period of 6 months;
- HSBC Bank, Standard Chartered, Nationwide BS and Barclays for a maximum period of 12 months.

Non-UK Institutions

- ING Bank NV, Credit Suisse, BNP Paribas, Credit Agricole CIB, Credit Agricole SA, Societe Generale, Pohjola Bank, DBS Bank, Oversea-Chinese Banking Corp and United Overseas Bank for a maximum period of 100 days;
- Bank Nederlandse Gemeenten N.V., Deutsche Bank AG, Nordea Bank, Rabobank and Svenska Handelsbanken for a maximum period of 12 months;
- National Australia Bank, Westpac, ANZ, Commonwealth Bank of Australia, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Toronto-Dominion Bank, Bank of Montreal, Bank of Nova Scotia and JP Morgan for a maximum period of 12 months.

** Note : RBS and Natwest were placed on review for possible downgrade by Moody's on 5th July 2013. The current long-term rating assigned by Moody's to the institutions is A3, which is the lowest threshold of the Authority's minimum credit criteria. The maturity limits for new investments with both institutions have been restricted to overnight investments until such time as the rating review has been resolved.

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EPPING FOREST DISTRICT COUNCIL

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FINAL REPORT TO THE AUDIT AND GOVERNANCE COMMITTEE

Audit for the year ended 31 March 2013

Agenda Item 10

CONTENTS

OVERVIEW

Key audit findings

The purpose of this report is to communicate to you the significant findings from our audit of the financial statements of Epping Forest District Council for the year ended 31 March 2013. This overview covers those matters we believe to be significant in the context of our work. However, you should read the entirety of this report, as there may be other matters raised that you consider important.

We have largely completed our audit work and anticipate issuing an unqualified opinion subject to the outstanding matters listed on page 2.

AREA OF AUDIT	SUMMARY
Financial statements	No material misstatements were identified as a result of our audit work. Some areas of work are still outstanding at the time of drafting this report (see page 2). Should these result in any significant issues, we will provide an update to the Audit and Governance Committee. Subject to satisfactory completion of the outstanding work, we anticipate issuing an unqualified true and fair opinion on the financial statements for the year ended 31 March 2013.
Unadjusted audit differences	There are a number of unadjusted audit differences identified by our audit work that are detailed in Appendix II. The net effect of adjusting for these differences would be to reduce the deficit for the year by £116,000.
Internal controls	No significant deficiencies were identified during our review. However, some areas of improvement were identified which we have discussed verbally with management.
Annual Governance Statement	We are satisfied that the Annual Governance Statement is not misleading or inconsistent with other information we were aware of from our audit of the financial statements and complies with “Delivering Good Governance in Local Government” (CIPFA / SOLACE).
Whole of Government Accounts (WGA)	Our work to review the consistency of the whole of government accounts return with the audited financial statements is in progress and a verbal update will be given at the Audit and Governance Committee on 23 September 2013.
Value for Money Conclusion	We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013. We propose issuing an unqualified value for money conclusion.

We would like to thank staff for their co-operation and assistance during the audit and throughout the period.

Audit status and timetable to completion

We set out below the current status of the audit and our timetable to completion.

AUDIT STATUS

We have largely completed our audit work in respect of the financial statements, and anticipate issuing an unqualified opinion on the financial statements.

The following matters are outstanding at the date of this report. We will update you on their current status at the Audit and Governance Committee meeting on 23 September 2013.

- Receipt of outstanding bank confirmation letter
- audit of the updated cash flow statement workings
- completion of our audit of a few disclosure notes
- receipt of amended final financial statements following agreed amendments
- subsequent events review
- clearance of review points
- management representation letter, as attached in Appendix VIII to be approved and signed.

TIMETABLE TO COMPLETE

The anticipated timetable to complete is as follows:

ACTIVITY	DATE
Completion of outstanding audit work on the financial statements	20 September 2013
Audit and Governance Committee meeting	23 September 2013
Signing of financial statements (subject to completion of WGA review)	27 September 2013

INDEPENDENCE

INDEPENDENCE

Under Audit Commission Standing Guidance and Auditing and Ethical Standards, we are required as auditors to confirm our independence to 'those charged with governance'. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit and Governance Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to bear on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes.

The procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the firm's independence and the objectivity of the audit engagement partner and the audit staff. This document considers such matters in the context of our audit for the year ended 31 March 2013.

A summary of our fees for audit and non-audit services for the period from 1 April 2012 to date is set out below.

We confirm that we are not aware of any relationships that may bear on our independence and objectivity as auditors of the financial statements and that our independence declaration, included in the Audit Plan for 2012/13, has remained valid throughout the period of the audit.

	£
Code Audit fee	85,329
Grants certification fees (estimate)	32,250*
Fees for non-audit services	-
TOTAL FEES	**117,579**

* Please note that this figure has been amended since the fee reported in our Audit Plan due to there being an error in the original calculation made by the Audit Commission. This is the revised Audit Commission published scale fee.

AUDIT SCOPE AND OBJECTIVES

The audit scope is determined by the Audit Commission's Code of Audit Practice for Local Government and is in accordance with International Standards on Auditing (UK and Ireland), Practice Note 10: audit of public sector bodies in the United Kingdom (October 2010), and guidance issued by the Audit Commission.

This requires that we form an opinion on whether:

1 The financial statements give a true and fair view of the state of the Council's affairs as at 31 March2013 and of the income and expenditure for the year then ended	**2** The financial statements have been properly prepared in accordance with statutory requirements and proper practices have been observed in their compilation	**3** The financial statements have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting	**4** The information given in the Statement of Accounts and Explanatory Foreword is consistent with the financial statements
5 The Annual Governance Statement is not inconsistent with our knowledge and complies with "Delivering Good Governance in Local Government" (CIPFA / SOLACE)	**6** The audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and for: • securing financial resilience • challenging how it secures economy, efficiency and effectiveness	**7** The Whole of Government Accounts return is consistent with the audited financial statements and that it is properly prepared	

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FINANCIAL STATEMENTS

Key audit and accounting matters

To provide an opinion on whether your financial statements give a true and fair view of your financial position and income and expenditure and whether they have been properly prepared, we carry out risk-based procedures designed to obtain sufficient, appropriate audit evidence to determine with reasonable confidence whether the financial statements are free from material misstatement and evaluate the overall presentation.

In carrying out our work we determine and apply a level of materiality. Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole, or individual elements of the financial statements as appropriate. Consequently, the audit cannot be relied upon to identify all risks or potential or actual misstatements.

We are required to report to you all uncorrected misstatements that relate to the current financial year (including those arising in previous periods that have an effect on the current year financial statements) and the effect that they have individually, or in aggregate, on the opinion in the auditor's report, except for those that are clearly trivial. For reporting purposes, we consider misstatements of less than £33,000 to be trivial and have not reported them, unless the misstatement is indicative of fraud.

We would highlight that in this report we do not provide a comprehensive statement of all weaknesses that may exist in the financial and operational systems, but only those matters which have come to our attention as a result of the audit procedures performed. We only restate weaknesses already reported by Internal Audit where we consider these to be significant deficiencies. Recommendations in response to the key findings identified by our audit of the financial statements are provided in the action plan at Appendix V. These recommendations have been discussed with appropriate officers and their responses are included.

Materiality may relate to both quantitative and qualitative matters and for quantitative considerations the numerical level materiality is assessed at may be different for different information in the financial statements. Nevertheless, within this context, Appendix 3 gives an indication of the quantitative levels used for planning purposes. Materiality is re-assessed every year in the context of authoritative audit practice.

AUDIT RISK AREAS			
RISK	**RELATED CONTROLS**	**WORK PERFORMED**	**CONCLUSION**
MANAGEMENT OVERRIDE	ISA (UK&I) 240 requires us to presume that a risk of management override of controls is present and significant in all entities. By its nature, there are no controls in place to mitigate the risk of management override.	We reviewed the appropriateness of journal entries and other adjustments made in the preparation of the financial statements. We also reviewed accounting estimates for evidence of possible bias.	We did not identify any significant transactions that are outside the normal course of business for the Council or that otherwise appear to be unusual. Our work on accounting estimates has not identified any evidence of bias.
REVENUE RECOGNITION - FEES AND CHARGES	ISA (UK&I) 240 assumes that there is a rebuttable presumption that there is a material risk of fraud arising from revenue recognition. We have rebutted this presumption for all income streams except for fees and charges income. We have confirmed that the Council has put in place controls to ensure the occurrence, completeness and accuracy of the income from these sources.	We substantively tested an extended sample of fees and charges income to ensure that accounting policies had been correctly applied in determining the point of recognition of income and that income was completely and accurately recorded.	No issues have been identified from our testing of fees and charges income.

AUDIT RISK AREAS			
RISK	**RELATED CONTROLS**	**WORK PERFORMED**	**CONCLUSION**
IMPLEMENTATION OF NEW PROPERTY MANAGEMENT SYSTEM	The input of information onto the new CIPFA asset management system has been reviewed by the Principal Accountant. Officers liaised with CIPFA (system providers) around technical accounting issues and CIPFA have also reviewed the final processors of the new system to ensure that it is operating correctly.	We substantively tested a sample of assets to ensure that they had been correctly transferred from the prior year audited listing. We reviewed the new systems processes to ensure they are operating in line with expectations and that depreciation had been correctly calculated.	**Non dwelling assets transfer** The Council has historically maintained its fixed asset register on a net basis and, as a result, when transferring to the new system the gross values of the assets and accumulated depreciation were not readily available. As a solution to the issue, the Council reviewed the asset register on an asset-by-asset basis and worked back to the original gross cost of the asset, using the amount depreciated in 2011/12 and the asset's useful life. This resulted in the £2.5m restatement to the gross value and accumulated depreciation to the brought forward amounts, being the balance between the gross values carried forward from the prior year accounts to the worked back gross value from the Council's calculations that have been uploaded to the new asset system. We tested a sample of these assets and concluded that the method applied by the Council was not unreasonable. **Non dwelling assets depreciation** Our testing did not identify any issues with the depreciation charged during the year. However, we have identified an issue regarding the Revaluation Reserve, where the opening balance as per the financial statements did not agree to the asset management system. In line with the requirements of the Code, revaluation gains should be depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account. This adjustment had not been made in previous years, but the new asset management system calculated the Revaluation Reserve as though it had. This adjustment, amounting to £423,000, should have been made in prior periods. The financial statements have been updated to adjust for this in the current year, so that the year end Revaluation Reserve is correct, and agrees to the asset management system. There is no impact on the CIES and the Revaluation Reserve and the Capital Adjustment Account have both been restated by £423,000.

AUDIT RISK AREAS			
RISK	**RELATED CONTROLS**	**WORK PERFORMED**	**CONCLUSION**
Page 57			**Dwelling assets transfer** The Council has historically not accounted for individual council dwellings on the fixed asset register. With the new system, properties are individually recorded on the fixed asset register and, consequently, the "brought forward" total values required allocating across individual properties. This was achieved through allocating the brought forward amounts based on the valuer's assessment of the property's value as at 1 April 2011. The gross value of the properties was easily identifiable as the revaluation had taken place on 1 April 2011. The new system also required additional information on historical cost, brought forward impairments and reversals. We tested a sample of dwellings and concluded that the method applied by the Council was reasonable. **Dwelling assets depreciation** The new asset management system was not able to cope with the number of components that would be required to include council dwellings in the system on a component basis. The Council therefore calculated an average useful economic life of each dwelling using the useful economic lives for each component and included this within the new system. We reviewed this calculation and concluded that the depreciation calculated using this method was not materially different to the depreciation that would have been calculated if each component was accounted for separately, and therefore the estimated cost of depreciation was not unreasonable.

Accounting Practices and Financial Reporting Framework

Financial statements preparation process

The requirement for Members to approve the draft financial statements by 30 June was removed by the Accounts and Audit Regulations 2011. However, these regulations introduced the requirement for the Responsible Financial Officer to sign and present the financial statements for audit by 30 June. The 2012/13 financial statements were signed and presented for audit on 4 July 2013.

As part of our planning for the audit, we prepared a detailed document request which outlined the information that we would require to complete the audit. The Council provided us with files of comprehensive working papers on 15 July 2013, in line with an agreed timetable. Further working papers in response to queries were obtained during the course of the audit.

Audit issues and impact on opinion

Unfortunately there was a flood at the Council offices two weeks prior to the 30 June deadline. Whilst the Council successfully put into practice its disaster recovery plan, minimising the impact on the provision of services, there was an impact upon the officers' ability to present the financial statements for audit by this date. Officers discussed this at an early stage and we agreed that the start date would be delayed by one week to 15 July to facilitate officers being able to collate the working papers.

Accounting policies

The following changes have been introduced by the 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code'), resulting in changes in accounting practice:

- There has been some re-ordering and re-phrasing of the objective of the financial statements and the qualitative characteristics of financial information as a result of the publication of the first phase of the International Accounting Standards Board's (IASB's) The Conceptual Framework for Financial Reporting 2010 (the Conceptual Framework). The 2012/13 Code has:
    - Underlying Assumption: Going Concern
    - Fundamental Qualitative characteristics: Relevance, Materiality, Faithful Representation
    - Enhancing Qualitative Characteristics: Comparability, Verifiability, Timeliness, Understandability
- Amendments in relation to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets).

Audit issues and impact on opinion

We have no matters to report.

Accounting estimates

We review material accounting estimates identified as having high estimation uncertainty or which are subject to a significant degree of judgement by management, and assess the reasonableness of the assumptions applied by management when deciding whether to recognise amounts in the accounts or the value at which these are recognised.

We consider the following to be material accounting estimates with high estimation uncertainty:

- valuation of property
- estimated pension liability
- provision for bad and doubtful debts

Audit issues and impact on opinion

Valuation of property

Land and buildings are required to be carried at fair value which is either existing use value, depreciated replacement cost for specialised properties or open market value. The Council re-values HRA properties on an annual basis and other land and buildings over a five year rolling programme. There is no adjustment for price indices between formal valuations unless there is indication of material change.

Management make valuation adjustments to land and buildings based on valuation reports and useful economic lives provided by an independent firm of valuers with specialist knowledge and experience valuing local authority estates, which has regard to local prices and building tender indices in the public sector.

We are satisfied that the valuer is suitably independent of the Council, objective and experienced in undertaking this work. Our review of the valuations provided, when compared to other price index information available, and useful economic lives allocated to buildings and significant components showed that they are not unreasonable.

Estimated pension liability

The net pension liability of the Council comprises its share of the market value of assets held in the Essex County Council Pension Fund and the estimated future liability to pay pensions for its current, deferred and retired members of the pension scheme.

An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation.

Management has agreed the assumptions made by the actuary to support the estimate and these are disclosed in the financial statements. We have requested written representations from the Council to confirm that the assumptions applied by the actuary are reasonable and consistent with its knowledge of the business of the Council.

We are satisfied that the actuary is suitably independent of the Council, objective and experienced in undertaking this work. Our review of the assumptions applied in estimating the pension liability suggest that these are generally not significantly different from those being applied by the actuaries of other local authorities.

Provision for bad and doubtful debts

We have reviewed the methodology applied by the Council in estimating the allowance for doubtful debts across all categories of debtor. There has been no change to the method applied when compared to the prior year and we are satisfied that these methods are not unreasonable.

