

# STATEMENT OF ACCOUNTS



**2019 / 2020**



 **Epping Forest  
District Council**  
[www.eppingforestdc.gov.uk](http://www.eppingforestdc.gov.uk)

# Contents Description

		<b>Page</b>
<b>Narrative Report</b>	By the Section 151 Officer	3
<b>The Statement of Responsibilities</b>	Explains the responsibilities of the Council and the Section 151 for the Statement of Accounts	15
<b>Auditors Report</b>	Sets out the Auditor's opinion on the Statement of Accounts	16
<b>Comprehensive Income and Expenditure Statement (CIES)</b>	Brings together income and expenditure relating to all of the Council's activities	19
<b>Movement In Reserves Statement</b>	Summarises of the increase/decrease in the net worth and resources available to the Council	20
<b>Balance Sheet</b>	Sets out the financial position of the Council as at 31st March 2020	21
<b>Cash Flow Statement</b>	Summarises the movements in assets, liabilities and capital which have taken place during the period and the impact on cash and cash equivalents	22
<b>Notes to the Core Financial Statements</b>	Detailed supporting notes to all of the previous Statements	23
<b>Housing Revenue Account Income and Expenditure Statement</b>	Shows income and expenditure on the provision of Council Housing	69
<b>Movement on Housing Revenue Account Statement</b>	Shows the differences between the income and expenditure and the movement on the Housing Revenue Account balance	70
<b>Notes to the Housing Revenue Account Income and Expenditure Statements</b>	Detailed supporting notes to the Housing Revenue Account Statements	71
<b>Collection Fund</b>	Shows the income and expenditure transactions of the Council as a billing authority in relation to the collection and distribution of Council Tax and Non-Domestic Rates	77
<b>Annual Governance Statement</b>	Outlines the contents of the Local Code of Corporate Governance and the systems of internal control operating within the Council	80
<b>Glossary of Terms</b>		88
<b>Glossary of Pension-Related Terms</b>		96

# Narrative Report

## 1. INTRODUCING EPPING FOREST DISTRICT COUNCIL

Epping Forest District is in Essex and takes its name from the forest which runs from the Greater London border in the south up through the district northwards. The district also shares boundaries with Hertfordshire and four other Essex districts. The district, which is a mixture of rural and urban areas, has a population of 131,137 (as at 2018) and covers an area of 131 square miles. The key population centres are the commuter towns of Buckhurst Hill, Chigwell and Loughton which are all located in the south of the district and contain more than half of the population, but only covers 5% of the total area of the district. There are also the market towns of Epping, Waltham Abbey and Ongar and numerous villages and hamlets which are situated in attractive countryside and are scattered across the remaining 95% of the district. The district has good transport links, with both the M25 and M11 running through it and crossing at Theydon Garnon. The area is also serviced by the London Underground Central Line and an over ground rail line.

Most of the district is designated within the protective status of the Metropolitan Green Belt with both Epping Forest and Roding Valley Meadows being sites of special scientific interest. This brings visitors to the district and tourism generates a substantial amount of income for the local economy each year.

The residents of the district are considered to be relatively affluent with the average weekly income for a resident working full time in 2018 being 15.7% higher than the average for England. Similarly, the number of residents claiming out of work benefits is lower than average. Children tend to be successful with their education; 67.8% of pupils achieved a “good” passes at GCSE in 2018, which is again higher than the England average. But the rate of young people attending university was 3% lower than average in the same year at 47%.

Epping Forest is in the upper 40% of least deprived Lower Tier Local Authorities (LTLAs) nationally, although there are areas of deprivation with 12% of children in low income families. Life expectancy in the district is higher than the national average, but an aging population puts pressure on both NHS and local government services.

Within the district, local government services are provided at three levels; by Epping Forest District Council, Essex County Council and local Town and Parish Councils.

- District Council services – Housing, Street Cleansing, Waste Collection and Recycling, Sports and Recreation, Planning Applications, Electoral Registration, Benefit Administration, Council Tax and Business Rates Collection, and Environmental Health.
- County Council services – Education, Social Care, and Highways and Transportation; and
- Parish and Town Council services – Allotments, Burial Grounds and Cemeteries, Public Halls, and Playgrounds and Sports Grounds.

Forecasts suggest that the population of the district will rise significantly over the next 20 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 over 55% of the district's population will be aged over 60 by 2020. Additional properties will be built over the coming years to assist in accommodating the anticipated rise in the population.

## 2. PERFORMANCE AGAINST CORPORATE OBJECTIVES

A new Corporate Plan for 2018-2023 was adopted in December 2017. The Council has a duty to secure continuous improvement in a way in which its functions and services are exercised, and as part of that duty a range of Key Performance Indicators (KPIs) relevant to the Council's service priorities and key objectives are adopted each year.

The Year 2 Action Plan (covering 2019/20) represented the second reporting cycle for the Corporate Plan. Performance measures for Year 2 have been streamlined to enable a sharper focus on how well corporate objectives are being met. This has resulted in a reduction of the number of KPIs listed in 2018/19 from 47 to 12, and 11 key corporate programmes of work ranked with a "RAG" (Red, Amber, Green) rating reported for each ambition.

The Corporate Plan links the key external drivers influencing Council services, with a set of corporate aims and objectives, grouped under three corporate ambitions.

- Stronger Communities
- Stronger Place; and
- Stronger Council.

Performance against all KPIs and all key corporate programmes of work is reviewed quarterly. During the year the Stronger Council Select Committee, the Stronger Place Select Committee, the Stronger Communities Select Committee and the Finance and Performance Management Cabinet Committee have had overview and scrutiny roles to ensure continued achievability and relevance, and to identify proposals for appropriate corrective action in areas of under-performance.

The 'Stronger Communities' ambition has three strategic aims supported by six key objectives that were delivered from the three key corporate programmes: Customer Excellence, Insight & Behaviour and delivery of the Epping Forest Health & Wellbeing Strategy. During 2019/20, one out of three key programmes was achieved.

Five out of eight (62.5%) performance indicators that were measured were achieved. A summary of the performance during 2019/20 is given below.

Stronger communities		
1. People live longer, healthier and independent lives	2. Adults and children are supported in times of need	3. People and communities achieve their full potential
1.1 Supporting healthy lifestyles	2.1 Safeguarding and supporting people in vulnerable situations	3.1 Enabling communities to support themselves
1.2 Promoting independence for older people and people with disabilities		3.2 Promoting culture and leisure
		3.3 Keeping the district safe

The 'Stronger Place' ambition also has three strategic aims which are supported by seven key objectives that were delivered from the four key corporate programmes: Delivery of the Council Housebuilding, Local Plan, St Johns Road and Growth/Skills/Employment. During 2019/20, out of the four key programmes of work set, one was achieved. The Local Plan was delayed due to the requirement for a Habitats Regulation Assessment.

One out of two (50%) of performance indicators measured were achieved and the second one performed within agreed tolerance levels for the indicator.

Stronger place		
4. Delivering effective core services that people want	5. A district with planned development	6. An environment where new and existing businesses thrive
4.1 Keeping the district clean and green	5.1 Planning development priorities	6.1 Supporting business enterprise and attracting investment
4.2 Improving the district housing offer	5.2 Ensuring infrastructure supports growth	6.2 People develop skills to maximise their employment potential
		6.3 Promoting retail, tourism and the visitor economy

The 'Stronger Council' ambition has four strategic aims supported by six key objectives that were delivered from the three key corporate programmes: People Strategy, Digital Enablement and Accommodation Strategy. During 2019/20, the three key programmes of work set were not achieved. The Accommodation Strategy hit design delays; however, the Council remains on course to complete the overall programme on time in 2020/21. was in delivery is:

One out of two (50%) of performance indicators measured, were achieved.

Stronger council			
7. Customer satisfaction	8. Democratic engagement	9. A culture of innovation	10. Financial independence with low Council Tax
7.1 Engaging with the changing needs of our customers	8.1 Robust local democracy and governance	9.1 Enhancing skills and flexibility of our workforce	10.1 Efficient use of our financial resources, buildings and assets
		9.2 Improving performance through innovation and new technology	10.2 Working with commercial partners to add value for our customers

### 3. FINANCIAL REVIEW 2019/20

At the time of writing, it is hard to ignore or understate the financial impact that the Coronavirus (Covid-19) Pandemic has had and will continue to have on local authority finances for some time yet (see discussion in Note 4 of the main financial statements). However, the financial effects really began to bite when the Government imposed a national lockdown from 23rd March 2020 i.e. just eight days before the end of the 2019/20 financial year. The impact on this Statement of Accounts is therefore quite limited, with the following discussion reflecting on the period April 2019 through to March 2020.

The Consolidated Income & Expenditure Statement (CIES) on Page 20 shows that the Net Cost of Services for 2019/20 was £29.229 million (up £7.665 million compared to 2018/19); after other factors such as the impact of Taxation and other Gains and Losses, including those from the ring-fenced Housing Revenue Account, are adjusted for, Total Comprehensive Net Income of £0.723 million was received. The most significant factor behind the increase in Net Cost of Services was a decrease in Net Income from the Housing Revenue Account of £4.203 million (explained below).

The presentation of individual services (“Continuing Operations”) on the face of the CIES follows the principles established in CIPFA’s “Service Reporting Code of Practice for Local Authorities (2019/20)” (SERCOP); consistency of reporting is achieved with the internal management accounts, which reflect how services are delivered and organised within the Council.

Although overall Net Expenditure across the services in 2019/20 is generally consistent compared to 2018/19, there are some fluctuations (both up and down) between the two years, reflecting changing local circumstances including a senior management restructure (affecting the Chief Executive’s cost centres), fluctuating asset values (in particular, an increase in value of a specific asset affecting a Commercial & Regulatory cost centre this year) and continuing local initiatives such as the Local Plan and the Garden Town initiative (combining to increase net expenditure on Planning Services).

However, the CIES reflects a vast range of adjustments required by both statute and accounting standards. Underlying the figures, is the performance of the Council’s General Fund and Housing Revenue Account in the year.

#### General Fund

The table below reflects the unadjusted Month 12 (year-end) Management Accounts for 2019/20.

General Fund Service	Net Expenditure		Variance
	Budget	Outturn	
	£000’s	£000’s	£000’s
Business Support	3,763	4,773	1,010
Community & Partnerships	3,765	3,438	(327)
Commercial & Regulatory	(4,014)	(4,485)	(471)
Contracts & Technical	6,943	7,057	114
Customer Services	4,782	4,794	12
Housing & Property	522	435	(87)
Planning	4,300	3,555	(745)
Chief Executive	2,574	2,159	(415)
<b>Totals</b>	<b>22,635</b>	<b>21,727</b>	<b>(908)*</b>

\*The Month 12 Accounts show that the unadjusted General Fund budget was in surplus by £908,351. There were a wide range of budget variances – both positive and negative – underlying the surplus; the most significant service variance related to Business Support, which was overspent by £1.010 million, with the single largest factor in the overspend was perceived need to set aside additional contingency funds – within the corporate Bad Debt Provision – of £515,410, because of the pandemic. However, the Council has not experienced the level of bad debt that was initially feared with businesses especially receiving substantial Government support. Therefore the additional provision was subsequently reduced from £515,410 to £200,000 which had the effect of boosting the budget surplus (from £908,351 to £1,223,761) and limiting the reduction in the General Fund (unallocated) balance (see discussion below on Usable Reserves).

## Housing Revenue Account (HRA)

The table below summarises the outturn on the HRA for 2019/20 compared to 2018/19.

Description	2019/20	2018/19	Variance
	£000's	£000's	£000's
Total Income	(34,399)	(33,629)	(770)
Total Expenditure	33,174	27,987	5,187
Net Cost of Services (included in CIES)	<b>(1,225)</b>	<b>(5,642)</b>	<b>4,417</b>
Other costs and accounting adjustments	4,270	4,156	114
(Surplus)/Deficit for Year	<b>3,045</b>	<b>(1,486)</b>	<b>4,531</b>
Reconciling adjustments (including reversals)	(2,760)	1,458	(4,218)
(Increase)/Decrease in HRA Balance	<b>285</b>	<b>(28)</b>	<b>313</b>

A higher than anticipated Depreciation requirement (£501,000) in the year led to the legislative requirement to contribute a total of £8.579 million to the Major Repairs Reserve (MRR). This meant that a planned contribution of £0.5 million to the Self-Financing Reserve was no longer viable without reducing the minimum balance assumed within the 30-Year HRA Business Plan.

In addition, there was a notable accounting adjustment required following a downward revaluation (“Impairment”) of Council Dwellings and Garages of £7.62 million, which compared to a corresponding adjustment of £2.351 million in 2018/19. This further increased expenditure in the year, but – in accordance with proper accounting practice – the effects are reversed out to determine the actual HRA balance available to support future spending.

Overall, the HRA balance marginally reduced (partly due to an additional provision of £140,000 made to the Bad Debt Provision, due to Coronavirus) from an opening position of £2.315 million, to close at £2.030 million at the year end.

## Collection Fund

The Collection Fund recorded an overall Deficit for 2019/20 of £5.013 million. Whilst collection rates for Council Tax and Business Rates held up in the year and the Council continued to benefit from the Essex Council Tax Sharing Agreement (income £577,000) and the Essex Business Rates Pool (benefit £324,000), these were more than offset by other (exceptional) factors. Thus:

- Council Tax (2019/20 Deficit £1.215 million) – the Epping share of the recorded Deficit is £106,000. The most notable factor was the need to significantly increase the Bad Debt Provision this year (£1.622 million Collection Fund charge, compared to £0.234 million in 2018/19), with the most notable factor being the impact of Covid-19; and

- *Business Rates (2019/20 Deficit £3.798 million)* – the Epping share of the recorded Deficit is £1,519,200. The most notable factor was a loss of a major Appeals case in the year, which used all of the previously set-aside provision for this purpose. The Collection Fund charge for Appeals was therefore £2.224 million, compared to £0.226 million in 2018/19. As with Council Tax, additional provision for Bad Debts was required due to the impact of Covid-19 (£0.602 million Collection Fund charge, compared to £0.110 million in 2018/19).

Despite the deficits recorded this year, the Collection Fund still retained an overall Surplus as at 31st March 2020 of £1.675 million (Council Tax £0.175 million, Business Rates £1.499 million).

## Balance Sheet

The Council's Balance Sheet value has been virtually static in 2019/20, with a marginal increase of just £0.7 million (0.1%) on the net position as at 31st March 2020. However, there are some significant differences compared to 2018/19 as follows:

- Investment Properties (up £19.4 million) – the Council acquired new Commercial Assets with a total value of £23.9 million in 2019/20, which is the primary reason behind the increase in value on the Balance Sheet in this area
- Short-Term Temporary Investments (down £16.0 million) – investments were gradually redeemed during the year as the Council moved towards a planned borrowing position on its General Fund
- Cash & Cash Equivalents (up £24.1 million) – short-term borrowing of £14.0 million in late March 2020 to meet anticipated cash flow requirements expenditure in April 2020 was primarily the reason for a brief spike in cash holding, although maintaining higher cash holdings generally has been a deliberate strategy since the outbreak of the pandemic (against the added backdrop of exceptionally low interest rates)
- Long-Term Loans (up £25.0 million) – planned borrowing from the PWLB to finance the needs of the Council's General Fund Capital Programme saw Long-Term Loans on the Balance Sheet rise from £185.5 million to £210.5 million in the year.

### Usable Reserves

The overall balance on Usable Reserves declined from £48.266 million to £42.846 million over the year.

The General Fund (unallocated) balance began the year at £7.437 million and ended the year at £6.417 million (down £1.02 million). The decrease on the balance was due to a combination of factors. Notably:

- An adjusted surplus on the General Fund budget of £1.224 million (referred to above), was outweighed by a net deficit on funding and other adjustments of £3.495 million (resulting in a net decrease of £2.271 million before Transfers to/from Earmarked Reserves); this was partially offset by
- Net transfers of £1.251 million from Earmarked Reserves, including £0.874 million and £0.850 million from the DFF and Insurance Reserve respectively.

However, it should be noted that the Council had to meet an additional Business Rates Levy payment of £0.718 million relating to 2018/19; this liability was not reflected in the opening balance on the General Fund, which accentuates the in-year net reduction.



Earmarked Reserves declined slightly overall this year:

- District Development Fund (DDF) – a long established reserve to meet expenditure on priorities of a one-off or temporary nature ended the year with a balance of £0.497 million (down by £1.923 million compared to 31st March 2019) as a number of priority projects were advanced during the year; the largest spending item was the Local Plan (£0.649 million). The year-end balance contains the funds necessary to finance all future commitments. It also includes funding of £0.229 million for DDF projects rolled forward from 2019/20. DDF commitments established in 2020/21 (e.g. in response to the pandemic) will require a future transfer from the General Fund balance noted above; and
- Invest to Save (ITS) – a reserve earmarked for projects usually of a transformational nature. This was dormant in 2019/20 and retained its balance of £0.292 million; due to delays in committed projects such as planned capital works at Vere Road Car Park.

Three new reserves with a combined value of £1.546 million were also created at year end. This improves transparency and clarity, especially in the case of the Garden Town project which is a joint partnership with East Hertfordshire District Council and Harlow Borough Council; the year-end balance of £0.537 million represents the Epping Forest District Council share of funds.

### Unusable Reserves

The Council is required to maintain substantial Unusable Reserves, primarily for technical accounting purposes. The overall balance rose slightly from £601.4 million to £607.6 million over the year. Most notably, despite the pandemic, the Council's Pension Liability actually decreased at the year end.

The Pension Reserve (liability) reduced from £69.848 million to £63.637 million. This was primarily due to a reduction in estimated Defined Benefit Obligations of £14.7 million outweighing a decrease in the estimated Fair Value of the Fund Assets of £8.8 million. The two largest factors were:

- *Obligations* – there was a substantial change in financial assumptions based on market conditions as at 31st March 2020. In particular, both future pensions and salary increases were expected to be lower compared to the same stage in 2019. Revised financial assumptions reduced estimated Obligations by £22.2 million; and
- *Assets* – the turmoil caused on financial markets near the year end as a consequence of the pandemic led to a significant reduction in investment returns, with a loss on assets (after interest) of £12.2 million recorded.

## Capital

The table below summarises the Capital Expenditure outturn for 2019/20.

