

***STATUTORY STATEMENT  
OF ACCOUNTS***

***Financial Year  
Ending 31 March 2009***

***Epping Forest District Council***



## STATUTORY STATEMENT OF ACCOUNTS 2008/09

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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**

For the last two years the foreword started with an explanation of the mechanism for setting the rules that Local Authorities have to follow in producing their accounts. This was necessary as there had been significant changes to the appearance and content of the accounts. Whilst there have been relatively few changes this year, it is worth repeating some of the information for the benefit of anyone who is coming afresh to these accounts.

The Chartered Institute of Public Finance and Accountancy (CIPFA) publishes a Statement of Recommended Practice (SORP) every year that Local Authorities are required to follow in producing their financial statements. Before the SORP is published the Accounting Standards Board (ASB) approves the document. In recent years the ASB has insisted that the SORP moves closer to Generally Agreed Accounting Practices (GAAP), so that public sector financial statements more closely resemble those prepared in the private sector.

In previous years the focus of the Statement of Accounts has been the Consolidated Revenue Account, which had the dual role of setting out the authority's financial performance and determining the net expenditure to be charged against council tax in the year. The new statements now required by the SORP disaggregate the Consolidated Revenue Account (and the old Statement of Total Movements on Reserves) to produce a set of statements which each have a single clear objective:

- l Income and Expenditure Account - a summary of the resources generated and consumed by the authority in the year.
- l Statement of the Movement on the General Fund Balance - a reconciliation showing how the balance of resources generated/consumed in the year links in with the statutory requirements for raising council tax.
- l Statement of Total Recognised Gains and Losses - demonstration of how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.

The above are described as core financial statements as all local authorities are required to produce them. There are two other core statements, the Balance Sheet and the Cashflow Statement. 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 that have taken place during the year and their effect on the Council's holdings of cash. Neither the Balance Sheet nor the Cashflow Statement required direct amendment to comply with the SORP.

2008/09 was a year of unprecedented economic shocks and one that it is likely to take the public finances and the banking sector many years to recover from. What were regarded as some of the most stable and dependable financial institutions have now either gone bankrupt or ended up in state ownership. The world economy is in the deepest recession for decades and governments around the world have indulged in vast spending programmes to try and provide some form of stimulus. Councils do not exist in a vacuum and the "Credit Crunch" has impacted this authority in a number of significant ways.

As global capital markets froze and banks struggled for liquidity the Icelandic banking sector collapsed. In common with many banks, building societies, charities, other local authorities and the Audit Commission, the Council has deposits that have been effected. Heritable Bank was registered and regulated in this country but because of the Government's concerns that the Icelandic parent company may have sought to repatriate assets to Iceland, the Financial Services Authority moved to place Heritable in administration.

In accordance with the Council's Treasury Management Policy and credit rating requirements, £2.5m had been invested with Heritable. These deposits are now part of the administration being conducted by Ernst and Young. The creditor progress report dated 17 April 2009 projected a return to creditors of 80p in the £ by the end of 2012. The authority has therefore decided to recognise an impairment based on recovering 80p in the £. In view of the overall uncertainty about the timing and ultimate levels of recovery from the various administrations, the Government has encouraged authorities to postpone until 2010-11 the impact on budget calculations of the impairments. The Financial Instruments Adjustment Account was set up for this purpose and further information is provided later in the notes to these accounts.

The recession has seen a dramatic reduction in property values and, following from that, a similarly dramatic reduction in the volume of property transactions. Impairment reviews have been conducted on the Council's properties and net book values have been reduced by £129 million, reflecting a general fall in value of approximately 20% during the year. Although this has had an impact on the Council's Balance Sheet changes in asset values are not taken into account when setting the Council Tax. The more practical impacts of the slow down in the property market are that disposals of surplus land have been suspended and that the number of Council house sales for the year has fallen to 7, from 28 and 46 in the two previous years.

A number of the Council's significant income streams are property related and these have suffered mixed fortunes during the year. The area that has seen the greatest fall has been Local Land Charges, with income down £250,000. A ring-fenced account is maintained for Building Control which is required to break even over a three year rolling period. To try and keep this account in balance the use of consultants has been reduced and fees have been increased by 8% for 2009/10. The other significant income source linked to the property market is Development Control, which has held up surprisingly well so far. The income from planning that has been hit is the developer contributions (known as section 106 agreements), as development schemes become less profitable new contributions are increasingly difficult to obtain and some developers are seeking to renegotiate existing agreements.

A worsening economic climate not only reduces the Council's income but also increases expenditure with higher demand for many services, for example claims for Housing and Council Tax Benefit are up 25% and enquiries to the Council's homelessness service have also increased. As people and businesses have less money it also becomes harder to collect both Council Tax and Non-Domestic Rates.

The largest liability on the Council's Balance Sheet is in respect of the pension fund. This has reduced slightly in the year from £43.4 million to £41.5 million. Even though the recession has seen the assets of the scheme fall 20% in value, changes in the actuarial assumptions used have reduced the projected liabilities by slightly more. The inclusion of this amount in the Balance Sheet shows the extent of the authorities liability if the pension fund was to close on 31 March 2009. 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 surplus of £541,000 has been exceeded and the actual surplus was £727,000. In contrast the Housing Revenue Account has a deficit of £120,000, slightly worse than the revised estimate of £22,000. 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 2008/09.

## General Fund

The table below summarises the revenue outturn for the General Fund and the consequential movement in balances for 2008/09.

<b>General Fund</b>	<b>Original Estimate £000</b>	<b>Revised Estimate £000</b>	<b>Actual Spend £000</b>	<b>Variance from Original £000</b>	<b>Variance from Revised £000</b>
Net Expenditure after Adjustments	16,828	16,506	16,320	(508)	(186)
Government Grants and Local Taxation	17,047	17,047	17,047	-	-
<b>(Contribution to)/from Balances</b>	<b>(219)</b>	<b>(541)</b>	<b>(727)</b>	<b>(508)</b>	<b>(186)</b>
Opening Balances - 1/4/08	(7,462)	(7,462)	(7,462)	-	-
(Contribution to)/from Balances	(219)	(541)	(727)	(508)	(186)
<b>Closing Balances - 31/3/09</b>	<b>(7,681)</b>	<b>(8,003)</b>	<b>(8,189)</b>	<b>(508)</b>	<b>(186)</b>

Net expenditure for 2008/09 totalled £16.320 million, which was £508,000 (3.1%) below the original estimate and £186,000 (1.1%) below the revised. When compared to a gross expenditure budget of approximately £66 million, the variances can be restated as 0.8% and less than 0.3% respectively.

An analysis of the changes between Continuing Services Budget (CSB) and District Development Fund (DDF) expenditure illustrates where the main variances in revenue expenditure have occurred.

<b>General Fund</b>	<b>Original Estimate £000</b>	<b>Revised Estimate £000</b>	<b>Actual Spend £000</b>	<b>Variance from Original £000</b>	<b>Variance from Revised £000</b>
Opening CSB	17,172	16,909	16,748	(424)	(161)
In Year Growth	1,085	1,243	1,231	146	(12)
In Year Savings	(1,429)	(1,646)	(1,659)	(230)	(13)
<b>Total Continuing Services Budget</b>	<b>16,828</b>	<b>16,506</b>	<b>16,320</b>	<b>(508)</b>	<b>(186)</b>
DDF - Expenditure	1,600	2,187	1,873	273	(314)
DDF - One Off Savings	(522)	(1,944)	(2,079)	(1,557)	(135)
<b>Total DDF</b>	<b>1,078</b>	<b>243</b>	<b>(206)</b>	<b>(1,284)</b>	<b>(449)</b>
Appropriations	(1,078)	(243)	206	(1,284)	(449)
<b>Net Expenditure</b>	<b>16,828</b>	<b>16,506</b>	<b>16,320</b>	<b>(508)</b>	<b>(186)</b>

## **Continuing Services Budget**

CSB expenditure was £508,000 below the original estimate and £186,000 lower than the revised. The variances have arisen on both the opening CSB, £161,000 lower than the revised estimate and the in year figures, £25,000 lower than the revised estimate.

In common with recent years salary savings make up a large proportion of the saving on the opening CSB. Actual salary spending for the authority in total, including agency costs, was some £19.061 million compared against an original estimate of £19.397 million. Most of this saving fell on the General Fund with the Planning Directorate (£161,000) seeing the largest underspend, with the post of Assistant Head with responsibility for forward planning proving particularly difficult to fill. The remaining savings on the opening CSB are made up of additional car parking and industrial estate rental income, whilst savings on abandoned vehicle expenditure have been offset by a Housing Benefits subsidy adjustment relating to 2007/08.

Additional in year CSB savings were sought in compiling the revised estimates and consequently the anticipated net saving rose from £344,000 to £403,000. The actual in year saving exceeded the revised estimate by £25,000 due to a combination of several small variances. The largest increase in income was an additional £30,000 of MOT income from Fleet Operations, although this was balanced out by a reduction in tipping away payments. Overall the CSB outturn was very close to the revised estimates and the net variance of £186,000 is the smallest for many years.

## **District Development Fund**

Net DDF expenditure was £1,284,000 below the original estimate and £449,000 below the revised. There are requests for carry forwards totalling £280,000 and therefore the variation actually equates to a £169,000 net under spend on the DDF items undertaken. These one-off projects are akin to capital, in that there is regular slippage and carry forward of budgetary provision. Therefore the only reasonable variance analysis that can be done is against the revised position.

The net DDF spend decreased between the Original and Revised position by some £835,000, this was due to a mixture of items brought forward from 2007/08 and new items identified during 2008/09. The two major items in the latter category being in relation to additional investment income of £264,000 and the transfer of the surplus balance on the Insurance Fund of £460,000 to the DDF. There were also substantial rephasing of the funds allocated to the Local Development Framework into 2009/10 and 2010/11.

Two portfolios saw variations in excess of £100,000 on their DDF when compared to the revised estimate. Finance and Performance Management saw an overspend of £156,000. There are two main elements to this. The collection of some Council Tax court costs originally expected in 2008/09 will now occur in 2009/10, the shortfall in income of approximately £100,000 has been transferred into 2009/10 to match the expected income levels in 2009/10. The second item relates to the inclusion in the accounts of a provision for outstanding insurance excesses at 31 March 2009. The effect of this is to reduce the expected transfer from the Insurance Fund to the DDF by £117,000. There were a number of other offsetting variances that reduced the effect of these items. Corporate Support and ICT saw an underspend of £199,000 much of which relates to delays in the planned building maintenance programme and accommodation changes due to the restructure. These amounts have been carried forward.

The appropriation of additional income items was higher than expected. The revised estimate was based on additional investment interest attributable to the General Fund of £264,000, in the event this figure was £70,000 higher at £334,000. The Local Authority Business Growth Incentive Scheme provided additional income of £164,000, this had not been included in the revised estimate as there was considerable uncertainty surrounding whether an allocation would be given. This money has been put into the DDF balance but as yet has not been allocated to anything specific.



## Appropriations

The only variation on appropriations arise from the under spend on the DDF.

## Housing Revenue Account

The table below summarises the revenue outturn for the Housing Revenue Account.

<b>Housing Revenue Account</b>	<b>Original Estimate £000</b>	<b>Revised Estimate £000</b>	<b>Actual Spend £000</b>	<b>Variance from Original £000</b>	<b>Variance from Revised £000</b>
Revenue Expenditure	14,208	14,151	14,157	(51)	6
HRA Subsidy Payable	10,842	10,842	10,917	75	75
Depreciation	8,654	9,175	9,309	655	134
<b>Total Expenditure</b>	<b>33,704</b>	<b>34,168</b>	<b>34,383</b>	<b>679</b>	<b>215</b>
Gross Dwelling Rents	24,430	24,506	24,473	43	(33)
Other Rents and Charges	4,336	4,489	4,494	158	5
<b>Total Income</b>	<b>28,766</b>	<b>28,995</b>	<b>28,967</b>	<b>201</b>	<b>(28)</b>
<b>Net Cost of Service</b>	<b>4,938</b>	<b>5,173</b>	<b>5,416</b>	<b>478</b>	<b>243</b>
Interest and Other Transfers	2,020	2,186	2,083	63	(103)
Transfer from Major Repairs Reserve	4,051	4,557	4,691	640	134
<b>Net Operating Income</b>	<b>(1,133)</b>	<b>(1,570)</b>	<b>(1,358)</b>	<b>(225)</b>	<b>212</b>
<b>Appropriations</b>					
Capital Expenditure Charged to Revenue	1,135	1,439	1,452	317	13
Other	16	153	26	10	(127)
<b>Deficit/(Surplus) for Year</b>	<b>18</b>	<b>22</b>	<b>120</b>	<b>102</b>	<b>98</b>
Opening Balance - 1/4/08	(6,201)	(6,201)	(6,201)	-	-
Deficit/(Surplus) for year	18	22	120	102	98
<b>Closing Balance - 31/3/09</b>	<b>(6,183)</b>	<b>(6,179)</b>	<b>(6,081)</b>	<b>102</b>	<b>98</b>

A deficit within the HRA of £18,000 and £22,000 was expected within its original and revised revenue budgets respectively; the actual deficit was higher than both at £120,000. The two main reasons for this are the substantial increases in utility costs and an adjustment to the 2007/08 Housing Subsidy figure that was only agreed late in 2008/09.

The RCCO figure is only slightly higher than the revised estimate as the slippage in the capital programme has been used to maintain the balance available on the Major Repairs Reserve. This is shown in the following section covering the Capital Outturn, where it can be seen that the balance on the Major Repairs Reserve has only reduced marginally from £7.3 million to £6.9 million.

The higher than anticipated deficit is not large enough to cause concern. The balance of £6.081 million is still much higher than the target balance of between £3 million and £4 million agreed by Cabinet when considering the most recent HRA five-year forecast.

## **Capital Outturn**

The table below summarises the capital expenditure outturn and its financing for 2008/09.

<b>Capital Expenditure and Financing</b>	<b>Original Estimate £000</b>	<b>Revised Estimate £000</b>	<b>Actual Spend £000</b>	<b>Variance from Original £000</b>	<b>Variance from Revised £000</b>
Non-Housing	4,932	2,972	2,020	(2,912)	(952)
Housing	10,892	9,928	8,454	(2,438)	(1,474)
<b>Total Expenditure</b>	<b>15,824</b>	<b>12,900</b>	<b>10,474</b>	<b>(5,350)</b>	<b>(2,426)</b>
Grants	807	1,022	1,325	518	303
Capital Receipts	6,232	3,721	2,689	(3,543)	(1,032)
Revenue Contributions	8,785	8,157	6,460	(2,325)	(1,697)
<b>Total Financing</b>	<b>15,824</b>	<b>12,900</b>	<b>10,474</b>	<b>(5,350)</b>	<b>(2,426)</b>

The table identifies a net underspend against the revised estimate of £2,426,000, some of which has been established as genuine savings. However, the majority represents slippage and expenditure has therefore currently been re-phased into 2009/10.

The main areas of slippage on non-housing items were Bobbingworth Tip (£254,000) and works on the civic offices (£102,000). These were partially balanced by schemes that required amounts to be brought forward as they had been implemented ahead of schedule, the main item here being the Loughton Broadway Town Centre Enhancement (£72,000). On the housing programme the greatest slippage was on the Springfields improvement scheme (£1,148,000) and communal TV upgrades (£166,000). The items ahead of schedule and brought forward in the housing programme were private sector grants (£70,000) and heating/rewiring works (£63,000).

