



Epping Forest District Council
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STATEMENT OF ACCOUNTS
2015/16



STATUTORY STATEMENT OF ACCOUNTS 2015/16

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

NARRATIVE REPORT

1. INTRODUCTION TO EPPING FOREST DISTRICT COUNCIL

Epping Forest District in Essex takes its name from the forest which runs from its southern boundaries northwards. The district shares boundaries with Greater London and Hertfordshire as well as four other Essex districts. The three main settlements of Buckhurst Hill, Chigwell and Loughton contain more than half the district's population of approximately 125,000 people. However, this southern area amounts to only 5% of the district. The remaining 95% is made up largely of separate market towns, villages and hamlets in attractive countryside. Most of the district is designated within the protective status of the Metropolitan Green Belt.

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

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

Forecasts suggest that the population of the district could rise significantly from the current 125,000 over the next twenty years. A key factor in this estimated growth is that life expectancy in the district is higher than the national average and rising. Projections indicate that by 2020 over 55% of the district's population will be aged over 60.

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

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

2. PERFORMANCE ON CORPORATE OBJECTIVES

The Corporate Plan 2015 - 2020 has three strategic aims and each of these is supported by three key objectives. Performance against the key objectives is monitored on a quarterly basis, with reports to Member meetings of both the Executive and Overview and Scrutiny.

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

The key objective for budgets is to ensure that the Council's Medium Term Financial Strategy (MTFS) meets the Council's financial and service requirements for any forward five year period, whilst minimising any reliance on Government funding. There were four actions to support this objective which included an early start to the budget cycle, delivering the savings already identified for both 2015/16 and 2016/17 and developing additional business cases to address the need for net savings. All of these actions were achieved during 2015/16.

The key objective for property assets is to continue to review and develop the Council's own assets and landholdings for appropriate uses, in order to maximise revenue streams and capital receipts and to deliver four key projects. There were nine actions to support this objective, most of which were linked to the four key projects of the Epping Forest Shopping park, the Council Housebuilding Programme, the St John's Redevelopment Scheme and North Weald Airfield. Progress on the Shopping Park has been good and that action has been achieved. The Council Housebuilding Programme has seen success with the refurbishment of Marden Close and progressing Phase 2 but is behind schedule on Phase 1 due to problems with the contractor. Progress on the St John's Redevelopment is behind schedule due to a series of delays, most of which can be attributed to Essex County Council. Both of the actions relating to North Weald Airfield are behind schedule. Overall three of the actions on property assets have been achieved but six are behind schedule.

The key objective for joint working is to explore appropriate opportunities to make savings and increase income through the shared delivery of services with other organisations, where such arrangements would provide improved and/or more cost effective outcomes. There were eight actions shared across the organisation to support this objective. The only action not achieved in the year was to explore providing payroll services to other authorities. This action was behind schedule as the enabling action for it of jointly procuring a payroll with other authorities was delayed by one partner authority deciding not to proceed and then an issue with the procurement process that meant it had to be re-run. The system has now been purchased and a joint implementation is underway.

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

The key objective for the Local Plan is to produce a sound Local Plan, following consultation with local residents and working with neighbouring councils, that meets the needs of our communities whilst minimising the impact on the District's Green Belt. There were seven actions to support this objective, these covered various aspects of the preparatory work necessary to deliver the Local Plan. The only action achieved in the year was to undertake Phase 1 of a comprehensive Green Belt Review. All of the other actions were in progress but are behind schedule.

The key objective for economic development is to increase opportunities for sustainable economic development within the District, in order to increase local employment opportunities for residents. There were seven actions to support this objective, these covered an array of projects including the Council's procurement rules, apprentices, super fast broadband and an overall plan for economic development. The only action not achieved in the year was to allocate employment land following a consultation on preferred options. This consultation is now likely to take place in the Autumn of 2016.

The key objective for the leisure and cultural strategy is to deliver the strategy, in order to maximise participation and value for money in leisure and cultural services for local residents and visitors. There were six actions to support this objective, these included the refurbishment of the museum, taking forward the procurement of a new leisure contract and a feasibility study on a new leisure/community hub at Hillhouse. All of the actions were achieved in the year.

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

The key objective for customer contact is to have efficient arrangements in place to enable customers to easily contact the Council, in a variety of ways, and in most cases have their service needs met effectively on first contact. There were three actions to support this objective, these included increasing the opening hours at the Limes Centre, introducing web based and smart phone applications for tenants to report repairs and a review of customer contact. All of the actions were achieved in the year.

The key objective for modernisation is to utilise modern technology to enable Council officers and Members to work more effectively, in order to provide enhanced services to customers and make Council services and information easier to access. There were eight actions to support this objective, these covered work on introducing more flexible methods of payment, implementing the ICT Strategy and improving access to the contracts register. Three of the actions were not achieved in the year and these included introducing an online facility for customers to view and research objects held by the museum and undertaking a review of the Council's accommodation. Work is now underway to engage external expertise to assist with the accommodation review.

The key objective for the demographic profile is to ensure that the Council understands the effects of an ageing population and works with other agencies to make appropriate plans and arrangements to respond to this need. There were three actions to support this objective. The first action, to undertake a study to identify and better understand the demographics of the ageing population and the effects of this was achieved. Two of the actions were not achieved in the year and these were a review of the provision and delivery of community and cultural services and a review of sheltered and designated accommodation.

As 2015/16 was the first year of implementing the new Corporate Plan it is not possible to compare performance against last year. There were 55 actions in the key action plan for 2015/16 and 36 (65%) of these were achieved during the year. This is a good performance as it is clear with the benefit of hindsight that many of the actions were always going to take more than one year to complete. Most of the 19 actions that were not completed are well underway and will continue to be monitored during 2016/17.

3. PERFORMANCE ON KEY PERFORMANCE INDICATORS

Each Directorate has a set of key performance indicators that Members consider and set targets for on an annual basis. Quarterly monitoring reports on the indicators go to both Overview and Scrutiny and Executive Member meetings. The Communities Directorate had ten key performance indicators for 2015/16 and eight of these achieved the target level of performance. The indicators meeting their targets included rent collection, tenant satisfaction, repairs and the Careline service. The indicators falling short of their targets were the time taken to re-let void properties (41 days against target of 37) and the number of households in temporary accommodation (89 against target of 65). Homeless households is an increasing problem nationwide and additional funds have been allocated in 2016/17 in response to this.

The Governance Directorate had five key performance indicators for 2015/16 and four of these achieved the target level of performance. The indicators all relate to the processing of various types of planning applications and it was a considerable achievement to meet the targets whilst also dealing with a much higher volume of work. The indicator that fell short of its target was the percentage of planning applications granted permission following an appeal after an officer recommendation for refusal. A target of a maximum of 19% had been set but the outturn was higher at 30.6%, however this is on a small number of applications and the percentages translate to actual numbers of 15 appeals being allowed against a target of 9.

The Neighbourhoods Directorate had twelve key performance indicators for 2015/16 and seven achieved their targets. The indicators meeting their targets relate to environmental health issues such as fly tipping and noise nuisance and also the management of the Council's commercial properties. The indicators falling short of their targets cover the waste management service as this area had a difficult year due to the contractor suffering disruption whilst moving to a four day collection programme. Normal service has now been resumed and performance improved towards the end of 2015/16.

The Resources Directorate had nine key performance indicators for 2015/16 and eight achieved their targets. The indicators meeting their target relate to revenue collection, benefits processing, invoice payments and the Council's website. The indicator that fell short of its targets was the number of days lost to sickness absence, this covers the whole Council but is reported in Resources as the data is collected by Human Resources. For 2015/16 an average of 7.99 days was lost to sickness which exceeded the target of 7 days but was an improvement on the 2014/15 figure of 9.2 days.

There were 36 key performance indicators for 2015/16 and 27 (75%) of these achieved their target during the year. This is a strong performance which would have been even better but for the disruption to the waste management service. The achievement of 75% of targets in 2015/16 is an improvement on the 72% success rate for 2014/15.

4. FINANCIAL PERFORMANCE

The following tables provide a summary review of net expenditure and financing for 2015/16.

General Fund

The table below summarises the revenue outturn for the General Fund and the consequential movement in balances for 2015/16.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Net Expenditure after Adjustments	13,348	15,769	16,204	2,856	435
Government Grants and Local Taxation	(13,304)	(14,095)	(14,183)	(879)	(88)
(Contribution to)/from Balances	44	1,674	2,021	1,977	347
Opening Balances - 1/04/2015	(9,293)	(9,293)	(9,293)	-	-
(Contribution to)/from Balances	44	1,674	2,021	1,977	347
Closing Balances - 31/3/16	(9,249)	(7,619)	(7,272)	1,977	347

Net expenditure for 2015/16 totalled £16.2 million, which was £2.9 million (21.5%) above the original estimate agreed in February 2015 and £435,000 (3%) above the revised estimate compiled in December 2015. When compared to a gross expenditure budget of approximately £74 million, the variances can be restated as 4% and 0.6% respectively.

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

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening CSB	13,909	13,280	13,649	(260)	369
In Year Growth	329	578	546	217	(32)
In Year Savings	(902)	(1,212)	(1,142)	(240)	70
Total Continuing Services Budget	13,336	12,646	13,053	(283)	407
Capital Expenditure Charged to Revenue	12	3,123	3,151	3,139	28
Total All CSB Items	13,348	15,769	16,204	2,856	435
DDF/ITS - Expenditure	1,839	2,414	1,909	70	(505)
DDF/ITS - One Off Savings/Income	(710)	(1,465)	(2,052)	(1,342)	(587)
Total DDF/ITS	1,129	949	(143)	(1,272)	(1,092)
Total Net Expenditure	14,477	16,718	16,061	1,584	(657)

Continuing Services Budget

CSB expenditure was £283,000 below the original estimate and £407,000 higher than the revised. The variances have arisen on both the opening CSB which was £369,000 higher than the revised estimate, and the in year figures which were £38,000 higher than the revised estimate.

In common with most years, when measured against the original budget, salaries were underspent by £465,000. Actual salary spending for the authority in total, including agency costs, was some £20.8 million compared against an original estimate of £21.3 million. When comparing to the revised estimate there was an underspend of £302,000, half of which related to the General Fund, although £72,000 of this was DDF or Building Control savings rather than CSB.

One of the largest movements on the opening figures, when compared to the revised, was the increase of £215,000 in the provision for bad and doubtful debts, which included an increase to reflect a higher level of housing benefit overpayment debts. The other significant factor in the worsening opening CSB was a reduction of £190,000 in the interest to the General Fund, due to the HRA balances being much higher than anticipated.

The in year CSB movements were very much in line with the revised estimate, with the actual CSB in year reduction of £596,000 being just £38,000 lower than the revised estimate. The largest individual items in the CSB changes were for additional income with £252,000 more for New Homes Bonus and £180,000 for car parking.

District Development Fund

Net DDF expenditure was £1,272,000 below the original estimate and £1,092,000 below the revised estimate. There are requests for carry forwards totalling £775,000 and therefore the variation actually equates to a £317,000 net under spend on the DDF items undertaken. These one-off projects are akin to capital, in that there is regular slippage and carry forward of budgetary provision. Therefore the only reasonable variance analysis that can be done is against the revised position.

The £1.1 million difference against the revised estimate arose from both additional income and from underspends. Significant additional income was received from the Government, with £268,000 to be spent on recycling initiatives and from the major preceptors with an additional £254,000 from the council tax sharing agreement. The largest underspends were £139,000 on the Local Plan and £82,000 on asset rationalisation.

Carry forwards of £775,000 have been requested, with the largest request being £566,000 from the Neighbourhoods Directorate. The two largest amounts have already been mentioned above, being the £268,000 for recycling and the £139,000 for the Local Plan. The directorate with the second highest carry forward is Resources, with a total of £115,000. The majority of the carry forward from this area relates to Building Maintenance (£73,000). Less significant carry forwards were also seen in the Governance Directorate (£70,000) and the Communities Directorate (£24,000).

The effect of these variances is that there is a balance of £3.7 million on the DDF as at 31 March 2016 whereas it was expected that the balance would be £2.7 million. The carry forward provision of £775,000 has been added to the programme for 2016/17. The MTFs set in February 2016 had anticipated that the unallocated DDF balance would be just under £1 million at the end 2019/20 and this has increased to £1.3 million.

Invest to Save

The Invest to Save fund was created with a transfer of £0.5 million from the General Fund Reserve. During 2015/16 £309,000 was allocated to various projects although only £87,000 was intended to be spent in 2015/16. The actual spend was £75,000 with most of this money being used to purchase grounds maintenance equipment.

Housing Revenue Account

The table below summarises the revenue outturn for the HRA.