Description	2019/20	2018/19
	£000s	£000s
General Fund	26,377	10,157
Housing Revenue Account (HRA)	17,336	17,354
Total Capital Programme	<b>43,715</b>	<b>27,511</b>

The table shows that it was a very stable year for HRA Capital Expenditure. There were some minor underlying variances, most notably with additional expenditure required on Structural Schemes due to the age of some properties and tree root damage (£688,000) being broadly matched by some slippage on Housing Developments (especially Phase 4) of £640,000.

It was a larger General Fund Capital Programme this year as the Council increased its investment on its priorities within the Corporate Plan 2018-2023. The increase was primarily due to the planned acquisition of Commercial Assets from a total budget of £30.0 million (the objective being to “achieve financial independence with low Council Tax” as part of the “Stronger Council” corporate ambition). The Loughton & Centric Development was acquired at a cost of £19.8 million, with 90 Brooker Road also acquired for £5.3 million. The unspent balance (£4.8 million) has been rolled forward into 2020/21 and is available for future potential investment opportunities as they arise.

DRAFT

## 4. 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.

Annually the Chief Internal Auditor gives their opinion on the adequacy and effectiveness of the Council's governance, risk management arrangements and control processes. For 2019/20 these were found to be adequate and effective. During 2019/20, formal responsibility for risk management was transferred over to the Audit and Governance Committee from the Finance and Performance Management Cabinet Committee. The Audit and Governance Committee receive regular updates on the Corporate Risk Register and are given the opportunity to comment and suggest changes.

The top risks from the Council's Corporate Risk Register as at June 2020 are listed below:

<b>Top Risks Identified</b>		
<b>Risk</b>	<b>Impact</b>	<b>Mitigation</b>
The Council does not have an adopted Local Plan.	Potential loss of strategic planning control; vulnerability to planning appeal decisions.	Engagement with stakeholders. Modifications to Local Plan in progress.
Welfare reform changes have a detrimental effect on the Council and the community	Increases in rent arrears, Council Tax arrears, evictions and homelessness, costs of temporary accommodation, public dissatisfaction and loss of income for the Council.	Cross-service and sector working group established to assess impacts of the introduction of Universal Credit and an action plan to mitigate the effects.
Failure to achieve strong economic development	Unable to secure enough opportunities; local area and people lose out; insufficient inward investment; impact on economic vitality of area; loss of revenue	An Economic Strategy and action plan have been developed which contain a range of options
Business Continuity - Inability to function should a significant event occur	Services disruption / loss of service, possible loss of income; staff absence, hardship for some of the community. Council criticised for not responding effectively	Corporate business continuity plan, which has been tested. Underpinned by departmental plans.
Delays in issuing Planning Permission for development due to the impact on air quality in Epping Forest Special Area of Conservation	Delays in getting an adopted Local Plan in place; loss of New Homes Bonus; restricted Business Rates tax base growth	Regular meetings with key stakeholders including Natural England. Interim mitigation strategy has been agreed by Council. Draft Air Quality Strategy developed.
Lack of response to the climate emergency	Failure to achieve identified carbon reduction targets/actions.	A Climate Change Officer has been appointed together with a Sustainable Transport Officer, and an action plan will be developed.
Failure to successfully deliver the Council's Travel Plan	If staff are unable to travel flexibly it could impede the delivery of the Council's Accommodation Strategy.	Staff engagement through the Travel Plan survey and key messages delivered through staff communications

<p>Covid-19 and recovery from it prevents the Council providing services and achieving its objectives</p>	<p>Loss of income and increased costs; economic downturn; greater demand on Council services; risk of the Council's contractors not surviving the crisis; workforce ability to work safely; reliance on IT, especially for staff working remotely; risk of cyberfraud; risk to the success of Quails; responding to central government Covid-19 initiatives.</p>	<p>Covid-19 Health &amp; Safety risk assessments; variety of recovery plans in place; central government funding; higher levels of Council reserves and balances; keeping abreast of government initiatives; regular reviews and monitoring of contracts; cybersecurity measures and IT Disaster recovery plan in place.</p>
---	--	--

DRAFT

## 5. EXPLANATION OF THE ACCOUNTING STATEMENTS

The Statement of Accounts shows the financial performance for 2019/20 and the financial position as at 31st March 2020. They present the income and expenditure for the year and highlight any significant changes in the Council's financial position during the year.

The document 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 2019/20* ("the Code"), which is underpinned by International Financial Reporting Standards (IFRSs).

The Code requires that the Statement of Accounts give a true and fair view of the financial position of the Council and are prepared on the basis that the Council is a going concern. In line with the Code, suitable accounting policies have been applied, and where necessary, prudent judgements and estimates have been made.

The Statement of Accounts can be 'technical' and complex, but – wherever possible – information is presented as simply and clearly as possible to assist the understanding of users. This Narrative Report explains the purpose and meaning of the Core (main) Statements below and then goes on to provide a summary of the Council's financial performance for the year 2019/20.

### **The Core Financial Statements are:**

#### **Comprehensive Income and Expenditure Statement (CIES)**

This records the Council's income and expenditure for the year. It can be broken down into two parts. The top part of the statement shows the accounting cost of providing the Council's services. The costs have been grouped into service areas based on the way in which the Council manages and monitors its services' spending throughout the year. This results in a Surplus or Deficit on the provision of services for the year. The bottom part of the statement is where gains and losses relating to the measurement of the Council's assets and liabilities are shown i.e. within Other Comprehensive Income and Expenditure.

#### **Movement in Reserves Statement (MiRS)**

This summarises movements that have taken place during the year between the Council's different reserves. The Statement shows the split between 'usable' reserves, i.e. those that can be used to fund expenditure and/or reduce local taxation; and other 'unusable' reserves i.e. these reserves are for specific purposes and cannot be spent.

#### **Balance Sheet**

This is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date. The net assets (assets less liabilities) of the Council are matched by the reserves held by the Council.

#### **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 (such as the repayment of borrowing and other long-term liabilities). The cash flow statement also includes "cash equivalents" which are short-term investments that are subject to only insignificant risks of changes in value.

**The Supplementary Financial Statements are:**

**Annual Governance Statement**

This sets out the governance structures of the Council and its key internal controls.

**Housing Revenue Account (HRA)**

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

DRAFT

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNT

## 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 Chief Finance Officer (Section 151 Officer);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

Councillor Ian Hadley  
Chairman of the Audit & Governance Committee

15th July 2021

## THE SECTION 151 OFFICER'S RESPONSIBILITIES

The Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing this Statement of Accounts, the Section 151 Officer has:

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

The Section 151 Officer 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 3 to 79 give a true and fair view of the financial position of the Council as at 31st March 2020 and the income and expenditure for the year then ended.



Andrew Small CPFA  
Strategic Director & Section 151 Officer

29th July 2021

# Auditors Report

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EPPING FOREST DISTRICT COUNCIL

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

In our opinion the financial statements of Epping Forest District Council ('the Authority'):

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We have audited the financial statements which comprise:

- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- the Movement in Reserves Statement;
- the Cash Flow Statement;
- the Housing Revenue Account Income and Expenditure Statement;
- the Movement on the Housing Revenue Account Balance Statement;
- the Collection Fund; and
- the related notes to the financial statements including a summary of significant accounting policies.

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 (2019/20).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of matter - material uncertainty related to the property portfolio valuation

We draw attention to note 4, 12 and 13 which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Council's property portfolio.

As noted by the Council's external valuer, the pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the valuation of the property portfolio at the balance sheet date. Our opinion is not modified in respect of this matter.

#### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Chief Financial Officer's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



We have nothing to report in respect of these matters.

### **Other information**

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Chief Financial Officer's responsibilities**

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for the preparation of 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 2019/20 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **REPORT ON OTHER LEGAL AND REGULATORY MATTERS**

### **Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

#### **Conclusion**

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2020, 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 2020.

## **Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020 as to whether Epping Forest District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Epping Forest District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### **Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### **CERTIFICATE OF COMPLETION OF THE AUDIT**

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

### **USE OF OUR REPORT**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Craig Wisdom, FCA (Appointed auditor)  
For and on behalf of Deloitte LLP  
St Albans, United Kingdom  
29th July 2021

## Comprehensive Income and Expenditure Statement

	Note	2019/20			2018/19		Net Expenditure £000
		Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	
		£000	£000	£000	£000	£000	
<b>Continuing Operations</b>							
Chief Executive		2,695	(536)	2,159	1,399	(3)	1,396
Business Services		6,192	(280)	5,912	4,468	(298)	4,170
Commercial & Regulatory Services		4,016	(2,778)	1,238	4,299	(1,870)	2,429
Community & Partnership Services		4,214	(895)	3,319	3,808	(551)	3,257
Contract & Technical Services		11,744	(4,969)	6,775	12,481	(4,084)	8,397
Customer Services		34,311	(29,516)	4,795	38,371	(33,717)	4,654
Housing & Property Services		3,115	(928)	2,187	1,415	(680)	735
Planning Services		5,186	(1,631)	3,555	3,977	(2,537)	1,440
Housing Revenue Account		34,034	(34,745)	(711)	29,070	(33,984)	(4,914)
<b>Net Cost of Services</b>		<b>105,507</b>	<b>(76,278)</b>	<b>29,229</b>	<b>99,288</b>	<b>(77,724)</b>	<b>21,564</b>
Other Operating Expenditure	9			1,505			2,253
Financing and Investment Income and Expenditure	10			6,330			(983)
Taxation and Non-Specific Grant Income	11			(17,599)			(19,930)
<b>(Surplus)/Deficit on Provision of Services</b>				<b>19,465</b>			<b>2,904</b>
(Surplus) on Revaluation of Property Plant and Equipment	12+13			(10,294)			(9,564)
Actuarial (Gains)/Losses on Pension Assets/Liabilities	32			(9,894)			(14,637)
Other (Gains)/Losses				-			(25)
<b>Total Comprehensive Income and Expenditure</b>				<b>(723)</b>			<b>(21,322)</b>

## Movement in Reserves Statement

	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
Movements in 2019/20	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2019	7,437	2,316	18,921	9,782	9,125	687	48,267	601,434	649,701
Surplus / (Deficit) on Provision of Services	(18,231)	(1,234)	-	-	-	-	(19,465)	-	(19,465)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	20,188	20,188
<b>Total Comprehensive Income and Expenditure</b>	<b>(18,231)</b>	<b>(1,234)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,465)</b>	<b>20,188</b>	<b>723</b>
Adjustment Between Accounting and Funding Basis Under Regulations	15,960	791	-	(952)	(2,002)	247	14,044	(14,044)	-
<b>Net Increase / (Decrease) before Transfer to Earmarked Reserves</b>	<b>(2,271)</b>	<b>(443)</b>	<b>-</b>	<b>(952)</b>	<b>(2,002)</b>	<b>247</b>	<b>(5,421)</b>	<b>6,144</b>	<b>723</b>
Transfer to Earmarked Reserves	1,251	157	(1,408)	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>(1,020)</b>	<b>(286)</b>	<b>(1,408)</b>	<b>(952)</b>	<b>(2,002)</b>	<b>247</b>	<b>(5,421)</b>	<b>6,144</b>	<b>723</b>
<b>Balance as at 31 March 2020</b>	<b>6,417</b>	<b>2,030</b>	<b>17,513</b>	<b>8,830</b>	<b>7,123</b>	<b>934</b>	<b>42,846</b>	<b>607,578</b>	<b>650,424</b>

	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
Movements in 2018/19	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2018	6,726	2,287	21,117	-	11,693	409	42,232	592,151	634,383
Surplus / (Deficit) on Provision of Services	4,415	(1,511)	-	-	-	-	2,904	-	2,904
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	18,418	18,418
<b>Total Comprehensive Income and Expenditure</b>	<b>4,415</b>	<b>(1,511)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,904</b>	<b>18,418</b>	<b>21,322</b>
Adjustment Between Accounting and Funding Basis Under Regulations	(6,600)	1,266	(2,196)	9,782	(3,468)	278	(938)	(9,135)	(10,073)
<b>Net Increase / (Decrease) before Transfer to Earmarked Reserves</b>	<b>(2,185)</b>	<b>(245)</b>	<b>(2,196)</b>	<b>9,782</b>	<b>(3,468)</b>	<b>278</b>	<b>1,966</b>	<b>9,283</b>	<b>11,249</b>
Transfer to Earmarked Reserves	2,896	274	-	-	900	-	4,070	-	4,070
<b>Increase / (Decrease) in Year</b>	<b>711</b>	<b>29</b>	<b>(2,196)</b>	<b>9,782</b>	<b>(2,568)</b>	<b>278</b>	<b>6,035</b>	<b>9,283</b>	<b>15,318</b>
<b>Balance as at 31 March 2019</b>	<b>7,437</b>	<b>2,316</b>	<b>18,921</b>	<b>9,782</b>	<b>9,125</b>	<b>687</b>	<b>48,267</b>	<b>601,434</b>	<b>649,701</b>

## Balance Sheet

	Note	31 March 2020		31 March 2019	
		£000	£000	£000	£000
<b>Long Term Assets</b>					
Property, Plant & Equipment	12	780,589		775,695	
Heritage Assets		542		542	
Investment Properties	13	136,418		117,011	
Intangible Assets		418		676	
Long Term Debtors	14	3,713		3,050	
<b>Total Long Term Assets</b>			<b>921,680</b>		<b>896,974</b>
<b>Current Assets</b>					
Inventories		81		109	
Debtors and Prepayments	16	13,843		11,754	
Short Term Temporary Investments	15	-		16,049	
Cash & Cash Equivalents	17	24,722		580	
			<b>38,646</b>		<b>28,492</b>
<b>Current Liabilities</b>					
Creditors	18	(19,665)		(18,028)	
Provisions	19	(2,145)		(1,255)	
Short Term Loans	15	(14,000)			
			<b>(35,809)</b>		<b>(19,283)</b>
<b>Long Term Liabilities</b>					
Long Term Loans	15	(210,456)		(185,456)	
Pensions Liability	32	(63,636)		(69,848)	
Leasing liability	15	-		(1,163)	
Capital Grant Receipts in Advance		-		(16)	
			<b>(274,092)</b>		<b>(256,483)</b>
<b>Total Assets Less Liabilities</b>			<b>650,424</b>		<b>649,699</b>
Usable Reserves		(42,846)		(48,266)	
Unusable Reserves	20	(607,578)		(601,434)	
			<b>(650,424)</b>		<b>(649,700)</b>

## Cash Flow Statement

	Note	2019/20 £000	2018/19 £000
Net Surplus/(Deficit) on Provision of Services		(19,465)	(2,904)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	21	38,631	18,916
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	(2,701)	(4,267)
		<b>16,465</b>	<b>11,745</b>
Net cash flows from Operating Activities		16,465	11,745
Investing Activities	22	(37,956)	(20,803)
Financing Activities	23	37,635	2,736
<b>Net Increase or (Decrease) in cash and cash equivalents</b>		<b>16,144</b>	<b>(6,322)</b>
Cash and Cash Equivalents at the beginning of the reporting period		8,578	14,900
<b>Cash and Cash equivalents at the end of the reporting period</b>	17	<b>24,722</b>	<b>8,578</b>

# Notes to the Statement of Accounts

<b>Note</b>		<b>Page</b>
1	Accounting Policies	24
2	Accounting Standards that have been issued but not yet adopted	34
3	Critical judgements in applying Accounting Policies	34
4	Assumptions made about the future and Other Major Sources of Estimation Uncertainty	34
5	Events after the Balance Sheet Date	37
6	Expenditure and Funding Analysis	37
7	Adjustments between Accounting Basis and Funding Basis under Regulation	40
8	Movements in Earmarked Reserves	42
9	Other Operating Expenditure	42
10	Financing and Investment Income and Expenditure	43
11	Taxation and Non-Specific Grant Income	43
12	Property, Plant & Equipment	44
13	Investment Property	46
14	Long Term Debtors	47
15	Financial Instruments	47
16	Debtors and Prepayments	49
17	Cash and Cash Equivalents	49
18	Creditors	50
19	Provisions	50
20	Usable and Unusable Reserves	50
21	Cashflow Statement - Operating Activities	54
22	Cashflow Statement - Investing Activities	55
23	Cashflow Statement - Financing Activities	55
24	Trading Operations	55
25	Member Allowances	56
26	Officer Remuneration	56
27	External Audit Fees	58
28	Grant & Contributions	58
29	Related Party Declarations	59
30	Capital Expenditure and Capital Financing	59
31	Leases	60
32	Pensions	61
33	Nature and Extent of Risks Arising from Financial Instruments	65
34	Capital Commitments	68

## 1. ACCOUNTING POLICIES

### 1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises Epping Forest District Council's transactions for the 2019/20 financial year and its position at the year-end of 31st March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices.

The Statement of Accounts has been prepared in accordance with proper accounting practices (under Section 21 of the Local Government Act 2003). These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 7 of the Accounts and Audit Regulations 2015.

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.

The accounts have been prepared on an accruals basis and are based on the concept of the Council as a going concern whereby local authorities cannot be created or dissolved without statutory prescription.

The significant accounting policies are set out in alphabetical order (1.2 to 1.18) below:

### 1.2 ACCRUALS OF INCOME AND EXPENDITURE

Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with transaction will flow to the Council.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 1.3 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in a specified period of no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.



## 1.4 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are charged with the following amounts to reflect the cost of holding non-current assets during the year:

- depreciation attributable to the asset used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which losses can be written off; and
- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation, however it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance).

Depreciation, revaluation and impairment losses and amortisation are replaced by the contribution in the General Fund Balance by way of a Capital Adjustment transaction in the Movement in Reserves Statement for the difference between the two.

Under the Item 8 Credit and Item 8 Debit (General) Determination issued 24th January 2017 depreciation is charged to the Housing Revenue Accounts. From 1 April 2017 impairment charges and revaluation losses on dwelling assets continue to be reversed out of the Housing Revenue Account post the transitional period and for non-dwelling assets prospectively only from this date. Revaluation gains which reverse a previous impairment and revaluation losses are adjusted for against the Housing Revenue Account Balance.