Disclosures	Audit issues and impact on opinion
We review material accounting disclosures, to confirm that they are in compliance with the requirements of the Code.	A number of presentational and disclosure amendments have been made to the draft financial statements as a result of the audit, which include: • inclusion of additional disclosures within the Accounting Standards that have been issued but have not yet been adopted note (Note 2) to meet the requirements of the Code. • the financial instruments note (Note 18) had not been prepared in accordance with the Code and included amounts such as council tax arrears, which arise under statute, and therefore does not meet the definition of a financial instrument. • the trading operations note (Note 29) did not disclose the minimum disclosures as required by the Code. • inclusion of additional disclosures to explain the material adjustments to the opening balances of property, plant and equipment (Note 12) • the Capital Expenditure and Capital Financing note (Note 37) and the HRA Capital Expenditure note (HRA Note 8) was updated to show the disclosure as required by the Code and to be consistent with the balances disclosed elsewhere in the financial statements. • The Adjustments between accounting basis and funding basis under regulations note (Note 6) and the HRA note of reconciling items for the statement of movement on HRA balances (HRA Note 12) was updated to show the disclosures as required by the Code and to be consistent with the balances disclosed elsewhere in the financial statements. • The timing of revaluations note (Note 12) incorrectly disclosed the newly revalued amount for Council Dwellings and Garages within the "historical cost" line in this note. The financial statements were updated to include this revaluation within the 31 March 2013 line to reflect the proper timing of the values. Other asset classes have also been re-analysed between years.

Misstatements	Audit issues and impact on opinion
We identified a number of departures from the expected presentation of the 2012/13 financial statements, or where notes and other disclosures had not been presented in accordance with the Code and requested management correct these in order to achieve compliance.	The following misstatements identified by the audit have been amended by management: • Re-classification of assets held for sale £515,000 from long term assets to current assets on the balance sheet. • As discussed as part of the "implementation of new property management system" audit risk on page 6, an adjustment of £423,000 was made to reduce the Revaluation Reserve and increase the Capital Adjustment Account.

Unadjusted audit differences	Audit issues and impact on opinion
We are required to report to you unadjusted audit differences that relate to the current financial year (including those arising in previous periods that have an effect on the current year financial statements) and the effect that they have individually, or in aggregate, on the auditors' report, except for those that are clearly trivial. These are set out below and their potential impact is summarised at Appendix II.	**Prior year issues brought forward** ***New Homes Bonus*** Our prior year audit found that the Council had received a payment of grant for the new homes bonus of £58,000 in March 2012 but did not account for this income in the year. However, the Code requires that where a grant is received, and there are no conditions attached to the grant, the amount should be recognised immediately. This error also impacts upon the current year income, which has been overstated by £58,000. ***Bad debt provision*** Our prior year audit found that the Council had incorrectly included write offs processed during the year within the calculation of the year end provision, resulting in an overstatement of the bad debt provision of £58,000 and an understatement of the debtors balance by the same amount in the Balance Sheet. This error also impacts upon the current year income, which has been overstated by £58,000. ***Rental income*** Our prior year audit identified rental income of approximately £35,000 that was raised after the year end but related to 2011/12 and therefore should have been included in the 2011/12 financial statements. This error also impacts upon the current year income, which has been overstated by £35,000. ***NNDR debtor*** Our prior year audit found that the Council had overstated the NNDR pool debtor by £395,000 due to an error in the calculation methodology. This error also impacts upon the current year income, which has been understated by £395,000. ***Accruals*** Our prior year audit found that the Council had incorrectly accounted for accruals, resulting in a projected misstatement of £44,000, where expenses and liabilities had been overstated. This error also impacts upon the current year expenditure, which has been understated by £44,000. ***In all cases above, there is no continuing misstatement in balances as at 31 March 2013.*** **Current year issues** ***HRA income*** Our testing identified income of £81,000 was not being recognised as income in the HRA Income and Expenditure Statement but was instead being netted down within the Repairs and Maintenance expenditure line. Income and expenditure should be accounted for gross and are, therefore, both understated.

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Unadjusted audit differences	Audit issues and impact on opinion

Completeness of land

Our testing of completeness of land and buildings identified some pieces of land that belonged to the Council but were not included in the fixed asset register. Discussions with officers identified that they were aware that these pieces of land existed but had not yet carried out an exercise to identify them all. Given the small sizes of these pieces of land, which do not have planning permission, the value of this land would not be material. However, we recommend that the Council identifies these pieces of land and includes them as part of the revaluation programme.

Provisions

The Council has included a contingent liability disclosure within the financial statements in relation to their possible liability for the settlement of claims relating to Mesothelioma (which is a rare form of cancer, almost always caused by exposure to asbestos dust). However, based on our testing we consider that a provision would be appropriate as the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets to recognise a provision have been met. The scheme administrators have determined that a levy rate of 15% will be required and, therefore, based on the Council's total claims payments a provision of £84,000 should have been made. We consider that expenditure and provisions are therefore both understated by £84,000. However, the Council has previously set aside £650,000 within the Insurance Reserve, which is an earmarked reserve. If a provision had been recognised then this reserve would have been used as the source of funding and therefore there would be no net impact on the HRA balance. Our unadjusted error for this issue therefore reflects both the need to account for expenditure and also the utilisation of the earmarked reserve to fund this.

Major Repairs Reserve

2012/13 saw the introduction of the self-financing regime for the Housing Revenue Account via the Localism Act 2011 and a suite of self-financing determinations introduced the new regime. This allows for a five-year transitional period where it is permitted for the difference between a notional Major Repairs Allowance (MRA) and dwelling depreciation to be charged to the Major Repairs Reserve (MRR), such that the notional MRA becomes the effective charge against the HRA balance.

Our testing of the amounts charged to the MRR identified that the Council had calculated the charge using the total depreciation figure, rather than using the dwelling depreciation. The non-dwelling depreciation amounted to £423,000 and the MRR has therefore been understated by this amount, with the HRA reserve being overstated by the same amount.

Overall impact

The impact of correcting these items would reduce the reported deficit for the year by £116,000.

Matters required to be reported by other auditing standards

Whole of Government Accounts (WGA)	Audit issues and impact on opinion
We are required to perform tests with regard to the WGA return prepared by the Council for use by the Department of Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level. This work requires checking the consistency of the WGA return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.	We have not yet completed our testing on the Council's WGA return. A verbal update will be provided to members at the Audit and Governance Committee.

Annual Governance Statement	Audit issues and impact on opinion
We have reviewed the draft Annual Governance Statement and are satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council.	We have no matters to report.

USE OF RESOURCES - KEY AUDIT MATTERS

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).

In accordance with our Audit Plan, our principal work in arriving at our value for money conclusion was comparing the Council's performance against the requirements specified by the Audit Commission in its guidance to auditors. This is based on the following two reporting criteria:

- the organisation has proper arrangements in place for securing financial resilience
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

The focus of the criteria for 2012/13 is:

- the organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
- the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity
- undertaking other local risk-based work, as appropriate.

Our work considered the outcome from the Audit Commission's financial ratio tool and value for money profiles tool as well as a review of the medium term financial strategy, performance reports and strategic and operational planning documents. Discussions were held with key officers to confirm and update out knowledge as part of this process.

Financial resilience	Audit issues and impact on opinion
The draft 2012/13 financial statements report that the Council has achieved an underspend of £498,000 against the revised budget for 2012/13 and has recognised a increase of £1,926,000 in its usable reserves (comprising the general fund, earmarked reserves, housing revenue account, capital receipts reserve, major repairs reserve and capital grants unapplied) when compared to the closing balances in 2011/12. The Council has set a balanced budget for 2013/14 and had identified required savings prior to the start of the year. From our review of current documentation, the Council is on track to deliver its 2013/14 budget. The Council also has a good track record of achieving budgets and its successful financial management arrangements have put the Council in a relatively strong position of having built up good levels of funds and reserves to support it in its response to the continued financial pressures faced. The medium term financial plan forecasts that it will be necessary to utilise reserves until 2016/17. However, at the end of this period it is estimated that revenue reserves will still be approximately £7.8m, which is more than twice the minimum level of reserves necessary to comply with its own financial management policies. The Council already outsources a number of services in order to achieve savings and has been actively reviewing the on-going value for money (VFM) of these arrangements.	We have no matters to report.

Challenging economy, efficiency and effectiveness	Audit issues and impact on opinion
The Council has continued to review and consolidate its baseline arrangements for challenging and securing value for money during 2012/13. The arrangements operated during the year remain adequate. Business plans continue to outline annual value for money considerations and implications for each service and include benchmarking comparisons where appropriate. Performance management and risk management arrangements that support the achievement of value for money are evidenced as continuing to operate as previously assessed with no contra-indicators. The Council makes use of consultation, option appraisal and partnership working to assist in achievement of savings and delivery of improved services.	We have no matters to report.

BDO CONCLUSION

Our value for money conclusion is based on considering our overall risk assessment, focusing on the two criteria set by the Audit Commission, and the results of risk based audit work, as well as consideration of the processes underpinning your review of the effectiveness of your controls as described in your Annual Governance Statement.

We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013. We propose issuing an unqualified value for money conclusion.

APPENDICES

APPENDIX I: DEFINITIONS

TERM	MEANING
The Council	Epping Forest District Council
Management	The person(s) responsible for achieving the objectives of the Council and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management is responsible for the financial statements, including designing, implementing, and maintaining effective internal control over financial reporting.
Those charged with governance	The person(s) with responsibility for overseeing the strategic direction of the Council and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance for the Council are the Audit and Governance Committee.
ISAs (UK & Ireland)	International Standards on Auditing (UK & Ireland)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards as adopted by the European Union
Materiality	The size or nature of a misstatement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable user of the financial statements would have been changed or influenced as a result of the misstatement.
Code	Code of Practice on Local Authority Accounting in the United Kingdom 2012/13
CIES	Comprehensive Income and Expenditure Statement
SeRCoP	Service Reporting Code of Practice for Local Authorities 2012/13
WGA	Whole of Government Accounts

APPENDIX II: UNADJUSTED AUDIT DIFFERENCES

We are required to bring to your attention unadjusted audit differences that the Audit and Governance Committee are required to consider. A schedule of such adjustments is included below and, with the exception of the errors that relate to prior year misstatements, we request that you correct them. Identified misstatements for the current year should, where practicable, be corrected even if not material.

There are eight unadjusted audit differences identified by our audit work for the current year, which would decrease the draft deficit on the CIES by £116,000. Management considers these identified misstatements to be immaterial in the context of the financial statements taken as a whole. We concur with this judgement.

		CURRENT YEAR		*PRIOR YEAR*		
	CIES DEFICIT (OVER) / UNDER	*INCOME OVER / (UNDER)*	*EXPENSES (OVER) / UNDER*	*INCOME OVER / (UNDER)*	*EXPENSES (OVER) / UNDER*	**NET ASSETS OR RESERVES OVER / (UNDER)**
UNADJUSTED AUDIT DIFFERENCES	**£'000**	*£'000*	*£'000*	*£'000*	*£'000*	**£'000**
Deficit for the year before adjustments	**6,219**					**357,852**
Impact of prior year misstatements (no adjustment required in 2012/13)						
(1) Being a grant for £58,000 in relation to the New Homes Bonus that was received in advance in March 2012, with no conditions in place. This should therefore have been recognised as income in 2011/12 and not 2012/13.	**58**	***58***		***(58)***		
(2) Being the overstatement of the bad debt provision in 2011/12 due to write offs being incorrectly included.	**58**	***58***		***(58)***		
(3) Being the understatement of income in 2011/12 due to four invoices in relation to rental income not being accrued for during 2011/12	**35**	***35***		***(35)***		
(4) Being the overstatement of the NNDR debtor in 2011/12 due to an error in the calculation.	**(395)**	***(395)***		***395***		

UNADJUSTED AUDIT DIFFERENCES	CIES DEFICIT (OVER) / UNDER £'000	CURRENT YEAR INCOME OVER / (UNDER) £'000	CURRENT YEAR EXPENSES (OVER) / UNDER £'000	PRIOR YEAR INCOME OVER / (UNDER) £'000	PRIOR YEAR EXPENSES (OVER) / UNDER £'000	NET ASSETS OR RESERVES OVER / (UNDER) £'000
(5) Being the projected misstatement arising from the incorrect treatment of accruals in 2011/12.	44		*44*		(44)	
Misstatements identified in the current year						
(6) Being the understatement of both income and expenditure due to netting off of income against the repairs and maintenance expenditure.		*(81)*	*81*			
(7) Being the understatement of expenditure and provisions, and an overstatement of earmarked reserves due to a provision in relation to Mesothelioma claims not being recognised.	84		*84*			(84) 84
(8) Being the understatement of the Major Repairs Reserve and overstatement of the HRA reserve due to non-dwelling depreciation being incorrectly included in the calculation.						423 (423)
TOTAL UNADJUSTED AUDIT DIFFERENCES	(116)	(325)	209	244	(44)	0
Deficit for the year and net assets if adjustments accounted for	6,103					357,852

UNADJUSTED DISCLOSURE MATTERS

The following unadjusted disclosure matters were noted:

The Council has reported the interest on compulsory purchase compensation of £237,000 as an exceptional item on the face of the CIES. For items to be reported as exceptional, they must be material to the financial statements. We do not agree that this item is of sufficient value to be considered material and therefore should not be reported as an exceptional item (note that the value itself is considered to be appropriate).

APPENDIX III: MATERIALITY

MATERIALITY	
Planning materiality	£1,050,000
Final materiality	£1,050,000
Clearly trivial threshold	£33,000

Planning materiality of £1.05 million for the Council was based on 1% of gross expenditure. The figure was based on the full year outturn per the draft financial statements and we have no reason to revise this figure for our final materiality level.

APPENDIX IV: INDEPENDENCE

INDEPENDENCE - THREATS TO INDEPENDENCE AND APPROPRIATE SAFEGUARDS

We have not identified any potential threats to our independence as auditors of the 2012/13 financial statements.

We confirm that the firm complies with the APB Ethical Standards and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement partner and audit staff is not impaired.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

APPENDIX V: ACTION PLAN

FINANCIAL STATEMENT RECOMMENDATIONS				
CONCLUSIONS FROM WORK	**RECOMMENDATIONS**	**MANAGEMENT RESPONSE**	**RESPONSIBILITY**	**TIMING**
Pieces of land were identified from our testing that had not been included in the Council's fixed asset register. There is a risk that the Council have understated their assets.	Identify the pieces of land that belong to the Council but have not been included in the fixed asset register. Include these in the Council's revaluation programme and include these within the fixed asset register.	A joint piece of work involving the Accountancy and Legal Services will be undertaken.	Assistant Director of Finance and ICT	December 2013

APPENDIX VI: FEES SCHEDULE

The Audit Commission's *Standing Guidance for Auditors* requires us to report the outturn fee position for the year against the budgeted fee included within our Audit Plan.

We will carry out a detailed comparison of actual audit costs incurred against planned costs when we have completed the audit and discuss any impact on the planned fee of £85,329 with management, before we report the final fee outturn.

APPENDIX VII: STATUTORY AND PROFESSIONALLY REQUIRED COMMUNICATIONS

COMMUNICATION REQUIRED	DATE COMMUNICATED	TO WHOM	METHOD
	23 September 2013	Management and those charged with governance	Report to Audit and Governance Committee
Potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.	Not an issue	Not an issue	Not an issue
Misstatements, whether or not recorded by the entity	✔	✔	✔
The final draft of the representation letter	✔	✔	✔
Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern	Not an issue	Not an issue	Not an issue
Disagreements with management about matters that, individually or in aggregate, could be significant to the entity's financial statements or our audit report	Not an issue	Not an issue	Not an issue
Expected modifications to our audit report or inclusions of emphasis of matter / other matter	Not an issue	Not an issue	Not an issue
Significant deficiencies in internal control	Not an issue	Not an issue	Not an issue
Any other matters warranting attention by those charged with governance, such as questions regarding management integrity, and fraud involving management	Not an issue	Not an issue	Not an issue
Management judgements and accounting estimates	✔	✔	✔
Other information in documents containing audited financial information	✔	✔	✔
Consultation with other accountants	Not an issue	Not an issue	Not an issue
Major issues discussed with management	Not an issue	Not an issue	Not an issue

APPENDIX VIII: DRAFT REPRESENTATION LETTER

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
Suffolk
IP3 9SJ

xx September 2013

Dear Sirs

Financial statements of Epping Forest District Council for the year ended 31 March 2013

This representation letter is provided in connection with your audit of the financial statements of Epping Forest District Council for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with the relevant financial reporting framework and have been prepared in accordance with the requirements of applicable law.

