



Epping Forest District Council
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STATEMENT OF ACCOUNTS 2018/19



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Further copies of this report are available from the Councils website, following the URL below:
<http://www.eppingforestdc.gov.uk/index.php/home/file-store/category/373-statements-of-accounts>

Narrative Report

1. INTRODUCTION TO EPPING FOREST DISTRICT COUNCIL

Epping Forest District in Essex takes its name from the forest which runs from the Greater London border in the south up through the district northwards. The district also shares boundaries with Hertfordshire and four other Essex districts. The district, which is a mixture of rural and urban areas, has a population of approximately 130,300 people and covers an area of 131 square miles. The key population centres are the commuter towns of Buckhurst Hill, Chigwell and Loughton which are all located in the south of the district and contain more than half of the district's population, but only covers 5% of the total area of the district. Then there are also the market towns of Epping, Waltham Abbey and Ongar and numerous villages and hamlets which are situated in attractive countryside and are scattered across the remaining 95% of the district. The district has good transport links, with both the M25 and M11 running through it and crossing at Theydon Garnon. The area is also serviced by the London Underground Central Line and an over ground rail line.

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

The residents of the district are considered to be affluent and enjoy good standards of education with 83% of pupils attending good or outstanding schools; there are 71% of students wanting to go to university; there are low levels of unemployment with many residents commuting to jobs in London and 85% of the residents saying they feel safe. However, there are areas of deprivation with 13% of children in low income families, and there are health issues to tackle with over 20% of adults smoking which is higher than the national average and 64% of adults are overweight. Another issue to address is, that with the life expectancy in the district being higher than the national average, the district has an aging population which puts pressure on both NHS and local government services.

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

Forecasts suggest that the population of the district could rise significantly from the current 130,000 over the next twenty years. A key factor in this estimated growth is that life expectancy in the district is higher than the national average and rising; projections indicate that over 55% of the district's population will be aged over 60 by 2020. Additional properties will be built over the coming years to assist in accommodating the rising population expected.

2. PERFORMANCE AGAINST CORPORATE OBJECTIVES

The previous Corporate Plan ran from 2015 to 2020. A review of this was undertaken in 2017/18 and an updated Corporate Plan was produced. In carrying out the review views were sought from our residents, local businesses, partners, staff and councillors to ensure our plan remained up-to-date and focussed on our customers. The updated Corporate Plan was adopted by full Council on 21 December 2017 and it runs from 2018-2023.

The Corporate Plan 2018-2023 has three interdependent drivers, i.e. the reasons for doing the work we will do, and these have been identified as our corporate ambitions

- Stronger Communities
- Stronger Place; and
- Stronger Council

The financial year 2018/19 is the first year of the Council working towards delivering the ambitions, aims and objectives of its Corporate Plan 2018-2023.

The success of the Corporate Plan is assessed through the achievement of a set of benefits, each measured through one or more performance indicators, focussed on what the Council achieves for customers. During the year the Management Board, the Transformation Programme Board, the Finance and Performance Management Cabinet Committee, Cabinet and select Committees (i.e. the 3 select Committees being Communities, Neighbourhoods and Resources) have had overview and scrutiny roles to drive improvement in performance and ensure corrective action is taken where necessary.

Under each ambition there is a set of strategic aims and each of these is supported by key objectives. Performance against the key objectives has been monitored throughout the year and reported on a quarterly basis to Member meetings of both the Executive and Overview and Scrutiny Committee.

A detailed report on the Council's performance will be presented to the Finance and Performance Management Committee on 20 June 2019. A summary of the performance during 2018/19 is given below.

The 'Stronger Communities' ambition has 3 strategic aims supported by 6 key objectives. During 2018/19 out of the 13 operational objectives set 12 were achieved and 8 of the 9 performance indicators that were measured were achieved.

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

The 'Stronger Place' ambition also has 3 strategic aims which are supported by 7 key objectives. During 2018/19 all of the 10 operational objectives set were achieved, however only 4 of the 10 performance indicators that were measured were fully achieved.

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

Then finally the 'Stronger Council' ambition has 4 strategic aims supported by 6 key objectives. During 2018/19 all of the 12 operational objectives set were achieved and 6 of the 9 performance indicators that were measured were fully achieved.

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

3. FINANCIAL PERFORMANCE

Below is a summary review of net expenditure and financing for 2018/19.

General Fund

The table below summarises the revenue outturn for the General Fund and the consequential movement in balances for 2018/19.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Net Expenditure after Adjustments	13,208	13,574	12,854	(354)	(720)
Government Grants and Local Taxation	(12,902)	(12,760)	(13,565)	(663)	(805)
(Contribution to)/from Balances	306	814	(711)	(1,017)	(1,525)
Opening Balances - 1/04/2018	(6,726)	(6,726)	(6,726)	0	0
(Contribution to)/from Balances	306	814	(711)	(1,017)	(1,525)
Closing Balances - 31/3/19	(6,420)	(5,912)	(7,437)	(1,017)	(1,525)

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

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening CSB	13,361	13,023	12,825	(536)	(198)
In Year Growth	1,956	2,271	829	(1,127)	(1,442)
In Year Savings	(3,409)	(3,020)	(1,610)	1,799	1,410
Total CSB	11,908	12,274	12,044	136	(230)
Transfer to/(from) DDF	1,300	1,300	(500)	(1,800)	(1,800)
Total All CSB Items	13,208	13,574	11,544	(1,664)	(2,030)
DDF/ITS - Expenditure	4,940	5,170	3,795	(1,145)	(1,375)
DDF/ITS - One Off Savings/Income	(658)	(2,152)	(1,899)	(1,241)	253
Total DDF/ITS	4,282	3,018	1,896	(2,386)	(1,122)
Total Net Expenditure	17,490	16,592	13,440	(4,050)	(3,152)

Net CSB expenditure for 2018/19 totalled £11.544 million, which was £1.664 million (12.6%) below the original estimate agreed in February 2018 and £2.030 million (15.0%) below the revised estimate compiled in December 2018. The variance on the revised position is almost entirely due to a change in accounting treatment relating to the rent-free periods on the shopping park.

Continuing Services Budget

CSB expenditure was £136k above the original estimate and £230k lower than the revised estimate. The variances have arisen on both the opening CSB which was £198k below the revised estimate, and the in year figures which were £1.44m lower than the revised estimate.

District Development Fund (DDF)

Actual DDF expenditure was £1,896,000 which was £2,386,000 below the original estimate and £1,122,000 below the revised estimate. The net expenditure includes a grant received for £1,006,000 which needs to be carried forward to fund the Garden Town Initiative expenditure in future years. There are additional requests for carry forwards totalling £1,290,000. A transfer of £1,800,000 has been made back into the General Fund Balances to cover the net expenditure. If all the requests are approved (including the grant of £1,006,000) the balance on the DDF at 31 March 2019 will be £124,000. This earmarked reserve is to fund one-off items of expenditure to keep them separate from the ongoing income and expenditure that make up the Continuing Services Budget.

The £1,122,000 difference against the revised estimate arose largely because of the following:

- £403,000 unspent on the Implementation of the People Strategy
- £296,000 slippage on Local Plan expenditure
- £38,000 not spent in Electoral Registration on the Individual Registration project
- £68,000 underspend on Planned Building Maintenance
- £50,000 not needing to be spent on Homeless Reduction activities
- and £267,000 relating to slippage on the Garden Town Initiative.

This transfer was agreed during the budget process to fund future expenditure relating to the people strategy. The carry forward provision of £1,470,000 has been added to the programme for 2019/20.

Invest to Save

At the start of 2018/19 the fund had a balance of £307,000. It was anticipated that £123,000 of this would be used during the year. However only £90,000 was used. The remaining balance of £217,000 is earmarked for a carparking capital scheme and for transformation projects in 2019/20.

Housing Revenue Account (HRA)

The table below summarises the revenue outturn for the HRA.

Housing Revenue Account	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Revenue Expenditure	24,272	25,661	19,343	(4,929)	(6,318)
Depreciation	10,524	8,531	8,644	(1,880)	113
Total Expenditure	34,796	34,192	27,987	(6,809)	(6,205)
Gross Dwelling Rents	31,324	31,170	31,083	(241)	(87)
Other Rents and Charges	3,204	2,763	2,546	(658)	(217)
Total Income	34,528	33,933	33,629	(899)	(304)
Deficit / (Surplus) for Year	(268)	(259)	5,642	5,910	5,901
Opening Balance - 01/04/18	2,287	2,287	2,287	0	0
Deficit / (Surplus) for Year	268	259	(5,642)	(5,910)	(5,901)
Closing Balance - 31/03/19	2,019	2,028	7,929	5,910	5,901

When the original revenue budget for the HRA was set there was an expected deficit for the year of £268,000. The budget was revised later in the year and the expected deficit for the year reduced slightly to £259,000. However, the actual outturn was a surplus of £5,642,000. There is therefore a difference of £5,901,000 between the revised estimate and the actual.

There have been minor variances across a range of areas. The most significant variance was an underspend of £1.012 million for Supervision and Management when compared with the revised budget. This was largely offset by the spend on repairs and maintenance being £0.706 million higher than the revised budget. Overall the HRA Income exceeded Expenditure by £5,642,000 which has been added to the balances leaving the Closing Balance at the 31 March 2019 at £7.929 million. This is considered to be a healthy balance and is sufficient to meet any unexpected expenditure.

Capital Outturn

The table below summarises the capital expenditure outturn and its financing for 2018/19.

	Original Estimate £'000	Revised Estimate £'000	Actual Spend £'000	Variance from Original £'000	Variance from Revised £'000
Capital Expenditure					
General Fund	12,125	11,390	10,157	(1,870)	(1,135)
Housing Revenue Account	22,786	18,065	17,354	(5,530)	(809)
Total Expenditure	34,911	29,455	27,511	(7,400)	(1,944)
Financing					
Grants	80	125	540	460	415
Borrowing	10,819	5,960	8,289	(2,530)	2,329
Capital Receipts	4,632	7,832	4,035	(597)	(3,797)
Revenue Contributions	19,380	15,538	14,647	(4,733)	(891)
Total Financing	34,911	29,455	27,511	(7,400)	(1,944)

The General Fund capital programme revised budget was reduced from the original estimate of £12.125 million to £11.390 million when it was reviewed in early 2019, when the original budgets for 2019/20 were being set. The main reason for the reduction was that as there had been good progress in building the leisure centre in 2017/18 and so the actual expenditure exceeded the budget for this in 2017/18. The 2018/19 leisure centre budget was reduced by the amount of overspend in 2017/18 to reflect this. Actual expenditure on the General Fund capital schemes was lower than the revised budget by £1.135 million at £10.255 million. The underspend can be largely attributed to the spend on several facility management projects being put on-hold awaiting the assessment of the Council's service accommodation review (the Council is currently assessing the use of its main office). There has been some slippage in other schemes for which the budgets will be carried forward into 2019/20.

The HRA capital programme was significantly reduced by £4.721 million at the revised stage from the original estimate of £22.786 million to £18.065 million (a reduction of 21%). There was a rephrasing of the Council's housebuilding programme resulting in a reduction in the 2018/19 capital programme of £3.787 million. This has been moved into future years in line with the revised forecasts for construction. The remaining reductions were made to the programme to reflect the Council's decision to change its policy from maintaining council houses at the modern homes standard to maintaining council houses at the decent homes standards. This has resulted in numerous schemes having large underspends at the year end. The actual spend for the year was £17.256 million, which was an underspend on the revised HRA programme of £0.809 million (4.48%).

For both the General Fund and the HRA where there have been underspends that are due to slippage in schemes the budgets will need to be carried forward to 2019/20 to allow the schemes to be completed.

The actual financing of the capital programme varied from the revised estimate in that less actual capital receipts were available to be applied than had been anticipated when the programme was revised. Consequently, more of the capital programme has been financed by borrowing than anticipated when the revised budget was set. Also, less revenue contributions were required to fund the capital programme than had been expected when the budgets were set.