## 1.5 COUNCIL TAX AND NON-DOMESTIC RATES

The Council as a billing authority acts as an agent, collecting Council Tax and non-domestic rates (NDR) on behalf of Essex County Council and Essex Police (i.e. the major preceptors, which also includes Essex Fire Authority and Central Government for NDR) and as principal, it collects Council Tax and NDR for itself. Billing authorities are required by statute to maintain a separate fund (the "Collection Fund") for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

### **Accounting for Council Tax and NDR**

The Council Tax and NDR income included in the CIES is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the year-end balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

## 1.6 EVENTS AFTER THE REPORTING PERIOD

Events after the Balance Sheet date, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue are of two types:

- Those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## 1.7 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.

## 1.8 GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, Government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contribution have been satisfied.

Where there are no conditions attached to a grant it should be recognised immediately as income in the CIES. This applies to both revenue and capital grants.

As capital grants and contributions credited to the CIES are not proper income charges to either the General Fund or HRA they must be reversed out through the MIRS to ultimately end up in the Capital Adjustment Account. If there are no conditions attached and the expenditure to which the grant relates has been incurred then the reversal can be made directly to the Capital Adjustment Account. However if there are conditions attached then the grant will be recognised in the Capital Grants Receipts in Advance Account until the conditions are met.

Further to this, if the conditions of a capital grant have been met, but the expenditure to be financed from the grant has not been incurred at the Balance Sheet date, then the grant should be reversed out of the CIES through the MIRS to the Capital Grants Unapplied Account. By doing this there is a recognition that the capital grant is not proper income to the General Fund nor HRA and that the capital resources have yet to be applied.

## 1.9 INVESTMENT PROPERTY

Investment properties are those which are held solely to earn rentals or for capital appreciation purposes. The definition is not met if the property is used in any way to facilitate the delivery of services or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated but are re-valued annually according to market conditions to ensure that they are held at the highest and best use value on the Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal. Under statute, revaluation and disposal gains and losses are not permitted to impact on the General Fund balance and therefore such gains and losses are reversed out of the General Fund balance in the Movement in Reserves Statement to the Capital Adjustment Account; sale proceeds greater than £10,000 are posted to the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund balance.

## 1.10 LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **The Council as Lessee:**

#### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A financing charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution (minimum revenue provision - MRP) is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by the MRP in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Operating Leases**

Rentals paid under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### **The Council as Lessor:**

#### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain and loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a long-term lease debtor in the Balance Sheet.

#### **Lease rentals receivable are apportioned between:**

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, it is posted out of the General Fund Balance to the Capital Receipt Reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **1.11 OVERHEADS AND SUPPORT SERVICES**

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

## 1.12 PRIOR YEAR ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Prior period adjustments may arise because of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to prior period adjustment.

Changes in accounting policies are made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 1.13 PROPERTY PLANT AND EQUIPMENT

Assets that have a physical substance and are held for use in the production or supply of goods or services (for rental to others or for administrative purposes) and that are expected to be used during more than one financial year are classified as property, plant and equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of property plant and equipment is capitalised on an accruals basis, provided that it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historic cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Investment properties and surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other property assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); or
- Where there is no balance in the Revaluation Reserve or an insufficient balance the carrying amount of the asset is written down against the relevant service line in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated in the Capital Adjustment Account.

### **Impairment**

Assets are reviewed at each year-end for evidence of reductions in value i.e. impairment. Where impairment is identified, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

When impairment losses are identified, they are accounted for as follows:

- Where there is a balance in the revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains; or
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives on a straight-line basis. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). 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.

Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charge on assets and the depreciation that would have been charged based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## Disposal and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. These should be:

- Immediately available for sale
- Sale is highly probable
- Actively marketed; and
- Expected to be sold within 12 months.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Any loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

If an asset no longer meets the criteria to be classified as an asset held for sale it is reclassified again as a non-current asset and valued at the lower of

- Its carrying amount before it was classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had it not been classified as held for sale; and
- Its recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or asset held for sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from the disposal (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal above £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to central government. The balance of receipts remains within the Capital Receipts' Reserve and then can be used for new capital investment (or set aside to reduce the Council's underlying need to borrow). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against Council Tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## 1. 14 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that the reimbursement will be received if the Council settles the obligation.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation the existence of which will be confirmed by the occurrence or otherwise of uncertain future events which are not wholly within the control of the Council. Contingent liabilities may arise in circumstances also where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the Balance Sheet but disclosed by way of a note to the accounts.

### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset the existence of which will be confirmed by the occurrence or otherwise of uncertain future events which are not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed by way of a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## 1.15 RESERVES

The Council has set aside certain revenue and capital amounts as earmarked reserves for future policy purposes or to cover contingencies. 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.

Reserves are created by transferring amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.



Certain reserves are unusable reserves and are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits are explained in the relevant policies.

## 1.16 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions, but which does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves' Statement from the General Fund Balance to the Capital Adjustment Account ensures the accounting principle does not impact on the General Fund Balance.

## 1.17 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. VAT receivable is excluded from income.

## 1.18 FAIR VALUE MEASUREMENT

The Council measures some of its financial and non-financial assets, such as surplus assets and investment properties and some of its financial instruments, at fair value at the end of each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, (assuming that market participants act in their economic best interest).

When measuring fair value of a non-financial asset the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

The Council is required to disclose known or reasonably estimated information relevant to assessing the possible impact on the financial statements of an accounting change that will be required by the application of a new standard that has been issued but not yet adopted in the period of application.

The most significant standard which applies for this Council is IFRS 16 (“Leases”). IFRS16 was issued in January 2016 and became effective for the private sector on 1st January 2019. It removes the existing classifications of operating and finance leases for lessees, requiring a lessee to recognise assets and liabilities for all leases with a term of more than 12 months (unless the underlying asset is of low value) on their Balance Sheet.

Thus all material operating leases were required to be recorded on the Balance Sheet from 1st April 2019 in the private sector. However, CIPFA/LASAAC have now deferred the incorporation of IFRS16 into the Code until 2021/22. Nevertheless, in recognition of the significant preparatory work required to achieve compliance with the new standard, the Council will be undertaking a detailed review of its leasing position during 2020/21.

At this stage, it is not possible to provide a reasonable estimate of the financial impact that adopting IFRS16 will have.

## **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 in the current economic climate of the high degree of uncertainty about future levels of funding for local government. The Council has determined, however, that this uncertainty is not yet sufficient to provide an indication that the assets of the authority 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, life expectancy rates and expected returns on pension fund assets. Consultant actuaries are engaged to provide advice about assumptions to be applied. The actuary has provided some sensitivity analysis around the assumptions and this is contained within the Pensions note 32. The carrying value of the Pensions Liability is (£63.637 million).

### **Fair Value Measurement**

The use of the discounted cash flow model to measure the fair value of some of the Council's investment properties and financial instruments are dependent upon significant assumptions for rent growth, void properties and discount rates adjusted for regional factors. Significant changes in any of the inputs would result in a significantly different fair value measurement. The Council's fund manager has provided a sensitivity analysis around a 1% increase in the discount rate used for measuring the fair value of the Council's financial assets and liabilities which is disclosed within the Financial Instrument Note 15.

There are also two major events – “Brexit” and “Coronavirus” – which could both have a significant financial impact on the assumptions and estimates made in this Statement of Accounts.

### **The United Kingdom leaving the European Union (“Brexit”)**

A resolution to the previous impasse on the land border between Ireland and Northern Ireland was accepted by MPs and subsequently ratified by the European Union (EU) in January 2020. Consequently, the UK ceased to be a member of the European Union at 11pm on 31st January 2020.

Following an 11-month transition period (from 1st February to 31st December 2020) in which the UK remained in the EU single market, its customs union and paid into its budget, the UK eventually withdrew completely from the EU on 31st December 2020, having negotiated an EU-UK Trade and Co-Operation Agreement; the widely feared ‘no deal Brexit’ was therefore averted.

Nevertheless, it is too early to gauge the longer-term impacts of Brexit and the impact on this Statement of Accounts is therefore still unknown. Most notably, asset values could still be negatively impacted as could the valuation of the Pension liability. However, in the absence of intelligence to the contrary, it has been assumed that there will be no significant impairment to the Council’s asset values or any change to the Pension Fund liability. These assumptions are kept under constant review.

### **Coronavirus (Covid-19) Pandemic**

On 11th March 2020, the World Health Organisation (WHO) declared a global pandemic due to the rapid spread of the Covid-19 virus. The measures taken by the UK and most major countries worldwide to control the spread of the virus has had an immediate and profound impact on economies across the world.

As a provider of frontline public services, there have been significant operational impacts on Epping Forest District Council as it tries to maintain the delivery of its core services, whilst providing additional support to residents and businesses who have faced a range of difficulties as a consequence of self-isolation measures and Government-imposed restrictions on businesses and the movement of people.

Whilst core services such as Waste Collection have been maintained, other services – including Leisure Centres – have not been able to continuously operate (due to enforced closures).

Wherever possible office-based operations have continued through staff working remotely from home.

Support given to vulnerable residents included the delivery of supplies by volunteers/re-deployed staff (supported by an allocation from the Government’s Covid-19 Response Fund). In addition, extensive support has been provided to residents and businesses facing economic hardship. This has included the delivery of Government funded support measures, including:

- Council Tax – further means-tested reductions (up to £150) to Council Tax bills
- Business Rates – the enhancement and extension of business rates ‘holidays’ and discounts; and
- Grants – the delivery of a range of grants to small businesses and businesses affected by Government restrictions.

### General Financial Impact

Despite the provision of strong and rapid financial Government support, the Council has faced a range of other financial pressures on its General Fund and Housing Revenue Account (HRA). Most of the revenue impact is being felt in the 2020/21 financial year, so there is no material threat to this – the 2019/20 – Statement of Accounts, with General Fund income from Fees and Charges in particular, falling significantly (see comment below on Leisure Centres), along with general revenue funding, especially from Business Rates. There is also a threat to income from Housing Rents in the HRA.

In addition – as with Brexit – there are potentially negative impacts on asset values on the Balance Sheet, including property and pensions-related assets (e.g. likely to increase the size of the deficit in the Pension Fund).

### Impact of the Covid-19 Pandemic on the Property Portfolio

The Covid-19 pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the valuation of the property portfolio at the Balance Sheet date. This presented an unprecedented set of circumstances on which to base valuation judgements.

These include Property, Plant & Equipment as disclosed within Note 12 and Investment Property valuations as disclosed within Note 13.

The valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, as outlined by the valuation report, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, it has been recommended that the valuation is kept under frequent review. The valuation amounts disclosed within the accounts have been based on the best information available and are therefore a valid basis of valuation for this Statement of Accounts.

### Leisure Contract

The Council has a 20-year contract with *Places Leisure* (PL) for the provision of leisure services in Epping Forest, which commenced in 2017. Under the terms of the contract, PL is responsible for managing four leisure centres (situated in Epping, Ongar, Loughton and Waltham Abbey) and pays an annual Management Fee to the Council (£1.4 million in 2019/20).

The outbreak of the pandemic led to the rapid closure of all leisure centres in the district on 20th March 2020. This led to the immediate cessation of leisure operations and a complete loss of income from leisure-related fees and charges to PL. Although PL have managed to mitigate the scale of their financial losses, primarily through the use of the Government's furlough scheme, this has still resulted in an inability to maintain the payment of the Management Fee to the Council. In addition, the Council has made ex gratia compensation payments to PL in order to protect leisure services in Epping.

The leisure centres reopened on 3rd August 2020 following the initial closure. However, the mandatory requirement to implement strict 'social distancing' measures for the foreseeable future, means that they had to operate on significantly reduced capacities, leading to much smaller income streams than those anticipated in the contract. And the cycle has been repeated following two further Government ordered closures during 2020/21 as part of measures to tackle the pandemic (i.e. the second and third "lockdowns").

However, the Council has been partially compensated by the Government for its losses on the Management Fee and has also received payments from Sport England to reflect the pressures faced by Councils with outsourced leisure facilities. Nevertheless, the Leisure contract remains a continuing source of major financial uncertainty.

The financial implications for 2019/20 are understood and are reflected in this Statement of Accounts.

## 5. EVENTS AFTER THE BALANCE SHEET DATE

The draft 2019/20 Statement of Accounts were authorised for issue on 21st August 2020 by Andrew Small (Executive Director & Section 151 Officer).

Where events taking place before this date provided information about conditions existing at 31st March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. This includes the reflection of intelligence gathered during 2020/21 in relation to Coronavirus pandemic, including the second and third lockdowns e.g. the anticipated collectability of outstanding debt at 31st March 2020 has declined, which is reflected in increases to provisions for bad debts.

## 6. EXPENDITURE AND FUNDING ANALYSIS

Net Expenditure Chargeable to General Fund & HRA Balances	2018/19			2019/20		
	Adjustments between the funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement		Adjustments between the funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement	
£000	£000	£000		£000	£000	
1,289	107	1,396	Office of the Chief Executive	2,159	(326)	1,833
2,717	1,453	4,170	Business Services	5,912	(2,067)	3,845
1,638	791	2,429	Commercial & Regulatory Services	1,238	184	1,422
2,973	284	3,257	Communities & Partnership Services	3,319	(360)	2,959
5,224	3,173	8,397	Contract & Technical Services	6,775	(2,527)	4,248
4,306	348	4,654	Customer Services	4,795	(456)	4,339
348	387	735	Housing & Property Services	2,187	(1,962)	225
1,319	121	1,440	Planning Services	3,555	(277)	3,278
(16,167)	11,253	(4,914)	Housing Revenue Account	(711)	(3,021)	(3,732)
<b>3,647</b>	<b>17,917</b>	<b>21,564</b>	<b>Net Cost of Service</b>	<b>29,229</b>	<b>(10,812)</b>	<b>18,417</b>
(3,284)	(15,374)	(18,658)	Other Income and Expenditure	(9,764)	(5,939)	(15,703)
<b>363</b>	<b>2,543</b>	<b>2,906</b>	<b>(Surplus) / Deficit</b>	<b>19,465</b>	<b>(16,751)</b>	<b>2,714</b>
30,130			Opening General Fund and HRA Balance	28,674		
(1,332)			Surplus / (Deficit) on General Fund & HRA Balance in Year	(2,714)		
<b>28,798</b>			<b>Closing General Fund &amp; HRA Balance at 31 March 2020 (For a split of this balance between the General Fund, HRA and Earmarked Reserves - see the Movement in Reserves Statement)</b>	<b>25,960</b>		

## Adjustments between Funding & Accounting Basis

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total
<b>2019/20</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Office of the Chief Executive	-	(338)	12	<b>(326)</b>
Business Services	(1,560)	(540)	33	<b>(2,067)</b>
Commercial & Regulatory Services	256	(74)	2	<b>184</b>
Community & Partnership Services	(500)	138	2	<b>(360)</b>
Contract & Technical Services	(2,706)	177	2	<b>(2,527)</b>
Customer Services	(659)	204	(1)	<b>(456)</b>
Housing & Property Services	(2,000)	43	(5)	<b>(1,962)</b>
Planning Services	(436)	161	(2)	<b>(277)</b>
Housing Revenue Account	(3,092)	73	(2)	<b>(3,021)</b>
<b>Net Cost of Service</b>	<b>(10,697)</b>	<b>(156)</b>	<b>41</b>	<b>(10,812)</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(7,899)</b>	<b>1,936</b>	<b>24</b>	<b>(5,939)</b>
<b>Difference between General Fund (Surplus) / Deficit and Comprehensive Income and Expenditure</b>	<b>(18,596)</b>	<b>1,780</b>	<b>65</b>	<b>(16,751)</b>

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total
<b>2018/19</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Office of the Chief Executive	-	95	12	<b>107</b>
Business Services	764	674	15	<b>1,453</b>
Commercial & Regulatory Services	743	43	5	<b>791</b>
Community & Partnership Services	214	71	(1)	<b>284</b>
Contract & Technical Services	2,122	1,050	1	<b>3,173</b>
Customer Services	-	345	3	<b>348</b>
Housing & Property Services	-	403	(16)	<b>387</b>
Planning Services	-	115	6	<b>121</b>
Housing Revenue Account	11,131	112	10	<b>11,253</b>
<b>Net Cost of Service</b>	<b>14,974</b>	<b>2,908</b>	<b>35</b>	<b>17,917</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(15,887)</b>	<b>2,185</b>	<b>(1,672)</b>	<b>(15,374)</b>
<b>Difference between General Fund (Surplus) / Deficit and Comprehensive Income and Expenditure</b>	<b>(913)</b>	<b>5,093</b>	<b>(1,637)</b>	<b>2,543</b>

## Income & Expenditure Analysed by Nature

	Office of the Chief Executive	Business Services	Commercial & Regulatory Services	Community & Partnership Services	Contract & Technical Services	Customer Services	Housing & Property Services	Planning Services	Housing Revenue Account	Total
2019/20	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(536)	(281)	(1,185)	(544)	(4,835)	(672)	(371)	(1,785)	(34,745)	(44,954)
Government Grants	-	-	(805)	-	(1)	(28,845)	(557)	154	-	(30,054)
<b>Total Income</b>	<b>(536)</b>	<b>(281)</b>	<b>(1,990)</b>	<b>(544)</b>	<b>(4,836)</b>	<b>(29,517)</b>	<b>(928)</b>	<b>(1,631)</b>	<b>(34,745)</b>	<b>(75,008)</b>
Employee Expenses	1,534	4,366	2,438	2,395	2,856	4,497	951	3,272	4,026	26,335
Other Service Expenses	(696)	(763)	309	843	6,425	1,421	285	1,416	17,141	26,381
Support Service Recharges	1,857	1,131	459	532	431	723	126	498	4,098	9,855
Asset Charges	-	1,459	22	93	1,899	-	1,752	-	8,770	13,995
Benefit Payments	-	-	-	-	-	27,670	-	-	-	27,670
<b>Total Expenditure</b>	<b>2,695</b>	<b>6,193</b>	<b>3,228</b>	<b>3,863</b>	<b>11,611</b>	<b>34,311</b>	<b>3,114</b>	<b>5,186</b>	<b>34,035</b>	<b>104,236</b>
<b>Net Cost of Service</b>	<b>2,159</b>	<b>5,912</b>	<b>1,238</b>	<b>3,319</b>	<b>6,776</b>	<b>4,794</b>	<b>2,186</b>	<b>3,555</b>	<b>(710)</b>	<b>29,229</b>