Council house sales fell to their lowest level in recent years with only 7 sales taking place in the year. This had been anticipated following the reduction in 2007/08 to 28 from the total of 46 sold in 2006/07. There were no significant land sales in 2008/09 and none are anticipated until market conditions improve. Even with the reduced level of sales, the Council has substantial capital resources available to it and given the level of these the Council is likely to remain debt free for the foreseeable future. The movements in capital resources are set out in the tables:

	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
<b>Usable Capital Receipt Balances</b>					
<b>Opening Balance - 1/4/08</b>	<b>25,877</b>	<b>26,823</b>	<b>26,823</b>	<b>946</b>	<b>-</b>
Usable Receipts Arising	831	227	281	-550	54
Use of Transitional Relief Receipts	0	(500)	(500)	-500	0
Use of Other Capital Receipts	(6,232)	(3,221)	(2,285)	3,947	936
<b>Closing Balance - 31/3/09</b>	<b>20,476</b>	<b>23,329</b>	<b>24,319</b>	<b>3,843</b>	<b>990</b>

	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
<b>Major Repairs Reserve</b>					
<b>Opening Balance - 1/4/08</b>	<b>6,184</b>	<b>7,290</b>	<b>7,290</b>	<b>1,106</b>	<b>-</b>
Major Repairs Allowance	4,618	4,618	4,618	-	-
Use of MRR	(7,650)	(6,718)	(4,989)	2,661	1,729
<b>Closing Balance - 31/3/09</b>	<b>3,152</b>	<b>5,190</b>	<b>6,919</b>	<b>3,767</b>	<b>1,729</b>

## THE FUTURE

It has already been stated above that the Council does not operate in a vacuum and the key questions looking forward are how soon will the economy recover and at what pace? If there is no sustained recovery for some time then the assumptions about key property related income streams will need to be amended. Similarly the scale and nature of some other services will need to change to reflect different and increased demands from residents. The evidence of recovery remains unclear with contradicting trends in house prices and retail sales so there is little point in attempting to amend financial models at this time.

A major concern for 2011/12 and beyond is the next Comprehensive Spending Review (CSR). The Government's current position is that it will honour the existing CSR grant figures and so the 0.5% (£47,000) increase for 2010/11 is still anticipated. However, given the overall state of the public finances it is likely that grant reductions will be the norm for the following CSR period. The current Medium Term Financial Strategy assumed the removal of floor support but increases of 1% in base grant, this assumption will be revisited and revised downwards at the time of the Financial Issues Paper.

A major change in service took place with concessionary fares from 1 April 2008. From this date the restriction on travel outside the district or scheme boundaries was lifted so that people over 60 and the disabled are able to travel free on any local bus across England. The Government has announced specific grants throughout the CSR which they claim in total are adequate to fund these changes. However, it appears that there are winners and losers from this system and to minimise the financial risk Essex districts have reached an agreement whereby Essex County Council has taken over the strategic co-ordination of the scheme. Whilst this has reduced the risk to the end of 2010/11, with the new CSR the responsibility and grant is likely to transfer above the district level and this will necessitate a major reworking of the grant formulae. In the past major amendments to the grant formulae have tended to hinder rather than help this authority.

Work with the new long-term waste management contractor will continue to amend and improve service provision. A major enhancement is planned for late autumn with a second wheeled bin replacing the existing sack based system for the collection of green waste. Essex County Council are providing financial assistance for this change of service and further developments are likely to follow with the implementation of the Joint Waste Management Strategy.

Given the above, it is clear that 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 £8.189 million to £4.531 million by the end of 2012/13.

Cabinet approved an updated five-year forecast for the Housing Revenue Account on 9 March 2009. Members agreed that HRA balances should be maintained within the range of £3 to £4 million, which is significantly lower than their current level of £6.081 million. In order to achieve the desired reduction additional revenue contributions to capital outlay have been planned. There is still a considerable capital programme for the HRA and the next four years will see a spend in excess of £29 million, inclusive of amounts carried forward from 2008/09. It is anticipated that the financial strength of the HRA should allow the Decent Homes Standard to be achieved ahead of the Government target of 2010.

The four-year programme of non-housing capital investment totals over £13 million, again inclusive of amounts carried forward from 2008/09. Corporate Support Services and ICT have the largest programme, with some £4.4 million being spent. Of which £2.1 million is available for the Customer Services Transformation Programme and £1.4 million for IT projects. The other major projects in the programme include £1.9 million for waste management equipment and £1.6 million for the Loughton Broadway town centre enhancement.

The Council's financial strength has meant its response to the "Credit Crunch" could be more measured than many other authorities that have rushed to cut jobs and services. This foreword has highlighted that despite the difficulties encountered in 2008/09 the Council has increased the considerable revenue resources at its disposal and capital resources remain higher than originally estimated. However, there is likely to be a poor grant settlement for the next CSR and financial pressures are likely in areas such as benefit administration, waste management and concessionary fares. When the Medium Term Financial Strategy is revisited savings targets will need to be increased and over the coming years every area of service will have to strive for efficiencies to ensure the Council remains in a sound financial position.

**Robert Palmer BA ACA**  
**Director of Finance & ICT**

## **STATEMENT OF ACCOUNTING POLICIES**

### **1. GENERAL PRINCIPLES**

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain 2008. The Code of Practice has been developed by the CIPFA/LASAAC Joint Committee in accordance with the Accounting Standards Board's code of practice for the development of Statements of Recommended Accounting Practice (SORPs).

The Code of Practice is based on approved accounting standards and the requirements of the latest Urgent Issue Task Force's Abstracts extant at 1 October 2008, except where these are inconsistent with specific statutory requirements, and supersedes previous Codes of Practice. The Code of Practice constitutes a 'proper accounting practice' under the terms of section 66(4) of the Local Government and Housing Act 1989.

### **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.

### **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 is determined.

### **4. FIXED ASSETS**

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed 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 fixed assets, which is charged direct to service accounts.

Fixed assets were originally valued and recorded in the accounts as at 1 April 1994. These valuations were based upon certificates issued by the Councils' 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 Beacon Properties 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 for the 1 April 2005 valuation. Other assets are revalued as part of the Councils' rolling programme under which assets are revalued over five years by District Valuer J Featherby MRICS and the Councils Principal Valuer and Estates Surveyor.

If an impairment occurs and has been caused by the consumption of economic benefits then this is recognised in the Income and Expenditure account in the year when the impairment occurs. However where this loss of value is due to conditions other than the consumption of economic benefits this 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.

## STATEMENT OF ACCOUNTING POLICIES

If the value of the impairment exceeds the revaluation amount relating to that asset already residing in the revaluation reserve then the difference is treated in the same way as for impairments due to the consumption of economic benefits. The valuations are based upon the facts and evidence prevailing at the date of valuation. The latest valuation date is 1 April 2008 for Council dwellings and garages. However since 31 March 2009 the Council has received the valuation as at 1 April 2009 and given the prevailing economic situation and related fall in property prices generally this information has been used to calculate the impairment to those fixed assets.

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). Infrastructure assets and community assets are included in the balance sheet at written down historical cost. Council dwellings have been included in the balance sheet at their open market value in existing use for social housing.

Fixed 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	20 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 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 1, Page 12).

## **STATEMENT OF ACCOUNTING POLICIES**

Where a fixed asset has been disposed of, the profit or loss on disposal is applied to the Income and Expenditure Account 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 Statement of Movement on General Fund Balance to neutralise the effect on the General Fund of the entry in the Income and Expenditure Account. Upon disposal, any valuation gains relating to those assets since 1 April 2007 are written off against the Revaluation Reserve with the remainder being written off against the Capital Adjustment Account. (See Note 27 & 28, Pages 25 & 26).

### **5. DEPRECIATION**

In accordance with the provisions of FRS 15, 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.

### **6. 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 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.

### **7. CAPITAL EXPENDITURE CHARGED TO REVENUE**

The Local Government and Housing Act 1989 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.

### **8. REVENUE EXPENDITURE CHARGED TO CAPITAL UNDER STATUTE**

Revenue expenditure charged to 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 Statement of Movement on General Fund Balance and charged against the Capital Adjustment Account so has no overall effect on the Council Tax nor the General Fund. The relevant comparatives have been restated in the accounts.

The Council has also obtained capitalisation directions for additional pension contributions made during 2008/09 of £662,139 (General Fund) and £310,451 (Housing Revenue Account). These amounts have been charged to a reserve that was specifically established for this purpose.

### **9. REVALUATION RESERVE/CAPITAL ADJUSTMENT ACCOUNT**

The Revaluation Reserve contains upward revaluation 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 first with the remainder if applicable being charged to the Capital Adjustment Account after being passed through the Income and Expenditure Account and the Statement of Movement on General Fund Balance.

## **STATEMENT OF ACCOUNTING POLICIES**

### **10. INVESTMENTS**

Investments are accounted for in accordance with FRS 26, FRS 27 and FRS 29. 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 LAAP Bulletin 82 which was issued to provide guidance relating specifically to this situation.

### **11. STOCKS AND STORES**

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.

### **12. 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 FRS 5. 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 debts outstanding at 31 March. An appropriate provision is made for any bad debts/losses that are anticipated. An analysis of size and type of debts 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.

### **13. 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 council house sales and 50% 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. Transitional arrangements whereby debt free authorities could retain some of the poolable receipts ended in 2006/07. The amount that remains with the Council is credited to Usable Capital Receipts Reserve and is therefore available to fund capital expenditure.

### **14. GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS**

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other capital contribution, the amount of the grant or contribution is credited initially to the Capital Contributions Deferred Account. Amounts are released to the Income and Expenditure Account over the useful life of the asset, to match the depreciation of the asset to which it relates (See Note 25, Page 24). Grants and contributions towards revenue expenditure funded from capital under statute are written out directly to the relevant heading within the revenue account. Grants and subsidies have been credited to the appropriate revenue and capital accounts and accruals have been made for balances known to be receivable for the year to 31 March 2009.



## **STATEMENT OF ACCOUNTING POLICIES**

### **15. 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.

### **16. PROVISIONS**

The Council sets aside provisions for specific future expenses or losses, resulting from past events which are likely or certain to be incurred, but uncertain as to the amount or the dates on which they will arise. This includes an insurance excess provision and a provision for bad and doubtful debts (Note 19, Page 23).

### **17. 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 fund balances and reserves are reviewed periodically as to their size and appropriateness.

### **18. 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.

### **19. 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 2008/09.

### **20. 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 activities accounts for less than 5% of total VAT on all the Council's activities. The partially exempt proportion for 2008/09 was 1.87% (2.42% 2007/08).

HMRC have previously agreed the Council's method of calculation.

### **21. LEASES**

Finance Leases : The Council has no agreements that fall to be treated as finance leases.

Operating Leases : The Council has a variety of assets under operating leases, including vehicles, vending machines and printing equipment. 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.

## **STATEMENT OF ACCOUNTING POLICIES**

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 HRA shops, 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.

## THE INCOME & EXPENDITURE ACCOUNT

CONSOLIDATED EXPENSES	Note	2008/09		2007/08	
		Gross Expend £000	Income £000	Net Expend £000	Net Expend £000
<b>Continuing Operations</b>					
Central Services	1/2/4/7	11,886	9,080	2,806	1,661
Corporate and Democratic Core	1/2/3	2,973	0	2,973	2,832
Cultural Related	1	4,687	492	4,195	3,841
Environmental Services	1/5	9,712	1,576	8,136	8,914
Highways and Transport	1/6	2,534	2,092	442	680
Housing	1	31,896	28,853	3,043	1,059
Planning & Development	1/8	4,453	1,451	3,002	2,981
Past Service Settlement/Gain		0	0	0	616
Housing Revenue Account		61,866	28,781	33,085	1,952
<b>NET COST OF SERVICES</b>		<b>130,007</b>	<b>72,325</b>	<b>57,682</b>	<b>24,536</b>
(Gain)/Loss on disposal of fixed assets				(301)	(9)
Precepts paid to Parish Councils				2,830	2,787
Total Net (Surplus)/Deficit from Trading Operations	9			170	(1,453)
Interest payable and similar charges				51	61
Housing Capital Receipts Pool				728	2,588
Interest and Investment Income				(3,600)	(3,630)
Impairment of Investments				794	0
Pensions Interest/Return on Investments				2,266	587
<b>TOTAL NET OPERATING EXPENDITURE</b>				<b>60,620</b>	<b>25,467</b>
<b>AMOUNT TO BE MET FROM GOVERNMENT GRANTS &amp; LOCAL TAXPAYERS</b>					
Receipts from the Collection Fund				(10,555)	(10,285)
Transfers to / (from) the Collection Fund				(48)	(1)
Revenue Support Grant				(1,414)	(1,835)
Distribution from the Non-Domestic Rate Pool				(8,183)	(7,845)
<b>DEFICIT FOR YEAR</b>				<b>40,420</b>	<b>5,501</b>

## STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

The Income and Expenditure Account shows the councils actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However the authority is required to raise council tax on a different accounting basis, the main differences being:

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

The General Fund Balance compares the Councils' spending against the council tax 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 Income and Expenditure Account and the General Fund Balance.

	Note	2008/09 £'000s	2007/08 £'000s
<b>INCREASE IN THE GENERAL FUND BALANCE</b>			
Deficit for the year on the Income and Expenditure Account		<b>40,420</b>	<b>5,501</b>
Net additional credits	13	<b>(41,147)</b>	<b>(6,202)</b>
		<hr/>	<hr/>
Surplus for the year		<b>(727)</b>	<b>(701)</b>
General Fund Balance brought forward		<b>(7,462)</b>	<b>(6,761)</b>
		<hr/>	<hr/>
General Fund Balance carried forward		<b>(8,189)</b>	<b>(7,462)</b>
		<hr/> <hr/>	<hr/> <hr/>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits (Note 37, page 29). Other gains and losses are made up of the change in the collection fund balance which represents the amount attributable to this Council, the change in value of deferred capital receipts under the rents to mortgages scheme and losses as a result of an in-year restatement of housing stock valuations.

	<b>31 March 2009</b> <b>£000</b>	<b>31 March 2008</b> <b>£000</b>
Deficit for the year on the Income and Expenditure Account	<b>(40,420)</b>	<b>(5,501)</b>
Surplus/(deficit) arising on revaluation of Fixed Assets	<b>(46,308)</b>	<b>53,034</b>
Actuarial gains/(losses) on Pension Fund Assets/Liabilities	<b>3,034</b>	<b>(14,583)</b>
Other gains/(losses)	<b>(353)</b>	<b>(4,287)</b>
	<hr/>	<hr/>
<b>Total recognised gains and losses</b>	<b>(84,047)</b>	<b>28,663</b>
	<hr/> <hr/>	<hr/> <hr/>

**BALANCE SHEET**

	Note	31 March 2009		31 March 2008	
		£000	£000	£000	£000
<b>LONG TERM ASSETS</b>					
Fixed Assets	14		604,569		686,142
Intangible Assets	15		711		366
Investments	16		15,553		10,403
Long Term Debtors	17		1,791		2,161
<b>TOTAL LONG TERM ASSETS</b>			<b>622,624</b>		<b>699,072</b>
<b>Current Assets</b>					
Stocks and Work in progress	18	272		281	
Debtors	19	5,909		7,211	
Short Term Temporary Investments	20	41,323		47,873	
Cash at Bank and in Hand		1,340	48,844	2,375	57,740
<b>Current Liabilities</b>					
Provisions		(111)		0	
Creditors and Prepayments	22	(11,441)		(11,131)	
Bank Overdraft		0	(11,552)	(188)	(11,319)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>659,916</b>		<b>745,493</b>
Deferred Revenue Income	24		(536)		(544)
Pensions Liability	37		(41,547)		(43,416)
Unapplied Capital Contributions	25		(226)		(165)
Capital Contributions Deferred	26		(4,286)		(4,000)
<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>613,321</b>		<b>697,368</b>
<b>RESERVES</b>					
Revaluation Reserve	27		3,654		49,742
Capital Adjustment Account	28		595,892		631,319
Capital Receipts Reserve	29		24,319		26,823
Pensions Reserve	37		(41,547)		(43,416)
Major Repairs Reserve	9(HRA)		6,919		7,290
Earmarked Reserves	30		9,291		10,310
Revenue Balances	31		14,246		13,699
Deferred Capital Receipts	32		1,258		1,601
Financial Instruments	33		(711)		0
			<b>613,321</b>		<b>697,368</b>

I certify that the Statement of Accounts presents fairly the financial position of Epping Forest District Council as at 31 March 2009, and its income and expenditure as at that date.