I confirm to the best of my knowledge and belief, and having made appropriate enquiries of directors and officers of the Council, the following representations given to you in connection with your audit of the Council's financial statements:

FINANCIAL STATEMENTS

Responsibility for financial statements

I acknowledge as the Director of Finance and ICT and s151 Officer my responsibilities for the Statement of Accounts, which include the financial statements, and for ensuring that these are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and have been prepared in accordance with the requirements of applicable law.

Significant assumptions

I confirm that the significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

(a) Pension fund assumptions

I confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with my knowledge of the business. These assumptions include:

• Rate of inflation (RPI)	3.3%
• Rate of inflation (CPI)	2.5%
• Rate of increase in salaries	4.3%
• Rate of increase in pensions	2.5%
• Rate for discounting scheme liabilities	4.1%
• Take up option to convert the annual pension into retirement grant	50%

I also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

(b) Fair value measurements and disclosures

I confirm that the valuation at which land and buildings are carried in the financial statements is a reasonable approximation of their fair values, on the bases required by the Code of Audit Practice.

(c) Valuation of housing stock

The useful economic lives of the housing stock and its constituent component, used in the valuation of the housing stock and the calculation of the depreciation charge for the year are consistent with those advised to me by the expert valuer appointed by the Council to provide this information.

Accounting policies

I confirm that the selection and application of the accounting policies used in the preparation of the financial statements are appropriate.

Plans or intentions

I confirm that the Council has no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims, the effects of which should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the applicable financial reporting framework.

Related parties

I confirm that related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the applicable financial reporting framework.

Subsequent events

All events occurring subsequent to the date of the financial statements for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

Uncorrected misstatements

You have brought to my attention potential misstatements in the financial statements as listed in the appendix to this letter. I do not wish to amend the financial statements to reflect any of these items as I believe that they are immaterial both individually and in aggregate to the view given by the financial statements as a whole.

Going concern

I confirm that I am satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this conclusion I have taken into account all relevant matters of which I am aware and have considered a future period of at least one year from the date on which the financial statements will be approved.

INFORMATION PROVIDED

Completeness of information

All the accounting records have been made available to you for the purpose of your audit. I have provided you with all other information requested and given unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence. All other records and related information, including minutes of all management and Committee meetings held during the year and up to the date of this letter have been made available to you.

All transactions undertaken by the Council have been recorded in the accounting records and are reflected in the financial statements.

There is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

Internal Control

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have communicated to you all significant deficiencies in internal control of which I am aware.

Fraud

I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud.

I have disclosed to you my knowledge of fraud or suspected fraud affecting the Council involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements

I have disclosed to you my knowledge of any allegations of fraud, or suspected fraud affecting the financial statements communicated to me by employees, former employees, analysts, regulators or others.

Compliance with laws and regulations

I am not aware of any actual or possible instances of non-compliance with laws and regulations whose effects should be considered when preparing the financial statements of the Council.

Related parties

I confirm that I have disclosed to you the identity of the Council's related parties, related party relationships and transactions of which I am aware.

Liabilities, contingent liabilities or guarantees

There are no liabilities, contingencies or guarantees to third parties other than those disclosed in the financial statements.

Title to assets

The Council has satisfactory title to all assets and there are no liens or encumbrances on the assets except for those disclosed in the financial statements.

Contractual agreements

The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

Yours faithfully

Robert Palmer BA ACA
Director of Finance and ICT

Representations of the Council

We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other officers and members of the Council, the following representations given to you in connection with your audit of the Council's financial statements.

Responsibility for the financial statements

We acknowledge our responsibilities to make arrangements for the proper administration of the Council's financial affairs and to approve the Statement of Accounts, which include the financial statements. The Director of Finance and ICT is responsible for the preparation of the Statement of Accounts, which include the financial statements, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

Uncorrected misstatements

We have considered the uncorrected misstatements in the financial statements as listed in Appendix 1 to this letter together with the explanations provided by the Director of Finance and ICT for not correcting these misstatements, and we consider them to be immaterial to the view given by the financial statements.

Annual Governance Statement

We confirm that the Council has conducted a review during the year of the effectiveness of its system of internal control. We are satisfied that the Annual Governance Statement appropriately reflects the circumstances of the Council and includes an outline of the actions taken, or proposed, to deal with significant internal control issues.

Yours faithfully

Councillor A Watts
Audit and Governance Committee Chair

For and on behalf of Epping Forest District Council

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Report to the Audit and Governance Committee

Epping Forest District Council

Report reference: AGC-017- 2013/14
Date of meeting: 23 September 2013

Portfolio: **Finance and Technology**

Subject: **Statutory Statement of Accounts 2012/13**

Responsible Officer: **Bob Palmer** **(01992 564279)**

Democratic Services: **Gary Woodhall** **(01992 564470)**

Recommendations/Decisions Required:

(1) That a report be submitted to the Council recommending that the Statutory Statement of Accounts for 2012/13 be adopted.

Executive Summary:

One of the key roles of this Committee is scrutinising the annual Statutory Statement of Accounts. All Members of the Council will have the opportunity to debate the Accounts at Full Council and part of that debate will be to consider the recommendation of this Committee.

It is anticipated that the audit will be completed shortly and that the Statutory Statement of Accounts will be presented to Council on 26 September. There is a separate report elsewhere on the agenda that sets out the key findings of the audit.

The changes to the annual Statutory Statement of Accounts for 2012/13 are modest compared to those necessary for compliance with International Financial Reporting Standards (IFRS) in 2010/11. To assist Members with their consideration of the Accounts a report follows together with the Accounts themselves.

Reasons for Proposed Decision:

It is important that this Committee scrutinises the annual Statutory Statement of Accounts so that residents and other Members can have confidence in the Accounts.

Officers have exercised their professional judgement and liaised closely with external experts and the External Auditor to produce the Statutory Statement of Accounts. If Members are satisfied with the content of this report and the verbal responses to any questions raised, they are requested to recommend the Statutory Statement of Accounts for adoption by Full Council on 26 September.

Other Options for Action:

The Committee could decide that the accounts should be amended or expanded prior to them being presented to Full Council.

Report:

1. The Accounts and Audit Regulations require Full Council or an Executive Committee to adopt the Council's Statement of Accounts before the end of September. The Council's constitution reserves the adoption of the Accounts to Full Council only. However, prior to Council considering the accounts it is important that they have been subject to Member

scrutiny. This Committee has scrutinised the Statement of Accounts for several years.

2. The consideration of the Statement of Accounts is contained in the Terms of Reference of this Committee, the relevant parts being:

> *(h) To review financial statements, including the Council's Statement of Accounts, External Auditor's opinion and reports to members, and monitor management action in response to the issues raised by External Audit.*
>
> *(i) Review, and challenge where necessary, the actions and judgements of Management, in relation to the Council's Statement of Accounts, paying particular attention to:*
>
> > *(i) critical accounting policies and practices, and any changes to them;*
> >
> > *(ii) decisions requiring a major element of judgement;*
> >
> > *(iii) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;*
> >
> > *(iv) significant adjustments resulting from the audit; and*
> >
> > *(v) any material weakness in internal control reported by the Internal or External Auditor.*

<u>Changes to the Contents of the Statutory Statement for 2012/13</u>

3. There have been no significant changes in content this year to either the main accounting statements or their accompanying notes. One additional note has been added for Assets Held for Sale.

4. This is an additional note due to circumstances this year not because of any change in or addition to accounting policies. Assets are classed as being held for sale where, at the Balance Sheet date, they were being actively marketed and a sale is highly probable with the asset in its current condition. The asset in question here is a Housing Revenue Account property known as Leader Lodge.

5. Following consideration of different development options and consultation with the public in North Weald, on 12 March 2012 Cabinet decided that the property should be disposed of. The first attempt at sale by tender attracted ten bids but proved abortive as the highest bidder withdrew during the sale process. A second tender exercise resulted in six bids and a Portfolio Holder decision was signed on 29 January 2013 agreeing the sale to the highest bidder for a price of £515,000. The book value of the asset was £109,000 so in anticipation of its disposal shortly after the Balance Sheet date at £515,000 it has been revalued in the accounts to this amount.

6. Unfortunately the purchaser has recently withdrawn their offer so the property has not yet been disposed of. Members are still to formally determine what will now be done with the property, although disposal still seems the most likely outcome.

<u>Critical Accounting Policies and Practices, and any changes to them</u>

7. There have been no significant changes in accounting policies and practices during the year. The accounting policies are set out on pages 9 to 16 of the Accounts.

<u>Decisions Requiring a Major Element of Judgement</u>

8. In preparing a set of accounts at a point in time it is inevitable that some of the information required will not yet be available. If an actual amount is uncertain an estimate is

used. The estimate will be based on the assessment of information available at the time the accounts are closed. When the actual figures are determined any difference is usually accounted for in the following year. If the estimate was wrong by a material amount it would be necessary to consider re-stating the figures, this is extremely rare.

9. Two of the additional notes introduced by IFRS are relevant here, note 3 "Critical judgements in applying accounting policies" and note 4 "Assumptions made about the future and other major sources of estimation uncertainty". The key critical judgement highlighted in note 3 is that the Council does not currently need to close facilities or significantly reduce levels of service provision. If this were not the case it would be necessary to consider any assets that would be affected and any consequent impairment of their values.

10. Three areas are covered by note 4, these are firstly property, plant and equipment, secondly pensions liability and finally arrears. The assumption made on property, plant and equipment is that assets will continue to be maintained so as to maximize their useful lives. If this were not to be the case additional depreciation would need to be charged. In reviewing arrears an estimate has to be made to allow for bad debts and, whilst a prudent view is taken in making this calculation, if the economic climate were to worsen significantly the charge to the CIES would increase.

11. The substantial annual fluctuations in the pension's liability make clear the element of judgement exercised by the actuary in establishing the pension figures. The largest creditor on the Balance Sheet is the Council's liability to the pension fund. The Balance Sheet shows that the pension liability for the Council has increased in the year from £65.6 million to £75.4 million. The value of the scheme assets has increased during the year but the projected liabilities have increased by even more. The main factor in increasing the scheme's liabilities has been the change in discount rate for future outgoing cash flows. This discount rate has reduced from 4.6% to 4.1%, causing increases in liabilities for Essex authorities of more than 10%. This is a reflection on the projected state of the investment and money markets and follows last year's reduction from 5.5% to 4.6%.

12. The following table is included to illustrate how the overall deficit has changed over time. With the benefit of hindsight, the decision by the previous actuaries to reduce the value of the liabilities in 2010/11 appears to have been an error.

	2012/13 £'m	2011/12 £'m	2010/11 £'m	2009/10 £'m	2008/09 £'m
Liabilities	(170.4)	(150.8)	(130.1)	(139.2)	(102.3)
Assets	95.0	85.2	83.8	82.7	60.8
Deficit	(75.4)	(65.6)	(46.3)	(56.5)	(41.5)

13. The inclusion of this amount in the Balance Sheet shows the extent of the authority's liability if the pension fund was to close on 31 March 2013. It does not mean that this full liability will have to be paid over to the pension fund in the near future.

14. There are no other areas in the Statement of Accounts to bring to Member's attention as having required a major element of judgement. Where it has been necessary to exercise judgement in the interpretation of the Code of Practice advice has been sought from CIPFA and staff have liaised closely with both the External Audit Manager and other Essex authorities.

The Extent to which the Financial Statements are Affected by any Unusual Transactions in the Year and how They are Disclosed

15. Where a transaction has been separately disclosed as an Exceptional Item it clearly needs to be mentioned in this section. Last year the Council received a compensation payment of £100,000 and interest on that payment of £237,000. The size of the interest relative to the compensation illustrates the length of time this issue has been running for.

16. The amounts relate to a compulsory purchase order that took some land owned by the Council to construct the M25 in 1992. The case has been quite complex and has required the Council to prove good title to the land.

17. As the compensation relates to the disposal of a piece of land that amount has to be treated as a capital receipt. The interest has been treated as revenue income and as a one-off has been credited to the District Development Fund.

Significant Adjustments Resulting from the Audit

18. Any significant adjustments that are made to the Statement of Accounts will be reported to this Committee, none have arisen so far for 2012/13.

Any Material Weakness in Internal Control Reported by the Internal or External Auditor

19. The weakness reported in 2011/12 of Senior Benefit Officers failing to perform the required amount of checking have been resolved in 2012/13. No material errors arose in any year as a result of this.

Resource Implications:

The Accounts set out the resource implications of the Authorities activities for 2012/13. The recommendation of the Accounts to Full Council does not in itself have any resource implications.

Legal and Governance Implications:

Full Council must approve the Accounts before the end of September and as part of the overall governance framework the Accounts should be subject to Member scrutiny prior to their approval.

Safer, Cleaner and Greener Implications:

There are no environmental implications.

Consultation Undertaken:

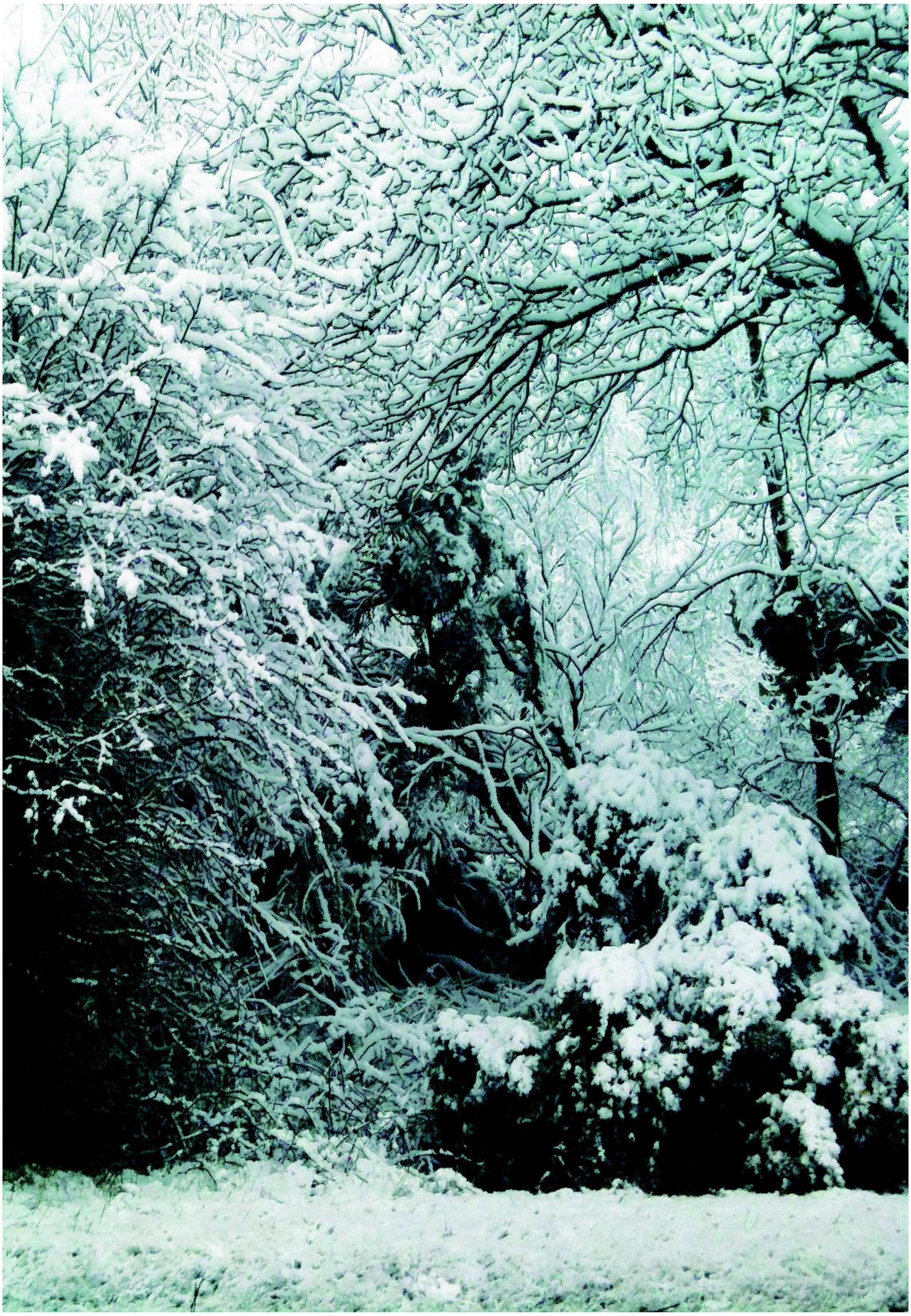
None.