	Office of the Chief Executive	Business Services	Commercial & Regulatory Services	Community & Partnership Services	Contract & Technical Services	Customer Services	Housing & Property Services	Planning Services	Housing Revenue Account	Total
2018/19	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(3)	(298)	(1,022)	(551)	(4,041)	(559)	(365)	(1,474)	(33,970)	(42,283)
Government Grants	-	-	(848)	-	(43)	(33,158)	(315)	(1,063)	(14)	(35,441)
<b>Total Income</b>	<b>(3)</b>	<b>(298)</b>	<b>(1,870)</b>	<b>(551)</b>	<b>(4,084)</b>	<b>(33,717)</b>	<b>(680)</b>	<b>(2,537)</b>	<b>(33,984)</b>	<b>(77,724)</b>
Employee Expenses	824	4,622	2,419	2,102	2,224	4,424	1,347	2,801	4,135	24,898
Other Service Expenses	298	772	837	1,208	8,029	1,136	681	958	9,431	23,350
Support Service Recharges	277	(934)	301	367	182	818	(613)	218	4,326	4,942
Asset Charges	-	8	742	131	2,046	-	-	-	11,178	14,105
Benefit Payments	-	-	-	-	-	31,993	-	-	-	31,993
<b>Total Expenditure</b>	<b>1,399</b>	<b>4,468</b>	<b>4,299</b>	<b>3,808</b>	<b>12,481</b>	<b>38,371</b>	<b>1,415</b>	<b>3,977</b>	<b>29,070</b>	<b>99,288</b>
<b>Net Cost of Service</b>	<b>1,396</b>	<b>4,170</b>	<b>2,429</b>	<b>3,257</b>	<b>8,397</b>	<b>4,654</b>	<b>735</b>	<b>1,440</b>	<b>(4,914)</b>	<b>21,564</b>

## 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	Usable Reserves					Movements in Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	
2019/20	£000	£000	£000	£000	£000	£000
<b>Adjustments Involving the Capital Adjustment Account:</b>						
Charges for depreciation and impairment of non-current	(3,068)	(8,696)	0	(8,579)	0	20,343
Upward/(Downward) revaluation of non-current assets	(1,585)	(7,617)	0	0	0	9,202
Movements in the fair value of Investment Properties	(5,838)	0	0	0	0	5,838
Amortisation of intangible assets	(209)	(27)	0	0	0	236
Capital Grants and contributions applied	0	0	0	0	85	(85)
Revenue expenditure funded from Capital under statute	(12)	0	0	0	0	12
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(117)	(720)	0	0	0	837
Capital expenditure charged against the General Fund and	0	4,430	0	0	0	(4,430)
Reversal of Notional Lease adjustment	0	0	0	0	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	328	0	0	0	0	(328)
<b>Adjustments Primarily Involving the Capital Grants</b>	331	0	0	0	(332)	1
<b>Adjustments Involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	0	4,064	(4,064)	0	0	0
Transfer from Deferred Capital receipts on receipt of cash	0	0	0	0	0	0
Used to finance new Capital Expenditure	0	0	3,708	0	0	(3,708)
Contribution towards administrative costs of non-current	0	(28)	28	0	0	0
Contribution to finance the payments to the Government	(1,280)	0	1,280	0	0	0
Adjustment for incorrect use of 1-4-1 receipts in previous year	0	0	0	0	0	0
<b>Adjustments Involving the Deferred Capital Receipts</b>						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	0	0	0	0	0	0
<b>Adjustments relating to the Major repairs Reserve</b>						
Depreciation transferred from HRA	0	8,579	0	0	0	(8,579)
Use of the Major Repairs Reserve to finance new capital	0	0	0	10,581	0	(10,581)
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits	(2,873)	(810)	0	0	0	3,683
<b>Adjustments involving the Collection Fund Adjustment</b>						
Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements.	(1,671)	0	0	0	0	1,671
<b>Adjustments Involving the Accumulated Absences</b>						
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.	34	34	0	0	0	(68)
<b>Total Adjustments</b>	<b>(15,960)</b>	<b>(791)</b>	<b>952</b>	<b>2,002</b>	<b>(247)</b>	<b>14,044</b>



	Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Movements in Unusable Reserves
2018/19	£000	£000	£000	£000	£000	£000
<b>Adjustments Involving the Capital Adjustment Account:</b>						
Charges for depreciation and impairment of non-current	(2,832)	(8,536)	0	0	0	11,368
Upward/(Downward) revaluation of non-current assets	(494)	(2,351)	0	0	0	2,845
Movements in the fair value of Investment Properties	2,466	0	0	0	0	(2,466)
Amortisation of intangible assets	(208)	(32)	0	0	0	240
Capital Grants and contributions applied	106	224	0	0	210	(540)
Revenue expenditure funded from Capital under statute	(419)	(97)	0	0	0	516
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(709)	(2,597)	0	0	0	3,306
Capital expenditure charged against the General Fund and	15	3,650	0	0	0	(3,665)
Reversal of Notional Lease adjustment	559	23	0	0	0	(582)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	261	0				(261)
<b>Adjustments Primarily Involving the Capital Grants</b>	559	0	0	0	(559)	0
<b>Adjustments Involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	60	4,722	(4,782)	0	0	0
Transfer from Deferred Capital receipts on receipt of cash	0	0	(956)	0	0	956
Used to finance new Capital Expenditure	0	0	4,035	0	0	(4,035)
Contribution towards administrative costs of non-current	0	(30)	30	0	0	0
Contribution to finance the payments to the Government	(894)	0	894	0	0	0
Adjustment for incorrect use of 1-4-1 receipts in previous year	0	0	(9,004)	0	0	9,004
<b>Adjustments Involving the Deferred Capital Receipts</b>						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	0	24	0	0	0	(24)
<b>Adjustments relating to the Major repairs Reserve</b>						
Depreciation transferred from HRA	0	8,414	0	(8,414)	0	0
Use of the Major Repairs Reserve to finance new capital	0	0	0	10,982	0	(10,982)
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits	(3,752)	(1,340)	0	0	0	5,092
<b>Adjustments involving the Collection Fund Adjustment</b>						
Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements.	1,767	0	0	0	0	(1,767)
<b>Adjustments Involving the Accumulated Absences</b>						
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.	(80)	(50)	0	0	0	130
<b>Total Adjustments</b>	<b>(3,595)</b>	<b>2,024</b>	<b>(9,783)</b>	<b>2,568</b>	<b>(349)</b>	<b>9,135</b>

## 8. MOVEMENTS IN EARMARKED RESERVES

A summary of balances on Earmarked Reserves is set out below.

	Balance 31 March 2018	Transfers Out	Transfers In	Balance 31 March 2019	Transfers Out	Transfers In	Balance 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
Housing Repairs Reserves	1,255	(563)	-	692	(442)	-	250
District Development Fund	4,220	(1,800)	-	2,420	(4,840)	2,917	497
Invest to Save Reserve	307	(15)	-	292	-	-	292
Self Financing Reserve	12,720	-	-	12,720	-	-	12,720
Deferred Revenue Income	684	-	-	684	(56)	45	673
Insurance Reserve	1,007	-	-	1,007	(857)	-	150
Building Control	111	-	47	158	-	151	309
Museum Fund	73	-	21	94	-	19	113
All Weather Pitch	62	-	-	62	-	27	89
O2 Mast Fund	37	-	-	37	(358)	358	37
Rental Loans	268	-	110	378	-	-	378
Small Loans Fund	6	-	-	6	(6)	-	-
S106 Revenue Contributions	37	-	-	37	-	51	88
Community Services Projects	330	-	4	334	-	37	371
Garden Town	-	-	-	-	-	537	537
Local Plan	-	-	-	-	-	964	964
Planning Appeals	-	-	-	-	-	45	45
<b>Total Earmarked Reserves</b>	<b>21,117</b>	<b>(2,378)</b>	<b>182</b>	<b>18,921</b>	<b>(6,559)</b>	<b>5,151</b>	<b>17,513</b>

## 9. OTHER OPERATING EXPENDITURE

	31 March 2020 £000	31 March 2019 £000
Parish Council Precepts	3,651	3,481
Parish Support Grants	-	67
Payments to the Government Housing Pool	1,280	894
(Gains) / losses on the disposal of non-current assets	(3,426)	(2,190)
<b>Total</b>	<b>1,505</b>	<b>2,252</b>

## 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	31 March 2020 £000	31 March 2019 £000
Total Net Surplus from Trading Operations (Note 24)	(6,729)	(5,864)
Interest payable and similar charges	5,721	5,654
Pensions interest cost	1,630	1,912
Interest receivable and similar income	(131)	(194)
Changes in Fair Value of Investment Properties	5,838	(2,467)
Changes in Value of Deferred Capital Receipts	-	(24)
<b>Total</b>	<b>6,329</b>	<b>(983)</b>

## 11. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

	31 March 2020 £000	31 March 2019 £000
Council Tax Income	(12,379)	(12,494)
Non Domestic Rate Income	(12,492)	(14,912)
Non Domestic Rate Tariff Payment and Levy	11,526	10,463
Non-ring fenced Government Grants	(3,969)	(2,657)
Capital Grants and Other Contributions	(285)	(330)
<b>Total</b>	<b>(17,599)</b>	<b>(19,930)</b>

## 12. PROPERTY, PLANT AND EQUIPMENT

2019/20

	Council Dwellings & Garages £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
<b>Gross Book Value 01 April 2019</b>	681,121	56,017	16,086	8,865	1,143	7,850	17,934	<b>789,016</b>
Additions	12,648	1,267	559	278	0	86	3,577	<b>18,415</b>
Disposals / Impairments	(692)	(91)	(64)	0	0	0	(41)	<b>(888)</b>
Reclassified in Year	12,219	1,432	0	0	0	(1,250)	(12,401)	<b>0</b>
Revaluation Applied to the CIES	(7,755)	(2,611)	0	0	0	800	0	<b>(9,566)</b>
Revaluation Credited to the Revaluation Reserve	(972)	9,383	0	0	0	0	(193)	<b>8,218</b>
Accumulated Depreciation & Impairment Written Off on Revaluation	(8,409)	(1,112)	0	0	0	0	0	<b>(9,521)</b>
<b>Gross Book Value 31 March 2020</b>	<b>688,160</b>	<b>64,285</b>	<b>16,581</b>	<b>9,143</b>	<b>1,143</b>	<b>7,486</b>	<b>8,876</b>	<b>795,674</b>
Depreciation 01 April 2019	0	(733)	(9,179)	(3,406)	0	(1)	0	<b>(13,319)</b>
Reclassified	(1)	1	0	0	0	0	0	<b>0</b>
Depreciation in Year	(8,435)	(1,597)	(1,463)	(166)	0	0	0	<b>(11,661)</b>
Depreciation on Disposed Assets	27	65	49	0	0	0	0	<b>141</b>
Accumulated Depreciation & Impairment Written Off on Revaluation	8,409	1,112	0	0	0	0	0	<b>9,521</b>
<b>Depreciation 31 March 2020</b>	<b>0</b>	<b>(1,152)</b>	<b>(10,593)</b>	<b>(3,572)</b>	<b>0</b>	<b>(1)</b>	<b>0</b>	<b>(15,318)</b>
<b>Net Book Value 31 March 2020</b>	<b>688,160</b>	<b>63,133</b>	<b>5,988</b>	<b>5,571</b>	<b>1,143</b>	<b>7,485</b>	<b>8,876</b>	<b>780,356</b>

	Council Dwellings & Garages £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
<b>Gross Book Value 01 April 2018</b>	675,541	42,647	19,119	8,374	1,143	7,389	20,364	<b>774,577</b>
Additions	8,822	2,655	1,772	491	0	0	12,269	<b>26,009</b>
Disposals / Impairments	(2,592)	(731)	(1,658)	0	0	0	0	<b>(4,981)</b>
Reclassified in Year	5,933	12,520	(3,147)	0	0	1,246	(16,552)	<b>0</b>
Revaluation Applied to the CIES	(2,351)	360	0	0	0	(739)	(115)	<b>(2,845)</b>
Revaluation Credited to the Revaluation Reserve	3,999	2,238	0	0	0	91	1,985	<b>8,313</b>
Accumulated Depreciation & Impairment Written Off on Revaluation	(8,231)	(3,672)	0	0	0	(137)	(17)	<b>(12,057)</b>
<b>Gross Book Value 31 March 2019</b>	<b>681,121</b>	<b>56,017</b>	<b>16,086</b>	<b>8,865</b>	<b>1,143</b>	<b>7,850</b>	<b>17,934</b>	<b>789,016</b>
Depreciation 01 April 2018	0	(1,378)	(11,097)	(3,244)	0	0	(5)	<b>(15,724)</b>
Reclassified	13	(2,044)	2,181	0	0	(138)	(12)	<b>0</b>
Depreciation in Year	(8,274)	(1,263)	(1,669)	(162)	0	0	0	<b>(11,368)</b>
Depreciation on Disposed Assets	30	278	1,406	0	0	0	0	<b>1,714</b>
Accumulated Depreciation & Impairment Written Off on Revaluation	8,231	3,672	0	0	0	137	17	<b>12,057</b>
<b>Depreciation 31 March 2019</b>	<b>0</b>	<b>(735)</b>	<b>(9,179)</b>	<b>(3,406)</b>	<b>0</b>	<b>(1)</b>	<b>0</b>	<b>(13,321)</b>
<b>Net Book Value 31 March 2019</b>	<b>681,121</b>	<b>55,282</b>	<b>6,907</b>	<b>5,459</b>	<b>1,143</b>	<b>7,849</b>	<b>17,934</b>	<b>775,695</b>

	Council Dwellings & Garages £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
<b>Carried Historical Cost</b>	0	0	16,085	8,866	1,142	0	145	<b>26,238</b>
<b>Valued at Current Value as from:</b>								
28 March 2020	7,038	18,341	0	0	0	(365)	0	<b>25,014</b>
28 February 2019	681,122	27,252	0	0	0	6,030	0	<b>714,404</b>
28 February 2018	0	9,806	0	0	0	520	0	<b>10,326</b>
28 February 2017	0	5,438	0	0	0	50	0	<b>5,488</b>
28 February 2016	0	2,520	0	0	0	1,250	0	<b>3,770</b>
<b>Total Cost or Valuation</b>	<b>688,160</b>	<b>63,357</b>	<b>16,085</b>	<b>8,866</b>	<b>1,142</b>	<b>7,485</b>	<b>145</b>	<b>785,240</b>

The Council dwellings and garages valuation has been carried out by District Valuer, Thomas Dimmock (MRICS). The valuation date for 2019/20 is 31st March 2020. As part of this year's revaluation the valuer has re-assessed the proportion of value in the Land element and concluded that it should remain unchanged at 35%.

The useful lives of both dwellings and the components within have been reviewed during 2019/20. The average useful life of all components, including the buildings has been assessed from 52 to 54 years.

Type of Asset	Valuation Method (Years)
Council Dwellings and Garages	15 to 60 years
Other Land and Buildings (buildings element only)	20 to 50 years
Infrastructure Assets	15 to 40 years
Community Assets	Indeterminable
Vehicles, Plant, Furniture and Equipment	5 to 20 years

As described within Note 4, due to the Covid-19 pandemic, valuations as at 31 March 2020 are included on the basis of 'material valuation uncertainty' so a higher degree of caution should be attached to these valuations. However, they have been based on the best information available and are therefore a valid basis of valuation for this Statement of Accounts.

This matter relates to the 'Other Land & Buildings' and 'Council Dwellings & Garages' categories within Note 12.

### 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 2020 £000	31 March 2019 £000
Rental income from investment property	7,463	7,183
Direct operating expenses arising from investment property	(1,247)	(1,251)
<b>Net Gain / (Loss)</b>	<b>6,216</b>	<b>5,932</b>

The following table summarises the movement in fair value of investment properties over the year. Unlike in previous years. The biggest movement in fair values is a loss in value to the Epping Forest Shopping Park (-£5,650,000) primarily due to current market conditions in the retail sector, although there have been other smaller gains and losses to other properties in the portfolio resulting in a slight mitigation. 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 31 March 2020 by Amy Currie MRICS, RICS Registered Valuer (Senior Surveyor) and Jason Sharman MRICS, RICS Registered Valuer (Partner) of Carter Jonas.

<b>Properties Categorised within level 3</b>	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
Balance as at 31 March	117,011	113,793
<b>Balance as at 01 April</b>	<b>117,011</b>	<b>113,793</b>
Reclassified in year	-	-
Acquisition	25,245	-
Construction	-	751
Net Gains / (Losses) from fair value adjustments	(5,838)	2,467
<b>Balance at end of the year</b>	<b>136,418</b>	<b>117,011</b>

As noted within Note 4, due to the Covid-19 pandemic, valuations as at 31 March 2020 are included on the basis of 'material valuation uncertainty' so a higher degree of caution should be attached to these valuations. However, they have been based on the best information available and are therefore a valid basis of valuation for this Statement of Accounts.

#### 14. LONG TERM DEBTORS

	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
Capital Advances (B3 Living)	526	525
Rents to Mortgages	2,095	2,095
Loan to Waste Management Contractor	-	(72)
Home Assist Loans	495	452
Place Loan	100	50
Qualis Loan	497	-
<b>Net Carrying Amount at Year End</b>	<b>3,713</b>	<b>3,050</b>

#### 15. FINANCIAL INSTRUMENTS

##### Categories of Financial Instruments

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

	<b>Long-term</b>		<b>Current</b>	
	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
<b>Financial liabilities at amortised cost</b>				
Borrowing	210,456	185,456	14,000	-
Finance lease liability	-	1,163	-	582
Trade creditors	-	-	-	-
<b>Total financial liabilities</b>	<b>210,456</b>	<b>186,619</b>	<b>14,000</b>	<b>582</b>
<b>Loans and receivables</b>				
Investments	-	-	-	16,049
Debtors	2,590	2,547	-	-
Cash	-	502	24,722	580
<b>Total financial assets</b>	<b>2,590</b>	<b>3,049</b>	<b>24,722</b>	<b>16,629</b>

On 28th March 2012 the Council borrowed £185.456m from the Public Works Loan Board (PWLB) to pay the Ministry of Housing, Communities and Local Government (formerly the DCLG) on the cessation of the HRA Subsidy System. The Council borrowed a further £25.0m from the PWLB in 2019/20. In both cases, accrued interest for each current year is included in creditors on the Balance Sheet.