Housing Revenue Account	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Revenue Expenditure	28,678	29,037	28,517	(161)	(520)
Depreciation	13,539	13,152	13,498	(41)	346
Total Expenditure	42,217	42,189	42,015	(202)	(174)
Gross Dwelling Rents	(32,178)	(32,289)	(32,150)	(28)	(139)
Other Rents and Charges	(10,099)	(9,817)	(10,497)	398	680
Total Income	(42,277)	(42,106)	(42,647)	(371)	(542)
Deficit/(Surplus) for Year	(60)	83	(632)	(572)	(715)
Opening Balance 1/4/15	(2,570)	(2,570)	(2,570)	0	0
Deficit/ (Surplus) for year	(60)	83	(632)	(572)	(715)
Closing Balance - 31/3/16	(2,630)	(2,487)	(3,202)	(572)	(715)

A surplus within the HRA of £60,000 and a deficit of £83,000 were expected within its original and revised revenue budgets respectively; the actual outturn was a surplus of £632,000. The difference of £715,000 between the revised estimate and the actual is largely due to savings on expenditure of £520,000. This included salary savings of £150,000 and savings on professional fees and consultancy of £86,000 and a further £79,000 on gas and electricity.

Income from Dwelling Rents was down on expectations but this was more than made up for by the additional interest earned on the higher than anticipated balances. The revenue balance on the HRA of £3.2 million is in line with the target balance of between £3 million and £4 million previously agreed by Cabinet. The Major Repairs Reserve is also in a healthy state with a balance of nearly £12 million.

Capital Outturn

The table below summarises the capital expenditure outturn and its financing for 2015/16.

Capital Expenditure and Financing	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
General Fund	7,476	32,568	23,487	16,011	(9,081)
Housing Revenue Account	18,952	17,349	13,811	(5,141)	(3,538)
Total Expenditure	26,428	49,917	37,298	10,870	(12,619)
Grants	1,545	3,493	3,725	2,180	232
External Borrowing	0	12,454	0	0	(12,454)
Capital Receipts	8,002	16,373	19,045	11,043	2,672
Revenue Contributions	16,881	17,597	14,528	(2,353)	(3,069)
Total Financing	26,428	49,917	37,298	10,870	(12,619)

The General Fund capital programme was expanded significantly at the revised estimate stage, primarily for the shopping park development. Unfortunately the highways works have been delayed by Essex County Council and the first attempt to let the main construction contract was not successful. Consequently less than £12 million of the 2015/16 £14 million budget for this scheme was spent by the year end. The largest underspend was the entire £6 million budget for the St John's development, which is another project being delayed by Essex County Council. The museum re-development was more successful and the improvements have been well received by the public.

The HRA capital programme saw large underspends on the new house building and kitchen/bathroom replacement programme. These schemes had estimates of £4.5 million and £4.3 million and spending of £3.4 million and £3.2 million respectively. The delays with the phase 1 of the house building programme were caused by problems with the contractor.

The actual financing of the capital programme varied from the revised estimate as the large underspends meant no new external borrowing was needed during 2015/16.

Balance Sheet

In 2015/16 the Council's Balance Sheet value has increased by £135.4 million to £555.9 million. The improvement in the Balance Sheet total arises primarily from the increase in the value of the Council's fixed assets and investment properties of £145.1 million. This was offset by a reduction in the Council's cash of £12.2 million to £14.0 million.

The growth in the Council's Balance Sheet was helped by a decrease in Long Term Liabilities, particularly in respect of the pension fund. This has reduced in the year from £69.9 million to £67.0 million. The assets of the scheme have increased in value by £1.6 million and the liabilities have decreased by £1.4 million. The key to calculating the value of future costs is the discount rate and as this increases the size of the liability decreases. The increase in the discount rate from 3.2% to 3.5% reflects the increasing yields in the corporate bond market, which actuaries are required to base discount rates on. The inclusion of this amount in the Balance Sheet shows the extent of the Council's liability if the pension fund was to close on 31 March 2016. It does not mean that this full liability will have to be paid over to the pension fund in the near future.

5. PRINCIPAL RISKS AND UNCERTAINTIES

A risk management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact. The risk management process is audited on an annual basis and the Audit & Governance Committee decided that the arrangements for risk management during 2015/16 were effective.

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

Risk - failure to put in place a Local Plan in a timely manner

Impacts - loss of control of Local Plan process, loss of New Homes Bonus, reduced ability to defend decisions on

Mitigation - external project management support, regular Member briefings, engagement with stakeholders

Risk - failure to deliver developments on strategic sites

Impacts - loss of income potential, sub-optimal economic development, reputational damage

Mitigation - external project management support, overseen by dedicated Cabinet Committee

Risk - residents and the Council adversely affected by welfare reforms

Impacts - increases in rent arrears and homelessness, redundancy costs for staff and systems

Mitigation - multi-disciplinary working group has developed and implemented an action plan

Risk - Council's finances hit by reductions in income

Impacts - reductions in services, increases in Council Tax and charges, reductions in reserves

Mitigation - monthly income monitoring, increased urgency on Local Plan (see above), pooling to improve rate retention

Risk - failure to achieve strong economic development

Impacts - loss of inward investment, reductions in Non Domestic Rates, reduced employment opportunities for residents

Mitigation - additional staff for economic development, economic development strategy being produced

Risk - Housing Revenue Account 30 year plan undermined by legislative changes

Impacts - house building programme reduced, loss of HCA grant and capital resources, loss of rental income

Mitigation - house building programme supervised by Cabinet Committee, lobbying through ARCH and LGA *

*ARCH is the Association of Retained Council Housing and the LGA is the Local Government Association

6. EXPLANATION OF ACCOUNTING STATEMENTS

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2016. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which in turn is underpinned by International Financial Reporting Standards.

The Core Statements are:

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

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

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

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

The Supplementary Financial Statements are:

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

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

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

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

Statement of Responsibilities for the Statement of Accounts

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

COUNCILLOR JEANE LEA
CHAIRMAN OF THE COUNCIL

THE DIRECTOR OF RESOURCES RESPONSIBILITIES

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

In preparing this Statement of Accounts, the Director of Resources has:

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

The Director of Resources has also:

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

I certify that the accounts set out on pages 5 to 62 give a true and fair view of the financial position of the Council as at 31 March 2016 and the income and expenditure for the year then ended.

ROBERT PALMER BA ACA
DIRECTOR OF RESOURCES

June 20, 2016

Opinion on the Council's financial statements

We have audited the financial statements of Epping Forest District Council for the year ended 31 March 2016 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Director of Resources and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Epping Forest District Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

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

Matters on which we report by exception

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

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

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

Respective responsibilities of the Council and the auditor

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

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

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

Scope of review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Council has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Epping Forest District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

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

David Eagles

For and on behalf of BDO LLP, Appointed Auditor

Ipswich, UK

30-Sep-16

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

MOVEMENT IN RESERVES STATEMENT

	Note	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
										restated	restated
Movements in 2014/15		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2014		9,884	5,065	2,966	9,788	17,467	11,359	184	56,713	353,746	410,459
Restatement		-	-	-	-	-	-	-	-	(8,421)	(8,421)
Balance as at 1 April 2014		9,884	5,065	2,966	9,788	17,467	11,359	184	56,713	345,325	402,038
Surplus/(Deficit) on Provision of Services		(5,898)	-	19,536	-	-	-	-	13,638	-	13,638
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	4,903	4,903
Total Comprehensive Income and Expenditure		(5,898)	-	19,536	-	-	-	-	13,638	4,903	18,541
Adjustment between accounting and funding bases under regulations	6	5,636	-	(17,949)	-	2,067	(205)	(48)	(10,499)	10,499	-
Net Increase/(Decrease) before transfer to Earmarked Reserves		(262)	-	1,587	-	2,067	(205)	(48)	3,139	15,402	18,541
Transfers to Earmarked Reserves		(329)	369	(1,983)	1,983	-	-	(40)	-	-	-
Increase/(Decrease) in Year		(591)	369	(396)	1,983	2,067	(205)	(88)	3,139	15,402	18,541
Balance as at 31 March 2015		9,293	5,434	2,570	11,771	19,534	11,154	96	59,852	360,727	420,579
Movements in 2015/16		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2015		9,293	5,434	2,570	11,771	19,534	11,154	96	59,852	360,727	420,579
Surplus/(Deficit) on Provision of Services		15,066	-	13,775	-	-	-	-	28,841	-	28,841
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	106,521	106,521
Total Comprehensive Income and Expenditure		15,066	-	13,775	-	-	-	-	28,841	106,521	135,362
Adjustment between accounting and funding bases under regulations	6	(16,711)	-	(10,622)	-	(15,746)	1,137	112	(41,830)	41,830	-
Net Increase/(Decrease) before transfer to Earmarked Reserves		(1,645)	-	3,153	-	(15,746)	1,137	112	(12,989)	148,351	135,362
Transfers to Earmarked Reserves		(376)	376	(2,521)	2,521	-	-	-	-	-	-
Increase/(Decrease) in Year		(2,021)	376	632	2,521	(15,746)	1,137	112	(12,989)	148,351	135,362
Balance as at 31 March 2016		7,272	5,810	3,202	14,292	3,788	12,291	208	46,863	509,078	555,941

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31 March 2016

	Note	2015/16			2014/15		
		Gross Expend £000	Income £000	Net Expend £000	Gross Expend £000	Income £000	Net Expend £000
CONTINUING OPERATIONS							
Central Services to the Public		5,083	(1,088)	3,995	3,872	(1,158)	2,714
Corporate and Democratic Core		2,607	-	2,607	2,629	-	2,629
Cultural & Related Services		6,748	(1,150)	5,598	6,578	(900)	5,678
Environmental & Regulatory Services		9,459	(2,476)	6,983	10,689	(2,836)	7,853
Highways and Transport Services		1,253	(1,514)	(261)	1,329	(1,446)	(117)
Non Local Authority Housing		40,079	(38,273)	1,806	40,128	(38,470)	1,658
Planning Services		4,440	(1,543)	2,897	4,239	(1,375)	2,864
Housing Revenue Account		28,134	(44,435)	(16,301)	27,269	(50,791)	(23,522)
NET COST OF SERVICES		97,803	(90,479)	7,324	96,733	(96,976)	(243)
OTHER OPERATING EXPENDITURE	8			2,786			2,181
FINANCING AND INVESTMENT INCOME AND EXPENDITURE	9			(15,819)			5,002
TAXATION AND NON-SPECIFIC GRANT INCOME	10			(23,132)			(20,578)
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES				(28,841)			(13,638)
(Surplus) on Revaluation of Property Plant and Equipment	12			(101,207)			(15,250)
Actuarial (gains)/losses on Pension Assets/Liabilities	33			(5,314)			10,210
Other (gains)/losses				-			137
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE				(135,362)			(18,541)

BALANCE SHEET

	Note	31 March 2016		31 March 2015		1 April 2014	
		£000	£000	£000	£000	£000	£000
				Restated		Restated	
LONG TERM ASSETS							
Property, Plant & Equipment	12	695,670		570,627		546,056	
Heritage Assets		542		542		542	
Investment Properties	13	63,070		43,034		39,754	
Intangible Assets		651		616		543	
Long Term Investments	15	-		5,001		10,004	
Long Term Debtors	14	5,632		2,642		2,453	
TOTAL LONG TERM ASSETS			765,565		622,462		599,352
Current Assets							
Assets held for sale		850		850		1,510	
Inventories		154		240		274	
Debtors and Prepayments	16	7,742		5,168		5,653	
Short Term Temporary Investments	15	37,672		37,088		33,910	
Cash & Cash Equivalents	17	13,969		26,209		15,338	
			60,387		69,555		56,685
Current Liabilities							
Creditors	18	(12,897)		(13,146)		(8,943)	
Provisions	19	(1,521)		(1,356)		(794)	
			(14,418)		(14,502)		(9,737)
LONG TERM LIABILITIES							
Long Term Loans	15	(185,456)		(185,456)		(185,456)	
Pensions Liability	33	(66,981)		(69,929)		(57,820)	
Leasing liability		(2,908)		-		-	
Capital Grant Receipts in Advance		(248)		(1,551)		(986)	
			(255,593)		(256,936)		(244,262)
TOTAL ASSETS LESS LIABILITIES			555,941		420,579		402,038
Usable Reserves		46,863		59,852		56,713	
Unusable Reserves	20	509,078		360,727		345,325	
			555,941		420,579		402,038

THE CASH FLOW STATEMENT

	Note	2015/16 £000	2014/15 £000
Net Surplus on Provision of Services		28,841	13,638
Adjustments to net surplus or deficit on the provision of services for non-cash movements	21	(10,201)	12,882
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	(11,344)	(8,950)
<hr/>			
Net cash flows from Operating Activities		7,296	17,570
Investing Activities	22	(22,415)	(7,846)
Financing Activities	23	2,879	1,147
<hr/>			
Net Increase or (Decrease) in cash and cash equivalents		(12,240)	10,871
Cash and Cash Equivalents at the beginning of the reporting period		26,209	15,338
<hr/>			
Cash and Cash equivalents at the end of the reporting period	17	13,969	26,209

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1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES & RESTATEMENT OF PRIOR YEAR FIGURES

General Principles

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom 2015/16. The Code has been developed by the CIPFA/LASAAC Joint Committee under the oversight of the Financial Reporting Advisory Board as opposed to the Accounting Standards Board as previously.

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

There is now a requirement to split other comprehensive income and expenditure between those items that will be credited or debited to the CIES in a future period and those that will not, but only where this is appropriate. There are no items that will appear in the CIES in a future period so the format of the other comprehensive income and expenditure section remains the same.