ROBERT PALMER BA ACA  
DIRECTOR OF FINANCE AND ICT

June 30 2009

## THE CASH FLOW STATEMENT

		31 March 2009		31 March 2008	
	Note	£000	£000	£000	£000
<b>REVENUE ACTIVITIES</b>					
Out	Cash paid to and on behalf of Employees	22,443		20,253	
	Other Operating Cash Payments	27,546		22,779	
	Housing Benefit Paid Out	13,873		12,298	
	National Non-Domestic Rate Payments to National Pool	27,928		28,309	
	Precepts Paid	69,628		66,235	
	HRA Subsidy payable	10,917		8,842	
	Payments to Capital receipts Pool	1,007		3,096	
			173,342		161,812
In	Rents (after Rebates)	18,211		17,892	
	Council Tax Receipts	69,181		66,341	
	National Non-Domestic Rate Receipts from National Pool	8,183		7,471	
	Non-Domestic Rate Income	29,573		28,734	
	Revenue Support Grant	1,139		1,317	
	DWP Grants for Benefits	36,066		33,809	
	Other Government Grants	45 2,125		1,760	
	Cash Received for Goods and Services	6,602		4,980	
	Poolable Receipts received	728	171,808	2,588	164,892
	Net Cash Flow from Revenue Activities	47	1,534		(3,080)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
Out	Interest Paid		3		48
In	Interest Received		3,517		3,604
	Net Cash Flow from Investments and Servicing of Finance		(3,513)		(3,556)
<b>CAPITAL ACTIVITIES</b>					
Out	Purchase of Fixed Assets	4,080		8,614	
	Purchase of long term investments	5,270		0	
	Other Capital cash Payments	523	9,873	0	8,614
In	Sale of Fixed Assets and Repayment of Mortgages	654		6,957	
	Capital Grants Received	45 237		180	
	Repayments of Long Term Investments	0		3,000	
	Other Capital Cash Income	315	(1,206)	94	(10,231)
	Net Cash Flow from Capital Activities		8,667		(1,617)
<b>MANAGEMENT OF LIQUID RESOURCES</b>					
	Net Increase/(Decrease) in short-term deposits		(5,840)		7,250
<b>FINANCING</b>					
	Repayment of Amounts Borrowed		0		0
	Net (Increase)/Decrease in Cash		847		(1,003)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. OPERATING 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.

	<b>2008/09</b> <b>£`000</b>	<b>2007/08</b> <b>£`000</b>
Cars	311	295
Operational Vehicles	47	55
Printing Equipment	6	6
Vending Equipment	5	5
<b>Total</b>	<b>369</b>	<b>361</b>

The Council is committed to making payments of **£275,000** in 2009/10 made up as follows.

	<b>Land &amp; Buildings</b> <b>£`000</b>	<b>Vehicles &amp; Equipment</b> <b>£`000</b>	<b>Total</b> <b>£`000</b>
<b>Leases expiring in 2009/10</b>	-	65	65
<b>Leases expiring between 2011/12 and 2014/15</b>	-	210	210
<b>Total</b>	<b>-</b>	<b>275</b>	<b>275</b>

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	<b>2008/09</b> <b>£`000</b>	<b>2007/08</b> <b>£`000</b>
<b>Land &amp; Buildings</b>		
Shops	1,640	1,634
Industrial & Commercial	1,006	902
Other	1,400	1,445
<b>Total Rental Receivable</b>	<b>4,046</b>	<b>3,981</b>

Gross Amount of Assets held for use in operating leases.

	<b>2008/09</b> <b>£`000</b>	<b>2007/08</b> <b>£`000</b>
<b>Land &amp; Buildings</b>		
Shops	15,729	16,543
Industrial & Commercial	10,556	11,860
Other	11,963	12,403
<b>Total Assets</b>	<b>38,248</b>	<b>40,806</b>

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 2. PUBLICITY ACCOUNT

Under Section 5 of the Local Government Act 1986, all authorities are required to maintain a memorandum publicity account where expenditure exceeds £3,000. The expenditure on publicity incurred in 2008/09 is shown below.

	<b>2008/09</b> <b>£000</b>	<b>2007/08</b> <b>£000</b>
General Advertising	28	25
Recruitment Advertising	223	85
Council Website	46	103
Other Publicity - including the Council's Forester Magazine	205	186
<b>Total</b>	<b>502</b>	<b>399</b>

### 3. MEMBER ALLOWANCES AND OFFICER REMUNERATION

Member allowances and expenses are shown below.

	<b>2008/09</b> <b>£000</b>	<b>2007/08</b> <b>£000</b>
Allowances	256	223
Expenses	23	23
<b>Total</b>	<b>279</b>	<b>246</b>

The number of employees whose remuneration excluding employers pension contributions was £50,000 or more in bands of £10,000 were:

<b>Remuneration Band</b>	<b>2008/09</b>		<b>2007/08</b>	
	<b>Number of Employees</b>	<b>Left in Year</b>	<b>Number of Employees</b>	<b>Left in Year</b>
£50,000 - £59,999	13	-	9	-
£60,000 - £69,999	-	-	4	-
£70,000 - £79,999	5	-	3	1
£80,000 - £89,999	2	-	-	-
£90,000 - £99,999	-	-	-	-
£100,000 - £109,999	-	-	-	1
£110,000 - £119,999	-	-	-	-
£120,000 - £129,999	-	-	-	-
£130,000 - £139,999	-	-	1	-
£140,000 - £149,999	-	-	-	-
£150,000 - £159,999	1	-	-	-

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 4. AUDIT FEES

The following external audit fees have been paid to the Audit Commission and PKF (UK) LLP.

	<b>2008/09</b> <b>£000</b>	<b>2007/08</b> <b>£000</b>
External audit services in accordance with section 5 of the Audit Commission	167	136
Certification of grant claims and returns under section 28 of the Audit	61	56
<b>Total</b>	<b>228</b>	<b>192</b>

### 5. AGENCY AND CONTRACTED SERVICES

An agency arrangement was entered into between the Council and the Environment Agency in respect of the maintenance of the Critical Ordinary Watercourses (COWS) within the district. Expenditure of £59,000 was incurred during 2008/09 (£68,000 2007/08), which was fully reimbursed.

### 6. LOCAL AREA AGREEMENT (LAA)

The Council is a participant in a LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2008/09 the LAA completed the final year of its three year agreement.

The purpose of the LAA is:

To form an agreement between the Essex Partnership, Essex County Council, Essex's Health Organisations, Fire and Police Services, the Essex Learning and Skills Council, Essex's twelve Local Strategic Partnerships, District and Borough Councils and other local partners including the Community and Voluntary Sector and the Government (represented by Government Office for the East of England), to achieve fourteen 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
- Learning Bodies
- Voluntary Organisations
- Other Organisations

Locally, the Epping Forest Local Strategic Partnership (EFLSP), in which the District Council plays a significant role, is the body responsible for the overall achievement of the aspirations of the LAA in the Epping Forest district. The EFLSP comprises a range of statutory and voluntary agencies that includes West Essex PCT, Essex Police, Fire and Ambulance, the Education and Business Sectors, Essex County Council and Voluntary Action Epping Forest.

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Essex County Council acts as the accountable body for the LAA. This means that they are responsible for the distribution of the grant paid by the Government Office to the partners involved. The total amount of Area Based Grant (ABG) (previously LAA Performance Reward Grant) received by the County in 2008/09 is £1,503,480. The previous LAA pooled funds system was discontinued for 2008/09 and grant is now paid as ABG directly to Districts. The County is redistributing the previous capital element of the pooled grant, which is now in its own ABG grant, back to Crime and Disorder Reduction Partnerships (CDRPs) as a revenue grant allocation for safer and stronger communities.

The Epping Forest CDRP received grant funding of £134,922, which was all for revenue purposes. The Council acts as an agent of the partnership ensuring that grant monies are used in accordance with the wishes of the CDRP as a whole. The only amounts included within the Income and Expenditure account relate to the purchase of a lap top computer and a dome camera for which the Council received grant of £10,000. The Epping Forest District LSP has balances of £106,281 at 31 March 2009. The LSP now has its own dedicated full time Co-ordinator who was appointed in November 2008 and has the role of overseeing the LSP functions.

### 7. SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972 (as amended by the Local Government Act 2000) enables this Local Authority to spend up to £237,500 for the benefit of people in their area on activities or projects not specifically authorised by other powers. Expenditure amounts to £52,087 in 2008/09 (£127,630 in 2007/08). This was expended on grant aid to charities and non profit making bodies.

### 8. BUILDING CONTROL CHARGES

The Council has the ability to set its own scale of charges to recover the proper costs of its Building Control function, under the Building Control Charges regulations. However the Council must not set charges that are designed to make a profit. The gross income and expenditure figures are included under Planning and Development. The cumulative deficit for the three years to 31 March 2009, taken to the Building Control Charging Account is £81,000 (£132,000 in 2007/08). The figures quoted relate only to the chargeable element of Building Control activities.

	2008/09 £000	2007/08 £000
<b>Expenditure</b>		
Employee Costs	303	328
Premises	-	-
Transport	28	18
Supplies & Services	59	84
Central & Support Service charges	216	219
Depreciation	3	2
<b>Total Expenditure</b>	<u>609</u>	<u>651</u>
<b>Income</b>		
Building Regulation Charges	566	621
Other Income	33	-
<b>Total Income</b>	<u>599</u>	<u>621</u>
<b>Surplus/(Deficit) for the Year</b>	<b>(10)</b>	<b>(30)</b>
Balance B/Fwd	(15)	15
Balance C/Fwd	<u>(25)</u>	<u>(15)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. TRADING OPERATIONS

The following gross income and expenditure figures are included on the face of the Income and Expenditure Account. There was a net deficit in 2008/09 due to the impairment of property values in the year.

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
<b>Industrial Estates &amp; Other</b>		
Income	1,006	1,019
Expenditure	1,209	107
<b>(Deficit)/Surplus</b>	<b>(203)</b>	<b>912</b>
<b>North Weald Centre</b>		
Income	1,299	1,389
Expenditure	1,266	848
<b>(Deficit)/Surplus</b>	<b>33</b>	<b>541</b>
<b>Total (Deficit)/Surplus</b>	<b>(170)</b>	<b>1,453</b>

### 10. MINIMUM REVENUE PROVISION (MRP)

The Councils underlying need to borrow as expressed by the Capital Financing Requirement (CFR) is negative at 31 March 2009. As a result no MRP has been made (No MRP made in 2007/08).

### 11. IMPAIRMENT CHARGES

A number of the Council's fixed assets have fallen in value due to the market prices generally declining during the course of the year. Impairments to the value of £128,821,000 have been incurred with £96,963,000 being charged to the Revaluation Reserve and set off against previous upward revaluations to the same assets. Where the revaluation amount relating to that asset has been exceeded an amount of £31,858,000 has been written off against the relevant expenditure headings within the Income and Expenditure Account.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 12. RELATED PARTY TRANSACTIONS

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 by the Council). During 2008/09 the most significant related party transactions have been with government departments and precepting bodies (including parish councils). Details of financial transactions with these bodies are disclosed in the Income and Expenditure Account, Collection Fund and Cash Flow Statement, and associated notes. Other material related party transactions for 2008/09 which are not fully disclosed elsewhere in the Statement of Accounts were as follows and are presented on an accruals basis.

Transactions with organisations related by a declared interest of Council Members or Senior Council Officers. The Councillors noted below are representatives for the Council unless noted otherwise.

	2008/09		2007/08	
	£'s Income	£'s Expenditure	£'s Income	£'s Expenditure
<b>Citizens Advice Bureau</b>		111,060		107,840
Councillor David Bateman     Deputy				
Councillor Kewal Chana				
Councillor Ricki Gadsby				
Councillor Janet Hedges     Deputy				
Councillor Jeanne Lea       Deputy				
<b>Grants to Voluntary Organisations</b>		52,087		127,630
Councillor Kenneth Angold- Stephens				
Councillor Caroline Pond				
<b>Essex Women's Refuge</b>		16,934		16,441
<b>Voluntary Action Epping Forest</b>	10,100	33,170	10,100	32,360
Councillor Janet Hedges				
Councillor Janet Whitehouse				
<b>Epping Forest Crime &amp; Disorder Reduction Partnership</b>	134,922	134,922	143,473	143,358
Councillor Syd Stavrou				
Councillor Mitchell Cohen     Deputy				
<b>Safer Communities Projects</b>		24,770		45,618
<b>Epping Forest Local strategic Partnership</b>		10,000		10,000
Councillor Anne Grigg				
Councillor Diana Collins				
Councillor David Stallan				
<b>Local Government Association</b>		13,486		5,993
Councillor Diana Collins				
Councillor Mary Sartin				

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2008/09		2007/08	
	£'s Income	£'s Expenditure	£'s Income	£'s Expenditure
<b>East of England Local Government Conference</b>		11,300		12,638
<b>Waltham Abbey Tourist Information Centre</b>		15,000		15,000
Councillor Ricki Gadsby				
Councillor John Wyatt				
Councillor Syd Stavrou				
<b>Bed &amp; Breakfast accommodation for the homeless</b>		51,530		44,490
Councillor Jimmy Demetriou. Owner of the Thatched House Hotel, Epping.				
<b>Essex Wild Life Trust</b>		25,530		25,530
Councillor Kenneth Angold- Deputy Stephens				
Councillor Robert Church				
Councillor Anne Grigg				
Councillor Stephen Murray				
Councillor Haluk Ulkun Deputy				
<b>Essex Police - Community Support</b>		82,750		81,000
<b>Metloc Printers Ltd</b>		-		2,850
<b>Town Centre Partnerships</b>		6,000		6,000
Councillor Kenneth Angold- Stephens				
Councillor Robert Church				
Councillor James Hart				
Councillor Jeanne Lea				
Councillor Stephen Murray				
Councillor Brian Rolfe				
Councillor Haluk Ulkun				
Councillor Lesley Wagland				
Councillor Ricki Gadsby				
Councillor Rodney Barrett				
Councillor Peter House				
Councillor Tom Richardson				
Councillor Pat Richardson				
Councillor Janet Hedges				

The disclosure note has been prepared using the Council's Register of Members Declarations of interest & appointments made by the Council in addition to a specific declaration obtained in respect of related party transactions. The Council has prepared this disclosure in accordance with its current interpretation and understanding of FRS8 and its applicability to the public sector.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

There are some items that appear within the Income and Expenditure Account that should not be taken into account when determining the budget requirement and level of Council Tax. Depreciation charges are a proper charge to the Income and Expenditure Account but cannot be charged to the Councils General Fund. Similarly some items can be charged to the General Fund but are excluded from the Income and Expenditure Account, capital expenditure can be charged to the General Fund but the Income and Expenditure Account excludes all capital expenditure. The statement shows the debit or credit required to bring the surplus or deficit on the Income and Expenditure Account to the actual change in the General Fund balance.