### Income and Expense Gains and Losses

	Financial Liabilities		Financial Assets	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Interest expense	(5,721)	(5,621)	0	0
Fee expense	0	0	0	0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(5,721)</b>	<b>(5,621)</b>	<b>0</b>	<b>0</b>
Interest Income	0	0	131	194
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>0</b>	<b>131</b>	<b>194</b>
<b>Net Gain / (Loss) for the year</b>	<b>(5,721)</b>	<b>(5,621)</b>	<b>131</b>	<b>194</b>

### Fair Values of Assets and Liabilities

Fair value is the amount for which an asset can be exchanged, or a liability settled. 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.

The Council's outstanding debt at 31st March 2020 consists of loans from the Public Works Loan Board (PWLB). Fair values are calculated by determining the amounts that the Council would have to pay to extinguish the loans on these dates and has rated these at a Fair Value "Level 2" (i.e. based on significant observable inputs). The fair value of short-term financial liabilities held at amortised cost, including trade payables is assumed to approximate to the carrying amount.

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 fair value; b) the fair value of trade and other receivables is taken to be the invoiced or billed amount.

	31 March 2020		31 March 2019	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial liabilities held at</b>				
Long term borrowing	210,456	248,283	185,502	216,019
Short term borrowing	14,000	14,000		
Finance lease liabilities	-	-	1,163	1,210
<b>Total Financial Liabilities</b>	<b>224,456</b>	<b>262,283</b>	<b>186,665</b>	<b>217,229</b>
<b>Financial Assets</b>				
Short term investments	-	-	16,049	16,049
Cash and cash equivalents	24,722	24,722	580	580
Long Term Debtors	3,713	3,713	3,123	3,123
<b>Total Financial Assets</b>	<b>28,435</b>	<b>28,435</b>	<b>19,752</b>	<b>19,752</b>



The fair value of borrowings is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2020) arising from a commitment to pay interest to lenders above current market rates.

The table below shows the effect of a 1% increase in the discount rate used to measure the fair values of the Council's Finance Lease and PWLB liabilities.

### Fair Value Sensitivities

Impact of 1% increase on discount rate for fair values (AA Corporate Bond Yield Curve - Bloomberg GBP European AA Composite)	Fair Values	
	31 March 2020 £000	1% increase 31 March 2019 £000
Finance Lease	0	1,192
PWLB	220,352	189,886
<b>Total</b>	<b>220,352</b>	<b>191,078</b>

## 16. DEBTORS AND PREPAYMENTS

	31 March 2020 £000	31 March 2019 £000
Government Departments and Other Local	3,706	3,786
Council Tax Arrears	619	561
NDR Arrears	427	382
Housing Rent Arrears	254	305
Sundry Debtors	8,001	6,228
Prepayments & Deposits	836	493
<b>Total</b>	<b>13,842</b>	<b>11,755</b>

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.

## 17. CASH AND CASH EQUIVALENTS

	31 March 2020 £000	31 March 2019 £000
Cash	4	30
Bank Current Accounts	24,718	550
<b>Total Cash and Cash Equivalents</b>	<b>24,722</b>	<b>580</b>

## 18. CREDITORS

	31 March 2020 £000	31 March 2019 £000
Government Departments and Other Local Council Tax	8,733	6,654
Non Domestic Rates	227	245
Housing Rents	389	392
Sundry Creditors	330	364
Accruals and Deferred Income	4,643	5,181
	5,343	5,192
<b>Total Creditors</b>	<b>19,665</b>	<b>18,028</b>

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.

## 19. PROVISIONS

With the retention of Business Rates income, the Council has had to take on the liability for settling appeals. It has been necessary to make a provision for those appeals within the Collection Fund the total amount being £5.4 million (£3.1 million 2018/19) of which £2.1 million (£1.26 million 2018/19) relates to this Council.

## 20. UNUSABLE RESERVES

	31 March 2020 £000	31 March 2019 £000
Revaluation Reserve	200,246	194,661
Capital Adjustment Account	467,374	471,421
Pension Reserve	(63,637)	(69,848)
Deferred Capital Receipts Reserve	3,325	3,325
Collection Fund Adjustment Account	626	2,297
Accumulated Absences Account	(355)	(422)
<b>Total Unusable Reserves</b>	<b>607,579</b>	<b>601,434</b>

## 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 2020 £000	31 March 2019 £000
<b>Balance as at 01 April</b>	<b>194,661</b>	<b>189,751</b>
Revaluations During the Year	9,976	8,313
Depreciation Adjustment	(2,633)	(2,306)
Disposals / Reinstatements	(1,758)	(1,097)
<b>Balance as at 31 March</b>	<b>200,246</b>	<b>194,661</b>

## Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties.

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

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

	31 March 2020 £000	31 March 2020 £000	31 March 2019 £000
<b>Balance as at 01 April</b>		<b>471,421</b>	<b>472,766</b>
<b>Reversal of items relating to capital expenditure debited or credited to the CIES</b>			
Charges for depreciation and impairment of non-current assets	(11,550)		(10,802)
Depreciation Leased Assets	-		(566)
Amortisation of Intangible Assets	(371)		(240)
Reversal of Notional Lease	-		582
Revaluation Gains / (Losses) on Property, Plant and Equipment	(9,566)		(2,845)
Revenue Expenditure Funded from Capital under Statute	(12)		(517)
Transfer to Capital Receipts on repayment of loan			-
Amounts for non-current assets written off on disposal or sale as part of gain / loss on disposal to the CIES	(593)		(3,306)
Lease Repayment	1,745	(20,347)	
Adjusting Amounts Written Out of the Revaluation Reserve		2,633	2,450
		<b>453,707</b>	<b>457,522</b>
<b>Capital Financing Applied in the Year</b>			
Use of the Capital Receipts Reserve to Finance New Capital Expenditure	3,608		4,989
Use of the Major Repairs Reserve to Finance New Capital Expenditure	10,581		10,982
Capital Grants Credited to the CIES that have been applied to Capital Financing	558		540
Capital Expenditure Charged against the General Fund and HRA Balances	4,430	19,177	3,665
Asset Restatements			-
Movement in the Market Value of Investment Properties debited or credited to the CIES		(5,838)	2,466
Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances		328	261
Adjustment for prior year use of Capital Receipts	-		(9,004)
<b>Balance as at 31 March</b>		<b>467,374</b>	<b>471,421</b>

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.

### Pension 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.

	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
<b>Balance as at 01 April</b>	<b>(69,848)</b>	<b>(74,860)</b>
Re-measurements of the net defined liability/(asset)	9,894	11,701
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(8,431)	(11,602)
Employers pensions contributions and direct payments to pensioners payable in the year	4,748	4,913
<b>Balance as at 31 March</b>	<b>(63,637)</b>	<b>(69,848)</b>

### Deferred Capital Receipts

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.

	<b>31 March 2020 £000</b>	<b>31 March 2019 £000</b>
<b>Balance as at 01 April</b>	<b>3,324</b>	<b>4,256</b>
Rents to Mortgages	0	24
Waste Contractor Loan	0	(956)
<b>Balance as at 31 March</b>	<b>3,324</b>	<b>3,324</b>

## 21. CASH FLOW STATEMENT – OPERATING ACTIVITIES

Adjustment to surplus or deficit on the provision of services for non-cash movements.

	31 March	
	31 March	31 March
	2020	2019
	£000	£000
Depreciation	11,634	10,236
Amortisation	237	240
Impairment and upward revaluations	11,119	2,845
Increase / (decrease) in creditors	6,497	(1,136)
(Increase) / decrease in interest and dividend Debtors	3	(21)
(Increase) / decrease in debtors	2,115	(530)
(Increase) / decrease in inventories	28	(15)
Pension Liability	3,683	5,013
Carrying amount of Non-Current Assets sold	2,351	4,981
Other Non-Cash Items Charged to the Net Surplus or deficit on the Provision of Services	964	(2,697)
<b>Total</b>	<b>38,631</b>	<b>18,916</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities.

	31 March	
	31 March	31 March
	2020	2019
	£000	£000
Any other items for which the cash effects are investing or financing cash flows	81	(229)
Proceeds from the sale of property and equipment, investment property and intangible assets	(2,782)	(4,038)
<b>Total</b>	<b>(2,701)</b>	<b>(4,267)</b>

The cash flows for operating activities include the following items.

	31 March	
	31 March	31 March
	2020	2019
	£000	£000
Interest Received	180	173
Interest Charge for the Year	(5,453)	(5,654)
<b>Total</b>	<b>(5,273)</b>	<b>(5,481)</b>

## 22. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	31 March	
	31 March	31 March
	2020	2019
	£000	£000
Purchase of Property, Plant and Equipment, Investing Property	(44,184)	(26,310)
Purchase of Short-term and Long-term Investments	-	(23,000)
Other Payments for Investing Activities	(590)	-
Proceeds from Sale of Property, Plant and Equipment, Investment	2,782	4,967
Proceeds from Short-term and Long-term Investments	-	23,000
Other Receipts from Investing Activities	4,036	540
<b>Total</b>	<b>(37,956)</b>	<b>(20,803)</b>

## 23. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31 March	
	31 March	31 March
	2020	2019
	£000	£000
Billing Authorities - Council Tax and NDR Adjustments	(1,365)	2,736
Cash Receipts from Long and Short Term Borrowing	39,000	-
<b>Total</b>	<b>37,635</b>	<b>2,736</b>

## 24. TRADING OPERATIONS

The trading operations of the Council comprise a number of commercial properties and industrial estates including North Weald Airfield where units are leased to local businesses at market rates, the Fleet Operations Service provides MOT testing and motor servicing to the public. In August 2017 the Epping Forest Shopping Park was opened to the public providing retail services.

	31 March			
	2020	2020	2020	2019
	Expenditure	Income	(Surplus) / Deficit	(Surplus) / Deficit
	£000	£000	£000	£000
Commercial Properties	226	(2,702)	(2,476)	(2,118)
Fleet Operations	578	(606)	(28)	(36)
Industrial Estates	68	(1,637)	(1,569)	(1,524)
North Weald Centre	1,062	(1,266)	(204)	47
Shopping Park	46	(2,498)	(2,452)	(2,233)
<b>Total (Surplus) / Deficit</b>	<b>1,980</b>	<b>(8,709)</b>	<b>(6,729)</b>	<b>(5,864)</b>

## 25. MEMBER ALLOWANCES

	31 March 2020 £000	31 March 2019 £000
Allowances	353	355
Expenses	6	6
<b>Total Member Allowances</b>	<b>359</b>	<b>361</b>

## 26. OFFICER REMUNERATION

	2019/20				
	Salary (including fees and allowances)	Benefits in Kind	Pension Contributions	Redundancy	Total Remuneration including Pension Contributions
Acting Chief Executive	26,232	184	3,472	98,706	128,594
Chief Executive	139,958	7,673	21,589	-	169,220
Strategic Director	68,407	-	10,946	-	79,352
Director of Communities	-	-	-	-	-
Director of Business Support Services	85,407	1,239	13,670	-	100,316
Director of Commercial & Regulatory Services	86,377	1,239	13,824	-	101,440
Director of Community & Partnerships Services	86,047	1,256	13,770	-	101,074
Director of Contract & Technical Services	86,041	1,287	13,770	-	101,097
Director of Customer Services	85,978	1,239	13,761	-	100,978
Director of Governance & Member Services	-	-	-	-	-
Director of Housing & Property Services	173,393	1,146	18,704	-	193,243
Director of Planning Services	85,947	1,239	13,756	-	100,942
Harlow & Gilston Town Director	112,809	1,239	18,004	-	132,052
<b>Total</b>	<b>1,036,597</b>	<b>17,741</b>	<b>155,265</b>	<b>98,706</b>	<b>1,308,309</b>

	2018/19				
	Salary (including fees and allowances)	Benefits in Kind	Pension Contributions	Redundancy	Total Remuneration including Pension Contributions
Acting Chief Executive	23,201	184	15,520	-	38,905
Strategic Director	52,223	819	7,593	-	60,635
Director of Communities	108,172	695	9,289	30,000	148,156
Director of Business Support Services	59,435	1,239	8,365	-	69,039
Director of Commercial & Regulatory Services	59,283	1,239	8,340	-	68,862
Director of Community & Partnerships Services	59,567	1,276	8,392	-	69,235
Director of Contract & Technical Services	60,027	1,285	8,467	-	69,779
Director of Customer Services	59,070	1,245	8,307	-	68,622
Director of Governance & Member Services	50,406	934	7,182	-	58,522
Director of Housing & Property Services	60,219	1,239	8,490	-	69,948
Director of Planning Services	60,309	1,239	8,505	-	70,053
Assistant Director of Resources	65,262	1,244	9,298	-	75,804
<b>Total</b>	<b>717,174</b>	<b>12,638</b>	<b>107,748</b>	<b>30,000</b>	<b>867,560</b>

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 21.2% (18.0% in 2018/19).

The number of employees whose remuneration, including benefits in kind, but excluding employer's pension contributions, was £50,000 or more, is summarised in bands of £5,000 in the table below. There was a significant increase in 2019/20, reflecting a management restructure that saw a number of technical specialist roles introduced into the Council.



Remuneration Band	31 March	
	2020 No of Employees	2019 No of Employees
£50,000 - £54,999	1	2
£55,000 - £59,999	4	2
£60,000 - £64,999	11	7
£65,000 - £69,999	7	3
£70,000 - £74,999	13	-
£75,000 - £79,999	-	-
£80,000 - £84,999	1	1
£85,000 - £89,999	-	1
£90,000 - £94,999	6	1
£95,000 - £99,999	-	-
£100,000 - £104,999	-	1
£105,000 - £109,999	-	2
£110,000 - £114,999	-	1
£115,000 - £119,999	1	-
£120,000 - £124,999	-	-
£125,000 - £129,999	1	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	-	-
£145,000 - £149,999	-	-
£150,000 - £154,999	1	1
£170,000 - £174,999	-	-
£175,000 - £179,999	1	1
£230,000 - £234,999	1	-
<b>Total</b>	<b>48</b>	<b>23</b>

A number of employee contracts were terminated in 2019/20, which are summarised in the table below.

Termination Benefits	2019/20			
	No of Compulsory Redundancies	No of Other Departures	Total No of Exist Packages	Total Cost of Exit Packages in Each Band
<b>Exit Package Cost Band (including special payments)</b>				
£0 - £20,000	-	3	3	46,168
£20,001 - £40,000	-	8	8	217,422
£40,001 - £60,000	-	2	2	104,284
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	2	2	181,259
	-	-	-	-
<b>Total Cost Included in Bandings and in the CIES</b>	-	15	15	549,134

Termination Benefits	2018/19			
	No of Compulsory Redundancies	No of Other Departures	Total No of Exist Packages	Total Cost of Exit Packages in Each Band
<b>Exit Package Cost Band (including special payments)</b>				
£0 - £20,000	-	7	7	36,010
£20,001 - £40,000	-	3	3	85,220
£40,001 - £60,000	-	4	4	198,543
£60,001 - £80,000	-	1	1	75,746
£80,001 - £100,000	-	-	-	-
<b>Total Cost Included in Bandings and in the CIES</b>	-	15	15	395,519

## 27. EXTERNAL AUDIT FEES

The following fees have been paid for services carried out by public sector appointed auditors for 2019/20.

	31st March 2020 £000	31st March 2019 £000
External Audit Services	98	50
Certification of Grant Claims & Returns	21	19
Other Services	0	2
<b>Total External Audit Fees</b>	<b>119</b>	<b>71</b>

## 28. GRANTS AND CONTRIBUTIONS

	31 March	
	31 March 2020 £000	31 March 2019 £000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
Revenue Support Grant	-	237
New Homes Bonus	1,049	849
S31 Small Business Rate Relief	2,821	1,518
Transitional Grant	-	-
Community Projects	94	39
Other	5	13
<b>Total Grants and Contributions</b>	<b>3,969</b>	<b>2,656</b>

	31 March	
	31 March 2020 £000	31 March 2019 £000
<b>Credited to Services</b>		
Department for Work and Pensions	28,672	32,792
Department for Communities and Local Government (MHCLG)	1,190	1,535
Homes England (MHCLG)	-	385
Essex County Council	1,686	1,724
Arts Council	-	1
Essex Police, Fire & Crime Commissioner	109	137
Town and Parish Councils	14	15
Broxbourne Borough Council	79	82
Cabinet Office	-	17
National Heritage	85	77
Harlow Borough Council	83	20
East Herts District Council	82	-
Uttlesford District Council	-	10
Housing Associations	-	18
Chelmsford City Council	-	103
Action For Children	30	28
West Essex CCG	20	-
Corporate Contribution To The	10	-
Other	19	18
<b>Total Grants and Contributions</b>	<b>32,079</b>	<b>36,962</b>

## 29. RELATED PARTY TRANSACTIONS

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

The Interim Assistant Director of Planning is a director of Fortismere Associates which has a contract through Bloom Procurement Services Limited. The company is currently working on the Local Plan on behalf of the Council. During 2019/20, £126,210 was paid to Fortismere Associates for Local Plan project management and 'critical friend' support (£191,948 2018/19).

Epping Forest District Council Holds a Register of Interests in which all members are required to declare any interests in accordance with the Code of Conduct which is open to public viewing.

### Central Government

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework, within which the Council operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, Housing Benefits).