Balance Sheet

During 2018/19 the Council's Balance Sheet value has increased by £15.3 million to £649.7 million. The improvement in the Balance Sheet total arises primarily from the increase in the value of the Council's investment properties of £3.2 million which now includes the shopping park. The largest figure relating to Property, Plant and Equipment has hardly moved due to the transfer of the shopping park being counteracted by valuation increases to other assets. It is also worth noting that the Council's cash and short term investments have reduced by £6.3 million due to the investment of surplus cash in the Shopping Park and the new Waltham Abbey Sports Centre.

The growth in the Council's Balance Sheet was also helped to a degree by a reduction in Long Term Liabilities of £5.59 million, particularly in respect of the pension fund. This has reduced in the year from £74.860 million to £69.848 million. The assets of the scheme have increased in value by £14.23 million and the liabilities have increased by £9.21 million. The key to calculating the value of future costs is the discount rate and as this decreases the size of the liability increases. The decrease in the discount rate from 2.55% to 2.40% reflects the decreasing yields in the corporate bond market, which actuaries are required to base discount rates on. However, the reduction is marginal hence the comparatively small change in liabilities. The inclusion of this amount in the Balance Sheet shows the extent of the Council's liability if the pension fund was to close on 31 March 2019. It does not mean that this full liability will have to be paid over to the pension fund in the near future.

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. The risk management process is audited on an annual basis and the Audit & Governance Committee decided that the arrangements for risk management during 2018/19 were effective.

The top risks from the Council's Corporate Risk Register are listed below:

Top Risks identified		
Risk	Impact	Mitigation
Failure to put in place a Local Plan in a timely manner	Loss of control of Local Plan process, reduced ability to defend decisions on appeal	External project management support, regular Member briefings, engagement with stakeholders
Failure to deliver developments on strategic sites	Loss of potential income, sub-optimal economic development, reputational damage	External project management support, overseen by dedicated Cabinet Committee
Welfare reforms changes have a detrimental effect on the Council and the community	Increases in rent arrears, Council tax arrears, evictions and homelessness, costs of temporary accommodation, public dissatisfaction and loss of income for the Council.	Cross-service working group to assess the impact of the introduction of Universal Credit and to meet regularly to develop an action plan to mitigate the impact.
Loss IT systems, data and/or information which could end up in inappropriate hands	Data is used/shared inappropriately causing distress and upset to data subjects. Breach of Corporate Governance. Financial penalties and costs. Legal implications. Reputational damage	Updated Data Protection policy. Mandatory training for all staff and members. Consolidation of Data Protection and FOI work to be done by one team. Continuous monitoring and strengthening of systems and use of controls to prevent unauthorised access to systems
Financial Pressures - Unable to secure required level of income due to reduced demand for services, changes in legislation, changes in economic conditions or adverse change in funding mechanisms	Council unable to meet budget requirements with potentially subsequent need to reduce staffing and services; increase in council tax and fees and charges; use more reserves; achieve higher levels of savings in future years.	Monitoring of key income streams and NDR tax base. Savings opportunities pursued through services reviews and corporate restructure
Failure to achieve strong economic development	Loss of inward investment, reductions in Non-Domestic Rates, reduced employment opportunities for residents	An Economic Development Plan has been developed and presented to the Economic Development Board. Work is underway to implement the plan.

5. EXPLANATION OF THE ACCOUNTING STATEMENTS

The Accounts show the financial performance for 2018/19 and the financial position at 31 March 2019. They present the income and expenditure for the year and highlight any significant changes in the Council's financial position during the year.

The Accounts comprise Core and Supplementary Statements, together with Disclosure Notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), which in turn is underpinned by International Financial Reporting Standards.

The Code requires that the 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 Accounts are quite technical and complex, but the information has been presented as simply and clearly as possible to assist in the understanding of them. This Narrative Report explains the purpose and meaning of the Core (main) Statements below and then goes on to provide a summary of the Council's financial performance for the year 2018/19.

The Core Financial Statements are:

Comprehensive Income and Expenditure Statement (CIES)

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

Movement in Reserves Statement (MiRS)

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

Balance Sheet

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

Cash Flow Statement

This shows the reasons for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as the repayment of borrowing and other long-term liabilities). The cash flow statement also includes "cash equivalents" which are short-term investments that are subject to only insignificant risks of changes in value.

The Supplementary Financial Statements are:

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

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

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

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNT

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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



Councillor Richard Bassett
Chairman of the Council

18 June 2020

THE SECTION 151 OFFICER'S RESPONSIBILITIES

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

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

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

The Section 151 Officer has also:

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

I certify that the accounts set out on pages 3 to 88 give a true and fair view of the financial position of the Council as at 31 March 2019 and the income and expenditure for the year then ended.



Chris Hartgrove FCCA
Chief Financial Officer (Deputy Section 151 Officer)

18 June 2020

Auditors Report

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its 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 2018/19.

We have audited the financial statements which comprise:

- the Comprehensive Income and Expenditure Statement;
- the Movement in Reserves Statement;
- the Balance Sheet;
- the Cash Flow Statement;
- the Housing Revenue Account Income and Expenditure Statement;
- the Movement on the Housing Revenue Account Statement;
- the Collection Fund;
- the related notes 1 to 34; and
- the related Housing Revenue Account and Collection Fund notes

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for: the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Epping Forest District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017 as to whether Epping Forest District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Epping Forest District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of [Name of authority] 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.



Craig Wisdom (Appointed auditor)
For and on behalf of Deloitte LLP
St Albans, United Kingdom
18 June 2020

Comprehensive Income and Expenditure Statement

	Note	2018/19			2017/18		
		Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Continuing Operations							
Chief Executive		1,399	(3)	1,396	1,540	0	1,540
Business Services		4,468	(298)	4,170	2,189	(238)	1,951
Commercial & Regulatory Services		4,299	(1,870)	2,429	6,868	(1,751)	5,117
Community & Partnership Services		3,808	(551)	3,257	4,156	(777)	3,379
Contract & Technical Services		12,481	(4,084)	8,397	13,076	(3,944)	9,132
Customer Services		38,371	(33,717)	4,654	38,929	(35,063)	3,866
Housing & Property Services		1,415	(680)	735	1,119	(650)	469
Planning Services		3,977	(2,537)	1,440	4,617	(1,744)	2,873
Housing Revenue Account		29,070	(33,984)	(4,914)	29,831	(34,632)	(4,801)
Net Cost of Services		99,288	(77,724)	21,564	102,325	(78,799)	23,526
Other Operating Expenditure	9			2,253			849
Financing and Investment Income and Expenditure	10			(983)			(7,997)
Taxation and Non-Specific Grant Income	11			(19,930)			(20,521)
(Surplus)/Deficit on Provision of Services				2,904			(4,143)
(Surplus) on Revaluation of Property Plant and Equipment	12+13			(9,564)			(21,097)
Actuarial (Gains)/Losses on Pension Assets/Liabilities	32			(14,637)			(10,238)
Other (Gains)/Losses				(25)			(33)
Total Comprehensive Income and Expenditure				(21,322)			(35,511)

Movement in Reserves Statement

	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
Movements in 2018/19	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2018	6,726	2,287	21,117	-	11,693	409	42,232	592,151	634,383
Surplus / (Deficit) on Provision of Services	4,415	(1,511)	-	-	-	-	2,904	-	2,904
Other Comprehensive Income and Expenditure	-	78	-	-	-	(78)	-	18,418	18,418
Total Comprehensive Income and Expenditure	4,415	(1,433)	-	-	-	(78)	2,904	18,418	21,322
Adjustment Between Accounting and Funding Basis Under Regulations	(3,595)	2,024	(2,196)	9,782	(2,568)	(349)	(938)	(9,135)	(10,073)
Net Increase / (Decrease) before Transfer to Earmarked Reserves	820	591	(2,196)	9,782	(2,568)	(427)	1,966	9,283	11,249
Transfer to Earmarked Reserves	(109)	(563)	-	-	-	705	4,070	-	4,070
Increase / (Decrease) in Year	711	28	(2,196)	9,782	(2,568)	278	6,035	9,283	15,318
Balance as at 31 March 2019	7,437	2,315	18,921	9,782	9,125	687	48,267	601,434	649,700

	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
Movements in 2017/18	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2017	6,208	3,853	21,098	-	12,704	84	43,947	554,925	598,872
Surplus / (Deficit) on Provision of Services	1,182	2,961	-	-	-	-	4,143	-	4,143
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	31,368	31,368
Total Comprehensive Income and Expenditure	1,182	2,961	-	-	-	-	4,143	31,368	35,511
Adjustment Between Accounting and Funding Basis Under Regulations	(664)	(4,508)	-	-	(1,011)	325	(5,858)	5,858	-
Net Increase / (Decrease) before Transfer to Earmarked Reserves	518	(1,547)	-	-	(1,011)	325	(1,715)	37,226	35,511
Transfer to Earmarked Reserves	-	(19)	19	-	-	-	-	-	-
Increase / (Decrease) in Year	518	(1,566)	19	-	(1,011)	325	(1,715)	37,226	35,511
Balance as at 31 March 2018	6,726	2,287	21,117	-	11,693	409	42,232	592,150	634,383

Balance Sheet

	Note	31 March 2019		31 March 2018	
		£000	£000	£000	£000
Long Term Assets					
Property, Plant & Equipment	12	775,695		758,853	
Heritage Assets		542		542	
Investment Properties	13	117,011		113,793	
Intangible Assets		676		820	
Long Term Debtors	14	3,050		3,695	
Total Long Term Assets			896,974		877,703
Current Assets					
Inventories		109		94	
Debtors and Prepayments	16	11,754		12,272	
Short Term Temporary Investments	15	16,049		8,014	
Cash & Cash Equivalents	17	580		14,960	
			28,492		35,340
Current Liabilities					
Creditors	18	(18,028)		(15,227)	
Provisions	19	(1255)		(1,356)	
			(19,283)		(16,583)
Long Term Liabilities					
Long Term Loans	15	(185,456)		(185,456)	
Pensions Liability	32	(69,848)		(74,860)	
Leasing liability	15	(1,163)		(1,745)	
Capital Grant Receipts in Advance		(16)		(16)	
			(256,483)		(262,077)
Total Assets Less Liabilities			649,700		634,383
Reserves					
Usable Reserves		48,266		42,232	
Unusable Reserves	20	601,434		592,151	
Total of Reserves			649,700		634,383

Cash Flow Statement

	Note	2018/19 £000	2017/18 £000
Net Surplus/(Deficit) on Provision of Services		(2,904)	4,143
Adjustments to net surplus or deficit on the provision of services for non-cash movements	21	18,916	11,691
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	(4,267)	(9,079)
		11,745	6,755
Net cash flows from Operating Activities	21	11,745	6,755
Investing Activities	22	(20,803)	(5,538)
Financing Activities	23	2,736	(2,515)
Net Increase or (Decrease) in Cash and Cash equivalents		(6,322)	(1,298)
Cash and Cash Equivalents at the beginning of the reporting period		14,960	16,258
Transfer to Short Term Investment		(8,000)	0
Cash Adjustment		(58)	0
Cash and Cash equivalents at the end of the reporting period	17	580	14,960

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1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises Epping Forest District Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. 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 2018/19 (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.

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been adopted for the first time for the year ended 31 March 2019 and had no significant impact on these financial statements.

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 on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

1.3 CASH AND CASH EQUIVALENTS

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

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

1.4 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

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

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

1.5 COUNCIL TAX AND NON-DOMESTIC RATES

The Council as a billing authority acts as an agent, collecting council tax and non-domestic rates (NDR) on behalf of Essex County Council and Essex Police (i.e. the major preceptors which also includes 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 (i.e. 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 end of year 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
- 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 the 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.

For grants or contributions where conditions have not been met, they will initially be recognised in the relevant Grants Receipts in Advance Account (i.e. as a Capital or Revenue grant). When conditions are satisfied, the grant or contribution is credited to the relevant service line (for attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue and capital grants) in the CIES.