Background Papers:

Reports on the revenue and capital outturns to the Finance & Performance Management Cabinet Committee on 20 June 2013.

Impact Assessments:

There are no equalities or risk management impacts.



Epping Forest District Council

www.eppingforestdc.gov.uk

STATEMENT OF ACCOUNTS 2012-13

STATUTORY STATEMENT OF ACCOUNTS 2012/13

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

INTRODUCTION AND EXPLANATORY FOREWORD

INTRODUCTION

This is the third set of annual accounts to be prepared under the requirements of International Financial Reporting Standards (IFRS) and hopefully stakeholders are now familiar with this format. The accounts are a complex document and readers have not been helped by the previous changes to content and presentation. Thankfully there have been no significant changes for this year and it is hoped that we may now see a reduction in the significance and number of changes. The process we are required to follow and the key financial statements are outlined below.

The Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC) publishes a Code of Practice on Local Authority Accounting (the Code) every year that local authorities are required to follow in producing their financial statements. In recent years the Accounting Standards Board (ASB) has insisted that the Code moves closer to Generally Accepted Accounting Principles (GAAP), so that public sector financial statements more closely resemble those prepared in the private sector and hence the switch to IFRS.

- Comprehensive Income and Expenditure Statement - this brings together all gains and losses during the year to report them in one statement. This statement replaces the previous Income and Expenditure Account and the Statement of Total Recognised Gains and Losses.

- Movement in Reserves Statement - this shows the movements on all reserves in the bottom half of the Balance Sheet and reconciles the surplus or deficit on the Comprehensive Income and Expenditure Statement to the movement in the General Fund Balance. This replaces the Statement of Movement on General Fund Balance and the note which had previously been used to disclose movements on reserves.

- Balance Sheet - this is the statement of the Council's net worth. There have been presentational changes to the Balance Sheet but it is broadly similar to previous years.

- Cashflow Statement - this reports the movement on cash and cash equivalents in a more summarised form than used previously. Under IFRS some items are now included within cash that would previously have been excluded.

The above are described as core financial statements as all local authorities are required to produce them. Both the Balance Sheet and the Cashflow Statement are long established documents that have not been radically amended over time by the successive accounting standards. The Balance Sheet lists what the Council owns, what is owed to the Council and what the Council owes to others. The Cashflow Statement summarises the movements in assets, liabilities and capital broken down into operating, investing and financing activities that have taken place during the year and their effect on the Council's holdings of cash.

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

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

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

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

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

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

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

The growth in the Council's Balance Sheet was limited by an increase in Long Term Liabilities, particularly in respect of the pension fund. This has increased significantly in the year from £65.63 million to £75.36 million. The assets of the scheme have increased in value by £9.86 million but the major change is on the liabilities which have increased by £19.59 million. A change in the discount rate for future cash flows produced an increase in liabilities of more than 10% for scheme members and this is by far the biggest reason for the overall increase in the liability. The inclusion of this amount in the Balance Sheet shows the extent of the Council's liability if the pension fund was to close on 31 March 2013. It does not mean that this full liability will have to be paid over to the pension fund in the near future.

The year-end position is better than was anticipated when the revised estimates were set. A predicted General Fund deficit of £29,000 has been eliminated and a surplus of £469,000 was achieved. The Housing Revenue Account has a deficit of £1.12 million, slightly worse than the revised estimate of a deficit of £938,000. The next section provides more detail on both the revenue and capital outturn for the year.

SUMMARY OF OUTTURN

The following tables provide a summary review of net expenditure and financing for 2012/13

General Fund

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

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

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

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

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

Continuing Services Budget

CSB expenditure was £456,000 below the original estimate and £498,000 lower than the revised. The variances have arisen on both the opening CSB, £472,000 lower than the revised estimate and the in year figures, £26,000 lower than the revised estimate.

In common with recent years salary savings make up a proportion of the saving on the opening CSB. Actual salary spending for the Council in total, including agency costs, was some £19.09 million compared against an original estimate of £19.53 million. The saving of £434,000 was primarily spread over three directorates Housing, Environment and Street Scene, and Finance and ICT. The largest monetary saving related to Housing so broadly half of the overall saving fell on the Housing Revenue Account (HRA) or Housing Repairs Fund rather than the General Fund. The saving as a percentage of the original estimate reduced from 4.8% in 2011/12 to 2.2% in 2012/13.

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

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

District Development Fund

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

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

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

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

Housing Revenue Account

The table below summarises the revenue outturn for the HRA.

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

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

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

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

Capital Outturn

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

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

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

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

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

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

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

CARBON REDUCTION

The Council remains committed to reducing its carbon footprint and in addition to signing the Nottingham Declaration has developed a Carbon Change Strategy. The objectives of the Carbon Change Strategy are:

- **Reduce our carbon footprint**
  Substantially reduce the amount of CO2 and the other greenhouse gases we as a Council emit through all our services and operations.
- **Be a community leader**
  To reduce our impact and to lead by example, taking forward our knowledge, partnerships and resources to encourage and help the wider community and stakeholders to become more sustainable.
- **Use our powers**
  Influence and use our powers in procurement, private housing, commercial sector and planning. Minimise the environmental impact of new development and ensure any future developments are able to withstand the challenge of the changing climate.

- **Prepare the Council and the District for the impacts of climate change**
  Make preparations to ensure the Council's assets and operations are resilient to the predicted climate change impacts and assist in the work to prepare the District for the new climate.

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

THE FUTURE

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

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

Reductions in grant support have been partly off-set by the introduction of the New Homes Bonus (NHB), the first three years of which now provide an annual income of £1.29 million. As the scheme will cover six years when it is fully operational it will prove to be a major source of income. However, there is significant uncertainty as you cannot precisely predict how many new homes will be built in a given year. There is also uncertainty around the funding of NHB as this comes from a top slicing of grant support at the national level. As the top slicing will affect all authorities it is clear that those areas that see the largest increases in homes will benefit at the expense of those with lower growth. This redistributive effect has led many authorities to complain about NHB and a study on the implementation of the scheme by the National Audit Office was also very critical. However, the Spending Review made no mention of changing the scheme so it seems NHB is here to stay and that is helpful to this Council.

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

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

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

Whilst the General Fund revenue balances are higher than anticipated they still need careful management. The current policy stipulates that the balances should not go below 25% of net budget requirement. This would allow a reduction from the current level of £9.7 million to £3.4 million by the end of 2016/17.

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

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

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

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

Robert Palmer BA ACA
Director of Finance & ICT

Statement of Responsibilities for the Statement of Accounts

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and ICT;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts

COUNCILLOR MARY SARTIN
CHAIRMAN OF THE COUNCIL

THE DIRECTOR OF FINANCE AND ICT'S RESPONSIBILITIES

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

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

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

The Director of Finance and ICT has also:

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

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

ROBERT PALMER BA ACA
DIRECTOR OF FINANCE & ICT

September 26, 2013

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

Opinion on the Council's financial statements

We have audited the financial statements of Epping Forest District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Epping Forest District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and ICT and auditors

As explained more fully in the Statement of the Director of Finance and ICT's Responsibilities, the Director of Finance and ICT is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and ICT; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Epping Forest District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

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

Matters on which we report by exception

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

- we have been unable to satisfy ourselves that the Annual Governance Statement meets the disclosure requirements set out in the guidance 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 or is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

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

Respective responsibilities of the Council and the auditor

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Epping Forest District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the accounts of Epping Forest District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

[Ipswich, UK]

Xx September 2013

MOVEMENT IN RESERVES STATEMENT

	Note	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Total Unusable Reserves**	**Total Reserves**
Movements in 2011/12		***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***
Balance as at 31 March 2011		***8,570***	***4,324***	***5,886***	***4,133***	***18,694***	***6,540***	***186***	***48,333***	***510,361***	***558,694***
Surplus/(Deficit) on Provision of Services		*(263)*		*(187,573)*					***(187,836)***	***-***	***(187,836)***
Other Comprehensive Income and Expenditure									***-***	***(19,214)***	***(19,214)***
Total Comprehensive Income and Expenditure		***(263)***	***-***	***(187,573)***	***-***	***-***	***-***	***-***	***(187,836)***	***(19,214)***	***(207,050)***
Adjustment between accounting and funding bases under regulations	***6***	*1,208*	*-*	*186,624*	*-*	*(2,852)*	*1,701*	*4*	***186,685***	***(186,696)***	***(11)***
Net Increase/(Decrease) before transfer to Earmarked Reserves		***945***	***-***	***(949)***	***-***	***(2,852)***	***1,701***	***4***	***(1,151)***	***(205,910)***	***(207,061)***
Transfers to Earmarked Reserves		*(314)*	*314*	*(444)*	*444*					***-***	***-***
Increase\(Decrease) in Year		***631***	***314***	***(1,393)***	***444***	***(2,852)***	***1,701***	***4***	***(1,151)***	***(205,910)***	***(207,061)***
Balance as at 31 March 2012		***9,201***	***4,638***	***4,493***	***4,577***	***15,842***	***8,241***	***190***	***47,182***	***304,451***	***351,633***
Movements in 2012/13		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance as at 31 March 2012		**9,201**	**4,638**	**4,493**	**4,577**	**15,842**	**8,241**	**190**	**47,182**	**304,451**	**351,633**
Surplus/(Deficit) on Provision of Services		(5,356)		19,518					**14,162**	**-**	**14,162**
Other Comprehensive Income and Expenditure									**-**	***(7,943)***	**(7,943)**
Total Comprehensive Income and Expenditure		**(5,356)**	**-**	**19,518**	**-**	**-**	**-**	**-**	**14,162**	***(7,943)***	**6,219**
Adjustment between accounting and funding bases under regulations	**6**	5,870	-	(17,710)	-	(1,942)	1,514	32	**(12,236)**	***12,236***	**-**
Net Increase/(Decrease) before transfer to Earmarked Reserves		**514**	**-**	**1,808**	**-**	**(1,942)**	**1,514**	**32**	**1,926**	**4,293**	**6,219**
Transfers to Earmarked Reserves		(45)	45	(2,926)	2,926	-	-	-	-	-	-
Increase\(Decrease) in Year		**469**	**45**	**(1,118)**	**2,926**	**(1,942)**	**1,514**	**32**	**1,926**	**4,293**	**6,219**
Balance as at 31 March 2013		**9,670**	**4,683**	**3,375**	**7,503**	**13,900**	**9,755**	**222**	**49,108**	**308,744**	**357,852**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31 March 2013

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

BALANCE SHEET

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

THE CASH FLOW STATEMENT

	Note	2012/13 £000	*2011/12 £000*
Net Surplus or (Deficit) on Provision of Services		14,162	*(187,836)*
Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	639	*9,410*
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(1,891)	*(2,050)*
Net cash flows from Operating Activities	24	12,910	*(180,476)*
Investing Activities	25	(17,770)	*4,724*
Financing Activities	26	949	*184,839*
Net Increase or (Decrease) in cash and cash equivalents		(3,911)	*9,087*
Cash and Cash Equivalents at the beginning of the reporting period		13,817	*4,730*
Cash and Cash equivalents at the end of the reporting period	21	9,906	*13,817*

Index of Notes to the Statement of Accounts

1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES & RESTATEMENT OF PRIOR YEAR FIGURES

General Principles

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain 2013. The Code has been developed by the CIPFA/LASAAC Joint Committee under the oversight of the Financial Reporting Advisory Board as opposed to the Accounting Standards Board as previously.

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

1.2. ACCOUNTING CONCEPTS

The accounting policies referred to are consistent with the persuasive accounting concepts of:

Going Concern - the accounts have been drawn up on the basis that the Council is going to continue in its operational existence for the foreseeable future.

Accruals - Income and expenditure is recognised in the period to which they relate rather than when the related cash is received or paid.

The Primacy of Legislation - Where there is conflict between legislative requirements and accounting principle, legislative requirements will prevail.

1.3. ESTIMATION

Where actual amounts to be included within the accounts are uncertain estimates are used. The estimate is based on the best assessment of information available at the time of closing the accounts. When the actual figures are determined any difference arising is accounted for in the year when the actual figure is determined.

1.4 CASHFLOW PREPARATION

The Code allows the preparation of the cashflow to be either the direct or indirect method. The Council has prepared the statement using the indirect method.

1.5 GROUP ACCOUNTS

Accounting practice requires that where the Council has a material financial interest and a significant level of control over another entity, it should prepare group accounts. The Council has reviewed its relationships with other entities and has concluded that no material financial interest or significant control exists and group accounts are therefore not required.

1.6 COLLECTION FUND

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

1.7 PROPERTY PLANT AND EQUIPMENT

All expenditure on the acquisition, creation or enhancement of property plant and equipment (PPE) is capitalised on an accruals basis in the accounts. Expenditure is capitalised, provided that the asset yields benefits to the Council and the services it provides for more than one year. This excludes expenditure on routine repairs and maintenance of assets, which is charged directly to service accounts.

Property Plant and Equipment were originally valued and recorded in the accounts as at 1 April 1994. These valuations were based upon certificates issued by the Council's Chief Valuer and Estates Surveyor. Additions since that date are included in the accounts at cost. Council dwellings and garages are revalued every year using the Beacon Properties approach as the basis for valuation. The valuation takes the form of a full revaluation followed by four years of desk top revaluations, with the last full revaluation occurring as at 1 April 2010. Other assets are revalued as part of the Council's rolling programme under which assets are revalued over a five year period. The Council dwellings and garages valuation has been carried out by District Valuer A Wilcock, MRICS, and other assets by the Council's Principal Valuer and Estates Surveyor.

IFRS has introduced the requirement to value component parts of PPE for the first time. This applies when an asset is either revalued or a component replaced or created and is subject to a significance test. The purpose of this is to ensure that the depreciation charge accurately reflects the differing useful lives of components particularly where the asset within which the component is situated has a rather longer life. Within the 2010/11 accounts Council dwellings and associated land were valued on the basis of Existing Use for Social Housing (EUV-SH) being 39% of the Vacant Possession value. The components within the dwelling have been valued based on the proportion of the total dwelling to which their value relates.

