

# Epping Forest District Council

# Statement of Accounts

# 2020 – 2021



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## 1. INTRODUCING EPPING FOREST DISTRICT COUNCIL

Epping Forest is a district in Essex. It takes its name from the forest which runs from the Greater London border in the south through the district northwards. Covering an area of 131 square miles, Epping Forest shares boundaries with Hertfordshire and four other Essex districts. It is a mixture of rural and urban areas and over a quarter of the population live in rural and rural-related areas.

The district has an estimated resident population of 132,200 (2020). Key population centres are the commuter towns in the south of the district - Buckhurst Hill, Chigwell and Loughton. These towns have a combined population of over 50,000 but cover less than 10% of the total area of the district. There are also the market towns of Epping, Waltham Abbey and Ongar and numerous villages and hamlets situated in attractive countryside. The district has good transport links, with both the M25 and M11 running through it and crossing at Theydon Garnon. The area is served by the London Underground Central Line and over ground railway.

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 (SSI). 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 relatively affluent with gross weekly full time pay higher than the East of England (2020) average. Young people are considered successful with their education, with over 80% achieving NVQ Level 2 and above (2020) which is higher than the East of England average. The percentage of the population (aged 16-64) qualified to NVQ Level 4 or above is also higher than the East of England (2020) average.

Epping Forest is in the upper 40% of least deprived Lower Tier Local Authorities (LTLAs) nationally, although there are areas of deprivation and 13% of children (aged 0-15) live in families with a relatively low income. Life expectancy in the district is higher than the national average (2017-19), but an aging population puts pressure on both NHS and local government services. It is estimated that over 30% of the district's population will be aged 60 or over by 2041. Additional properties will be built over the coming years to assist in accommodating the anticipated rise in the population.

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.

## 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 3 Action Plan (covering 2020/21) represented the third reporting cycle for the Corporate Plan. Performance measures for Year 3 have been expanded to enable a greater understanding on how well corporate objectives are being met. This has resulted in an increase in the number of KPIs listed in 2019/20 from 12 to 26, 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 Overview & Scrutiny 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.

### Stronger Communities

The 'Stronger Communities' ambition has three strategic aims supported by six key objectives. In turn these objectives are focused on three corporate programmes: Customer Excellence, Community Data Insights, and Community Health & Wellbeing – between them – managed eleven KPIs and eight reported projects.

#### Key Performance Indicators (KPIs)

The reported outturn for the eleven KPIs in the year, was as follows:

- 5 out of 11 (45%) met their target
- 5 out of 11 (45%) missed their target - by more than 10%; and
- 1 out of 11 (10%) no target set.

*First Point of Contact Resolutions* performed well despite the pandemic, with the 45% target being exceeded in three out of the four quarters. Meanwhile *Complaints Resolution performance against the SLA target* was also generally positive, most notably in the third quarter, with 90% of cases being resolved on time against a target of 85%.

*Customer Satisfaction* however proved more challenging, with the overall target of 80% being missed by 6%-11% each quarter, which was partly due to dissatisfaction with the refuse collection service. However, satisfaction levels did rise as the year progressed.

The number of *Households in Temporary Accommodation* also proved challenging due to the Covid-19 pandemic with the target being missed by 20%-40% in the third and fourth quarters.

#### Projects

The reported outturn for the eight projects in the year, was as follows:

- 2 out of 8 (25%) were completed
- 2 out of 8 (25%) were on track; and
- 4 out of 8 (50%) were delayed.

Most notably, the *Customer Culture Development* and *Digital Payments* projects were completed, which means that the Council is now better able to understand customer requirements, whilst at the same time complying with industry standards for customer payments.

The delayed projects are continuing into 2021/22 with milestones being re-set. This includes both the *Digital Customer Journey* and the *Digital Members Journey*. The delayed installation of Visitor Management Kiosks in the Civic Centre, due to the impact of the pandemic, is the main reason for the delay on the Customer Journey project.



## Stronger Place

The 'Stronger Place' ambition also has three strategic aims which are supported by seven key objectives. In turn these objectives are focused on six corporate programmes: Community Health & Wellbeing, Council Housebuilding, District Sustainability, Economic Development, Planning Development, and Town Centre Development – between them – managed eight KPIs and twenty reported projects.

### Key Performance Indicators (KPIs)

The reported outturn for the eight KPIs in the year, was as follows:

- 2 out of 8 (25%) met their target
- 3 out of 8 (37.5%) missed their target – by less than 10%
- 1 out of 8 (12.5%) missed its target – by more than 10%; and
- 2 out of 8 (25%) no target set.

It has been a good year for *Recycling*, with rates consistently exceeding target, with over 59% of waste now not going to landfill. In contrast, *Reduction in Household Waste* was off target by 18%-58% each quarter but this is largely explained by the huge rise in Homeworking during the Covid-19 Pandemic.

### Projects

The reported outturn for the twenty projects in the year, was as follows:

- 3 out of 20 (15%) were completed
- 7 out of 20 (35%) were on track; and
- 10 out of 20 (50%) were delayed.

The completion of the *Service Charge Review* project has ensured a fairer service charging regime for communal housing block tenants in the district, whereas the Council's Procurement Strategy now has a stronger emphasis on promoting local business wherever possible, following the completion of the *Local Business and Suppliers* project.

The delayed projects are continuing into 2021/22 with milestones being re-set. This includes the *Council Housebuilding* programme which was temporarily held up in 2020/21 due to delays in the planning process.

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

## Stronger Council

The 'Stronger Council' ambition has four strategic aims supported by six key objectives. In turn these objectives are focused on three corporate programmes: Accommodation, IT Strategy, and the People Programme that – between them – managed eight KPIs and thirteen reported projects.

### Key Performance Indicators (KPIs)

The reported outturn for the eight KPIs in the year, was as follows:

- 1 out of 8 (12.5%) met its target
- 3 out of 8 (37.5%) missed their target – by less than 10%; and
- 4 out of 8 (50%) missed its target – by more than 10%.

*Staff Sickness Absence* was a positive in the year with targets regularly being exceeded, especially in the second and fourth quarters.

However, in contrast, a *Staff Turnover* rate of 4.47% in fourth quarter was significantly above the 2.75% target, although can be attributed to a restructure within the Council's ICT department.

### Projects

The reported outturn for the thirteen projects in the year, was as follows:

- 3 out of 13 (23%) were completed
- 4 out of 13 (31%) were on track; and
- 6 out of 13 (46%) were delayed.

The *ICT Restructure*, *Service Management*; and *Device Strategy* projects were completed, which means that, as well as reducing costs, improved technology has been introduced such as helpdesk software and improved security.

The *Accommodation* project was on track at the year end, with the newly refurbished Civic Offices subsequently reopening on 19th July 2021.

The delayed projects are continuing into 2021/22 with milestones being re-set. Most notably, capacity constraints temporarily delayed the delivery of a range of IT projects in the year.

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 2020/21

It is hard to ignore or overstate the profound financial impact that the 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). The 2020/21 financial year has been an extremely volatile one, with major uncertainties throughout. Epping Forest District Council was at the forefront of the Government's response in supporting our local residents and businesses manage the impact of the pandemic, and ultimately – like local authorities up and down the country – the importance to this Council of the financial assistance provided by the Government cannot be overstated. It was a relief to reach the year end and produce – yet again – a Statement of Accounts reflecting a solvent Council!

The Consolidated Income & Expenditure Statement (CIES) on Page 24 shows that the Net Cost of Services for 2020/21 was £40.620 million (up £11.391 million compared to 2019/20); 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 £16.273 million was recorded. The biggest factor in the increase in the Net Cost of Services was the additional cost of the Contracts and Technical Services Directorate (up by £8.373 million) driven by acute pressures on major service lines including Car Parking, Leisure and Waste Management primarily due to the pandemic.

The presentation of individual services on the face of the CIES follows the principles established in CIPFA's "Service Reporting Code of Practice for Local Authorities (2020/21)" (SERCOP); consistency of reporting is achieved with the internal management accounts, which reflect how services are delivered and organised within the Council.

Elsewhere on the CIES, there are substantial fluctuations (both up and down), due to the combined effects of the pandemic and recent changes in Council structure.

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 Month 12 (year-end) Management Accounts for 2020/21.

General Fund Service	Net Expenditure		Variance
	Budget	Outturn	
	£000's	£000's	£000's
Chief Executive	1,605	1,120	(485)
Community & Wellbeing	1,353	1,107	(246)
Contracts & Technical Services	(190)	3,806	3,995
Corporate Support	7,553	8,299	746
Customer Services	2,561	3,403	842
Place	1,531	1,444	(87)
Finance & Audit	1,264	2,366	1,102
Housing & Property	2,746	2,283	(463)
Planning	2,839	2,488	(351)
Strategy, Delivery & Performance	1,545	995	(550)
Additional Pension Costs (corporate)	581	833	252
Qualis Income	(3,626)	(1,220)	2,407
Government Covid Support (un-ringfenced)	0	(4,236)	(4,236)
Financing & Recharges	(1,328)	(4,098)	(2,770)
<b>Totals</b>	<b>18,434</b>	<b>18,591</b>	<b>157</b>

The Month 12 Accounts show that the General Fund budget was in deficit by £156,501 at year end. It was an unprecedented year in terms of volatility with a wide range of budget variances – both positive and negative – underlying a relatively small deficit; the most significant service variance related to Contracts & Technical, which was overspent by £3.995 million, due to two very large financial pressures. Firstly, Leisure Facilities (£2,565,882), which was the single largest Covid-19 related cost; the Council did not receive any of its annual Management Fee (£1.471 million) in the year due to repeated lockdowns and social distancing-related operating restrictions. In addition, the Council was also required to make compensation payments to the operator to protect the service. And secondly Car Parking (£1,314,461) with lower income resulting from lower demand for parking provision generally due to the Pandemic, including changes in working and shopping habits.

In sharp contrast, the Government provided substantial financial support to local authorities to assist with the local financial pressures triggered by the pandemic; most notably a main allocation of £1.947 million, as well as further assistance of £2.289 million in direct compensation for the loss in income from Sales, Fees and Charges.

## Housing Revenue Account (HRA)

The table below summarises the outturn on the HRA for 2020/21 compared to 2019/20.

Description	2020/21	2019/20	Variance
	£000's	£000's	£000's
Total Income	(34,775)	(34,399)	(376)
Total Expenditure	32,610	33,174	(564)
<b>Net Cost of Services (included in CIES)</b>	<b>(2,165)</b>	<b>(1,225)</b>	<b>(940)</b>
Corporate expenses charged to HRA	842	514	328
<b>Net Cost/(Income) of HRA Services (included in CIES)</b>	<b>(1,323)</b>	<b>(711)</b>	<b>(612)</b>
Other accounting adjustments	2,537	3,756	(1,219)
<b>(Surplus)/Deficit on HRA Services</b>	<b>1,214</b>	<b>3,045</b>	<b>(1,831)</b>
Reconciling adjustments (including reversals)	(1,289)	(2,760)	1,471
<b>(Increase)/Decrease in HRA Balance</b>	<b>(75)</b>	<b>285</b>	<b>(360)</b>

The most significant factors driving a reduced Deficit of £1.214 million (down £1.831 million) on HRA Services in 2020/21 was a lower downward revaluation adjustment on Fixed Assets (impact £2.302 million) along with an increase in Capital Grants and Contributions (impact £1.289 million).

In contrast, there was an increase of £2.074 million in Repairs and Maintenance charges incurred by the HRA in 2020/21. The additional spending was driven by an increase in Responsive and Void Repair costs in the year (up from £4.471 million to £6.306 million). Transitional factors such as meeting the one-off costs of final settlements with contractors as part of service transfer arrangements with Qualis (effective from 1st October 2020) were a factor, although the Council has faced significant cost pressures on Void Repairs in particular in recent years; the new arrangements with Qualis are expected to reduce the overall cost of Repairs and Maintenance in the medium-term.

Following the application of accounting adjustments required by proper accounting practice, it was necessary to reduce planned Direct Contributions to Capital in order to maintain the minimum HRA working balance of £2.0 million (it was the largest factor in Direct Contributions being £2.430 million lower than planned). The HRA balance ended the year at £2.105 million (£2.030 million in 2019/20).



## Collection Fund

The Collection Fund is a ring-fenced account for the management of Council Tax and Business Rates income. The Collection Fund recorded an unprecedented deficit in 2020/21 of £19.356 million, which was primarily caused by a deficit of £18.082 million on Business Rates due to additional reliefs awarded to Ratepayers as part of the Government's COVID-19 pandemic response (primarily extending Retail Discount and introducing Nursery Relief).

Whilst collection rates for both Council Tax and Business Rates suffered in 2020/21 due to the disruption caused by the pandemic (although Government support for extended Business Rates Relief helped alleviate part of the problem), it is expected that performance will bounce back with the restoration of the normal recovery process in 2021/22.

The Council did continue to benefit from the Essex Council Tax Sharing Agreement (albeit at a reduced level of £95,024 compared to an original expectation of £669,779) and the Essex Business Rates Pool (Benefit £679,000). However, these items were more than offset by other (exceptional) factors. Thus:

- Council Tax (2020/21 Deficit £1.274 million) – the Epping share of the recorded Deficit is £133,718. The most notable factor was the distribution of an estimated year-end Collection Fund surplus of £950,000 for 2019/20, which was determined on 15th January 2020 i.e. prior to the outbreak of the pandemic
- Business Rates (2020/21 Deficit £18.082 million) – the Epping share of the recorded Deficit is £7,232,800. The headline factor was a large loss driven by the Government's decision to expand Reliefs (as noted above).

The Council was compensated by the Government through the awarding of Section 31 grant funding in recognition of the cost of the additional Business Rates Reliefs awarded; £6.650 million has been set-aside in an Earmarked Reserve to help offset future Collection Fund deficits.

The Collection Fund carried an overall Deficit as at 31st March 2021 of £17.681 million (Council Tax £1.098 million, Business Rates £16.583 million).

## Balance Sheet

The Council's Balance Sheet value has been relatively stable again in 2020/21, rising by £15.267 million (2.3%) compared to the net position as at 31st March 2020. However, there some significant differences (in percentage terms) compared to 2019/20 as follows:

- Long-Term Debtors (up £39.828 million) – the rise in long-term debtors primarily relates to an increase in the principal outstanding on loans made to Qualis (balance outstanding £41.250 million as at 31st March 2021)
- Debtors (up £22.750 million) – the most notable factor in the increase in debtors is due to a presentational change on Collection Fund debtors and creditors in respect of taxpayers, central Government and preceptors; these items are now presented gross rather than the previous net disclosure, which improves accounting practice and transparency; there is therefore a corresponding rise in creditors as noted below. There has been an overall net increase in debtors for both Council Tax (£3.306 million) and Business Rates (£2.031 million) mainly due to an increase in arrears in the year as the usual enforcement process was disrupted by the pandemic
- Cash & Cash Equivalents (down £14.248 million) – the reduction in Cash is due to the Council holding an exceptionally high balance in late March 2020 to meet an anticipated spike in cash flow requirements in April 2020. A balance of £10.474 million as 31st March 2021 reflects a more routine cash balance
- Creditors (up £29.998 million) – the most significant reason behind the increase in creditors is due to a presentational change in the treatment of Collection Fund debtors and creditors as explained above. In addition, the Council also had a Covid Grants balance outstanding of £5.262 million at year end, which was an exceptional item.

## Usable Reserves

The overall balance on Usable Reserves increased from £42.846 million to £47.156 million over the year.

The General Fund (unallocated) balance began the year at £6.417 million and ended the year at £4.017 million. The reduction on the balance was due to a combination of factors. Whilst the (Management Accounts) deficit of £156,501 noted above had a marginal impact, a range of other adjustments further reduced the balance, including transfers to the District Development Fund (“DDF”) earmarked reserve to fund a range of previously committed projects.