## 30. CAPITAL EXPENDITURE AND 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.

	31 March 2020 £000	31 March 2019 £000
<b>Opening Capital Financing Requirement</b>	<b>224,109</b>	<b>207,077</b>
<b>Adjustment to Opening Balance to correct for incorrect use of Capital Receipts to finance expenditure</b>		9,004
<b>Capital Investment</b>		
Property, Plant and Equipment	18,422	26,011
Investment Properties	25,245	751
Revenue Expenditure Funded from Capital Under Statute	12	517
Private Sector Housing Loans	-	100
Intangible Assets	56	132
<b>Sources of Finance</b>		
Capital Receipts	(3,608)	(4,035)
Government Grants and Other Contributions	(459)	(540)
Major Repairs Reserve	(10,581)	(10,982)
Direct Revenue Contributions	(4,430)	(3,665)
Minimum Revenue Provision	(328)	(261)
<b>Closing Capital Financing Requirement</b>	<b>248,438</b>	<b>224,109</b>

## 31. LEASES

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

The total of future minimum lease payments due within 1 year are:

	31 March 2020 £000	31 March 2019 £000
<b>Assets Leased to Third Parties:</b>		
<b>Land and Buildings</b>		
Shops (including shopping park)	5,951	4,881
Industrial and Commercial	1,529	1,274
Other	873	780
<b>Total Rental Receivable</b>	<b>8,353</b>	<b>6,935</b>

The total of future minimum lease payments due after 1 year are:

	31 March 2020		31 March 2019	
	Receipts Due between 2 & 5 Years £000	Total Receipts Due Thereafter £000	Receipts Due between 2 & 5 Years £000	Total Receipts Due Thereafter £000
<b>Land and Buildings</b>				
Shops (including shopping park)	20,322	27,851	16,830	28,479
Industrial and Commercial	5,039	51,764	4,382	55,706
Other	2,671	30,446	2,354	30,458
<b>Total</b>	<b>28,032</b>	<b>110,061</b>	<b>23,566</b>	<b>114,643</b>

Gross Amount of Assets Held for Use in Operating Leases:

	31 March 2020 £000	31 March 2019 £000
<b>Land and Buildings</b>		
Shops (including shopping park)	89,725	74,751
Industrial Units	32,011	24,443
Other and Commercial	16,290	17,817
<b>Total Assets</b>	<b>138,026</b>	<b>117,011</b>

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

## 32. PENSIONS

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

As part of the terms and conditions of employment of the Council's officers the authority offers retirement benefits. Although these benefits will not actually be payable 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 31st March 2020. The approach to calculating the IAS19 figures in between full actuarial valuations is approximate in nature.

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 2019/20, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure.

As a result of the High Court's recent Lloyds ruling on the equalisation of "Guaranteed Minimum Pensions" (GMPs) between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes".

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

Comprehensive Income and Expenditure Statement	31 March	
	2020 £000	2019 £000
Service Cost	6,751	9,630
Net Interest Charged	1,630	1,912
Administration Expenses	50	60
<b>Net Charge made to the CIES</b>	<b>8,431</b>	<b>11,602</b>
<b>Re-Measurements in Other Comprehensive Income</b>		
Return on Fund Assets in Excess of Interest	(12,231)	8,664
Other Actuarial Gains / (Losses)	1,611	-
Changes in Financial Assumptions	22,153	(9,748)
Change in Demographic Assumptions	1,072	12,785
Experience Gain / (Loss) on Defined Benefit Obligation	(2,711)	-
Net Settlements Received	-	2,936
<b>Re-Measurement of the Net Assets/(Defined Liability)</b>	<b>9,894</b>	<b>14,637</b>
<b>Pension Assets and Liabilities Recognised in the Balance Sheet</b>		
Present Value of the Funded Obligation	214,582	229,281
Present Value of the Unfunded Obligation	2,671	3,007
Fair Value of Scheme Assets	(153,616)	(162,440)
<b>Net Liability in the Balance Sheet</b>	<b>63,637</b>	<b>69,848</b>

Reconciliation of the fair value of the Scheme Liabilities				
	Unfunded Liabilities		All Funded/Unfunded Local Government Scheme	
	2020 £000	2019 £000	2020 £000	2019 £000
Net pensions liability at 1 April	(3,007)	(3,333)	(232,288)	(223,074)
Current Service Cost		0	(6,176)	(6,070)
Interest Cost	(69)	(81)	(5,504)	(5,828)
Change in Financial Assumptions	99	(57)	22,153	(9,748)
Change in Demographic Assumptions	4	185	1,072	12,785
Experience Gain	24	0	(2,711)	0
Liabilities Assumed / (Extinguished) on Settlements		0		(3,965)
Estimated Benefits Paid		0	7,665	6,997
Past Service Cost Including Curtailments		0	(575)	(2,531)
Contributions by Scheme Participants		0	(1,167)	(1,133)
Unfunded Pension Payments	278	279	278	279
<b>Net Pension Liability at 31 March</b>	<b>(2,671)</b>	<b>(3,007)</b>	<b>(217,253)</b>	<b>(232,288)</b>

Reconciliation of the fair value of the Scheme Assets	31 March	
	2020 £000	2019 £000
Fair Value of the Plan Assets at 1 April	162,440	148,214
Interest on Assets	3,874	3,916
Return on Assets less Interest	(12,231)	8,664
Other Actuarial Gains / (Losses)	1,611	-
Administration Expenses	(50)	(60)
Employer Contributions including Unfunded	4,748	4,913
Contributions by Scheme Participants	1,167	1,133
Benefits Paid	(7,943)	(7,276)
Settlement Prices Received / (Paid)	-	2,936
<b>Fair Value of the Plan Assets at 31 March</b>	<b>153,616</b>	<b>162,440</b>

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 loss on assets less interest in the year was -£12.2 million (£8.7 million return for 2018/19).

Scheme History	2019/20	2018/19	2017/18	2016/17	2015/16
	£000	£000	£000	£000	£000
Present Value of Liabilities	(214,582)	(229,281)	(223,074)	(220,002)	(183,640)
Fair Value of Assets	153,616	162,440	148,214	138,881	116,659
Present Value of Unfunded Obligation	(2,671)	(3,007)	-	-	-
<b>Surplus / (Deficit) in the Scheme</b>	<b>(63,637)</b>	<b>(69,848)</b>	<b>(74,860)</b>	<b>(81,121)</b>	<b>(66,981)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £63.6 million in the balance sheet has decreased the reported net worth of the Council by 8.9% (6.7% 2018/19).

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 2021 is £4.1 million. The Service Cost is expected to be £5.8 million for the year to 31 March 2021.

### 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 life expectancy 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 31st March 2017.

The principal assumptions used by the actuary have been:	2020 £000	2019 £000
<b>Life Expectancy Assumptions</b>		
Longevity at 65 for current pensioners in years:		
Men	22	21
Women	24	24
Longevity at 65 for future pensioners in years:		
Men	23	23
Women	25	25
Rate of inflation RPI	2.70%	3.45%
Rate of inflation CPI	1.90%	2.45%
Rate of increase in salaries	2.90%	3.95%
Rate of increase in pensions	1.90%	2.45%
Rate for discounting scheme liabilities	2.35%	2.40%

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

	31 March 2020		31 March 2019	
	£000	%	£000	%
Equities	89,918	59%	101,133	62.3
Government Bonds	6,621	4%	8,622	5.3
Other Bonds	9,307	6%	9,494	5.8
Property	13,814	9%	14,443	8.9
Cash / Liquidity	6,385	4%	4,278	2.6
Alternative Assets	17,694	12%	15,838	9.8
Other Managed Funds	9,877	6%	8,632	5.3
<b>Total</b>	<b>153,616</b>	<b>100%</b>	<b>162,440</b>	<b>100.0</b>

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 2017 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 2020	Sensitivity 1	Existing Assumptions	Sensitivity 2
	£000	£000	£000
<b>Adjustment to Discount Rate</b>	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	213,361	217,253	221,221
Projected Service Cost	5,638	5,768	5,901
<b>Adjustment to Long Term Salary Increase</b>	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	217,579	217,253	216,930
Projected Service Cost	5,771	5,768	2,765
<b>Adjustment to Pension Increases and Deferred Revaluation</b>	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	220,909	217,253	213,664
Projected Service Cost	5,899	5,768	5,640
<b>Adjustment to Mortality Age Rating Assumptions</b>	+1 Year	None	-1 Year
Present Value of Total Obligation	226,426	217,253	208,483
Projected Service Cost	5,946	5,768	5,595

Sensitivity Analysis as at 31 March 2019	Sensitivity 1	Existing Assumptions	Sensitivity 2
	£000	£000	£000
<b>Adjustment to Discount Rate</b>	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	226,790	230,692	234,664
Projected Service Cost	5,894	6,023	6,155
<b>Adjustment to Long Term Salary Increase</b>	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	231,071	230,692	230,314
Projected Service Cost	6,023	6,023	6,023
<b>Adjustment to Pension Increases and Deferred Revaluation</b>	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	234,279	230,692	227,166
Projected Service Cost	6,155	6,023	5,894
<b>Adjustment to Mortality Age Rating Assumptions</b>	+0.1%	None	-0.1 year
Present Value of Total Obligation	239,544	230,692	222,172
Projected Service Cost	6,227	6,023	5,825



### 33. NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with The Prudential Code of Capital Finance for Local Authorities (both revised in December 2017).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy (for 2019/20 this was agreed at Full Council on 21st February 2019). 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 MHCLG 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; and
- 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 31st March 2020, 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.

**Balances Invested as at 31st March 2020**

	Credit Rating Criteria Met	Up to 1 Month £000	1 - 3 Months £000	4 - 6 Months £000	7 - 12 Months £000	Greater than 12 Months £000	Total £000
Banks UK	Yes	24,718	0	0	0	0	24,718
<b>Total</b>		<b>24,718</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,718</b>

**Balances Invested as at 31st March 2019**

	Credit Rating Criteria Met	Up to 1 Month £000	1 - 3 Months £000	4 - 6 Months £000	7 - 12 Months £000	Greater than 12 Months £000	Total £000
Banks UK	Yes	550	0	0	0	0	550
Local Authorities	Yes	0	0	8,000	0	0	8,000
Money Market Funds	Yes	8,599	0	0	0	0	8,049
<b>Total</b>		<b>8,599</b>	<b>0</b>	<b>8,000</b>	<b>0</b>	<b>0</b>	<b>16,599</b>

**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.

	31st March 2020		
	Amount £000	Default Risk Judged %	Bad Debt Provision £000
Sundry Debtors	8,001	36.7	2,935
Housing Arrears	1,092	76.7	838
<b>Net Charge made to CIES</b>	<b>9,093</b>		<b>3,773</b>

	31st March 2019		
	Amount £000	Default Risk Judged %	Bad Debt Provision £000
Sundry Debtors	6,211	42.4	2,635
Housing Arrears	850	64.1	545
<b>Net Charge made to CIES</b>	<b>7,061</b>		<b>3,180</b>

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 31st March 2020 was as follows.

		31 March 2020 £000	% of Total Debt Portfolio	Cash Flows including Interest £000
<b>Short Term Borrowing</b>	<b>Less than 1 Year</b>	<b>14,000</b>	<b>100%</b>	<b>14,023</b>
Long Term Borrowing	Over 1 but not Over 2	46,800	22%	45,645
	Over 2 but not Over 5	0	0%	17,618
	Over 5 but not Over 10	0	0%	29,214
	Over 10 but not Over 15	0	0%	29,027
	Over 15 but not Over 20	90,000	43%	115,723
	Over 20 but not Over 25	63,656	30%	67,847
	Over 25	10,000	5%	5,745
<b>Long Term Borrowing</b>		<b>210,456</b>	<b>100%</b>	<b>310,819</b>

The maturity analysis of the nominal value of the Council's debt at 31st March 2019 was as follows:

		31st March 2019 £000	% of Total Debt Portfolio	Cash Flows including Interest £000
<b>Short Term Borrowing</b>	<b>Less than 1 Year</b>	<b>0</b>	<b>0%</b>	<b>5,638</b>
Long Term Borrowing	Over 1 but not Over 2	0	0%	5,678
	Over 2 but not Over 5	31,800	17%	37,478
	Over 5 but not Over 10	0	0%	26,740
	Over 10 but not Over 15	0	0%	26,740
	Over 15 but not Over 20	60,000	32%	85,702
	Over 20 but not Over 25	93,656	51%	100,428
<b>Long Term Borrowing</b>		<b>185,456</b>	<b>100%</b>	<b>282,766</b>

### Interest Rate Risk

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 25% on external debt that can be subject to variable rates. At 31st March 2020, 85% of the debt portfolio was held in fixed rate instruments and 15% in variable rate instruments.

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

	2020 £000	2019 £000
Increase in interest payable on variable rate borrowing	318	318
Increase in interest receivable on variable rate investments	(0)	(247)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>318</b>	<b>71</b>
<b>Share of overall impact debited/(credited) to HRA</b>	<b>318</b>	<b>71</b>

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

### Price Risk

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

### Foreign Exchange Risk

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

## 34. CAPITAL COMMITMENTS

Capital commitments predominantly relate to Housing.

The Council entered into a contract with Storm Building Ltd in January 2019 to build 12 properties at Queens Road, Epping. The anticipated contract sum is £2.852 million with cost incurred up until the 31st March 2020 of £2.620 million; completion is anticipated in December 2020.

Further contracts are held with other building companies for construction works on the Council's Housebuilding Programme. Contracts with TSG Building Services plc for the construction of 14 affordable homes, and with Indecon Building Ltd to build 22 affordable homes, commenced in March 2020. The properties are scheduled for handover in June 2021, with an estimated final cost of £10 million.

In addition, the Council committed to the purchase of nine domestic dwellings to add to its existing housing stock in the Spring of 2020 (total costs £3.167 million). A further commitment of £3.023 million was discharged during April and May 2020, with the purchase of another nine domestic properties.

Finally, a contract with Fairclough Construction for £810,000 for the recently completed expansion works at the Oakwood Hill Depot was entered into during 2019/20.

## Housing Revenue Account Income and Expenditure Statement

	Note	2019/20 £000	2018/19 £000
<b>Income</b>			
Dwelling Rents	3	(31,698)	(31,083)
Non Dwelling Rents		(809)	(865)
Charges for Services and Facilities		(1,564)	(1,556)
Leaseholder Contributions		(328)	(107)
Revaluation of Fixed Assets	1		(18)
<b>Total Income</b>		<b>(34,399)</b>	<b>(33,629)</b>
<b>Expenditure</b>			
Repairs and Maintenance	4	6,565	6,709
Supervision and Management		9,070	9,503
Revaluation of Fixed Assets		7,620	2,368
Rents, Rates, Taxes and Insurance		486	532
Revenue Expenditure funded from Capital under Statute		328	107
Depreciation and Amortisation	8/9	8,674	8,644
Debt Management		64	60
Provision for bad and doubtful debt		366	64
<b>Total Expenditure</b>		<b>33,174</b>	<b>27,987</b>
<b>Net Cost of Services as Included in the Comprehensive Income and Expenditure Statement</b>			
		<b>(1,225)</b>	<b>(5,642)</b>
HRA services share of Corporate Expenses		496	701
HRA services share of Other Services		18	30
<b>Net Cost (Income) of HRA Services</b>		<b>(711)</b>	<b>(4,911)</b>
HRA Share of the Income and Expenditure included in the Comprehensive Income and Expenditure Statement		(711)	(4,911)
Capital Grants and Contributions		(103)	(224)
Gain on Sale of HRA Non-Current Assets		(1,899)	(2,130)
Interest Payable and similar charges		5,721	5,575
Interest and Investment Income		(314)	(384)
Valuation increase Rent to Mortgage		-	(24)
Changes in Fair Value of Investment Properties		-	-
Pensions Interest / Return on Assets		352	612
<b>(Surplus) / Deficit for the Year on HRA Services</b>		<b>3,045</b>	<b>(1,486)</b>

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

<b>Increase / decrease in the Housing Revenue Account Balance</b>	<b>Note</b>	<b>2019/20 £000</b>	<b>2018/19 £000</b>
(Surplus)/ deficit for the year on the Housing Revenue Account Income and Expenditure Statement		3,045	(1,489)
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	<b>10</b>	(2,318)	2,024
Transfers to Earmarked Reserves	<b>10</b>	(442)	(563)
<b>(Increase) / decrease in the Housing Revenue Account</b>		<b>285</b>	<b>(28)</b>
Housing Revenue Account Surplus Brought Forward		(2,315)	(2,287)
<b>Housing Revenue Account Surplus Carried Forward</b>		<b>(2,030)</b>	<b>(2,315)</b>

## 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	Total
	Land	Dwellings	Garages	Vehicles & Equipment	Other Land & Buildings	Other	Investment Properties	
2019/20	£000	£000	£000	£000	£000	£000	£000	£000
<b>Gross Book Value 01 April 2019</b>	<b>238,603</b>	<b>438,565</b>	<b>3,954</b>	<b>3,531</b>	<b>1,428</b>	<b>22,343</b>	<b>139</b>	<b>708,563</b>
Additions	-	25,626	-	98	-	3,716	0	<b>29,440</b>
Disposals / impairments	(777)	(1,442)	-	-	-	(13,114)	0	<b>(15,333)</b>
Reclassified in year	19	35	-	-	49	-	0	<b>103</b>
Revaluations applied to the CIES	(2,668)	(4,956)	1	-	(49)	0	0	<b>(7,672)</b>
Revaluation credited to the Revaluation Reserve	(177)	(1)	(216)	-	-	753	0	<b>359</b>
Accumulated depreciation and impairment written off on revaluation	-	(8,248)	(159)	-	(49)	0	0	<b>(8,456)</b>
<b>Gross Book Value 31 March 2020</b>	<b>235,000</b>	<b>449,579</b>	<b>3,580</b>	<b>3,629</b>	<b>1,379</b>	<b>13,698</b>	<b>139</b>	<b>707,004</b>
Depreciation 01 April 2019	-	-	-	(2,081)	(10)	(943)	-	<b>(3,034)</b>
Reclassified	-	-	-	-	-	-	-	<b>0</b>
Depreciation in year	-	(8,275)	(159)	(157)	(27)	(86)	-	<b>(8,704)</b>
Depreciation on disposed assets	-	27	-	-	-	-	-	<b>27</b>
Accumulated depreciation and impairment written off on revaluation	-	8,248	159	-	1	-	-	<b>8,408</b>
<b>Depreciation 31 March 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,238)</b>	<b>(36)</b>	<b>(1,029)</b>	<b>-</b>	<b>(3,303)</b>
<b>Net Book Value 31 March 2020</b>	<b>235,000</b>	<b>449,579</b>	<b>3,580</b>	<b>1,391</b>	<b>1,343</b>	<b>12,669</b>	<b>139</b>	<b>703,701</b>
<b>Net Book Value 01 April 2019</b>	<b>238,603</b>	<b>438,565</b>	<b>3,954</b>	<b>1,450</b>	<b>1,418</b>	<b>21,400</b>	<b>139</b>	<b>705,529</b>