The policy was introduced for PPE revalued during 2010/11 and as part of that process the necessity to recognise significant components was also considered. A series of significance tests were applied to identify which assets it was appropriate to componentise. The first stage was applied to Council housing and leisure centres as the largest asset categories; Council dwellings and leisure centres which had a value greater than 20% of the total value of the asset categories were considered significant. As a result of these tests all Council dwellings and two leisure centres were identified and a second test was applied; any component which exceeded 20% of the total value of the asset as a whole was deemed significant. The value of plant and equipment within council dwellings and one of the leisure centres, namely Loughton Leisure Centre, was thereby identified as significant and componentisation has been applied to these assets. Componentisation has not been applied to any other assets.

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

An impairment is defined as a loss in value due to the consumption of economic benefits. Where a valuation reduction occurs due to a fall in prices generally this is known as a downward revaluation. In both cases the loss is taken to the revaluation reserve to the extent that revaluation gains relating to that particular asset exists within the revaluation reserve in the first place.

If the value of the impairment or downward revaluation exceeds the revaluation amount relating to that asset already residing in the revaluation reserve then the difference is recognised in the Comprehensive Income and Expenditure Statement in the year in which it occurs. The valuations are based upon the facts and evidence prevailing at the date of valuation. The valuation date has traditionally been 1 April of the year to which the accounts relate, however, given that this date is practically a year earlier than the Balance Sheet date it has been decided to carry out the valuation as at the Balance Sheet date. The valuation included within the 2012/13 accounts is therefore that carried out at 31 March 2013.

Revaluations of individual assets are also undertaken when a material change happens. Infrastructure and community assets do not have a value attributed to them and therefore their value is based on the historic cost of providing the asset. Surplus assets, which are identified for sale on the open market, are revalued at market value which reflects any changes in planning permission granted.

Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use. Investment properties are included in the balance sheet at the lower of net current replacement cost and net realisable value (open market value). Community assets are included in the balance sheet at historical cost and Infrastructure assets at depreciated historic cost.

Long term assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes, issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets (excluding land) are classified as follows:

Type of Asset	**Valuation Method**	**Estimated Useful Life (Years)**
Council Dwellings and Garages	Existing use value for social housing Existing use value	15 to 60
Other land and buildings	Existing use value	20 to 50
Infrastructure assets	Depreciated Historic Cost	15 to 40
Community assets	Historic Cost	Indeterminable
Vehicles, plant, furniture and equipment	Depreciated historic cost	5 to 20
Non-operational assets	Existing use value Market value Historic Cost (where market value for existing use cannot be ascertained)	

Where assets are acquired under operating leases, the leasing rentals payable are charged to revenue. The cost of assets and the related liability for future rentals payable are not shown in the balance sheet but are disclosed in the notes. (See Note 38).

Where an asset has been disposed of, the profit or loss on disposal is applied to the Comprehensive Income and Expenditure Statement with corresponding entries to fixed assets and cash/debtors. Subsequently the income derived is credited to the Usable Capital Receipts Reserve, and accounted for on an accruals basis. The profit or loss on disposal is then reversed within the Movement in Reserves Statement to neutralise the effect on the General Fund of the entry in the Comprehensive Income and Expenditure Statement. Upon disposal, any valuation gains since 1 April 2007 relating to those assets are written off against the Revaluation Reserve with the remainder being written off against the Capital Adjustment Account. (See Note 23).

1.8 DEPRECIATION

In accordance with the provisions of IAS 16, assets are depreciated on a straight-line basis over their useful economic life. Where a unique asset is purchased or constructed the useful life is assessed based on information available concerning that asset. The only general exceptions to this are freehold land, community assets and non-operational investment properties which are not depreciated. Subsequent expenditure on a fixed asset that maintains or enhances the previously assessed standard of performance of the asset does not negate the need to charge depreciation.

1.9 HERITAGE ASSETS

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

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

1.10 INTANGIBLE ASSETS

Intangible assets are payments of a capital nature where no tangible fixed asset is created but which are expected to yield future economic benefits to the Council. Software, including licences is considered an intangible asset as it fulfils the two tests above. Council policy is to capitalise such expenditure but amortise it to revenue over the useful life of the asset, in this case five years.

1.11 CAPITAL EXPENDITURE CHARGED TO REVENUE

The Local Government and Housing Act 2003 allows local authorities to finance an unlimited amount of capital expenditure through its revenue accounts. The Council's policy has been to finance a significant amount of Housing Revenue Account capital expenditure in this way. However, because the financing of this expenditure is from a capital source, it is then reversed out within the Movement in Reserves Statement so has no overall effect on the Council Tax nor the General Fund.

1.12 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure funded from capital under statute relates to expenditure of a capital nature that does not result in the creation of a fixed asset either tangible or intangible. This expenditure was previously known as Deferred Charges and such expenditure was initially classified as capital expenditure but then written off in full to the relevant service heading within the Income and Expenditure Account. Proper practice now is that the expenditure is charged directly to revenue. However, because the financing of this expenditure is from a capital source, it is then reversed out within the Movement in Reserves Statement so has no overall effect on the Council Tax nor the General Fund.

1.13 REVALUATION RESERVE/CAPITAL ADJUSTMENT ACCOUNT

The Revaluation Reserve contains upward revaluations occurring to Fixed Assets since 1 April 2007, revaluations prior to that date would have been within the now defunct Fixed Asset Restatement Account the balance of which was transferred to the Capital Adjustment Account on the same date. Where a subsequent downward valuation occurs, relating to a fall in market values generally, then previous upward revaluations relating to that particular asset are reversed. Any excess write down is charged to the Capital Adjustment Account after being passed through the Comprehensive Income and Expenditure Statement (CIES) and the Adjustments between Accounting Basis and Funding Basis Under Regulation.

1.14 INVESTMENTS

Investments are accounted for in accordance with IAS 32, 39 and IFRS 7. These reporting standards prescribe the recognition, measurement and disclosure requirements in relation to financial instruments. All the Council's financial assets are in the form of loans and receivables. Investments are therefore shown in the Balance Sheet at amortised cost. The Council held investments with the Heritable Bank, a UK regulated subsidiary of an Icelandic Bank, that has since gone into administration. As a result, the value of the investments held have been impaired in line with CIPFA's LAAP Bulletin 82 which was issued to provide guidance relating specifically to this situation.

1.15 ASSETS HELD FOR SALE

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

1.16 INVENTORIES

Separate stores are maintained in the Fleet Operations and Building Maintenance services. Stores are valued in the accounts at the lower of cost or net realisable value.

1.17 DEBTORS AND CREDITORS

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice and IAS 8. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to electricity and similar periodic receipts and payments, which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

The recoverability of the Council's General Fund debts is considered each year through an analysis by age and type of debt outstanding at 31 March. An appropriate provision is made for any bad debts/losses that are anticipated. An analysis of size and type of debt outstanding at 31 March on the Housing Revenue Account has also been undertaken in accordance with the Housing Revenue Accounts (Arrears of Rent and Charges) Directions 1990.

1.18 CASH AND CASH EQUIVALENTS

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

1.19 FINANCIAL LIABILITIES

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

1.20 CAPITAL RECEIPTS

Capital Receipts from the sale of assets are treated in the accounts as laid down by regulations made under the Local Government Act 2003. Under the act 75% of the value of council house sales and 50% of the value of other Housing Revenue Account asset sales must be paid over to a central government pool for re-distribution. If however, non right to buy receipts are used to finance further capital expenditure on affordable housing then pooling can be avoided. From 2012/13 there is also the ability for authorities to retain additional monies on the basis that the receipts will be used to finance a one for one replacement program where some proceeds from a sale is used for the provision of a replacement affordable home. The amount that remains with the Council is credited to the Usable Capital Receipts Reserve and is therefore available to fund capital expenditure.

1.21 GOVERNMENT CAPITAL GRANTS AND OTHER CAPITAL CONTRIBUTIONS

Where a grant or contribution has been received the first consideration is whether there is a condition attached to the receipt of that grant. Where there is no condition or the condition is met then the income is recognised in the CIES. This income must then be reversed out within the Movement in Reserves Statement. If the related expenditure has been incurred the reversal is to the Capital Adjustment Account, if the expenditure has not been incurred the reversal is to the Capital Grants Unapplied Account.

Where a condition is not met the income must be recognised in the Capital Grants Received in Advance Account. If in a future accounting period the condition is met, at that point the grant income is recognised in the CIES and reversed out in the Movement in Reserves Statement as before. If there is no prospect of the conditions being met the grant monies are held as a Creditor until such time as repayment can be made. Where the only condition attached to a grant is that it must be spent on a particular asset or used for a particular purpose then the condition is assumed to be met only when expenditure actually occurs.

1.22 COST OF SUPPORT SERVICES AND SERVICE ADMINISTRATION

Administrative expenses are allocated over all services and to all users including services to the public, trading undertakings, capital accounts and services provided for other bodies and other support services, on a consistent basis applicable to the service provided, i.e. actual time spent by staff, area occupied, per capita, actual use etc.

1.23 RESERVES

The Council has set aside certain revenue and capital amounts as earmarked reserves. They include reserves for the District Development Fund, pensions deficit, insurance, housing repairs, on-street parking, building control and future museum acquisitions. All other fund balances represent working balances for the purpose of the specific fund and are made up of accumulated surpluses and deficits derived over a period of time. All earmarked fund balances and reserves are reviewed periodically as to their size and

1.24 PENSIONS

The accounting treatment for pensions is to recognise the assets, liabilities and long term commitments, rather than merely the contributions to the scheme. The assets of the scheme are measured at realisable value (Bid Values), the liabilities are measured on an actuarial basis which examines the benefits for pensioners and accrued benefits for current scheme members.

1.25 INTERNAL INTEREST

Interest is credited to the Housing Revenue Account based on the level of its fund balances. The amounts are calculated using the average rate of interest on approved investments, as prescribed in the Housing Revenue Account Item 8 Credit and Item 8 Debit (general) Determinations 2012/13.

1.26 CONTINGENT ASSETS

A contingent asset arises when it is possible that an asset will materialise from past events and will only be confirmed by the occurrence of one or more future events which are not wholly within the control of the Council.

1.27 CONTINGENT LIABILITIES

A contingent liability arises when it is possible that an obligation will materialise from past events and will only be confirmed by the occurrence of one or more future events which are not wholly within the control of the Council, or a present obligation arising from past events is not recognised because it either is unlikely that a transfer of economic benefits will occur or the amount of such a transfer cannot be measured with sufficient reliability (Note 41).

1.28 VALUE ADDED TAX (VAT)

VAT is included in the accounts only to the extent that it is irrecoverable from HM Revenue and Customs. VAT can only be recovered on partially exempt activities where all such activities account for less than 5% of total VAT on all the Council's activities.

1.29 LEASES

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

Operating Leases: An operating lease is defined as any lease that is not a finance lease. The Council has a variety of assets under operating leases, including vehicles, vending machines and mowers. The leases transfer benefits of ownership without actually transferring title to the assets, and therefore in accordance with accounting practice the leased assets are not stated in the Balance Sheet. Hire purchase contracts similar to operating leases are accounted for on the same basis where applicable.

Rentals are charged to service revenue accounts on a straight line basis over the period of the lease. No provision is made for outstanding lease commitments.

Various Council assets, such as Commercial Properties, industrial estate units and areas of land, are let to tenants under the heading operating leases. Rental income (net of cash incentives for a lessee to sign a lease) is credited to the Income and Expenditure Account.

1.30 COUNCIL TAX

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

1.31 NON DOMESTIC RATES

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

1.32 EXCEPTIONAL ITEMS

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

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

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

Amendments have been made to IAS 1 The presentation of Financial Statements which are to be adopted for 2013/14. The standard sets out the overall requirements for Financial statements including overriding concepts such as Going Concern, Accruals and the distinction between Current and Non Current Assets. The Financial Statements need to contain a Statement of Financial Position, A statement of Profit or Loss and other Comprehensive Income, a Statement of Changes in Equity and a Statement of Cash Flows.

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

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

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

• The point at which they have been accepted by the relevant employees and can no longer be withdrawn or

• When recognising costs for restructuring that involves the payment of termination benefits.

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

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

• Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate;

• Some consolidation of items previously charged as separate amounts to the Surplus or Deficit on Provision of Services. A single category of Service Cost now includes what was previously charged separately as Current Service Cost, Past Service Cost, Curtailments and Settlements.

• Administration expenses are now accounted for within the Surplus or Deficit on Provision of Services; previously these were deducted from the actual and expected returns on assets.

• The pension actuary has provided amounts for the Comprehensive Income and Expenditure Statement (CIES) if the IAS19 amendments had been effective for 2012/13. These are compared below to the current 2012/13 amounts, as included in Note 39, along with the estimated impact on the Movement in Reserves Statement which has been derived from the CIES amounts provided. The actuary has advised that there is no change to the Balance Sheet liability as the increased Finance cost charged to the CIES will be offset by a gain under remeasurements.

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

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

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The major uncertainty is around future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

Property Plant and Equipment
Assets are depreciated over useful lives that are dependant on assumptions relating to repairs and maintenance to those assets. It is possible that the Council may not be able to expend the resources necessary to maintain the estimated useful life assessed and therefore additional depreciation and a fall in asset values may occur. For example the annual Depreciation charge for a Council Dwelling, being the most significant class of Council assets, would increase by around 4% if the useful economic life of the buildings and significant components were reduced by one year.

Pensions Liability
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Consultant actuaries are engaged to provide advice about assumptions to be applied. The actuary has provided some sensitivity analysis around the assumptions and this is contained within the Pensions note 39. The carrying value of the Pensions Liability is (£75,357,000).

Arrears
The Council has a number of sundry debtors relating to arrears and what is felt to be an appropriate provision for bad and doubtful debts has been provided against this. Given the current economic climate it is possible that this level of provision might become inadequate. If collection rates were to deteriorate then the charge to the CIES would increase. The carrying value of the Councils debtors is £6,035,000.

5. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

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

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	2012/13 £000 *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	**(2,298)**	**(12,693)**	**-**	**-**	**-**	**14,991**
Reversal of Impairment of non-current assets		**19,228**	**-**	**-**	**-**	**(19,228)**
Movements in the fair value of Investment Properties	**(2,241)**		**-**	**-**	**-**	**2,241**
Amortisation of intangible assets	**(271)**	**(6)**	**-**	**-**	**-**	**277**
Capital Grants and contributions applied	**522**	**208**	**-**	**-**	**-**	**(730)**
Revenue expenditure funded from Capital under statute	**(535)**	**(172)**	**-**	**-**	**-**	**707**
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	**(120)**	**(816)**	**-**	**-**	**-**	**936**
Capital expenditure charged against the General Fund and HRA balances	**28**	**4,200**	**-**	**-**	**-**	**(4,228)**
Adjustments primarily involvingthe Capital Grants Unapplied Account	**32**	**-**	**-**	**-**	**(32)**	**-**
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES	**236**	**1,161**	**(1,319)**	**-**	**-**	**(78)**
Transfer from Deferred Capital receipts on recept of cash	**-**	**-**	**(12)**	**-**	**-**	**12**
Used to finance new capital expenditure	**-**	**-**	**2,660**	**-**	**-**	**(2,660)**
Contribution towards administrative costs of non-current asset disposals	**-**	**(17)**	**17**	**-**	**-**	**-**
Contribution to finance the payments to the Government capital receipts pool	**(596)**	**-**	**596**	**-**	**-**	**-**
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer from Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	**-**	**20**	**-**	**-**	**-**	**(20)**
Adjustments relating to the Major repairs Reserve:						**-**
Reversal of Major repairs Allowance credited to the HRA	**-**	**6,932**	**-**	**(6,932)**	**-**	**-**
Use of the Major Repairs Reserve to finance new capital expenditure	**-**	**-**	**-**	**5,418**	**-**	**(5,418)**
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited\credited to the CIES (see Note 39)	**(719)**	**(337)**	**-**	**-**	**-**	**1,056**
Adjustments involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the CIES is different from that calculated in accordance with statutory requirements.	**114**	**-**	**-**	**-**	**-**	**(114)**
Adjustments involving the Accumulated Absences Account	**(22)**	**2**	**-**	**-**	**-**	**20**
TOTAL ADJUSTMENTS	**(5,870)**	**17,710**	**1,942**	**(1,514)**	**(32)**	**(12,236)**

	2011/12 £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	(2,179)	(5,092)	-	(4,978)	-	**12,249**
Downward revaluation of non-current assets	(21)	1,298	-	-	-	**(1,277)**
Movements in the market value of Investment Properties	1,975	-	-	-	-	**(1,975)**
Amortisation of intangible assets	(235)	(11)	-	-	-	**246**
Capital Grants and contributions applied	826	210	-	-	-	**(1,036)**
Revenue expenditure funded from Capital under statute	(889)	(185)	-	-	(4)	**1,078**
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	(49)	(422)	-	-	-	**471**
Capital expenditure charged against the General Fund and HRA	56	2,050	-	-	-	**(2,106)**
Application of HRA self financing loan transferred to the Capital Adjustment Account	-	(185,456)	-	-	-	**185,456**
Adjustments involving the Capital Receipts Reserve: *Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES*	52	1,000	(1,052)	-	-	**-**
Used to finance new capital expenditure	-	-	3,206	3,277	-	**(6,483)**
Contribution towards administrative costs of non-current asset disposals	-	(33)	33	-	-	**-**
Contribution to finance the payments to the Government capital receipts pool	(673)	-	673	-	-	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	-	61	(8)	-	-	**(53)**
Amounts involving the Financial Instruments Adjustment Account:						
Adjustments involving the Pensions Reserve:	(54)	(25)	-	-	-	**79**
Reversal of items relating to retirement benefits debited\credited to the CIES (see Note 37)						
Adjustments involving the Collection Fund Adjustment Account *Amount by which council tax income credited to the CIES is different from that calculated in accordance with statutory*	(13)	-	-	-	-	**13**
Adjustments involving the Accumulated Absences Account *Amount by which officer remuneration charged to CIES on an accruals basis is different from that required in accordance with statutory requirements*	(4)	(19)	-	-	-	**23**
TOTAL ADJUSTMENTS	***(1,208)***	***(186,624)***	***2,852***	***(1,701)***	***(4)***	***186,685***

7. EARMARKED RESERVES

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

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

8. OTHER OPERATING EXPENDITURE

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

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

10. TAXATION AND NON SPECIFIC GRANT INCOMES

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

11. EXCEPTIONAL ITEMS

There is one exceptional item reported within the Accounts:

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

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

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

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

12. PROPERTY PLANT AND EQUIPMENT

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

OPERATIONAL ASSETS

	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	WIP Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 31 March 2012	454,463	42,823	17,154	17,746	2,822	756	669	536,433
Reclassified	-	-	(282)	282	-	-	-	-
Restated	-	269	(2,500)	(105)	-	-	-	(2,336)
01 April 2012	454,463	43,092	14,372	17,923	2,822	756	669	534,097
Additions	9,069	348	1,485	366	-	-	905	12,173
Disposals	(841)	-	(592)	-	-	-	-	(1,433)
Reclassified in year	(407)	137	134	-	-	38	(357)	(455)
Revalued in year	-	-	-	-	-	-	-	-
Revaluations	19,687	-	-	-	-	-	-	19,687
Accumulated Depreciation & Impairment written off on revaluation	(22,123)	-	-	-	-	-	-	(22,123)
Gross Book Value 31 March 2013	459,848	43,577	15,399	18,289	2,822	794	1,217	541,946
Depreciation 31 March 2012	(9,786)	(1,336)	(7,836)	(4,594)	-	-	-	(23,552)
Reclassified	-	8	196	(196)	-	(8)	-	-
Restated	-	6	2,500	105	-		-	2,611
01 April 2012	(9,786)	(1,322)	(5,140)	(4,685)	-	(8)	-	(20,941)
Depreciation in Year	(12,377)	(704)	(1,418)	(492)	-	-	-	(14,991)
								-
Depreciation on Assets Sold	40	-	464	-	-	-	-	504
Accumulated Depreciation & Impairment written off on revaluation	22,123	-	-	-	-	-	-	22,123
Depreciation 31 March 2013	-	(2,026)	(6,094)	(5,177)	-	(8)	-	(13,305)
Net Book Value 31 March 2013	**459,848**	**41,551**	**9,305**	**13,112**	**2,822**	**786**	**1,217**	**528,641**

OPERATIONAL ASSETS

	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	WIP Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 31 March 2011	459,538	41,621	17,824	17,257	2,784	756	498	540,278
Reclassified	1,781	(191)	(1,593)	-	-	-	(18)	(21)
Restated	(12,658)	16	-	-	(4)	-	-	(12,646)
Revalued	1,351	(78)	-	-	-	-	-	1,273
01 April 2011	450,012	41,368	16,231	17,257	2,780	756	480	528,884
Additions	4,882	40	1,573	218	42	-	1,543	8,298
Disposals	(431)	-	(318)	-	-	-	-	(749)
Reclassified in year	-	1,415	(332)	271	-	-	(1,354)	-
Revalued in year	-	-	-	-	-	-	-	-
Gross Book Value 31 March 2012	454,463	42,823	17,154	17,746	2,822	756	669	536,433
Depreciation 31 March 2011	(12,658)	(685)	(6,781)	(4,115)	(4)	-	-	(24,243)
Restated Depreciation	-	-	-	-	-	-	-	-
Accumulated Depreciation written off on revaluation	12,658	-	-	-	4	-	-	12,662
01 April 2011	-	(685)	(6,781)	(4,115)	-	-	-	(11,581)
Depreciation in Year	(9,795)	(651)	(1,324)	(479)	-	-	-	(12,249)
Depreciation on assets sold	9	-	269	-	-	-	-	278
Depreciation 31 March 2012	(9,786)	(1,336)	(7,836)	(4,594)	-	-	-	(23,552)
Net Book Value 31 March 2012	**444,677**	**41,487**	**9,318**	**13,152**	**2,822**	**756**	**669**	**512,881**

	OPERATIONAL ASSETS							
	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	WIP Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	2,103	15,399	18,289	2,822	-	1,217	39,830
Valued at fair value as at:								
31 March 2013	459,848	275	-	-	-	540	-	460,663
31 March 2012	-	1,474	-	-	-	216	-	1,690
31 March 2011	-	31,875	-	-	-	38	-	31,913
31 March 2010	-	7,850	-	-	-	-	-	7,850
Total Cost or Valuation	459,848	43,577	15,399	18,289	2,822	794	1,217	541,946

13. HERITAGE ASSETS

	Waltham Abbey Bible	Other Artefacts	Civic Chains	Epping Fountain	Total
	£000	£000	£000	£000	£000
Gross Book Value 31 March 2012	262	147	110	26	545
Depreciation 31 March 2012	-	-	-	(3)	(3)
Depreciation in Year	-	-	-	-	-
Depreciation 31 March 2013	-	-	-	(3)	(3)
Net Book Value 31 March 2013	**262**	**147**	**110**	**23**	**542**

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

Waltham Abbey Bible and other artefacts

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

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

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

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

Epping Fountain

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

Civic Chains

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

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

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

14. INVESTMENT PROPERTY

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

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

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

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

15. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment, and is amortised over a 5 year period.

The carrying amount of intangible assets is amortised on a straight line basis. All but £6,000 (£11,000) of the amortisation charge of £277,000 to revenue in 2012/13 was charged to the ICT cost centre and then absorbed as an overhead across all the service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

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

16. ASSETS HELD FOR SALE

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

17. LONG TERM DEBTORS

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

18. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long term		Current	
	31 March 2013 £000	***31 March 2012 £000***	**31 March 2013 £000**	***31 March 2012 £000***
Financial liabilities at amortised cost				
Borrowing	185,456	*185,456*	-	*61*
Trade Creditors	-	-	4,782	*4,056*
Total financial liabilities	**185,456**	***185,456***	**4,782**	***4,117***
Loans and receivables at amortised costs				
Investments	10,074	*140*	30,259	*32,500*
Debtors	1,977	*1,801*	5,837	*5,301*
Cash			4,905	*3,808*
	12,051	***1,941***	**41,001**	***41,609***
Available for Sale	-	-	5,001	*10,009*
Total financial assets	**12,051**	***1,941***	**46,002**	***51,618***

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

The item included under Available for Sale in the financial instruments balances table above is included within the cash & cash equivalents on the balance sheet. The £5m relates to an investment made to a Money Market Fund and interest accrued, which needs to be reported under Available for Sale within the financial instruments balances. The Code of Practice requires an Available for Sale Financial Instruments Reserve Account to record any unrealised gains or losses from holding available for sale investment. However, as this is a Money Market Fund which has a constant net asset value, this means that each £1 invested buys 1 unit, which is re-priced back to £1 at the end of each day. All gains are realised and credited to the CIES.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consists of the following items:

	Financial Liabilities:		Financial Assets:	
	2012/13 £000	**2011/12 £000**	**2012/13 £000**	**2011/12 £000**
Interest expense	(5,517)	*(61)*	-	-
Impairment (losses) / gains	-	-		*61*
Interest payable and similar charges	**(5,517)**	***(61)***	**-**	***61***
Interest income		-	517	*693*
Interest and investment income	**-**	**-**	**517**	***693***
Net gain/(loss) for the year	**(5,517)**	***(61)***	**517**	***754***

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost, i.e. the aggregate of principal and accrued interest. Fair value is the amount for which an asset can be exchanged, or a liability settled. The Council's debt outstanding at 31 March 2013 consists of loans from the Public Works Loan Board (PWLB). The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have to pay to extinguish the loans on these dates.

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

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

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

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

19. INVENTORIES

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

	Franking Machines	Miscellaneous Stocks	Works Unit	Work In progress	TOTAL
	2012				
	£000	**£000**	**£000**	**£000**	**£000**
Balance at the start of the year	*15*	*106*	*76*	*26*	***223***
Purchases	*27*	*260*	*211*	*23*	***521***
Recognised as an expense during the year	*(25)*	*(292)*	*(211)*	*(35)*	***(563)***
Balance at year end	***17***	***74***	***76***	***14***	***181***

20. DEBTORS AND PREPAYMENTS

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

Council Tax arrears shown above and the related bad debt provision relate only to the Council's proportion of the total debt. The remainder is shown as part of the amount due from major preceptors on the basis that the Council has paid over more in precepts than it has actually received from Council tax payers, the figure itself is net of prepayments. National non-domestic rates arrears are shown as being due from central government as the Council merely acts as an agent collecting the amounts due, this amount is also shown net of prepayments.

21. CASH AND CASH EQUIVALENTS

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

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

The 'Short-term deposits with money market funds' relates to £5m made to a Money Market Fund and interest accrued (£1,000). This has been included within the cash equivalents as funds can be drawn down and used on the day of request. The fund has a constant net asset value, this means that each £1 you put in buys 1 unit, which is re-priced back to £1 at the end of each day.

22. CREDITORS

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

Included within creditors is £3,000 (£3,000 at 31 March 2012) relating to Waltham Abbey Tourist Information Centre. This falls within the definition of a related party.
Council tax prepayments shown above relate to the Council's proportion of prepayments, the remainder is shown as part of the net amount owed by preceptors which forms part of the debtors figure, the same arrangement applies to non-domestic rates.

23. USABLE AND UNUSABLE RESERVES

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

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

Revaluation Reserve

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

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

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

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

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provision. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.
The Account contains accumulated gains and losses on Investment Properties and gains recognised as donated assets that have yet to be consumed by the Council.
The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 6 details the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2013		2012
	£000	£000	*£000*
Balance at 1 April		360,870	*547,524*
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement			
Charges for depreciation and impairment of non-current assets	(14,990)		*(12,249)*
Self Financing Payment for Housing Revenue Account Properties	-		*(185,456)*
Revaluation gains/(losses) on Property, Plant and Equipment	19,228		(78)
Amortisation of intangible assets	(277)		*(246)*
Revenue expenditure funded from capital under statute	(707)		*(1,074)*
Amounts for non-current assets written off on disposal or sale as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,433)	1,821	*(749)*
Adjusting Amounts written out of the Revaluation Reserve		584	
		363,275	*347,672*
Net written out amount of the cost of non-current assets consumed in the year			*278*
Capital financing applied in the year			
Reversal of previous impairments		505	*1,355*
Use of the Capital Receipts Reserve to finance new capital expenditure	2,660		*3,206*
Use of the Major Repairs Reserve to finance new capital expenditure	5,418		*3,277*
Capital grants credited to the CIES that have been applied to capital financing	730		*1,012*
Application of grants to capital financing from the Capital Grants Unapplied Account			*8*
Capital expenditure charged against the General Fund and HRA balances	4,228	13,036	*2,106*
Restatement of Assets		340	
Movement in the market value of Investment Properties debited or credited to the CIES		(2,241)	*1,956*
Balance at 31 March		**374,915**	***360,870***

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) was established under Financial Reporting Standards 25, 26 and 29 when Financial Instruments were adopted into the then SORP (2007), now superseded by the Code. The FIAA is not currently in use so does not form part of the Balance Sheet.

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance of the Pension Reserve therefore shows a substantial shortfall in the benefits earned by the past and current employees and the resources the Council have set aside to meet them. The statutory arrangements ensure the funding will have been set aside by the time the benefits come to be paid.

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

Deferred Capital Receipts Reserve

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

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

Notes to the Core Financial Statements

Collection Fund Adjustment Account

The collection fund manages the differences arising from the recognition of council tax income in the CIES as it falls due from Council Tax Payers compared with the statutory arrangements for paying across amounts to General Fund from the Collection Fund.

	2013	***2012***
	£000	***£000***
Balance at 1 April	(99)	*(85)*
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	114	*(14)*
Balance at 31 March	**15**	***(99)***

Accumulated Absences Account

The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund and Housing Revenue Account balances from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund and Housing Revenue Account is neutralised by transfers to or from the Account.