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

1.2. ACCOUNTING CONCEPTS

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

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

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

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

1.3 PROPERTY PLANT AND EQUIPMENT

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

Council dwellings and garages are revalued every year using the Beacon Properties approach as the basis for valuation. The valuation takes the form of a full revaluation followed by four years of desk top revaluations. Other assets are revalued as part of the Council's rolling programme under which assets are revalued over a five year period.

Within the accounts, Council dwellings and associated land were valued on the basis of Existing Use for Social Housing (EUV-SH) being 39% of the Vacant Possession value. The components within the dwelling have been valued based on the proportion of the total dwelling to which their value relates.

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

If the value of the impairment or downward revaluation exceeds the revaluation amount relating to that asset already residing in the revaluation reserve then the difference is recognised in the CIES in the year in which it occurs. The valuations are based upon the facts and evidence prevailing at the date of valuation.

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

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

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

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

1.4 DEPRECIATION

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

1.5 INVESTMENT PROPERTIES

The Council has a significant holding of Investment Properties which are valued on an annual basis. The properties were valued by Deloitte LLP as at 28th February 2016. The properties are valued at fair value in accordance with IFRS 13, being the amount that would be received if the assets were sold without restrictions under usual marketing conditions for that type of asset. Any higher alternative use value has been taken into account where applicable.

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

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

1.6 INVESTMENTS

Investments are accounted for in accordance with IAS 32, 39 and IFRS 7. These reporting standards prescribe the recognition, measurement and disclosure requirements in relation to financial instruments. All the Council's financial assets are in the form of loans and receivables. Investments are therefore shown in the Balance Sheet at amortised cost.

1.7 DEBTORS AND CREDITORS

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice and IAS 8. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

The recoverability of the Council's General Fund debts is considered each year through an analysis by age and type of debt outstanding at 31 March. An appropriate provision is made for any bad debts/losses that are anticipated.

1.8 CASH AND CASH EQUIVALENTS

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

1.9 FINANCIAL INSTRUMENTS

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

1.10 GRANTS AND OTHER CONTRIBUTIONS

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

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

1.11 REVENUE GRANTS

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

1.12 COST OF SUPPORT SERVICES AND SERVICE ADMINISTRATION

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

1.13 RESERVES

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

1.14 PENSIONS

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

1.15 CONTINGENT LIABILITIES

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

1.16 VALUE ADDED TAX (VAT)

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

1.17 LEASES

Finance Leases: A finance lease is defined as a lease that transfers substantially the risks and rewards of ownership without necessarily transferring the title. The embedded lease within the waste management contract has been treated as a finance lease.

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

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

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

Where assets are acquired under operating leases, the leasing rentals payable are charged to revenue. The cost of assets and the related liability for future rentals payable are not shown in the balance sheet but are disclosed in the notes. (See Note 32).

1.18 PRINCIPAL AND AGENT RELATIONSHIPS

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

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

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

1.19 COLLECTION FUND

Accounting for Council Tax

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

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

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

Accounting for Non Domestic Rates (NDR)

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

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

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

1.20 EVENTS AFTER THE REPORTING PERIOD

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

1.21 PRIOR YEAR ADJUSTMENTS

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

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

The Council is required to disclose information on the impact of a change in accounting policy that will be required by an accounting standard that has been issued but not yet adopted. This applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. 1 January 2016 for the 2016/17 financial year).

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

From 2016/17 the format of the Comprehensive Income and Expenditure Statement (CIES) and Movement in Reserves Statement (MiRS) will be changing and the Service Reporting Code of Practice (SeRCOP) headings will be removed to be replaced by the Council's own financial reporting headings.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

The Accounts contain a number of figures that are estimated based on historical experience, current trends or other factors that are relevant. As these figures cannot be ascertained with certainty it is possible that actual results could be materially different from those estimated. The items in the Balance Sheet where there is a risk of material adjustment are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Consultant actuaries are engaged to provide advice about assumptions to be applied. The actuary has provided some sensitivity analysis around the assumptions and this is contained within the Pensions note 33. The carrying value of the Pensions Liability is (£67 million).

5. EVENTS AFTER THE BALANCE SHEET DATE

On 23 June 2016 a referendum was held to determine whether the United Kingdom should remain in the European Union (EU). The decision was made that the country should leave the EU which has meant a period of uncertainty in relation to the economy generally. This Council has a significant holding of Investment property and leaving the EU has brought uncertainty to the property investment and letting market. Since the referendum it has not been possible to gauge the effect of this decision on the property market. In the opinion of the Council's valuers the probability of a sale realising exactly the amount stated in the accounts for a particular property has reduced but overall the effect is unlikely to have a significant affect on the values stated in the accounts. It is also likely that the Pensions liability will be affected but it is not possible to quantify this.

The Council is to build a shopping park the contract for which was due to be awarded early in 2016/17 and expected to be around £10.3m. The contract started on 5th September 2016 and is expected to last for 37 weeks. The shopping park is to be constructed partly on the Langston Road depot site and partly on land purchased for £10.25m from Polofind Ltd which is adjacent to the depot. There are also some works required to the road layout in Chigwell Lane and statutory undertakers costs that have already been incurred of a little over £4m and other capital payments of around £2.5m.

The financial statements were authorised for issue on 20 June 2016 by Robert Palmer BA ACA. The financial statements reflect all events up to this date.

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	2015/16 £000 <i>Usable Reserves</i>					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments involving the Capital Adjustment Account:						
Exclusions;						
Charges for depreciation and impairment of non-current assets	(4,458)	(13,528)	-	-	-	17,986
Reversal of Impairment of non-current assets	7	9,184	-	-	-	(9,191)
Movements in the fair value of Investment Properties	20,036	-	-	-	-	(20,036)
Amortisation of intangible assets	(200)	(12)	-	-	-	212
Capital Grants and contributions applied	1,070	1,857	-	-	-	(2,927)
Revenue expenditure funded from Capital under statute	(815)	-	-	-	-	815
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	(14)	(1,792)	-	-	-	1,806
Capital expenditure charged against the General Fund and HRA balances	3,151	4,344	-	-	-	(7,495)
Reversal of Notional Lease adjustment	556	25	-	-	-	(581)
Adjustments primarily involving the Capital Grants Unapplied Account	-	-	-	-	(112)	112
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES	27	3,278	(4,179)	-	-	874
Transfer from Deferred Capital receipts on receipt of cash	-	-	(3)	-	-	3
Used to finance new capital expenditure	-	-	19,046	-	-	(19,046)
Contribution towards administrative costs of non-current asset disposals	-	(26)	26	-	-	-
Contribution to finance the payments to the Government capital receipts pool	(856)	-	856	-	-	-
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	-	425	-	-	-	(425)
Adjustments relating to the Major repairs Reserve:						
Reversal of Major repairs Allowance credited to the HRA	-	7,615	-	(7,615)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	6,478	-	(6,478)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited\credited to the CIES.	(1,609)	(757)	-	-	-	2,366
Adjustments involving the Collection Fund Adjustment Account						
Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements.	(163)	-	-	-	-	163
Adjustments involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(21)	9	-	-	-	12
TOTAL ADJUSTMENTS	16,711	10,622	15,746	(1,137)	(112)	(41,830)

2014/15
£000
Usable Reserves

	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments involving the Capital Adjustment Account:						
Exclusions;						
Charges for depreciation and impairment of non-current assets	(2,637)	(12,955)	-	-	-	15,592
Upward/(Downward) revaluation of non-current assets	(1,490)	16,531	-	-	-	(15,041)
Movements in the market value of Investment Properties	(233)	-	-	-	-	233
Amortisation of intangible assets	(175)	(11)	-	-	-	186
Capital Grants and contributions applied	499	611	-	-	39	(1,149)
Revenue expenditure funded from Capital under statute	-	-	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	(2,407)	(3,879)	-	-	-	6,286
Capital expenditure charged against the General Fund and HRA	221	5,200	-	-	-	(5,421)
Adjustments primarily involving the Capital Grants Unapplied Account	(9)	-	-	-	9	-
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES	2,580	5,716	(8,296)	-	-	-
Transfer from Deferred Capital receipts on receipt of cash	-	-	(6)	-	-	6
Used to finance new capital expenditure	-	-	5,402	-	-	(5,402)
Contribution towards administrative costs of non-current asset disposals	(13)	(69)	82	-	-	-
Contribution to finance the payments to the Government capital receipts pool	(751)	-	751	-	-	-
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	-	82	-	-	-	(82)
Adjustments relating to the Major repairs Reserve:						
Reversal of Major repairs Allowance credited to the HRA	-	7,321	-	(7,321)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	7,526	-	(7,526)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited\credited to the CIES	(1,323)	(576)	-	-	-	1,899
Adjustments involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the CIES is different from that calculated in accordance with statutory requirements.	143	-	-	-	-	(143)
Adjustments involving the Accumulated Absences Account						
Amount by which officer remuneration charged to CIES on an accruals basis is different from that required in accordance with statutory requirements	(41)	(22)	-	-	-	63
TOTAL ADJUSTMENTS	(5,636)	17,949	(2,067)	205	48	(10,499)

7. EARMARKED RESERVES

A summary of balances on earmarked reserves is

	Balance 31			Balance 31			Balance 31
	March	Transfers	Transfers	March	Transfers	Transfers In	March
	2014	Out	In	2015	Out	£000	2016
	£000	£000	£000	£000	£000		£000
Housing Repairs Reserve	2,755	(6,264)	5,000	1,491	(6,336)	5,855	1,010
District Development Fund	3,848	(2,110)	1,861	3,599	(1,909)	2,052	3,742
Invest to Save Reserve	-	-	500	500	(75)	-	425
Self Financing Reserve	6,360	-	3,180	9,540	-	3,180	12,720
Deferred Revenue Income	458	(20)	-	438	(22)	324	740
Insurance Reserve	1,049	-	20	1,069	(54)	-	1,015
Service Enhancement Fund (HRA)	112	(837)	904	179	(179)	-	-
Building Control	21	-	60	81	-	47	128
On Street Parking	28	(12)	-	16	(16)	-	-
Museum Fund	26	(18)	45	53	(6)	40	87
All Weather Pitch	-	-	17	17	-	15	32
O2 Mast Fund	-	(22)	70	48	(19)	6	35
Rental Loans	191	(23)	-	168	(6)	-	162
Small Loans Fund	5	-	1	6	-	-	6
Total Earmarked Reserves	14,853	(9,306)	11,658	17,205	(8,622)	11,519	20,102

8. OTHER OPERATING EXPENDITURE

	31 March	
	2016 £000	2015 £000
Parish Council Precepts	3,160	3,077
Parish Support Grants	246	281
Payments to the Government Housing Receipts Pool	856	751
(Gains)/losses on the disposal of non-current assets	(1,476)	(1,928)
Total	2,786	2,181

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	31 March	
	2016 £000	2015 £000
Total Net Surplus from Trading Operations (Note 25)	(2,465)	(2,620)
Interest payable and similar charges	5,614	5,564
Pensions interest cost	2,172	2,453
Interest receivable and similar income	(679)	(446)
Changes in Fair Values of Investment Properties	(20,036)	233
Changes in Value of Deferred Capital Receipts	(425)	(82)
Reversal of Investment Impairment	-	(100)
Total	(15,819)	5,002

10. TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

	31 March	
	2016 £000	2015 £000 <i>Restated</i>
Council Tax income	(11,581)	(10,829)
Non Domestic Rate income	(13,406)	(12,526)
Non Domestic Rate tariff payment	10,230	10,038
Non-ring fenced government grants	(5,448)	(6,151)
Capital grants and other contributions	(2,927)	(1,110)
Total	(23,132)	(20,578)

11. RESTATEMENT OF BALANCE SHEET AS AT 1 APRIL 2014

During 2015/16 the Council reviewed some of its asset categories in light of the new accounting arrangements relating to the Highways Network Asset and, as a consequence, a retrospective restatement has been made to the balance sheet as at 1 April 2014. As required under paragraph 3.4.2.17 of the Code of Practice on Local Authority Accounting in the United Kingdom (in accordance with paragraphs 40A – 40D of IAS 1) an additional balance sheet as at that date has been presented. The restatement amounted to a reduction of £8.421 million to the Property, Plant and Equipment balance as at 1 April 2014 with a corresponding adjustment on the Capital Adjustment Account, reflected in the Unusable Reserves figure in the balance sheet. The restatement was required because some of the assets held under the headings of Infrastructure, Community Assets and Assets under construction were either transport related, and therefore the expenditure had been incurred on assets belonging to the County Council, or were related to the former waste disposal site at Bobbingworth which is now a park and were not part of the value of that asset.