	<b>2008/09</b> <b>£ '000's</b>	<b>2007/08</b> <b>£ '000's</b>
<b>AMOUNTS TO BE EXCLUDED</b>		
Reversal of General Fund Depreciation	<b>(1,566)</b>	<b>(1,343)</b>
Excess of depreciation charged to HRA services over the MRA element of Housing Subsidy	<b>(4,728)</b>	<b>(3,879)</b>
Impairment of Fixed Assets	<b>(31,858)</b>	-
Impairment of Investments	<b>(711)</b>	-
Net gain/(loss) on disposal of fixed assets	<b>301</b>	<b>9</b>
Revenue expenditure charged to Capital under statute	<b>(1,230)</b>	<b>(740)</b>
Grants released	<b>171</b>	<b>119</b>
Net charges made for retirement benefits in accordance with FRS17	<b>(4,792)</b>	<b>(3,708)</b>
	<u>          </u> <b>(44,413)</b>	<u>          </u> <b>(9,542)</b>
<b>AMOUNTS TO BE INCLUDED</b>		
Employers contributions payable to the pension fund	<b>3,627</b>	<b>3,577</b>
Less Capital direction received	<u>      <b>(973)</b></u>	<u>      <b>(999)</b></u>
	<b>2,654</b>	<b>2,578</b>
Leaseholder Contributions	<b>131</b>	-
Capital expenditure charged to Revenue	<b>1,471</b>	<b>2,628</b>
Transfer from usable capital receipts equal to the amount payable into the Housing Receipts Pool	<u>      <b>(728)</b></u>	<u>      <b>(2,588)</b></u>
	<b>3,528</b>	<b>2,618</b>
<b>TRANSFERS</b>		
Transfers of surplus/(deficit) for the year on Housing Revenue Account	<b>(120)</b>	<b>569</b>
Transfer from Housing repairs reserve	<b>327</b>	<b>460</b>
Transfer to/(from) other reserves	<b>(469)</b>	<b>(307)</b>
	<u>      <b>(262)</b></u>	<u>      <b>722</b></u>
	<u>      <b>(41,147)</b></u>	<u>      <b>(6,202)</b></u>

NOTES TO THE CORE FINANCIAL STATEMENTS

14. MOVEMENT OF TANGIBLE FIXED ASSETS

	OPERATIONAL PROPERTIES					NON-OPERATIONAL PROPERTIES			Total
	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Investment Properties	Surplus Assets	WIP Assets	
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value									
31 March 2008	627,750	45,312	16,482	12,522	2,327	40,289	691	1,256	746,629
Reclassified	-	(140)	-	1,393	-	-	-	(1,253)	-
Restated	(51,617)	-	-	-	-	-	-	-	(51,617)
Re-valued	51,275	20	-	-	-	-	-	-	51,295
1 April 2008	627,408	45,192	16,482	13,915	2,327	40,289	691	3	746,307
Revalued in year	-	-	-	-	-	1,146	144	-	1,290
Additions	4,965	7	1,658	262	285	7	-	918	8,102
Disposals	(647)	(20)	(27)	-	-	-	-	-	(694)
Impairment	(131,406)	(3,392)	-	-	-	(3,701)	(120)	-	(138,619)
Reclassified in year	-	20	-	-	-	-	-	(20)	(0)
<b>Gross Book Value 31 March 2009</b>	<b>500,320</b>	<b>41,807</b>	<b>18,113</b>	<b>14,177</b>	<b>2,612</b>	<b>37,741</b>	<b>715</b>	<b>901</b>	<b>616,386</b>
Depreciation									
1 April 2008	(49,687)	(3,168)	(4,762)	(2,866)	(4)	-	-	-	(60,487)
Accumulated Depreciation written off	49,687	-	-	-	-	-	-	-	49,687
Reclassified	-	2	-	(2)	-	-	-	-	-
Depreciation in Year	(8,725)	(555)	(1,184)	(387)	-	-	-	-	(10,851)
Depreciation on Assets Sold	9	-	27	-	-	-	-	-	36
Impairment	8,716	1,082	-	-	-	-	-	-	9,798
Depreciation 31 March 2009	-	(2,639)	(5,919)	(3,255)	(4)	-	-	-	(11,817)
<b>Net Book Value 31 March 2009</b>	<b>500,320</b>	<b>39,168</b>	<b>12,194</b>	<b>10,922</b>	<b>2,608</b>	<b>37,741</b>	<b>715</b>	<b>901</b>	<b>604,569</b>
<b>Net Book Value 31 March 2008</b>	<b>578,063</b>	<b>42,144</b>	<b>11,720</b>	<b>9,656</b>	<b>2,323</b>	<b>40,289</b>	<b>691</b>	<b>1,256</b>	<b>686,142</b>

Capital Expenditure on:	£000	Financed by:	£000
Council Dwellings	4,965	Major Repairs	4,989
Plant & Equipt in Council	1,423	Revenue	1,471
Town Centre Enhancements	872	Capital Receipts	1,333
Environmental & Flooding	299	Grants	309
Highways and Footpaths	228		
Vehicles and Equipment	167		
Information	89		
Leisure Facilities	33		
North Weald	19		
Shopping Parades	7		
<b>Total</b>	<b>8,102</b>		<b>8,102</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14. MOVEMENT OF TANGIBLE FIXED ASSETS (CONTINUED)

Fixed assets owned by the Council include the following:

Number as at 31 March

	2009	2008
<b>HRA Properties</b>		
Council Dwellings (including 48 hostel units)	6,592	6,599
Council Garages	2,818	2,817
<b>Operational Land and Buildings</b>		
Civic Offices	1	1
Other Offices	3	3
Sports Centres	3	3
Swimming Pools	1	1
Depots	4	4
Surface Car Parks	16	16
Museum	1	1
Gymnasium	1	1
Plant Nursery	1	1
Playgrounds	18	18
Public Conveniences	2	2
<b>Operational Equipment</b>		
Plant and Vehicles	71	74
<b>Investment Properties</b>		
Commercial Properties	148	148
Industrial Estates	4	4
Recreational Airfield	1	1
Surplus Land Holdings	3	3
<b>Community Assets</b>		
Community Halls	9	9
<b>Capital expenditure and financing</b>		
	<b>31 March</b>	
	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement as at 1 April</b>	(784)	(784)
Capital Investment:		
Fixed Assets	8,102	8,982
Intangibles	405	366
<b>Sources of Finance:</b>		
Capital Receipts	(1,591)	(3,327)
Governments Grants and Other	(456)	(428)
Revenue Provision	(6,460)	(5,593)
<b>Closing Capital Financing Requirement as at 31 March</b>	<u>(784)</u>	<u>(784)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. INTANGIBLE ASSETS

Intangible assets are identifiable assets with no physical substance which are expected to yield future economic benefits to the Council. All expenditure relates to the purchase of software licences. Previous practice was to write these off in the year of purchase. Amortisation of these assets will take place over five years following the year of purchase.

	31 March	
	2009 £000	2008 £000
<b>Balance as at 1 April</b>	366	-
Amounts amortised to Revenue	(60)	-
Expenditure	405	366
<b>Balance as at 31 March</b>	<b>711</b>	<b>366</b>

### 16. INVESTMENTS

The Council's cash investments are fixed term deposits through the money market, and are classified as loans and receivables, as there is a fixed payment of principal and interest due on maturity and they are not quoted in an active market. Accrued interest relating to the investment held is now treated as part of the value of the investment. The Local Government Association Debenture was repaid to the council during 2008/09.

	31 March	
	2009 £000	2008 £000
Long term cash investments	15,000	10,000
Accrued Interest	549	279
Local Government Association Debenture	-	120
Central Government War and Insurance	4	4
<b>Total Long Term Investments</b>	<b>15,553</b>	<b>10,403</b>

### 17. LONG TERM DEBTORS

	31 March	
	2009 £000	2008 £000
Mortgages	85	134
Rents to Mortgages	1,173	1,467
Central Government	-	1
Other Local Authorities - Transferred Debt	533	559
<b>Total Long Term Debtors</b>	<b>1,791</b>	<b>2,161</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. STOCKS AND WORK IN PROGRESS

	31 March	
	2009	2008
	£000	£000
Work in Progress	115	123
Stocks	157	158
<b>Total Stocks</b>	<b>272</b>	<b>281</b>

### 19. DEBTORS AND PREPAYMENTS

	31 March	
	2009	2008
	£000	£000
Amounts falling due in one year		
Government Departments and Other Local Authorities	952	2,581
Council Tax Arrears	3,538	2,904
Non Domestic Ratepayers Arrears	1,096	810
Housing Rent Arrears	844	855
Sundry Debtors	3,381	3,656
Prepayments	384	243
Others	16	4
	<b>10,211</b>	<b>11,053</b>
Less Provision for Bad and Doubtful Debts	(4,302)	(3,842)
<b>Total Debtors</b>	<b>5,909</b>	<b>7,211</b>

### 20. SHORT TERM INVESTMENTS

The Councils short term cash investments are fixed term deposits, there is a fixed or determinable payment of principal and interest and they are not quoted on an active market. Accrued interest relating to the investment held is now treated as part of the value of the investment.

	31 March	
	2009	2008
	£000	£000
Short term cash investments	40,789	47,250
Accrued Interest	534	623
<b>Total Short Term Investments</b>	<b>41,323</b>	<b>47,873</b>

### 21. PROVISIONS

At 31 March 2009 there were a number of insurance claims lodged with the Council's insurers which will potentially lead to the Council incurring insurance excesses to the value of £110,500. A provision has been created within the accounts to meet this liability.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. CREDITORS

	31 March	
	2009 £000	2008 £000
Government Departments and Other Local Authorities	1,149	1,212
Council Tax	1,229	980
Non Domestic Ratepayers	647	242
Housing Rents	211	192
Deferred Income	518	745
Sundry Creditors	2,518	2,913
Accruals	5,169	4,847
<b>Total Creditors</b>	<b>11,441</b>	<b>11,131</b>

Included within creditors is £3,000 (£3,000 in 2007/08) relating to Waltham Abbey Tourist Information Centre and £5,106 (£5,106 in 2007/08) relating to Essex Wildlife Trust, both of which fall within the definition of related parties.

### 23. EXTERNAL BORROWING

The Council has no outstanding loans as the remaining Public Works Loan Board loans were repaid in 2003/04.

### 24. DEFERRED REVENUE INCOME

	31 March	
	2009 £000	2008 £000
Balance as at 1 April	544	861
Cash received	0	(331)
Commuted sums arising	2	25
Amounts applied to the Income and Expenditure Account	(46)	(46)
Interest on Balances	36	35
<b>Total Deferred Revenue Income</b>	<b>536</b>	<b>544</b>

This account contains deferred credits from two sources. Deferred revenue receipts refer to money due from the DCLG for re-instatement grants. Revenue commuted sums relate to monies received for future maintenance and will be written off to revenue over an appropriate period of time.

### 25. UNAPPLIED CAPITAL CONTRIBUTIONS

	31 March	
	2009 £000	2008 £000
Balance as at 1 April	165	377
Contributions arising	428	95
Contributions applied	(378)	(329)
Interest Received	11	22
<b>Balance as at 31 March</b>	<b>226</b>	<b>165</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

These represent unapplied capital resources other than those generated internally, such as section 106 sums received.

### 26. CAPITAL CONTRIBUTIONS DEFERRED

	31 March	
	2009 £000	2008 £000
Balance as at 1 April	4,000	3,686
Grants Receivable	457	433
Written off to Service Accounts	(171)	(119)
<b>Balance as at 31 March</b>	<b>4,286</b>	<b>4,000</b>

The balance on this account represents the value of capital grants and contributions that have been applied to finance the acquisition or enhancement of fixed assets. The balance is released to revenue over the life of the asset taking into account depreciation.

### 27. REVALUATION RESERVE

The Revaluation Reserve replaced the Fixed Asset Restatement Account (FARA) on 1 April 2007. The credit balance that existed on the FARA, was transferred on 31 March 2007 to the newly formed Capital Adjustment Account. The Revaluation Reserve therefore started with a zero opening balance on 1 April 2007. The movement on the Reserve during 2008/09 shows revaluation gains that occurred on 1 April 2008, the reserve has to show only the net value of asset revaluations, therefore an entry between this account and the Capital Adjustment Account needs to be made for the difference between depreciation charged on the revalued assets and that charge which would have applied if the revaluation had not taken place. A further entry has been made to reflect the impairment of Fixed Assets due to the fall in market values generally. When the Assets are impaired the first entry is to reduce the element of the Reserve relating to the asset being impaired. Therefore the balance relates entirely to assets whose value at 31 March 2009 is still higher than when the Reserve was created.

The movements on the Revaluation Reserve in this year are shown below:

	31 March	
	2009 £000	2008 £000
Balance as at 1 April	49,742	-
Revaluations during the year (see also note 14)	52,585	53,034
Restatement	(2)	-
Difference between historic cost and current value depreciation on disposals	(286)	(2,623)
Difference between historic cost and current value depreciation	(1,422)	(669)
Impairment of fixed Assets	(96,963)	-
<b>Balance as at 31 March</b>	<b>3,654</b>	<b>49,742</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28. CAPITAL ADJUSTMENT ACCOUNT

The Capital Financing Account became the Capital Adjustment Account on 31 March 2007. The credit balance on the Fixed Asset Restatement Account (FARA) was transferred here on closure and the account name was amended at that point in time. The Account also contains the amounts that are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to the revenue accounts to repay the principal element of external loans (though the council currently has no loans).

The movements on the Capital Adjustment Account are shown below:

	31 March	
	2009 £000	2008 £000
Balance as at 1 April	631,319	643,144
Minimum Revenue Provision Adjustment:		
Deferred Grants	171	119
Restatement	(1,927)	(4,853)
Depreciation	(10,912)	(9,825)
Disposal of Fixed Assets	(373)	(6,851)
Revenue Expenditure Charged to Capital Under Statute	(1,966)	(1,250)
Capital Financing		
Capital Receipts Applied	2,785	4,064
Revenue Contributions Applied	1,471	2,628
Major Repairs Reserve Applied	4,989	2,968
Difference between historic cost and current value depreciation	1,422	669
Other	771	506
Impairment of Fixed Assets	(31,858)	-
<b>Balance as at 31 March</b>	<b>595,892</b>	<b>631,319</b>

### 29. CAPITAL RECEIPTS RESERVE

	31 March	
	2009 £000	2008 £000
Balance as at 1 April	26,823	26,425
Usable Capital Receipts arising in year	1,009	9,550
Usable Capital Receipts applied in year	(2,785)	(4,064)
Transfer to Pension Deficit Reserve	-	(2,500)
Capital Receipts Pooled	(728)	(2,588)
<b>Balance as at 31 March</b>	<b>24,319</b>	<b>26,823</b>

These are capital receipts that have not yet been used to finance expenditure or repay debt.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 30. EARMARKED RESERVES

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

	<b>1 April</b>		<b>Transfers</b>	<b>31 March</b>
	<b>2008</b>	<b>Transfers in</b>	<b>Out</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Housing Repairs Reserve	3,708	327		4,035
District Development Fund	2,916	206		3,122
Pension Deficit Reserve	2,647		(973)	1,674
Insurance Reserve	981		(481)	500
Debenture Reserve	120		(120)	-
Building Control	(15)		(10)	(25)
On Street Parking	(58)	31		(27)
Museum Fund	5	1		6
Small Loans Fund	6			6
<b>Total Earmarked Reserves</b>	<b>10,310</b>	<b>565</b>	<b>(1,584)</b>	<b>9,291</b>

### 31. REVENUE BALANCES

	<b>31 March</b>	
	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
General Fund	8,189	7,462
Housing Revenue Account	6,081	6,201
Collection Fund	(24)	36
<b>Total Revenue Balances</b>	<b>14,246</b>	<b>13,699</b>

### 32. DEFERRED CAPITAL RECEIPTS

	<b>31 March</b>	
	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Rents to Mortgages	1,173	1,467
Sale of Council Houses	85	134
	<b>1,258</b>	<b>1,601</b>

Rents to mortgages relates to a scheme whereby former tenants of Council houses have purchased a proportion of their property with the remainder being paid, either when the tenant chooses to do so, or on the subsequent sale of that property. Sale of council houses relates to outstanding balances on mortgages held when former tenants purchased their properties in full.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 33. FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £2.5m invested in Heritable bank at that time. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009 outlined that the return to creditors was projected to be 80p in the £ by end of 2012. The authority has therefore decided to recognise an impairment based on it recovering 80p in the £. However, the Government has allowed authorities to postpone until 2010/11 the impact on budget calculations of the impairments required by accounting practice. The Financial Instruments Adjustment Account was set up to defer the impairment until 2010/11 and the breakdown of this account is shown below.

	31 March	
	2009	2008
	£000	£000
Impairment on loan	(794)	-
Impaired Interest for the year	83	-
	<u>(711)</u>	<u>-</u>

### 34. ANALYSIS OF NET ASSETS EMPLOYED

The net assets employed by the Council representing the sum of local taxpayers equity in the Authority is as follows:

	31 March	
	2009	2008
	£000	£000
General Fund	99,104	90,304
Housing Revenue Account	514,217	607,064
<b>Total</b>	<u><b>613,321</b></u>	<u><b>697,368</b></u>

### 35. CAPITAL COMMITMENTS

The Council has entered into two contracts where at 31 March 2009 there remains significant outstanding capital commitments:-

- (1) The Construction of a town centre enhancement scheme at the Broadway in Loughton a commitment of around £1.5 m existed.
- (2) A refurbishment scheme at Springfields, Waltham Abbey a commitment of around £1.3 m existed.

### 36. CONTINGENT GAINS

The Council has a claim for VAT with Customs and Excise relating to off street parking charges resulting from the Isle of Wight tribunal case where it was concluded that off street car parking activities are within article 4.5 and in principle excluded from charges to VAT. The claim amounts to £434,245.20, with a further claim of £1,124,123.92 going back to January 1990. A stand over application is currently with the VAT and Duties Tribunal pending the judgement of the European Court of Justice in the case of the Isle of Wight Council and others.