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

24. CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

	2012/13	***2011/12***
	£000	***£000***
Depreciation	14,992	*12,249*
Amortisation	277	*246*
Impairment and downward valuations	(19,228)	*(1,277)*
Material Impairment losses on Investment debited to surplus or deficit on the provision of services in year		*(61)*
Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss a/c		*(35)*
Increase / (Decrease) in Interest Creditors	(77)	*61*
Increase / (Decrease) in Creditors	664	*(938)*
(Increase) / Decrease in Interest and Dividend Debtors	72	*36*
(Increase) / Decrease in Debtors	(443)	*503*
(Increase) / Decrease in Inventories	(31)	*42*
Pension Liability	1,035	*79*
Contributions to / (from) Provisions	201	*(11)*
Carrying amount of non-current assets sold	936	*472*
Movement in Investment Property Values	2,241	*(1,956)*
Total	**639**	***9,410***

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

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

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

	2012/13 £000	2011/12 £000
Interest received	589	729
Interest charge for the year	(77)	(61)
Other operating activities	12,397	(181,144)
Total	**12,909**	**(180,476)**

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

25. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2012/13 £000	2011/12 £000
Purchase of property, plant and equipment, investment property and intangible assets	(11,941)	(9,070)
Purchase of short-term and long-term investments	(125,018)	(84,000)
Other payments for Investing Activities	(196)	(20)
Proceeds from sale of property, plant and equipment, investment property and intangible assets	1,241	975
Proceeds from short-term and long term investments	117,239	95,447
Other receipts from investing activities	905	1,392
Net cash flows from investing activities	**(17,770)**	**4,724**

26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

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

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

2012/13

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

2011/12

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

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

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

Reconciliation to Subjective Analysis

2012/13	Directorate Analysis *£000*	Services and Support Services not in analysis *£000*	Amounts not reported to management for decision making *£000*	Amounts not included in CIES *£000*	Cost of Services *£000*	Corporate Amounts *£000*	Total *£000*
Fees, charges & other service income	42,787	387	237	(4,883)	**38,528**	4,883	**43,411**
Impairment Reversal	19,228	-	-	-	**19,228**		**19,228**
Interest and Investment Income	-				**-**	5471	**5,471**
Income from Council Tax	-	-	-	-	**-**	11,373	**11,373**
Government Grants and Contributions	48,236	-	-	-	**48,236**	7,653	**55,889**
Total Income	**110,251**	**388**	**237**	**(4,883)**	**105,992**	**29,380**	**135,372**
Employee Expenses	10,061	181	0	(605)	**9,637**	7,440	**17,077**
Other Service Expenses	66,865	17	407	(635)	**66,653**	635	**67,289**
Support Service Recharges	10,856	257	-	(279)	**10,834**	279	**11,113**
Depreciation, Amortisation and Impairment	14,673	-	-	(24)	**14,649**	2,266	**16,915**
Interest Payments	-	-	-	-	**-**	5,516	**5,516**
Precepts and Levies	-	-	-	-	**-**	3,167	**3,167**
Payments to Housing Capital Receipts Pool	-	-	-	-	**-**	597	**597**
Gain/Loss on Disposal of Fixed Assets	-	-	-	-	**-**	(443)	**(443)**
Rents to mortgages valuation increase	-	-	-	-	**-**	(20)	**(20)**
Total Expenditure	**102,455**	**455**	**407**	**(1,543)**	**101,775**	**19,437**	**121,211**
Surplus/(Deficit) on the provision of services	**7,796**	**(68)**	**(170)**	**(3,340)**	**4,217**	**9,943**	**14,162**

Reconciliation to Subjective Analysis

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

28. TRADING OPERATIONS

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

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

29. AGENCY SERVICES

An agreement exists with Sainsbury's supermarket whereby the Council's car parking management contractor manages two car parks on their behalf. In 2012/13 income from the car parks of £333,000 (2011/12 £344,000) was received, of which £296,000 (2011/12 £307,000), was paid over after allowing for an administration charge.

30. POOLED BUDGETS

Epping Forest Community Safety Partnership (CSP)

The Council is a participant in a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. The purpose of the partnership is:

• To form an agreement between the Essex County Council, Essex's Health Organisations, Fire and Police Services, District Councils and other local partners including the Community and Voluntary Sector to achieve mutually agreed outcomes that are regarded as being key to making Essex a better place to live and work.

• To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.

• To improve the effectiveness and efficiency of public services in Essex by pooling and aligning funding streams.

At the County level the members consist of :-

County and District Councils in Essex
Local Strategic Partnerships
Community Protection Authorities
Health Bodies
Voluntary Organisations
Other Organisations

All members of the Partnership have one voting right and as such no one party has more control over the operation of the partnership than any other member.

Essex County Council acts as the accountable body for the Home Office Community Safety Fund. This means that they are responsible for the distribution of the grant to the partners involved.

The Epping Forest CSP received grant funding of £24,885. The Council acts as an agent of the partnership ensuring that grant monies are used in accordance with the wishes of the CSP as a whole. The Council employs a Safer Communities Manager who manages the funds according to the wishes of the CSP.

Local Strategic Partnership (LSP)

One Epping Forest is the Local Strategic Partnership (LSP) for Epping Forest District. It brings together public, private and voluntary sector agencies responsible for the provision of services. The partnership running costs are funded from a pooled budget established by Epping Forest District Council, to which West Essex Primary Care Trust, Essex Police, Essex County Council, Lee Valley Regional Park, NHS North Essex and the City of London have made contributions. Epping Forest has made a contribution of £10,000 in 2012/13, and the partnership holds a balance of £111,000 available for use in future years.

31. MEMBER ALLOWANCES

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

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

32. OFFICER REMUNERATION

The number of employees whose remuneration, including benefits in kind, but excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were (there were no officers in bands between £115,000 - £149,999).

Remuneration Band	**2012/13**		***2011/12***	
	Number of Employees	**Left in Year**	***Number of Employees***	***Left in Year***
£50,000 - £54,999	10		*12*	
£55,000 - £59,999	4		*4*	
£60,000 - £64,999	2		*1*	
£65,000 - £69,999	0		*0*	
£70,000 - £74,999	0		*0*	
£75,000 - £79,999	2		*2*	
£80,000 - £84,999	4		*4*	
£85,000 - £89,999	0		*0*	
£90,000 - £94,999	0		*0*	
£95,000 - £99,999	1		*0*	
£100,000 - £104,1000	0		*0*	
£105,000 - £109,999	0		*0*	
£110,000 - £114,999	0		*1*	
£115,000- £149,999	0		*0*	
Total	**23**	**0**	***24***	***0***

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

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

2011/12:

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

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

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

2012/13

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

There were no payments relating to bonuses in the year. The emoluments above include all taxable employee payments. Pension Contributions relate to Employer's contributions of 13.0%.

2011/12

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

Termination Benefits

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

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

33. EXTERNAL AUDIT FEES

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

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

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

34. GRANTS AND CONTRIBUTIONS

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

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

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

The Council has received some grants and contributions that have yet to be recognised as income as they have conditions attached to them that if they are not met will require monies to be returned to the giver. The balances at the year end are as follows:

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

35. RELATED PARTY DECLARATIONS

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council, or to be controlled or influenced by the council.

Central Government

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis on Note 27 on reporting for resource allocation decisions.

Members

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

36. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

	2013 **£000**	***2012*** ***£000***
Opening Capital Financing Requirement	184,672	*(784)*
Capital Investment		
Self Financing Payment	0	*185,456*
Property, Plant and Equipment	12,183	*8,298*
Revenue Expenditure Funded from Capital Under Statute	906	*1,074*
Intangible Assets	74	*191*
Sources of Finance		
Capital Receipts	(2,734)	*(3,205)*
Government grants and other contributions	(783)	*(975)*
Major Repairs Reserve	(5,418)	*(3,277)*
Direct revenue contributions	(4,228)	*(2,106)*
Closing Capital Financing Requirement	**184,672**	***184,672***

37. LEASES

Leasing rentals are charged to service revenue accounts.

The Council has entered various leasing agreements relating to cars, operational vehicles, printing equipment and vending equipment. All of the leases are categorised as operating leases. The arrangements provide for charges to be made evenly throughout the period of the lease. The total lease payment in 2012/13 is £245,000.

The total of future minimum lease payments due within 1 year are:	2012/13 £000	*2011/12* *£000*
Cars	14	*98*
Operational Vehicles	-	*-*
Vending Equipment	5	*5*
Total	**19**	***103***

Vehicles & Equipment

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

The Council also has leases with third parties under operating leases with rental income from the lease being credited to trading operations, or in the case of shops, the Housing Revenue Account.

Assets Leased to Third Parties The total of future minimum lease payments due within 1 year are:	2012/13 £000	*2011/12* *£000*
Land & Buildings		
Shops	1,633	*1,542*
Industrial & Commercial	962	*919*
Other	898	*1,196*
Total Rental Receivable	**3,493**	***3,657***

The timing of total future minimum lease payments are:

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

Gross Amount of Assets held for use in operating leases.

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

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

38. PENSIONS

Employees of Epping Forest District Council are admitted to the Essex County Council Pension Fund ("the Fund"), which is administered by Essex County Council under the Regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. The Fund is a funded scheme meaning that the authority and employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with investment assets.

As part of the terms and conditions of employment of the Council's officers the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire the Council has a commitment to make the payments that need to be disclosed at the time employees earn their future entitlement.

The figures disclosed below have been derived from a re-assessment of the assets and liabilities as a result of an interim actuarial valuation of the Fund carried out by the Fund's Actuary, Barnett Waddington Public Sector Consulting, as at 31 March 2013. The approach to calculating the IAS19 figures in between full actuarial valuations is approximate in nature. Broadly the approach by the Actuaries assumes that the experience of the Fund will be in line with the actuarial assumptions used for IAS19 purposes. The approach adopted by the Actuary follows "IAS 19 - Calculation Guide for Local Authorities".

The Council recognises cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However the charge made against Council Tax is based on contributions payable to the fund in respect of 2012/13 so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure.

The transactions below have been made in the Comprehensive Income and Expenditure Account during the year.

The Council has adopted the amendment to IAS19, Retirement Benefits, resulting in quoted securities held as assets in the defined pension scheme being valued at bid price rather than mid-market value.

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

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

In 2012/13 the Council paid an employer's normal contribution of £3.829m representing 28.4% of employee's pensionable pay into The Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation. The results of the 2010 review as at 31 March 2010 were implemented with effect from 1 April 2011.The employer's contributions certified by the Actuary to the Fund in respect of the period 1 April 2011 to 31 March 2014 is 13%. (Employees contributions range from 5.5% to 7.5% depending on salary). The average employee contribution rates in respect of the new LGPS benefit structure are based on projected levels of pay as at 1 April 2011. In addition to these contributions lump sum payments are also required to address the deficit funding level. These are £1.651m for 2011/2012, £1.725m for 2012/2013 and £1.803m for 2013/2014. There were no creditors relating to pension fund contributions at year end.

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

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

Assets and Liabilities in relation to retirement benefits
Reconciliation of present value of the scheme liabilities

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

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

Reconciliation of fair value of the scheme assets:

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

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £4,954,000 (£5,660,000 for 2011/12).

Scheme History

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

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

However statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit will be gradually eliminated by increased contributions over the remaining working life of employees, as assessed by the scheme Actuary.

The total employer contributions expected to be made to the scheme by the council in the year to 31 March 2013 is £3,712,000. The Current Service Cost is expected to be £2,966,000 for the year to 31 March 2013, which is based on an estimated payroll of £13,469,000.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, and inflation rates. The District Council fund liabilities have been assessed by Barnett Waddington a firm of actuaries who provide the service for the Essex County Council Pension Fund, being based on the full Actuarial Valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	2012/13 %	*2011/12 %*
Long term expected rate of return on assets in the scheme:		
Equity investments	6.10	*6.40*
Government Bonds	3.00	*3.30*
Other Bonds	4.10	*4.60*
Property	5.10	*5.40*
Cash/Liquidity	0.50	*0.50*
Alternative Assets	6.10	*n/a*
Mortality Assumptions		
Longevity at 65 for current pensioners:		
Men	22.70	*22.70*
Women	25.30	*25.30*
Longevity at 65 for future pensioners:		
Men	24.20	*24.10*
Women	26.90	*26.80*
Rate of Inflation RPI	3.30%	*3.30%*
Rate of Inflation CPI	2.50%	*2.50%*
Rate of Increase in Salaries	4.30%	*4.30%*
Rate of Increase in pensions	2.50%	*2.50%*
Rate for discounting scheme liabilities	4.10%	*4.60%*
Take-up of option to convert annual pension into maximum retirement lump sum	50.00%	*50.00%*

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

	As at 31 March 2013		*As at 31 March 2012*	
	£000	%	*£000*	*%*
Equities	60,839	64.00	*59,638*	*70.00*
Government Bonds	6,654	7.00	*3,408*	*4.00*
Other Bonds	7,605	8.00	*8,520*	*10.00*
Property	11,407	12.00	*11,928*	*14.00*
Cash/Liquidity	3,802	4.00	*1,704*	*2.00*
Alternative Assets	4,753	5.00	*0*	*0.00*
Total	**95,060**	**100**	***85,198***	***100***

There is no provision for unitising the assets of a Fund under the LGPS. The above assets as a whole are allocated to participating bodies on a consistent and reasonable basis.

History of experience gains and losses

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

	2012/13 %	2011/12 %	2010/11 %	2009/10 %	2008/09 %
Difference between the expected and actual return on assets	5.90	*5.54*	*4.20*	*21.10*	*35.50*
Experience (gains) and losses on liabilities	0.00	*(0.45)*	*4.90*	*0.00*	*0.00*

The above figures have been provided by the actuaries to the Essex Pension Scheme using information provided by the scheme and assumptions determined by the Council in conjunction with the actuary.

Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties.

The £75,357m net liability represents the difference between the value of the Council's pension fund assets at 31 March 2013 and the estimated present value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1 April 2013 would also have an impact on the capital value of the pension fund assets.

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in the 2010 actuarial review of the Pension Fund. The anticipated shortfall in the funding of the scheme has determined the future level of pension contributions which will be due in between triennial valuations.

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

39. CONTINGENT ASSETS

The Council has a claim for VAT with HM Revenue and Customs relating to off street parking charges resulting from the Isle of Wight tribunal case where it was concluded that off street car parking activities are within article 4.5 and in principle excluded from charges of VAT. The claim amounts to £487,141, with a further claim of £1,731,465 going back to January 1990, making a total claim of £2,218,606. A stand over application is currently with the VAT and Duties Tribunal pending judgement of the European Court of Justice in the case of the Isle of Wight Council and others.

40. CONTINGENT LIABILITIES

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

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

41. NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy (for 2012/13 this was agreed at Full Council on 14 February 2012). The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the CLG Investment Guidance for local authorities. This guidance emphasis that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

Investments

The risk is minimised through the Annual Investment Strategy, which requires that deposits are made with Debt Management Office, other local authorities, AAA rated money market funds or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy. It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. A limit of £10m is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit (£10m) for institutions that are part of the same banking group.

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

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

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

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

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £2.5m invested in Heritable bank at that time. The latest report issued by the administrators Ernst and Young, dated 11 February 2013 did not suggest any change from a return to creditors of 86p to 90p in the £ by April 2015. In line with CIPFA's LAAP bulletin Update No 6, the Council is estimating a recoverable amount of 88p in the £ based on the mid point of the base case return. During the year the Council have received dividends of 9.4% (£234,925). Projected future timing of recoveries is as follows:

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

Debtors

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

The credit risk in relation to counterparty investments is relatively small as the likelihood of default is also small. With regard to sundry debtors, housing and taxation debtors, a risk arises by virtue of the fact that they represent amounts owed to the Council and there will always be a level of default inherent in such debts. A provision for non payment of debts is provided within the overall debtors figure stated in the accounts.

Liquidity Risk

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

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

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

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

Market Risk

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

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

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

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

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

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

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

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

MOVEMENT ON HOUSING REVENUE ACCOUNT STATEMENT

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government is treated as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than from council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits earned.

The Housing Revenue Account Statement compares the Council's spending against the Income that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for the future.

This reconciliation statement summarises the differences between the outturn in the Housing Revenue Income and Expenditure Statement and the Housing Revenue Account balance.