Earmarked Reserves increased from £18.921 million to £23.811 million over the year. There are two notable reserves:

- District Development Fund (DDF) – a long established reserve to meet expenditure on priorities of a one-off or temporary expenditure ended the year with a balance of £1.149 million (a net increase of £0.652 million compared to 31st March 2020), which reflects the funding requirements for a wide range of previously committed priority projects. The DDF balance also includes £87,000 in unallocated funds, which is available for future projects; and
- Collection Fund Deficit Reserve (CFDR) – the CFDR reserve – with a balance of £6.650 million – is a newly created reserve this year. Its purpose is to help cover the Council’s share of the Collection Fund loss created by the Pandemic. The funding for the reserve was received from the Government under Section 31 of the Local Government Act 2003, reflecting the loss in revenue triggered by the temporary expansion of Business Rates Relief to assist businesses during the Pandemic.

## Unusable Reserves

The Council is required to maintain substantial Unusable Reserves, primarily for technical accounting purposes. The overall balance rose from £607.578 million to £618.535 million over the year.

Most notably, the Council’s Pension Liability rose from £63.637 million to £69.108 million. This was due to an increase in estimated Defined Benefit Obligations of £42.1 million outweighing an increase in the estimated Fair Value of the Fund Assets of £36.6 million. The three largest factors were:

- Obligations – there was a substantial change in financial assumptions based on market conditions as at 31st March 2021. Both future pensions and salary increases were expected to be higher compared to the same stage in 2020. In addition, the discount rate forecast has reduced. Revised financial assumptions increased estimated Obligations by £51.0 million
- Assets – the increase in obligations was partly offset by positive returns on assets of £41.2 million; and
- Transfers – net liabilities were reduced by the transfer of staff to Qualis during the year, reducing net liabilities by £3.8 million.

## **Capital**

The table below summarises the Capital Expenditure outturn for 2020/21.

Description	2020/21	2019/20
	£000s	£000s
General Fund	49,260	26,377
Housing Revenue Account (HRA)	17,930	17,336
Total Capital Programme	<b>67,190</b>	<b>43,715</b>

The General Fund Capital Programme increased again this year as the Council continued to invest in its priorities presented in the Corporate Plan 2018-2023. There were two dominant factors to note:

- Qualis Loans – £36.0 million in capital loans were granted to Qualis during 2020/21, comprising Investment (£30.0 million) and Regeneration (£6.0 million) loans. The Council makes a revenue return on the loans, thus contributing to the corporate objective “achieving financial independence with low Council Tax” (as part of the “Stronger Council” corporate ambition). The Regeneration loan is also a key enabler in the Council’s regeneration ambitions for the district; and
- Civic Offices Accommodation Project - the other major expenditure item to note was capital investment of £7.527 million on a major refurbishment of the Civic Offices. It is a ‘state of the art’ facility, which is expected to serve the Council, and the district, well for many years to come, and – following a temporary enforced delay due to Coronavirus restrictions – was fully reopened on 19th July 2021.

It was a relatively stable year for HRA Capital with total expenditure of £17.930 million (compared to £17.336 million in 2019/20). However, expenditure was £7.528 million lower than planned. There were two notable areas of underspending/slippage; Housing Development and Capital Works:

- Housing Development (underspend £4.540 million) – there were two elements to note:
  - *Housebuilding* – there was an underspend of £10.233 million (against a total budget of £15.092 million). The Covid-19 pandemic caused delays in the year and – due to planning delays – Phase 4.4 was removed from the 2020/21 Programme; however
  - *Open Market Acquisitions* – the underspend on Housebuilding was partially offset by the purchase of some existing properties on the open market (£5.683 million), which allowed the Council to increase its housing stock, whilst averting the potential loss of capital receipts from the Right to Buy (RTB) scheme.
- Capital Works (underspend £2.222 million) – the largest single item of underspending in this category was Windows, Doors and Roofing (underspend £1.372 million). The Covid-19 pandemic was the primary cause of slippage in the programme, which has caused difficulties in obtaining some building materials, most notably roof tiles, which slowed down Roofing Works. Double glazing works were also restricted to emergency repairs only for much of 2020/21.

## Group Accounts

The Council has been required to prepare Group Accounts for the first time in 2020/21 following the formation of the Council’s wholly owned arms-length company “Qualis” in October 2019; the Qualis group comprises four companies (including a holding company) focusing on development, investment and service delivery.

The Group Accounts – which can be found on pages 81 to 85 – present a full picture of the Council’s financial position and its exposure to risk. Transactional volumes were relatively low in 2020/21, but are growing rapidly, so the Group Accounts will assume growing importance in the years ahead.

## COVID-19 Grants

The Council received a totally unprecedented level of grant funding from the Government in 2020/21 (both directly and indirectly via Essex County Council), in relation to the COVID-19 pandemic. Most of the funding was used to provide community support to residents and businesses during the pandemic as part of a wide range of Government schemes, administered locally by the Council. The Council also received significant grant funding from the Government to offset the financial effects of the pandemic, such as the loss of income caused by successive lockdowns and social distancing.

The financial impact of the grants is included within this Statement of Accounts, although specific accounting treatment depends on whether the Council was acting as “Principal” or “Agent” in its administration of each individual scheme.

The Council acted as Agent the following circumstances:

- It was acting as an intermediary between Government and the recipient; and
- It had no “control” of the grant conditions and there was no flexibility in determining the level of grant payable.

Where the Council acted as Principal, it was able to use its discretion when allocating the grant payable.

### **Phase 1 Business Grants (Support to the Community)**

The first major grant announced was the Small Business Grant Fund (SBGF) and Retail, Leisure and Hospitality Grant Fund (RLHGF). The grant details were issued in late March 2020 and the Council initially received £29.770 million to pay these grants on 1st April 2020. As the grant sums payable were £10,000 or £25,000 for each eligible business with eligibility criteria specified by Government, the Council acted as Agent in administering these grants.

A further scheme – the Discretionary Grant Fund – was then introduced, with a maximum allocation of £1,572,500. The Council determined eligibility for these grants and therefore acted as Principal. When the final eligible grants were paid in September 2020, £29,605,000 had been paid in SBGF and RLHGF to 3,102 businesses and £1,497,500 in Discretionary Grants to 184 businesses. A balance of £1,920,000 was returned to the Government. The table below summarises the outcome for 2020/21.

<b>Covid-19 Business Grants: Phase 1 (Community Support)</b>					
<b>Description</b>	<b>Final Allocation</b>	<b>Council as Agent</b>	<b>Council as Principal</b>	<b>Expenditure (2020/21)</b>	<b>Grant Remaining (31/03/21)</b>
	<b>£'s</b>	<b>£'s</b>	<b>£'s</b>	<b>£'s</b>	<b>£'s</b>
Small Business Grants Fund (SBGF)/Retail, Leisure and Hospitality Grant Fund (RLHGF)	29,605,000	29,605,000	0	29,605,000	0
Local Authority Discretionary Fund Grant (LADFG)	1,497,500	0	1,497,500	1,497,500	0
<b>Totals</b>	<b>31,102,500</b>	<b>29,605,000</b>	<b>1,497,500</b>	<b>31,102,500</b>	<b>0</b>

### **Phase 2 Business Grants (Support to the Community)**

The Government subsequently introduced a range of grants under the general heading of Local Restrictions Support Grants (LRSG), covering August 2020 to 31st March 2021. In total, the Council received £15,282,288 in grants across nine separate allocations. Each separate tranche of LRSG had its own eligibility criteria.

Most of the grant funding remained open for final payments beyond 31st March 2021 (with a single exception being the Christmas Support Payments for Wet Led Pubs, whereby the unspent balance was returned to Central Government before the end of the financial year).

The two LRSG grants covering ‘open businesses’ contained discretionary elements, for which the Council determined eligibility, and therefore acted as principal. Funding for these grants totalled £516,508 and at the year-end £220,401 remained to be used in 2021/22.

The remaining seven tranches of LRSG were received to support schemes without a discretionary element (predominantly relating to ‘closed businesses’), with the Council acting as an agent for Central Government. Funding for these grants totalled £14,765,780 and at the year-end £5,106,567 remained unspent.

<b>Covid-19 Business Grants: Phase 2 (Community Support)</b>					
<b>Description</b>	<b>Total Allocation</b>	<b>Council as Agent</b>	<b>Council as Principal</b>	<b>Expenditure (2020/21)</b>	<b>Grant Remaining (31/03/21)</b>
	<b>£'s</b>	<b>£'s</b>	<b>£'s</b>	<b>£'s</b>	<b>£'s</b>
LRSO Closed Addendum	1,905,426	1,905,426	0	1,265,284	640,142
LRSO Addendum Open Pre 5th November 2020	277,704	0	277,704	173,439	104,265
LRSO Closed 2nd December: 18th December 2020	57,802*	57,802	0	57,802	0
LRSO Open 2nd December: 18th December 2020	238,804	0	238,804	122,668	116,136
Christmas Support Payments (Wet Led Pubs)	26,000**	26,000	0	26,000	0
Closed Business Lockdown One-Off Payment	5,715,000	5,715,000	0	3,786,000	1,929,000
LRSO Closed Addendum 5th January – 15th February 2021	2,858,139	2,858,139	0	1,887,429	970,710
LRSO Closed 20th December 2020 – 4th January 2021	1,209,172	1,209,172	0	679,486	529,686
LRSO Closed 16th February 2021 – 31st March 2021	2,994,241	2,994,241	0	1,957,212	1,037,029
<b>Totals</b>	<b>15,282,288</b>	<b>14,765,780</b>	<b>516,508</b>	<b>9,955,320</b>	<b>5,326,968</b>

\*Includes additional allocation of £36,429 underwritten by BEIS (Ref. Para 8, BEIS Guidance: November 2020)

\*\* Unspent balance of £31,600 repaid to BEIS

The remaining LRSO funds as at 31st March 2021 are included in the Council's Balance Sheet as Short-Term Creditors. When the LRSO is eventually closed, there will be a final reconciliation, with any remaining funds repaid to Central Government. The table below summarises the LRSO allocation and expenditure in 2020/21.

#### **Additional Restrictions Grant (ARG)**

In addition to the LRSO, the Government introduced a further discretionary grant scheme the Additional Restrictions Grant (ARG). The Council introduced specific eligibility criteria for grant support based on knowledge of the Epping economy and the local business community. During 2020/21, two rounds of grant were received totalling £3,803,580 for which the Council acted as a principal. By the year end, £2,174,500 had been spent, with £1,629,080 being carried forward within Council reserves.

<b>Additional Restrictions Grant (ARG) – Community Support</b>			
	<b>Allocation/ Council as Principal</b>	<b>Expenditure (2020/21)</b>	<b>Grant Remaining (31/03/21)</b>
	<b>£'s</b>	<b>£'s</b>	<b>£'s</b>
ARG – Initial Allocation	2,633,780	2,174,500	459,280
ARG – Top Up Payment	1,169,800	0	1,169,800
<b>Totals</b>	<b>3,803,580</b>	<b>2,174,500</b>	<b>1,629,080</b>

From 1st April 2021, the Council began administering a new round of business support grants known as Restart Grants and it will continue to administer this grant regime until the closing date for final payments on 31st July 2021.

As outlined in the table below, the COVID-19 pandemic led the Government to introduce a further 13 specific grant regimes for the Council to administer. Each of these grants had its own terms, conditions and eligibility criteria and some had detailed reporting requirements.

In total, £1,604,711 of specific grants were received, with the Council acting as agent for £257,939 and Principal for £1,346,772. At the year-end £726,618 had not been spent and this is available for use in 2021/22.

<b>Specific Grants (Community Support)</b>					
<b>Description</b>	<b>Total Allocation</b>	<b>Council as Agent</b>	<b>Council as Principal</b>	<b>Expenditure (2020/21)</b>	<b>Grant Remaining (31/03/21)</b>
	<b>£'s</b>	<b>£'s</b>	<b>£'s</b>	<b>£'s</b>	<b>£'s</b>
<b><i>Direct (from Central Government)</i></b>					
Compliance & Enforcement	60,135	0	60,135	60,135	0
Test & Trace: £25m Grant Fund	254,189	254,189	0	103,000	151,189
Test & Trace: Discretionary Fund (1)	30,087	0	30,087	30,000	87
Test & Trace: £66m Grant Fund (March 2021 allocation)	3,750	3,750	0	0	3,750
Test & Trace: Discretionary Fund (2) – March 2021 allocation	25,000	0	25,000	0	25,000
Reopening the High Streets Safely	116,694	0	116,694	74,388	42,306
National Leisure Recovery Fund (Sport England)	279,393	0	279,393	279,393	0
<b><i>Indirect (via Essex County Council)</i></b>					
Rough Sleepers (“Everyone In”)	23,190	0	23,190	23,190	0
Compliance & Enforcement	231,906	0	231,906	42,840	189,066
Test & Trace/CEV Support	266,220	0	266,220	96,500	169,720
Contain Outbreak Management Fund (COMF) – via ECC	53,160	0	53,160	23,160	30,000
DEFRA Emergency Assistance Grant	18,987	0	18,987	18,987	0
Essex Business Adaptations Grant (EBAG)	242,000	0	242,000	126,500	115,500
<b>Totals</b>	<b>1,604,711</b>	<b>257,939</b>	<b>1,346,772</b>	<b>878,093</b>	<b>726,618</b>

### Grants to the Council

In addition to Business and Covid grants, the Council also received general (un-ringfenced) grants totalling £4,344,754 to compensate for a range of income losses and additional expenses due to the pandemic. These grants have been included in the general unallocated funding for the Council.

<b>General Grants (Support to the Council)</b>		
<b>Description</b>	<b>2020/21 Allocation</b>	
	<b>£'s</b>	<b>£'s</b>
<i>Covid-19 Emergency Funding:</i>		
Tranche 1	58,652*	
Tranche 2	1,306,973	
Tranche 3	211,407	
Tranche 4	369,599	1,946,631
<i>Sales, Fees &amp; Charges (SFC) Compensation:</i>		
Tranche 1	725,325	
Tranche 2	852,000	
Tranche 3	711,750	2,289,075
New Burdens		76,500
Test & Trace: Administration Fund (1)		27,440
Test & Trace: Administration Fund (2) – March 21 allocation		5,108
<b>Total</b>		<b>4,344,754</b>

\*Received in 2019/20, but carried forward in reserves to support 2020/21 financial position

The Council also received a total of £6,953,152 awarded by the Government in compensation (under Section 31 of the Local Government Act 2003) for Business Rate Reliefs awarded. In addition, the Council also received a Council Tax Hardship Grant of £658,168 from the Government which enabled the awarding of temporary Council Tax discounts to vulnerable residents.

The overall total Covid-related funding that the Council received and/or administered was £63,749,153 and is summarised in the table below.

<b>Description</b>	<b>2020/21 Allocation (£'s)</b>
<b>Community Support</b>	
Business Grants: Phase 1	31,102,500
Business Grants: Phase 2	15,282,288
Additional Restrictions Grant (ARG)	3,803,580
Other Specific Grants	1,604,711
<b>Council Support</b>	
General Grants	4,344,754
Business Rates (additional Section 31)	6,953,152
Council Tax (Hardship)	658,168
<b>Total Additional Funding</b>	<b>£63,749,153</b>

## 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 2020/21 these were found to be adequate and effective. The exception to this, being disaster recovery and the Council is addressing the weaknesses identified.

The Audit and Governance Committee receive regular updates on the Corporate Risk Register and given the opportunity to comment and suggest changes.