	Operational Assets						Non Operational Assets	Total
	Land	Dwellings	Garages	Vehicles & Equipment	Other Land & Buildings	Other	Investment Properties	
2018/19	£000	£000	£000	£000	£000	£000	£000	£000
<b>Gross Book Value 01 April 2018</b>	<b>236,903</b>	<b>434,218</b>	<b>4,420</b>	<b>3,317</b>	<b>938</b>	<b>18,860</b>	<b>129</b>	<b>698,785</b>
Additions	-	8,821	1	760	-	7,513	-	<b>17,095</b>
Disposals / impairments	(907)	(1,625)	(60)	(360)	-	-	-	<b>(2,952)</b>
Reclassified in year	2,015	4,254	(335)	(186)	(50)	(5,884)	-	<b>(186)</b>
Revaluations applied to the CIES	(823)	(1,528)	-	-	-	(114)	10	<b>(2,455)</b>
Revaluation credited to the	1,415	2,497	87	-	588	1,985	-	<b>6,572</b>
Accumulated depreciation and impairment written off on revaluation	-	(8,072)	(159)	-	(48)	(17)	-	<b>(8,296)</b>
<b>Gross Book Value 31 March 2019</b>	<b>238,603</b>	<b>438,565</b>	<b>3,954</b>	<b>3,531</b>	<b>1,428</b>	<b>22,343</b>	<b>139</b>	<b>708,563</b>
Depreciation 01 April 2018	-	-	-	(2,283)	(43)	(864)	-	<b>(3,190)</b>
Reclassified	-	-	13	53	1	(14)	-	<b>53</b>
Depreciation in year	-	(8,100)	(174)	(176)	(15)	(82)	-	<b>(8,547)</b>
Depreciation on disposed assets	-	28	2	325	-	-	-	<b>355</b>
Accumulated depreciation and impairment written off on revaluation	-	8,072	159	-	47	17	-	<b>8,295</b>
<b>Depreciation 31 March 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,081)</b>	<b>(10)</b>	<b>(943)</b>	<b>-</b>	<b>(3,034)</b>
<b>Net Book Value 31 March 2019</b>	<b>238,603</b>	<b>438,565</b>	<b>3,954</b>	<b>1,450</b>	<b>1,418</b>	<b>21,400</b>	<b>139</b>	<b>705,529</b>
<b>Net Book Value 01 April 2018</b>	<b>230,730</b>	<b>421,368</b>	<b>4,694</b>	<b>1,032</b>	<b>897</b>	<b>15,407</b>	<b>129</b>	<b>674,257</b>

The Dwellings 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 £1,799,602,300 based on stock figures from 31st March 2020 and values as at 1st April 2019. The difference between the two values represents the economic cost of providing Council Housing at less than open market rent.



## 2. HOUSING STOCK

The Council was responsible for managing on average 6,421 dwellings during 2019/20 (6,374 in 2018/19). 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.

	31 March 2020 £000	31 March 2019 £000
Stock as at 1 April	6,376	6,374
Less: Sales	(22)	(23)
Stock Transfers / Other Movements	-	-
New Properties	1	-
	66	25
<b>Stock as at 31 March</b>	<b>6,421</b>	<b>6,376</b>
Number of: Houses and Bungalows	3,466	3,465
Flats and Maisonettes	2,901	2,863
Other	54	48
<b>Stock as at 31 March</b>	<b>6,421</b>	<b>6,376</b>

## 3. GROSS DWELLING RENT INCOME

During 2019/20:

- 1.14% (2.40% in 2018/19) of all lettable dwellings were vacant
- Average rents were £96.50 per week including affordable rents, an increase of £0.31 or 0.32%, on the previous year
- 41.00% (46.60% in 2018/19) of all Council tenants received some help through rent rebates in 2019/20.
- Rent arrears increased to £1,092,146 (£850,037 in 2018/19), which represents 3.45% (2.73% in 2018/19) of gross dwelling rent income.
- The provision for bad and doubtful debts on these arrears amounted to £ 837,832 (£545,193 in 2018/19).
- Amounts written off during the year totalled £73,849 (£73,875 in 2018/19); and
- 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:

	2019/20		2018/19	
	£000	£000	£000	£000
Balance as at 1 April		(692)		(1,255)
Contribution from the HRA	(6,000)		(6,000)	
Other Income	(123)		(143)	
<b>Total Income</b>		<b>(6,123)</b>		<b>(6,143)</b>
Responsive and Void Repaired	4,471		4,562	
Planned Maintenance	2,071		2,126	
Other	23		18	
<b>Total Expenditure</b>		<b>6,565</b>		<b>6,706</b>
<b>Balance as at 31 March</b>		<b>(250)</b>		<b>(692)</b>

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 and funding basis under regulations (Note 10).

#### 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 2019/20; 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 £4,147,294 in respect of HRA capital receipts during 2019/20 (£4,721,600 in 2018/19). The receipts came from the sale of Council Houses £4,064,500 (£4,611,600 in 2018/19) and Right to Buy ("RTB") discounts repaid £82,794. There were no sales of other HRA land or properties in 2019/20 (none in 2018/19). The receipts have been allocated in accordance with the prescribed proportions - £2,790,735 (£3,177,188 in 2018/19) for house building projects, £28,600 (£29,900 in 2018/19) to be paid over to the administration of the sales, £839,313 (£894,205 in 2018/19) to be paid over to the Central Government pool, with the remainder of £488,646 (£620,307 in 2018/19) available to fund other capital projects.

## 7. HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

The HRA incurred the following capital expenditure:

	2020 £000's	2019 £000's
<b>Capital Expenditure:</b>		
Council Dwellings	8,847	8,216
House Building and Developments	6,879	7,279
Disabled Adaptations	497	446
Plant, Vehicles and Equipment	214	853
Environmental Works	899	560
<b>Total Expenditure</b>	<b>17,336</b>	<b>17,354</b>
<b>Financed by:</b>		
Revenue	4,430	2,750
Major Repairs Reserve	10,341	11,882
Capital Receipts	1,951	2,498
Other Contributions	374	224
Borrowing	240	0
<b>Total Financing</b>	<b>17,336</b>	<b>17,354</b>

## 8. MAJOR REPAIRS RESERVE

The Council is required to maintain a Major Repairs Reserve (MRR). This was originally funded from the Government via Housing Subsidy but is now funded from the HRA directly. The HRA is charged with the depreciation for the year the opposite entry of which is a credit to the MRR. This income can then be used to fund repairs of a capital nature. The movement on MRR is as follows:

	2019/20		2018/19	
	£000s	£000s	£000s	£000s
Balance as at 1 April		(9,125)		(11,693)
Depreciation Transferred from the HRA	(8,579)		(8,414)	
Used to Fund Capital Expenditure on Council Dwellings	10,581		10,982	
<b>Total Expenditure</b>		<b>2,002</b>		<b>2,568</b>
<b>Balance as at 31 March</b>		<b>(7,123)</b>		<b>(9,125)</b>

## 9. DEPRECIATION AND IMPAIRMENTS

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 £95,000 (2018/19 £230,000) in amortisation of intangible assets, other non-dwellings depreciation, revenue expenditure funded from capital and impairments.

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

	2019/20 £000	2018/19 £000
<b>Amounts to be Excluded</b>		
Transfer from Major Repairs Reserve and Other Depreciation Reversals and Impairments	(142)	(153)
Downward Revaluation of Council Dwellings and Garages	(7,620)	(2,351)
Movements in the fair value of investment	-	-
Leaseholder contributions	(328)	(107)
Revenue Expenditure Funded from Capital Under Statute	-	(98)
Reversal of notional lease payment	-	23
Valuation changes rents to mortgages	-	24
Gain / (loss) on disposal of HRA Fixed Assets	1,790	2,096
Flexi / leave accruals	34	(50)
HRA share of contributions to / (from) Pensions Reserve	(1,855)	(2,913)
<b>Total of Amounts to be Excluded</b>	<b>(8,121)</b>	<b>(3,529)</b>
<b>Amounts to be Included</b>		
Leaseholder contributions	328	107
Employers contributions payable to the Pension Fund	1,045	1,572
Capital expenditure funded by the HRA	4,430	3,650
Capital contributions applied	-	224
<b>Total of Amounts to be Included</b>	<b>5,803</b>	<b>5,553</b>
<b>Net increase/(decrease) before transfers to / from Reserve</b>	<b>(2,318)</b>	<b>2,024</b>
<b>Transfers to /from Earmarked Reserves</b>		
Housing Repairs Fund	(442)	(563)
<b>Total Transfers To Earmarked Reserves</b>	<b>(442)</b>	<b>(563)</b>
<b>Total</b>	<b>(2,760)</b>	<b>1,461</b>

## 11. TRANSFER TO SELF FINANCING RESERVE

The HRA Self-Financing Reserve was set up for the purpose of receiving a transfer of £3.18m per annum to accumulate enough funds to repay the £31.8m variable loan (due to be repaid in March 2022). 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 1st April 2017 was £12.72m, however it was agreed that in 2017/18 the contribution would be suspended leaving the year-end balance unchanged. There have been no further contributions.

## Collection Fund

	Note	2019/20			2018/19		
		Council Tax	Non Domestic Rates	Collection Fund Total	Council Tax	Non Domestic Rates	Collection Fund Total
		£000	£000	£000	£000	£000	£000
<b>Income</b>							
Council Tax	1	(96,717)		(96,717)	(91,371)	-	(91,371)
Non Domestic Rates	2		(34,552)	(34,552)	-	(37,281)	(37,281)
<b>Total Income</b>		<b>(96,717)</b>	<b>(34,552)</b>	<b>(131,269)</b>	<b>(91,371)</b>	<b>(37,281)</b>	<b>(128,652)</b>
<b>Expenditure</b>							
<b>Precepts and Demands</b>							
Essex County Council		68,806	3,086	71,892	65,440	3,093	68,533
Essex Police		10,451	-	10,451	9,053	-	9,053
Essex Fire Authority		3,924	343	4,267	3,770	344	4,114
Epping Forest District Council		11,908	13,714	25,622	11,647	13,747	25,394
<b>Distribution of Estimated Collection Fund Surplus/(Deficit)</b>							
Essex County Council	3	687	67	754	399	(122)	277
Essex Police		95	-	95	54	-	54
Essex Fire Authority		40	7	47	24	(14)	10
Epping Forest District Council		122	297	419	73	(542)	(469)
<b>Non Domestic Rate</b>							
Payment to Central Government			17,143	17,143	-	17,184	17,184
Repayment of Deficit			372	372	-	(678)	(678)
Transitional Protection			216	216	-	(530)	(530)
Cost of Collection Allowance			173	173	-	173	173
Provision for Appeals			2,224	2,224	-	226	226
Provision for Non Payment		1,622	602	2,224	234	110	344
Write Offs		277	106	383	190	21	211
<b>Total Expenditure</b>		<b>97,932</b>	<b>38,350</b>	<b>136,282</b>	<b>90,884</b>	<b>33,012</b>	<b>123,896</b>
<b>Deficit / (Surplus) for the Year</b>		<b>1,215</b>	<b>3,798</b>	<b>5,013</b>	<b>(487)</b>	<b>(4,269)</b>	<b>(4,756)</b>
<b>Balance Brought Forward</b>		<b>(1,391)</b>	<b>(5,297)</b>	<b>(6,688)</b>	<b>(904)</b>	<b>(1,028)</b>	<b>(1,932)</b>
<b>Balance Carried Forward</b>		<b>(176)</b>	<b>(1,499)</b>	<b>(1,675)</b>	<b>(1,391)</b>	<b>(5,297)</b>	<b>(6,688)</b>

### 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 1st 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 for discounts: 54,159 for 2019/20 (53,563 for 2018/19). The basic amount of Council Tax for a Band D property of £1,688.31 for 2019/20 (£1,613.61 for 2018/19) is multiplied by the proportion specified for the particular band to give an individual amount due.

Income of £96,716,640 for 2019/20 (£91,371,076 for 2018/19) was receivable from Council Tax payers.

	Chargeable Dwellings	Chargeable Dwellings after Discount, Exemptions and Disabled Relief	Ratio to Band D	Band D Equivalents
Band A Disabled	-	4	5/9	2.22
Band A	1,887	1,496	2/3	997.33
Band B	5,035	4,143	7/9	3,222.33
Band C	11,645	10,364	8/9	9,212.44
Band D	14,160	13,035	9/9	13,035.00
Band E	9,840	9,130	11/9	11,158.89
Band F	6,864	6,458	13/9	9,328.22
Band G	5,979	5,652	15/9	9,420.00
Band H	1,163	1,093	18/9	2,186.00
<b>Total Band D</b>				<b>58,562</b>
Less Band D				3,578
<b>Total Band D Equivalents</b>				<b>54,984</b>
Less Adjustment for Collection Rate				825
<b>Council Tax Base</b>				<b>54,159</b>

## 2. NON-DOMESTIC RATES

Non-Domestic Rates are organised on a national basis. The Government specifies an amount, 49.1p (small business) and 50.4p (others) in 2019/20, (48.0p (small business) 49.3p (others) in 2018/19) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

From 1st 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 2019/20 this Council paid a tariff of £10,706,120 (£10,466,268 in 2018/19).

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

If a reduction of Business Rates income of more than 7.5% of its funding baseline has occurred, then the Government will make up any difference between this and the actual loss in the form of a Safety Net Payment.

The Council is part of the Essex Business Rates Pool. A pool is set up in order to minimise the potential Levy on Business Rates 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 £96,356,039 (£96,411,876 in 2018/19).

### **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 15th 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.

DRAFT

# EPHING FOREST DISTRICT COUNCIL

## Annual Governance Statement 2019/20

### 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 Local Code of Governance (last updated January 2020), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Councils Constitution. A copy of the Code is on our website at [www.eppingforestdc.gov.uk](http://www.eppingforestdc.gov.uk). The code is aligned to the 2016 edition of the CIPFA/SOLACE framework.

This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 6(1) of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement (AGS).

### 2. The purpose of the governance framework

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

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

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

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

- (i) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- (ii) Ensuring openness and comprehensive stakeholder engagement.
- (iii) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- (iv) Determining the interventions necessary to optimise the achievement of intended outcomes.



- (v) Developing the Council’s capacity, including the capability of its leadership and the individuals within it.
- (vi) Managing risks and performance through robust internal control and strong public financial management.
- (vii) Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

It is important the Council can demonstrate that its Annual Governance Statement is aligned with its Local Code and the seven CIPFA/SOLACE principles and this is set out in Appendix 1.

The table below summarises the Council’s Governance Framework (which includes the system of internal control) for the year ending 31 March 2020 and up to the date of approval of this Statement and the Statement of Accounts.

<b>The Governance Framework</b>	
	The key elements of the Council’s governance arrangements for 2019/20 were:
1	The corporate plan covering 2018-2023, setting out the Council’s priorities and defining the goals to be achieved
2	The Constitution, which is revised each year: <ul style="list-style-type: none"> <li>2.1 sets out the Council’s decision-making framework;</li> <li>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);</li> <li>2.3 includes a scheme of delegation of responsibility, financial regulations and Procurement Rules; and</li> <li>2.4 defines codes of conduct for members and officers, and a protocol for how the two work together.</li> </ul>
3	The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios. The Council’s Local Code of Governance was reviewed, updated and approved by the Audit and Governance Committee January 2020.
4	There are three Select Committees to cover the Council’s corporate ambitions being Stronger Communities, Stronger Place and Stronger Council. In addition, Task and Finish Panels undertake specific reviews and there is a co-ordinating Overview and Scrutiny Committee.
5	A Standards Committee
6	An Audit and Governance Committee
7	A Leadership Team consisting of the Chief Executive, two Strategic Directors and a Chief Operating Officer. The Chief Executive as Head of Paid Service is supported by the Council’s Monitoring Officer and Section 151 Officer
8	A Corporate Governance Group consisting of the Chief Executive, Section 151 Officer, Monitoring Officer, the Chief Internal Auditor and other senior officers as required depending on the agenda, meeting monthly
9	A Corporate Risk Strategy overseen by a Risk Management Group meeting quarterly
10	A standard committee report format that includes specific consideration of all legal, financial, professional, technical, risk management and equalities implications

11	A Medium-Term Financial Strategy which informs service planning and budget setting, and a Finance and Performance Management Cabinet Committee that meets regularly
12	A comments, compliments and complaints procedure
13	A risk-based approach to internal audit, emphasising the need for sound control, governance and risk management arrangements
14	A robust whistle blowing policy and process (which is reviewed biennially and last updated January 2019) along with anti-fraud and corruption strategy (which was reviewed and approved by Council in December 2019) outlining the Council's zero tolerance approach to fraud and corruption and 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:

The Chief Executive and Service Director governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively;

Documentary evidence of processes, procedures and standards;

A Corporate Fraud Team, which supports the Council's counter fraud and corruption framework in taking action to prevent, detect and investigate fraud.

The Chief Internal Auditor's annual opinion on the Council's control environment, delivered to the Audit and Governance Committee, as the body charged with governance. Audit reports issued along with the assurance ratings of, substantial, moderate, 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 2019/20

### 4. Impact of coronavirus on the Council's governance arrangements for 2020/21

On 23 March 2020 the Prime Minister announced a national lockdown due to the coronavirus pandemic. This led to the majority of staff working from home and a temporary cessation of Council meetings. Due to the outbreak the Council invoked its emergency powers under Article 7 (appendix 3) of the Council's Constitution. This has allowed the Chief Executive, in consultation with the Leader of the Council, to carry out the functions of the Council and Cabinet.

Local authorities in England were granted new powers to hold public meetings virtually by using video or telephone conferencing technology from 4 April 2020. Since the end of April 2020 virtual meetings have been taking place for the Council, which are open to the public. This included those meetings deferred from the end of March/beginning of April including Cabinet and Council.

This came to an end in May 2021. Regulations which have allowed local authorities to meet remotely during the Covid-19 pandemic do not apply to meetings after 6 May 2021.

Key Council services, including all statutory ones, continued during lockdown although some processes were amended to allow for remote working, for example allowing approval by email instead of a wet signature and discussed with Internal Audit first. Some services were paused for a while for example routine housing repairs and leisure services. Coronavirus led to some new activities being undertaken, for example distribution of the government's Covid-19 related business grants by the Revenues and Benefits service.