12. PROPERTY, PLANT & EQUIPMENT

	Council Dwellings and Garages £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total £000
Gross Book Value 31 March 2015	513,591	38,511	13,630	8,276	2,038	646	4,284	580,976
Restated	(43)	-	7	-	-	-	-	(36)
1 April 2015	513,548	38,511	13,637	8,276	2,038	646	4,284	580,940
Additions	10,182	850	4,446	228	-	-	18,758	34,464
Disposals	(1,782)	-	(435)	-	-	-	(30)	(2,247)
Reclassified in year	1,769	2,645	847	-	(895)	(106)	(4,260)	-
Revaluations Applied to the CIES	9,184	(1,685)	-	-	-	-	-	7,499
Revaluation Credited to the Revaluation reserve	99,361	338	-	-	-	710	798	101,207
Accumulated Depreciation & Impairment written off on revaluation	(13,148)	(113)	-	-	-	-	(4)	(13,265)
Gross Book Value 31 March 2016	619,114	40,546	18,495	8,504	1,143	1,250	19,546	708,598
Depreciation 31 March 2015	1	(454)	(7,068)	(2,828)	-	-	-	(10,349)
Restated	-	-	-	-	-	-	-	-
1 April 2015	1	(454)	(7,068)	(2,828)	-	-	-	(10,349)
Reclassified	7	-	-	-	-	-	(7)	-
Depreciation in Year	(13,201)	(1,013)	(1,277)	(229)	-	-	-	(15,720)
Depreciation on Leased Assets	-	-	(581)	-	-	-	-	(581)
Depreciation on Assets Sold	45	-	412	-	-	-	-	457
Accumulated Depreciation & Impairment written off on revaluation	13,148	113	-	-	-	-	4	13,265
Depreciation 31 March 2016	-	(1,354)	(8,514)	(3,057)	-	-	(3)	(12,928)
Net Book Value 31 March 2016	619,114	39,192	9,981	5,447	1,143	1,250	19,543	695,670

PROPERTY, PLANT AND EQUIPMENT (RESTATED)

	Council Dwellings and Garages £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructur e Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total £000
Gross Book Value 31 March 2014	485,794	43,520	15,981	18,689	2,822	796	1,688	569,290
Restated	-	-	-	(10,758)	(784)	-	(210)	(11,752)
1 April 2014	485,794	43,520	15,981	7,931	2,038	796	1,478	557,538
Additions	12,383	860	648	497	-	-	1,288	15,676
Disposals	(3,309)	(210)	(2,999)	-	-	-	(30)	(6,548)
Reclassified in year	(683)	(824)	-	(152)	-	(700)	1,548	(811)
Revaluations Applied to the CIES	16,529	(1,488)	-	-	-	-	-	15,041
Revaluation Credited to the Revaluation reserve	15,450	(757)	-	-	-	557	-	15,250
Accumulated Depreciation & Impairment Written off on revaluation	(12,573)	(2,590)	-	-	-	(7)	-	(15,170)
Gross Book Value 31 March 2015	513,591	38,511	13,630	8,276	2,038	646	4,284	580,976
Depreciation 31 March 2014	-	(2,113)	(7,016)	(5,676)	-	(8)	-	(14,813)
Restated Depreciation	-	-	-	3,331	-	-	-	3,331
1 April 2014	-	(2,113)	(7,016)	(2,345)	-	(8)	-	(11,482)
Reclassified	1	(23)	-	22	-	-	-	-
Depreciation in Year	(12,655)	(919)	(1,513)	(505)	-	-	-	(15,592)
Depreciation on disposed assets	82	11	1,461	-	-	-	-	1,554
Accumulated Depreciation & Impairment written off on revaluation	12,573	2,590	-	-	-	8	-	15,171
Depreciation 31 March 2015	1	(454)	(7,068)	(2,828)	-	-	-	(10,349)
Net Book Value 31 March 2015	513,592	38,057	6,562	5,448	2,038	646	4,284	570,627

PROPERTY, PLANT AND EQUIPMENT

	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	1,165	18,495	8,504	1,143	-	17,740	47,047
Valued at fair value as at:								
29 February 2016	619,114	2,343	-	-	-	1,250	1,550	624,257
31 March 2015	-	27,608	-	-	-	-	66	27,674
31 March 2014	-	9,028	-	-	-	-	40	9,068
31 March 2013	-	275	-	-	-	-	-	275
31 March 2012	-	127	-	-	-	-	150	277
Total Cost or Valuation	619,114	40,546	18,495	8,504	1,143	1,250	19,546	708,598

The Council dwellings and garages valuation has been carried out by District Valuer Thomas Dimmock and MRICS. The valuation date for

The useful lives of both dwellings and the components within have been reviewed during 2015/16. The useful life of the buildings has been

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

13. INVESTMENT PROPERTY

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

	31 March	
	2016 £000	2015 £000
Rental income from investment property	4,170	4,177
Direct operating expenses arising from investment property	(900)	(349)
Net gain/(loss)	3,270	3,828

The following table summarises the movement in fair value of investment properties over the year. Most property valuations have increased industrial estates by 8.5m and commercial properties by £10.5m. All investment properties have been valued based on Level 3 unobservable inputs using an Income approach and that their current use is their highest and best use. The updated valuations were carried out as at 28 February 2016. The acquisition in the prior year related to the purchase of the long leasehold interest in 2-18 Torrington Drive, Loughton.

Properties Categorised within level 3

	31 March	
	2016 £000	2015 £000
Balance as at 31 March	43,034	39,754
Reclassified		
Balance as at 1 April	43,034	39,754
Reclassified in year	-	(39)
Acquisition	-	3,524
Construction	-	28
Net gains/(losses) from fair value adjustments	20,036	(233)
Balance at end of the year	63,070	43,034

14. LONG TERM DEBTORS

	31 March	
	2016 £000	2015 £000
Mortgages	2	5
Capital Advances (B3 Living)	584	493
Rents to Mortgages	2,000	1,575
Other Local Authorities - Transferred Debt	323	351
Loan to Waste Management Contractor	2,413	-
Home Assist Loans	260	143
Place Loans	50	75
Net Carrying Amount at end of year	5,632	2,642

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long term		Current	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
Financial liabilities at amortised cost				
Borrowing	188,364	185,456	582	-
Trade Creditors		-	6,124	6,076
Total financial liabilities	188,364	185,456	6,706	6,076
Loans and receivables				
Investments	-	5,001	37,672	37,088
Debtors	5,632	2,642	1,827	5,583
Cash		-	2,469	11,209
	5,632	7,643	41,968	53,880
Available for Sale	-	-	11,500	15,000
Total financial assets	5,632	7,643	53,468	68,880

On 28 March 2012 the Council took on debt of £185.456m from the Public Works Loan Board (PWLb) to pay the Department of Communities and Local Government on the cessation of the HRA Subsidy System.

The item included under Available for Sale in the financial instruments balances table above is included within the cash & cash equivalents on the balance sheet. The £11.5m relates to an investment made to a Money Market Fund and interest accrued, which needs to be reported under Available for Sale within the financial instruments balances. The Code of Practice requires an Available for Sale Financial Instruments Reserve Account to record any unrealised gains or losses from holding available for sale investments. However, as this is a Money Market Fund which has a constant net asset value, this means that each £1 invested buys 1 unit, which is re-priced back to £1 at the end of each day. All gains are realised and credited to the CIES.

Income, Expense, Gains and Losses

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

	Financial Liabilities:		Financial Assets:	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Interest expense	(5,579)	(5,564)	-	-
Impairment (losses) / gains	-	-	-	-
Interest payable and similar charges	(5,579)	(5,564)	-	-
Interest income	-	-	679	446
Interest and investment income	-	-	679	446
Net gain/(loss) for the year	(5,579)	(5,564)	679	446

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost, i.e. the aggregate of principal and accrued interest. Fair value is the amount for which an asset can be exchanged, or a liability settled. The Council's debt outstanding at 31 March 2016 consists of loans from the Public Works Loan Board (PWLb). The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have to pay to extinguish the loans on these dates.

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

	31 March 2016		31 March 2015	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
<u>Financial liabilities</u>				
Borrowing	188,991	227,141	185,501	223,847
Long-term creditors	-	-	-	-
Total Financial Liabilities	188,991	227,141	185,501	223,847
<u>Financial assets</u>				
Investments	37,672	37,672	42,089	42,089
Long-term debtors	5,632	5,632	2,642	2,642
Total Financial Assets	43,304	43,304	44,731	44,731

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

The Council had Nil (£5,001,000 at 31 March 2015) classed as investments in excess of one year at 31 March 2016. In the prior year, this related to an investment totalling £5m made to another local authority and £1,000 other long term investments. It is assumed that the carrying amount shown in the balance sheet is approximate to the fair value.

16. DEBTORS AND PREPAYMENTS

	31 March	
	2016 £000	2015 £000
Amounts falling due in one year		
Government Departments	1,034	793
Other Local Authorities	1,345	692
Council Tax arrears	482	543
NDR arrears	369	327
Housing Rent arrears	312	422
Sundry debtors	3,802	2,281
Prepayments & Deposits	398	110
Total Debtors	7,742	5,168

Council Tax and Business Rates arrears shown above and the related bad debt provision relate only to the Council's proportion of the total debt. The remainder is shown as part of an amount due from major preceptors on the basis that the Council has paid over more in precepts than it has received and is net of prepayments. In 2015/16 there was a net creditor for both Council Tax and Business Rates.

17. CASH AND CASH EQUIVALENTS

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

	31 March	
	2016 £000	2015 £000
Cash	45	48
Bank current accounts	2,424	11,161
Short-term deposits with money market funds	11,500	15,000
Total Cash and Cash Equivalents	13,969	26,209

The 'Short-term deposits' relates to £11.5m deposits made to a number of different Money Market Funds. This has been included within the cash equivalents as funds can be drawn down and used on the day of request. The fund has a constant net asset value, this means that each £1 put in buys 1 unit, which is re-priced back to £1 at the end of each day.

18. CREDITORS

	31 March	
	2016 £000	2015 £000
Government Departments and Other Local Authorities	4,003	5,177
Council Tax	219	240
Non Domestic Rates	385	325
Housing rents	301	251
Sundry creditors	4,742	4,454
Accruals and deferred income	3,247	2,699
Total Creditors	12,897	13,146

Included within creditors is £3,000 (£3,000 at 31 March 2015) relating to Waltham Abbey Tourist Information Centre. This falls within the definition of a related party. Council Tax and Business Rates prepayments shown above relate only to the Council's proportion of the total debt. The remainder is shown as being due to Government Departments and Other Local Authorities. This is shown net of arrears, Collection Fund balance and, in the case of Business Rates, Provision for Appeals. There was a net creditor in relation to Council Tax and Business Rates at the end of 2015/16.

19. PROVISIONS

An outstanding legal case provision of £91,000 is included as at 31 March 2016. Agreement between the parties was reached regarding proceedings brought by property search companies for the refund of fees paid by them to the Council. The settlement, in the sum of £105,000 including interest, was reached during 2014/15 and an estimate of £40,000 for costs was also provided. There was some concern that the claimants still intended to advance a claim for damages against authorities for anti competitive behaviour, however it was agreed not to pursue this as part of the settlement agreement. There is still significant doubt around the exact value of liability for costs which is why the unused amount above has been retained as a provision.

With the retention of Business Rates income the Council has had to take on the liability for settling appeals. It has been necessary to make a provision for those appeals within the Collection Fund. The total amount being £3.57 million of which £1.43 million relates to this Council.

20. USABLE AND UNUSABLE RESERVES

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

	31 March	
	2016 £000	2015 £000
Revaluation Reserve	126,651	26,248
Capital Adjustment Account	444,103	403,186
Pensions Reserve	(66,981)	(69,929)
Deferred Capital Receipts Reserve	5,839	1,580
Collection Fund Adjustment Account	(296)	(132)
Accumulated Absences Account	(238)	(226)
Total Unusable Reserves	509,078	360,727

Revaluation Reserve

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

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

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

	31 March	
	2016 £000	2015 £000
Balance as at 1 April	26,248	12,587
Prior Year Adjustment	(6)	
Revaluations during the year	101,207	15,251
Depreciation adjustment	(743)	(236)
Disposals/Restatements	(55)	(1,354)
Balance at 31 March	126,651	26,248

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provision. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

	31 March	
	2016	2015
	£000	£000
		Restated
Balance at 1 April		389,492
Reversal of items relating to capital expenditure debited or credited to the CIES		
Charges for depreciation and impairment of non-current assets	(15,719)	(15,592)
Depreciation Leased Assets	(581)	
Amortisation of intangible assets	(212)	(186)
Reversal of Notional Lease	581	
Revaluation gains/(losses) on Property, Plant and Equipment	7,498	15,041
Revenue expenditure funded from capital under statute	(815)	
Transfer To Deferred Capital Receipts	(4,711)	
Amounts for non-current assets written off on disposal or sale as	(1,806)	(6,286)
Adjusting Amounts written out of the Revaluation Reserve		799
	388,220	384,058
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	19,046	5,402
Use of the Major Repairs Reserve to finance new capital expenditure	6,478	7,526
Capital grants credited to the CIES that have been applied to	2,815	1,149
Capital expenditure charged against the General Fund and HRA		
balances	7,495	5,421
Asset Restatements		13
Movement in the market value of Investment Properties debited		20,036
Balance at 31 March	444,103	403,186

Pensions Reserve

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

	31 March	
	2016 £000	2015 £000
Balance at 1 April	(69,929)	(57,820)
Remeasurements of the net defined liability/(asset)	5,314	(10,210)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(6,518)	(6,101)
Employers pensions contributions and direct payments to pensioners payable in the year	4,152	4,202
Balance at 31 March	(66,981)	(69,929)