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 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 Lease

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
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historic cost
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Investment properties and surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other 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).
- 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.
- 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
- Expected to be sold within 12 months

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

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

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

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

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

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

1. 14 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

1.15 RESERVES

The Council has set aside certain revenue and capital amounts as earmarked reserves for future policy purposes or to cover contingencies. All other fund balances represent working balances for the purpose of the specific fund and are made up of accumulated surpluses and deficits derived over a period of time. All earmarked fund balances and reserves are reviewed periodically as to their size and appropriateness.

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

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

1.16 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

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

1. 17 VALUE ADDED TAX (VAT)

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

1.18 FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

IFRS 16 Leases - this was issued in January 2016 and it became effective for the private sector on 1 January 2019. It removes the existing classifications of operating and finance leases for lessees. It requires that a lessee recognises assets and liabilities for all leases with a term of more than 12 months (unless the underlying asset is of low value) on balance sheet. A lessee will recognise a right of use asset representing its right to use the underlying leased asset and a lease liability representing the lessee's obligation to make lease payments for the asset. Thus all material operating leases will be recorded on balance sheet from 1 April 2019 in the private sector. However, following the decision by the government's Financial Reporting Advisory Board (FRAB) in November 2018 to defer implementation for the majority of rest of the public sector, CIPFA/LASAAC has also agreed to delay the implementation of IFRS 16 leases in local authorities until 1 April 2020.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions in the current economic climate of the high degree of uncertainty about future levels of funding for local government. The Council has determined, however, that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, life expectancy rates and expected returns on pension fund assets. Consultant actuaries are engaged to provide advice about assumptions to be applied. The actuary has provided some sensitivity analysis around the assumptions and this is contained within the Pensions note 32. The carrying value of the Pensions Liability is (£69.8 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” – that have occurred after the Balance Sheet date of 31st March 2019, which could both have a significant financial impact on the assumptions and estimates made in this Statement of Accounts. Further explanation is included within Note 5 below.

5. EVENTS AFTER THE BALANCE SHEET DATE

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.

An 11-month transition period commenced on 1st February 2020 to allow time to negotiate a new relationship, with the UK remaining in the EU single market, its customs union and paying into its budget. Negotiations are ongoing and there remains a high level of uncertainty about the impact of the UK's exit; failure to reach a mutually acceptable agreement on the precise terms of the future relationship between the EU and the UK could still lead to a ‘no deal Brexit’.

The impact on this Statement of Accounts is therefore unknown. Most notably, asset values could be negatively impacted in the event of a ‘no deal’ 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 across the world to control the spread of the virus has had an immediate and profound impact on economies across the world.

As a provider of frontline public services, there have been significant operational impacts on Epping Forest District Council as it tries to maintain the delivery of its core services, whilst providing additional support to residents and businesses who are 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 have been maintained, other services – including Leisure Centres – have not been able to operate (due to enforced closure). Wherever possible office-based operations have continued through staff working remotely from home.

Support given to vulnerable residents includes 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 is being 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.

Despite the provision of strong and rapid financial Government support, the Council is facing a range of other financial pressures on its General Fund and Housing Revenue Account (HRA). Most of the revenue impact will be felt in the 2020/21 financial year, with General Fund income from Fees and Charges in particular, expected to fall significantly. There is also a threat to income from Housing Rents in the HRA.

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

At the time of preparing this note, a reasonable estimate of the full financial effects is not possible although, it is hoped (by many commentators, including the Bank of England) that the impact will be temporary. In the meantime, Epping Forest District Council retains a strong Balance Sheet, including significant contingency reserves.

6. EXPENDITURE AND FUNDING ANALYSIS

2017/18			2018/19			
Net Expenditure Chargeable to General Fund & HRA Balances	Adjustments between the funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement		Net Expenditure Chargeable to General Fund & HRA Balances	Adjustments between the funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement
£000	£000	£000		£000	£000	£000
1,475	65	1,540	Office of the Chief Executive	1,289	107	1,396
1,291	660	1,951	Business Services	2,717	1,453	4,170
4,661	456	5,117	Commercial & Regulatory Services	1,638	791	2,429
3,013	366	3,379	Communities & Partnership Services	2,973	284	3,257
6,159	2,973	9,132	Contract & Technical Services	5,224	3,173	8,397
3,334	532	3,866	Customer Services	4,306	348	4,654
418	51	469	Housing & Property Services	348	387	735
2,687	186	2,873	Planning Services	1,319	121	1,440
(18,510)	13,709	(4,801)	Housing Revenue Account	(16,167)	11,253	(4,914)
4,528	18,998	23,526	Net Cost of Service	3,647	17,917	21,564
(21,065)	(6,604)	(27,669)	Other Income and Expenditure	(3,284)	(15,374)	(18,658)
(16,537)	12,394	(4,143)	(Surplus) / Deficit	363	2,543	2,906
31,159			Opening General Fund and HRA Balance	30,130		
(1,029)			Surplus / (Deficit) on General Fund & HRA Balance in Year	(1,456)		
30,130			Closing General Fund & HRA Balance at 31 March 2019 (For a split of this balance between the General Fund, HRA and Earmarked Reserves - see the Movement in Reserves Statement)	28,674		

Adjustments between Funding & Accounting Basis

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total
2018/19	£000	£000	£000	£000
Office of the Chief Executive	0	95	12	107
Business Services	764	674	15	1,453
Commercial & Regulatory Services	743	43	5	791
Community & Partnership Services	214	71	(1)	284
Contract & Technical Services	2,122	1,050	1	3,173
Customer Services	0	345	3	348
Housing & Property Services	0	403	(16)	387
Planning Services	0	115	6	121
Housing Revenue Account	11,131	112	10	11,253
Net Cost of Service	14,974	2,908	35	17,917
Other Income and Expenditure from the Expenditure and Funding Analysis	(15,887)	2,185	(1,672)	(15,374)
Difference between General Fund (Surplus)/ Deficit and Comprehensive Income and Expenditure	(913)	5,093	(1,637)	2,543

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total
2017/18	£000	£000	£000	£000
Office of the Chief Executive	0	100	(35)	65
Business Services	(48)	684	24	660
Commercial & Regulatory Services	32	417	7	456
Communities & Partnership Services	204	161	1	366
Contract & Technical	2,647	328	(2)	2,973
Customer Services	0	524	8	532
Housing & Property Services	0	44	6	50
Planning Services	0	177	8	185
Housing Revenue Account	12,973	763	(27)	13,709
Net Cost of Service	15,808	3,198	(10)	18,996
Other Income and Expenditure from the Expenditure and Funding Analysis	(7,027)	780	(357)	(6,604)
Difference between General Fund (Surplus) / Deficit and Comprehensive Income and Expenditure	8,781	3,978	(367)	12,392

Expenditure & Income Analysed by Nature

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

	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
2017/18	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & Other Service Income	(8)	(327)	(719)	(777)	(3,944)	(587)	(362)	(1,025)	(34,619)	(42,368)
Government Grants	-	(24)	(1,048)	-	-	(34,492)	(288)	(720)	(14)	(36,586)
Total Income	(8)	(351)	(1,767)	(777)	(3,944)	(35,079)	(650)	(1,745)	(34,633)	(78,954)
Employee Expenses	349	4,187	2,161	2,066	679	3,393	375	1,793	3,794	18,797
Other Service Expenses	388	836	1,004	1,105	8,377	1,177	571	1,094	9,127	23,679
Support Service Recharges	811	(3,685)	511	862	1,432	1,006	173	1,731	3,859	6,700
Asset Charges	-	964	3,208	123	2,588	-	-	-	13,052	19,935
Benefit Payments	-	-	-	-	-	33,369	-	-	-	33,369
Total Expenditure	1,548	2,302	6,884	4,156	13,076	38,945	1,119	4,618	29,832	102,480
Net Cost of Service	1,540	1,951	5,117	3,379	9,132	3,866	469	2,873	(4,801)	23,526

Note – the Council re-structured in 2018/19; the comparative figures for 2017/18 in the table are re-stated in the new structure

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Movements in Unusable Reserves
2018/19	£000	£000	£000	£000	£000	£000
Adjustments Involving the Capital Adjustment Account						
Charges for depreciation and impairment of non-current assets	(2,832)	(8,536)	0	0	0	11,368
Upward/(Downward) revaluation of non-current assets	(494)	(2,351)	0	0	0	2,845
Movements in the fair value of Investment Properties	2,466	0	0	0	0	(2,466)
Amortisation of intangible assets	(208)	(32)	0	0	0	240
Capital Grants and contributions applied	106	224	0	0	210	(540)
Revenue expenditure funded from Capital under statute	(419)	(97)	0	0	0	516
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(709)	(2,597)	0	0	0	3,306
Capital expenditure charged against the General Fund and HRA balances	15	3,650	0	0	0	(3,665)
Reversal of Notional Lease adjustment	559	23	0	0	0	(582)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	261	0	0	0	0	(261)
Adjustments Primarily Involving the Capital Grants Unapplied Account	559	0	0	0	(559)	0
Adjustments Involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	60	4,722	(4,782)	0	0	0
Transfer from Deferred Capital receipts on receipt of cash	0	0	(956)	0	0	956
Used to finance new Capital Expenditure	0	0	4,035	0	0	(4,035)
Contribution towards administrative costs of non-current asset disposals	0	(30)	30	0	0	0
Contribution to finance the payments to the Government capital receipts pool	(894)	0	894	0	0	0
Adjustment for incorrect use of 1-4-1 receipts in previous years	0	0	(9,004)	0	0	9,004
Adjustments Involving the Deferred Capital Receipts Reserve						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	0	24	0	0	0	(24)
Adjustments relating to the Major repairs Reserve						
Depreciation transferred from HRA	0	8,414	0	(8,414)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	10,982	0	(10,982)

Adjustments involving the Pensions Reserve Reversal of items relating to retirement benefits debited\credited to the CIES.	(3,752)	(1,340)	0	0	0	5,092
Adjustments involving the Collection Fund Adjustment Account Amount by which 1249 and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements.	1,767	0	0	0	0	(1,767)
Adjustments Involving the Accumulated Absences Account Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(80)	(50)	0	0	0	130
Total Adjustments	(3,596)	2,024	(9,782)	2,568	(349)	9,135

	Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Movements in Unusable Reserves
2017/18	£000	£000	£000	£000	£000	£000
Adjustments Involving the Capital Adjustment Account: Exclusions						
Charges for depreciation and impairment of non-current assets	(2,890)	(8,509)	0	0	0	11,399
Upward/(Downward) revaluation of non-current assets	(2,251)	(4,346)	0	0	0	6,597
Movements in the fair value of Investment Properties	11,301	10	0	0	0	(11,311)
Amortisation of intangible assets	(197)	(9)	0	0	0	206
Capital Grants and contributions applied	28	706	0	0	0	(734)
Revenue expenditure funded from Capital under statute	(3,224)	(5)	0	0	0	3,229
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	(167)	(4,297)	0	0	0	4,464
Capital expenditure charged against the General Fund and HRA balances	47	6,171	0	0	0	(6,218)
Reversal of Notional Lease adjustment	559	23	0	0	0	(582)
Adjustments Primarily Involving the Capital Grants Unapplied Account	379	0	0	0	(325)	(54)
Adjustments Involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES	0	7,718	(7,718)	0	0	0
Transfer from Deferred Capital receipts on receipt of cash	0	0	(1,264)	0	0	1,264
Used to finance new Capital Expenditure	0	0	8,350	0	0	(8,350)
Contribution towards administrative costs of non-current asset disposals	0	(55)	55	0	0	0
Contribution to finance the payments to the Government capital receipts pool	(577)	0	577	0	0	0

Adjustments Involving the Deferred Capital Receipts Reserve						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	0	42	0	0	0	(42)
Adjustments relating to the Major Repairs Reserve						
Depreciation transferred from HRA	0	8,324	0	(8,324)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	9,335	0	(9,335)
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited\credited to the CIES.	(2,704)	(1,272)	0	0	0	3,976
Adjustments involving the Collection Fund Adjustment Account						
Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements.	356	0	0	0	0	(356)
Adjustments Involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	4	7	0	0	0	(11)
Total Adjustments	664	4,508	0	1,011	(325)	(5,858)