The Council has a claim with HM Revenue and Customs relating to overdeclared and overpaid output tax for the period 1 April 1973 and 31 July 1994 relating to supplies of sporting services, sports courses of an educational nature, trade and bulky waste income and excess parking charges. The value of the claim is around £1.7 million plus interest.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 37. PENSIONS

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

The Essex County Council Pension 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 authority 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 as at 31 March 2009. The approach to calculating the FRS17 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 FRS purposes. The approach adopted by the Actuary follows the CIPFA guide "Financial Reporting Standard 17 - Calculation Guide for Local Authorities".

The authority 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 the cash payable in the year 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 Income and Expenditure Account during the year.

Under the 2008 SORP the council has adopted the amendment to FRS17, Retirement benefits. As a result quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid-market value. The change in asset values is not considered to be material and the difference of £77,000 between the bid and market values has been deducted from the Actuarial gain/(loss) on assets in 2008/09.

	<b>Essex County Council</b>	
	<b>Local Government</b>	
	<b>Pension Scheme</b>	
	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
<b>Income and Expenditure Account</b>		
<b>Net Cost of Services</b>		
Current Service Cost	(2,518)	(2,231)
Past Service Cost	-	(808)
Curtailement Loss	(8)	(82)
<b>Net Operating Expenditure</b>		
Interest Cost	(7,319)	(5,979)
Expected Return on Assets	5,053	5,392
Net charge made to the Income & Expenditure Account.	<u>(4,792)</u>	<u>(3,708)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2008/09 £000	2007/08 £000
<b>Statement of Movement on the General Fund Balance:</b>		
Reversal of net charges made for retirement benefits in accordance with FRS17	1,165	131
Actual Amount Charged against the General Fund Balance for Pensions in the year.	3,627	3,577
<b>Employers contributions payable to the scheme</b>	<b>(3,627)</b>	<b>(3,577)</b>

The employer's contributions certified by the actuary to the Fund in respect of the period 1 April 2008 to 31 March 2011 are 11.1% for 2008/09, 12.1% for 2009/10 and 13.1% for 2010/11. ( 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 2008. In addition to these contributions lump sum payments are also required to address the deficit funding level. These are £1.796m (in 2008/09 terms), £1.769m (in 2009/10 terms) and £1.743m (in 2010/11 terms). There were no creditors relating to pension fund contributions at year end.

In 2008/09 the Council paid an employer's normal contribution of £3.298m representing 24.47% of employee's pensionable pay into Essex County Council's Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation. The results of the 2007 review as at 31 March 2007 were implemented with effect from 1 April 2008. The Actuary advised that the scheme was still under funded and that deficiency contributions mentioned above were required from all participating authorities. The sum required from this authority, included in the above contributions, was £1,795,590 for 2008/09 (£1,821,765 for 2007/08).

Contributions paid by employees into the Essex County Council Pension Fund in 2008/09 amounted to £889,838 representing 6.60% of employee's pension able pay.

In addition, the Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases. In 2008/09 these amounted to £320,844 representing 2.38% of pensionable pay. Additional early retirement costs due to redundancy amounted to £8,348, representing 0.06% of pensionable pay.

During the year pensions paid from the fund were £3,364,511 (£3,197,576 for 2007/08), retirement lump sums paid were £617,411 (£669,178 for 2007/08), transfer values received were £258,437 (£243,941 for 2007/08), and lump sum death benefits paid were £8,712 (£589 for 2007/08).

### Assets and Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities

	<b>Funded Liabilities: Local Government Pension Scheme</b>	
	<b>£000s</b>	
	<b>2009</b>	<b>2008</b>
Net pensions liability at 1 April 2008	(43,416)	(28,702)
Movements in the current year		
Current service cost	(2,518)	(2,231)
Employers' contributions payable to scheme	3,627	3,577
Settlement and curtailment loss	(8)	(808)
Past service cost	0	(82)
Interest cost	(7,319)	(5,979)
Expected return on assets in the scheme	5,053	5,392
Actuarial gain/(loss)	3,034	(14,583)
Net pensions liability at 31 March 2009	(41,547)	(43,416)

## NOTES TO THE CORE FINANCIAL STATEMENTS

In addition to the recognised gains and losses included in the Income and Expenditure Account , actuarial losses on assets of £77,000 are included in the Statement of Total Recognised Gains and Losses .

	<b>31 March</b>	
	<b>2009</b>	<b>2008</b>
	<b>£000`s</b>	<b>£000`s</b>
The bid value of the above assets related to this Council was	60,748	76,930
The value placed on the liabilities related to this Council was	(102,295)	(120,346)
Consequently, at 31 March, the deficiency related to this Council was	(41,547)	(43,416)
Reconciliation of fair value of the scheme assets:		
	<b>2009</b>	<b>2008</b>
	<b>£000`s</b>	<b>£000`s</b>
1 April	76,853	82,431
Expected Rate of Return	5,053	5,386
Actuarial gains and losses	(21,540)	(11,310)
Employer contributions	3,627	3,577
Contributions by scheme participants	890	802
Benefits paid	(4,135)	(4,033)
31 March - Fair value of the plan assets at end of period (restated)	60,748	76,853

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 £5,053,000 (£5,386,000 for 2007/08).

### Scheme History

	2008/09	2007/08	2006/07	2005/06	2004/05
	£000`s	£000`s	£000`s	£000`s	£000`s
		As restated	As restated		
Present Value of Liabilities	(102,295)	(120,346)	(111,216)	(111,729)	(99,342)
Fair Value of Assets	60,748	76,853	82,431	76,676	61,234
Surplus/(deficit) in the scheme	(41,547)	(43,493)	(28,785)	(35,053)	(38,108)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £41,547,000, in the balance sheet has reduced the reported net worth of the Council by 6.34% (5.82% 2007/08).

## NOTES TO THE CORE FINANCIAL STATEMENTS

This has had the following effect on the results of the prior and current periods.

- h The overall amount to be met from the General Fund Balance has remained unchanged, but the costs disclosed for individual services are 0.16% (0.94% 2007/08) lower after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 0.15% (0.90% 2007/08) lower than it would otherwise have been.

However statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good 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 2010 is £3,721,000.

### 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 Mercer Ltd a firm of actuaries who provide the service for the Essex County Council Local government Pension Scheme, being based on the latest full valuation of the scheme as at 31 March 2007.

The principal assumptions used by the actuary have been:

	<b>2008/09</b>	<b>2007/08</b>
	%	%
Long term expected rate of return on assets in the scheme:		
Equity investments	7.50	7.50
Government Bonds	4.00	4.60
Other Bonds	6.00	6.10
Property	6.50	6.50
Cash/Liquidity	0.50	5.25
Other	0.00	0.00
Mortality Assumptions		
Longevity at 65 for current pensioners:		
Men	22.00	22.00
Women	24.80	24.80
Longevity at 65 for future pensioners:		
Men	23.10	23.10
Women	25.90	25.90
Rate of Inflation	3.30%	3.60%
Rate of Increase in Salaries	4.80%	5.10%

## NOTES TO THE CORE FINANCIAL STATEMENTS

Rate of Increase in pensions	3.30%	3.60%
Rate for discounting scheme liabilities	7.10%	6.10%
Take-up of option to convert annual pension into 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 2009		As at 31 March 2008	
	£000`s	%	£000`s	%
Equities	45,257	74.50	53,952	70.20
Government Bonds	5,285	8.70	7,224	9.40
Other Bonds	3,220	5.30	5,072	6.60
Property	5,953	9.80	8,223	10.70
Cash/Liquidity	1,033	1.70	2,382	3.10
Total	60,748	100	76,853	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. 2007/08 is restated.

### History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009

	2008/09	2007/08	2006/07	2005/06	2004/05
	%	%	%	%	%
Difference between the expected and actual return on assets	35.50	11.50	1.10	15.80	4.80
Experience gains and losses on liabilities	0.00	1.60	0.00	1.90	0.40

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 primary cause of the change from an estimated net pension liability of £43.416m at 31 March 2008 to an estimated net pension liability of £41.547m at 31 March 2009 has been a general reduction in both plan assets and benefit obligations with a greater reduction in overall liabilities, thus improving the final position for the year. The £41.547m net liability represents the difference between the value of the Council's pension fund assets at 31 March 2009 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 2009 would also have an impact on the capital value of the pension fund assets.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 2007 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.

### **Changes to the Local Government Pension Scheme.**

The provisions of the Local Government Pension Scheme were changed during 2007/08, following the introduction of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, together with other supplementary sets of Regulations. The Regulations most significantly introduce a "new look" LGPS with effect from 1 April 2008.

The changes mainly affect benefits accruing and member contributions from 1 April 2008 onwards with the result that employer's current service costs changed from that date. Previous changes to the Local Government Pension Scheme in 2005/06 permit employees retiring after 6 April 2006 to take an increase in their lump sum payment in exchange for a reduction in their future annual pension. The actuaries initially made assumptions that 50% of members would take up this option, which would reduce the employers pension costs. The actuaries have retained this assumption for 2008/09. Other changes to the LGPS following the introduction of the LGPS (Amendment) regulations 2006 and the LGPS (Amendment) (No 2) Regulations 2006, related to the removal of the Rule of 85 retirement provisions with effect from April 2008.

In order to continue to fund the increased employers contributions as a result of the 2007 triennial valuation, a capitalisation direction was applied for in 2008/09 to the value of £972,590 (£662,139 General Fund, £310,451 HRA). (£998,765 £679,765 General Fund, £318,806 HRA for 2007/08). The direction issued by the Department for Communities and Local Government was for the full amount applied for.

The 2007 Actuarial Valuation produced new funding levels for the years 2008/09, 2009/10 and 2010/11. The deficit contribution, are £1,795,590 for 2008/09, £1,769,416 for 2009/10 and £1,743,241 for 2010/11. The ongoing contribution level is 11.1% for 2008/09, 12.1% for 2009/10 and 13.1% for 2010/11. This represents a phased increase option as opposed to a full increase. The levels for 2007/08 were 10.21% for the ongoing contribution, and £1,821,765 for the deficit contribution. The increase of 1% in ongoing contributions relates to the amended LGPS from 1 April 2008. increases in life expectancy and a fall in Bond yields.

### **38. CONTINGENT LIABILITIES**

The Council is currently in negotiations with a mobile phone company about the erection of a mast in the district. A number of different outcomes are possible, ranging from no further expense being incurred to the Council being required to compensate either the phone company or residents who live in close proximity to the mast. Even if compensation is ultimately payable it is felt unlikely that this will exceed £100,000.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 39. MOVEMENT ON RESERVES

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory purposes.

	<b>Balance 1 April 2008 £000</b>	<b>Net Movement in Year £000</b>	<b>Balance 31 March 2009 £000</b>	<b>Purpose of Reserve</b>	<b>Further Details of Movements</b>
Revaluation Reserve	49,742	(46,088)	3,654	Store of gains on revaluation of fixed assets after 31 March 2007	Note 27 page 25
Capital Adjustment Account	631,319	(35,427)	595,892	Store of Capital resources set aside to meet past expenditure and Fixed Asset revaluations prior to 31 March 2007	Note 28 page 26
Major Repairs Reserve	7,290	(371)	6,919	Resources available to meet future running costs for council houses.	HRA Statements Note 9 page 46
Usable Capital Receipts	26,823	(2,504)	24,319	Proceeds of fixed asset sales available to meet future capital investment.	Note 29 page 26
General Fund	7,462	727	8,189	Resources available to meet future running costs for non-housing services.	Statement of Movement on General Fund Balance
Collection Fund	36	(60)	(24)	The net surplus/(deficit) retained from Council Tax receipts.	The Collection Fund Statement
Pensions Reserve	(43,416)	1,869	(41,547)	Balancing account to allow inclusion of Pensions Liability in Balance Sheet.	Note 37 page 29
Housing Revenue Account	6,201	(120)	6,081	Resources available to meet future running costs for council houses.	Statement of movement on Housing Revenue Account Balance
Deferred Credits	1,601	(343)	1,258	Capital resources that should be received in subsequent periods.	Note 32 page 27
Other Reserves	10,310	(1,019)	9,291	Additional reserves allocated for specific purposes.	Note 30 page 27
Financial Instruments Adjustment Account	-	(711)	(711)	Records the fair value of the deferred impairment on Financial Assets	Note 33 page 28
<b>Total</b>	<b>697,368</b>	<b>(83,336)</b>	<b>613,321</b>		

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 40. FINANCIAL INSTRUMENTS BALANCES

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long term		Current	
	31 March 2009 £'000's	31 March 2008 £'000's	31 March 2009 £'000's	31 March 2008 £'000's
Financial liabilities at amortised cost	-	-	-	-
<b>Total borrowings</b>	-	-	-	-
Loans and receivables at amortised costs	15,553	10,403	41,323	47,873
<b>Total investments</b>	<b>15,553</b>	<b>10,403</b>	<b>41,323</b>	<b>47,873</b>

### 41. FAIR VALUE OF FINANCIAL LIABILITIES AND ASSETS CARRIED AT AMORTISED COST

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. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments. For loans receivable prevailing benchmark market rates have been used to provide the fair value. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council has £15,549,000 (£10,279,000 in 2007/08) invested in UK banks for a period in excess of one year. The fair value of these assets at 31 March 2009 is £16,210,000 (£10,276,000 in 2007/08). The fair value of short term investments, trade debtors and creditors is assessed to be in line with their carrying value.

The fair value is more than the carrying amount mainly because the authority's portfolio of loans includes three long term fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. However, on the 11 May 2009, one of the long term loans was repaid early by the counterparty. At the Balance Sheet date the carrying value was £5,104,000 and the fair value £5,305,000.

### 42. FINANCIAL INSTRUMENTS GAINS AND LOSSES

The gains and losses recognised in the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities:		Financial Assets:	
	2008/09 £'000's	2007/08 £'000's	2008/09 £'000's	2007/08 £'000's
Interest expense	-	-	-	-
Impairment losses	-	-	(794)	-
<b>Interest payable and similar charges</b>	-	-	<b>(794)</b>	-
Interest income	-	-	3,600	3,630
<b>Interest and investment</b>	-	-	<b>3,600</b>	<b>3,630</b>
Amounts recycled to the I&E account after impairment	-	-	-	-
<b>Surplus/deficit arising on revaluation of financial assets</b>	-	-	-	-
<b>Net gain/(loss) for the year</b>	-	-	<b>2,806</b>	<b>3,630</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 43. DISCLOSURE OF NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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
- Re-financing risk - the possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements

The Council's overall risk management focus is on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework contained in the Local Government Act 2003 and the associated regulations. These require the Council to comply with CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting: the Council's borrowing; its maximum and minimum exposures to fixed and variable rates; its maximum and minimum for exposures; the structure of its debt; and its maximum annual exposures to investments maturing beyond a year.

The above was approved within the Council's Prudential Indicators and the Treasury Management Strategy for 2008/09 on 19 February 2008 at Full Council.

#### **Credit Risk**

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

This risk is minimised through the Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Treasury Management Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The following analysis summarises the Council's maximum exposure to credit risk, based on an assessment of default experience by the credit rating agencies and the Council's experience of debt collection levels.