## 5. Overall opinion of Epping Forest's governance arrangements

The majority of 2019/20 was unaffected by coronavirus and this AGS demonstrates that the Council's governance arrangements have remained fit for purpose, even when flexed, for example by invoking the Council's emergency powers. There has been no significant detriment on the Council's ability to deliver its services. The longer-term impact of coronavirus and recovery from its effects on the governance framework for 2020/21 is included in table two.

## 6. Significant governance issues

This final part of the Annual Governance Statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues or risks. The Council's Corporate Governance Group, who monitor and review 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 2019/20 AGS**

No.	Significant issue identified in 2019/20 AGS	Action taken in 2019/20 to address the issue
1	Business continuity planning (BCP): An internal audit of BCP found that although there is a corporate Business Continuity plan it is not fit for purpose and contingency arrangements in place inadequate.	<p>An urgent project was initiated to address the concerns raised by Internal Audit which involved a dedicated Officer group working in conjunction with an external specialist. Progress against the project was closely monitored by the Corporate Governance Group, which is chaired by the Chief Executive.</p> <p>Prior to Covid-19 lockdown, most business continuity plans were in place (corporate and service level) and were used in the Leadership Team exercise that took place in February 2020. Lessons learnt from the exercise and from Covid-19 will help inform the plans and future exercises at a service level.</p>
2	Brexit: If there is a 'no deal' Brexit then this may impair the Council's strategic aims and objectives	<p>The economic climate has been reviewed as part of the 2020/21 budget and includes the general and more significant impact of international protectionism and economic uncertainties as well as the impact for a shorter period of time of Brexit uncertainties.</p> <p>Prior to Covid-19 the local growth and inflation levels were expected to remain low although inflation pressures were predicted to peak at around 3% next year.</p> <p>Economic conditions are reviewed across the Council and are discussed at Leadership Team and Cabinet level each month.</p>

3	Statutory posts: It is important the Council ensures that the role, responsibilities and standing of the Council's Section 151 Officer and Monitoring Officer complies with legislation (in particular the Local Government and Housing Act 1989) and good practice as the Council's restructure is completed	Since September 2019 there has been a period of stability regarding the Section 151 and Monitoring Officer posts.
4	Close down of Accounts: Delays were encountered in the closure of the Council's 2018/19 accounts due to a variety of internal and external factors and resulted in an increase in External Audit fees.	The Council has been jointly working on improvements with its External Auditors, which includes a review of processes, working papers and electronic files. The aim is to improve efficiency and achieve a more effective closedown for 2019/20. The Audit and Governance Committee has received an action plan to improve account closure and updates of progress against this.
Common theme from the Service Assurance Statements was:		
4	Restructure: As a result of the restructure many Officers have/or will be taking on new roles and responsibilities. The Council's scheme of delegation needs to remain robust and fit for purpose. In addition, support and guidance needs to be offered to these Officers	Delegated authorities have been reviewed by the Service Director (Business Services) in conjunction with the Head of Legal and Internal Audit. Once finalised a staff awareness campaign will be undertaken to ensure Officers are aware of their responsibilities regarding corporate policies and training offered as appropriate.

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 2020/21**

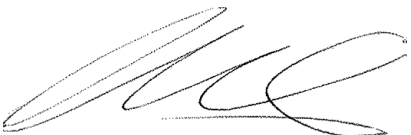
No.	Objective	Risk area/action plan for 2020/21
1	Risk Management and lessons learnt	It is important that the Council continues to monitor (and where required) mitigate risks to the Council's objectives, not only those relating to coronavirus. This will be undertaken in conjunction with a lessons learnt review of the Council's response to Covid-19. And will include the annual review of the Council's local code of governance
2	Financial resilience	The Council's financial monitoring and reporting process is being reviewed and will be enhanced as an early priority for 2020/21; this is vital in the light of the financial pressure created by the Covid-19 pandemic. In addition, the financial planning process, and the Council's Medium-Term Financial Strategy in particular, is to be reviewed in detail as the Council seeks to restore financial stability and maintain sustainability in the longer term.

No.	Objective	Risk area/action plan for 2020/21
3	Ensuring the health and safety of staff, partners and the public in the way it delivers its services	The Council will keep under constant review Health and Safety measures both within the Council and across the district to ensure government legislation and guidance is being followed regarding Covid-19, especially where the Council is delivering its services to the public
4	Qualis: It is important there are robust governance arrangements for the Qualis group of subsidiary companies being a significant new venture for the Council in delivering key services	<p>During 2019/20 formal transition governance and reporting lines were put in place which included an EFDC Group Steering Board.</p> <p>Legal advice will continue to be sought to ensure governance arrangements comply with legislation and the Qualis Group Board, which will be made up of a combination of Council officers, Council members and independent non-executives will ensure these arrangements are working in the best interest of the Council. The Section 151 Officer will act on behalf of EFDC as the main conduit with Qualis Group and other Qualis companies</p> <p>An audit of Qualis governance arrangements forms part of the 2020/21 Internal Audit Plan</p>
Common themes from the Service Assurance Statements were:		
5	Project management processes: Need for consistent approach	<p>Council wide training on project management took place in 2018/19 in conjunction with the implementation of Pentana (a performance and risk management tool)</p> <p>The capabilities and functionality of Pentana is to be assessed ahead of a review of project management processes. The Council's focus on recovery from Covid-19 may hamper the review.</p>
6	Documented procedures and guidance notes to support critical functions	Following implementation of the People Strategy and any subsequent changes to service delivery, there is a need to review and, where necessary, redraft procedures and guidance notes to ensure they reflect current processes. This issue was identified in several internal audits and many teams are in the process of completing this.
7	Mandatory training Mandatory training requirements are not fully, or clearly identified, and formal evidence of staff training undertaken is incomplete.	A fundamental review of mandatory training requirements in 2020/21 starting with Health and Safety. The review will also assess the functionality of the HR system (iTrent) to capture this information.

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 

Georgina Blakemore  
Chief Executive

Signed 

Councillor Chris Whitbread  
Leader of the Council

DRAFT

## Appendix 1 – Epping Forest Code of Governance

INTEGRITY	OPENNESS	VISION	OUTCOMES	CAPACITY & CAPABILITY	PERFORMANCE	ACCOUNTABILITY
Behave with integrity, demonstrating a strong commitment to ethical values and respect the rule of law.	Ensure openness and comprehensive stakeholder engagement	Define outcomes in terms of sustainable economic, social and environmental benefits	Determining the interventions necessary to optimise the achievement of intended outcomes	Develop the Council's capacity, including the capability of its leadership and the individuals within it.	Manage the Council's risk and performance through robust internal control and strong public financial management.	Implement good practice in transparency, reporting and audit to deliver effective accountability.
Examples supporting the Annual Governance Statement (AGS) 2019/20						
<p>Constitution sets out code of conduct for Members and staff.</p> <p>Regularly publicised whistleblowing policy. Zero tolerance to anti-fraud and corruption.</p> <p>Clear and transparent decision-making process. Section 151/Monitoring Officer part of report clearing process.</p> <p>Standards Committee</p>	<p>Published Freedom of Information and complaints/complaints scheme.</p> <p>Publicly available agenda and minutes of meetings.</p> <p>Monitoring and maintaining a record of partnerships.</p> <p>Member appointment to community organisations.</p> <p>Active consultation through the Council's Consultation policy and plan</p> <p>'Critical friend' challenge through the Council's scrutiny process.</p> <p>Revised and updated Code of Governance</p>	<p>2018-2023 Corporate Plan which is supported by service/operational plans.</p> <p>Draft Local plan that supports the Council's vision.</p> <p>Decision making process that take into account these effects on its residents, paying due regard to the public sector equality duty.</p> <p>Providing fair access to Council services offered.</p> <p>Economic Development Strategy</p>	<p>Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance.</p> <p>Decision making processes that receive objective and rigorous involvement including involvement of the Monitoring and Section 151 Officers</p> <p>Anti-Fraud and Corruption strategy.</p>	<p>People Strategy</p> <p>Established induction and training programme for existing and new Councillors.</p> <p>Process includes mentoring and training events.</p> <p>Induction process for staff, access to personal development appropriate to their roles. Formal Personal Development Review (PDR) for staff and access to health and wellbeing opportunities.</p>	<p>Risk management is an integral part of the council's activities and decision making.</p> <p>Internal Audit function that provide assurance on governance, risk management and controls reporting to the Audit and Governance Committee</p> <p>Active corporate fraud team</p> <p>Medium Term Financial Strategy.</p>	<p>Defined process to ensure reports for the public/stakeholders are fair, balanced, easily accessible and understandable.</p> <p>Reporting regularly on performance and on the use of resources.</p> <p>Processes to ensure external/internal audit recommendations are acted upon.</p> <p>Requirement for Service Directors to produce annual assurance statements which feed into the AGS</p>
An active Corporate Governance Group which takes charge of the Annual Governance Statement						

## GLOSSARY OF TERMS

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

### **ACCOUNTING PERIOD**

This is the period of time covered by the accounts, normally a period of twelve months commencing on 1st April. The end of the accounting period is the Balance Sheet date.

### **ACCOUNTING POLICIES**

The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

### **ACCRUALS**

Amounts included in the final accounts to recognise income earned and expenditure incurred for both revenue and capital in the financial year, but for which actual payment had not been received or made as at 31st March.

### **AMORTISATION**

A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

### **ANNUAL GOVERNANCE STATEMENT**

The annual governance statement is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

### **ASSET**

An asset is an item having a value to the Council in monetary terms. Assets are categorised as either non-current or current:

- A non-current asset provides benefits to the Council and to the services it provides for a period
- Of more than one year and may be tangible e.g. a leisure centre, or intangible, e.g. computer software licences
- A current asset will be consumed or cease to have material value within the financial year e.g. cash; and
- Stock.

### **AUDIT OF ACCOUNTS**

An independent examination of the Council's financial affairs.

### **BALANCES (OR RESERVES)**

These are usable or unusable reserves. Usable reserves represent accumulated funds from prior years that are available to the Council and can be spent. Some reserves may be earmarked for specific purposes and are for funding future defined initiatives or meeting identified risks or liabilities. Unusable reserves, have been established for technical purposes and are not available to spend nor can be used to fund service provision.

### **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 non-current and net current assets employed in its operations together with summarised information on the non-current assets held.



## **CAPITAL EXPENDITURE**

This is the expenditure on the acquisition, construction, enhancement or replacement of a non-current asset such as land, buildings, and computer. It is expenditure that enhances and improves the use of the assets. It isn't expenditure that merely maintains the value of an existing asset.

## **CAPITAL ADJUSTMENT ACCOUNT**

This account records the accumulated amount of set aside capital receipts and minimum revenue provision (the contribution from revenue to cover repayment of the borrowing that has been undertaken to fund capital expenditure) together with capital expenditure financed by way of capital receipts, grants 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 and are paid for by council taxpayers.

## **CAPITAL FINANCING**

Funds used to pay for capital expenditure. There are various sources of funding available to finance capital expenditure including borrowing, leasing, revenue contributions, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

## **CAPITAL FINANCING REQUIREMENT**

This measures the change in the underlying need for the council to borrow to finance capital expenditure. Where all capital expenditure is financed when it is incurred by resources generated by the council, e.g. revenue contributions, grants and capital receipts, the Capital Financing Requirement (CFR) will not increase. However, if borrowing is required to finance capital expenditure then the CFR will increase. The annual minimum revenue provision will be applied to reduce the CFR each year and capital receipts can also be used to reduce the CFR.

## **CAPITAL RECEIPT**

A capital receipt is the proceeds from the disposal of land or other non-current asset. The government regulates the proportion of capital receipts that can be used to finance new capital expenditure. Capital receipts cannot ordinarily be used to finance revenue expenditure.

## **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.

## **CIPFA**

This is the Chartered Institute of Public Finance and Accountancy. This organisation produces the Code of Practice that practitioners follow so that all local authorities prepare their accounts in a consistent and comparable way.

## **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.

## **COMPREHENSIVE EXPENDITURE AND INCOME STATEMENT (CIES)**

This is the statement that shows the accounting cost (surplus/deficit) in the year of providing services in accordance with generally accepted accounting practices. It is not the amount funded from taxation. The Council raises taxation to cover the cost of expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

## **CONSISTENCY**

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

## **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.

## **CONTINGENT LIABILITIES**

A contingent liability is either:

- 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
- 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.

## **CORPORATE AND DEMOCRATIC CORE**

This includes all the activities which local authorities engage in specifically because they are elected, multi-purpose organisations. The costs of these activities are those that are over and above those that would be incurred by a series of independent, single purpose nominated bodies managing the same services. It includes costs relating to the corporate management and democratic representation.

## **COUNCIL TAX**

A local tax on dwellings within the district, set by billing authority (Epping Forest District Council) and the precepting authorities (the county council, fire and rescue services, the police and town and parish councils). It is calculated by taking the revenue expenditure requirements for each authority divided by the council tax base for the year.

## **CREDITORS**

Amounts owed by the Council for goods and services that it has received before 31st March, but that have not been paid for at that date.

## **DEBTORS**

Amounts owed to the Council for goods and services that it has provided before 31st March, but where the associated income was not received at that date.

## **DEPRECIATION**

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

## **FAIR VALUE**

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

## **FINANCE LEASE**

This is 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.

## **GENERAL FUND**

This is the account where all the costs of providing the Council services (with the exception of the landlord services, the costs of which sit in the HRA and Local Council precepts) are charged to which are then paid for from Council Tax and government grants.

## **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**

This is a reduction in the carrying value of a non-current asset to below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment).

## **INTANGIBLE ASSETS**

This is 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. One of the most common examples would be software licences.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB).

## **INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)**

International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

## **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:

- In respect of which construction work and development have been completed; and
- Which are held for their investment potential, any rental income being negotiated at arm's length.

## **LIABILITY**

A liability exists where the Council owes payment to an individual or another organisation

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

## **LONG TERM DEBTORS**

These debtors represent the capital income still to be received, e.g. from the sale of an asset or the granting of a mortgage or a loan.

## **MINIMUM REVENUE PROVISION (MRP)**

This is the minimum amount that the Council must charge to the CIES each year to provide for the repayment of General Fund debt.

## **MOVEMENT IN RESERVES STATEMENT**

This financial statement presents the movement in usable and unusable reserves (the Council's total reserve balances).

## **NON-DOMESTIC RATES (NDR) (also known as Business Rates)**

Non-domestic rates, or business rates, collected by the Council are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1st April 2013, authorities keep a proportion of the business rates paid locally (currently 50%). This money, together with revenue from council taxpayers, fees and charges and certain other sums, is used to pay for the services provided by the Council.

## **NET BOOK VALUE**

The amount at which non-current 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**

This is 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**

Non-current 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**

Non-current 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**

These are 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.

## **PRECEPT**

The levy (demand for money) made by precepting authorities (the authorities with the power to instruct another local authority (the billing authority) to collect an amount from council tax on their behalf). Precepts are demanded by the county council, fire and rescue services, the police and parish and town councils.

## **PRIOR YEAR ADJUSTMENTS**

These are 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.

## **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.

## **PROVISIONS**

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

- The local authority has a present obligation (legal or constructive) as a result of a past event;
- It is probable that a transfer of economic benefits will be required to settle the obligation; and
- 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;

- 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
- As a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

## **PRUDENCE**

This is 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.

## **PRUDENTIAL CODE**

Since 1st April 2004, local authorities have been subject to a self-regulatory "prudential system" of capital controls. This gives authorities the freedom to determine how much of their capital investment they can afford to fund by borrowing. The objectives of the code are to ensure that the local authority's capital investment plans are affordable, prudent and sustainable, with Councils being required to set specific prudential indicators.

## **PUBLIC WORKS LOAN BOARD (PWLB)**

A Central Government Agency, which provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the Government can borrow itself. Virtually all borrowing undertaken by local authorities comes from the PWLB.

## **RELATED PARTIES**

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

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- 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
- 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.

Advice from CIPFA is that related parties to a local authority include Central Government, precepting bodies or bodies levying demands on the Council Tax, members and chief officers of the Council and its pension fund.

## **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:

- The purchase, sale, lease, rental or hire of assets between related parties;
- The provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- The provision of services to a related party, including the provision of pension fund administration services; and
- 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.

## **REMUNERATION**

This is all sums paid to or receivable by an employee and any sums due by way of expenses and allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

## **REVALUATION RESERVE**

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

## **REVENUE EXPENDITURE**

These are the day to day payments on the running of Council services including salaries, wages, contract payments, supplies and capital financing costs.

## **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

This is 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.

## **STOCKS**

These are items of raw materials and stores a Council has procured and holds in expectation of future use. Stock comprises the following categories:

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

## **THE CODE**

The Code of Practice on Local Authority Accounting in the United Kingdom known as 'The Code' incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003. There are also accompanying guidance notes for practitioners.

## **UNAPPORTIONABLE CENTRAL OVERHEADS**

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

DRAFT

## GLOSSARY OF PENSIONS RELATED TERMS

### **ACTUARIAL GAINS AND LOSSES**

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

- Actual events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses); or
- 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:

- Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
- 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**

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

### **DEFINED CONTRIBUTION SCHEME**

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

### **DISCRETIONARY BENEFITS**

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

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

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

### **IAS19**

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

### **INTEREST COST (PENSIONS)**

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



## **INVESTMENTS (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.

## **NON-DISTRIBUTED COSTS**

Non-distributed costs are defined as comprising:

- Retirement benefit costs including past service costs, settlements and curtailments. To note, current service pension costs are included in the total costs of services;
- The costs associated with unused shares of IT facilities; and
- The costs of shares of other long-term unused but unrealisable assets.

## **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.

## **PENSION SCHEME LIABILITY**

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

## **PROJECTED UNIT METHOD - PENSION FUND VALUATION**

This is 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:

- 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
- 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:

- An employer's decision to terminate an employee's employment before the normal retirement date; or
- 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:

- A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
- The purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- 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:

- For active members, benefits to which they would unconditionally be entitled on leaving the scheme
- For deferred pensioners, their preserved benefits; and
- For pensioners, pensions to which they are entitled.

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

DRAFT