Deferred Capital Receipts Reserve

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

	31 March	
	2016 £000	2015 £000
Balance at 1 April	1,580	1,504
Repayment of Mortgages	(3)	(6)
Rents to mortgages	425	82
B3 Living loans	583	-
Waste Contractor Loan	3,254	-
Balance at 31 March	5,839	1,580

21. CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

	31 March	
	2016	2015
	£000	£000
Depreciation	15,720	15,592
Amortisation	212	186
Impairment and upward revaluations	(7,512)	(14,903)
Increase / (Decrease) in Creditors	(70)	1,520
(Increase) / Decrease in Interest and Dividend Debtors	(7)	29
(Increase) / Decrease in Debtors	(3,031)	1,414
(Increase) / Decrease in Inventories	86	34
Pension Liability	2,366	1,899
Carrying amount of non-current assets sold	1,806	6,286
Other non-cash items charged to the net surplus or deficit on the provision of services	(19,778)	825
Total	(10,208)	12,882

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

	31 March	
	2016	2015
	£000	£000
Any other items for which the cash effects are investing or financing cash flows	(2,927)	(572)
Proceeds from the sale of property and equipment, investment property and intangible assets	(8,417)	(8,378)
Total	(11,344)	(8,950)

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

	31 March	
	2016	2015
	£000	£000
Interest received	595	382
Interest charge for the year	(4,806)	(5,565)
Other operating activities	11,507	22,753
Total	7,296	17,570

22. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	31 March	
	2016	2015
	£000	£000
Purchase of property, plant and equipment, investment property	(30,957)	(18,964)
Purchase of short-term and long-term investments	(105,500)	(68,003)
Other payments for Investing Activities	(6,245)	(201)
Proceeds from sale of property, plant and equipment, investment	9,293	8,384
Proceeds from short-term and long term investments	110,001	69,801
Other receipts from investing activities	993	1,137
Net cash flows from investing activities	(22,415)	(7,846)

23. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31 March	
	2016	2015
	£000	£000
Billing Authorities - Council Tax and NNDR adjustments	2,879	1,147
Net cash flows from financing activities	2,879	1,147

24. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

	2015/16						Total £000
	Communities £000	Governance £000	Neighbourhoods £000	Chief Executive £000	Resources £000	Housing Revenue Account £000	
Fees, charges & other service income	(1,146)	(1,782)	(8,712)		(477)	(35,576)	(47,693)
Gain on Revaluation						(9,184)	(9,184)
Government Grants	(439)	(140)			(37,552)	(5)	(38,136)
Total Income	(1,585)	(1,922)	(8,712)	-	(38,029)	(44,765)	(95,013)
Employee Expenses	1,998	1,638	2,707	25	2,072	3,197	11,637
Other Service Expenses	1,876	605	9,622	(330)	749	9,382	21,904
Support Service Recharges	1,068	2,282	2,984	1,400	1,484	2,939	12,157
Asset Charges	1,791		2,256		6	13,574	17,627
Benefit Payments					36,510		36,510
Total Operating Expenditure	6,733	4,525	17,569	1,095	40,821	29,092	99,835
Net Cost Of Services	5,148	2,603	8,857	1,095	2,792	(15,673)	4,822

	2014/15						Total £000
	Communities £000	Governance £000	Neighbourhoods £000	Chief Executive £000	Resources £000	Housing Revenue Account £000	
Fees, charges & other service income	(1,074)	(5,076)	(5,082)	-	(503)	(34,604)	(46,339)
Gain on Revaluation	-	-	-	-	-	(16,531)	(16,531)
Government Grants	(390)	(59)	(25)	-	(38,055)	-	(38,529)
Total Income	(1,464)	(5,135)	(5,107)	-	(38,558)	(51,135)	(101,399)
Employee Expenses	1,922	1,477	2,394	34	2,034	3,208	11,069
Other Service Expenses	1,680	1,228	9,667	(335)	716	9,372	22,328
Support Service Recharges	1,146	2,780	2,582	1,432	1,329	2,643	11,912
Asset Charges	115	261	3,160	-	12	13,015	16,563
Benefit Payments	-	-	-	-	36,631	-	36,631
Total Operating Expenditure	4,863	5,746	17,803	1,131	40,722	28,238	98,503
Net Cost Of Services	3,399	611	12,696	1,131	2,164	(22,897)	(2,896)

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

	2015/16 £000	2014/15 £000
Net Expenditure in the Directorate Analysis	(4,822)	(2,896)
Services and Support Services not in analysis	(38)	32
Amounts included in the Analysis not included in the Net Cost of Service	(2,464)	2,621
Cost of Services in CIES	(7,324)	(243)

Reconciliation to Subjective Analysis

	2015/16				
	Directorate Analysis £000	Services and Support Services not in analysis £000	Amounts not included in Net Cost of Service £000	Cost of Services £000	Corporate Amounts £000
Fees, charges & other service income	(47,692)		4,396	(43,296)	(4,396)
Gain on Revaluation	(9,184)			(9,184)	
Interest and Investment Income				-	(679)
Income from Council Tax				-	(11,581)
Government Grants and Contributions	(38,136)			(38,136)	(11,551)
Total Income	(95,012)	-	4,396	(90,616)	(28,207)
Employee Expenses	11,637	38	(651)	11,024	2,823
Other Service Expenses	58,414		(564)	57,850	564
Support Service Recharges	12,157		(662)	11,495	662
Asset Charges	17,626		(55)	17,571	(19,982)
Interest Payments				-	5,614
Precepts and Levies				-	3,406
Payments to Housing Capital Receipts Pool				-	856
(Gain)/Loss on Disposal of Fixed Assets				-	(1,476)
Rents to mortgages valuation increase				-	(425)
Total Expenditure	99,834	38	(1,932)	97,940	(7,958)
Surplus/(Deficit) on the provision of services	4,822	38	2,464	7,324	(36,165)

Reconciliation to Subjective Analysis

	2014/15					
	Directorate Analysis	Services and Support Services not in analysis	Amounts not included in Net Cost of Service	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(46,339)		4,410	(41,929)	(4,410)	(46,339)
Gain on Revaluation	(16,531)			(16,531)		(16,531)
Interest and Investment Income				-	(446)	(446)
Income from Council Tax				-	(10,829)	(10,829)
Government Grants and Contributions	(38,529)			(38,529)	(9,749)	(48,278)
Total Income	(101,399)	-	4,410	(96,989)	(25,434)	(122,423)
Employee Expenses	11,070	32	(653)	10,449	3,106	13,556
Other Service Expenses	58,959		(490)	58,469	490	58,959
Support Service Recharges	11,912		(598)	11,314	598	11,912
Asset Charges	16,563		(50)	16,513	183	16,696
Interest Payments					5,564	5,564
Precepts and Levies					3,358	3,358
Payments to Housing Capital Receipts Pool					751	751
(Gain)/Loss on Disposal of Fixed Assets					(1,928)	(1,928)
Rents to mortgages valuation increase					(82)	(82)
Total Expenditure	98,504	32	(1,790)	96,746	12,040	108,786
Surplus/(Deficit) on the provision of services	(2,895)	32	2,620	(243)	(13,394)	(13,637)

25. TRADING OPERATIONS

The trading operations of the Council comprise a number of commercial properties and industrial estates including North Weald Airfield where units are leased to local businesses at market rates, the Fleet Operations Service provides MOT testing and motor servicing to the public, and is currently under review.

	2015/16 Expenditure £000	2015/16 Income £000	2015/16 Surplus/Deficit £000
Industrial Estates	238	(1,298)	(1,060)
Commercial Properties	413	(2,135)	(1,722)
Fleet Operations	472	(454)	18
North Weald Centre	1,036	(737)	299
Total Surplus	2,159	(4,624)	(2,465)
2014/15	2,013	(4,633)	(2,620)

26. MEMBER ALLOWANCES

Member allowances and expenses are shown below. Further details of these allowances are available on page 62.

	2015/16 £000	2014/15 £000
Allowances	313	309
Expenses	6	7
Total	319	316

27. OFFICER REMUNERATION

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

	2014/15			
	Salary (Including fees & Allowances)	Benefits in Kind	Pension Contributions	Total Remuneration including pension contributions.
<i>Chief Executive</i>	<i>112,000</i>	<i>1,407</i>	<i>17,808</i>	<i>131,215</i>
<i>Director of Neighbourhoods</i>	<i>92,118</i>	<i>2,704</i>	<i>14,646</i>	<i>109,468</i>
<i>Director of Communities</i>	<i>90,273</i>	<i>1,284</i>	<i>14,333</i>	<i>105,890</i>
<i>Director of Resources</i>	<i>90,955</i>	<i>2,276</i>	<i>14,461</i>	<i>107,692</i>
<i>Director of Governance</i>	<i>91,974</i>	<i>1,256</i>	<i>14,623</i>	<i>107,853</i>

There were no payments relating to bonuses in the year. The emoluments above include all taxable employee payments. Pension Contributions relate to Employer's contributions of 15.9%.

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

Remuneration Band	2015/16 Number of Employees	2014/15 Number of Employees
£50,000 - £54,999	3	9
£55,000 - £59,999	12	7
£60,000 - £64,999	1	2
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	4	4
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	1	1
Total	21	23

Termination Benefits

Exit Package Cost Band (including special payments)	2015/16			Total Cost of Exit Packages in each band
	Number of Compulsory Redundancies	Number of Other Departures	Total number of Exit Packages	
£0- £20,000	1	2	3	37,066
£20,000 - £40,000				
£40,001 - £60,000				
£60,001 - £80,000				
Total cost included in bandings and in the CIES				37,066

28. EXTERNAL AUDIT FEES

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

	2015/16 £000	2014/15 £000
Fees payable to BDO LLP with regard to external audit services carried out by the appointed auditor for the year.	65	86
Fees payable to BDO LLP for the certification of grant claims and returns for the year.	19	25
Fees paid in respect of other services	2	
Rebate of fees from Audit Commission		(9)
Total	86	102

29. GRANTS AND CONTRIBUTIONS

The Council credited the following grants and contributions to the CIES in 2015/16:

	2015/16 £000	2014/15 £000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	2,445	3,410
New Homes Bonus	2,113	1,854
S31 Small business rate Relief	793	757
Council Tax Freeze grant	83	83
Community Projects	9	16
Other	5	31
Total	5,448	6,151

	2015/16 £000	2014/15 £000
Credited to Services		
Department for Work and Pensions	37,237	37,651
Department for Communities and Local Government	499	819
Essex County Council	1,082	866
Essex Police Authority	79	44
Town and Parish councils	6	37
Broxbourne Borough Council	82	48
Cabinet office	37	116
Essex Fire Authority	36	-
Lottery Fund	-	33
Harlow Borough Council	24	60
Other grants and contributions received	24	54
Total	39,106	39,728

30. RELATED PARTY DECLARATIONS

There were no transactions meeting the definition of a related party transaction within 2015/16 or 2014/15.

31. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2016 £000	2015 £000
<i>Opening Capital Financing Requirement</i>	184,672	184,672
Capital Investment		
Property, Plant and Equipment	34,464	15,615
Investment Properties	-	3,552
Revenue Expenditure Funded from Capital Under Statute	2,322	-
Private Sector Housing Loans	265	61
Intangible Assets	248	270
Sources of Finance		
Capital Receipts	(19,046)	(5,402)
Government grants and other contributions	(3,725)	(1,149)
Major Repairs Reserve	(6,477)	(7,526)
Direct revenue contributions	(8,051)	(5,421)
Closing Capital Financing Requirement	184,672	184,672

32. LEASES

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

Assets Leased to Third Parties	2015/16 £000	2014/15 £000
The total of future minimum lease payments due within 1 year are:		
Land & Buildings		
Shops	1,835	1,958
Industrial & Commercial	1,021	1,054
Other	313	310
Total Rental Receivable	3,169	3,322

The timing of total future minimum lease payments are:

	31 March 2016		31 March 2015	
	Receipts due between 2 and 5 years	Total receipts due thereafter	Receipts due between 2 and 5 years	Total receipts due thereafter
	£000	£000	£000	£000
Land & Buildings				
Shops	5,902	7,327	6,474	8,593
Industrial & Commercial	3,954	51,779	4,068	52,597
Other	944	5,167	1,077	4,249
Total	10,800	64,273	11,619	65,439

Gross Amount of Assets held for use in operating leases.

	31 March	
	2016 £000	2015 £000
Land & Buildings		
Shops	29,785	20,117
Industrial & Commercial	21,872	13,355
Other	11,413	9,562
Total Assets	63,070	43,034

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

Notional lease with Biffa.

Under IFRIC 12 the Waste Collection contract is deemed to contain a service concession.

The contract contains a capital element related to the provision of specialised vehicles.

The Council has to recognise these assets in its own Balance Sheet together with a liability for a Finance Lease.