The top risks from the Council's Corporate Risk Register as at June 2021 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.
Increase in demand for financial and housing assistance.	The effects of Covid have a detrimental effect on the Council and community including increases in arrears (rent and Council Tax), increases in evictions and homelessness, costs of temporary accommodation, rise in mental health impacts and rise in safeguarding issues including domestic abuse	Virtual customer portal signposting access to a range of help, advice and support services. Development of Community Hubs. Monthly tracking for early identification of spikes in demand.
Financial resilience	Impact of Covid-19 has added to a recent downward trajectory in available reserves	Efficiency savings, financial control, government Covid support packages, Medium Term Financial Plan, Qualis income
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 including priority projects for Covid Economic Recovery
Data/information	Risk of data held by the Council ends up in inappropriate hands. System loss. Breach of the 2018 Data Protection Act (DPA) and the General Data Protection Regulations	Policies and procedures, staff and Member awareness/training, designated Data Protection Officer and Senior Information Risk Owner, officer Strategic Information Governance Group and Information Assets Owners Group



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 criticized for not responding effectively	Corporate business continuity plan, which has been tested through response to Covid-19. Programme of review and updating plans.
Housing Capital Finance	Inability to spend right to buy receipts within timescales and changes to legislation which reduce income to the HRA	Contingency options. Clear visibility around capital funding. HRA finance expert. Action plan following review of finance processes.
Cyber security	Security of the data could be compromised leading to loss of system access and/or data, inability to provide Council services, increased costs, reputation damaged, Ransomware payment, corporate fines	Security officer, security measures, IT monitoring of systems and network, data backup.
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 is being developed.
Accommodation project	Failure of the accommodation project to deliver new ways of agile working and better use of Council assets	Main contractor work completed. Our Way of Working programme promoting agile and flexible working. Work ongoing to find commercial tenant for the second floor

## 5. EXPLANATION OF THE ACCOUNTING STATEMENTS

The Statement of Accounts shows the financial performance for 2020/21 and the financial position as at 31st March 2021. 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 Financial 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 2020/21* ("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.

### **Core Financial Statements**

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

This statement brings together all Council functions and reports on income and expenditure in accordance with International Financial Reporting Standards (IFRS) rather than just the amount to be funded from local taxes, rents and government grants. The difference is accounted for by a series of adjustments made in accordance with regulations. The cost of services within the Comprehensive Income and Expenditure Statement (CIES) follows the reporting structure used by the Council.

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

This statement provides a summary of the movement on the different reserves held by the Council over the course of the financial year. These reserves represent the Council's net worth and are divided into 'unusable', and 'usable' (i.e. those that can currently be used to fund expenditure or support local taxation).

#### **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 is a summary of cash inflows and outflows arising from revenue and capital transactions with third parties.

#### **Notes to the Financial Statements**

The notes provide a better understanding of the financial statements and give further detail about the items contained in the core financial statements along with details of accounting policies used by the Council.

### **Supplementary Financial Statements**

#### **Housing Revenue Account (HRA)**

This account records the Council's statutory obligation to separately account for the cost of the ring-fenced landlord function in respect of the provision of Council Housing.

#### **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.

**Group Accounts**

The Council has a material interest in Qualis. The Group Accounts show the consolidated position of the activities of the Council and Qualis.

**Annual Governance Statement**

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

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

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# Statement of responsibilities



## THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Section 151 Officer) has responsibility for the administration of those affairs
- Manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

Councillor Peter Bolton  
Chairman of the Audit & Governance Committee

February 2024

## THE SECTION 151 OFFICER'S RESPONSIBILITIES

The Section 151 Officer is responsible for the preparation of the 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 85 give a true and fair view of the financial position of the Council as at 31st March 2021 and the income and expenditure for the year then ended.

Andrew Small CPFA  
Strategic Director & Section 151 Officer

February 2024



## **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') and its subsidiaries ('the Group'):

- give a true and fair view of the financial position of the Group and of the Authority as at 31 March 2021 and of the Group's 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 2020/21.

We have audited the financial statements which comprise:

- the Group and Authority Comprehensive Income and Expenditure Statements;
- the Group and Authority Balance Sheets;
- the Group and Authority Movement in Reserves Statements;
- the Group and Authority Cash Flow Statements;
- 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 (2020/21).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK) the Code of Audit Practice, the Local Audit and Accountability Act 2014 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 group and 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.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the Group and the Authority is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

### **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. The Chief Financial Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 2020/21 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 Group's and 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 Group and 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.

### **Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud.**

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

We considered the nature of the Group and its control environment and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations.

We also enquired of management about their own identification and assessment of the risks of non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Finance Act 2012 and Local Government and Housing Act 1989.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. This included relevant employment legislation.

We discussed among the audit engagement team including relevant internal specialists such as valuations specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

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

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

#### ***Use of resources***

Under the Code of Audit Practice and the Local Audit and Accountability Act 2014, we are required to report to you if we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We have nothing to report in respect of this matter.

### **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 the Code of Audit Practice and 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 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 undertake our work 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 2021, as to whether the Authority had proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Authority a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021 by the time of the issue of our audit report. Other findings from our work, including our commentary on the Authority's arrangements, will be reported in our separate Auditor's Annual Report.

### ***Reports in the public interest or to the regulator***

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.

Mohammed Ramzan (Key Audit Partner)

For and on behalf of Deloitte LLP

Birmingham, United Kingdom

\_\_ February 2024



# Comprehensive income and expenditure statement



	Note	2020/21			2019/20		
		Gross Expenditure £000's	Income £000's	Net Expenditure £000's	Gross Expenditure £000's	Income £000's	Net Expenditure £000's
Chief Executive		1,842	-	1,842	2,695	(536)	2,159
Community & Wellbeing Services		4,053	(1,117)	2,936	-	-	-
Commercial & Regulatory Services		-	-	-	4,016	(2,778)	1,238
Community & Partnership Services		-	-	-	4,214	(895)	3,319
Contract & Technical Services		19,932	(4,784)	15,148	11,744	(4,969)	6,775
Corporate Services		976	(742)	234	6,192	(280)	5,912
Customer Services		35,694	(31,240)	4,454	34,311	(29,516)	4,795
Finance & Audit Services		9,380	(85)	9,295	-	-	-
Housing & Property Services		291	(1)	290	3,115	(928)	2,187
Place		1,877	(152)	1,725	-	-	-
Planning Development Services		6,398	(2,317)	4,081	5,186	(1,631)	3,555
Qualis Income Stream		1,946	(1,220)	726	-	-	-
Strategy, Delivery & Performance		1,351	(139)	1,212	-	-	-
Housing Revenue Account		33,453	(34,776)	(1,323)	34,034	(34,745)	(711)
<b>Net Cost of Services</b>		<b>117,193</b>	<b>(76,573)</b>	<b>40,620</b>	<b>105,507</b>	<b>(76,278)</b>	<b>29,229</b>
Other Operating Expenditure	9			2,857			1,505
Financing and Investment Income and Expenditure	10			(5,195)			6,330
Taxation and Non-Specific Grant Income	11			(25,655)			(17,599)
<b>(Surplus)/Deficit on Provision of Services</b>				<b>12,627</b>			<b>19,465</b>
(Surplus) on Revaluation of Property Plant and Equipment	12			(28,958)			(10,294)
Actuarial (Gains)/Losses on Pension Assets/Liabilities				58			(9,894)
<b>Total Comprehensive Income and Expenditure</b>				<b>(16,273)</b>			<b>(723)</b>

# Movement in reserves statement



	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
Movements in 2020/21	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance as at 1st April 2020	6,417	2,030	17,513	8,830	7,123	934	42,846	607,578	650,424
Surplus / (Deficit) on Provision of Services	(11,412)	(1,215)	-	-	-	-	(12,627)	-	(12,627)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	28,900	28,900
<b>Total Comprehensive Income and Expenditure</b>	<b>(11,412)</b>	<b>(1,215)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,627)</b>	<b>28,900</b>	<b>16,273</b>
Adjustment Between Accounting and Funding Basis Under Regulations	15,563	1,037	-	(445)	1,716	-	17,871	(17,871)	-
<b>Net Increase / (Decrease) before Transfer to Earmarked Reserves</b>	<b>4,151</b>	<b>(178)</b>	<b>-</b>	<b>(445)</b>	<b>1,716</b>	<b>-</b>	<b>5,244</b>	<b>11,029</b>	<b>16,273</b>
Transfer to Earmarked Reserves	(6,551)	253	6,298	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>(2,400)</b>	<b>75</b>	<b>6,298</b>	<b>(445)</b>	<b>1,716</b>	<b>-</b>	<b>5,244</b>	<b>11,029</b>	<b>16,273</b>
Reserve movements not associated with the reportable Income and expenditure of the Authority	-	-	-	-	-	(934)	(934)	(72)	(1,006)
<b>Balance as at 31st March 2021</b>	<b>4,017</b>	<b>2,105</b>	<b>23,811</b>	<b>8,385</b>	<b>8,839</b>	<b>-</b>	<b>47,156</b>	<b>618,535</b>	<b>665,691</b>

	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
Movements in 2019/20	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance as at 1st 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 31st 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>

# Balance sheet



	Note	31 March 2021		31 March 2020	
		£000's	£000's	£000's	£000's
<b>Long Term Assets</b>					
Property, Plant & Equipment	12	811,574		780,589	
Heritage Assets		542		542	
Investment Properties	13	147,305		136,418	
Intangible Assets		272		418	
Long Term Debtors	14	41,595		3,713	
<b>Total Long Term Assets</b>			<b>1,001,288</b>	<b>921,680</b>	
<b>Current Assets</b>					
Inventories		56		81	
Debtors	16	36,593		13,843	
Cash & Cash Equivalents	17	10,474		24,722	
			<b>47,124</b>		<b>38,646</b>
<b>Current Liabilities</b>					
Creditors	18	(49,663)		(19,665)	
Provisions	19	(2,244)		(2,145)	
Short Term Loan	15	(62,750)		(14,000)	
			<b>(114,657)</b>		<b>(35,809)</b>
<b>Long Term Liabilities</b>					
Long Term Loans	15	(198,956)		(210,456)	
Pensions Liability	31	(69,108)		(63,636)	
			<b>(268,064)</b>		<b>(274,092)</b>
<b>Total Assets Less Liabilities</b>			<b>665,691</b>	<b>650,424</b>	
Usable Reserves		(47,156)		(42,846)	
Unusable Reserves	20	(618,535)		(607,578)	
			<b>(665,691)</b>	<b>(650,424)</b>	

# Cash flow statement



	Note	2020/21 £000's	2019/20 £000's
Net Surplus/(Deficit) on Provision of Services		(12,627)	(19,465)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	21	51,555	38,631
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	(7,086)	(2,701)
<b>Net cash flows from Operating Activities</b>		<b>31,842</b>	<b>16,465</b>
Net cash flows from Operating Activities		31,842	16,465
Investing Activities	22	(62,360)	(37,956)
Financing Activities	23	16,270	37,635
<b>Net Increase or (Decrease) in cash and cash equivalents</b>		<b>(14,248)</b>	<b>16,144</b>
Cash and Cash Equivalents at the beginning of the reporting period		24,722	8,578
<b>Cash and Cash equivalents at the end of the reporting period</b>	<b>17</b>	<b>10,474</b>	<b>24,722</b>



## Notes to the Statement of Accounts

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# 1. ACCOUNTING POLICIES

## 1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises Epping Forest District Council's transactions for the 2020/21 financial year and its position at the year-end of 31st March 2021. 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 2020/21 (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 its 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 based on 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 1st 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.

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 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 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 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 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.

All material operating leases were required to be recorded on the Balance Sheet from 1st April 2019 in the private sector. However, in the light of Covid-19 pressures, HM Treasury and the Financial Reporting Advisory Board (FRAB) have decided that the original IFRS 16 implementation deadline of 1st April 2020 for the public sector will be deferred further, to accounting periods beginning 1st April 2024.

The Council's current leasing activity (as a lessee) is relatively limited. Nevertheless, a review of the updated leasing position will be undertaken during 2021/22 as part of preparations for completing the Statement of Accounts for 2021/22. 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 numerous 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 range 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 31. The carrying value of the Pensions Liability is (£69.108 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 have also been 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.

At the time of preparing these Statements, it is being widely reported in the media that supply chains especially are being disrupted by labour shortages due to Brexit, with – anecdotally – other impacts also beginning to emerge in the wider economy.

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 had an immediate and profound impact on economies across the world.

As a provider of frontline public services, there were significant operational impacts on Epping Forest District Council as it tried to maintain the delivery of core services, whilst providing additional support to residents and businesses who were facing 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 were maintained, other services – including Leisure Centres – were not able to operate (due to enforced closure) for extended periods throughout the financial year.

Wherever possible, office-based operations have continued through staff working remotely from home. Hybrid working eventually replaced remote working in July 2021.

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 was provided to local 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 faced a range of other financial pressures on its General Fund and Housing Revenue Account (HRA). Most of the revenue impact was felt in this (the 2020/21) financial year and is reflected in these financial statements, with General Fund income from Fees and Charges in particular being affected (see comment below on Leisure Centres), along with general revenue funding, from both Council Tax and Business Rates.

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

The Covid-19 pandemic initially caused extensive disruption to businesses and economic activities and the uncertainties created increased the estimation uncertainty over the valuation of the property portfolio for the Balance Sheet as at 31st March 2020, which led to valuers issuing a "material valuation uncertainty" with their valuations.

However, whilst the pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally, this year (i.e. as at 31st March 2021), some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value.

#### 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 managed to mitigate the scale of their financial losses in the short-term, primarily through the Government's furlough scheme, and was – intermittently – able to resume operations during the year, it still resulted in an inability to maintain the payment of the Management Fee to the Council for the whole of 2020/21 with successive lockdowns and social distancing measures taking their toll. In addition, the Council made ex gratia compensation payments to PL in order to protect leisure services in Epping. Although the Council eventually received some Government compensation, this reflected a relatively small proportion of its overall losses.

At the time of preparing these Statements, PL is still unable to pay the Management Fee, and although operations have now resumed, leisure centre usage is still significantly down compared to pre-pandemic levels. The financial implications for 2020/21 are understood and are reflected in this Statement of Accounts.



The financial implications for 2021/22 are less certain and the Government are being lobbied to provide further compensation to councils facing income losses from Leisure-related fees and charges (including those with outsourced contracts).

## **Reinforced Autoclaved Aerated Concrete (RAAC)**

RAAC is a lightweight material used in the construction of some public buildings between the 1950's and mid 1990's. It is normally found as structural planks and used mostly in flat roofing, but also in some pitched roofs, floors, and external walls. It is less durable than traditional concrete due to its aerated or 'bubbly' nature and can be susceptible to failure when exposed to moisture.

In February 2022, a report was published by the Institute of Structural Engineers RAAC group following an incident in England in 2018 and an initial safety alert in 2019. Following the publication of the Institute's guidance in April 2023, the Council has risk assessed all its Housing Stock (including leasehold) and its portfolio of Operational Buildings (including leisure centres, offices, and depots). Where assessments resulted in any level of risk, further intrusive surveys have been completed to confirm or eliminate the use of RAAC.

All buildings in the Councils' operational and residential portfolio have been eliminated apart from two, almost identical, residential buildings; 35-65 Chapel Road, Epping (roof replacement value of £0.078 million) and 44-68 Chapel Road Epping (roof replacement value of £0.062million). The roof replacement value was estimated as 10% of the buildings' carrying value by the Valuations Office Agency (VOA), the Council's Valuer. Further intrusive tests involving the drilling into roof slabs to check the material used in the construction will take place however, according to the asset management experts, the likelihood of RAAC in these two buildings is low because it was not widely used in housing construction and, the spans of beams are much shorter than those used in schools and many other public buildings meaning that such concrete beams are under less stress and are therefore less likely to fail

## **5. EVENTS AFTER THE BALANCE SHEET DATE**

The draft 2020/21 Statement of Accounts were authorised for issue on 9th September 2021 by Andrew Small (Executive Director & Section 151 Officer).