	Note	2012/13 £000	*2011/12* *£000*
INCREASE/DECREASE IN THE HOUSING REVENUE ACCOUNT BALANCE			
(Surplus)/Deficit for the year on the Housing Revenue Account Income and Expenditure Statement		**(19,518)**	***187,573***
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	**12**	**17,710**	***(186,625)***
Transfers to Earmarked Reserves	**12**	**2,926**	***444***
(Increase) or decrease in the Housing Revenue Account balance		**1,118**	***1,392***
Housing Revenue Account surplus brought forward		**(4,494)**	***(5,886)***
Housing Revenue Account surplus carried forward		**(3,376)**	***(4,494)***

1. HOUSING REVENUE ACCOUNT ASSET VALUATION

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

	OPERATIONAL ASSETS						NON-OPERATIONAL ASSETS	
	Land £000	**Dwellings £000**	**Garages £000**	**Equipment £000**	**Vehicles £000**	**Other £000**	**Investment Properties £000**	**Total £000**
Gross Book Value								
31 March 2012	149,348	301,246	3,869	4,614	499	2,058	143	461,777
Revalued								
Restated	-			(1,737)	(131)	(32)	-	(1,900)
Reclassified	-		-	(282)	-	282	-	-
1 April 2012	149,348	301,246	3,869	2,595	368	2,308	143	459,877
Revalued in year	-	-	-	-	-	-		
Additions	-	9,066	3	270	37	305	-	9,681
Disposals	(274)	(567)	-	-	(32)	-	-	(873)
Reclassified in year	3	(402)	-	-	-	(48)	-	(447)
Accumulated Depreciation Written Off		(21,842)	(281)					(22,123)
Revalued	3,520	15,889	278					19,687
Gross Book Value	152,597	303,390	3,869	2,865	373	2,565	143	465,802
Depreciation 1 April 2012	-	(9,653)	(133)	(2,922)	(352)	(165)	-	(13,225)
Restated				1,737	131	32		1,900
Reclassified				196		(196)		-
1 April 2012	-	(9,653)	(133)	(989)	(221)	(329)	-	(11,325)
Accumulated Depreciation Written Off		21,842	281		-	-	-	22,123
Reclassified								
Depreciation in Year	-	(12,229)	(148)	(219)	(41)	(54)	-	(12,691)
Depreciation on Assets Sold	-	40	-	-	23	-	-	63
Depreciation 31 March 2012	-	-	-	(1,208)	(239)	(383)	-	(1,830)
Net Book Value 31 March 2013	**152,597**	**303,390**	**3,869**	**1,657**	**134**	**2,182**	**143**	**463,972**
Net Book Value 31 March 2012	***149,348***	***291,594***	***3,736***	***1,692***	***147***	***1,893***	***143***	**450,446**

The dwelling valuation shown in the balance sheet represents the value of the housing stock to the Council in its existing use as social housing occupied on the basis of secured tenancies. The corresponding value of those dwellings if sold on the open market without tenants, i.e. vacant possession, is £1,161,079,000. The difference between the two values represents the economic cost of providing council housing at less than open market rents.

2. HOUSING STOCK

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

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

3. GROSS DWELLING RENT INCOME

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

4. HOUSING REPAIRS FUND

The Council maintains a Housing Repairs Fund that evens out the annual cost to tenants of a cyclical repairs programme. The movement on the Fund is as follows:

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

In accordance with the accounting changes introduced for the 2006/07 accounts, the amount shown on the face of the Housing Revenue Income and Expenditure Statement is the actual net expenditure on repairs and maintenance rather than the contribution to the repairs fund. The difference between the two figures forms part of the adjustments between accounting basis and funding basis under regulations (Note 6 page 20).

5. SUBSIDY ENTITLEMENT

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

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

6. PENSIONS

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against the Housing Revenue Account is based on the contributions payable to the fund in respect of 2012/13; the real cost of retirement benefits is therefore reversed out of the Housing Revenue Account after Net Operating Expenditure.

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

7. HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS

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

8. CAPITAL EXPENDITURE

The Housing Revenue Account incurred the following capital expenditure.

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

9. MAJOR REPAIRS RESERVE

With effect from 1 April 2001 the Council is required to maintain a Major Repairs Reserve, to account for money received from the Government used to fund major, capital repairs to the Housing Stock. The Housing Revenue Account receives funding via its Housing Subsidy (see note 5, page 58), which is then transferred into the Major Repairs Reserve via a depreciation charge. This income can then be used to fund repairs of a capital nature. The Council is allowed to transfer certain sums back to its Housing Revenue Account, namely any excess of depreciation charged over and above the level of the Major Repairs Allowance received. The movement on the reserve is as follows:

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

10. DEPRECIATION

Depreciation is charged on Housing Revenue Account assets in accordance with IAS 16. Depreciation is now charged with reference to balance sheet values and the average life remaining on the housing stock and its major components. No depreciation is chargeable on the Housing Revenue Account investment assets. (See also note 1, page 56)

11. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

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

	2012/13 £000		*2011/12 £000*	
AMOUNTS TO BE EXCLUDED				
Transfer from Major Repairs Reserve and other depreciation reversals and impairments	**(5,767)**		***(3,805)***	
Upward revaluation of Council Dwellings and Garages	**19,228**		***0***	
HRA Self-Financing	**0**		***(185,456)***	
Revenue expenditure funded from Capital under statute	**(172)**		***(185)***	
Valuation changes Rents to Mortgages	**20**		***61***	
Gain/(loss) on disposal of HRA fixed assets	**328**		***545***	
Flexi / Leave Accruals	**2**		***(19)***	
HRA share of contributions to/ (from) pensions reserve	**(1,559)**		***(1,214)***	
		12,080		***(190,073)***

Notes to the Housing Revenue Income and Expenditure Account

AMOUNTS TO BE INCLUDED	2012/13 £000		*2011/12 £000*	
Leaseholder Contributions	172		*185*	
Employers contributions payable to the pension fund	1,222		*1,189*	
Capital Expenditure funded by the HRA	4,200		*2,050*	
Capital Contributions Applied	36		*24*	
		5,630		*3,448*
		17,710		*(186,625)*
TRANSFERS TO EARMARKED RESERVES				
Housing Repairs Fund	(407)		*(206)*	
Self Financing Reserve	3,180			
Seivice Enhancement Fund	170			
Insurance Fund	(17)		*650*	
		2,926		*444*
		20,636		*(186,181)*

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

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

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

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

14. TRANSFER TO INSURANCE FUND

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

15. TRANSFER TO SELF FINANCING RESERVE/SERVICE ENHANCEMENT FUND

Notes to the Housing Revenue Income and Expenditure Account

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

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

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

Notes to the Collection Fund

1. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council, Essex Police, Essex Fire Authority and this Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted discounts: 54,900 for 2012/13, 54,608 for 2011/12). The basic amount of Council Tax for a Band D property (£1,438.65 for 2012/13, £1,434.06 for 2011/12) is multiplied by the proportion specified for the particular band to give an individual amount due.

	Chargeable Dwellings	Chargeable Dwellings after Discount, Exemptions and Disabled Relief	Ratio to Band D	Band D Equivalents
Band A Disabled	-	3	5/9	2
Band A	1,727	1,350	2/3	900
Band B	4,868	3,903	7/9	3,036
Band C	11,322	9,835	8/9	8,743
Band D	13,659	12,355	1	12,355
Band E	9,231	8,446	1 2/9	10,323
Band F	6,634	6,195	1 4/9	8,948
Band G	5,785	5,437	1 2/3	9,062
Band H	1,116	1,043	2	2,086
Total Band D				55,455
Less Adjustment for Collection Rate				555
Council Tax Base				54,900

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

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

Notes to the Collection Fund

2. NATIONAL NON DOMESTIC RATES

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 45.0p (small business) and 45.8p (others) in 2011/12, (42.6p (small business) 43.3p (others) in 2011/12) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The total non-domestic rateable value at the year-end was £86,549,824 (£87,790,574 in 2011/12).

3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

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

Annual Governance Statement

1 Scope of Responsibility

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

The Council has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the 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 2011, in relation to the publication of a Statement on Internal Control.

2 The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
The system of internal control is a significant part of the Governance Framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. It is also responsible for evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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

The Council's Code of Governance recognises that effective governance is achieved through the following core principles:

(i) focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
(ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
(iii) promoting values for the Council and demonstrating good governance through upholding high standards of conduct and behaviour;
(iv) taking informed and transparent decisions which are subject to effective scrutiny and management of risk;
(v) developing the capacity and capability of Members and officers to be effective;
(vi) engaging with local people and other stakeholders to ensure robust public accountability.

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

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

3 Review of effectiveness

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

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

Documentary evidence of processes, procedures and standards:

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

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

Significant governance issues from previous years;

Significant governance Issues from 2012/13.

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

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

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

Signed ………………………………

Glenn Chipp
Chief Executive

Signed ………………………………

Councillor Chris Whitbread
Leader of the Council

Members Allowances

The allowances of £318,441 listed below include the connect scheme, travel and subsistence and employers national insurance and pension costs. The figures also include allowances paid to lay members of the Audit & Governance Committee and the Standards Committee.

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

Glossary of Terms

For the purposes of this Statement of Accounts, the following definitions have been adopted:

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

BALANCE SHEET

This statement sets out an authority's financial position at the year-end. It shows the balances and reserves at an authority's disposal and its long-term indebtedness and the fixed and net current assets employed in its operations together with summarised information on the fixed assets held.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset or expenditure that adds to and not merely maintains the value of an existing asset.

CAPITAL ADJUSTMENT ACCOUNT

This account records the accumulated amount of set aside receipts and minimum revenue provision together with capital expenditure financed by way of capital receipts and revenue contributions. Set against these amounts are adjustments to the revenue account for depreciation and capital expenditure written off to revenue during the year. This, therefore, ensures that only actual expenses are charged to revenue in year. This account was formerly known as the Capital Financing Account.

CAPITAL FINANCING REQUIREMENT

This measures the change in and the underlying need for the council to borrow to finance Capital expenditure. Where all capital expenditure is financed by resources generated by the council the Capital Financing Requirement will remain unchanged.

CASH FLOW STATEMENT

This statement summarises the cash flows of the authority for capital and revenue spending as well as the cash flows used to finance these activities.

COLLECTION FUND

This account reflects the statutory requirement for billing authorities to maintain a separate collection fund which shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates the way in which these have been distributed to preceptors and the general fund.

COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Glossary of Terms

CONSISTENCY

The accounting treatment of like items within an accounting period and from one period to the next is the same.

CONTINGENCY

A condition that exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CONTINGENT LIABILITIES

A contingent liability is either:

(i) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the authority's control; or

(ii) a present (current) obligation arising from past events where it is not probable (but not impossible) that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

It is considered that a contingent liability below £50,000 need not be disclosed, as any such amounts would not be significant.

CONTINGENT GAINS

A contingent gain (or asset) is a possible economic gain arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose nominated bodies managing the same services.

INTANGIBLE ASSETS

Expenditure which may properly be defined as being capital expenditure, but which does not result in a physical asset being created. For expenditure to be recognised as an intangible asset it must yield future economic benefits to the council.

REVENUE EXPENDITURE CHARGED TO CAPITAL UNDER STATUTE

Expenditure of a capital nature that does not result in a fixed asset being created. An example of such an item would be expenditure on a former HRA property held on a long lease by a third party. The expenditure is written off in the year that it is incurred.

DEPRECIATION

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset whether arising from use, passage of time or obsolescence through technological or other changes. The useful life is the period over which the local authority will derive benefit from the use of a fixed asset.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXTRAORDINARY ITEMS

Material items that derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arms length transaction less, where applicable, any grants receivable towards the purchase or use of the assets.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if, at the inception of the lease, the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

FIXED ASSETS

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

GENERAL FUND

This statement records the information of all the authority's activities, excluding those in relation to the Housing Revenue Account and Local Council precepts.

GOING CONCERN

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Glossary of Terms

GOVERNMENT GRANTS

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for local authority housing provision, as defined in particular in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure such as maintenance, administration, rent rebates and capital financing costs, and how these are met by rents subsidy and other income.

IMPAIRMENT

An impairment occurs when a fixed asset suffers a loss in value either due to a fall in market values generally, or as a result of use of the asset other than normal wear and tear.

INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INVESTMENTS

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments that do not meet the above criteria should be classified as current assets.

INVESTMENT PROPERTIES

Interest in land and / or buildings:

(i) in respect of which construction work and development have been completed; and

(ii) which is held for its investment potential, any rental income being negotiated at arms length.

LONG-TERM CONTRACTS

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

Glossary of Terms

MINIMUM REVENUE PROVISION (MRP)

Local authorities are required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of calculation is defined by statute and does not relate to actual external debt outstanding. Statute requires MRP of 2% of the housing credit ceiling and 4% of the non-housing credit ceiling, offset by an adjustment for debts commuted in relation to old improvement grants.

NET BOOK VALUE

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON-OPERATIONAL ASSETS

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties, assets that are surplus to requirements pending sale or redevelopment and assets under development or construction.

OPERATING LEASES

Leases other than a finance lease.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility. Operational assets comprise Council dwellings, other land and buildings, vehicles plant and equipment, infrastructure and community assets.

POST BALANCE SHEET EVENTS

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the responsible financial officer signs the Statement of Accounts.

PRIOR YEAR ADJUSTMENTS

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Glossary of Terms

PROVISIONS

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. Provisions are required to be recognised when:

(i) the local authority has a present obligation (legal or constructive) as a result of a past event;

(ii) it is probable that a transfer of economic benefits will be required to settle the obligation; and

(iii) a reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision should be recognised.

A constructive obligation is an obligation that derives from an authority's actions where;

(i) by an established pattern of past practice, published policies or sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities; and

(ii) as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

PRUDENCE

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate cash realisation of which can be assessed with reasonable certainty.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

(i) one party has direct or indirect control of the other party; or
(ii) the parties are subject to common control from the same source; or
(iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
(iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

(i) central government;
(ii) local authorities and other bodies precepting or levying demands on the Council Tax;
(iii) its subsidiary and associated companies;
(iv) its joint ventures and joint venture partners;
(v) its members;
(vi) its chief officers; and
(vii) its pension fund.

Examples of related parties of a pension fund include its:

(i) administering authority and its related parties;
(ii) scheduled bodies and their related parties; and
(iii) trustees and advisers.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

(i) members of the close family or the same household; and
(ii) partnerships, companies, trusts or other entities in which the individual or a member of their close family or the same household, has a controlling interest.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

(i) the purchase, sale, lease, rental or hire of assets between related parties;
(ii) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
(iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
(iv) the provision of services to a related party, including the provision of pension fund administration services;

(v) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the authority but also in relation to its related party.

REVALUATION RESERVE

This account was created on 31 March 2007. The purpose of which is to hold all revaluations occurring to fixed assets subsequent to that date.

STOCKS

Comprise the following categories:

(i) Goods or other assets purchased for resale;
(ii) consumable stores;
(iii) raw materials and components purchased for incorporation into products for sale;
(iv) products and services in intermediate stages of completion;
(v) long-term contract balances; and
(vi) finished goods.

UNAPPORTIONABLE CENTRAL OVERHEADS

These are overheads for which no user now benefits and should not be apportioned to services.

Glossary of Pension Related Terms

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

(i) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or

(ii) the actuarial assumptions have changed

CURRENT SERVICE COST

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

(i) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and

(ii) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEFINED BENEFIT SCHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DISCRETIONARY BENEFITS

Retirement benefits that the employer has no legal, contractual or constructive obligations to award and which are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) regulations 1996.

EXPECTED RATE OF RETURN ON PENSION ASSETS

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority, and which are not expected to recur. They do not include exceptional items nor do they include prior year items merely because they relate to a prior period.

IAS19

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (NON-PENSIONS FUND)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, which do not meet the above criteria should be classified as current assets.

INVESTMENTS (PENSIONS FUND)

The investments of the Pensions Fund will be accounted for in the statements of the fund. However authorities (other than town and community councils) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

(i) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and

(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.

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