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

	2015/16 £000	2014/15 £000
Vehicles, Plant, Furniture and Equipment	3,490	-
	3,490	-

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

The minimum lease payments are made up of the following amounts :-

		2015/16 £000	2014/15 £000
Minimum lease payments	Current	933	-
	Non Current	2,723	-
Finance Costs payable in future years		417	-
Minimum Lease Payments		4,073	-

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31.3.2016 Net Exp £000	31.3.2015 Net Exp £000	31.3.2016 Net Exp £000	31.3.2015 Net Exp £000
Not later than one year	1,937	-	1,937	-
Later than one year and not later than 5 years	2,136	-	2,136	-
	4,073	-	4,073	-

33. PENSIONS

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

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

The figures disclosed below have been derived from a re-assessment of the assets and liabilities as a result of an interim actuarial valuation of the Fund carried out by the Fund's Actuary, Barnett Waddingham Public Sector Consulting, as at 31 March 2016. The approach to calculating the IAS19 figures in between full actuarial valuations is approximate in nature. Broadly the approach by the Actuaries assumes that the experience of the Fund will be in line with the actuarial assumptions used for IAS19 purposes. The approach adopted by the Actuary follows "IAS 19 - Calculation Guide for Local Authorities".

The Council recognises cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against Council Tax is based on contributions payable to the fund in respect of 2015/16 so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure.

The transactions below have been made in the CIES during the year.

Comprehensive Income and Expenditure Statement

	2015/16 £000	2014/15 £000
Service Cost	4,290	3,601
Net interest charged	2,172	2,453
Administration Expenses	56	47
Net charge made to the CIES	6,518	6,101

Re-measurements in other comprehensive income

	2015/16 £000	2014/15 £000
Return on Fund assets in excess of interest	(913)	9,550
Change in financial assumptions	6,130	(19,841)
Experience gain/(loss) on defined benefit obligation	97	81
Remeasurement of the net assets/(defined liability)	5,314	(10,210)

Pension Assets and Liabilities Recognised in the Balance Sheet

	2015/16 £000	2014/15 £000
Present value of the funded obligation	179,907	180,932
Present value of the unfunded obligation	3,733	4,086
Fair value of scheme assets	(116,659)	(115,089)
Net Liability in the Balance Sheet	66,981	69,929

Reconciliation of the fair value of the Scheme Liabilities

	Unfunded Liabilities		All Funded/Unfunded Liabilities: Local Government Pension Scheme	
	2016 £000	2015 £000	2016 £000	2015 £000
Net pensions liability at 1 April	(4,086)	(4,101)	(185,018)	(159,515)
Movements in the current year				
Current service cost	-	-	(4,273)	(3,572)
Interest cost	(126)	(173)	(5,837)	(6,915)
Change in financial assumptions	62	(224)	6,130	(19,841)
Change in demographic assumptions		-		-
Experience gain	97	81	97	81
Estimated benefits paid		-	5,994	5,479
Employers' contributions payable to scheme		-		-
Past service cost including curtailments		-	(17)	(29)
Contributions by scheme participants		-	(1,036)	(1,037)
Unfunded pension payments	320	331	320	331
Actuarial gain/(loss)		-		-
Net pensions liability at 31 March	(3,733)	(4,086)	(183,640)	(185,018)

Reconciliation of fair value of the Scheme Assets:

	2016 £000	2015 £000
Fair value of the plan assets at 1 April	115,089	101,695
Interest on assets	3,665	4,462
Return on assets less interest	(913)	9,550
Administration Expenses	(56)	(47)
Employer contributions including unfunded	4,152	4,202
Contributions by scheme participants	1,036	1,037
Benefits paid	(6,314)	(5,810)
Fair value of the plan assets at 31 March	116,659	115,089

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on assets less interest in the year was £(0.9 million) (£9.5 million for 2014/15). The major factor in the downward trend in investment returns is due to the volatile nature of assets employed being below the discount factor employed by the Actuaries. The weighted average duration of the defined benefit obligation for scheme members is 17 Years (17 years in 2014/15).

Scheme History

	2015/16 £000	2014/15 £000	2013/14 £000	2012/13 £000	2011/12 £000
Present Value of Liabilities	(183,640)	(185,018)	(159,515)	(170,417)	(150,823)
Fair Value of Assets	116,659	115,089	115,089	95,060	85,198
Surplus/(deficit) in the scheme	(66,981)	(69,929)	(44,426)	(75,357)	(65,625)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £66.98 million in the balance sheet has decreased the reported net worth of the Council by 12% (16% 2014/15).

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

The total employer contributions expected to be made to the scheme by the Council in the year to 31 March 2017 is £3.89 million. The Service Cost is expected to be £4.07 million for the year to 31 March 2017.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, and inflation rates. The District Council fund liabilities have been assessed by Barnett Waddingham, a firm of actuaries who provide the service for the Essex County Council Pension Fund, being based on the full Actuarial Valuation of the scheme as at 31 March 2014.

The principal assumptions used by the actuary have been:

Long term expected rate of return of assets in the scheme:

	2015/16 %	2014/15 %
Equity investments	5.40	5.40
Government bonds	2.30	2.30
Other bonds	3.20	3.00
Property	4.40	4.40
Cash\Liquidity	1.70	2.00
Alternative assets	3.20	3.00
Other Managed funds	3.20	-

Mortality Assumptions

Longevity at 65 for current pensioners in years:

Men	22.90	22.80
Women	25.30	25.20

Longevity at 65 for future pensioners in years:

Men	25.20	25.10
Women	27.70	27.60

Rate of Inflation RPI	3.20%	3.10%
Rate of Inflation CPI	2.30%	2.20%
Rate of Increase in Salaries	4.10%	4.00%
Rate of Increase in pensions	2.30%	2.20%
Rate for discounting scheme liabilities	3.50%	3.20%

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

	As at 31 March 2016		As at 31 March 2015	
	£000	%	£000	%
Equities	78,956	68	77,421	67
Government Bonds	3,439	3	5,057	4
Other Bonds	5,599	5	11,016	10
Property	13,893	12	12,500	11
Cash/Liquidity	3,790	3	2,523	2
Alternative Assets	5,187	4	6,572	6
Other Managed Funds	5,795	5	-	-
Total	116,659	100	115,089	100

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in the 2014 actuarial review of the Pension Fund. The anticipated shortfall in the funding of the scheme has determined the future level of pension contributions which will be due in between triennial valuations.

Sensitivity Analysis as at 31 March 2016	Sensitivity 1	Sensitivity 2	Sensitivity 3
	£000s	£000s	£000s
<u>Adjustment to discount rate</u>	+0.1% p.a.	0.0% p.a.	-0.1% p.a.
Present value of total obligation	180,615	183,640	186,718
Projected service cost	3,988	4,070	4,153
<u>Adjustment to long term salary increase</u>			
Present value of total obligation	183,901	183,640	183,379
Projected service cost	4,072	4,070	4,068
<u>Adjustment to pension increases and deferred revaluation</u>			
Present value of total obligation	186,490	183,640	180,838
Projected service cost	4,152	4,070	3,989
<u>Adjustment to mortality age rating assumption</u>	+1year	none	-1year
Present value of total obligation	182,249	183,640	178,202
Projected service cost	4,174	4,070	3,969

34. NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy (for 2015/16 this was agreed at Full Council on 20 February 2015). The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

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

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

Credit Risk

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

Investments

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

The table below summaries the nominal value of the Council's investment portfolio at 31 March 2016, and confirms that all investments were made in line with the Council's approved rating criteria when investment placed:

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

	Credit rating	Balance invested as at 31 March 2016					Total
		Up to 1 month	Between 1 and 3	Between 4 and 6 months	Between 7 and 12	Greater than 12 months	
		£000	£000	£000	£000	£000	£000
Banks UK	YES	8,113	5,000	3,000	5,000	0	21,113
Total Banks		8,113	5,000	3,000	5,000	0	21,113
Building Societies	YES			1,000			1,000
Local Authorities			11,000	2,500	5,000		18,500
Money Market Funds	YES	11,500					11,500
Total		19,613	16,000	6,500	10,000	0	52,113

Debtors

The following analysis summaries the Council's potential maximum exposure to credit risk, based on the experience gathered over the last five financial years on the level of default on trade debtors, adjusted for market conditions.

	Amount at 31 March 2016	Default risk judged as at 31 March 2016	Bad debt provision for 2015/16
	£000	%	£000
Sundry Debtors	7,668	32.6	2,500
Housing Arrears	930	66.5	618
Total	8,598		3,118

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

Liquidity Risk

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

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

The maturity analysis of the nominal value of the Council's debt at 31 March 2016 was as follows:

		31 March 2016 £000	% of total debt portfolio
Short Term Borrowing	Less than 1 Year	0	0
Long Term Borrowing	Over 1 but not over 2	0	0.00
	Over 2 but not over 5	0	0.00
	Over 5 but not over 10	31,800	17.15
	Over 10 but not over 15	0	0.00
	Over 15 but not over 20	0	0.00
	Over 20 but not over 25	120,000	64.70
	Over 25 but not over 30	33,656	18.15
Long Term Borrowing		185,456	100.00

Market Risk

Interest Rate Risk - The Council is exposed to risks arising from movements in interest rates. The Treasury Strategy aims to mitigate these risks by setting an upper limit of 25% on external debt that can be subject to variable rates. At 31 March 2016, 83% of the debt portfolio was held in fixed rate instruments and 17% in variable rate instruments.

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

	£000
Increase in interest payable on variable rate borrowing	318
Increase in interest receivable on variable rate investments	(151)
Impact on Surplus or Deficit on the Provision of Services	167
Share of overall impact debited/(credited) to HRA	167

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

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

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

35. CAPITAL COMMITMENTS

The Housebuilding programme commenced during 2014/15 and is split into a number of phases. Phase one in Waltham Abbey commenced in October 2014 and was expected to be completed during 2015/16. However significant delays occurred during 2015/16 and at 31 March 2016 of the original contract value of £3.245 million, £1.165 million worth of works was still to be completed. During June 2016 the contract was terminated as the contractor had failed to fulfil the terms of the contract. A new contractor is in the process of being appointed.

Phase 2 commenced in March 2016 with a contract value of £9.765 million. As at 31 March 2016 only £82,000 worth of work had been completed.

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

	Note	2015/16 £000	2014/15 £000
INCOME			
Dwelling Rents (Gross)	3	(32,150)	(31,585)
Non Dwelling Rents		(856)	(835)
Charges for Services and Facilities		(1,831)	(1,661)
Leaseholder Contributions		(414)	(179)
Revaluation of Fixed Assets	1	(9,184)	(16,531)
TOTAL INCOME		(44,435)	(50,791)
EXPENDITURE			
Repairs and maintenance	4	6,451	6,350
Supervision and Management		7,265	7,193
Rents, Rates, Taxes and Insurance		363	482
Revenue Expenditure funded from Capital under Statute		414	179
Depreciation & Amortisation	8/9	13,498	12,943
Debt Management		68	60
Provision for Bad / Doubtful Debts		75	62
TOTAL EXPENDITURE		28,134	27,269
NET COST OF SERVICES AS INCLUDED IN THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT		(16,301)	(23,522)
HRA services share of Corporate & Democratic Core		583	572
HRA share of other services		45	53
NET COST (INCOME) OF HRA SERVICES		(15,673)	(22,897)
HRA SHARE OF THE INCOME AND EXPENDITURE INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		(15,673)	(22,897)
Capital Grants and Contributions		(1,857)	(611)
Gain on sale of HRA non-current assets		(1,460)	(1,768)
Interest Payable and Similar Charges		5,573	5,558
Interest and Investment Income		(628)	(521)
Valuation increase Rent to Mortgages		(425)	(82)
Pensions Interest/Return on Assets		695	785
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES		(13,775)	(19,536)

MOVEMENT ON HOUSING REVENUE ACCOUNT STATEMENT

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

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

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

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

	Note	2015/16 £000	2014/15 £000
INCREASE/DECREASE IN THE HOUSING REVENUE ACCOUNT BALANCE			
(Surplus)/Deficit for the year on the Housing Revenue Account Income and Expenditure Statement		(13,775)	(19,536)
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	10	10,622	17,949
Transfers to Earmarked Reserves	10	2,521	1,983
(Increase) or decrease in the Housing Revenue Account balance		(632)	396
Housing Revenue Account surplus brought forward		(2,570)	(2,966)
Housing Revenue Account surplus carried forward		(3,202)	(2,570)

1. HOUSING REVENUE ACCOUNT ASSET VALUATION

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

	OPERATIONAL ASSETS						NON- OPERATIONAL ASSETS	
	Land £000	Dwellings £000	Garages £000	Vehicles & Equipment £000	Other Land & Buildings £000	Other £000	Investment Properties £000	Total £000
Gross Book Value								
1 April 2015	180,650	328,511	4,431	3,265	1,459	5,641	143	524,100
Restated	(15)	(28)	-	-	-	-	-	(43)
Additions		10,132	50	22	-	3,607	-	13,811
Disposals	(628)	(1,129)	(25)	(35)	-	(31)	-	(1,848)
Reclassified in Year	580	1,291	(102)	-	-	(1,889)	-	(120)
Revaluations Credited to the CIES	3,212	5,987	(15)	-	-	-	-	9,184
Revaluation Credited to the Revaluation reserve	34,841	63,683	837	-	-	94	-	99,455
Accumulated Depreciation Written Off	-	(12,965)	(183)	-	-	-	-	(13,148)
Gross Book Value	218,640	395,482	4,993	3,252	1,459	7,422	143	631,391
1 April 2015	-	1	-	(1,835)	(25)	(532)	-	(2,391)
Restated Accumulated Depreciation Written Off	-	12,965	183	-	-	-	-	13,148
Reclassified	-	-	7	-	-	-	-	7
Depreciation in Year	-	(13,009)	(192)	(251)	(13)	(69)	-	(13,534)
Depreciation on Assets Sold	-	43	2	24	-	-	-	69
Depreciation								
31 March 2016	-	-	-	(2,062)	(38)	(601)	-	(2,701)
Net Book Value								
31 March 2016	218,640	395,482	4,993	1,190	1,421	6,821	143	628,690
Net Book Value								
1 April 2015	180,650	328,511	4,431	1,203	1,421	5,040	143	521,399

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 £1,293,660,500, based on stock figures from 31 March 2016 and values as at 1 April 2015. The difference between the two values represents the economic cost of providing council housing at less than open market rents.