	Amount at 31 March 2009 £`000	Historical Experience of default %	Default risk judged as at 31 March 2009 %	Estimated maximum default £`000
<b>Investments in banks and building societies (original term 1 - 5 years)</b>				
A rated counterparties	5,000	0.06	0.06	3
	<u>10,000</u>	0.65	0.65	<u>65</u>
	<b>15,000</b>			<b>68</b>
<b>Investments in banks and building societies (original term up to 1 year)</b>				
AA rated counterparties	13,000	0.06	0.06	8
A rated counterparties	21,000	0.65	0.65	137
BBB rated counterparties	4,000	3.11	3.11	124
D rated counterparties	2,500	42.67	20.00	500
Unrated building societies	1,000	42.67	-	-
	<u>41,500</u>			<u>769</u>
<b>Cash at banks</b>				
A rated counterparty	1,335	0.65	0.65	9
	<u>1,335</u>			<u>9</u>
Accrued interest on investments	1,083	1.46	1.46	16
Sundry debtors	3,381	45.00	45.00	1,521
Housing arrears	844	68.00	68.00	574
Local taxation debtors	4,635	47.00	47.00	2,178
<b>Total</b>	<u><b>67,778</b></u>			<u><b>5,135</b></u>

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £2.5m invested in Heritable bank at that time. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 2009 outlined that the return to creditors was projected to be 80p in the £ by end of 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. The authority has therefore decided to recognise an impairment based on it recovering 80p in the £. The impact of the principal invested has been mitigated in the accounts according to government regulations, although all investment income from the date of administration has been fully impaired. In calculating the impairment the authority has followed CIPFA's LAAP Bulletin 82 which was issued May 2009 anticipating a final sale of assets will take place after the books have been run down to the end of 2012. For this reason, the timing of recoveries is as follows:

- July 2009 - 15%
- July 2010 - 30%
- July 2011 - 15%
- July 2012 - 10%
- July 2013 - 10%

The sundry debtors figure of £3.381m contains £2.582m of invoiced debtors. The Council allows thirty days credit for its invoiced debtors, meaning that £1.647m of these debtors are judged to be overdue. These can be analysed by age as follows:

	£`000
31 to 60 days	192.85
61 to 180 days	295.13
6 to 12 months	217.67
Over one year old	941.83
<b>Total</b>	<u><b>1,647.47</b></u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The credit risk in relation to counterparty investments is relatively small as the likelihood of default is also small.

### **Liquidity Risk**

The Council intends to remain debt-free for the foreseeable future. However, if the need arises, the Council has access to the money markets for short-term debt to cover revenue expenditure, and to the PWLB for longer term borrowing. The Council's short and medium term cash flow forecasting procedures are aimed at ensuring that sufficient funds mature at the right time to cover expenditure.

### **Refinancing and Maturity Risk**

The Council maintains a significant investment portfolio. Whilst the cash flow procedures cover the short and medium term cash needs, the risk in the longer term relates to the danger of having to replace a maturing long term investment at disadvantageous rates. The prudential indicator limiting the amount of funds placed in investments for terms exceeding one year is the key factor limiting this risk.

All trade creditors and debtors are due to be settled within one year. The long-term debtors comprise amounts owed by central Government, transferred debt owed by two local authorities and payments due under Council mortgages. These are considered to be low-risk payments, as central Government and local authorities are traditionally accorded low risk of default on payments, while the mortgages are secured by first charges on the proceeds of the sale of the property concerned.

### **Market Risk**

**Interest Rate Risk** - The Council is exposed to interest rate movements on its investments, and has a number of

**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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 44. RECONCILIATION OF OPERATIONS TO NET CASH FLOW

	31 March 2009		31 March 2008	
	£ 000	£ 000	£ 000	£ 000
General Fund Surplus	(727)		(701)	
Housing Revenue Account Deficit/(Surplus)	120		(569)	
Collection Fund Deficit / (Surplus)	60	(547)	15	(1,255)
Revenue Contributions to Capital	(515)		(5,596)	
Contributions (to) / from Reserves	872	357	(804)	(6,400)
(Decrease)/Increase in Stocks	(9)		(30)	
(Decrease)/Increase in Revenue Debtors	(1,302)		2,100	
Decrease/(Increase) in Revenue Creditors	(431)	(1,742)	(1,062)	1,008
Financing Items		3,466		3,567
<b>Net Cash Flow from Revenue Activities</b>		<b>1,534</b>		<b>(3,080)</b>

### 45. ANALYSIS OF GOVERNMENT GRANTS

	2008/09	2007/08
	£ 000	£ 000
<b>Revenue Grants</b>		
DCLG Subsidy	664	711
Other	1,461	1,049
<b>Total Revenue</b>	<b>2,125</b>	<b>1,760</b>
<b>Capital Grants</b>		
N W Airfield	-	84
Planning Delivery Grant	-	34
DEFRA	-	56
Essex County Council	126	-
IEG	107	-
Others	4	6
<b>Total Capital</b>	<b>237</b>	<b>180</b>

### 46. RECONCILIATION OF LIQUID RESOURCES TO TEMPORARY INVESTMENTS

	2008/09	2007/08
	£ 000	£ 000
Temporary Investments as at 1 April	47,250	40,000
Net Movement in Liquid Resources	(5,750)	7,250
	<b>41,500</b>	<b>47,250</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 47. MOVEMENT IN CASH AND CASH EQUIVALENTS

	<b>1 April 2008 £ 000</b>	<b>31 March 2009 £ 000</b>	<b>2008/09 Difference £ 000</b>	<b>2007/08 Difference £ 000</b>
Cash	194	5	(189)	55
Bank of Scotland	2,181	1,335	(846)	634
Bank Overdraft	(188)	-	188	314
<b>Total Cash and Cash Equivalents</b>	<b>2,187</b>	<b>1,340</b>	<b>(847)</b>	<b>1,003</b>

### 48. POST BALANCE SHEET EVENTS

There were no Post Balance Sheet Events.

## THE HOUSING REVENUE INCOME & EXPENDITURE ACCOUNT

	Note	2008/09 £000	2007/08 £000
<b>INCOME</b>			
Dwelling Rents (Gross)	3	24,473	23,396
Non Dwelling Rents		2,485	2,494
Charges for Services and Facilities		1,692	1,726
Leaseholder Contributions		131	-
<b>TOTAL INCOME</b>		<b>28,781</b>	<b>27,616</b>
<b>EXPENDITURE</b>			
Repairs and maintenance	4	5,643	5,239
Supervision and Management		6,801	6,280
Rents, Rates, Taxes and Insurance		462	343
Housing Revenue Account Subsidy Payable	5	10,917	8,842
Revenue Expenditure funded from Capital under Statute	11	131	2
Depreciation	2/9/10	9,313	8,453
Impairment of Fixed Assets	2	28,489	-
Debt Management		48	53
Provision for Bad / Doubtful Debts		54	82
Non distributed costs		8	274
<b>TOTAL EXPENDITURE</b>		<b>61,866</b>	<b>29,568</b>
<b>NET COST OF SERVICES INCLUDED IN THE WHOLE AUTHORITY INCOME &amp; EXPENDITURE ACCOUNT</b>		<b>33,085</b>	<b>1,952</b>
HRA services share of Corporate & Democratic Core		575	569
HRA share of other services		27	23
<b>NET COST OF HRA SERVICES</b>		<b>33,687</b>	<b>2,544</b>
<b>HRA SHARE OF THE INCOME AND EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT</b>		<b>33,687</b>	<b>2,544</b>
Gain on HRA Fixed Assets		(301)	(9)
Interest and Investment Income		(2,083)	(2,165)
Pensions Interest/Return on Assets		723	187
<b>DEFICIT FOR YEAR</b>		<b>32,026</b>	<b>557</b>

## STATEMENT OF MOVEMENT ON HOUSING REVENUE ACCOUNT BALANCE

The Housing Revenue Income and Expenditure Account shows the Councils' actual financial performance for the year in managing its housing stock, measured in terms of the resources consumed and generated over the last twelve months. However the authority is required to account for its total Housing Revenue Account (HRA) spend on a different basis, the main differences being:

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

The Housing Revenue Account Balance compares the Councils' 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 Account and the Housing Revenue Account Balance

	Note	2008/09 £'000s	2007/08 £'000s
<b>INCREASE/DECREASE IN THE HOUSING REVENUE ACCOUNT BALANCE</b>			
Deficit for the year on the HRA Income and Expenditure Account		<b>32,026</b>	<b>557</b>
Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	<b>12</b>	<b>(31,906)</b>	<b>(1,126)</b>
(Increase) or decrease in the Housing Revenue Account Balance		<b>120</b>	<b>(569)</b>
Housing Revenue Account surplus brought forward		<b>(6,201)</b>	<b>(5,632)</b>
Housing Revenue Account surplus carried forward		<b>(6,081)</b>	<b>(6,201)</b>

## NOTES TO THE HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT

### 1. HOUSING STOCK

The Council was responsible for managing on average 6,596 (6,613 in 2007/08) dwellings during 2008/09. 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.

	<b>2008/09</b>	<b>2007/08</b>
Stock as at 1 April	6,599	6,627
Less		
Sales	(7)	(28)
Stock Transfers / Conversions	-	(2)
Add		
New / Reinstated Properties	-	2
<b>Stock as at 31 March</b>	<u>6,592</u>	<u>6,599</u>

#### Number of:

Houses and Bungalows	3,537	3,540
Flats and Maisonettes	3,045	3,049
Other	10	10

### 2. HRA ASSET VALUATION

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

	<b>OPERATIONAL ASSETS</b>					<b>NON- OPERATIONAL ASSETS</b>		
	<b>Land £000</b>	<b>Dwellings £000</b>	<b>Garages £000</b>	<b>Equipment £000</b>	<b>Vehicles £000</b>	<b>Other £000</b>	<b>Investments £000</b>	<b>Total £000</b>
Net Book Value 31								
March 2008	176,005	397,300	4,757	8,586	161	1,050	16,543	604,402
Restated	(590)	(49,170)	(1,857)	-	-	-	-	(51,617)
Revaluation	14,316	36,148	811	-	-	-	-	51,275
<b>Value 1 April 2008</b>	<u>189,731</u>	<u>384,278</u>	<u>3,711</u>	<u>8,586</u>	<u>161</u>	<u>1,050</u>	<u>16,543</u>	<u>604,060</u>
Additions	-	4,952	13	1,423	49	156	7	6,600
Disposals	(194)	(453)	-	-	-	-	-	(647)
Impairment	(38,142)	(81,291)	(3,256)	-	-	-	(821)	(123,510)
	<u>151,395</u>	<u>307,486</u>	<u>468</u>	<u>10,009</u>	<u>210</u>	<u>1,206</u>	<u>15,729</u>	<u>486,503</u>
Depreciation	-	(8,356)	(369)	(563)	(33)	(24)	-	(9,345)
Accumulated								
Depreciation written off		47,865	1,822					49,687
Depreciation on assets sold		9						9
<b>Net Book Value 31</b>								
<b>March 2009</b>	<u>151,395</u>	<u>347,004</u>	<u>1,921</u>	<u>9,446</u>	<u>177</u>	<u>1,182</u>	<u>15,729</u>	<u>526,854</u>

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 £1,052,725,000. The difference between the two values represents the economic cost of providing council housing at less than open market rents.

The impairment cost of £123,510,000 represents the total loss of value in the Council's housing assets due to a fall in market values. A revised valuation was carried out at the end of March by the District Valuer. The impairment cost charged to the Housing Revenue Account (£28,489,000) represent the difference between the total impairment cost and the balance that was on the Councils revaluation reserve (£95,021,000).



## NOTES TO THE HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT

### 3. GROSS DWELLING RENT INCOME

During 2008/09 0.85% (1.06% in 2007/08) of all lettable dwellings were vacant. Average rents were £72.63 per week, an increase of £4.54 or 6.67% over the previous year. 53% (53% in 2007/08) of all Council tenants received some help through rent rebates in 2008/09. Rent arrears decreased to £850,419 (£882,832 in 2007/08), which represents 3.5% (3.8% in 2007/08) of gross dwelling rent income. The provision for bad and doubtful debts on these arrears amounted to £575,000 (£590,000 in 2007/08). Amounts written off during the year totalled £68,806 (£108,695 in 2007/08). 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:

	2008/09		2007/08	
	£000	£000	£000	£000
Balance as at 1 April		(3,708)		(3,248)
Contribution from the HRA	(5,970)		(5,700)	
Other Income	<u>(80)</u>		<u>(236)</u>	
Total Income		(6,050)		(5,936)
Responsive & Void Repairs	3,448		3,397	
Planned Maintenance	2,081		1,902	
Other	<u>194</u>		<u>177</u>	
		5,723		5,476
<b>Balance as at 31 March</b>		<b><u>(4,035)</u></b>		<b><u>(3,708)</u></b>

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 Account 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 movement on the General Fund balance (note 13 page 9).

### 5. SUBSIDY ENTITLEMENT

Housing Revenue Account Subsidy for any year is calculated by constructing a Notional Housing Revenue Account, where all amounts are calculated in accordance with the Housing Revenue Account Subsidy Determinations (2008/09).

	2008/09		2007/08	
	£000	£000	£000	£000
Management and Maintenance Allowance		10,329		10,354
Major Repairs Allowance		4,618		4,603
Transitional relief for 5% rent cap		0		603
Less				
Notional Rents	(24,781)		(23,583)	
Interest on Receipts	<u>(1,008)</u>		<u>(819)</u>	
		(25,789)		(24,402)
Adjustment relating to 2007/08		(75)		0
<b>Total (Payable)</b>		<b><u>(10,917)</u></b>		<b><u>(8,842)</u></b>

## NOTES TO THE HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT

### 6. PENSIONS

The authority 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 cash payable in the year; the real cost of retirement benefits is therefore reversed out of the Housing Revenue Account after Net Operating Expenditure.

In order to continue to fund the increased employers contributions as a result of the 2007 triennial valuation, a capitalisation direction was applied for in 2008/09 to the value of £972,590. The HRA share of this contributions was £310,451, representing 31.9% of the total. The direction issued by the Department for Communities and Local Government was for the full amount applied for.

### 7. HRA CAPITAL RECEIPTS

The Council received £1,049,000 in respect of HRA capital receipts during 2008/09. This arose as a result of the sale of council houses (£980,000), sale of land (£20,000) and principal repayments on mortgages (£49,000). Of this the Council used £40,000 for the administration of the sales which left £281,000 to fund future capital projects and had to pay to the central government pool an amount of £728,000 which includes an adjustment of £3,000 relating to 2006/07.

### 8. CAPITAL EXPENDITURE

The Housing Revenue Account incurred the following capital expenditure. (See also note 14 of the Notes to the Core Financial Statements).

Capital Expenditure on:	£000	Financed by:	£000
Council Dwellings	4,965	Capital Receipts	20
Plant and Equipment	1,423	Government Grants	45
Shopping Parades	7	Revenue	1,452
Vehicles	49	Major Repairs Reserve	4,989
Other	156	Commutated Sums	94
	<u>6,600</u>		<u>6,600</u>

### 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 45), 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:

	2008/09		2007/08	
	£000	£000	£000	£000
Balance as at 1 April		(7,290)		(5,655)
Depreciation transferred from the HRA		(9,313)		(8,453)
Used to fund Capital Expenditure on Council Dwellings	4,989		2,968	
Transferred to the HRA	<u>4,695</u>		<u>3,850</u>	
Total Expenditure		9,684		6,818
<b>Balance as at 31 March</b>		<u><b>(6,919)</b></u>		<u><b>(7,290)</b></u>

## NOTES TO THE HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT

### 10. DEPRECIATION

Depreciation is charged on Housing Revenue Account assets in accordance with FRS 15. Depreciation is now charged with reference to balance sheet values and the average life remaining on the housing stock. No depreciation is chargeable on the Housing Revenue Account investment assets. (See also note 2, page 44)

### 11. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

A charge of £131,000 (£2,000 in 2007/08) was made in respect of capital 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

	2008/09 £ '000's	2007/08 £ '000's
<b>AMOUNTS TO BE EXCLUDED</b>		
Transfer from Major Repairs Reserve and other depreciation reversals and impairments	(33,217)	(3,879)
Revenue expenditure charged to Capital under statute	(131)	(2)
Gain/(loss) on disposal of HRA fixed assets	301	9
Transfer from Reserves	(96)	(6)
Transfer to General Fund	0	0
Grants released	15	15
Transfer to Housing Repairs Fund	327	460
HRA share of contributions to/ (from) pensions reserve	(1,536)	(1,174)
	<u>(34,337)</u>	<u>(4,577)</u>
<b>AMOUNTS TO BE INCLUDED</b>		
Leaseholder Contributions	131	0
Employers contributions payable to the pension fund	1,158	1,142
Less Capital direction received	<u>(310)</u>	<u>(319)</u>
	848	823
Capital expenditure funded by the HRA	<u>1,452</u>	<u>2,628</u>
	<u>2,431</u>	<u>3,451</u>
	<u>(31,906)</u>	<u>(1,126)</u>

## THE COLLECTION FUND

### INCOME AND EXPENDITURE ACCOUNT FOR 2008/09

INCOME	Note	2008/09 £000	2007/08 £000
Council Tax	1	77,492	74,095
Non Domestic Rates	2	29,320	27,232
		<hr/>	<hr/>
<b>TOTAL INCOME</b>		<b>106,812</b>	<b>101,327</b>
<b>EXPENDITURE</b>			
<b>Precepts and Demands:</b>			
Essex County Council		56,535	53,961
Essex Police		6,602	6,259
Essex Fire Authority		3,364	3,222
Epping Forest District Council		10,555	10,285
Distribution of Estimated Collection Fund Surplus/(Deficit).	3		
Essex County Council		(63)	(72)
Essex Police		(10)	(6)
Essex Fire Authority		(2)	(7)
Epping Forest District Council		48	1
<b>Non Domestic Rate</b>			
Payment to National Pool		29,150	27,061
Cost of Collection Allowance		170	171
Provision for Non Payment of Council Tax		231	101
Council Tax Write Offs		292	366
		<hr/>	<hr/>
<b>TOTAL EXPENDITURE</b>		<b>106,872</b>	<b>101,342</b>
<b>DEFICIT / (SURPLUS) FOR YEAR</b>		<b>60</b>	<b>15</b>
<b>BALANCE BROUGHT FORWARD</b>		<b>(36)</b>	<b>(51)</b>
Deficit / (Surplus) for Year		60	15
		<hr/>	<hr/>
<b>BALANCE CARRIED FORWARD</b>		<b>24</b>	<b>(36)</b>
		<hr/>	<hr/>

## 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: (54,017.3 for 2008/09). The basic amount of Council Tax for a Band D property (£1,374.12 for 2008/09, £1,319.85 for 2007/08) 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	2	2	0.56	1
Band A	1,522	1,281	0.67	854
Band B	4,494	3,721	0.78	2,894
Band C	10,813	9,614	0.89	8,546
Band D	13,277	12,252	1.00	12,252
Band E	8,936	8,364	1.22	10,222
Band F	6,437	6,089	1.44	8,796
Band G	5,645	5,409	1.67	9,015
Band H	1,023	992	2.00	1,983
Total Band D				<u>54,563</u>
Less Adjustment for Collection Rate				546
<b>Council Tax Base</b>				<u><b>54,017</b></u>

The income of £77,492,153 for 2008/09 (£74,094,982 for 2007/08) is receivable from the following sources.

	2008/09 £000's	2007/08 £000's
Billed to Council tax payers	69,336	66,410
Council Tax Benefits	8,156	7,685
	<u><b>77,492</b></u>	<u><b>74,095</b></u>

## **NOTES TO THE COLLECTION FUND**

### **2. NATIONAL NON DOMESTIC RATES**

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 45.8p (small business) and 46.2p (others) in 2008/09 (44.1p (small business) 44.4p (others) in 2007/08) 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 £72,919,599 (£73,226,785 in 2007/08). The decrease in rateable values between the two years is due to the revaluation process that takes place every five years and changes in the businesses on the rateable list.

### **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's portion only. The elements relating to Essex County Council, Essex Police and Essex Fire form part of the Distribution of estimated collection fund surplus/deficit. In 2008/09 a total surplus of £345,000 was distributed, of which this Council's share was a surplus of £48,000.

## Annual Governance Statement 2008/09

### 1 Scope of Responsibility

- 1.1 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 and 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.
- 1.2 In addition, the Council has a key role with respect to Community Leadership, exercising its powers under the Community Wellbeing Act 2000, facilitating effective engagement and collaborative working through the auspices of the Local Strategic Partnership.
- 1.3 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.4 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. A copy of the Code is on our website at [www.eppingforest.gov.uk](http://www.eppingforest.gov.uk). This statement explains how the Authority has complied with the Code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2006, in relation to the publication of a Statement on Internal Control.
- 1.5 The Council's revised Code of Governance recognises that effective governance is achieved through the following core principles:
  - (i) focusing on the purpose of the authority 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 authority 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.

### 2 The Purpose of the Governance Framework

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

- 2.2 The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to fully achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 A governance framework has been in place at the Council for a number of years and has been effective for the year ended 31 March 2009, and up to the date of approval of the Statement of Accounts.

### **3 The Governance Framework**

- 3.1 The Council continues to have an established Council Plan setting out its objectives, and there is an accompanying Performance Plan in which achievement of the objectives is monitored.
- 3.2 The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios. 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. An Audit and Governance Committee provides independent assurance to the Council on risk management and internal control, and the effectiveness of the arrangements the Authority has for these matters.
- 3.3 The Council has continued to enhance and strengthen its internal control environment through the introduction of new policies and procedures, which ensure compliance with established policies, procedures, laws and regulations. A comprehensive corporate induction programme is in place and information regarding policies and procedures are held on the intranet, which continues to be enhanced and developed. The Council's Internal Audit function has been effective in recent years and there are well established protocols for working with External Audit. The Audit Commission through its inspectorate functions also reviews compliance with policies, laws and regulations within their remit.
- 3.4 The Authority's risk management arrangements are subject to regular review. Leadership to the risk management process is provided by the Director of Finance and ICT and the Portfolio Holder for Finance and Performance Management, who are the Officer and Member leads for risk management, respectively. The Authority has approached embedding of risk management in accordance with best practice guidance, with a Corporate Risk Register supported by Directorate and Sectional risk registers. In the Audit Commission's 2008 Use of Resources Assessment the Council scored 3 out of 4 for the way it manages its significant business risks, and the Authority is assessed in this category as "performing well" (see also paragraph 7.3).
- 3.5 Financial management in the Authority and the reporting of financial standing is undertaken through a General Ledger Financial Information System, CEDAR, which integrates the general ledger function with those of budgetary control. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated.
- 3.6 Performance management in the Authority continues to be improved with a widely consulted upon Council Plan, setting out the Council's priorities and supported by a Performance Plan, which explains how the Council will deliver the priorities and the commitments made in the Council Plan. These Plans focus on corporate priorities and reflect the Council's determination to prioritise key Service areas. Information on performance across all National Performance Indicators is also included. The Performance Plan is also supported by a range of Service Plans. These set out detailed objectives, priorities and actions, plus performance indicators and resources, for every major area of Council service. Performance indicators are recorded and monitored on the 'TEN' performance management system.



- 3.7 The Council has been actively engaged in the development of the new Essex Local Area Agreement (LAA2) and will be implementing mechanisms to ensure its effective contribution to those priorities it has given specific regard to. In addition the Council has played a lead role in the Local Strategic Partnership successfully securing £456k of performance related grant to support local LAA priorities.

#### **4 Financial Management and Reporting**

- 4.1 Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Chief Finance Officer. The systems of internal financial control provide reasonable but not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be promptly detected.
- 4.2 In the 2008 Use of Resources Assessment the Council again scored 3 out of 4 for financial management, assessed by the Audit Commission as “performing well”. Overall a score of 3 was maintained despite the harder test being faced with the introduction of 14 new criteria and 7 existing criteria changing from “should have” to “must have”.
- 4.3 The External Auditor again provided an unqualified opinion on the Authority’s accounts for 2007/08, which were prepared within the statutory timescale. The Auditor made a number of recommendations in order to resolve specific system weaknesses that had been identified, including the accounts preparation processes not being as robust as in previous years, which resulted in incomplete working papers and the identification of a number of non-trivial but non material errors within the draft accounts. These issues resulted in a decrease in the 2008 Use of Resources score for ‘Financial Reporting’, from 3 to 2, assessed by the Audit Commission as “adequate performance”. The Audit and Governance Committee is monitoring the implementation of the agreed actions arising from the External Auditor’s report.
- 4.4 Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability.

In particular, the process in 2008/09 included:

- l The rolling forward of the Council’s four year financial forecast, updated annually, which maintains a sound financial position throughout that period;
- l The setting of the annual budget, continuing the existing practice of separating the base budget for continuing services, from the fund established to meet the cost of ‘one off’ items of revenue expenditure;
- l The adoption of a five year capital strategy, previously assessed by the Government Office as “good”;
- l Monitoring of actual income and expenditure against the profiled annual budget;
- l Setting of financial and performance targets, including the monitoring of the prudential code and associated indicators;
- l Periodic reporting of the Council’s financial position to Members;
- l Clearly defined capital expenditure guidelines;

- <sup>1</sup> Management of the Council's property portfolio, in line with the Council's Asset Management Plan;
- <sup>1</sup> The monitoring of performance on a quarterly basis; and
- <sup>1</sup> Managing risk in key financial service areas.

## **5 Standards Committee**

- 5.1 During 2008/09, the Standards Committee's terms of reference were amended. These changes were as a direct result of the introduction of new Government Regulations, which transfer responsibility for the assessment, investigation and adjudication on complaints from the Standards Board for England. New sub-committees were established, namely an Assessments Sub-Committee to deal with initial screening of complaints by members of the public, a Review Sub-Committee dealing with appeals against decisions not to investigate a complaint and finally an Adjudication Sub-Committee which considers investigations and reaches decisions on whether breaches of the Code of Conduct have occurred.
- 5.2 As a result of the increased complaints responsibilities of the Committee, its membership has been increased. There are now 3 independent members, 3 councillors and 3 Parish representatives. There now has to be a clear separation of roles between those members who assess complaints, those who deal with reviews and those who adjudicate on complaints. This is to ensure that the process does not attract challenges based on predetermination of outcomes by the Committee members.
- 5.3 During 2008/09 the Standards Committee has dealt with 8 complaints against Councillors. These mainly concern Parish and Town Councillors. At the time of writing, one is proceeding to adjudication and one other is being investigated. It is clear that the demands being made on key officers by the new complaints process and pressure on the Standards Committee's budget for using external investigators, where the Council's own staff cannot do so, are increasing.
- 5.4 The Committee continues to give advice and training on ethical governance issues and investigates/adjudicates on complaints against elected members as referred by the Standards Board for England. It is also available to assist with interpretation of Council protocols. The Committee submits an annual report on its activities to the Council. A further review of the protocol has been launched and will be concluded during 2009/10. Planning and Legal Officers, planning agents and Town and Parish Councils are all being invited to make submissions concerning the protocol.
- 5.5 During the year, the Standards Committee responded to Government consultation on a new Code of Conduct. When the new Code is known, further training will be held as some requirements for Councillors are likely to change significantly.

## **6 Review of Effectiveness**

- 6.1 The Council has responsibility 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 work of the managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the External Auditors and other review agencies and inspectorates.

- 6.2 The Council contributes to the delivery of the Sustainable Community Strategy for the District through active participation on the Local Strategic Partnership, and the alignment of the Key Themes of the Council Plan 2006/10 with the Community Strategy. This is supported by a planning framework which includes the Council Plan and Directorate/Service Plans. The Council monitors and reports on progress so that Members can see how issues are being tackled. The Council Plan is monitored by the Finance and Performance Management Scrutiny Panel and is due to be updated in 2009/10.
- 6.3 Directorate and Sectional business plans contain a variety of performance indicators and targets that are regularly reviewed.
- 6.4 The Council's Constitution, which includes Financial Regulations, Contract Standing Orders and Delegated Authorities, is annually reviewed by a nominated group of officers led by the Deputy Monitoring Officer and sets out the responsibilities of both Members and senior managers. In particular the Council has three statutory posts as follows:-
- 1 Head of Paid Service - Chief Executive
  - 1 Chief Financial Officer - Director of Finance and ICT
  - 1 Monitoring Officer – Director of Corporate Support Services / Solicitor to the Council
- 6.5 The Council continues to assess how its overall corporate governance responsibilities are discharged. As referred to earlier the Council has adopted the CIPFA/SOLACE guidance and adopted a revised local Code of Governance in 2008.
- 6.6 The Council is required to maintain an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations. The Internal Audit function is managed by the Chief Internal Auditor and operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The annual Internal Audit work plan is discussed with senior officers and approved by the Audit and Governance Committee in consultation with the Finance and Performance Management Cabinet Committee. All internal audit reports include an assessment of the adequacy of internal control and result in prioritised action plans to address any areas needing improvement. These are submitted to Service Directors, and an executive summary is provided to the Corporate Executive Forum and the relevant Portfolio Holder.
- 6.7 The review of governance incorporates the system of internal control. In previous years the Council's review of the effectiveness of the system of internal control has been informed by:
- 1 Directorate assurance based on management information, performance information and Director assurance statements;
  - 1 The work undertaken by Internal Audit during the year;
  - 1 The work undertaken by the external auditor reported in their annual audit and inspection letter and other review reports;
  - 1 Other work undertaken by independent inspection bodies.
- 6.8 From the work undertaken by Internal Audit in 2008/09 the Chief Internal Auditor made the following statement in his Annual Report:

*“Despite the measures taken in 2008/09 and previous years, to heighten awareness of governance requirements and to promote improvement in systems, no assurance can be absolute or all the risks eliminated altogether. However, the opinion given in this report provides a reasonable assurance that there are no significant weaknesses in the Council’s control environment. In general, the reports submitted to Service Management during 2008/09 concluded that systems were generally operating satisfactorily, and appropriate follow up action had been taken where required from previous audits”.*

In this context ‘reasonable assurance’ means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the Council’s Annual Accounts or financial standing. Internal Audit did identify a number of concerns during 2008/09 that required remedial action and these were reported to the appropriate Service Director or Senior Manager during the year.

- 6.9 The Audit and Governance Committee undertook a review of the Council’s Business Assurance Framework during 2008/09. That review listed the key policies and procedures that comprise the core of the process. They are subject to ongoing or periodic review, to ensure continuous improvement in the governance and internal control systems.

## **7 Significant Governance Issues**

### Introduction

- 7.1 The District Council, working with strategic partners and local communities, has set out the following priority objectives which aim to benefit all Epping Forest District residents:
- ‡ To make the Epping Forest District safer, cleaner and greener, and to further improve levels of recycling and street cleansing;
  - ‡ To protect local heritage and the green belt areas of the District from development;
  - ‡ To encourage the provision of affordable housing for local people;
  - ‡ To build safer communities to make the District a better place for our residents;
  - ‡ To continue to look at ways to revitalise local town centres and increase economic prosperity;
  - ‡ To be a Council that always puts residents first, and listens not lectures.

These priorities form the basis for the Council Plan 2006/10 and Performance Plans referred to above, and provide the focus for the improvements which are being made in all areas of the Council’s

- 7.2 The Audit Commission’s Comprehensive Performance Assessment (CPA) framework currently assesses the Council as a ‘good’ authority. The Commission’s annual ‘Direction of Travel’ assessment of the Council for 2008/09 identified that the Council is making progress in achieving its priority objectives, is improving performance in priority areas such as community safety and decent homes, and that the Council’s arrangements for securing value for money are improving. It was also noted that the Council engages effectively with the local community, as well as being financially sound.
- 7.3 The Audit Commission also undertakes an annual ‘Use of Resources’ assessment, which evaluates how well Councils manage and use their financial resources. Aspects of the review have been referred to earlier in this Statement. The Audit Commission assesses the Council’s overall performance against five key lines of enquiry (KLOEs), as set out in the table below. The Council is rated for each KLOE using a four point scale: 4 performing strongly; 3 performing well; 2 performing adequately; and 1 performing inadequately. For 2008 the Council’s overall score was maintained at 3, assessed by the Audit Commission as ‘performing well’.

<b>Key Line of Enquiry</b>	<b>2006 Score</b>	<b>2007 Score</b>	<b>2008 Score</b>
Financial Reporting	2	3	2
Financial Management	3	3	3
Financial Standing	3	3	3
Internal Control	2	3	3
Value for Money	2	2	2

7.4 The Audit Commission's assessments highlighted a number of key improvements that were initiated or consolidated in 2008/09, including:

- l investment in the cleaner, safer and greener priority has addressed issues that are important to local people;
- l performance in planning shows sustained improvement;
- l outcomes are improving in terms of the decent homes standard, where performance is in the best 25% of councils;
- l increased awareness of comparative performance and cost, achieved through a thorough internal value for money review exercise; and
- l the creation and operation of an effective Audit and Governance Committee.

7.5 The assessments also indicated a number of potential improvement areas for the Council to focus on, including:

- l an Audit Commission inspection of Waste Management Services in 2008 judged them to be fair with uncertain prospects for improvement (an action plan to address the recommendations is being monitored by Service Management and the Safer Cleaner Greener Standing Panel);
- l the average time taken to process new housing benefit claims in 2007/08 was slow and compared poorly to councils nationally;
- l the Council has made limited progress in developing action plans in relation to its existing disability and gender equality schemes due to lack of capacity. However, performance on the duty to promote race equality remains amongst the best nationally; and
- l monitoring of key performance indicators would be enhanced by the use of reported timescales, milestones or success measures.