Where events taking place before this date provided information about conditions existing at 31st March 2021, 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 the early part of 2021/22 in relation to the pandemic, including the lifting of the lockdown and the removal of most restrictions with effect from 19th July 2021 e.g., the anticipated collectability of outstanding debt at 31st March 2021 has declined, which is reflected in further increases to provisions for bad debts.

## 6. EXPENDITURE AND FUNDING ANALYSIS

The objective of the expenditure and funding analysis is to demonstrate to council tax and rent payers how the funding available to the authority (i.e., government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The expenditure and funding analysis also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement

Net Expenditure Chargeable to General Fund & HRA Balances	2019/20			2020/21		
	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	
£000s	£000's	£000's		£000's	£000's	
1,833	326	<b>2,159</b>	Chief Executive	1,774	68	1,842
2,959	360	<b>3,319</b>	Community & Wellbeing Services	2,609	327	2,936
4,248	2,527	<b>6,775</b>	Contract & Technical Services	11,168	3,980	15,148
3,845	2,067	<b>5,912</b>	Corporate Services	(485)	719	234
4,339	456	<b>4,795</b>	Customer Services	3,737	717	4,454
-	-		- Finance & Audit Services	8,699	596	9,295
225	1,962	<b>2,187</b>	Housing & Property Services	(5,983)	6,273	290
1,422	(184)	<b>1,238</b>	Place	1,470	255	1,725
3,278	277	<b>3,555</b>	Planning Development Services	3,539	542	4,081
-	-		- Qualis	(997)	1,723	726
-	-		- Strategy, Delivery & Performance	1,052	160	1,212
(3,732)	3,021	<b>(711)</b>	Housing Revenue Account	(16,428)	15,105	(1,323)
<b>18,417</b>	<b>10,812</b>	<b>29,229</b>	<b>Net Cost of Service</b>	<b>10,155</b>	<b>30,465</b>	<b>40,620</b>
(15,703)	5,939	<b>(9,764)</b>	Other Income and Expenditure	(14,129)	(13,864)	(27,993)
<b>2,714</b>	<b>16,751</b>	<b>19,465</b>	<b>(Surplus) / Deficit</b>	<b>(3,974)</b>	<b>16,601</b>	<b>12,627</b>
28,674			Opening General Fund and HRA Balance	<b>25,960</b>		
<b>25,960</b>			<b>Closing General Fund &amp; HRA Balance at 31st March 2021 (For a split of this balance between the General Fund, HRA and Earmarked Reserves - see the Movement in Reserves Statement)</b>	<b>29,934</b>		

## Adjustments between Funding & Accounting Basis

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total
<b>2020/21</b>	£000's	£000's	£000's	£000's
Chief Executive	1	57	10	68
Community & Wellbeing Services	132	183	12	327
Contract & Technical Services	3,170	741	69	3,980
Corporate Services	84	577	58	719
Customer Services	133	530	54	717
Finance & Audit Services	81	133	382	596
Housing & Property Services	6,136	126	11	6,273
Place	48	181	26	255
Planning Development Services	78	405	59	542
Qualis Group	-		1,723	1,723
Strategy, Delivery & Performance	58	97	5	160
Housing Revenue Account	13,914	1,148	43	15,105
<b>Net Cost of Service</b>	<b>23,835</b>	<b>4,178</b>	<b>2,452</b>	<b>30,465</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	<b>(21,754)</b>	<b>1,234</b>	<b>6,656</b>	<b>(13,864)</b>
<b>Difference between General Fund (Surplus) / Deficit and Comprehensive Income and Expenditure</b>	<b>2,081</b>	<b>5,412</b>	<b>9,108</b>	<b>16,601</b>

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total
<b>2019/20</b>	£000	£000	£000	£000
Office of the Chief Executive	-	338	(12)	326
Business Services	1,560	540	(33)	2,067
Commercial & Regulatory Services	(256)	74	(2)	(184)
Community & Partnership Services	500	(138)	(2)	360
Contract & Technical Services	2,706	(177)	(2)	2,527
Customer Services	659	(204)	1	456
Housing & Property Services	2,000	(43)	5	1,962
Planning Services	436	(161)	2	277
Housing Revenue Account	3,092	(73)	2	3,021
<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</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>

## Income & Expenditure Analysed by Nature

	Chief Executive	Community & Wellbeing Services	Contract & Technical Services	Corporate Services	Customer Services	Finance & Audit Services	Housing & Property Services	Place	Planning Development Services	Qualis Income Stream	Strategy, Delivery & Performance	Housing Revenue Account	Total
2020/21	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, Charges & Other Service Income	-	(649)	(4,642)	(737)	(525)	(79)	(1)	(152)	(1,527)	(1,220)	(128)	(34,776)	(44,436)
Government Grants	-	(468)	(142)	(6)	(30,715)	(6)	-	-	(790)	-	(11)	-	(32,137)
<b>Total Income</b>	<b>-</b>	<b>(1,117)</b>	<b>(4,784)</b>	<b>(743)</b>	<b>(31,240)</b>	<b>(85)</b>	<b>(1)</b>	<b>(152)</b>	<b>(2,317)</b>	<b>(1,220)</b>	<b>(139)</b>	<b>(34,776)</b>	<b>(76,573)</b>
Employee Expenses	785	1,368	5,530	5,957	4,282	2,369	1,111	1,412	3,486	-	804	782	27,886
Other Service Expenses	401	1,197	11,734	3,343	4,940	1,822	1,946	450	1,785	1,946	443	11,145	41,152
Support Service Recharges	656	1,362	(314)	(8,394)	351	5,120	(8,783)	(29)	1,059	-	49	7,260	(1,663)
Asset Charges	-	126	2,984	70	119	69	6,017	44	67	-	55	14,266	23,817
Benefit Payments	-	-	-	-	26,001	-	-	-	-	-	-	-	26,001
<b>Total Expenditure</b>	<b>1,842</b>	<b>4,053</b>	<b>19,934</b>	<b>976</b>	<b>35,693</b>	<b>9,380</b>	<b>291</b>	<b>1,877</b>	<b>6,397</b>	<b>1,946</b>	<b>1,351</b>	<b>33,453</b>	<b>117,193</b>
<b>Net Cost of Service</b>	<b>1,842</b>	<b>2,936</b>	<b>15,150</b>	<b>234</b>	<b>4,453</b>	<b>9,295</b>	<b>290</b>	<b>1,725</b>	<b>4,080</b>	<b>726</b>	<b>1,212</b>	<b>(1,323)</b>	<b>40,620</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
2019/20	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, Charges & Other Service Income	(536)	(280)	(1,973)	(895)	(4,968)	(671)	(371)	(1,785)	(34,745)	(46,224)
Government Grants	-	-	(805)	-	(1)	(28,845)	(557)	154	-	(30,054)
<b>Total Income</b>	<b>(536)</b>	<b>(280)</b>	<b>(2,778)</b>	<b>(895)</b>	<b>(4,969)</b>	<b>(29,516)</b>	<b>(928)</b>	<b>(1,631)</b>	<b>(34,745)</b>	<b>(76,278)</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)	(764)	1,097	1,194	6,558	1,421	286	1,416	17,140	27,652
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>6,192</b>	<b>4,016</b>	<b>4,214</b>	<b>11,744</b>	<b>34,311</b>	<b>3,115</b>	<b>5,186</b>	<b>34,034</b>	<b>105,507</b>
<b>Net Cost of Service</b>	<b>2,159</b>	<b>5,912</b>	<b>1,238</b>	<b>3,319</b>	<b>6,775</b>	<b>4,795</b>	<b>2,187</b>	<b>3,555</b>	<b>(711)</b>	<b>29,229</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 revenue and capital expenditure.

	Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Movements in Unusable Reserves
	£000's	£000's	£000's	£000's	£000's	£000's
<b>2020/21</b>						
<b>Adjustments Involving the Capital Adjustment Account: Exclusions</b>						
Charges for depreciation and impairment of non-current	2,665	8,953	0	0	0	(11,618)
Upward/(Downward) revaluation of non-current assets	5,509	4,623	0	0	0	(10,132)
Movements in the fair value of Investment Properties	(7,377)	(11)	0	0	0	7,388
Amortisation of intangible assets	167	26	0	0	0	(193)
Capital Grants and contributions applied	(680)	0	0	0	680	0
Revenue expenditure funded from Capital under statute	680	0	0	0	0	(680)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	901	1,717	0	0	0	(2,618)
Capital expenditure charged against the General Fund and	(4)	(3,541)	0	0	0	3,545
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	2,097	344	0	0	0	(2,441)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(738)	0	0	0	0	738
<b>Adjustments Primarily Involving the Capital Grants</b>						
Transferred from capital Grants Receipt in Advance	0	0	0	0	(680)	680
<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 and other contributions	(465)	(3,415)	3,880	0	0	0
Transfer from Deferred Capital receipts on receipt of cash	0	0	1,030	0	0	(1,030)
Used to finance new Capital Expenditure	0	0	(4,498)	0	0	4,498
Contribution towards administrative costs of non-current	0	18	(18)	0	0	0
Contribution to finance the payments to the Government capital receipts pool	839	0	(839)	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	(8,867)	0	8,867	0	0
Use of the Major Repairs Reserve to finance new capital	0	0	0	(7,151)	0	7,151
<b>Adjustments involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits	4,330	1,081	0	0	0	(5,411)
<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.	7,394	0	0	0	0	(7,394)
<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.	245	109	0	0	0	(354)
<b>Total Adjustments</b>	<b>15,563</b>	<b>1,037</b>	<b>(445)</b>	<b>1,716</b>	<b>-</b>	<b>(17,871)</b>

	Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Movements in Unusable Reserves
2019/20	£000's	£000's	£000's	£000's	£000's	£000's
<b>Adjustments Involving the Capital Adjustment Account:</b>						
<b>Exclusions</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 debited/credited to the CIES.	(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>

## 8. MOVEMENTS IN EARMARKED RESERVES

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

	Balance 31st March 2019	Transfers Out	Transfers In	Balance 31st March 2020	Transfers Out	Transfers In	Balance 31st March 2021
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>General Fund</b>							
District Development Fund	2,420	(4,840)	2,917	497	-	652	1,149
Invest to Save Reserve	292	-	-	292	-	-	292
Deferred Revenue Income	684	(56)	45	673	(8)	-	665
Insurance Reserve	1,007	(857)	-	150	-	-	150
Building Control	158	-	151	309	(236)	-	73
Museum Fund	94	-	19	113	-	20	133
All Weather Pitch	62	-	27	89	-	15	104
O2 Mast Fund	37	(358)	358	37	(11)	13	39
Rental Loans	378	-	-	378	-	-	378
Small Loans Fund	6	(6)	-	-	-	-	-
S106 Revenue Contributions	37	-	51	88	(46)	43	85
Community Services Projects	334	-	37	371	-	340	711
Garden Town	-	-	537	537	(291)	-	246
Local Plan	-	-	964	964	(590)	-	374
Planning Appeals	-	-	45	45	(3)	-	42
Collection Fund Deficit Reserve	-	-	-	-	-	6,650	6,650
<b>Housing Revenue Account</b>							
Housing Repairs Reserves	692	(442)	-	250	(250)	-	-
Self Financing Reserve	12,720	-	-	12,720	-	-	12,720
<b>Total Earmarked Reserves</b>	<b>18,921</b>	<b>(6,559)</b>	<b>5,151</b>	<b>17,513</b>	<b>(1,435)</b>	<b>7,733</b>	<b>23,811</b>

## 9. OTHER OPERATING EXPENDITURE

	31 March 2021 £000's	31 March 2020 £000's
Parish Council Precepts	3,810	3,651
Payments to the Government Housing Pool	839	1,280
(Gains) / losses on the disposal of non-current assets	(1,793)	(3,426)
<b>Total</b>	<b>2,857</b>	<b>1,505</b>

## 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	31 March 2021 £000's	31 March 2020 £000's
Total Net Surplus from Investment Property	(5,781)	(6,729)
Interest payable and similar charges	6,439	5,721
Pensions interest cost	1,549	1,630
Interest receivable and similar income	(25)	(131)
Changes in Fair Value of Investment Properties	(7,377)	5,838
Changes in Value of Deferred Capital Receipts	-	-
<b>Total</b>	<b>(5,195)</b>	<b>6,329</b>

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

	31 March 2021 £000's	31 March 2020 £000's
Council Tax Income	(12,311)	(12,379)
Non Domestic Rate Income	(8,915)	(12,492)
Non Domestic Rate Tariff Payment and Levy	12,727	11,526
Non-ring fenced Government Grants	(15,084)	(3,969)
Capital Grants and Other Contributions	(2,072)	(285)
<b>Total</b>	<b>(25,655)</b>	<b>(17,599)</b>

## 12. PROPERTY, PLANT AND EQUIPMENT

2020/21

	Council Dwellings & Garages £000's	Other Land & Buildings £000's	Vehicles, Plant & Equipment £000's	Infrastructure Assets £000's	Community Assets £000's	Surplus Assets £000's	Assets Under Construction £000's	Total £000's
<b>Gross Book Value 01 April 2020</b>	688,160	64,285	16,581	9,143	1,143	7,486	9,109	<b>795,907</b>
Additions	12,703	8,282	892	368	0	0	4,854	<b>27,099</b>
Disposals / Impairments	(1,738)	0	(516)	(1,170)	0	0	0	<b>(3,424)</b>
Reclassified in Year	3,598	0	0	0	0	0	(3,598)	<b>0</b>
Reclassified to Investment Property	0	0	0	0	0	(630)	0	<b>(630)</b>
Revaluation Applied to the CIES	(4,734)	(6,103)	0	0	0	594	0	<b>(10,243)</b>
Revaluation Credited to the Revaluation Reserve	28,045	723	0	0	0	190	0	<b>28,958</b>
Accumulated Depreciation & Impairment Written Off on Revaluation	(8,666)	(1,038)	0	0	0	0	0	<b>(9,704)</b>
<b>Gross Book Value 31 March 2021</b>	<b>717,368</b>	<b>66,149</b>	<b>16,957</b>	<b>8,341</b>	<b>1,143</b>	<b>7,640</b>	<b>10,365</b>	<b>827,963</b>
Depreciation 01 April 2020	0	(1,152)	(10,593)	(3,572)	0	(1)	0	<b>(15,318)</b>
Reclassified	0	0	0	0	0	0	0	<b>0</b>
Depreciation in Year	(8,688)	(1,415)	(1,348)	(167)	0	0	0	<b>(11,618)</b>
Depreciation on Disposed Assets	22	0	486	336	0	0	0	<b>844</b>
Accumulated Depreciation & Impairment Written Off on Revaluation	8,666	1,038	0	0	0	0	0	<b>9,704</b>
<b>Depreciation 31 March 2021</b>	<b>0</b>	<b>(1,529)</b>	<b>(11,455)</b>	<b>(3,403)</b>	<b>0</b>	<b>(1)</b>	<b>0</b>	<b>(16,388)</b>
<b>Net Book Value 31 March 2021</b>	<b>717,368</b>	<b>64,620</b>	<b>5,502</b>	<b>4,938</b>	<b>1,143</b>	<b>7,639</b>	<b>10,365</b>	<b>811,575</b>



	Council Dwellings & Garages £000's	Other Land & Buildings £000's	Vehicles, Plant & Equipment £000's	Infrastructure Assets £000's	Community Assets £000's	Surplus Assets £000's	Assets Under Construction £000's	Total £000's
<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's	Other Land & Buildings £000's	Vehicles, Plant & Equipment £000's	Infrastructure Assets £000's	Community Assets £000's	Surplus Assets £000's	Assets Under Construction £000's	Total £000's
<b>Carried Historical Cost</b>	0	0	16,957	8,341	1,143	0	7,565	<b>34,006</b>
<b>Valued at Current Value as from:</b>								
31 March 2021	717,368	30,678	0	0	0	1,390	0	<b>749,436</b>
31 March 2020	0	11,918	0	0	0	6,200	2,800	<b>20,918</b>
28 February 2019	0	23,015	0	0	0	0	0	<b>23,015</b>
28 February 2018	0	0	0	0	0	0	0	<b>0</b>
28 February 2017	0	538	0	0	0	50	0	<b>588</b>
<b>Total Cost or Valuation</b>	<b>717,368</b>	<b>66,149</b>	<b>16,957</b>	<b>8,341</b>	<b>1,143</b>	<b>7,640</b>	<b>10,365</b>	<b>827,963</b>

The useful lives of both dwellings and the components within have been reviewed during 2020/21. 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

### 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.

	31 March 2021 £000's	31 March 2020 £000's
Rental income from investment property	9,421	7,463
Direct operating expenses arising from investment property	(3,640)	(1,247)
<b>Net Gain / (Loss)</b>	<b>5,781</b>	<b>6,216</b>

The following table summarises the movement in fair value of Investment Properties over the year. The largest movement in fair value was a loss in value to a group of 20 retail units in Loughton of £2.525 million; this was due to poor trading conditions experienced during the year as a result of the pandemic. However, the market for industrial units is currently strong which has resulted in an overall increase in value for existing properties of £2.73 million. In addition, new leases have been arranged for land previously owned but without value, showing a gain of £4.65 million. 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 31st March 2021 by Amy Currie MRICS, RICS Registered Valuer (Senior Surveyor) and Jason Sharman MRICS, RICS Registered Valuer (Partner) of Carter Jonas.

Properties Categorised within level 3	31 March 2021 £000	31 March 2020 £000
Balance as at 31 March	136,418	117,011
<b>Balance as at 01 April</b>	<b>136,418</b>	<b>117,011</b>
Reclassified in year	630	-
Acquisition	-	19,834
Repurchased leases	2,681	5,411
Enhancements to existing properties	188	-
Net Gains / (Losses) from fair value adjustments	7,388	(5,838)
<b>Balance at end of the year</b>	<b>147,305</b>	<b>136,418</b>

### 14. LONG TERM DEBTORS

	31 March 2021 £000's	31 March 2020 £000's
Capital Advances (B3 Living)	375	526
Rents to Mortgages	1,549	2,095
Home Assist Loans	267	495
Place Loan	100	100
Qualis Loans	41,250	497
Provision for Credit losses	(1,946)	-
<b>Net Carrying Amount at end of the year</b>	<b>41,595</b>	<b>3,713</b>

The Council is required by accounting standards to make a provision for potential losses in respect of Qualis loans. A total provision of £1.946 million was required for 2020/21 (Nil in 2019/20); this comprises £1.723 million in respect of capital loans and £0.223 in respect of revenue loans. Provisions in respect of capital loans are reversed under statute out in the Movement in Reserves Statement.

## 15. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

	Long-term		Short-term	
	31 March 2021 £000's	31 March 2020 £000's	31 March 2021 £000's	31 March 2020 £000's
<b>Financial liabilities at amortised cost</b>				
Borrowing	198,956	210,456	62,750	14,000
Finance lease liability	-	-	-	-
Trade creditors	-	-	-	-
<b>Total financial liabilities</b>	<b>198,956</b>	<b>210,456</b>	<b>62,750</b>	<b>14,000</b>
<b>Loans and receivables</b>				
Investments	-	-	9,100	-
Debtors	-	2,590	-	-
Cash	-	-	1,374	24,722
Qualis loans	40,050	-	1,200	-
<b>Total financial assets</b>	<b>40,050</b>	<b>2,590</b>	<b>11,674</b>	<b>24,722</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 £36.0 million (£25.0 million in 2019/20) from the PWLB in 2020/21. In all 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 2021 £000's	31 March 2020 £000's	31 March 2021 £000's	31 March 2020 £000's
Interest expense	5,403	(5,721)	-	-
Fee expense	12	-	-	-
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>5,415</b>	<b>(5,721)</b>	<b>-</b>	<b>-</b>
Interest Income	-	-	(819)	131
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>-</b>	<b>(819)</b>	<b>131</b>
<b>Net Gain / (Loss) for the year</b>	<b>5,415</b>	<b>(5,721)</b>	<b>(819)</b>	<b>131</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 2021 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 2021		31 March 2020	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
<b>Financial liabilities held at amortised cost</b>				
Long term borrowing	198,956	236,974	210,456	248,283
Short term borrowing	62,750	62,750	14,000	14,000
Finance lease liabilities				
<b>Total Financial Liabilities</b>	<b>261,706</b>	<b>299,724</b>	<b>224,456</b>	<b>262,283</b>
<b>Financial Assets</b>				
Qualis loans	41,250	32,245	-	-
Short term investments	9,100	9,100	-	-
Cash and cash equivalents	1,374	1,374	24,722	24,722
Long Term Debtors	2,291	3,641	3,713	3,713
<b>Total Financial Assets</b>	<b>54,015</b>	<b>46,360</b>	<b>28,435</b>	<b>28,435</b>

The fair value of borrowings is higher than the carrying amount because the Council's portfolio of loans includes several fixed rate loans where the interest rate payable is higher than the current rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2021) 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	Effect on Fair Values	Effect on Income & Expenditure	Effect on Fair Values	Effect on Income & Expenditure
	31 March 2021 £000's	31 March 2021 £000's	31 March 2020 £000's	31 March 2020 £000's
PWLB	(29,997)	317	(30,466)	-
Qualis Loans	(1,893)	(30)	-	-
<b>Total</b>	<b>(31,890)</b>	<b>287</b>	<b>(30,466)</b>	<b>-</b>

## 16. DEBTORS AND PREPAYMENTS

	31 March 2021 £000's	31 March 2020 £000's
Government Departments and Other Local Authorities	24,832	3,706
Council Tax Arrears	69	619
NDR Arrears	1,025	427
Housing Rent Arrears	169	254
Sundry Debtors	9,758	8,001
Prepayments & Deposits	739	836
<b>Total</b>	<b>36,593</b>	<b>13,842</b>

Council Tax and Business Rates arrears shown above, and the related Bad Debt Provisions relate only to the Council's share 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 2021 £000's	31 March 2020 £000's
Cash	4	4
Bank Current Accounts	1,370	24,718
Investment MMF	9,100	-
<b>Total Cash and Cash Equivalents</b>	<b>10,474</b>	<b>24,722</b>

## 18. CREDITORS

	31 March 2021 £000's	31 March 2020 £000's
Government Departments and Other Local Authorities	26,192	8,733
Council Tax	14	227
Non Domestic Rates	403	389
Housing Rents	690	330
Sundry Creditors	11,166	4,643
Accruals and Deferred Income	5,217	5,343
Covid Grants	5,262	-
Qualis	719	-
<b>Total Creditors</b>	<b>49,663</b>	<b>19,665</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, the Provision for Appeals.

## 19. PROVISIONS

A provision for Business Rates Appeals is retained. This reflects the Council's share (40%) of the potential liability for successful appeals lodged by local businesses against the Rateable Value of the premises that they occupy, and therefore the potential need for the Council to refund Business Rates paid in 2020/21 and prior years.

The overall liability is shared with Central Government (50%), Essex County Council (9%) and Essex Fire Service (1%), and the movements in the year are presented in the table below.

	31 March 2021 £000's	31 March 2020 £000's
<b><u>Business Rates Appeals</u></b>		
Opening Balance 1st April	2,145	1,255
Amounts Used in Year	(509)	(70)
Additional Provision Provided	608	960
<b>Closing Balance</b>	<b>2,244</b>	<b>2,145</b>

## 20. UNUSABLE RESERVES

	31 March 2021 £000's	31 March 2020 £000's
Revaluation Reserve	225,718	200,246
Capital Adjustment Account	431,212	467,374
Pension Reserve	(69,108)	(63,637)
Deferred Capital Receipts Reserve	38,191	3,325
Collection Fund Adjustment Account	(6,769)	626
Accumulated Absences Account	(709)	(355)
<b>Total Unusable Reserves</b>	<b>618,535</b>	<b>607,579</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 2021 £000's	31 March 2020 £000's
<b>Balance as at 01 April</b>	<b>200,246</b>	<b>194,661</b>
Opening Balance Adjustment	13	
Upward Revaluation of Assets	30,911	13,876
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services.	(1,952)	(3,900)
<b>Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services</b>	<b>28,959</b>	
Difference between fair value depreciation and historical cost depreciation	(2,477)	(2,633)
Accumulated Gains on assets sold or scrapped	(1,023)	(1,758)
<b>Amount written off to the capital adjustment account</b>	<b>(3,500)</b>	
<b>Balance as at 31st March</b>	<b>225,718</b>	<b>200,246</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31 March 2021 £000's	31 March 2020 £000's
<b>Balance as at 01 April</b>	<b>(626)</b>	<b>(2,297)</b>
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	7,395	1,671
<b>Balance as at 31 March</b>	<b>6,769</b>	<b>(626)</b>

## Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties.

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

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

	31 March 2021 £000's	31 March 2020 £000's
<b>Balance as at 01 April</b>	<b>467,374</b>	<b>471,421</b>
Adjustment to Opening Balance	25	25
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement		
Charges for depreciation and impairment of PPE	(11,618)	(11,550)
Revaluation Gains / (Losses) on Property, Plant and Equipment	(10,243)	(9,566)
Revenue Expenditure Funded from Capital under Statute	(680)	(12)
Amounts for non-current assets written off on disposal or sale as part of gain / loss on Amortisation of Intangible Assets	(192)	(371)
Repayment Lease	-	1,745
	(25,351)	(20,347)
Adjusting Amounts Written Out of the Revaluation Reserve	3,500	3,500
Net written out amount of the cost of non-current assets consumed in the year	<b>445,548</b>	<b>453,707</b>
Capital Financing Applied in the Year		
Use of the Capital Receipts Reserve to Finance New Capital Expenditure HRA	3,261	3,608
Use of the Capital Receipts Reserve to Finance New Capital Expenditure General Fund	1,237	-
Use of the Major Repairs Reserve to Finance New Capital Expenditure	7,151	10,581
Capital Grants Credited to the CIES that have been applied to Capital Financing	680	558
Statutory Provision for the Financing of Capital Investments Charged against the General Fund and HRA Balances	(38,336)	-
Capital Expenditure Charged against the General Fund and HRA Balances	3,545	4,430
	(22,462)	
Movement in the Market Value of Investment Properties debited or credited to the CIES	7,388	(5,838)
Statutory Provision for the financing of capital investment charged against the General	738	328
<b>Balance as at 31st March</b>	<b>431,212</b>	<b>467,374</b>

## 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.

	31 March 2021 £000's	31 March 2020 £000's
<b>Balance as at 01 April</b>	<b>(63,637)</b>	<b>(69,848)</b>
Remeasurements of the net defined liability / (asset)	(4,568)	9,894
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(5,834)	(8,431)
Employers pensions contributions and direct payments to pensioners payable in the year	4,931	4,748
<b>Balance as at 31 March</b>	<b>(69,108)</b>	<b>(63,637)</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.

	31 March 2021 £000's	31 March 2020 £000's
<b>Balance as at 01 April</b>	<b>3,325</b>	<b>3,325</b>
Statutory Provision for the Financing of Capital Investments and Loans Charged against the General Fund and HRA Balances	36,613	-
Impairment Charges in Relation to advances charged to the CIES	(708)	-
Transfer to Capital Receipts Reserve upon receipt of cash	(1,039)	-
<b>Balance as at 31 March</b>	<b>38,191</b>	<b>3,325</b>

## 21. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items.

	31 March 2021 £000's	31 March 2020 £000's
Interest Received	819	180
Interest Charge for the Year	(6,488)	(5,453)
<b>Total</b>	<b>(5,669)</b>	<b>(5,273)</b>

The surplus or deficit on the provision of services has been adjusted for the following non-cash items.

	31 March 2021 £000's	31 March 2020 £000's
Depreciation	11,618	11,634
Amortisation	192	237
Impairment and upward revaluations	2,897	11,119
Increase / (decrease) in creditors	28,973	6,497
(Increase) / decrease in interest and dividend	-	3
(Increase) / decrease in debtors	(1,769)	2,115
(Increase) / decrease in inventories	25	28
Pension Liability	5,349	3,683
Carrying amount of Non-Current Assets sold	4,259	2,351
Other Non-Cash Items Charged to the Net Surplus or deficit on the Provision of Services	10	964
<b>Total</b>	<b>51,555</b>	<b>38,631</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 2021 £000's	31 March 2020 £000's
Capital creditors including capital grants received in advance	(3,536)	81
Proceeds from the sale of property and equipment, investment property and intangible assets	(3,550)	(2,782)
<b>Total</b>	<b>(7,086)</b>	<b>(2,701)</b>

## 22. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	31 March 2021 £000's	31 March 2020 £000's
Purchase of Property, Plant and Equipment, Investing Property	(30,063)	(44,184)
Purchase of Short-term and Long-term Investments	(41,500)	-
Other Payments for Investing Activities	-	(590)
Proceeds from Sale of Property, Plant and Equipment, Investment	3,550	2,782
Proceeds from Short-term and Long-term Investments	-	-
Other Receipts from Investing Activities	5,653	4,036
<b>Total</b>	<b>(62,360)</b>	<b>(37,956)</b>

## 23. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31 March 2021 £000's	31 March 2020 £000's
Billing Authorities - Council Tax and NDR adjustments	(20,980)	(1,365)
Cash receipts of short and long term borrowing	37,250	39,000
<b>Total</b>	<b>16,270</b>	<b>37,635</b>

## 24. MEMBER ALLOWANCES

	31 March 2021 £000's	31 March 2020 £000's
Allowances	332	353
Expenses	-	6
<b>Total Member Allowances</b>	<b>332</b>	<b>359</b>

## 25. OFFICER REMUNERATION

	2020/21				
	Salary (including fees and allowances)	Benefits in Kind	Pension Contributions	Redundancy	Total Remuneration including Pension Contributions
	£'s	£'s	£'s	£'s	£'s
Chief Executive - Georgina Blakemore	152,374	1,310	28,931	-	182,615
Chief Operating Officer	147,878	-	5,282	-	153,161
Strategic Director	104,960	-	22,252	-	127,212
Service Director - Planning & Development	80,276	774	16,854	-	97,905
Service Director - Community Services	63,429	684	12,731	-	76,844
Service Director - Contract & Technical Services	80,276	774	16,854	-	97,905
Service Director - Customer Services	80,276	774	16,854	-	97,905
Service Director - Corporate Services	80,276	774	14,045	-	95,096
Project Director - HRA	78,343	-	16,463	-	94,807
Project Director - Community & Wellbeing	76,584	-	15,973	-	92,557
Harlow & Gilston Garden Town Director	59,151	3,095	12,294	-	74,539
<b>Total</b>	<b>1,003,826</b>	<b>8,187</b>	<b>178,535</b>	<b>-</b>	<b>1,190,547</b>

	2019/20				
	Salary (including fees and allowances)	Benefits in Kind	Pension Contributions	Redundancy	Total Remuneration including Pension Contributions
	£'s	£'s	£'s	£'s	£'s
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	-	79,353
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	-	101,073
Director of Contract & Technical Services	86,041	1,287	13,770	-	101,098
Director of Customer Services	85,978	1,239	13,761	-	100,978
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>155,266</b>	<b>98,706</b>	<b>1,308,309</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 2019/20).

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. The table includes senior officers listed above. The increase in employees captured in the bandings in 2020/21 has increased overall, although that is primarily due to several employees moving just above the lower threshold and into the lowest (£50,000 to £54,999) band, following the annual pay award. The bandings have remained unchanged for several years, which means that (ignoring all other factors), general pay inflation will result in a gradual increase in the number of employees captured over time.

	31 March	
	2021 No of Employees	2020 No of Employees
<b>Remuneration Band</b>		
£50,000 - £54,999	18	1
£55,000 - £59,999	7	4
£60,000 - £64,999	16	11
£65,000 - £69,999	3	7
£70,000 - £74,999	-	13
£75,000 - £79,999	3	-
£80,000 - £84,999	4	1
£85,000 - £89,999	-	-
£90,000 - £94,999	-	6
£95,000 - £99,999	-	-
£100,000 - £104,999	1	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£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	2	-
£150,000 - £154,999	1	1
£155,000 - £159,999	-	-
£160,000 - £164,999	-	-
£165,000 - £169,999	-	-
£170,000 - £174,999	-	-
£175,000 - £179,999	-	1
£180,000 - £184,999	-	-
£185,000 - £189,999	-	-
£190,000 - £194,999	1	-
£195,000 - £199,999	-	-
£230,000 - £234,999	-	1
<b>Total</b>	<b>56</b>	<b>48</b>

Employee contracts terminated in 2020/21, are summarised in the table below.

Termination Benefits	2020/21			
	No of Compulsory Redundancies	No of Other Departures	Total No of Exit Packages	Total Cost of Exit Packages in Each Band
				£'s
<b>Exit Package Cost Band (including special payments)</b>				
£0 - £20,000	13	11	24	205,487
£20,001 - £40,000	2	4	6	188,432
£40,001 - £60,000	1	1	2	106,857
£60,001 - £80,000	2	-	2	151,635
£80,001 - £100,000	-	-	-	-
above £100,000	1	-	1	143,647
<b>Total Cost Included in Bandings and in the CIES</b>	<b>19</b>	<b>16</b>	<b>35</b>	<b>796,058</b>

Termination Benefits	2019/20			
	No of Compulsory Redundancies	No of Other Departures	Total No of Exit Packages	Total Cost of Exit Packages in Each Band
				£'s
<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	104,264
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	2	2	181,259
above £100,000	-	-	-	-
<b>Total Cost Included in Bandings and in the CIES</b>	<b>-</b>	<b>15</b>	<b>15</b>	<b>549,113</b>

## 26. EXTERNAL AUDIT FEES

The following fees have been paid for services carried out by public sector appointed auditors for 2020/21.

	31 March 2021 £000's	31 March 2020 £000's
External Audit Services (Deloitte)	80	98
Certification of Grant Claims & Returns (BDO)	21	21
Other Services	-	-
<b>Total External Audit Fees</b>	<b>101</b>	<b>119</b>

## 27. GRANTS AND CONTRIBUTIONS

The Council credited the following grants and contributions to the CIES.

	31 March 2021 £000's	31 March 2020 £000's
<b>Credited to Taxation and Non-Specific Grant Income</b>		
New Homes Bonus	1,077	1,049
S31 Small Business Rate Relief	9,570	2,821
Community Projects	11	94
COVID 19 Support for the Authority	4,236	-
Other	190	5
<b>Total Grants and Contributions</b>	<b>15,084</b>	<b>3,969</b>

	31 March 2021 £000's	31 March 2020 £000's
<b>Credited to Services</b>		
Department for Work and Pensions	26,188	28,672
Department for Communities and Local Government (MHCLG)	5,832	1,190
Homes England (MHCLG)	1,048	-
Essex County Council	1,518	1,686
Arts Council	8	-
Essex Police, Fire & Crime Commissioner	21	109
Town and Parish Councils	168	14
Broxbourne Borough Council	35	79
National Heritage	-	85
Harlow Borough Council	102	83
East Herts District Council	102	82
Uttlesford District Council	10	-
Tendring District Council	3	-
Action For Children	-	30
West Essex CCG	92	20
Corporate Contribution To The One Partnership	-	10
Other	87	19
National Arts Collection Fund	32	-
Sports Council	279	-
Royal Opera House	7	-
<b>Total Grants and Contributions</b>	<b>35,530</b>	<b>32,079</b>

## 28. 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 former 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 2020/21, £446,299 was paid to Fortismere Associates for Local Plan project management and 'critical friend' support (£126,210 in 2019/20).

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.

***Entities Controlled or Significantly Influenced by the Council***

The Council has a 100% shareholding in four companies:

- Qualis Group Limited
- Qualis Commercial Limited
- Qualis Management Limited; and
- Qualis Living Limited.

The companies were incorporated in October 2019. The Council has made loans to Qualis Group of £42.0 million up to 31st March 2021 at commercial rates of interest with a fixed repayment schedule; a total of £750,000 (excluding interest) had been repaid by 31st March 2021.

Qualis Management Limited has provided the Housing Repairs service to the Council since October 2020; the Council paid £3.318 million for this service in 2020/21 (£2.886 million Revenue plus £0.432 million Capital). The Council is also paid by Qualis for the provision of seconded staff, accommodation and support services. Group Accounts for the Council, including the Qualis companies, are shown later in this Statement of Accounts (pages 81 to 85).

## Central Government

The 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).

The 2020/21 financial year was unprecedented in terms of financial transactions with Central Government, with the Council receiving £63.749 million in additional grants from the Government (either directly, or indirectly via Essex County Council) due to the Covid-19 pandemic. The Financial Review (pages 7 to 15) sets out full details.

## 29. 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 2021 £000's	31 March 2020 £000's
<b>Opening Capital Financing Requirement</b>	<b>250,331</b>	<b>226,002</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	27,099	18,422
Investment Properties	2,869	25,245
Revenue Expenditure Funded from Capital Under Statute	680	12
Private Sector Housing Loans	612	-
Intangible Assets	60	-
Qualis Loans	36,000	56
<b>Sources of Finance</b>		
Capital Receipts	(4,497)	(3,608)
Government Grants and Other Contributions	(2,225)	(459)
Major Repairs Reserve	(7,151)	(10,581)
Direct Revenue Contributions	(2,000)	(4,430)
Minimum Revenue Provision	(738)	(328)
<b>Closing Capital Financing Requirement</b>	<b>301,040</b>	<b>250,331</b>

## 30. 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 2021 £000's	31 March 2020 £000's
<b>Assets Leased to Third Parties</b>		
<b>Land and Buildings</b>		
Shops (including shopping park)	5,316	5,951
Industrial and Commercial	2,449	1,529
Other	341	873
<b>Total Rental Receivable</b>	<b>8,106</b>	<b>8,353</b>

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

	31 March 2021		31 March 2020	
	Receipts Due between 2 and 5 Years £000's	Total Receipts Due Thereafter £000's	Receipts Due between 2 and 5 Years £000's	Total Receipts Due Thereafter £000's
<b>Land and Buildings</b>				
Shops (including shopping park)	17,276	15,042	20,322	27,851
Industrial and Commercial	6,316	50,329	5,039	51,764
Other	1,279	25,909	2,671	30,446
<b>Total</b>	<b>24,871</b>	<b>91,280</b>	<b>28,032</b>	<b>110,061</b>

Gross Amount of Assets Held for Use in Operating Leases:

Gross Amount of Assets Held for Use in Operating Leases	31 March 2021 £000's	31 March 2020 £000's
<b>Land and Buildings</b>		
Shops	92,363	89,725
Industrial Units	35,996	32,011
Other and Commercial	18,946	16,290
<b>Total Assets</b>	<b>147,305</b>	<b>138,026</b>

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

## 31. 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. It is a 'funded scheme' meaning that the Council and its employees pay contributions into a fund calculated at a level intended to balance the pensions liabilities with investment assets.

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

The 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 2020/21, 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, many pension schemes have adjusted 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	
	2021 £000	2020 £000
Service Cost	4,147	6,751
Net Interest Charged	1,571	1,630
Administration Expenses	116	50
<b>Net Charge made to the CIES</b>	<b>5,834</b>	<b>8,431</b>
<b>Re-Measurements in Other Comprehensive Income</b>		
Return on Fund Assets in Excess of Interest	41,186	(12,231)
Other Actuarial Gains / (Losses)	-	1,611
Changes in Financial Assumptions	(50,958)	22,153
Change in Demographic Assumptions	2,441	1,072
Experience Gain / (Loss) on Defined Benefit	2,763	(2,711)
<b>Re-Measurement of the Net</b>	<b>(4,568)</b>	<b>9,894</b>
<b>Pension Assets and Liabilities Recognised in the Balance</b>		
Present Value of the Funded Obligation	256,735	214,582
Present Value of the Unfunded Obligation	2,583	2,671
Fair Value of Scheme Assets	(190,210)	(153,616)
<b>Net Liability in the Balance Sheet</b>	<b>69,108</b>	<b>63,637</b>

Reconciliation of the Fair Value of the Scheme Liabilities				
	Unfunded Liabilities		All Funded/Unfunded Local Government Scheme	
	2021 £000	2020 £000	2021 £000	2020 £000
Net pensions liability at 1 April	(2,671)	(3,007)	(217,253)	(232,288)
Current Service Cost	0	0	(7,422)	(6,176)
Interest Cost	(49)	(69)	(4,473)	(5,504)
Change in Financial Assumptions	(193)	99	(50,958)	22,153
Change in Demographic Assumptions	34	4	2,441	1,072
Experience Gain	39	24	2,763	(2,711)
Liabilities Assumed / (Extinguished) on Settlements	0	0	9,080	0
Estimated Benefits Paid	0	0	8,045	7,665
Past Service Cost Including Curtailments	0	0	(485)	(575)
Contributions by Scheme Participants	0	0	(1,313)	(1,167)
Unfunded Pension Payments	257	278	257	278
<b>Net Pension Liability at 31 March</b>	<b>(2,583)</b>	<b>(2,671)</b>	<b>(259,318)</b>	<b>(217,253)</b>



<b>Reconciliation of the Fair Value of the Scheme Assets</b>		
	<b>31 March</b>	
	<b>2021 £000</b>	<b>2020 £000</b>
Fair Value of the Plan Assets at 1 April	153,616	162,440
Interest on Assets	2,902	3,874
Return on Assets less Interest	41,186	(12,231)
Other Actuarial Gains / (Losses)		1,611
Administration Expenses	(116)	(50)
Employer Contributions including Unfunded	4,931	4,748
Contributions by Scheme Participants	1,313	1,167
Benefits Paid	(8,302)	(7,943)
Settlement Prices Received / (Paid)	(5,320)	-
<b>Fair Value of the Plan Assets at 31 March</b>	<b>190,210</b>	<b>153,616</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 gain on assets less interest in the year was £41.2 million (£12.2 million loss for 2019/20).

<b>Scheme History</b>					
	<b>2020/21 £000's</b>	<b>2019/20 £000's</b>	<b>2018/19 £000's</b>	<b>2017/18 £000's</b>	<b>2016/17 £000's</b>
Present Value of Liabilities	(256,735)	(214,582)	(229,281)	(223,074)	(220,002)
Fair Value of Assets	190,210	153,616	162,440	148,214	138,881
Present Value of Unfunded Obligation	(2,583)	(2,671)	(3,007)	-	-
<b>Surplus / (Deficit) in the Scheme</b>	<b>(69,108)</b>	<b>(63,637)</b>	<b>(69,848)</b>	<b>(74,860)</b>	<b>(81,121)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £69.1 million in the balance sheet has decreased the reported net worth of the Council by 9.4% (8.9% 2019/20).

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 31st March 2022 is £4.4million. The Service Cost is expected to be £8.8million for the year to 31st March 2022.

### **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 2020.

The principal assumptions used by the actuary have been as follows.

	2021	2020
<b><u>Life Expectancy Assumptions</u></b>		
Longevity at 65 for current pensioners in years:		
Men	22	22
Women	24	24
Longevity at 65 for future pensioners in years:		
Men	23	23
Women	25	25
<b><u>Other Assumptions</u></b>		
Rate of inflation RPI	3.2%	2.70%
Rate of inflation CPI	2.8%	1.90%
Rate of increase in salaries	3.8%	2.90%
Rate of increase in pensions	2.8%	1.90%
Rate for discounting scheme liabilities	2.0%	2.35%

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

	31 March 2021		31 March 2020	
	£000	%	£000	%
Equities	116,955	62%	89,918	59%
Government Bonds	4,883	3%	6,621	4%
Other Bonds	9,495	5%	9,307	6%
Property	13,476	7%	13,814	9%
Cash / Liquidity	8,932	5%	6,385	4%
Alternative Assets	21,867	12%	17,694	12%
Other Managed Funds	13,669	7%	9,877	6%
<b>Total</b>	<b>189,277</b>	<b>100%</b>	<b>153,616</b>	<b>1.0</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 2020 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 2021	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	254,656	259,318	264,070
Projected Service Cost	8,558	8,823	9,096
<b>Adjustment to Long Term Salary Increase</b>	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	259,699	259,318	258,939
Projected Service Cost	8,828	8,823	8,818
<b>Adjustment to Pension Increases and Deferred Revaluation</b>	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	263,647	259,318	255,066
Projected Service Cost	9,093	8,823	8,560
<b>Adjustment to Mortality Age Rating Assumptions</b>	+1year	none	-1year
Present Value of Total Obligation	272,584	259,318	246,734
Projected Service Cost	9,229	8,823	8,432

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	5,765
<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

## 32. 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 2020/21 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 exposure to the Council's customers. Credit risk for Qualis loans is discussed in Note 19.

### Investments

The risk is minimised through the annual Investment Strategy, which requires that deposits are made with the Government, other local authorities, and A- (as a minimum) credit-rated Banks, Building Societies, Registered Providers (e.g. Housing Associations) and Money Market Funds.

It should 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 £10 million 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 (£10 million) 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 2021, 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 2021**

	<b>Credit Rating Criteria Met</b>	<b>Up to 1 Month £000</b>	<b>1 - 3 Months £000</b>	<b>4 - 6 Months £000</b>	<b>7 - 12 Months £000</b>	<b>Greater than 12 Months £000</b>	<b>Total £000</b>
Banks UK	Yes	1,370	0	0	0	0	1,370
Money Market Funds	Yes	9,100	0	0	0	0	9,100
<b>Total</b>		<b>10,470</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,470</b>

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

	<b>Credit Rating Criteria Met</b>	<b>Up to 1 Month £000</b>	<b>1 - 3 Months £000</b>	<b>4 - 6 Months £000</b>	<b>7 - 12 Months £000</b>	<b>Greater than 12 Months £000</b>	<b>Total £000</b>
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>

**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.

	<b>31 March 2021</b>		
	<b>Amount £000</b>	<b>Default Risk Judged %</b>	<b>Bad Debt Provision £000</b>
Sundry Debtors	13,338	26.8	3,580
Housing Arrears	928	81.8	759
<b>Net Charge made to the CIES</b>	<b>14,266</b>		<b>4,339</b>

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

The credit risk in relation to counterparty investments is relatively small as the likelihood of default is also small. A risk arises with Sundry Debtors, Housing and Taxation Debtors, because 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 (PWLB), 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 manages the 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 2021 was as follows.

		31 March 2021 £000's	% of Total Debt Portfolio	Cash Flows including Interest £000's
<b>Short Term Borrowing</b>	<b>Less than 1 Year</b>	<b>62,750</b>	<b>24%</b>	<b>79,187</b>
Long Term Borrowing	Over 1 but not Over 2	450	0%	6,812
	Over 2 but not Over 5	1,350	1%	20,367
	Over 5 but not Over 10	32,250	12%	63,099
	Over 10 but not Over 15	2,250	1%	30,341
	Over 15 but not Over 20	122,250	47%	143,815
	Over 20 but not Over 25	35,906	14%	37,863
	Over 25	4,500	2%	5,313
<b>Long Term Borrowing</b>		<b>198,956</b>	<b>100%</b>	<b>307,611</b>

The maturity analysis of the nominal value of the Council's debt at 31st March 2020 was as follows.

		31 March 2020 £000's	% of Total Debt Portfolio	Cash Flows including Interest £000's
<b>Short Term Borrowing</b>	<b>Less than 1 Year</b>	<b>14,000</b>	<b>0%</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%	17,618
	Over 5 but not Over 10	-	0%	29,214
	Over 10 but not Over 15	-	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>

## 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 2021, 88% of the debt portfolio was held in fixed rate instruments and 12% in variable rate instruments.

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

	2021 £000's	2020 £000's
Increase in interest payable on variable rate borrowing	318	318
Increase in interest receivable on variable rate investments	(1)	-
<b>Impact on Surplus or Deficit on the Provision of</b>	<b>317</b>	<b>318</b>
<b>Share of overall impact debited/(credited) to HRA</b>	<b>317</b>	<b>318</b>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. 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.

## 33. CAPITAL COMMITMENTS

The Council has a large Housing Development Programme, which is currently being rolled out over the district. Total contractual commitments – with multiple suppliers – of £24.927 million have been made to enable the development of Phases 4.1, 4.2, 4.3 and 4.4 (“Phase 4”) of the Programme.

As at 31st March 2021, contracted development works (including construction works and associated professional services) to a value of £4.763 million had been completed and invoiced on Phase 4 of the Programme and are reflected in the transactions presented in these financial statements.

The remaining contractual commitments on Phase 4 of the Housing Development Programme as at 31st March 2021 total £20.164 million, and are expected to be met over the next three financial years as follows:

- 2021/22 - £11,801,935
- 2022/23 - £8,081,053
- 2023/24 - £280,803.

# Housing revenue account income and expenditure statement



	Note	2020/21 £000	2019/20 £000
<b>Income</b>			
Dwelling Rents	3	(32,034)	(31,698)
Non Dwelling Rents		(772)	(809)
Charges for Services and Facilities		(1,623)	(1,564)
Leaseholder Contributions		-	(328)
Revaluation of Fixed Assets	1	(346)	-
<b>Total Income</b>		<b>(34,775)</b>	<b>(34,399)</b>
<b>Expenditure</b>			
Repairs and Maintenance	4	8,639	6,565
Supervision and Management		8,811	9,070
Revaluation of Fixed Assets		5,318	7,620
Rents, Rates, Taxes and Insurance		519	486
Revenue Expenditure funded from Capital under Statute		-	328
Depreciation and Amortisation	8/9	9,239	8,674
Debt Management		71	64
Provision for bad and doubtful debt		13	366
<b>Total Expenditure</b>		<b>32,610</b>	<b>33,174</b>
<b>Net Cost of Services as Included in the Comprehensive Income and Expenditure Statement</b>		<b>(2,165)</b>	<b>(1,225)</b>
HRA services share of Corporate Expenses		813	496
HRA services share of Other Services		29	18
<b>Net Cost (Income) of HRA Services</b>		<b>(1,323)</b>	<b>(711)</b>
HRA Share of the Income and Expenditure included in the Comprehensive Income and Expenditure Statement		(1,323)	(711)
Capital Grants and Contributions		(1,392)	(103)
Gain on Sale of HRA Non-Current Assets		(1,812)	(1,899)
Interest Payable and similar charges		5,403	5,721
Interest and Investment Income		(49)	(314)
Valuation changes Rent to Mortgage		-	-
Changes in Fair Value of Investment Properties		-	-
Pensions Interest / Return on Assets		387	352
<b>(Surplus) / Deficit for the Year on HRA Services</b>		<b>1,214</b>	<b>3,045</b>

## Movement on Housing Revenue Account Statement

The Housing Revenue Account (HRA) 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 Council Tax; and
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits earned.

The HRA Statement compares the Council's spending against the income that it raised for the year, taking account of 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 HRA Income and Expenditure Statement and the HRA balance.

Note 7 details the source of all the transactions posted to the HRA, 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>2020/21 £000's</b>	<b>2019/20 £000's</b>
(Surplus)/ deficit for the year on the Housing Revenue Account Income and Expenditure Statement		1,214	3,045
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	<b>10</b>	(1,036)	(2,318)
Transfers to Earmarked Reserves	<b>10</b>	(253)	(442)
<b>(Increase) / decrease in the Housing Revenue Account</b>		<b>(75)</b>	<b>285</b>
Housing Revenue Account Surplus Brought Forward		(2,030)	(2,315)
<b>Housing Revenue Account Surplus Carried Forward</b>		<b>(2,105)</b>	<b>(2,030)</b>



## 1. HOUSING REVENUE ACCOUNT ASSET VALUATION

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

	Operational Assets						Investment Properties	Total
	Land	Dwellings	Garages	Vehicles & Equipment	Other Land & Buildings	Other		
2020/21	£000	£000	£000	£000	£000	£000	£000	£000
<b>Gross Book Value 01 April 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>
Additions	-	12,694	9	5	-	5,222	-	17,930
Disposals / impairments	(608)	(1,130)	-	(487)	-	-	-	(2,225)
Reclassified in year	1,259	2,339	-	-	-	(3,598)	-	0
Revaluations applied to the CIES	(1,657)	(3,077)	-	-	-	-	11	(4,723)
Revaluation credited to the	9,838	18,083	124	-	-	-	-	28,045
Accumulated depreciation and impairment written off on revaluation	-	(8,513)	(153)	-	-	-	-	(8,666)
<b>Gross Book Value 31 March 2021</b>	<b>243,832</b>	<b>469,975</b>	<b>3,560</b>	<b>3,147</b>	<b>1,379</b>	<b>15,322</b>	<b>150</b>	<b>737,365</b>
Depreciation 01 April 2020	-	-	-	(2,238)	(36)	(1,029)	-	(3,255)
Reclassified	-	-	-	-	-	-	-	0
Depreciation in year	-	(8,535)	(153)	(153)	(26)	(87)	-	(8,954)
Depreciation on disposed assets	-	22	-	467	-	-	-	489
Accumulated depreciation and	-	8,513	153	-	-	-	-	8,666
<b>Depreciation 31 March 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,924)</b>	<b>(62)</b>	<b>(1,116)</b>	<b>-</b>	<b>(3,102)</b>
<b>Net Book Value 31 March 2021</b>	<b>243,832</b>	<b>469,975</b>	<b>3,560</b>	<b>1,223</b>	<b>1,317</b>	<b>14,206</b>	<b>150</b>	<b>734,263</b>
<b>Net Book Value 01 April 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>

2019/20	Operational Assets						Investment Properties	Total
	Land	Dwellings	Garages	Vehicles & Equipment	Other Land & Buildings	Other		
	£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	-	<b>29,440</b>
Disposals / impairments	(777)	(1,442)	-	-	-	(13,114)	-	<b>(15,333)</b>
Reclassified in year	19	35	-	-	49	-	-	<b>103</b>
Revaluations applied to the CIES	(2,668)	(4,956)	1	-	(49)	-	-	<b>(7,672)</b>
Revaluation credited to the Revaluation Reserve	(177)	(1)	(216)	-	-	753	-	<b>359</b>
Accumulated depreciation and impairment written off on revaluation	-	(8,248)	(159)	-	(49)	-	-	<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>

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 based on secured tenancies. The corresponding value of those Dwellings if sold on the open market without tenants (i.e. vacant possession) is £1,869,297,500 based on stock figures from 31st March 2021 and values as at 1st April 2020. 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 6,437 dwellings during 2020/21 (6,421 in 2019/20). 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 2021 £000	31 March 2020 £000
Stock as at 1 April	6,421	6,376
Less: Sales	(14)	(22)
Stock Transfers / Other Movements	-	-
New Properties	18	66
<b>Stock as at 31 March</b>	<b>6,437</b>	<b>6,421</b>
Number of: Houses and Bungalows	3,496	3,466
Flats and Maisonettes	2,887	2,901
Other	54	54
<b>Stock as at 31 March</b>	<b>6,437</b>	<b>6,421</b>

## 3. GROSS DWELLING RENT INCOME

During 2020/21:

- 1.37% (1.14% in 2019/20) of all lettable dwellings were vacant
- Average rents were £99.35 per week including affordable rents, an increase of £2.85 or 2.95%, on the previous year
- 40.0% (41.0% in 2019/20) of Council tenants received some help through rent rebates in 2020/21
- Rent arrears reduced to £928,435 (£1,092,146 in 2019/20), which represents 2.60% (3.45% in 2019/20) of gross dwelling rent income.
- The provision for bad and doubtful debts on these arrears amounted to £759,173 (£837,832 in 2019/20)
- Amounts written off during the year totalled £91,581 (£73,849 in 2019/20); 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:

	2020/21		2019/20	
	£000's	£000's	£000's	£000's
Balance as at 1 April		(250)		(692)
Contribution from the HRA	(8,252)		(6,000)	
Other Income	(137)		(123)	
<b>Total Income</b>		<b>(8,389)</b>		<b>(6,123)</b>
Responsive and Void Repaired	6,306		4,471	
Planned Maintenance	2,333		2,071	
Other			23	
<b>Total Expenditure</b>		<b>8,639</b>		<b>6,565</b>
<b>Balance as at 31 March</b>		<b>-</b>		<b>(250)</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 2020/21; the real cost of retirement benefits is therefore reversed out of the Housing Revenue Account after Net Operating Expenditure.

## 6. HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS

The Council received £3,749,060 in respect of HRA capital receipts during 2020/21 (£4,147,294 in 2019/20). The receipts came from the sale of Council Houses £3,415,800 (£4,064,500 in 2019/20), Right to Buy ("RTB") discounts repaid £58,491 (£82,794 in 2019/20), "Rent to Mortgage" sales £203,000 (Nil in 2019/20), and other sales £71,769 (Nil in 2019/20). The receipts have been allocated in accordance with the prescribed proportions - £1,945,004 (£2,790,735 in 2019/20) for House Building projects, £18,200 (£28,600 in 2019/20) to offset the Cost of Administration of the Sales, £839,313 (also £839,313 in 2019/20) to be paid over to the Central Government Pool, with the remainder of £946,543 (£488,646 in 2019/20) available to fund other capital projects.

## 7. HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

The HRA incurred the following capital expenditure:

<b>Capital Expenditure</b>	<b>2020/21 £000's</b>	<b>2019/20 £000's</b>
Council Dwellings	6,692	8,847
House Building and Developments	10,552	6,879
Disabled Adaptations	500	497
Plant, Vehicles and Equipment	8	214
Environmental Works	178	899
<b>Total Expenditure</b>	<b>17,930</b>	<b>17,336</b>
<i>Financed by:</i>		
Revenue	2,000	4,430
Major Repairs Reserve	7,151	10,581
Capital Receipts	3,261	1,951
Other Contributions	1,541	374
Borrowing	3,977	-
<b>Total Financing</b>	<b>17,930</b>	<b>17,336</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:

	2020/21		2019/20	
	£000	£000	£000	£000
Balance as at 1 April		(7,123)		(9,125)
Depreciation Transferred from the HRA	(8,867)		(8,579)	
Used to Fund Capital Expenditure on Council Dwellings Transferred to the HRA	7,150		10,581	-
<b>Total Expenditure</b>		<b>(1,717)</b>		<b>2,002</b>
<b>Balance as at 31 March</b>		<b>(8,840)</b>		<b>(7,123)</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 £113,000 (2019/20 £95,000) in the 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

	2020/21	2019/20
	£000's	£000's
<b>Amounts to be Excluded</b>		
Transfer from Major Repairs Reserve and Other Depreciation Reversals and Impairments	(112)	(142)
Revaluation of Council Dwellings and Garages	(4,622)	(7,620)
Movements in the fair value of investment	11	-
Leaseholder contributions	-	(328)
Revenue Expenditure Funded from Capital Under Statute	-	-
Deferred receipt rents to mortgages	(343)	-
Gain / (loss) on disposal of HRA Fixed Assets	1,680	1,790
Flexi / leave accruals	(109)	34
HRA share of contributions to / (from) Pensions Reserve	(2,227)	(1,855)
<b>Total of Amounts to be Excluded</b>	<b>(5,722)</b>	<b>(8,121)</b>
<b>Amounts to be Included</b>		
Leaseholder contributions	-	328
Employers contributions payable to the Pension Fund	1,145	1,045
Capital expenditure funded by the HRA	2,000	4,430
Capital contributions applied	1,541	-
<b>Total of Amounts to be Included</b>	<b>4,686</b>	<b>5,803</b>
<b>Net increase/(decrease) before transfers to / from Reserve</b>	<b>(1,036)</b>	<b>(2,318)</b>
<b>Transfers to /from Earmarked Reserves</b>		
Housing Repairs Fund	(250)	(442)
Section 106	(3)	-
<b>Total Transfers To Earmarked Reserves</b>	<b>(253)</b>	<b>(442)</b>
<b>Total</b>	<b>(1,289)</b>	<b>(2,760)</b>

## 11. TRANSFER TO SELF FINANCING RESERVE

The HRA Self-Financing Reserve was set up for the purpose of receiving a transfer of £3.18 million per annum to accumulate enough funds to repay a £31.8 million variable-rate 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 £12.72 million, 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.

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# Collection fund



	Note	2020/21			2019/20		
		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	(99,840)		(99,840)	(96,717)	-	(96,717)
Non Domestic Rates	2		(19,287)	(19,287)	-	(34,552)	(34,552)
<b>Total Income</b>		<b>(99,840)</b>	<b>(19,287)</b>	<b>(119,127)</b>	<b>(96,717)</b>	<b>(34,552)</b>	<b>(131,269)</b>
<b>Expenditure</b>							
<b>Precepts and Demands</b>							
Essex County Council		72,303	3,133	75,436	68,806	3,086	71,892
Essex Police		10,871	-	10,871	10,451	-	10,451
Essex Fire Authority		4,044	348	4,392	3,924	343	4,267
Epping Forest District Council		12,154	13,927	26,081	11,908	13,714	25,622
<b>Distribution of Estimated Collection Fund Surplus/(Deficit)</b>	3						
Essex County Council		687	175	862	687	67	754
Essex Police		104	-	104	95	-	95
Essex Fire Authority		39	19	58	40	7	47
Epping Forest District Council		119	777	896	122	297	419
<b>Non Domestic Rate</b>							
Payment to Central Government		-	17,408	17,408	-	17,143	17,143
Repayment of Deficit		-	971	971	-	372	372
Transitional Protection		-	5	5	-	216	216
Cost of Collection Allowance		-	173	173	-	173	173
Provision for Appeals		-	(1,272)	(1,272)	-	2,224	2,224
Provision for Non Payment		793	1,520	2,313	1,622	602	2,224
Write Offs		-	185	185	277	106	383
<b>Total Expenditure</b>		<b>101,114</b>	<b>37,369</b>	<b>138,483</b>	<b>97,932</b>	<b>38,350</b>	<b>136,282</b>
<b>Deficit / (Surplus) for the Year</b>		<b>1,274</b>	<b>18,082</b>	<b>19,356</b>	<b>1,215</b>	<b>3,798</b>	<b>5,013</b>
<b>Balance Brought 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>
<b>Balance Carried Forward</b>		<b>1,098</b>	<b>16,583</b>	<b>17,681</b>	<b>(176)</b>	<b>(1,499)</b>	<b>(1,675)</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: 54,729 for 2020/21 (54,159 for 2019/20). The basic amount of Council Tax for a Band D property of £1,746.09 for 2020/21 (£1,688.31 for 2019/20) is multiplied by the proportion specified for the band to give an individual amount due.

Total income of £99,840,261 for 2020/21 (£96,716,640 for 2019/20) was receivable from Council Taxpayers.

	Dwellings shown in the Valuation List	Chargeable Dwellings after Discount, Exemptions and Disabled	Ratio to Band D	Band D Equivalents
Band A Disabled	-	5	5/9	2.78
Band A	1,943	1,551	2/3	1,034.14
Band B	5,085	4,157	7/9	3,233.59
Band C	11,719	10,445	8/9	9,284.76
Band D	14,090	12,884	1/1	12,883.86
Band E	9,971	9,248	11/9	11,302.71
Band F	6,927	6,528	13/9	9,429.86
Band G	6,087	5,774	5/3	9,623.43
Band H	1,183	1,114	2/1	2,228.40
<b>Total Band D</b>				<b>59,024</b>
Less Band D equivalents entitled to Council Tax Support				3,462
<b>Total Band D Equivalents</b>				<b>55,562</b>
Less Adjustment for Collection Rate				833
<b>Council Tax Base</b>				<b>54,729</b>

## 2. NON-DOMESTIC RATES

Non-Domestic Rates are organised on a national basis. The Government specifies an amount, 49.9p (small business) and 51.2p (others) in 2020/21, (49.1p (small business) 50.4p (others) in 2019/20) 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 2020/21 this Council paid a tariff of £10,880,558 (£10,706,120 in 2019/20).

If the Council increases its Business Rates base, and therefore its income, it's allowed to retain a proportion of the 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; authorities 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 £97,215,126 (£96,356,039 in 2019/20).



### **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.

# Group accounts



## Introduction

In order to present a full picture of the Council's financial position and its exposure to risk, the Group Accounts show the combined position of the Council and its subsidiary companies.

The Qualis group of companies was incorporated in October 2019. The Council has owned 100% of the shares for the whole life of all of the companies. The Qualis group comprises four companies:

- Qualis Group Ltd – a holding company
- Qualis Commercial Ltd – a development company
- Qualis Living Ltd – an investment company; and
- Qualis Management Ltd – a services company.

With effect from 5th October 2020, Qualis Management Ltd has provided the main part of the Repairs and Maintenance service for the Council's housing stock.

## Accounting Policies

The Qualis group of companies initially had a financial year from 1st November to 31st October, but this has now been amended to run from 1st October to 30th September. These Group Accounts have been prepared using the best estimates provided by the group of activities from 1st April 2020 to 31st March 2021 and of the financial position of the group as at 31st March 2021.

Qualis investment property is included at acquisition cost as no revaluation has been undertaken as at 31st March 2021.

Qualis companies' policy is to classify some expenditure on preparation and planning for future contracts as "prepayments" and this expenditure is included in the Group Balance Sheet within Debtors and Prepayments.

The activities of Qualis companies in 2019/20 were considered financially immaterial to the Council as a whole, so Group Accounts were not prepared for that period, and consequently comparative figures for 2019/20 are not presented.

## Group Comprehensive Income and Expenditure Statement

	2020/21			2019/20		
	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Net Cost of Continuing Operations</b>	119,473	(78,853)	40,620	-	-	-
Other Operating Expenditure			7,505			-
Financing and Investment Income and Expenditure			(4,402)			-
Taxation and Non-Specific Grant Income			(25,655)			-
<b>(Surplus)/Deficit on Provision of Services</b>			18,068			-
(Surplus) on Revaluation of Property Plant and Equipment			(28,958)			-
Actuarial (Gains)/Losses on Pension Assets/Liabilities			58			-
<b>Total Comprehensive Income and Expenditure</b>			(10,832)			-

## Group Balance Sheet

	31 March 2021		31 March 2020	
	£000's	£000's	£000's	£000's
<b>Long Term Assets</b>				
Property, Plant & Equipment	811,697		-	
Heritage Assets	542		-	
Investment Properties	168,098		-	
Intangible Assets	272		-	
Assets held for sale	-		-	
Long Term Debtors	<u>2,291</u>		<u>-</u>	
<b>Total Long Term Assets</b>		<b>982,900</b>		-
<b>Current Assets</b>				
Inventories	56		-	
Debtors and Prepayments	40,332		-	
Short Term Temporary Investments	-		-	
Cash & Cash Equivalents	<u>26,027</u>		<u>-</u>	
		<b>66,415</b>		-
<b>Current Liabilities</b>				
Creditors	(51,080)		-	
Provisions	(4,190)		-	
Short Term Loan	<u>(23,000)</u>		<u>-</u>	
		<b>(78,270)</b>		-
<b>Long Term Liabilities</b>				
Long Term Loans	(238,706)		-	
Pensions Liability	<u>(72,497)</u>		<u>-</u>	
		<b>(311,203)</b>		-
<b>Total Assets Less Liabilities</b>		<b>659,842</b>		-
Usable Reserves	(44,667)		-	
Unusable Reserves	(615,175)		-	
		<b>(659,842)</b>		-

## Group Cash Flow Statement

	2020/21 £000's	2019/20 £000's
Net Surplus/(Deficit) on Provision of Services	(18,068)	-
Adjustments to net surplus or deficit on the provision of services for non-cash movements	56,092	-
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(7,086)	-
	<b>30,938</b>	-
Net cash flows from Operating Activities	30,938	-
Investing Activities	(46,315)	-
Financing Activities	16,270	-
<b>Net Increase or (Decrease) in cash and cash equivalents</b>	<b>893</b>	-
Cash and Cash Equivalents at the beginning of the reporting period	25,134	-
<b>Cash and Cash equivalents at the end of the reporting period</b>	<b>26,027</b>	-

## Group Movement in Reserves Statement

	Single Entity (EFDC)									Qualis		Group		
	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	Qualis Usable Reserves	Qualis UnUsable Reserves	Group Total Usable Reserves	Group Total Unusable Reserves	Group Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Movements in 2020/21</b>														
Balance as at 1 April 2020	6,417	2,030	17,513	8,830	7,123	934	42,846	607,578	650,424	(406)	-	42,440	607,578	650,018
Surplus / (Deficit) on Provision of Services	(13,912)	(1,215)	-	-	-	-	(15,127)	-	(15,127)	(5,470)	-	(20,597)	-	(20,597)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	28,900	28,900	29	-	29	28,900	28,929
<b>Total Comprehensive Income and Expenditure</b>	<b>(13,912)</b>	<b>(1,215)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,127)</b>	<b>28,900</b>	<b>13,773</b>	<b>(5,441)</b>	<b>-</b>	<b>(20,568)</b>	<b>28,900</b>	<b>8,332</b>
Adjustment Between Accounting and Funding Basis Under Regulations	15,563	1,148	-	(445)	1,716	-	17,982	(17,982)	-	3,359	(3,359)	21,341	(21,341)	-
<b>Net Increase / (Decrease) before Transfer to Earmarked Reserves</b>	<b>1,651</b>	<b>(67)</b>	<b>-</b>	<b>(445)</b>	<b>1,716</b>	<b>-</b>	<b>2,855</b>	<b>10,918</b>	<b>13,773</b>	<b>(2,082)</b>	<b>(3,359)</b>	<b>773</b>	<b>7,559</b>	<b>8,332</b>
Transfer to Earmarked Reserves	(4,051)	253	6,298	-	-	-	2,500	-	2,500	-	-	-	-	2,500
<b>Increase / (Decrease) in Year</b>	<b>(2,400)</b>	<b>186</b>	<b>6,298</b>	<b>(445)</b>	<b>1,716</b>	<b>-</b>	<b>5,355</b>	<b>10,918</b>	<b>16,273</b>	<b>(2,082)</b>	<b>(3,359)</b>	<b>773</b>	<b>7,559</b>	<b>10,832</b>
Other Adjustments	-	(111)	-	-	-	(934)	(1,045)	39	(1,006)	-	-	-	-	(1,006)
<b>Balance as at 31 March 2021</b>	<b>4,017</b>	<b>2,105</b>	<b>23,811</b>	<b>8,385</b>	<b>8,839</b>	<b>-</b>	<b>47,156</b>	<b>618,535</b>	<b>665,691</b>	<b>(2,488)</b>	<b>(3,359)</b>	<b>43,213</b>	<b>615,137</b>	<b>659,844</b>

## G1. OTHER OPERATING EXPENDITURE

Net expenditure of Qualis companies for the period ending 31 March 2021 was £5,444,000, which included £3,359,000 of the net pension liability.

## G2. INVESTMENT PROPERTY

	31 March 2021 EFDC (Single entity) Note 13 £000	31 March 2021 EFDC GROUP £000's	31 March 2020 EFDC (Single entity) Note 13 £000
Balance as at 31 March	136,418	136,418	117,011
<b>Balance as at 01 April</b>	<b>136,418</b>	<b>136,418</b>	<b>117,011</b>
Reclassified in year	630	630	-
Acquisition	-	20,793	19,834
Repurchased leases	2,681	2,681	5,411
Enhancements to existing properties	188	188	-
Net Gains / (Losses) from fair value adjustments	7,388	7,388	(5,838)
<b>Balance at end of the year</b>	<b>147,305</b>	<b>168,098</b>	<b>136,418</b>

## G3. LONG TERM DEBTORS

	31 March 2021 EFDC (Single entity) Note 14 £000	31 March 2021 EFDC GROUP £000's	31 March 2020 EFDC (Single entity) Note 14 £000
Capital Advances (B3 Living)	375	375	526
Rents to Mortgages	1,549	1,549	2,095
Home Assist Loans	267	267	495
Place Loan	100	100	100
Qualis Loans	41,250	-	497
<b>Net Carrying Amount at end of the year</b>	<b>43,541</b>	<b>2,291</b>	<b>3,713</b>

## G4. CASH AND CASH EQUIVALENTS

	31 March 2021 EFDC (Single entity) Note 17 £000	31 March 2021 EFDC GROUP £000's	31 March 2020 EFDC (Single entity) Note 17 £000
Cash	4	4	4
Bank Current Accounts	1,370	16,923	24,718
Investment MMF	9,100	9,100	-
<b>Total Cash and Cash Equivalents</b>	<b>10,474</b>	<b>26,027</b>	<b>24,722</b>

## G5. PENSIONS

Net pension liability in Qualis subsidiaries was calculated in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to employees of Qualis Management (the Employer) as at 31 March 2021.

Further information about the LGPS can be found in Note 31 of the EFDC Single entity accounts

<b>Comprehensive Income and Expenditure Statement</b>	<b>31 March 2021 EFDC (Single entity) Note 31 £000</b>	<b>31 March 2020 EFDC (Single entity) Note 31 £000</b>
<b>Pension Assets and Liabilities Recognised in the Balance Sheet</b>		
Present Value of the Funded Obligation	256,735	214,582
Present Value of the Unfunded Obligation	2,583	2,671
Fair Value of Scheme Assets	(190,210)	(153,616)
<b>EFDC Net Liability in the Balance Sheet</b>	<b>69,108</b>	<b>63,637</b>
Group - Net Liability in Qualis subsidiaries	3,389	-
<b>EFDC GROUP Net Liability in the Balance Sheet</b>	<b>72,497</b>	<b>63,637</b>



# Annual governance statement



## 1. Scope of responsibility

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

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

The Council has approved and adopted a Local Code of Governance (last updated January 2021), 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 31st March 2021 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 2020/21 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 2021.
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 Operating Officer, the Strategy, Delivery & Performance Director, 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 Plan 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 2020) along with anti-fraud and corruption strategy (which was reviewed and approved by the Audit and Governance Committee in January 2021) 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 2020/21.

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

On 23rd 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

Despite coronavirus 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 and holding Cabinet, Council and committee meetings virtually. There has been no significant detriment on the Council's ability to deliver its services.

The Corporate Governance Group has undertaken an assessment of the arrangements for governance during 2020/21 including a review of the assurance checklists and statements submitted by managers. It has concluded that arrangements are fit for purpose and working effectively, and this has been endorsed by SLT (Senior Leadership Team). As a result of this assessment, a small number of other governance issues have been identified and in order to further strengthen arrangements, as detailed 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 2020/21 to address the issue
1	Risk Management and lessons learnt	<p>It was important that the Council continued to monitor (and where required) mitigate risks to the Council's objectives, not only those relating to coronavirus.</p> <p>Risks have continued to be routinely scrutinised by both SLT and the Audit and Governance Committee. And is being informed through the Council's Covid-19 recovery groups.</p> <p>Lessons learnt are been built into the Council's accommodation project including how and where staff will be allowed to work going forward.</p>
2	Financial resilience	<p>The Council's financial planning process, and the Council's Medium-Term Financial Strategy in particular was reviewed in detail as the Council has maintained financial stability. Coupled with close monitoring of budgets against actuals throughout 2020/21.</p>

3	Ensuring the health and safety of staff, partners and the public in the way it delivers its services	The Council kept under constant review Health and Safety measures both within the Council and across the district to ensure government legislation and guidance was being followed regarding Covid-19, especially where the Council was delivering its services.
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>The permanent Qualis Group Board has been in place since October 2020 and is made up of a combination of independent non-executives, including an independent Chairman, Council officers and Council members. The Section 151 Officer acts on behalf of EFDC as the main conduit with Qualis Group and other Qualis companies and ensures there is regular reporting by Qualis to the Council.</p> <p>An internal audit of Qualis governance provided substantial assurance over the governance arrangements for Qualis Group Limited.</p>
Common theme from the Service Assurance Statements was:		
5	Project management processes: Need for consistent approach	<p>A fundamental refresh of the Council's project management framework has been undertaken and roll out commenced at the start of 2021/22.</p> <p>This is being overseen by the Portfolio Governance Group, a group of senior leaders, including Strategic Directors, Service Directors, IT Service Manager, Finance Service Manager, People Service Manager and Customer Service Manager. The Group sets the direction of the delivery of projects.</p>
6	Documented procedures and guidance notes to support critical functions	Work has been progressing with this as the issue was identified in several 2019/20 internal audits; and was not a common theme of 2020/21 audits
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 started with Health and Safety. Completion of a suite of mandatory H&S online courses took place, the outcomes assessed, and pockets of non-compliance actively pursued. This approach is being rolled out further in 2021/22 via the Strategic Information Governance Group, starting with data protection and security training and awareness

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 2021/22**

No.	Objective	Risk area/action plan for 2020/21
1	Ensuring the health and safety of staff, partners and the public in the way it delivers its services	As in 2020/21 the Council will keep under review Health and Safety measures both within the Council and across the district to ensure government legislation and guidance is being followed regarding the country's recovery from Covid-19, especially where the Council is delivering its services.
2	Financial Management Code review	<p>2020/21 saw the introduction of CIPFA's Financial Management Code 2019. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management.</p> <p>An assessment will be undertaken to ensure the Council can demonstrate compliance with the Code. If there are deficiencies, an action plan will be developed to address these.</p>
3	Statement of Accounts	<p>Due to both technical and resource issues on the part of the External Auditors and the Council there has been a delay in the final approval of the 2018/19 and 2019/20 accounts. This may impact on the approval of the final accounts for 2020/21, the date of publication (which is also the target date for the completion of the external audit) is 30 September 2021.</p> <p>A restructure of the accountancy team and a review of Council processes will be undertaken to mitigate the risk of future delays for subsequent years production and approval of the Council's Statement of Accounts.</p>
4	Disaster recovery (DR)	<p>An Internal Audit found significant deficiencies in the Council's IT Disaster Recovery management control framework, which led to the Chief Internal Auditor's giving a qualified opinion for 202/21. This is a known problem and extensive work commenced prior to the audit to strengthen this.</p> <p>Progress against the recommendations made will be closely monitored by the Corporate Governance Group and any slippage reported to the Audit and Governance Committee.</p>
Common themes from the Service Assurance Statements were:		
5	Risk management and business/service planning	Work commenced in 2020/21 to better align service/business plans and risk management processes. This will continue in 2021/22

6	Financial Regulations	Financial Regulations are due to be reviewed in 2021/22. There was a general consensus that officers would welcome guidance and training on the Council's Financial Regulations. There will be a joined-up approach between Finance, HR and Internal Audit to ensure this is both proportionate and targeted.
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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

February 2024

Signed

Councillor Chris Whitbread  
Leader of the Council

February 2024

**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.
<b>Examples supporting the Annual Governance Statement (AGS) 2020/21</b>						
<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>
<b>An active Corporate Governance Group which takes charge of the Annual Governance Statement</b>						



# Glossary of terms



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

## **ACCOUNTING PERIOD**

This is the period 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 pariah 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.



# Glossary of pension related terms



## **ACTUARIAL GAINS AND LOSSES**

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

- 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.