2. HOUSING STOCK

The Council was responsible for managing on average 6432 (6,459 in 2014/15) dwellings during 2015/16. 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.

		2015/16	2014/15
Stock as at 1 April		6,435	6,483
Less	Sales	(20)	(46)
	Stock Transfers / Conversions	14	(3)
	Other Movements	(1)	-
Add	New Properties		1
Stock as at 31 March		6,428	6,435
Number of:			
Houses and Bungalows		3,455	3,467
Flats and Maisonettes		2,963	2,958
Other		10	10
		6,428	6,435

3. GROSS DWELLING RENT INCOME

During 2015/16 0.71% (0.95% in 2014/15) of all lettable dwellings were vacant. Average rents were £97.54 per week, an increase of £1.88 or 2.2% over the previous year. 48% (50% in 2014/15) of all Council tenants received some help through rent rebates in 2015/16. Rent arrears decreased to £929,681 (£1,015,801 in 2014/15), which represents 2.87% (3.2% in 2014/15) of gross dwelling rent income. The provision for bad and doubtful debts on these arrears amounted to £617,907 (£594,075 in 2014/15). Amounts written off during the year totalled £51,751 (£89,855 in 2014/15). 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:

	2015/16		2014/15	
	£000	£000	£000	£000
Balance as at 1 April		(1,491)		(2,755)
Contribution from the HRA	(5,855)		(5,000)	
Other Income	(114)		(86)	
Total Income		(5,969)		(5,086)
Responsive & Void Repairs	3,887		4,061	
Planned Maintenance	2,476		2,185	
Other	88		104	
Total Expenditure		6,451		6,350
Balance as at 31 March		(1,010)		(1,491)

The amount shown on the face of the Housing Revenue Income and Expenditure Statement is the actual net expenditure on repairs and maintenance rather than the contribution to the repairs fund. The difference between the two figures forms part of the adjustments between accounting basis and funding basis under regulations (Note 6 page 18).

5. PENSIONS

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against the HRA is based on the contributions payable to the fund in respect of 2015/16; the real cost of retirement benefits is therefore reversed out of the Housing Revenue Account after Net Operating Expenditure.

6. HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS

The Council received £3,281,772 in respect of HRA capital receipts during 2015/16. This arose as a result of the sale of council houses (£3,160,520), compensation (£75,297), sale of Land (£17,500), repayment of discounts (£14,797), sale of vehicles (£10,425) and principal repayments on mortgages (£3,233). Of this the Council used £790,560 for the housebuilding project and £26,000 for the administration of the sales which left £2,465,212 to fund other capital projects and pay the central government pool an amount of £856,255.

7. CAPITAL EXPENDITURE

The HRA incurred the following capital expenditure.

Capital Expenditure on:	£000	Financed by:	£000
Council Dwellings	9,413	Revenue	4,344
House Building and developments	3,384	Major Repairs Reserve	6,478
Disabled Adaptations	462	Capital Receipts	1,239
Plant, Vehicles and Equipment	22	Other Contributions	1,750
Environmental Works	530		
	13,811		13,811

8. MAJOR REPAIRS RESERVE

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

	2015/16		2014/15	
	£000	£000	£000	£000
Balance as at 1 April		(11,154)		(11,359)
Depreciation transferred from the HRA		(13,486)		(12,932)
Used to fund Capital Expenditure on Council Dwellings	6,478		7,526	
Transferred to the HRA	5,871		5,611	
Total Expenditure		12,349		13,137
Balance as at 31 March		(12,291)		(11,154)

9. DEPRECIATION

Depreciation is charged on Housing Revenue Account assets in accordance with IAS 16. Depreciation is charged with reference to balance sheet values and the average life remaining on the housing stock and its major components. No depreciation is chargeable on the HRA investment assets. The difference between the figure shown on the face of the HRA and note 8 above relates to £12,000 amortisation of intangible assets.

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

	2015/16 £000	2014/15 £000
AMOUNTS TO BE EXCLUDED		
Transfer from Major Repairs Reserve and other depreciation reversals and impairments	(5,925)	(5,645)
Upward revaluation of Council Dwellings and Garages	9,184	16,531
Revenue expenditure funded from Capital under statute	(414)	(179)
Reversal of Notional Lease payment	25	-
Valuation changes Rents to Mortgages	425	82
Gain/(loss) on disposal of HRA fixed assets	1,460	1,768
Flexi / Leave Accruals	9	(22)
HRA share of contributions to/ (from) pensions reserve	(2,086)	(1,920)
	2,678	10,615
AMOUNTS TO BE INCLUDED		
Leaseholder Contributions	414	179
Employers contributions payable to the pension fund	1,329	1,344
Capital Expenditure funded by the HRA	4,344	5,200
Capital Contributions Applied	1,857	611
	7,944	7,334
Net Increase or (Decrease) before Transfers to/from Reserves	10,622	17,949
TRANSFERS (TO)\FROM EARMARKED RESERVES		
Housing Repairs Fund	(480)	(1,264)
Self Financing Reserve	3,180	3,180
Service Enhancement Fund	(179)	67
	2,521	1,983
	13,143	19,932

11. TRANSFER TO SELF FINANCING RESERVE/SERVICE ENHANCEMENT FUND

There are two HRA earmarked reserves that have been set up. A Self Financing Reserve was set up with the purpose of receiving a transfer of £3.18m per annum to accumulate enough funds to repay the £31.8m variable loan. Whilst this is the stated purpose of the fund the decision does not preclude the use of these funds for another HRA purpose. The balance on the Reserve as at 31 March 2016 was £9.54m. The balance on the service enhancement reserve has been returned to the Housing Revenue Account.

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

		Council Tax	Non Domestic Rates	Collection Fund Total	Council Tax	Non Domestic Rates	Collection Fund Total
	Note	2015/16 £000	2015/16 £000	2015/16 £000	2014/15 £000	2014/15 £000	2014/15 £000
INCOME							
Council Tax	1	(79,403)		(79,403)	(77,659)	-	(77,659)
Non Domestic Rates	2		(35,465)	(35,465)	-	(34,476)	(34,476)
TOTAL INCOME		(79,403)	(35,465)	(114,868)	(77,659)	(34,476)	(112,135)
EXPENDITURE							
Precepts and Demands:							
Essex County Council		55,637	3,115	58,752	55,076	3,039	58,115
Essex Police		7,534		7,534	7,312		7,312
Essex Fire Authority		3,400	346	3,746	3,366	338	3,704
Epping Forest District Council		10,776	13,846	24,622	10,617	13,507	24,124
Distribution of Estimated Collection Fund Surplus/(Deficit).							
	3						
Essex County Council		1,095	(57)	1,038	225	(129)	96
Essex Police		145		145	29	-	29
Essex Fire Authority		67	(6)	61	14	(14)	-
Epping Forest District Council		211	(253)	(42)	43	(572)	(529)
Non Domestic Rate							
Payment to Central Government			17,306	17,306	-	16,883	16,883
Repayment of Deficit			(316)	(316)		(715)	(715)
Transitional Protection			322	322	-	8	8
Cost of Collection Allowance			171	171	-	173	173
Provision for Appeals			1,138	1,138		1,931	1,931
Provision for Non Payment		(102)	1	(101)	(877)	(173)	(1,050)
Write Offs		464	319	783	669	262	931
TOTAL EXPENDITURE		79,227	35,932	115,159	76,474	34,538	111,012
DEFICIT / (SURPLUS) FOR YEAR		(176)	467	291	(1,185)	62	(1,123)
BALANCE BROUGHT FORWARD		(2,040)	1,047	(993)	(855)	985	130
BALANCE CARRIED FORWARD		(2,216)	1,514	(702)	(2,040)	1,047	(993)

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: 51,196 for 2015/16, 50,679 for 2014/15). The basic amount of Council Tax for a Band D property (£1,449.09 for 2015/16, £1,446.21 for 2014/15) 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	5/9	1
Band A	1,655	1,436	2/3	957
Band B	4,792	3,979	7/9	3,095
Band C	11,204	10,029	8/9	8,915
Band D	13,597	12,590	1	12,590
Band E	9,338	8,747	1 2/9	10,691
Band F	6,617	6,281	1 4/9	9,073
Band G	5,750	5,516	1 2/3	9,193
Band H	1,114	1,076	2	2,152
Total Band D				56,667
Less Band D equivalents entitled to Council Tax Support				4,690
Total Band D equivalents				51,977
Less Adjustment for Collection Rate				781
Council Tax Base				51,196

The income of £79,403,095 for 2015/16 (£77,658,884 for 2014/15) is receivable from the following sources.

	2015/16 £000	2014/15 £000
Billed to Council tax payers	79,461	77,758
Council Tax Benefits paid/(clawed back)	(58)	(99)
	79,403	77,659

2. NON DOMESTIC RATES

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 48.0p (small business) and 49.3p (others) in 2015/16, (47.1p (small business) 48.2p (others) in 2014/15) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

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

From 1 April 2013 Business Rates Retention was introduced whereby Local Authorities retain 50% of the Business Rates collected and pay the remainder over to Central government. The amount retained is shared between the Council (40%), Essex County Council (9%) and Essex Fire Authority (1%). In addition the Government has set a level of Business Rates Funding deemed to be applicable to each area and every Council either receives a top up (where business rates are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding). In 2015/16 this Council paid a tariff of £10,230,000 (£10,038,000 in 2014/15).

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

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

From 1st April 2015 the Council joined the Essex Business Rates Pool. A pool is set up in order to minimise the potential levy on business rate growth that an individual authority might need to pay Central Government. A number of Authorities that are paying a tariff to the Government join a pool with an authority receiving a top up. In the case of the Essex Pool the County Council are receiving a top up and the districts are paying a tariff and by pooling their business rates can significantly reduce their levy rates from the 50% they would face if on their own.

The total non-domestic rateable value at the year-end was £86,608,906 (£86,715,049 in 2014/15).

3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

The surplus or deficit on the Collection Fund arising from council tax and business rates transactions relates to this Council, other Major Precepting Authorities and Central Government. The surplus or deficit on the fund is estimated as at 15 January every year and paid over or recovered from the Council's General fund and major precepting authorities in the following Financial year. The balance on the Fund represents the difference between the estimated surplus or deficit and the actual position.

Annual Governance Statement

1 Scope of Responsibility

Epping Forest District Council (EFDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Council's Constitution. A copy of the Code is on our website at www.eppingforestdc.gov.uk. This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2015, in relation to the publication of a Statement on Internal Control.

2 The Purpose of the Governance Framework

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

The system of internal control is a significant part of the Governance Framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. It is also responsible for evaluating the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Council's Code of Governance recognises that effective governance is achieved through the following core principles.

- (i) Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.
- (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- (iii) Promoting values for the Council and demonstrating good governance through upholding high standards of conduct and behaviour.
- (iv) Taking informed and transparent decisions which are subject to effective scrutiny and management of risk.
- (v) Developing the capacity and capability of Members and officers to be effective.
- (vi) Engaging with local people and other stakeholders to ensure robust public accountability.

The table below summarises the Council's Governance Framework (which includes the system of internal control) for the year ending 31st March 2016 and up to the date of approval of this Statement and the Statement of Accounts.

No.	The Governance Framework
	The key elements of the Council's governance arrangements for 2015/16 were:
1	A Corporate Plan covering 2015-2020, setting out the Council's priorities and defining the goals to be achieved.
2	The Constitution, which is revised each year:
	2.1 Sets out the Council's decision-making framework.
	2.2 Gives a clear definition of the roles and responsibilities of Members, Committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer);
	2.3 Includes a scheme of delegation of responsibility, financial regulations and contract standing orders; and
	2.4 Defines codes of conduct for Members and officers, and a protocol for how the two work together.
3	The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios.
4	There are Standing Scrutiny Panels to cover key policy areas, Task and Finish Panels to undertake specific reviews and a co-ordinating Overview and Scrutiny Committee.
5	A Standards Committee.
6	An Audit and Governance Committee.
7	A Management Board consisting of the Chief Executive, Deputy Chief Executive and Directors.
8	A Corporate Governance Group consisting of the Chief Executive, Deputy Chief Executive, Section 151 Officer, Monitoring Officer, Deputy Monitoring Officer and The Chief Internal Auditor, meeting monthly.
9	A Corporate Risk Strategy managed by a Risk Management Group meeting quarterly.
10	A standard committee report format that includes specific consideration of all legal, financial, professional and technical considerations.
11	A Medium Term Financial Strategy which informs service planning and budget setting.
12	A compliments and complaints procedure.
13	A risk-based approach to internal audit, emphasising the need for sound control and good value.
14	A robust whistle blowing policy and process along with supporting documents outlining the Council's zero tolerance approach to fraud and corruption, which include anti bribery and anti money laundering policies.