8. MOVEMENTS IN EARMARKED RESERVES

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

	Balance 31 March 2017	Transfer s Out	Transfer s In	Balance 31 March 2018	Transfer s Out	Transfer s In	Balance 31 March 2019
	£000	£000	£000	£000	£000	£000	£000
Housing Repairs Reserves	1,236	(5,981)	6,000	1,255	(563)	0	692
District Development Fund	4,188	(2,651)	2,683	4,220	(1,800)	0	2,420
Invest to Save Reserve	406	(99)	0	307	(15)	0	292
Self-Financing Reserve	12,720	0	0	12,720	0	0	12,720
Deferred Revenue Income	689	(5)	0	684	0	0	684
Insurance Reserve	1,008	(1)	0	1,007	0	0	1,007
Building Control	115	(4)	0	111	0	47	158
Museum Fund	29	0	44	73	0	21	94
All Weather Pitch	47	0	15	62	0	0	62
O2 Mast Fund	36	0	1	37	0	0	37
Rental Loans	180	(22)	110	268	0	110	378
Small Loans Fund	6	0	0	6	0	0	6
S106 Revenue Contributions	57	(20)	0	37	0	0	37
Community Services Projects	381	(51)	0	330	0	0	330
Total Earmarked Reserves	21,098	(8,834)	8,853	21,117	(2,378)	178	18,917

9. OTHER OPERATING EXPENDITURE

	31 March 2019 £000	31 March 2018 £000
Parish Council Precepts	3,481	3,361
Parish Support Grants	67	134
Payments to the Government Housing Pool	894	577
(Gains) / losses on the disposal of non-current assets	(2,190)	(3,223)
Total	2,252	849

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	31 March 2019 £000	31 March 2018 £000
Total Net Surplus from Trading Operations (Note 24)	(5,864)	(4,185)
Interest payable and similar charges	5,654	5,634
Pensions interest cost	1,912	2,138
Interest receivable and similar income	(194)	(231)
Changes in Fair Value of Investment Properties	(2,467)	(11,311)
Changes in Value of Deferred Capital Receipts	(24)	(42)
Total	(983)	(7,997)

11. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

	31 March 2019 £000	31 March 2018 £000
Council Tax Income	(12,494)	(11,935)
Non Domestic Rate Income	(14,912)	(14,131)
Non Domestic Rate Tariff Payment and Levy	10,463	10,722
Non-ring fenced Government Grants	(2,657)	(4,457)
Capital Grants and Other Contributions	(330)	(720)
Total	(19,930)	(20,521)

12. PROPERTY, PLANT AND EQUIPMENT

2018/19

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

2017/18

	Council Dwellings & Garages £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Gross Book Value 01 April 2017	656,792	42,647	18,557	8,185	1,143	8,895	39,782	776,001
Additions	9,119	1,430	1,029	189	0	0	21,374	33,141
Disposals / Impairments	(3,781)	(182)	(467)	0	0	(550)	(12)	(4,992)
Reclassified in Year	7,608	88	0	0	0	0	(41,338)	(33,642)
Revaluation Applied to the CIES	(4,473)	(1,157)	0	0	0	(956)	0	(6,586)
Revaluation Credited to the Revaluation Reserve	18,314	2,225	0	0	0	0	558	21,097
Accumulated Depreciation & Impairment Written Off on Revaluation	(8,038)	(2,404)	0	0	0	0	0	(10,442)
Gross Book Value 31 March 2018	675,541	42,647	19,119	8,374	1,143	7,389	20,364	774,577
Depreciation 01 April 2017	0	(2,236)	(9,951)	(3,086)	0	0	(3)	(15,276)
Reclassified	8	(2)	0	0	0	0	(2)	4
Depreciation in Year	(8,092)	(1,570)	(1,579)	(158)	0	0	0	(11,399)
Depreciation on Disposed Assets	46	26	433	0	0	0	0	505
Accumulated Depreciation & Impairment Written Off on Revaluation	8,038	2,404	0	0	0	0	0	10,442
Depreciation 31 March 2018	0	(1,378)	(11,097)	(3,244)	0	0	(5)	(15,724)
Net Book Value 31 March 2018	675,541	41,269	8,022	5,130	1,143	7,389	20,359	758,853

	Council Dwellings & Garages £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried Historical Cost	-	-	16,085	8,866	1,142	-	145	26,238
Valued at Current Value as from:								
28 February 2019	681,122	27,252	-	-	-	6,030	17,790	732,194
28 February 2018	-	9,806	-	-	-	520	-	10,326
28 February 2017	-	5,438	-	-	-	50	-	5,488
28 February 2016	-	2,520	-	-	-	1,250	-	3,770
31 March 2015	-	11,001	-	-	-	-	-	11,001
Total Cost or Valuation	681,122	56,017	16,085	8,866	1,142	7,850	17,935	789,017

The Council dwellings and garages valuation has been carried out by District Valuer, Thomas Dimmock (MRICS). The valuation date for 2018/19 is 28th February 2019. As part of this year's revaluation the valuer has re-assessed the proportion of value in the Land element and concluded that it should remain unchanged at 35%. The valuer has also provided assurance that the valuation has not changed significantly between the valuation date and the year end.

The useful lives of both dwellings and the components within have been reviewed during 2018/19. The average useful life of all components, including the buildings has been assessed from 52 to 54 years. Other property, including investment properties have also been valued as at 28th February 2019 by Charlotte Meyer of Carter Jonas LLP (MRICS FAAV).

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

The main item held within surplus assets is the St Johns Road site. An agreement had been signed with a developer to sell this site to them for retail and housing development; however, this fell through in the early 2018/19. The Council's current proposal is for the Council to develop on the site itself. The proposed development includes retail units, residential property and leisure assets.

13. INVESTMENT PROPERTY

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

	31 March 2019 £000	31 March 2018 £000
Rental income from investment property	7,183	6,169
Direct operating expenses arising from investment property	(1,251)	(1,367)
Net Gain / (Loss)	5,932	4,802

The following table summarises the movement in fair value of investment properties over the year. Unlike in previous years, there have been no new investment properties that have become operational in 2018/19. The two biggest movements in fair values are firstly a gain in value to the Shopping Park (+£2.5m) due to the outstanding three units being let, and secondly, a loss relating to the North Weald Airfield Market License (-£1.9m) after the rent reduced significantly; although most other investment properties categories have seen movements in value. All investment properties have been valued based on Level 3 unobservable inputs using an Income approach and that their current use is their highest and best use. The updated valuations were carried out as at 28 February 2019 by Amy Currie MRICS, RICS Registered Valuer (Senior Surveyor) and Cameron Benge MRICS, RICS Registered Valuer (Associate) of Carter Jonas.

Properties Categorised within level 3	31 March 2019 £000	31 March 2018 £000
Balance as at 31 March	113,793	67,744
Balance as at 01 April	113,793	67,744
Reclassified in year	0	33,637
Acquisition	0	1,042
Construction	751	59
Net Gains/(Losses) from fair value adjustments	2,467	11,311
Balance at end of the year	117,011	113,793

14. LONG TERM DEBTORS

	31 March 2019 £000	31 March 2018 £000
Capital Advances (B3 Living)	526	526
Rents to Mortgages	2,095	2,071
Loan to Waste Management Contractor	(72)	725
Home Assist Loans	452	373
Place Loan	50	0
Net Carrying Amount at end of the year	3,050	3,695

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Financial liabilities at amortised cost				
Borrowing	185,456	185,456	0	0
Finance lease liability	1,163	1,745	582	582
Trade creditors	0	0	0	7,426
Total financial liabilities	186,619	187,201	582	8,008
Loans and receivables				
Investments	0	0	16,049	8,014
Debtors	2,547	3,695	0	5,017
Cash	502	0	580	14,960
Total financial assets	3,049	3,695	16,629	27,991

On 28 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. 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 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Interest expense	(5,621)	(5,505)	0	0
Fee expense	0	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	(5,621)	(5,505)	0	0
Interest Income	0	0	194	231
Total income in Surplus or Deficit on the Provision of Services	0	0	194	231
Net Gain / (Loss) for the year	(5,621)	(5,505)	194	231

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 31 March 2019 consists of loans from the Public Works Loan Board (PWLB). The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have to pay to extinguish the loans on these dates and has rated these at a Fair Level Value 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.

Money market funds are rated at Fair Value Level 1 (quoted prices in active markets). 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 2019		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities held at amortised cost				
Long term borrowing	185,502	216,019	185,502	237,655
Finance lease liabilities	1,163	1,210	2,327	2,473
Total Financial Liabilities	186,665	217,229	187,829	240,128
Financial Assets				
Short term investments	16,049	16,049	8,014	8,014
Long Term Debtors	3,123	3,123	3,695	3,695
Total Financial Assets	19,172	19,172	11,709	11,709

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

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

Fair Value Sensitivities

Impact of 1% increase on discount rate for fair values (AA Corporate Bond Yield Curve - Bloomberg GBP European AA Composite)	Fair Values	1% increase
	31 March 2019 £000	31 March 2018 £000
Finance Lease	1,192	2,473
PWLB	189,886	214,295
Total	191,078	216,768

16. DEBTORS AND PREPAYMENTS

	31 March 2019 £000	31 March 2018 £000
Government Departments and Other Local Authorities	3,786	5,196
Council Tax Arrears	561	505
NDR Arrears	382	399
Housing Rent Arrears	305	304
Sundry Debtors	6,228	5,192
Prepayments & Deposits	493	676
Total	11,755	12,272

Council Tax and Business Rates arrears shown above and the related bad debt provision relate only to the Council's proportion of the total debt. The remainder is shown as part of an amount due from major preceptors on the basis that the Council has paid over more in precepts than it has received and is net of prepayments. In 2018/19 there was a net creditor for both Council Tax and Business Rates.

17. CASH AND CASH EQUIVALENTS

	31 March 2019 £000	31 March 2018 £000
Cash	30	57
Bank Current Accounts	550	14,903
Total Cash and Cash Equivalents	580	14,960

18. CREDITORS

	31 March 2019 £000	31 March 2018 £000
Government Departments and Other Local Authorities	6,654	4,813
Council Tax	245	244
Non-Domestic Rates	392	528
Housing Rents	364	324
Sundry Creditors	5,181	5,323
Accruals and Deferred Income	5,192	3,995
Total Creditors	18,028	15,227

Council Tax and Business Rates prepayments shown above relate only to the Council's proportion of the total debt. The remainder is shown as being due to Government Departments and Other Local Authorities. This is shown net of arrears, Collection Fund balance and, in the case of Business Rates, Provision for Appeals. There was a net creditor in relation to Council Tax and Business Rates at the end of 2018/19.

19. PROVISIONS

With the retention of Business Rates income, the Council has had to take on the liability for settling appeals. It has been necessary to make a provision for those appeals within the Collection Fund, the total amount being £3.1 million (£3.4 million 2017/18) of which £1.26 million (£1.35 million 2017/18) relates to this Council.

20. UNUSABLE RESERVES

	31 March 2019 £000	31 March 2018 £000
Revaluation Reserve	194,661	189,751
Capital Adjustment Account	471,421	472,766
Pension Reserve	(69,848)	(74,860)
Deferred Capital Receipts Reserve	3,325	4,256
Collection Fund Adjustment Account	2,297	530
Accumulated Absences Account	(422)	(292)
Total Unusable Reserves	601,434	592,151

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 2019 £000	31 March 2018 £000
Balance as at 01 April	189,751	178,783
Revaluations During the Year	8,313	21,097
Depreciation Adjustment	(2,306)	(2,159)
Disposals / Reinstatements	(1,097)	(7,970)
Balance as at 31 March	194,661	189,751

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 2019 £000	31 March 2019 £000	31 March 2018 £000
Balance as at 01 April		472,766	452,299
Reversal of items relating to capital expenditure debited or credited to the CIES			
Charges for depreciation and impairment of non-current assets	(10,802)		(10,834)
Depreciation Leased Assets	(566)		(564)
Amortisation of Intangible Assets	(240)		(206)
Reversal of Notional Lease	582		582
Revaluation Gains/(Losses) on Property, Plant and Equipment	(2,845)		(6,586)
Revenue Expenditure Funded from Capital under Statute	(517)		(3,229)
Transfer to Capital Receipts on repayment of loan	0		(351)
Amounts for non-current assets written off on disposal or sale as part of gain/loss on disposal to the CIES	(3,306)	(17,694)	(4,464)
Adjusting Amounts Written Out of the Revaluation Reserve		3,014	10,129
		458,086	436,776
Capital Financing Applied in the Year			
Use of the Capital Receipts Reserve to Finance New Capital Expenditure	4,035		8,350
Use of the Major Repairs Reserve to Finance New Capital Expenditure	10,982		9,335
Capital Grants Credited to the CIES that have been applied to Capital Financing	540		788
Capital Expenditure Charged against the General Fund and HRA Balances	3,665	19,222	6,218
Asset Restatements		0	(12)
Movement in the Market Value of Investment Properties Debited		2,466	11,311
Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances		261	
Adjustment for incorrect prior year use of Capital Receipts		(9,004)	
Balance as at 31 March		471,031	472,766

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

Pension Reserve

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

	31 March 2019 £000	31 March 2018 £000
Balance as at 01 April	(74,860)	(81,121)
Re-measurements of the net defined liability/(asset)	11,701	10,238
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(11,602)	(8,303)
Employers pensions contributions and direct payments to pensioners payable in the year	4,913	4,326
Balance as at 31 March	(69,848)	(74,860)

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 2019 £000	31 March 2018 £000
Balance as at 01 April	4,256	5,094
Rents to Mortgages	24	41
Waste Contractor Loan	(956)	(879)
Balance as at 31 March	3,324	4,256

21. CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

	31 March 2019 £000	31 March 2018 £000
Depreciation	10,236	10,817
Amortisation	240	206
Impairment and upward revaluations	2,845	6,597
Increase/(decrease) in creditors	(1,136)	594
(Increase)/decrease in interest and dividend	(21)	17
(Increase) / decrease in debtors	(530)	(3,726)
(Increase) / decrease in inventories	(15)	57
Pension Liability	5,013	3,976
Carrying amount of Non-Current Assets sold	4,981	4,464
Other Non-Cash Items Charged to the Net Surplus or deficit on the Provision of Services	(2,697)	(11,311)
Total	18,916	11,691

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

	31 March 2019 £000	31 March 2018 £000
Any other items for which the cash effects are investing or financing cash flows	(229)	(1,046)
Proceeds from the sale of property and equipment, investment property and intangible assets	(4,038)	(8,033)
Total	(4,267)	(9,079)

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

	31 March 2019 £000	31 March 2018 £000
Interest Received	173	247
Interest Charge for the Year	(5,654)	(5,633)
Other Operating Activities	17,225	12,141
Total	11,744	6,755

22. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	31 March 2019 £000	31 March 2018 £000
Purchase of Property, Plant and Equipment, Investing Property	(26,310)	(33,502)
Purchase of Short-term and Long-term Investments	(23,000)	(33,000)
Other Payments for Investing Activities		0
Proceeds from Sale of Property, Plant and Equipment, Investment	4,967	8,912
Proceeds from Short-term and Long-term Investments	23,000	50,000
Other Receipts from Investing Activities	540	2,052
Total	(20,803)	(5,538)

23. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31 March 2019 £000	31 March 2018 £000
Billing Authorities - Council Tax and NDR Adjustments	2,736	(2,515)
Total	2,736	(2,515)

24. TRADING OPERATIONS

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

	2019 Expenditure £000	31 March 2019 Income £000	2019 (Surplus)/ Deficit £000	31 March 2018 (Surplus)/ Deficit £000
Commercial Properties	255	(2,373)	(2,118)	(1,622)
Fleet Operations	177	(213)	(36)	3
Industrial Estates	42	(1,566)	(1,524)	(1,490)
North Weald Centre	955	(908)	47	206
Shopping Park	103	(2,336)	(2,233)	(1,282)
Total (Surplus) / Deficit	1,532	(7,396)	(5,864)	(4,185)

25. MEMBER ALLOWANCES

	31 March 2019 £000	31 March 2018 £000
Allowances	355	356
Expenses	6	5
Total Member Allowances	361	361

26. OFFICER REMUNERATION

2018/19	Salary (including fees and allowances)	Benefits in Kind	Pension Contributions	Redundancy	Total Remuneration including Pension Contributions
Acting Chief Executive	104,103	1,264	15,520	0	120,887
Strategic Director	52,223	819	7,593	0	60,635
Director of Communities	108,172	695	9,289	30,000	148,156
Director of Business Support Services	59,435	1,239	8,365	0	69,039
Director of Commercial & Regulatory Services	59,283	1,239	8,340	0	68,862
Director of Community & Partnerships Services	59,567	1,276	8,392	0	69,235
Director of Contract & Technical Services	60,027	1,285	8,467	0	69,779
Director of Customer Services	59,070	1,245	8,307	0	68,622
Director of Governance & Member Services	50,406	934	7,182	0	58,522
Director of Housing & Property Services	60,219	1,239	8,490	0	69,948
Director of Planning Services	60,309	1,239	8,505	0	70,053
Assistant Director of Resources	65,262	1,244	9,298	0	75,804
Total	798,076	13,718	107,748	30,000	949,542

The Director of Neighbourhoods took on the role of Acting Chief Executive on 23 February 2018. The remuneration given combines pay for both of these roles in the year.

2017/18	Salary (including fees and allowances)	Benefits in Kind	Pension Contributions	Compensation for Loss of Office	Total Remuneration including Pension Contributions
Chief Executive	114,268	1,351	20,565	0	136,184
Director of Neighbourhoods/ Acting Chief Executive	99,007	1,239	17,910	0	118,156
Director of Communities	94,861	1,277	16,816	0	112,954
Director of Resources	89,647	1,135	15,564	86,217	192,563
Assistant Director of Resources	1,114	0	201	0	1,315
Director of Governance	94,216	1,245	16,959	88,215	200,635
Total	493,113	6,247	88,015	174,432	761,807

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 18% (17.1% in 2017/18).

The number of employees whose remuneration, including benefits in kind, but excluding employers pension contributions, was £50,000 or more in bands of £5,000.

	31 March 2019 No of Employees	31 March 2018 No of Employees
Remuneration Band		
£50,000 - £54,999	2	4
£55,000 - £59,999	0	3
£60,000 - £64,999	2	8
£65,000 - £69,999	0	3
£75,000 - £79,999	1	0
£80,000 - £84,999	1	0
£85,000 - £89,999	1	0
£90,000 - £94,999	1	0
£100,000 - £104,999	1	0
£135,000 - £140,000	1	1
Total	10	19

The officer listed in the category £135,000 - £140,000 was originally engaged as an independent consultant responsible for the delivery of the Local Plan. The terms of the consultant's engagement were reviewed during the year and as a result they were assessed as being an employee under the legal assessment process for IR35.

	2018/19				2017/18			
	No of Compulsory Redundancies	No of Other Departures	Total No of Exist Packages	Total Cost of Exit Packages in Each Band	No of Compulsory Redundancies	No of Other Departures	Total No of Exist Packages	Total Cost of Exit Packages in Each Band
Exit Package Cost Band (including special payments)								
£0 - £20,000	0	7	7	36,010	0	5	5	44,853
£20,001 - £40,000	0	3	3	85,220	0	1	1	30,000
£40,001 - £60,000	0	4	4	198,543	0	0	0	0
£60,001 - £80,000	0	1	1	75,746	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	2	2	174,432
Total Cost Included in Bandings and in the CIES	0	15	15	395,519	0	8	8	249,285

The Council terminated the contracts of a number of employees in 2018/19, incurring the above liabilities. Of this total £88,000 was payable to the Director of Governance and £86,000 was payable to the Director of Resources in the form of Compensation for Loss of Office. The remaining values were paid to employees as part of the transformation project.

27. EXTERNAL AUDIT FEES

The following fees have been paid to Deloitte LLP for services carried out by the public sector appointed auditor for the year (BDO LLP in 2018).

	31 March 2019 £000	31 March 2018 £000
External Audit Services (Deloitte)	50	65
Certification of Grant Claims & Returns (BDO)	19	19
Other Services	2	2
Total External Audit Fees	71	86

28. GRANTS AND CONTRIBUTIONS

	31 March 2019 £000	31 March 2018 £000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	237	744
New Homes Bonus	849	1,981
S31 Small Business Rate Relief	1,518	1,658
Transitional Grant	0	53
Community Projects	39	21
Other	13	0
Total Grants and Contributions	2,656	4,457

	31 March 2019 £000	31 March 2018 £000
Credited to Services		
Department for Work and Pensions	32,792	34,112
Ministry of Housing, Communities and Local Government	1,535	1,466
Homes England (MHCLG)	385	0
Essex County Council	1,724	1,852
Arts Council	1	163
Essex Police, Fire & Crime Commissioner	137	119
Town and Parish Councils	15	31
Broxbourne Borough Council	82	85
Cabinet Office	17	21
National Heritage	77	73
Harlow Borough Council	20	9
East Herts District Council	0	14
Uttlesford District Council	10	9
Housing Associations	18	39
Colchester Borough Council	103	0
Action For Children	28	34
Other	18	21
Total Grants and Contributions	36,962	38,048

29. RELATED PARTY DECLARATIONS

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council, or to be controlled or influenced by the Council. During 2018/19 the only material transaction was expenditure of £191,948 (£146,204 in 2017/18), which was paid to Fortismere Associates via Bloom Procurement Services Limited for personnel management services. The director of the company was employed to act as an interim Assistant Director of Neighbourhoods but became an employee in 1 July 2017 and continues to work for the Council. Fortismere Associates has also provided other project management services to the council in support of the local plan process. The 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 the public.

Central Government

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

30. CAPITAL EXPENDITURE AND FINANCING

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

	31 March 2019 £000	31 March 2018 £000
Opening Capital Financing Requirement	207,077	193,972
Transfer to HRA*	9,004	
Property, Plant and Equipment	26,011	33,141
Investment Properties	751	1,100
Revenue Expenditure Funded from Capital Under Statute	517	3,229
Private Sector Housing Loans	100	83
Intangible Assets	132	268
Sources of Finance		
Capital Receipts	(4,035)	(8,350)
Government Grants and Other Contributions	(540)	(813)
Major Repairs Reserve	(10,982)	(9,335)
Direct Revenue Contributions	(3,404)	(6,218)
Borrowing	(8,289)	0
Minimum Revenue Provision	(261)	0
Closing Capital Financing Requirement	232,659	207,077

*Reverses advance from HRA in in 2017/18

31. LEASES

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

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

	31 March 2019 £000	31 March 2018 £000
Assets Leased to Third Parties:		
Land and Buildings		
Shops (including shopping park)	4,881	4,236
Industrial and Commercial	1,274	1,219
Other	780	475
Total Rental Receivable	6,935	5,930

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

	31 March 2019		31 March 2018	
	Receipts Due between 2 & 5 Years £000	Total Receipts Due Thereafter £000	Receipts Due between 2 & 5 Years £000	Total Receipts Due Thereafter £000
Land and Buildings				
Shops (including shopping park)	16,830	28,479	14,499	25,922
Industrial and Commercial	4,382	55,706	4,397	53,572
Other	2,354	30,458	813	23,488
Total	23,566	114,643	19,709	102,982

Gross Amount of Assets Held for Use in Operating Leases:

	31 March 2019 £000	31 March 2018 £000
Land and Buildings		
Shops (including shopping park)	74,751	73,500
Industrial Units	24,443	21,919
Other and Commercial	17,817	18,374
Total Assets	117,011	113,793

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

Notional Lease with Biffa

Under IFRIC 4 the Waste Collection contract is deemed to contain a finance lease. The contract contains a capital element related to the provision of specialised vehicles. The Council has to recognise these assets in its own Balance Sheet together with a liability for a Finance Lease.

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

	31 March 2019 £000	31 March 2018 £000
Vehicle, Plant, Furniture and Equipment	1,163	2,327
Total	1,163	2,327

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

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

	31 March 2019 £000	31 March 2018 £000
Minimum Lease Payments		
Current	582	582
Non Current	1,163	1,745
Finance Costs Payable in Future Years	103	232
Total Minimum Lease Payments	1,848	2,559

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments Net Expenditure		Finance Lease Liabilities Net Expenditure	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Not Later than 1 Year	582	582	582	582
Later than 1 Year and not later than 5 Years	1,163	1,745	1,163	2,326
Later than 5 years	103	232	103	232
Total	1,848	2,559	1,848	3,140

32. PENSIONS

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

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

The figures disclosed below have been derived from a re-assessment of the assets and liabilities as a result of an interim actuarial valuation of the Fund carried out by the Fund's Actuary, Barnett Waddingham Public Sector Consulting, as at 31 March 2019. The approach to calculating the IAS19 figures in between full actuarial valuations is approximate in nature. Broadly, the approach by the Actuaries assumes, that the Fund will require further provision of £1.596m in line with the actuarial assumptions used for IAS19 purposes. The approach adopted by the Actuary follows "IAS 19 - Calculation Guide for Local Authorities".

The Council recognises cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against Council Tax is based on contributions payable to the fund in respect of 2018/19 so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure.

Essex County Council who manage our pension fund, have advised what our assumption for increases on GMP is, that full pension increases on the GMP element of a member's pension, are paid for by the Fund and therefore we do not expect the liabilities shown in our report to be affected by the outcome of the Indexation and equalisation of GMP in public service pension schemes consultation. The Lloyds ruling does not currently affect the LGPS so we do not believe there is any reason or evidence to take any further action relating to GMP equalisation at this stage.

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

Comprehensive Income and Expenditure Statement	31 March	
	2019 £000	2018 £000
Service Cost	9,630	6,116
Net Interest Charged	1,912	2,132
Administration Expenses	60	55
Net Charge made to the CIES	11,602	8,303
Re-Measurements in Other Comprehensive Income		
Return on Fund Assets in Excess of Interest	8,664	6,320
Other Actuarial Gains / (Losses)	-	-
Changes in Financial Assumptions	(9,748)	3,918
Change in Demographic Assumptions	12,785	-
Experience Gain / (Loss) on Defined Benefit Obligation	-	-
Re-Measurement of the Net Assets/(Defined Liability)	11,701	10,238
Pension Assets and Liabilities Recognised in the Balance Sheet		
Present Value of the Funded Obligation	229,281	219,741
Present Value of the Unfunded Obligation	3,007	3,333
Fair Value of Scheme Assets	(162,440)	(148,214)
Net Liability in the Balance Sheet	69,848	74,860

Reconciliation of the fair value of the Scheme Liabilities	Unfunded Liabilities		All Funded/Unfunded Liabilities Local Government Scheme	
	2019 £000	2018 £000	2019 £000	2018 £000
Net pensions liability at 1 April	(3,333)	(3,554)	(223,074)	(220,002)
Current Service Cost	0	0	(6,070)	(6,115)
Interest Cost	(81)	(92)	(5,828)	(5,873)
Change in Financial Assumptions	(57)	25	(9,748)	3,918
Change in Demographic Assumptions	185	0	12,785	0
Liabilities Assumed/(Extinguished) on Settlements	0	0	(3,965)	0
Estimated Benefits Paid	0	0	6,997	5,824
Past Service Cost Including Curtailments	0	0	(2,531)	(1)
Contributions by Scheme Participants	0	0	(1,133)	(1,113)
Unfunded Pension Payments	279	288	279	288
Net Pension Liability at 31 March	(3,007)	(3,333)	(232,288)	(223,074)

Reconciliation of the fair value of the Scheme Assets	31 March 2019 £000	31 March 2018 £000
Fair Value of the Plan Assets at 1 April	148,214	138,881
Interest on Assets	3,916	3,741
Return on Assets less Interest	8,664	6,320
Administration Expenses	(60)	(55)
Employer Contributions including Unfunded	4,913	4,326
Contributions by Scheme Participants and other employers	1,133	1,113
Estimated Benefits Paid plus Unfunded net of transfers in	(7,276)	(6,112)
Settlement Prices Received/(Paid)	2,936	0
Fair Value of the Plan Assets at 31 March	162,440	148,214

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on assets less interest in the year was £8.7 million (£6.3 million for 2017/18). The major factor in the upward trend in investment returns is due to investments moving away from the more volatile equities market and into Alternative Assets. The weighted average duration of the defined benefit obligation for scheme members is 17 years (17 years in 2017/18).

Scheme History	2018/19 £000	2017/18 £000	2016/17 £000	2015/16 £000	2014/15 £000
Present Value of Liabilities	(229,281)	(223,074)	(220,002)	(183,640)	(185,018)
Fair Value of Assets Present Valued Obligation	162,440 (3007)	148,214	138,881	116,659	115,089
Surplus/(Deficit) in the Scheme	(69,848)	(74,860)	(81,121)	(66,981)	(69,929)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £69.8 million in the balance sheet has decreased the reported net worth of the Council by 9.7% (10.6% 2017/18).

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

The total employer contributions expected to be made to the scheme by the Council in the year to 31 March 2019 is £4.2 million. The Service Cost is expected to be £6 million for the year to 31 March 2019.

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 31 March 2017.

The principal assumptions used by the actuary have been:

	2019 £000	2018 £000
Life Expectancy Assumptions		
Longevity at 65 for current pensioners in years:		
Men	21	22
Women	24	25
Longevity at 65 for future pensioners in years:		
Men	23	24
Women	25	27
Rate of inflation RPI	3.45%	2.35%
Rate of inflation CPI	2.45%	1.35%
Rate of increase in salaries	3.95%	3.85%
Rate of increase in pensions	2.45%	2.35%
Rate for discounting scheme liabilities	2.40%	2.55%

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

	31 March 2019		31 March 2018	
	£000	%	£000	%
Equities	101,133	62.3	96,733	65.3
Gilts	8,622	5.3	9,860	6.7
Other Bonds	9,494	5.8	5,506	3.7
Property	14,443	8.9	14,059	9.5
Cash / Liquidity	4,278	2.6	5,097	3.4
Alternative Assets	15,838	9.8	10,948	7.4
Other Managed Funds	8,632	5.3	6,011	4.0
Total	162,440	100.0	148,214	100.0

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in the 2017 actuarial review of the Pension Fund. The anticipated shortfall in the funding of the scheme has determined the future level of pension contributions which will be due in between triennial valuations.

	Sensitivity 1	Existing Assumptions	Sensitivity 2
	£000	£000	£000
Sensitivity Analysis as at 31 March 2019			
Adjustment to Discount Rate	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	228,361	232,288	236,288
Projected Service Cost	6,017	6,149	6,284
Adjustment to Long Term Salary Increase	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	232,679	232,288	231,901
Projected Service Cost	6,149	6,149	6,149
Adjustment to Pension Increases and Deferred Revaluation	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	235,893	232,288	228,747
Projected Service Cost	6,283	6,149	6,017
Adjustment to Mortality Age Rating Assumptions	+1 Year	None	-1 year
Present Value of Total Obligation	241,196	232,288	223,717
Projected Service Cost	6,359	6,149	5,947

Sensitivity Analysis as at 31 March 2018	Sensitivity 1	Existing Assumptions	Sensitivity 2
	£000	£000	£000
Adjustment to Discount Rate	+0.1%	0.00%	-0.1%
Present Value of Total Obligation	219,307	223,074	226,909
Projected Service Cost	5,830	5,957	6,087
Adjustment to Long Term Salary Increase	+0.1%	0.00%	-0.1%
Present Value of Total Obligation	223,438	223,074	222,711
Projected Service Cost	5,957	5,957	5,957
Adjustment to Pension Increases and Deferred Revaluation	+0.1%	0.00%	-0.1%
Present Value of Total Obligation	226,549	223,074	219,659
Projected Service Cost	6,087	5,957	5,829
Adjustment to Life Expectancy Rating Assumptions	+1 Year	None	-1 Year
Present Value of Total Obligation	231,505	223,074	214,960
Projected Service Cost	6,147	5,957	5,773

33. NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy (for 2018/19 this was agreed at Full Council on 22 February 2018). 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;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Credit Risk

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

Investments

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

The table below summaries the nominal value of the Council's investment portfolio at 31 March 2019, 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 31 March 2019

	Credit Rating Criteria Met	Up to 1 Month £000	1 - 3 Months £000	4 - 6 Months £000	7 - 12 Months £000	Greater than 12 Months £000	Total £000
Banks UK	Yes	580	0	0	0	0	580
Local Authorities	Yes	0	0	8,000	0	0	8,000
Money Market Funds	Yes	8,049	0	0	0	0	8,049
Total		8,629	0	8,000	0	0	16,629

Balances Invested as at 31 March 2018

	Credit Rating Criteria Met	Up to 1 Month £000	1 - 3 Months £000	4 - 6 Months £000	7 - 12 Months £000	Greater than 12 Months £000	Total £000
Banks UK	Yes	7,045	3,000	0	0	0	10,045
Local Authorities	Yes	5,000	0	0	0	0	5,000
Money Market Funds	Yes	10,000	0	0	0	0	10,000
Total		22,045	3,000	0	0	0	25,045

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.

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

	31 March 2018		
	Amount £000	Default Risk Judged %	Bad Debt Provision £000
Sundry Debtors	8,365	31.5	2,635
Housing Arrears	859	64.6	555
Net Charge made to the CIES	9,224		3,190

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

Liquidity Risk

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

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

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

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

The maturity analysis of the nominal value of the Council's debt at 31 March 2018 was as follows:

		31 March 2019 £000	% of Total Debt Portfolio	Cash Flows including Interest £000
Short Term Borrowing	Less than 1 Year	0	0%	5,575
Long Term Borrowing	Over 1 but not Over 2	-	0%	5,575
	Over 2 but not Over 5	31,800	17%	48,229
	Over 5 but not Over 10	-	0%	26,390
	Over 10 but not Over 15	-	0%	26,390
	Over 15 but not Over 20	30,000	16%	56,390
	Over 20 but not Over 25	123,656	67%	134,334
Long Term Borrowing		185,456	100%	297,308

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 31 March 2019, 83% of the debt portfolio was held in fixed rate instruments and 17% in variable rate instruments.

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

	2019 £000	2018 £000
Increase in interest payable on variable rate borrowing	318	318
Increase in interest receivable on variable rate investments	(247)	(176)
Impact on Surplus or Deficit on the Provision of Services	71	142
Share of overall impact debited/(credited) to HRA	71	142

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

Price Risk

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

Foreign Exchange Risk

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

34. CAPITAL COMMITMENTS

The Council is currently in contract with two suppliers for construction works in the Council's Housebuilding Programme. The Council entered into contract with Mulalley & Co Ltd in November 2015 to construct fifty-one new affordable homes at Burton Road, Loughton. The hand-over of these properties is expected to be in September 2019 with the anticipated outturn for this contract being £10.250 million with a spend in 2018/19 of £3.4 million and accumulated actuals up until 31st March 2019 totalling £9.7 million.

In January 2019 the Council entered a contract with Storm Building Ltd to build twelve properties at Queens Road, Epping. The anticipated contract sum is £2.700 million with actuals up until the 31st March 2019 of £1.026 million.

Housing Revenue Account Income and Expenditure Statement

	Note	2018/19 £000	2017/18 £000
Income			
Dwelling Rents	3	(31,083)	(31,511)
Non Dwelling Rents		(865)	(855)
Charges for Services and Facilities		(1,556)	(1,743)
Leaseholder Contributions		(107)	(515)
Revaluation of Fixed Assets	1	(18)	(220)
Total Income		(33,629)	(34,844)
Expenditure			
Repairs and Maintenance	4	6,709	6,157
Supervision and Management		9,503	8,779
Revaluation of Fixed Assets		2,368	4,693
Rents, Rates, Taxes and Insurance		532	490
Revenue Expenditure funded from Capital under Statute		107	515
Depreciation and Amortisation	8/9	8,644	8,517
Debt Management		60	61
Revenue Expenditure funded from Capital under Statute		64	33
Total Expenditure		27,987	29,245
Net Cost of Services as Included in the Comprehensive Income and Expenditure Statement		(5,642)	(5,599)
HRA services share of Corporate Expenses		701	680
HRA services share of Other Services		30	118
Net Cost (Income) of HRA Services		(4,911)	(4,801)
HRA Share of the Income and Expenditure included in the Comprehensive Income and Expenditure Statement		(4,911)	(4,801)
Capital Grants and Contributions		(224)	(706)
Gain on Sale of HRA Non-Current Assets		(2,130)	(3,378)
Interest Payable and similar charges		5,575	5,510
Interest and Investment Income		(384)	(218)
Valuation increase Rent to Mortgage		(24)	(42)
Changes in Fair Value of Investment Properties		0	(10)
Pensions Interest / Return on Assets		612	684
(Surplus)/Deficit for the Year on HRA Services		(1,486)	(2,961)

Movement on Housing Revenue Account Statement

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

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

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

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

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

Increase / decrease in the Housing Revenue Account Balance	Note	2018/19 £000	2017/18 £000
(Surplus)/ deficit for the year on the Housing Revenue Account Income and Expenditure Statement		(1,486)	(2,961)
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	10	2,024	4,508
Transfers to Earmarked Reserves	10	(563)	19
(Increase)/decrease in the Housing Revenue Account Balance		(25)	1,566
Housing Revenue Account Surplus Brought Forward		(2,287)	(3,853)
Housing Revenue Account Surplus Carried Forward		(2,312)	(2,287)

1. HOUSING REVENUE ACCOUNT ASSET VALUATION

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

	Operational Assets						Non Operational Assets	Total
	Land	Dwellings	Garages	Vehicles & Equipment	Other Land & Buildings	Other	Investment Properties	
2018/19	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 01 April 2018	236,903	434,218	4,420	3,317	938	18,860	139	698,795
Additions	-	8,821	1	760	-	7,513	0	17,095
Disposals / impairments	(907)	(1,625)	(60)	(360)	-	0	0	(2,952)
Reclassified in year	2,015	4,254	(335)	(186)	(50)	(5,884)	0	(186)
Revaluations applied to the CIES	(823)	(1,528)	-	-	-	(114)	0	(2,465)
Revaluation credited to the Revaluation Reserve	1,415	2,497	87	-	588	1,985	0	6,572
Accumulated depreciation and impairment written off on revaluation	-	(8,072)	(159)	-	(48)	(17)	0	(8,296)
Gross Book Value 31 March 2019	238,603	438,565	3,954	3,531	1,428	22,343	139	708,563
Depreciation 01 April 2018	-	-	-	(2,283)	(43)	(864)	-	(3,190)
Reclassified	-	-	13	53	1	(14)	-	53
Depreciation in year	-	(8,100)	(174)	(176)	(15)	(82)	-	(8,547)
Depreciation on disposed assets	-	28	2	325	-	-	-	355
Accumulated depreciation and impairment written off on revaluation	-	8,072	159	-	47	17	-	8,295
Depreciation 31 March 2019	-	-	-	(2,081)	(10)	(943)	-	(3,034)
Net Book Value 31 March 2019	238,603	438,565	3,954	1,450	1,418	21,400	139	705,529
Net Book Value 01 April 2018	236,903	434,218	4,420	1,034	895	17,996	139	695,605

	Operational Assets						Non Operational Assets	Total
	Land	Dwellings	Garages	Vehicles & Equipment	Other Land & Buildings	Other	Investment Properties	
2017/18	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 01 April 2017	230,730	421,368	4,694	3,239	928	16,189	129	677,277
Additions	-	9,119	-	196	-	11,051	-	20,366
Disposals / impairments	(1,323)	(2,458)	-	(118)	-	(550)	-	(4,449)
Reclassified in year	2,631	5,153	(176)	-	-	(7,830)	-	(222)
Revaluations applied to the CIES	(1,565)	(2,908)	-	-	-	-	10	(4,463)
Revaluation credited to the	6,430	11,776	108	-	12	-	-	18,326
Accumulated depreciation and impairment written off on revaluation	-	(7,832)	(206)	-	(2)	-	-	(8,040)
Gross Book Value 31 March 2018	236,903	434,218	4,420	3,317	938	18,860	139	698,795
Depreciation 01 April 2017	-	-	-	(2,207)	(31)	(783)	-	(3,021)
Reclassified	-	-	8	-	-	(2)	-	6
Depreciation in year	-	(7,878)	(214)	(189)	(14)	(79)	-	(8,374)
Depreciation on disposed assets	-	46	-	113	-	-	-	159
Accumulated depreciation and impairment written off on revaluation	-	7,832	206	-	2	-	-	8,040
Depreciation 31 March 2018	-	-	-	(2,283)	(43)	(864)	-	(3,190)
Net Book Value 31 March 2018	236,903	434,218	4,420	1,034	895	17,996	139	695,605
Net Book Value 01 April 2017	230,730	421,368	4,694	1,032	897	15,407	129	674,257

The dwelling valuation shown in the balance sheet represents the value of the housing stock to the Council in its existing use as social housing occupied on the basis of secured tenancies. The corresponding value of those dwellings if sold on the open market without tenants, i.e. vacant possession is £1,760,062,500 based on stock figures from 31 March 2019 and values as at 1 April 2018. The difference between the two values represents the economic cost of providing council housing at less than open market rents.

2. HOUSING STOCK

The Council was responsible for managing on average 6,375 dwellings during 2018/19 (6,382 in 2017/18). 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 2019 £000	31 March 2018 £000
Stock as at 1 April	6,374	6,389
Less: Sales	(23)	(42)
Stock Transfers/Conversions	0	0
Other Movements	0	(1)
New Properties	25	28
Stock as at 31 March	6,376	6,374
Number of: Houses and Bungalows	3,465	3,455
Flats and Maisonettes	2,863	2,909
Other	48	10
Stock as at 31 March	6,376	6,374

3. GROSS DWELLING RENT INCOME

During 2018/19

- 2.40% (1.46% in 2017/18) of all lettable dwellings were vacant.
- Average rents were £96.19 (£96.66 in 2017/18) per week including affordable rents, a reduction of £0.47 or 0.48% (£0.26 or 0.27% in 2017/18) on the previous year
- 46.6% (50.6% in 2017/18) of all Council tenants received some help through rent rebates in 2018/19.
- Rent arrears decreased to £850,037 (£859,096 in 2017/18), which represents 2.73% (2.73% in 2017/18) of gross dwelling rent income.
- The provision for bad and doubtful debts on these arrears amounted to £545,193 (£554,853 in 2017/18).
- Amounts written off during the year totalled £73,875 (£84,015 in 2017/18).
- 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:

	2018/19		2017/18	
	£000	£000	£000	£000
Balance as at 1 April		(1,255)		(1,236)
Contribution from the HRA	(6,000)		(6,000)	
Other Income	(143)		(176)	
Total Income		(6,143)		(6,176)
Responsive and Void Repaired	4,562		4,151	
Planned Maintenance	2,126		1,978	
Other	18		28	
Total Expenditure		6,706		6,157
Balance as at 31 March		(692)		(1,255)

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 2018/19; the real cost of retirement benefits is therefore reversed out of the Housing Revenue Account after Net Operating Expenditure.

6. HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS

The Council received £4,721,600 in respect of HRA capital receipts during 2018/19 (£7,718,080 in 2017/18). The receipts came from the sale of council houses £4,611,600 (£6,846,420 in 2017/18), and the release of a covenant for £110,000. There were no sales of other HRA land or properties in 2018/19 (£871,660 in 2017/18).

The receipts have been allocated in accordance with the prescribed proportions - £3,177,188 (£4,242,650 in 2017/18) for house building projects, £29,900 (£54,600 in 2017/18) for the administration of the sales, £894,205 (£577,170 in 2017/18) to be paid over to the central government pool, with the remainder of £620,307 (£2,843,660 in 2017/18) available to fund other capital projects.

7. HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

The HRA incurred the following capital expenditure:

	2019 £000	2018 £000
Capital Expenditure:		
Council Dwellings	8,216	8,530
House Building and Developments	7,279	10,890
Disabled Adaptations	446	594
Plant, Vehicles and Equipment	853	264
Environmental Works	560	171
Total Expenditure	17,354	20,449
Financed by:		
Revenue	2,750	6,165
Major Repairs Reserve	11,882	9,335
Capital Receipts	2,498	4,243
Other Contributions	224	706
Total Financing	17,354	20,449

8. MAJOR REPAIRS RESERVE

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

	2018/19		2017/18	
	£000	£000	£000	£000
Balance as at 1 April		(11,693)		(12,704)
Depreciation Transferred from the HRA	(8,414)		(8,324)	
Used to Fund Capital Expenditure on Council Dwellings	10,982		9,335	
Transferred to the HRA	-		-	
Total Expenditure		2,568		1,011
Balance as at 31 March		(9,125)		(11,693)

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 £230,000 (2017/18 £193,000) 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

	2018/19 £000	2017/18 £000
Amounts to be Excluded		
Transfer from Major Repairs Reserve and Other Depreciation Reversals and Impairments	(153)	(194)
Upward Revaluation of Council Dwellings and Garages	(2,351)	(4,346)
Movements in the fair value of investment	0	10
Leaseholder contributions	(107)	(515)
Revenue Expenditure Funded from Capital Under Statute	(98)	(5)
Reversal of notional lease payment	23	23
Valuation changes rents to mortgages	24	42
Gain / (loss) on disposal of HRA Fixed Assets	2,096	3,366
Flexi / leave accruals	(50)	7
HRA share of contributions to / (from) Pensions Reserve	(2,913)	(2,656)
Total of Amounts to be Excluded	(3,529)	(4,268)
Amounts to be Included		
Leaseholder contributions	107	515
Employers contributions payable to the Pension Fund	1,572	1,384
Capital expenditure funded by the HRA	3,650	6,171
Capital contributions applied	224	706
Total of Amounts to be Included	5,553	8,776
Net increase/(decrease) before transfers to / from Reserve	2,024	4,508
Transfers to /from Earmarked Reserves		
Housing Repairs Fund	(563)	19
Total Transfers To Earmarked Reserves	(563)	19
Total	1,461	4,527

11. TRANSFER TO SELF FINANCING RESERVE

The HRA Self-Financing Reserve was set up for the purpose of receiving a transfer of £3.18m per annum to accumulate enough funds to repay the £31.8m variable loan (due to be repaid in March 2022). Whilst this is the stated purpose of the fund the decision does not preclude the use of these funds for another HRA purpose. The balance on the Reserve as at 1 April 2017 was £12.72m, however it was agreed that in 2017/18 the contribution would be suspended leaving the year-end balance unchanged.

Collection Fund

	Note	2018/19			2017/18		
		Council Tax	Non Domestic Rates	Collection Fund Total	Council Tax	Non Domestic Rates	Collection Fund Total
		£000	£000	£000	£000	£000	£000
Income							
Council Tax	1	(91,371)	-	(91,371)	(86,338)	-	(86,338)
Non Domestic Rates	2	-	(37,281)	(37,281)	-	(36,122)	(36,122)
Total Income		(91,371)	(37,281)	(128,652)	(86,338)	(36,122)	(122,460)
Expenditure							
Precepts and Demands							
Essex County Council		65,440	3,093	68,533	61,711	3,124	64,835
Essex Police		9,053	-	9,053	8,328	-	8,328
Essex Fire Authority		3,770	344	4,114	3,660	347	4,007
Epping Forest District Council		11,647	13,747	25,394	11,250	13,885	25,135
Distribution of Estimated Collection Fund Surplus/(Deficit)	3						
Essex County Council		399	(122)	277	1,122	(45)	1,077
Essex Police		54	-	54	151	-	151
Essex Fire Authority		24	(14)	10	67	(5)	62
Epping Forest District Council		73	(542)	(469)	210	(200)	10
Non Domestic Rate							
Payment to Central Government		-	17,184	17,184	-	17,356	17,356
Repayment of Deficit		-	(678)	(678)	-	(250)	(250)
Transitional Protection		-	(530)	(530)	-	(884)	(884)
Cost of Collection Allowance		-	173	173	-	173	173
Provision for Appeals		-	226	226	-	1,179	1,179
Provision for Non Payment		234	110	344	92	90	182
Write Offs		190	21	211	292	237	529
Total Expenditure		90,884	33,012	123,896	86,883	35,007	121,890
Deficit / (Surplus) for the Year		(487)	(4,269)	(4,756)	545	(1,115)	(570)
Balance Brought Forward		(904)	(1,028)	(1,932)	(1,449)	87	(1,362)
Balance Carried Forward		(1,391)	(5,297)	(6,688)	(904)	(1,028)	(1,932)

1. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council, Essex Police, Essex Fire Authority and this Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted discounts: 53,563 for 2018/19, (53,029 for 2017/18). The basic amount of Council Tax for a Band D property £1,613.61 for 2018/19, (£1,538.55 for 2017/18) is multiplied by the proportion specified for the particular band to give an individual amount due.

Income of £91,371,076 for 2018/19 (£86,338,451 for 2017/18) was receivable from council tax payers. An amount of £18,387 (£8,712 in 2017/18) was clawed back from Council Tax payers and passed to the General Fund.

	Chargeable Dwellings	Chargeable Dwellings after Discount, Exemptions and Disabled Relief	Ratio to Band D	Band D Equivalents
Band A Disabled	0	3	5/9	1.67
Band A	1,842	1,474	2/3	982.67
Band B	5,006	4,108	7/9	3,195.11
Band C	11,615	10,326	8/9	9,178.67
Band D	14,020	12,886	9/9	12,886.00
Band E	9,735	9,026	11/9	11,031.78
Band F	6,835	6,432	13/9	9,290.67
Band G	5,932	5,624	15/9	9,373.33
Band H	1,159	1,089	18/9	2,178.00
Total Band D				58,118
Less Band D equivalents entitled to Council Tax Support				3,739
Total Band D Equivalents				54,379
Less Adjustment for Collection Rate				816
Council Tax Base				53,563

2. NON-DOMESTIC RATES

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 48.0p (small business) and 49.3p (others) in 2018/19, (46.6p (small business) 47.9p (others) in 2017/18) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

From 1 April 2013 Business Rates Retention was introduced whereby Local Authorities retain 50% of the Business Rates collected and pay the remainder over to Central government. The amount retained is shared between the Council (40%), Essex County Council (9%) and Essex Fire Authority (1%). In addition, the Government has set a level of Business Rates Funding deemed to be applicable to each area and every Council either receives a top up (where business rates are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding). In 2018/19 this Council paid a tariff of £10,466,268 (£10,161,022 in 2017/18).

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

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

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

The total non-domestic rateable value at the year-end was £96,411,876 for 2018/19 (£95,882,746 in 2017/18).

3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

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

EPPING FOREST DISTRICT COUNCIL

Annual Governance Statement 2018/19

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 2019), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Council's Constitution. A copy of the Code is on our website at www.eppingforestdc.gov.uk. The code is aligned to the 2016 edition of the CIPFA/SOLACE framework.

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

2. The purpose of the governance framework

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

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

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

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

- (i) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- (ii) Ensuring openness and comprehensive stakeholder engagement.
- (iii) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- (iv) Determining the interventions necessary to optimise the achievement of intended outcomes.
- (v) Developing the Council's capacity, including the capability of its leadership and the individuals within it.
- (vi) Managing risks and performance through robust internal control and strong public financial management.
- (vii) Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

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

The table below summarises the Council's Governance Framework (which includes the system of internal control) for the year ending 31 March 2019 and up to the date of approval of this Statement and the Statement of Accounts.

The Governance Framework	
	The key elements of the Council's governance arrangements for 2018/19 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"> 2.1 sets out the Council's decision-making framework; 2.2 gives a clear definition of the roles and responsibilities of members, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer); 2.3 includes a scheme of delegation of responsibility, financial regulations and Procurement Rules; and 2.4 defines codes of conduct for members and officers, and a protocol for how the two work together.
3	The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios. The Council's Local Code of Governance was reviewed and updated during 2018/19
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, Strategic Directors (with one vacant post) and seven Service Directors. The Chief Executive as Head of Paid Service is supported by the Council's Monitoring Officer and Section 151 Officer
8	A Corporate Governance Group consisting of the Chief Executive, Section 151 Officer, Monitoring Officer, the Chief Internal Auditor and other Service Directors as required depending on the agenda, meeting monthly
9	A Corporate Risk Strategy overseen by a Risk Management Group meeting quarterly
10	A standard committee report format that includes specific consideration of all legal, financial, professional, technical, risk management and equalities implications
11	A Medium Term Financial Strategy which informs service planning and budget setting, and the provision of an annual Financial Issues Paper to the Finance and Performance Management Cabinet Committee
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 was updated January 2019 and disseminated) along with anti-fraud and corruption strategy (which was reviewed and approved by Council in December 2018) 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 2018/19

4. Overall opinion of Epping Forest's governance arrangements

This AGS demonstrates that the Council has sound governance arrangements in place which continue to work well in practice for the 2018/19 financial year. However, the Council is not complacent and areas for improvement or development are detailed in section five.

5. 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 2018/19 AGS

No.	Significant issue identified in 2018/19 AGS	Action taken in 2018/19 to address the issue
1	<p>General Data Protection Regulations (GDPR): On 25 May 2018, the EU General Data Protection Regulations came into force. It is important the Council not only maintains compliance but ensures there is a continuous process for improvement too. This will be delivered through the GDPR Working Group.</p>	<p>A GDPR action plan owned by the Council's Data Protection Officer is monitored by the Corporate Governance Group in conjunction with Internal Audit to address data protection issues as they arise and to ensure on-going compliance. The number of self-reported data breaches to the Information Commissioner's Office during 2018/19 was low. The ICO took no further action as they placed reliance on the action plan submitted with each notification.</p>
2	<p>Transformation: The Council is embarking on an ambitious transformation programme which involves the delivery of new staff, IT and accommodation strategies and implementation of new processes, structures and technology.</p> <p>This is being delivered through the Transformation Board and overseen by Council.</p>	<p>The transformation project continues to gather momentum. The transformation programme is being overseen by the new Leadership Team and progress reported to Cabinet.</p>

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 2019/20

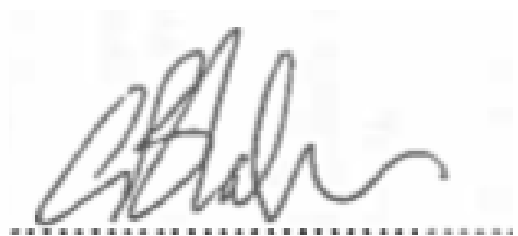
No.	Objective	Risk area/action plan for 2019/20
1	Business Continuity Planning (BCP)	<p>An internal audit of BCP found that although there is a corporate Business Continuity plan it is not fit for purpose and contingency arrangements in place inadequate.</p> <p>An urgent project has been initiated due for completion November 2019, and action is already being taken to address the concerns raised by Internal Audit which involves a dedicated Officer group working in conjunction with an external specialist. Progress against the project is being closely monitored by the Corporate Governance Group, which is chaired by the Chief Executive.</p>
2	Economic climate: Uncertainty over Brexit may impair the Council's strategic aims and objectives	<p>Brexit implications, and other economic uncertainties, are being regularly monitored by Leadership Team. The Council liaises with the Local Resilience Forum Lead and with the East of England Local Government Association on Brexit related operational issues and community impact. In turn both these organisations liaise with Ministry for Housing, Communities and Local Government</p>
3	Statutory posts: It is important the Council ensures that the role, responsibilities and standing of the Council's Section 151 Officer and Monitoring Officer complies with legislation (in particular the Local Government and Housing Act 1989) and good practice as the Council's restructure is completed	<p>This will be kept under review by the Leadership Team in consultation with the Monitoring Officer, Section 151 Officer, Internal and External Audit. External legal advice will be obtained if deemed necessary.</p>
4	Close down of Accounts: Delays have been encountered in the closure of the Council's 2018/19 accounts due to a variety of internal and external factors and will result in an increase in Audit fees.	<p>The Council is jointly working on improvements with its External Auditors, which includes a review of processes, working papers and electronic files. Ultimately this will ensure streamline and efficient processes are in place ahead of closing next year's accounts.</p>
Common themes from the Service Assurance Statements were:		
5	Restructure: As a result of the restructure many Officers have/or will be taking on new roles and responsibilities. The Council's scheme of delegation needs to remain robust and fit for purpose. In addition, support and guidance needs to be offered to these Officers	<p>Delegated authorities are being reviewed by the Service Director (Business Services) and is included in the Leadership Team Work Plan.</p> <p>A staff awareness campaign will be undertaken to ensure Officers are aware of their responsibilities regarding corporate policies and training offered as appropriate. This includes Financial Regulations, Procurement Rules, Anti-Fraud and Corruption Policy, Whistleblowing procedure, Code of Conduct and Customer Service Standards.</p>

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
Councillor Chris Whitbread
Leader of the Council

Signed
Councillor Chris Whitbread
Leader of the Council



.....
Georgina Blakemore
Chief Executive

Appendix 1 Epping Forest Code of Governance

INTEGRITY	OPENNESS	VISION	OUTCOMES	CAPACITY & CAPABILITY	PERFORMANCE	ACCOUNTABILITY
Behave with integrity, demonstrating a strong commitment to ethical values and respect the rule of law.	Ensure openness and comprehensive stakeholder engagement	Define outcomes in terms of sustainable economic, social and environmental benefits	Determining the interventions necessary to optimise the achievement of intended outcomes	Develop the Council's capacity, including the capability of its leadership and the individuals within it.	Manage the Council's risk and performance through robust internal control and strong public financial management.	Implement good practice in transparency, reporting and audit to deliver effective accountability.
Examples supporting the Annual Governance Statement (AGS) 2018/19						
<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/compliments 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>Green Charter</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>Corporate approach to project management.</p>	<p>Workforce plan to enhance resource allocation</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 supporting the Council's Anti-Fraud and Corruption strategy.</p> <p>Medium Term Financial Strategy.</p>	<p>Defined process to ensure reports for the public/stakeholders are fair, balanced, easily accessible and understandable.</p> <p>Reporting regularly on performance and on the use of resources.</p> <p>Processes to ensure external/internal audit recommendations are acted upon.</p> <p>Requirement for Service Directors to produce annual assurance statements which feed into the AGS</p>
An active Corporate Governance Group which takes charge of the Annual Governance Statement						

GLOSSARY OF TERMS

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

ACCOUNTING PERIOD

This is the period of time covered by the accounts, normally a period of twelve months commencing on 1 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 31 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 tax payers.

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 31 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 31 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 arms 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 tax payers, 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 1 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 (PWL B)

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;
- 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 31 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 PENSIONS RELATED TERMS

ACTUARIAL GAINS AND LOSSES

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

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

CURRENT SERVICE COST

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

CURTAILMENT

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

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

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DISCRETIONARY BENEFITS

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

EXPECTED RATE OF RETURN ON PENSION ASSETS

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

IAS19

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSIONS FUND)

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

NON-DISTRIBUTED COSTS

Non-distributed costs are defined as comprising:

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

PAST SERVICE COST

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

PENSION SCHEME LIABILITY

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

PROJECTED UNIT METHOD - PENSION FUND VALUATION

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

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

RETIREMENT BENEFITS

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

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

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

SCHEME LIABILITIES

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

SETTLEMENT

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

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

VESTED RIGHTS

In relation to a defined benefit scheme, these are:

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

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