#### Governance – Service Issues and Improvements

7.6 The current review of the Council's governance arrangements has highlighted a number of significant areas where governance arrangements have been strengthened in seeking to meet the objectives of the Council.

#### 7.6.1 Local Strategic Partnership

Originally formed in 2002, the Epping Forest Local Strategic Partnership brings together the public, private and voluntary sector agencies, responsible for the delivery of a wide range of services across the District. In 2008/09 the Partnership recognised that they were facing a number of externally driven changes such as the delivery of the Local Area Agreement, the forthcoming Comprehensive Area Assessment regime and the need to refresh the Community Strategy. As such, a fundamental review was undertaken, aimed at clarifying and re-focusing the LSP's strategic role in the delivery of Joint Services, agreeing Key Ambitions and Priorities for the next five years and developing a new structure and way of working.

The LSP has therefore developed a more streamlined management structure targeting activity on four main thematic groups i.e. Safer Communities, Healthier Communities, Sustainable Communities and Children and Young People. This structure has sharper focus, with a greater emphasis on performance management and evaluation, overseen by a new Steering Group. Governance arrangements have been strengthened, with Leadership of the LSP now resting with the Leader of the District Council and the LSP Manager's post, now also being hosted by the District Council. The LSP has placed itself in a stronger position to identify the main quality of life issues facing the District, establish whether these are being effectively addressed and to thus ensure that local people are receiving public services which meet their needs.

#### 7.6.2 Equality and Diversity

In 2008/09, through the appointment of an officer in the Performance Management Unit with specific responsibility for Equality and Diversity, progress has been made, not only to embed equality issues within the day-to-day work of the Council, but also to take forward further initiatives to ensure that the Council meets its statutory equality duties. Equality and Diversity awareness training has been undertaken across the organisation and a new toolkit developed to assist in the refreshed Equality Impact Assessments for all Service Areas. These are due to be undertaken in early 2009/10. Through the work of the Disability Involvement Forum, progress has been made in ensuring that services are accessible. Many of the actions identified are being incorporated in the new Corporate Equalities Plan, which will cover the wider equality duties within the Act. Through the Agenda Planning process, the importance of Equalities Assessments in Committee Reports, has been reinforced, thus assisting Member consideration of Equalities and Diversity issues as part of the formal decision-making.

#### 7.6.3 Health Inequalities

Although still perceived to be an area of affluence, recent studies such as the Joint Area Needs Assessment have highlighted the significant health inequalities across the Epping Forest District. The restructure of the LSP seeks to address the Health Inequality agenda by bringing together all the key agencies under a new Healthier Communities group. Elected Members' awareness of Health Inequalities issues has also been significantly raised as a result of a presentation to the Council's Overview and Scrutiny Committee by the West Essex PCT's Director of Public Health. In addition, the Council has become more engaged in the County Council's Health Scrutiny Committee as well as exploring opportunities for Joint Health Scrutiny with Harlow and Uttlesford District Councils.

#### 7.6.4 Youth Council

The Epping Forest Youth Council was established through elections held at all the District's Secondary Schools in December 2007. After an initial period of induction and training, the Youth Council became fully operational in the 2008/09 Municipal Year. Established to promote young people's participation in the democratic process and promote advocacy around the key issues affecting young people in the District, the Youth Council instigated the largest piece of consultation work ever undertaken with young people, in the Summer 2008. The results of the consultation culminated in a major event, "The Big Youth Debate". The Youth Council can therefore be seen to be influencing in a real way, the type of services delivered to Young People. Accountability has also been improved by greater engagement in the democratic process.

7.6.5 The Government Directed the Council to produce a Development Plan Document concerning provision of further sites for Gypsies and Travellers. This in turn has led to the Council undertaking perhaps the largest consultation that it has ever been engaged upon, and which deals with matters which proved to be very contentious. The consultation document drew particular attention to equalities issues, and sought to avoid experiences elsewhere, where very high numbers of comments were made in a form that had to be rejected and returned so that suitable language could be used.

7.6.6 The Gypsy and Traveller consultation also made particular use of the Council's website, thus enabling large volumes of information to be provided and updated or amended. In addition a DVD was developed specifically to consult the travelling community who may have had difficulties accessing other forms of consultation.

7.6.7 The Planning Directorate has made significant improvements to its operations over the past few years, and is seeking further improvement, but a good example of this is the comprehensive information available on Planning on the website using pinpoint mapping.

7.6.8 During the year Capita were engaged to review and benchmark the existing ICT Service and make recommendations on the strategic direction and future provision of ICT Services at the Council. The review helped highlight both strengths and weaknesses and concluded that the current in-house provision should continue. Following this review a permanent appointment was made to the post of Assistant Director of ICT and the service was restructured. The progress made during the year was illustrated by the Council being the first authority in Essex to gain accreditation for its Code of Connectivity, and gain access to the secure Government Connect system.

7.6.9 In last year's Governance Statement one of the internal control issues noted was the need to raise awareness of good procurement practice to staff at all levels across the Authority. This is being pursued through a Procurement Steering Group at Assistant Director level, and a Marketplace User Group for the main users of the electronic ordering system in each directorate. Both these groups met during 2008/09 and have further meetings scheduled for 2009/10.

7.6.10 The External Funding Strategy was fully implemented in 2008/09, to ensure a more co-ordinated approach to the sourcing of external funding in assisting the achievement of the Council's objectives.

7.6.11 Within the overall Use of Resources score for 2007/08, the Authority increased its score within the specific category for 'maintaining a sound system of internal control', from 2 to 3 (performing well).

- 7.6.12 In the Use of Resources assessment the External Auditors list as a key improvement the creation and operation of an effective Audit and Governance Committee. This Committee met five times throughout 2008/09 and has been in existence for nearly two years in demonstrating independent assurance on the adequacy of the Council's risk management and internal control arrangements.
- 7.6.13 Another key improvement highlighted in the Use of Resources assessment was increased awareness of comparative performance and cost, achieved through a thorough internal Value for Money Review exercise. This exercise will be repeated and updated to ensure this level of awareness is maintained.
- 7.6.14 The Council's Anti-fraud policy is available to the majority of staff via the Council's intranet, and induction training on the existence and purpose of the strategy is given to new Council employees. The policy was updated during 2008/09.
- 7.6.15 The Waste Partnership between the district and borough waste collection authorities and the County Council as the waste disposal authority has continued to progress resulting in the adoption by the Council of the Essex Joint Municipal Waste Management Strategy in September 2008.
- 7.6.16 Following the implementation of the new waste management contract, the newly established Waste Management Partnership Board, which is charged with overseeing the operation of the new contract and its performance, has met on a quarterly basis.
- 7.6.17 The Council has responded positively to the Audit Commission Inspection of the waste service which took place in mid April 2008, with the majority of the recommendations of the inspection report being dealt with by, or ahead of their allotted deadlines. Progress has been regularly reported to the Council's Audit and Governance Committee.
- 7.6.18 The Council has continued to positively support the Epping Forest Safer Communities Partnership resulting in significant reductions in crime (8% overall) within the District. Significant progress has been achieved with the implementation of the Council's "Safer, cleaner, greener" initiative including the deployment of an 'Environmental Response Unit' to provide a speedy and positive response to reports of environmental crime and related issues.
- 7.6.19 During the year, the Council's Works Unit was disbanded and the main element, the Building Maintenance Section, was incorporated within the Housing Directorate. This will enable much closer worker arrangements to exist, and increased efficiency, in the execution of response and void property repairs. Following a review of the repairs service the Council has agreed to combine and restructure the two main sections involved with these works.
- 7.6.20 The Council's Housing Directorate has been accredited with the ISO 9001:2000 Quality Management System Standard. This independently-assessed accreditation confirms that the Housing Directorate consistently provides a quality housing service. The accreditation only lasts for three years and, in June 2008, the accreditation was renewed for a second time, until May 2011.
- 7.6.21 The Council's Housing Directorate commissioned an independent organisation (the National Housing Federation - NHF) to undertake a major tenant satisfaction survey of a randomly-selected 1,500 tenants (25% of the total) in 2008. The response was 53%, a good response for a postal survey. The overall satisfaction with the Housing Directorate remained consistently high, at 84% compared to 85% in 2006. 86% of tenants were satisfied with the repairs and maintenance service (12% above the peer group average of 74%). The Council ranked a strong first in its peer group for all 6 aspects of the repairs and maintenance service measured.



- 7.6.22 In 2008/9, the Housing Directorate introduced a set of over new 80 Housing Service Standards. The Council had previously worked to a number of standards relating to the service it provides to its customers, and a number of these standards had been included within the Tenants Handbook and other documents and leaflets over the years. However, this was the first time that the Council has considered and published its Housing Service Standards in one document.
- 7.6.23 Service Directors have reviewed the governance arrangements operating within their Service Areas using a detailed checklist, and have provided assurance statements confirming their belief that appropriate controls were in place during 2008/09.

#### Governance – Internal Control Issues

- 7.7 Other areas have been highlighted in the review of the Authority's systems of internal control and are listed below. In each case the Directors responsible have identified the risk involved and prepared plans to contain the risks and deliver the necessary improvements:
- 7.7.1 During the year a number of Councils, charities, financial institutions and the Audit Commission were affected by the collapse of the Icelandic banking system. This Council has £2.5m deposited with the Heritable Bank, a UK based subsidiary of an Icelandic bank. The annual audit of Treasury Management was brought forward and expanded to cover a review of these investments. This review confirmed that the transactions were effected in accordance with the Council's approved Treasury Management Strategy and were completed by authorised officers in line with normal procedures. However, a number of recommendations were made to enhance reporting and procedures and these have been implemented. It is still too early in the administration of Heritable Bank to give an accurate estimate of the level of any loss, although the administrators have previously stated that they anticipate there will be a material dividend in due course.
- 7.7.2 There were serious failings in the accounts closure process for 2007/08 and these were covered earlier in the section on Financial Management and Reporting. A number of actions have been taken to ensure a more robust process is in place for 2008/09 and much closer working with the external auditors is being pursued.
- 7.7.3 Two ICT related internal audits only provided limited assurance in the areas of data security and the verification of audit logs. Both the audits gave credit for the progress that had been achieved during the year and represented more what had occurred in ICT previously rather than the current position. The improvement on the reported position is further evidenced by the success with Government Connect.
- 7.7.4 The Audit and Governance Committee expressed its concern that a Service Business Plan was not in place by 1 April 2008, and will receive further Audit reports on any plans that are not been completed within the required timescale in the future.
- 7.7.5 An Internal Audit report identified an issue in relation to the past acceptance of inappropriate gifts and hospitality by a very small minority of staff. The offers were properly recorded and there was no evidence that this had led to undue favours to third parties. Following the strengthening of staff and management guidelines across all directorates, further checks were undertaken during 2008/09 and identified an improvement in the application of the rules. It is now considered by management that the risk of inappropriate decisions on gifts and hospitality, and the consequences that could arise, has been considerably reduced.

- 7.7.6 Within the corporate systems for processing purchase orders and invoices, there are still examples of weaknesses and departures from Financial Regulations and good practice. A further reminder about the correct procedure has been issued to all staff, and is covered in a bi-annual course for managers on finance and regulatory issues. Approximately 200 staff have now received this training.
- 7.7.7 A review of staffing in Estates Management and an Internal Audit report highlighted a risk to the Council's income if insufficient resource led to rent reviews/lease renewals being delayed. The staffing issues have been addressed and a report was presented to the Audit and Governance Committee.
- 7.7.8 A number of Internal Audit reports have highlighted internal control issues within the Building Maintenance Unit, which joined the Housing Directorate in 2007/08. A particular concern is with the procedures relating to stores. Options being assessed include the introduction of a computerised stores system, or the outsourcing of the stores function.
- 7.7.9 An Internal Audit report identified a need for a change in approach in the processes for the engagement of consultants. Quotations were generally not being sought and value for money could not be demonstrated. A particularly high volume of consultancy orders were placed by Building Control in April 2008, the process for which did not reflect earlier audit recommendations. The Audit led to changes in Standing Orders and a clarification of the process for engaging consultants and temporary staff.
- 7.8 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed .....

Peter Haywood  
Chief Executive

Signed .....

Councillor Di Collins  
Leader of the Council

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **THE AUTHORITY'S RESPONSIBILITIES**

The Authority is required to:

- h 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:
- h Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- h Approve the Statement of Accounts

I confirm that these accounts were approved by the Council at the meeting held on 30 June 2009

**COUNCILLOR PENNY SMITH  
CHAIRMAN OF THE COUNCIL**

**June 30, 2009**

### **THE DIRECTOR OF FINANCE AND ICT'S RESPONSIBILITIES**

The Director of Finance and 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 United Kingdom ('the Code of Practice')

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

- h Selected suitable accounting policies and then applied them consistently;
- h Made judgements and estimates that were reasonable and prudent;
- h Complied with the Code of Practice.

The Director of Finance and ICT has also:

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

I certify that the accounts set out on pages 1 to 50 present fairly the financial position of the Council as at 31 March 2009 and the income and expenditure for the year then ended.

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

**June 30, 2009**

## **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 event 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 this would not be material.

### **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. There is therefore no logical basis of apportioning these costs to services.

### **INTANGIBLE ASSETS**

Expenditure which may properly be defined as being capital expenditure, but which does not result in a physical asset being created. For expenditure to be recognised as an intangible asset it must yield future economic benefits to the council.

### **REVENUE EXPENDITURE CHARGED TO CAPITAL UNDER STATUTE**

Expenditure of a capital nature that does not result in a fixed asset being created. An example of such an item would be expenditure on a former HRA property held on a long lease by a third party. The expenditure is written off in the year that it is incurred.

## **GLOSSARY OF TERMS**

### **DEPRECIATION**

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset whether arising from use, passage of time or obsolescence through technological or other changes. The useful life is the period over which the local authority will derive benefit from the use of a fixed asset.

### **EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

### **EXTRAORDINARY ITEMS**

Material items that derive from events or transactions that fall within 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 or 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 assets 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 constructions 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

## **GLOSSARY OF TERMS**

(iii) trustees and advisers.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- (i) members of the close family or the same household; and
- (ii) partnerships, companies, trusts or other entities in which the individual or a member of their close family or the same household, has a controlling interest.

## **RELATED PARTY TRANSACTION**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- (i) the purchase, sale, lease, rental or hire of assets between related parties;
- (ii) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- (iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- (iv) the provision of services to a related party, including the provision of pension fund administration services;
- (v) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the authority but also in relation to its related party.

## **REVALUATION RESERVE**

This account was created on 31 March 2007. The purpose of which is to hold all revaluations occurring to fixed assets subsequent to that date.

## **STOCKS**

Comprise the following categories:

- (i) Goods or other assets purchased for resale;
- (ii) consumable stores;
- (iii) raw materials and components purchased for incorporation into products for sale;
- (iv) products and services in intermediate stages of completion;
- (v) long-term contract balances; and
- (vi) finished goods.

## **UNAPPORTIONABLE CENTRAL OVERHEADS**

These are overheads for which no user now benefits and should not be apportioned to services.

## **GLOSSARY OF PENSION RELATED TERMS**

### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (i) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or
- (ii) the actuarial assumptions have changed

### **CURRENT SERVICE COST**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

### **CURTAILMENT**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- (i) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- (ii) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

### **DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **DEFINED CONTRIBUTION SCHEME**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### **DISCRETIONARY BENEFITS**

Retirement benefits that the employer has no legal, contractual or constructive obligations to award and which are awarded under the authority's discretionary powers, such as the Local Government (Discretionary Payments) regulations 1996.

### **EXPECTED RATE OF RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

## **GLOSSARY OF PENSION RELATED TERMS**

### **EXTRAORDINARY ITEMS**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority, and which are not expected to recur. They do not include exceptional items nor do they include prior year items merely because they relate to a prior period.

### **FRS17**

The new financial reporting standard FRS17 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.

## **GLOSSARY OF PENSION RELATED TERMS**

### **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.