3 Review of effectiveness

The Council is responsible for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the various sources noted below and concludes that the arrangements continue to be regarded as fit for purpose in accordance with the council's governance framework:

- Directors governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively. For the first time, these were completed by the Directors in conjunction with their Assistant Directors;
- Documentary evidence of processes, procedures and standards:
- Creation of a Corporate Fraud Team from 1 April 2015, which supports the Council's counter fraud and corruption framework in taking action to prevent, detect and investigate fraud.
- The Chief Internal Auditor's annual opinion on the Council's control environment, delivered to the Audit and Governance Committee, as the body charged with governance. Audit reports issued along with the assurance ratings of full, substantial, limited or no assurance, on the adequacy and effectiveness of the Council's control environment, including key financial systems;
- The work undertaken by the External Auditor reported in their annual audit and inspection letter and other review reports;
- Significant governance issues from previous years and from 2015/16.

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

Table One: Progress on significant governance issues identified in the 2014/15 AGS

No.	Significant issue identified in 14/15 AGS	Action taken in 15/16 to address the issue
1	Car Parking Income In 2013/14 it was reported in the Annual Governance Statement that as part of an internal audit review of the contracted service it was identified that there were limitations in the information supplied by North Essex Parking Partnership (NEPP) which affected the monitoring and reconciliation of the income. During 2014/15 this problem was resolved but following the contracting out of cash collection by NEPP a similar problem was identified in the information provided by the cash collection contractor.	This issue was addressed by management and by the internal audit sections of the Councils which are members of the NEPP following a meeting with the cash collection contractor. The introduction of new ticket machines in 2015/16 has greatly improved the monitoring of the pay and display income received.
2	Housing rent reconciliations A limited Assurance audit report was issued for Housing Rent Collection and Arrears, due to the Rental Income reconciliation and Council Stock reconciliation had not been completed for 2013/14.	Staff from both the Communities and Resources Directorates have worked together to resolve the issue; the Council Stock reconciliation had been completed by the time the final report was issued, and the Rental Income reconciliations are carried out on a monthly basis.
3	Contract Standing Orders A common theme coming out of 2014/15 internal audit reviews was non-compliance with Contract Standing Orders.	A Contract Standing Orders Working Party, chaired by the Director of Communities, was set up to undertake a fundamental review of the Council's Contract Standing Orders. New Contract Standing Orders (known as Procurement Rules) were approved by Council on 28 April 2016. These are being widely communicated across the Council, supplemented with training sessions, to help ensure compliance.
4	Sundry Debtors Internal audit reviews in 2014/15 also identified weaknesses in debt recovery processes, especially for debts below £500.	The Corporate Debt Working Group, chaired by the Assistant Director Revenues, has overseen the implementation of recommendations made to the Management Board in February 2015.

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

Table Two: Areas for improvement or monitoring during 2016/17

No.	Issue	Management response
1	Procurement Rules A common theme coming out of 2014/15 internal audit reviews was non compliance with Contract Standing Orders as these had developed over time and were difficult to follow. On 26 April 2016 Council approved the new Procurement Rules ,which replaced the Council's previous Contract Standing Orders. These provide a more flexible approach and more responsive to the current and future procurement needs of the Council.	Staff are currently being trained on the Council's new Procurement Rules and mechanisms are being developed to ensure compliance with these.
2	Corporate Policies A need to raise awareness of, and communicate changes to, corporate policies e.g. Whistleblowing Policy and Officer Code of Conduct was a common theme coming out of the 2015/16 Service Assurance Statements.	A review of the Council's anti-fraud and corruption framework will be spearheaded by the Corporate Fraud Team this year and will include a review of the Council's Whistleblowing Policy and Officer Code of Conduct; the results of which will be promulgated to staff.
3	Project Management Service Assurance Statements also identified a need to develop project management processes and provide training in this area.	A Project and Programme Management project team has been set up, sponsored by the Chief Executive, and is meeting regularly to address this issue.

We propose over the coming year to continue to improve matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for any improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed
Glen Chipp
Chief Executive

Signed
Councillor Chris Whitbread
Leader of the Council

Members Allowances

The allowances of £318,940 listed below include the connect scheme, travel and subsistence and employers national insurance and pension costs. The figures also include allowances paid to lay members of the Audit & Governance Committee and the Standards Committee.

		£		£
R.H.MORGAN		7,749	S.JONES	5,762
D.J.STALLAN		10,377	R.KELLY	250
A.G.GRIGG		9,919	P.KESKA	3,730
S.W.MURRAY		5,550	A.MITCHELL	3,400
J.M.WHITEHOUSE		3,400	G.WALLER	9,919
M.A.MCEWEN		5,365	H.BRADY	3,534
J.KNAPMAN		5,200	G.CHAMBERS	4,169
C.L.WHITBREAD	Leader	18,881	A.J.CHURCH	5,550
J.H.WHITEHOUSE		3,537	L.GIRLING	3,433
U.M.GADSBY		3,478	H.KANE	9,919
P.GODE		378	H.MANN	3,400
M.SARTIN		5,908	G.SHEILL	3,400
J.M.HART		5,762	T.THOMAS	3,794
J.LEA	Vice-Chairman	6,976	N.WRIGHT	3,400
C.P.POND		3,665	K.M.ADAMS	378
B.P.SANDLER		5,762	R.GLOZIER	378
S.A.STAVROU		10,849	D.COOPER	250
K.ANGOLD-STEPHENS		4,319	R.BUTLER	3,400
K.S.CHANA		3,400	A.JARVIS	500
G.MOHINDRA		5,200	C.C.POND	3,400
L.A.WAGLAND		3,400	R.JENNINGS	3,592
B.A.ROLFE		4,500	L.MEAD	3,400
R.BASSETT		10,719	C.ROBERTS	3,400
A.WATTS		617	D.DORRELL	3,400
H.ULKUN		378	S.NEVILLE	3,400
E.A.WEBSTER	Chairman	11,077	B.SURTEES	3,400
A.L.BOYCE		5,350	H.KAUFFMAN	3,400
J.PHILIP		9,919	E.WESTON	3,400
D.J.WIXLEY		3,622	S.KANE	2,860
S.A.LYE		250	A.PATEL	2,860
D.JACKMAN		250	L.HUGHES	2,895
A.LION		9,919	N.AVEY	2,860
W.S.BREARE-HALL		9,919	N.BEDFORD	2,860
Y.R.KNIGHT		5,762	N.NANAYAKKARA	490
S.I.WATSON		3,400		
Total		204,757	Total	114,183
			Grand Total	318,940

For the purposes of this Statement of Accounts, the following definitions have been adopted:

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

BALANCE SHEET

This statement sets out an authority's financial position at the year-end. It shows the balances and reserves at an authority's disposal and its long-term indebtedness and the fixed and net current assets employed in its operations together with summarised information on the fixed assets held.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset or expenditure that adds to and not merely maintains the value of an existing asset.

CAPITAL ADJUSTMENT ACCOUNT

This account records the accumulated amount of set aside receipts and minimum revenue provision together with capital expenditure financed by way of capital receipts and revenue contributions. Set against these amounts are adjustments to the revenue account for depreciation and capital expenditure written off to revenue during the year. This, therefore, ensures that only actual expenses are charged to revenue in year.

CAPITAL FINANCING REQUIREMENT

This measures the change in and the underlying need for the council to borrow to finance Capital expenditure. Where all capital expenditure is financed by resources generated by the council the Capital Financing Requirement will remain unchanged.

CASH FLOW STATEMENT

This statement summarises the cash flows of the authority for capital and revenue spending as well as the cash flows used to finance these activities.

COLLECTION FUND

This account reflects the statutory requirement for billing authorities to maintain a separate collection fund which shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates the way in which these have been distributed to other authorities (preceptors) and the general fund.

COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONSISTENCY

The accounting treatment of like items within an accounting period and from one period to the next is the same.

CONTINGENCY

A condition that exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CONTINGENT LIABILITIES

A contingent liability is either:

- (i) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the authority's control; or
- (ii) a current obligation arising from past events where it is not probable (but not impossible) that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

It is considered that a contingent liability below £50,000 need not be disclosed, as any such amounts would not be significant.

CONTINGENT GAINS

A contingent gain (or asset) is a possible economic gain arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose nominated bodies managing the same services.

INTANGIBLE ASSETS

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

REVENUE EXPENDITURE CHARGED TO CAPITAL UNDER STATUTE

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

DEPRECIATION

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

EXCEPTIONAL ITEMS

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

EXTRAORDINARY ITEMS

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

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arms length transaction less, where applicable, any grants receivable towards the purchase or use of the assets.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if, at the inception of the lease, the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

PROPERTY, PLANT AND EQUIPMENT

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

GENERAL FUND

This statement records the information of all the authority's activities, excluding those in relation to the Housing Revenue Account and Local Council precepts.

GOING CONCERN

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

GOVERNMENT GRANTS

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for local authority housing provision, as defined in particular in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of housing revenue expenditure such as maintenance, administration, rent rebates and capital financing costs, and how these are met by rents subsidy and other income.

IMPAIRMENT

An impairment occurs when a fixed asset suffers a loss in value either due to a fall in market values generally, or as a result of use of the asset other than normal wear and tear.

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

An interest in land and / or buildings:

- (i) in respect of which construction work and development have been completed; and
- (ii) which is held for its investment potential, any rental income being negotiated at arms length.

LONG-TERM CONTRACTS

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

MINIMUM REVENUE PROVISION (MRP)

Local authorities are required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of calculation is defined by statute and does not relate to actual external debt outstanding. Statute requires MRP of 2% of the housing credit ceiling and 4% of the non-housing credit ceiling, offset by an adjustment for debts commuted in relation to old improvement grants.

NET BOOK VALUE

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON-OPERATIONAL ASSETS

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties, assets that are surplus to requirements pending sale or redevelopment and assets under development or construction.

OPERATING LEASES

Leases other than a finance lease.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility. Operational assets comprise Council dwellings, other land and buildings, vehicles plant and equipment, infrastructure and community assets.

POST BALANCE SHEET EVENTS

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the responsible financial officer signs the Statement of Accounts.

PRIOR YEAR ADJUSTMENTS

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISIONS

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. Provisions are required to be recognised when:

- (i) the local authority has a present obligation (legal or constructive) as a result of a past event;
- (ii) it is probable that a transfer of economic benefits will be required to settle the obligation; and
- (iii) a reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision should be recognised.

A constructive obligation is an obligation that derives from an authority's actions where;

- (i) by an established pattern of past practice, published policies or sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities; and
- (ii) as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

PRUDENCE

The concept that revenue is not anticipated until received in the form either of cash or of other assets, or a reliable estimate of the cash realisation can be assessed with reasonable certainty.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- (i) one party has direct or indirect control of the other party; or
- (ii) the parties are subject to common control from the same source; or
- (iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an authority include:

- (i) central government;
- (ii) local authorities and other bodies precepting or levying demands on the Council Tax;
- (iii) its subsidiary and associated companies;
- (iv) its joint ventures and joint venture partners;
- (v) its members;
- (vi) its chief officers; and
- (vii) its pension fund.

Examples of related parties of a pension fund include its:

- (i) administering authority and its related parties;
- (ii) scheduled bodies and their related parties; and
- (iii) trustees and advisers.

These lists are not intended to be comprehensive.

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

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

RELATED PARTY TRANSACTION

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

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

This list is not intended to be comprehensive.

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

REVALUATION RESERVE

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

STOCKS

Comprise the following categories:

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

UNAPPORTIONABLE CENTRAL OVERHEADS

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

ACTUARIAL GAINS AND LOSSES

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

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

CURRENT SERVICE COST

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

CURTAILMENT

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

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

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DISCRETIONARY BENEFITS

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

EXPECTED RATE OF RETURN ON PENSION ASSETS

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

EXTRAORDINARY ITEMS

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

IAS19

International Accounting Standard 19 (IAS19) ensures that organisations account for employee retirement benefits when they are committed to pay them, even if the actual payment may be years into the future.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (NON-PENSIONS FUND)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, which do not meet the above criteria should be classified as current assets.

INVESTMENTS (PENSIONS FUND)

The investments of the Pensions Fund will be accounted for in the statements of the fund. However authorities (other than town and community councils) are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

PAST SERVICE COST

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

(i) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and

(ii) the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- (i) an employer's decision to terminate an employee's employment before the normal retirement date, or
- (ii) an employee's decision to accept redundancy in exchange for those benefits,

because these are not given in exchange for services rendered by employees.

SCHEME LIABILITIES

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

SETTLEMENT

An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- (i) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
- (ii) the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
- (iii) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

VESTED RIGHTS

In relation to a defined benefit scheme, these are:

- (i) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- (ii) for deferred pensioners, their preserved benefits, and
- (iii) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependents.