

Epping Forest District Council Statement of Accounts 2021 – 2022



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1. INTRODUCING EPPING FOREST DISTRICT COUNCIL

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

The district has an estimated resident population of 135,000 (2021 Census), representing an increase of 8.3% in the last decade. Key population centres are the commuter towns in the south of the district - Buckhurst Hill, Chigwell and Loughton. These towns have a combined population of over 50,000 but cover less than 10% of the total area of the district. There are also the market towns of Epping, Waltham Abbey and Ongar and numerous villages and hamlets situated in attractive countryside. The district has good transport links, with both the M25 and M11 running through it and crossing at Theydon Garnon. The area is served by the London Underground Central Line and over ground railway.

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

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

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

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

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

2. PERFORMANCE AGAINST CORPORATE OBJECTIVES

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

The Year 4 Action Plan (covering 2021/22) represented the fourth reporting cycle for the Corporate Plan. Performance measures for Year 4 have been expanded to enable a greater understanding on how well corporate objectives are being met, and to support the Council's response to the Pandemic.

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

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

Performance against all KPIs is reviewed quarterly and all key corporate programmes are reported on monthly through an internal governance process (and quarterly too, to support and align to KPI's and wider governance requirements). During the year, the Stronger Council Select Committee, Stronger Place Select Committee, Stronger Communities Select Committee and Overview & Scrutiny Committee have had overview and scrutiny roles to ensure continued achievability and relevance, and to identify proposals for appropriate corrective action in areas of under-performance.

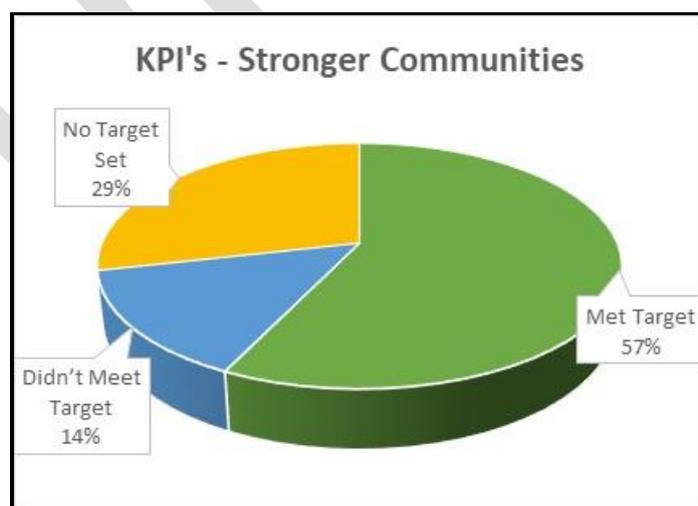
Stronger Communities

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

Key Performance Indicators (KPIs)

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

- 4 out of 5 (80%) that were measurable met their target
- 1 out of 5 (20%) did not meet its target; and
- 2 out of 7 were information only and had no target set.



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

Customer Satisfaction however proved more challenging, with the overall target of 63% against a target of 80%. Work is now underway to review customer satisfaction as a priority for the Council through a range of key projects.

Targets set for *Engagement in Community, Physical or Cultural Activity* were set during the pandemic at 7,000. This was exceeded by the second quarter of the year and subsequently rose to 14,000.

The *Number of Families in B&B Accommodation for 6 weeks+* has remained at zero throughout each quarter and has supported the Council's legal duty to ensure that no family is kept in Bed & Breakfast accommodation for more than 6 weeks.

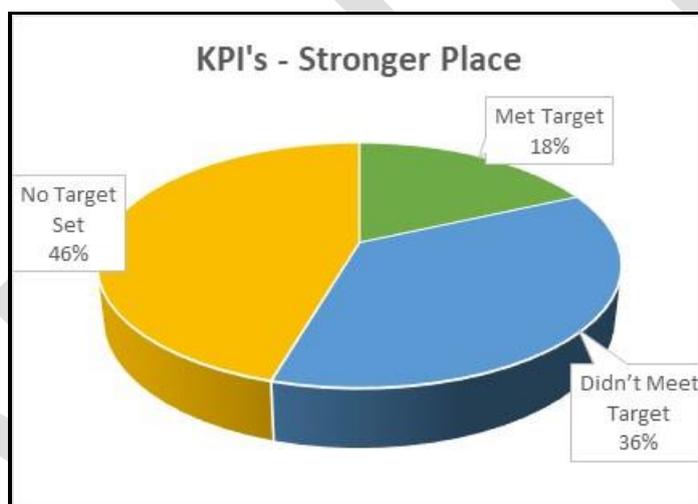
Stronger Place

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

Key Performance Indicators (KPIs)

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

- 2 out of 11 (18%) met their target
- 4 out of 11 (36%) missed their target
- 5 out of 11 (46%) were for information only and had no target set.



It has been a consistent year for *Recycling* rates which missed their target by less than 1%, with 59% of waste not going to landfill now, against a target of 60%. In contrast, the *Reduction in Household Waste* was just off target in Quarter 1 and Quarter 2 which is explained by household waste volumes remaining high following the COVID-19 pandemic, and the resulting increase in home workers (shifting waste from commercial properties to residential properties). However, this is now reducing as more home workers return to office-based working.

The overall *Percentage of Planning Applications Determined Within Agreed Timelines* (on Major, Minor and 'Other' applications) was 85.7% for the year, although processing times varied between application categories as follows:

- Major Applications - 70.8% (Target 80%)
- Minor Applications - 79.4% (Target 90%)
- Other Applications (e.g. house extensions) - 87.8% (Target 90%)

Performance generally strengthened in the latter stages of the year as an accumulated backlog, triggered by a delay in planning permissions following the introduction of tougher air quality impact assessment standards (on Epping Forest) has gradually eased following the approval of an Air Pollution Mitigation Strategy. The new air quality requirements can often make Applications more complex and result in an increased need to report to planning committees, often leading to potential delays in reaching decisions within set timeframes.

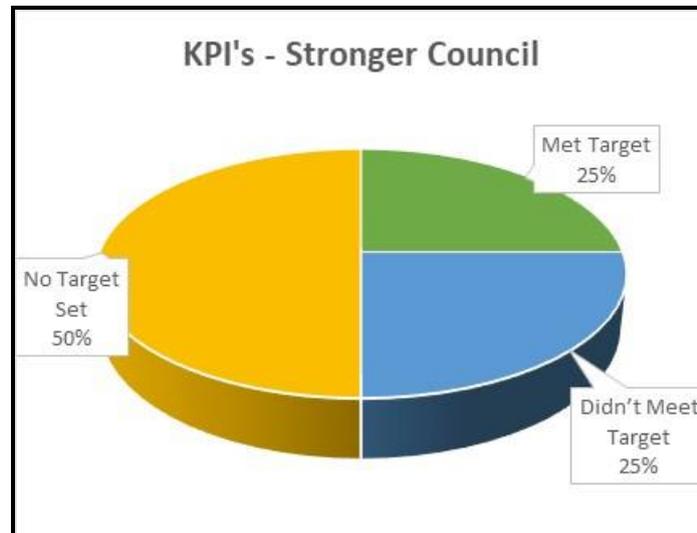
Stronger Council

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

Key Performance Indicators (KPIs)

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

- 1 out of 4 (25%) met its target
- 1 out of 4 (25%) did not meet its target; and
- 2 out of 4 (50%) were for information only and had no target set.



Staff Turnover was positive throughout the year with targets exceeded in all four quarters, with an average turnover rate of 4% against a maximum target of 11%.

In contrast, *Staff Sickness Absence* has not met targets set, with an average of 3.11% against a target of 2.15% this year. Sickness levels were higher in Quarter 2 and Quarter 3, but there was a decline in Quarter 4; lower than average sickness levels throughout spring / summer, and higher than average sickness levels in autumn / winter, can usually be expected.

Projects

All projects – priority and non-priority – are reported through the monthly internal governance framework. Priority projects are additionally reported on through a quarterly wider Council governance process.

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

- 4 out of 13 (30%) were completed
- 7 out of 13 (54%) were 'In Delivery' at year end; and
- 2 out of 13 (16%) were at 'Service Design/Scoping' stage.

The four successfully completed projects are as follows and have supported with reducing costs and improved technology.

- Commercial Letting (Civic Offices; 2nd Floor & 323 High Street)
- Digital Support Platform for Business
- Local Enforcement Plan; and
- Councillor Portal.

Of the remaining open projects, delivery is continuing in 2022/23.

3. FINANCIAL REVIEW 2021/22

The extreme volatility – triggered by the Covid-19 pandemic – experienced in 2020/21 gradually receded as the 2021/22 financial year progressed with financial activity resuming to normal pre-pandemic levels in most areas, albeit with a few notable exceptions such as Car Parking income and Waste Collection costs. This combined with a significant General Fund budget surplus, ensuring a positive end to what began as a very uncertain year.

The Consolidated Income & Expenditure Statement (CIES) on Page 24 shows that the Net Cost of Services for 2021/22 was £22.454 million (down £18.166 million compared to 2020/21); after other factors such as the impact of Taxation and other Gains and Losses, including those from the ring-fenced Housing Revenue Account, are adjusted for, Total Comprehensive Net Income of £86.911 million was recorded (up £70.638 million compared to 2020/21). The largest factor in the reduced Net Cost of Services was an increase in income within the Contracts and Technical Services directorate (up by £3.384 million) as key revenue streams – most notably Car Parking and Leisure – bounced back as the pandemic eased. Income from Qualis was also a notable factor (up by £2.770 million). In addition, an increase of £7.546 million in Financing and Investment income was achieved as the downward valuation adjustments recorded in 2020/21 – during the height of the pandemic – were reversed this year.

The presentation of individual services (“Continuing Operations”) on the face of the CIES follows the principles established in CIPFA’s “Service Reporting Code of Practice for Local Authorities (2021/22)” (SERCOP); consistency of reporting is achieved with the internal management accounts, which reflect how services are delivered and organised within the Council.

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

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

General Fund

The table below reflects the Month 12 (year-end) Management Accounts for 2021/22.

General Fund Services 2021/22	Net Expenditure		Variance
	Budget	Outturn	
	£000’s	£000’s	£000’s
Chief Executive	812	781	(31)
Commercial & Technical Services	448	827	379
Community & Wellbeing	1,506	1,206	(300)
Corporate Services	8,821	8,579	(242)
Customer Services	2,564	1,859	(705)
Finance & Audit	2,226	3,264	1,038
Housing & Property	1,997	2,005	8
Place	431	330	(101)
Planning & Development	1,822	1,810	(12)
Strategy, Delivery & Performance	880	613	(267)
Qualis Income	(3,365)	(2,856)	509
Financing & Recharges	(1,273)	(2,541)	(1,268)
Totals	16,869	15,877	(992)

The Month 12 Accounts show that the General Fund budget was in surplus by £992,042 at year end. The revenue position gradually settled down as the year progressed, following the unprecedented year that was 2020/21 during the height of the pandemic.

The most significant service variance related to Finance and Audit, which was overspent by £1.031 million, reflecting the corporate nature of a range of budgets in this service area. This included overspends on the Bad Debt Provision (an additional contribution of £264,000 above budget was required) and Pension Costs (driven by a £246,000 budget pressure on “Added Years/Unfunded Payments”). Budget pressures were also experienced in a range of other frontline services predominantly due to income shortfalls driving notable budget overspends in Land & Property (£589,153), Qualis Income (£509,063), Car Parking (£274,261) and Housing Benefit Overpayments (£206,000).

In contrast, income from Court Costs bounced back as the Magistrates Courts reopened in the year, driving an overall underspend of £740,335 on the Local Taxation cost centre. Significant positive variances were also recorded on HRA Recharges (£696,629), ICT (£315,742) and Contingencies (£500,000).

During the early part of the financial year especially, as with 2020/21, the Government provided significant financial support to local authorities to assist with the local financial pressures triggered by the pandemic; most notably a main allocation for the Council of £663,322, as well as further assistance of £404,269 in direct compensation for loss in income from Sales, Fees and Charges during April to June 2021.

Housing Revenue Account (HRA)

The table below summarises the outturn on the HRA for 2021/22 compared to 2020/21.

Description	2021/22	2020/21	Variance
	£000's	£000's	£000's
Total Income	(37,182)	(34,764)	(2,418)
Total Expenditure	33,452	32,610	842
Net Cost of Services (included in CIES)	(3,730)	(2,154)	(1,576)
Corporate expenses charged to HRA	364	842	(478)
Net Cost/(Income) of HRA Services (included in CIES)	(3,366)	(1,312)	(2,054)
Other accounting adjustments	1,789	2,526	(737)
(Surplus)/Deficit on HRA Services	(1,577)	1,214	(2,791)
Reconciling adjustments (including reversals)	(482)	(1,289)	807
(Increase)/Decrease in HRA Balance	(2,059)	(75)	(1,984)

The HRA Balance increased by £2.059 million in the year (£0.075 million in 2020/21), primarily due to a substantial increase in Income (up £2.418 million), driven by rising Dwelling Rents as newly developed Council Housing as well as Open Market Acquisitions came on stream.

In contrast, there were some significant spending increases in the year, notably in Responsive Repairs and Maintenance (at £8.841 million, up £0.202 million compared to 2020/21), which was the single largest factor in total HRA spending of £33.452 million.

Depreciation charges were £9.704 million in the year (£9.238 million 2020/21); the increase of £0.466 million a consequence of the rising value of Domestic Property generally, including Social Housing.

Revaluation Gains rose sharply to £1.950 million (£0.346 million in 2020/21), primarily due to the reversal of previous Revaluation Losses recorded in 2020/21 due to the pandemic. However, Revaluation Gains and Losses and Impairment charges made to the HRA Income and Expenditure Account are reversed out in the Movement in Reserves Statement, to eliminate any potential impact on Housing Rents.

There were no HRA Contributions towards Capital Expenditure in the year (£2.0 million in 2020/21); this was partly a consequence of slippage in the Council's Housebuilding Programme, caused by planning delays. The HRA balance ended the year up at £4.164 million (compared to £2.105 million in 2020/21).

Collection Fund

The Collection Fund is a ring-fenced account for the management of Council Tax and Business Rates income. The Collection Fund bounced back strongly this year following the pandemic-driven major deficit recorded in 2020/21. An overall surplus of £11.699 million was recorded in 2021/22.

Whilst collection rates for both Council Tax and Business Rates suffered dramatically in 2020/21 due to the disruption caused by the pandemic, and it was expected that performance would generally recover with the restoration of the normal recovery process in 2021/22, actual results exceeded expectations. The economy did not experience high unemployment rates as feared in setting Council Tax assumptions for the year, whereas local businesses recovered to something like normal activity levels, with the Government continuing to provide strong support in the form of grants, loans and extended rate reliefs; all of which helped protect both the businesses themselves, and the Business Rates receipts that the Council, and other local preceptors, rely upon.

The Council also continued to benefit from the Essex Council Tax Sharing Agreement this year (bouncing back to £436,578 compared to £95,024 in 2020/21) and the Essex Business Rates Pool (Levy saving £510,489). Thus:

- Council Tax (2021/22 Surplus £2.442 million) – the Epping share of the recorded Surplus is £293,878. A notable factor was the collection of an estimated year-end Collection Fund Deficit of £810,971 (combined contributions from preceptors) for 2020/21, which was determined on 15th January 2021 (at the height of the pandemic); this was a significant help in eliminating the accumulated Deficit on the account
- Business Rates (2021/22 Surplus £9.257 million) – the Epping share of the recorded Surplus is £3,702,139. Whilst recovery was much improved compared to 2020/21, the headline factor was the collection of an exceptionally large estimated year-end Collection Fund Deficit of £17,241,500 for 2020/21, which was determined on 31st January 2021. As with all preceptors, the financing of the Epping Forest District Council share of the Deficit (£6,896,600) was achieved through "Section 31" receipts from Central Government, paid by way of compensation for the extended Business Rate Reliefs introduced to aid businesses during the pandemic.

The Council continued to be compensated by the Government through the awarding of Section 31 grant funding in 2021/22 in recognition of continuing and further Business Rate Reliefs awarded; the Earmarked Reserve set up in 2020/21 for the purposes of offsetting future Collection Fund deficits, retained a balance of £3.450 million as at 31st March 2022.

The Collection Fund carried an overall Deficit as at 31st March 2022 of £5.983 million (Council Tax £1.344 million Surplus, Business Rates £7.327 million Deficit).

Balance Sheet

The Council's Balance Sheet value increased by £87.165 million (13.1%) in 2021/22, resulting in a net position of £752.856 million as at 31st March 2022 (£665.691 million as at 31st March 2021). Notable differences compared to 2020/21 include the following:

- Property, Plant & Equipment (up £42.994 million) – property values have proved resilient despite the pandemic. Most notably, the value of Council Dwellings increased by £57.218 million in the year, although the overall impact was offset by Land & Buildings disposals of £14.515 million to Qualis for redevelopment

- *Investment Properties (up £14.701 million)* – the value of the Council’s Investment Property portfolio has also largely bounced back from the effects of the pandemic, resulting in overall upward valuation adjustments of £13.26 million. The strategy of buying back long leases, to relet on shorter terms at more favourable rates, is also beginning to have a favourable effect on valuations
- *Long-Term Debtors (up £18.038 million)* – the rise in long-term debtors primarily relates to an increase in the principal outstanding on loans made to Qualis (balance outstanding £59.480 million as at 31st March 2022)
- *Debtors (down £7.179 million)* – the fall in short-term debtors is heavily influenced by the fall in the Collection Fund deficit in 2021/22 compared to 2020/21. Most significant is the (50%) balance owed by Central Government, which was £8.292 million on 31st March 2021, but had reduced to £3.664 million by 31st March 2022
- *Cash & Cash Equivalents (up £8.262 million)* – the level of Cash carried by the Council is still subject to some volatility and generally higher than pre-pandemic levels. Although the position gradually stabilised in the year (compared to 2020/21) as the pandemic receded, (nationally) there has been some uncertainty as to the winding up arrangements for Covid business grants, including the timing of repayments of unspent balances to Central Government
- *Short-Term Loans (up £31.0 million)* – the strategy of increasingly taking out Short-Term Local Authority Loans remained in place during the year; despite recent rises, short-term borrowing rates remain extremely competitive (although the approach is kept under constant review with our appointed Treasury Management advisors, Arlingclose); and
- *Long-Term Loans (down £23.750 million)* – the net reduction in Long-Term Loans partly reflects the increase in short-term borrowing described above. It also reflects the repayment of a 10-Year Loan for £31.8 million, which matured on 28th March 2022.

Usable Reserves

The overall balance on Usable Reserves decreased from £47.156 million to £38.482 million over the year.

The General Fund (unallocated) balance began the year at £4.017 million and ended the year at £4.070 million. The stable position reflects a combination of factors. The planned use of £1.350 million to support the 2021/22 budget was offset by a surplus of £0.992 million on the Management Accounts as noted above, which was further added to by funding differences and accounting adjustments with a combined (positive) impact of £0.411 million; this included a positive credit loss adjustment of £0.154 million on the original £6.0 million Working Capital Loan granted to Qualis in 2020/21.

Earmarked Reserves reduced from £23.811 million to £7.369 million over the year. There were two dominant factors in the reduction as follows:

- *HRA Self-Financing Reserve (down £12.720 million)* – the Self-Financing Reserve was created when the Council bought itself out of the former Housing Subsidy system in 2012, whereby funding was originally set aside to meet the principal repayments on a 10-Year Variable Rate loan of £31.80 million taken out from the PWLB. The Reserve eventually accumulated a balance of £12.720 million and the loan matured on 28th March 2022; the balance was utilised in full this year as part of the re-financing arrangements for the Variable Rate loan; and
- *Collection Fund Deficit Reserve (CFDR) (down £3.20 million)* – the CFDR reserve was a newly created reserve in 2020/21. Its purpose is to help cover the Council’s share of the Collection Fund loss created by the Pandemic. The original funding for the reserve was received from the Government under Section 31 of the Local Government Act 2003, reflecting a loss in revenue triggered by the temporary expansion of Business Rates Relief to assist local businesses. A drawdown of £3.2 million was utilised this year to offset the Council’s share of losses on Business Rates.

Unusable Reserves

The Council is required to maintain substantial Unusable Reserves, primarily for technical accounting purposes. The overall balance increased from £618.535 million to £714.374 million over the year.

Most notably, the Council's Pension Liability fell by £18.195 million from £69.108 million to £50.913 million in the year. This was predominantly a result of the continued increase in the estimated Fair Value of the Fund Assets of £16.630 million as illustrated in the table below. Liabilities fell by just £1.331 million.

Movement in Pension Fund Asset Values 2021/22				
Asset Type	Fair Value	Fair Value	Increase/	Increase/
	31/03/22	31/03/21	(Decrease)	(Decrease)
	£000's	£000's	£000's	%
Equities	124,193	120,324	3,869	3.2
Gilts	4,938	4,846	92	1.9
Other bonds	9,058	9,253	(195)	(2.1)
Property	16,964	13,404	3,560	26.6
Cash/temporary investments	5,248	4,791	457	9.5
Alternative Assets	25,560	21,861	3,699	16.9
Other managed funds	20,879	15,731	5,148	32.7
Total	206,840	190,210	16,630	8.7

Capital

The table below summarises the Capital Expenditure outturn for 2021/22.

Description	2021/22	2020/21
	£000's	£000's
General Fund	25,676	49,260
Housing Revenue Account (HRA)	21,414	17,930
Total Capital Programme	47,090	67,190

Expenditure on the General Fund Capital Programme decreased by £23.584 million this year as the Council concluded the refurbishment of the Civic Offices. The remaining priorities presented in the Corporate Plan 2018-2023 were the focus for 2021/22, with the most notable expenditure items incurred as follows:

- Qualis Loans/Transfers – £5.0 million in Capital loans were granted to Qualis during the year compared to £36.0 million granted in 2020/21, which is the most significant variance between the two years. The Council makes a revenue return on the loans, thus contributing to the corporate objective “achieving financial independence with low Council Tax” (as part of the “Stronger Council” corporate ambition). In addition, several property assets were transferred to Qualis for £14.752 million (payable over 30 years as part of an ‘Asset Purchase Loan’ arrangement), which was a significant enabler in progressing the Council's regeneration plans
- Epping Leisure Centre – £1.56 million was incurred on enabling works (to gain planning consent) undertaken by Qualis on the Council's behalf as part of the new Epping Leisure Facility development in Bakers Lane; and
- Investment Property – the Council has continued with its strategy of buying back long leases granted on certain investment properties, spending £1.03 million in 2021/22 to buy back a lease on a group of industrial units at Brooker Road; this will generate higher income streams through reletting on shorter terms.

The Council also concluded the extensive refurbishment of the Civic Offices in the early part of the year. As well as providing ‘state of the art’ accommodation to enable employees to work in the new hybrid way of working, the new facility is also delivering an additional income stream for the Council from commercial tenants.

There was a net increase of £3.484 million in expenditure on the HRA Capital Programme in the year compared to 2020/21, as the Council continued to roll out the Housing Development Programme. However, total expenditure – at £21.414 million – on the overall Capital Programme was £17.936 million lower than originally planned, with two notable areas of underspending/slippage; Housing Development and Capital Works as follows:

- Housing Development (underspend £12.859 million) – there were two elements to note:
 - *Housebuilding* – there was an underspend of £15.828 million (against a total budget of £24.506 million). Phases 4.1 and 4.2 were expected to be completed within the year but were significantly delayed due to planning issues; this delayed the start of Phases 4.3 and 4.4 which have now been re-scheduled to 2022/23; and
 - *Open Market Acquisitions* – the underspend on Housebuilding was partially offset by the purchase of some existing properties on the open market (£2.968 million), which allowed the Council to increase its housing stock, whilst averting the potential loss of capital receipts from the Right to Buy (RTB) scheme.
- Capital Works (underspend £5.150 million) – the single largest item of underspending in this category was Structural Works (underspend £1.636 million) relating to the Copperfield/Limes regeneration project, which has been re-scheduled for 2022/23. Access problems and other pandemic-related issues also caused delays to Component Replacement programmes.

Group Accounts

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

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

COVID-19 Grants

Government grant funding for Covid-19 (both directly and indirectly via Essex County Council), in relation to the COVID-19 pandemic, continued in 2021/22. Once again, most of the funding was used to provide community support to residents and businesses during the pandemic as part of Government schemes, administered locally by the Council. The Council also received some grant funding from the Government to offset the continuing financial effects of the pandemic, such as the loss of income caused by successive lockdowns and social distancing (which was still a factor in the early days of the financial year).

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

The Council acted as Agent the following circumstances:

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

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

Phase 1 Business Grants (Support to the Community) – concluded 2020/21

As reported in the 2020/21 Statement of Accounts, the Council received an overall allocation of £31,102,500 from the Government during the early days of the pandemic; the full allocation was spent during 2020/21:

- A total non-discretionary allocation of £29,605,000 million in “Small Business Grant Fund” (SBGF) and “Retail, Leisure and Hospitality Grant Fund” (RLHGF) was awarded to 3,102 businesses (with the Council acting as agent); and additionally
- A discretionary allocation of £1,497,500 was awarded to 184 businesses (with the Council acting as principal).

Phase 2 Business Grants (Support to the Community) – commencing 2020/21

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

Most of the grant funding remained open for final payments beyond 31st March 2021, with the Council carrying forward £5,326,968 into 2021/22, which included £220,401 in relation to two LRSB grants covering ‘open businesses’ containing discretionary elements, for which the Council determined eligibility, and therefore acted as principal.

The Council spent £206,005 of the rolled forward LRSB funding in 2021/22. This left a remaining balance of £5,120,963 to be returned to the Government as illustrated in the table below.

Covid-19 Business Grants: Phase 2 (Community Support) – rolled forward into 2021/22					
Description	Total Allocation (received 2020/21)	Balance B/Fwd. (01/04/21)		Expenditure (2021/22)	Grant Remaining (31/03/22)
		Council as Agent	Council as Principal		
	£'s	£'s	£'s	£'s	£'s
LRSB Closed Addendum	1,905,426	640,142	0	22,674	617,468
LRSB Addendum Open Pre-5th November 2020	277,704	0	104,265	3,804	100,461
LRSB Open 2nd December: 18th December 2020	238,804	0	116,136	1,668	114,468
Closed Business Lockdown One-Off Payment	5,715,000	1,929,000	0	31,514	1,897,486
LRSB Closed Addendum 5th January – 15th February 2021	2,858,139	970,710	0	19,234	951,476
LRSB Closed 20th December 2020 – 4th January 2021	1,209,172	529,686	0	12,763	516,923
LRSB Closed 16th February 2021 – 31st March 2021	2,994,241	1,037,029	0	114,348	922,681
Totals	15,198,486	5,106,567	220,401	206,005	5,120,963

Additional Restrictions Grant (ARG) – commencing 2020/21

In addition to the LRSG, the Government introduced a further discretionary grant scheme, the “Additional Restrictions Grant” (ARG). The Council introduced specific eligibility criteria for grant support based on knowledge of the Epping economy and the local business community. During 2020/21, two rounds of grant were received totalling £3,803,580 for which the Council acted as a principal. By 31st March 2021, £2,174,500 had been spent, with £1,629,080 being carried forward into the new financial year.

All remaining ARG funds were spent in 2021/22 as presented in the table below.

Additional Restrictions Grant (ARG) – Community Support – rolled forward into 2021/22				
	Allocation/ Council as Principal	Balance B/Fwd. (01/04/21)	Expenditure (2021/22)	Grant Remaining (31/03/22)
	£'s	£'s	£'s	£'s
ARG – Initial Allocation	2,633,780	459,280	459,280	0
ARG – Top Up Payment	1,169,800	1,169,800	1,169,800	0
Totals	3,803,580	1,629,080	1,629,080	0

Other Specific Grants (commencing 2020/21)

As outlined in the table below, the COVID-19 pandemic led the Government to introduce a further 13 specific grant regimes for the Council to administer in 2020/21. Each of these grants had its own terms, conditions and eligibility criteria and some had detailed reporting requirements.

In total, £1,604,711 in other specific grants were received in 2020/21. As at 31st March 2021, £684,312 had not been spent and was available for use in the following financial year.

Additional ‘top-up’ allocations of £924,680 were received in 2021/22, which helped fund total expenditure of £869,364 in the year. This left a remaining balance of £739,628 to be returned to the Government as illustrated in the table below.

Other Specific Grants (Community Support) – rolled forward into 2021/22						
Description	Total Allocation	Balance B/Fwd. (01/04/21)		Received (2021/22)	Spend (2021/22)	Grant Remaining (31/03/22)
		Council as Agent	Council as Principal			
		£'s	£'s			
Direct (from Central Government)						
Test & Trace: £25m Grant Fund	254,189	151,189	0	481,000	33,413	598,776
Test & Trace: Discretionary Fund (1)	30,087	0	87	0	87	0
Test & Trace: £66m Grant Fund (March 2021 allocation)	3,750	3,750	0	0	0	3,750
Test & Trace: Discretionary Fund (2) – March 2021 allocation	25,000	0	25,000	0	0	25,000
Indirect (via Essex County Council)						
Compliance & Enforcement	231,906	0	189,066	171,180	278,364	81,882

Other Specific Grants (Community Support) – rolled forward into 2021/22 (cont.)						
Description	Total Allocation	Balance B/Fwd. (01/04/21)		Received (2021/22)	Spend (2021/22)	Grant Remaining (31/03/22)
		Council as Agent	Council as Principal			
	£'s	£'s	£'s	£'s	£'s	£'s
Test & Trace/CEV Support	266,220	0	169,720	75,000	244,500	220
Contain Outbreak Management Fund (COMF) – via ECC	53,160	0	30,000	0	0	30,000
Essex Business Adaptations Grant (EBAG)	242,000	0	115,500	197,500	313,000	0
Totals	1,106,312	154,939	529,373	924,680	869,364	739,628

New Grants for 2021/22

Further Covid-related grants were introduced with effect from 1st April 2021. Most notably, the Council began administering a new round of business support grants known as “Restart Grants” (RG); a total allocation of £6,156,162 was received from the Government, with £4,973,363 being spent. Substantial funding was also received in respect of “Omicron Grants” (OG), with a total of £846,113 being spent in 2021/22 from an overall allocation of £1,324,976.

Covid-19 Business Grants (Community Support) - new for 2021/22					
Description	Total Allocation (2021/22)	Council as Agent	Council as Principal	Spend (2021/22)	Grant Remaining (31/03/22)
	£'s	£'s	£'s	£'s	£'s
<i>Direct (from Central Government)</i>					
Reopening the High Streets Safely*	110,621	0	110,621	110,621	0
Restart – strands One and Two (Non-Essential Retail, Hospitality, Accommodation, Leisure, Personal Care and Gyms)	6,156,162	6,156,162	0	4,973,363	1,182,799
Omicron – Hospitality & Leisure Grant	972,045	972,045	0	765,361	206,684
Omicron – Additional Restrictions Grant	352,931	0	352,931	80,752	272,179
<i>Indirect (via Essex County Council)</i>					
Essex Additional Business Support Grant	333,252	333,252	0	66,500	266,752
Totals	7,925,011	7,461,459	463,552	5,996,597	1,928,414

*Assumed allocation of £116,694 reported in Statement of Accounts 2020/21 not received; spending of £74,388 carried forward from 2020/21 charged to CIES in 2021/22.

Grants to the Council

In addition to Business and Covid grants, the Council also received further general (un-ringfenced) grants totalling £1,268,291 to compensate for a range of income losses and additional expenses due to the pandemic. These grants have been included in the general unallocated funding for the Council.

General Grants (Support to the Council)	
Description	2021/22 Allocation
	£'s
Covid-19 Emergency Funding: Tranche 5	663,322
Sales, Fees & Charges (SFC) Compensation: Tranche 4	404,269
New Burdens/Administration Grants	200,700
Total	1,268,291

The Council also received a total of £3,633,438 awarded by the Government in compensation (under Section 31 of the Local Government Act 2003) for additional Business Rate reliefs awarded.

The overall total Covid-related funding that the Council received and/or administered in 2021/22 was £13,751,420 (£63,749,153 in 2020/21) and is summarised in the table below.

Description	2021/22 Allocation (£'s)
Community Support	
Other Specific Grants (commencing 2020/21)	924,680
New Grants for 2021/22	7,925,011
Council Support	
General Grants	1,268,291
Business Rates (additional Section 31)	3,633,438
Total Additional Funding	£13,751,420

4. PRINCIPAL RISKS AND UNCERTAINTIES

A Risk Management Strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat and the likely impact.

Annually the Chief Internal Auditor gives their opinion on the adequacy and effectiveness of the Council's governance, risk management arrangements and control processes. For 2020/21 these were found to be adequate and effective. The exception to this, being disaster recovery and the Council is addressing the weaknesses identified.

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

The top risks from the Council's Corporate Risk Register as at June 2022 are listed below:

Top Risks Identified		
Risk	Impact	Mitigation
The Council does not have an adopted Local Plan.	Potential loss of strategic planning control; vulnerability to planning appeal decisions.	Main Modifications summary of responses sent to the Inspector and awaiting response. Consultants in place to support Habitats Regulations Assessment, Sustainability Assessment statements required alongside the Local Plan adoption.
Increase in demand for financial and housing assistance.	Potential increase in evictions and homelessness, and increased costs of temporary accommodation, Increase in Rent and Council Tax arrears and rise in mental health impacts and in safeguarding issues.	Dedicated private sector lettings resource and development of Community Hubs. Virtual customer portal signposting access to a range of help, advice and support services. Monthly tracking for early identification of spikes in demand.
Financial resilience	The impact of Covid-19 has added to a recent downward trajectory in available reserves, as income is struggling to keep pace with expenditure. Volatility in the worldwide economy, including sharply rising inflation and increasing interest rates poses a substantial threat to the Council's adopted Medium-Term Financial Plan.	Inflationary impacts are being closely monitored and assessed by Section 151 Officer. Mitigating actions being developed and implemented by Senior Management with higher value expenditure areas (such as pay, contracts and construction projects) being targeted. Potential for cashable efficiency savings for 2022/23 now being vigorously pursued with full Leadership Team support.
Failure to achieve strong economic development	Unable to secure enough opportunities; local area and people lose out; insufficient inward investment; impact on economic vitality of area; loss of revenue.	Economic Development Plan (Nurturing Growth) in place and flexed to take account of Covid-19 and post pandemic issues. A range of options developed for recovery of local high streets.

Top Risks Identified (cont.)		
Risk	Impact	Mitigation
Data/information	Risk of data held by the Council ends up in inappropriate hands. System loss. Breach of the 2018 Data Protection Act (DPA) and the General Data Protection Regulations	Policies and procedures, staff and Member awareness/training, designated Data Protection Officer and Senior Information Risk Owner. Officer Strategic Information Governance Group and Information Assets Owners Group monitoring progress on action plan
Business Continuity (BC) – Inability to function should a significant event occur	Service disruption / loss of service, possible loss of income; staff absence, hardship for some of the community. Council criticised for not responding effectively	Corporate business continuity plan, which has been tested through response to Covid-19. Programme of review and updating service BC plans in progress.
Cyber security	Security of data could be compromised leading to loss of system access and/or data, inability to provide Council services, increased costs, reputation damaged, Ransomware payment, corporate fines	Security officer, security measures, IT monitoring of systems and network, installing system updates and patches, data backup. Controls in systems have been strengthened in response to specific occurrences and cyber security training rolled out across the Council.
Delays in issuing Planning Permission for development due to the impact on air quality in Epping Forest Special Area of Conservation	Delays in getting an adopted Local Plan in place; loss of New Homes Bonus; restricted Business Rates tax base growth.	Regular meetings with key stakeholders including Natural England. Interim mitigation strategy has been agreed by Council. Draft Air Quality Strategy developed.
Lack of response to the climate emergency	Failure to achieve identified carbon reduction targets/ actions, reputational damage and greatly increased costs from Climate Change Adaptation requirements.	Climate Action Plan approved by Cabinet in April 2022.

5. EXPLANATION OF THE ACCOUNTING STATEMENTS

The Statement of Accounts shows the financial performance for 2021/22 and the financial position as at 31st March 2022. They present the income and expenditure for the year and highlight any significant changes in the Council's financial position during the year.

The document comprises Core and Supplementary Financial Statements, together with Disclosure Notes. The format and content of the financial statements is prescribed by the *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22* ("the Code"), which is underpinned by International Financial Reporting Standards (IFRSs).

The Code requires that the Statement of Accounts give a true and fair view of the financial position of the Council and are prepared on the basis that the Council is a going concern.

In line with the Code, suitable accounting policies have been applied, and where necessary, prudent judgements and estimates have been made.

The Statement of Accounts can be 'technical' and complex, but wherever possible, information is presented as simply and clearly as possible to assist the understanding of users.

Core Financial Statements

Comprehensive Income and Expenditure Statement (CIES)

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

Movement in Reserves Statement (MIRS)

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

Balance Sheet

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

Cash Flow Statement

A summary of cash inflows and outflows arising from revenue and capital transactions with third parties.

Notes to the Financial Statements

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

Supplementary Financial Statements

Housing Revenue Account (HRA)

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

Collection Fund

This summarises the collection of council tax and business rates, and the redistribution of that money to other local authorities and central Government.

Group Accounts

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

Annual Governance Statement

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

The other notes to these statements provide more detail about accounting policies and transactions.

Statement of responsibilities



THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

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

Councillor Peter Bolton
Chairman of the Audit & Governance Committee

29th September 2022

THE SECTION 151 OFFICER'S RESPONSIBILITIES

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

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

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

The Section 151 Officer has also:

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

I certify that the accounts set out on pages 3 to 85 give a true and fair view of the financial position of the Council as at 31st March 2022 and the income and expenditure for the year then ended.

A handwritten signature in black ink, appearing to read 'Andrew Small', with a horizontal line underneath.

Andrew Small CPFA
Strategic Director & Section 151 Officer

8th July 2022



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 31st March 2022 and of the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We have audited the financial statements which comprise:

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

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting (2021/22).

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 2021/22 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 April 2020, we are satisfied that, in all significant respects, Epping Forest District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020 as to whether Epping Forest District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Epping Forest District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

CERTIFICATE OF COMPLETION OF THE AUDIT

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

USE OF OUR REPORT

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

XXXX

XXXX (Appointed Auditor)
For and on behalf of Deloitte LLP
St Albans, United Kingdom
XXXX 2022

Comprehensive income and expenditure statement



	Note	2021/22			2020/21		
		Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
		£000's	£000's	£000's	£000's	£000's	£000's
Continuing Operations							
Chief Executive		886	(364)	522	1,842	-	1,842
Community & Wellbeing Services		3,851	(1,449)	2,402	4,052	(1,116)	2,936
Contract & Technical Services		17,283	(8,762)	8,521	20,526	(5,378)	15,148
Corporate Services		10,471	(2,855)	7,616	976	(742)	234
Customer Services		29,617	(27,500)	2,117	35,694	(31,240)	4,454
Finance & Audit Services		2,733	(788)	1,945	9,380	(85)	9,295
Housing & Property Services		2,719	(543)	2,176	1,978	(1,688)	290
Place		886	(433)	453	1,877	(152)	1,725
Planning Development Services		5,698	(2,778)	2,920	6,398	(2,317)	4,081
Qualis Income Stream		446	(3,990)	(3,544)	1,946	(1,220)	726
Strategy, Delivery & Performance		691	-	691	1,351	(139)	1,212
Housing Revenue Account		36,534	(39,899)	(3,365)	33,453	(34,776)	(1,323)
Net Cost of Services		111,815	(89,361)	22,454	119,473	(78,853)	40,620
Other Operating Expenditure	9			974			2,857
Financing and Investment Income and Expenditure	10			(12,741)			(5,195)
Taxation and Non-Specific Grant Income	11			(20,982)			(25,655)
(Surplus)/Deficit on Provision of Services				(10,295)			12,627
(Surplus) on Revaluation of Property Plant and Equipment	12			(52,588)			(28,958)
Actuarial (Gains)/Losses on Pension Assets/Liabilities				(24,028)			58
Total Comprehensive Income and Expenditure				(86,911)			(16,273)

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 2021/22	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance as at 1st April 2021	4,017	2,105	23,811	8,385	8,839	-	47,156	618,535	665,691
Surplus / (Deficit) on Provision of Services	8,718	1,577	-	-	-	-	10,295	-	10,295
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	8,718	1,577	-	-	-	-	10,295	-	10,295
Adjustment Between Accounting and Funding Basis Under Regulations	(12,127)	482	-	3,525	526	1,354	(6,240)	6,240	-
Net Increase / (Decrease) before Transfer to Earmarked Reserves	(3,409)	2,059	-	3,525	526	1,354	4,055	6,240	10,295
Transfer to Earmarked Reserves	3,462	-	(16,442)	-	-	-	(12,980)	12,980	-
Increase / (Decrease) in Year	53	2,059	(16,442)	3,525	526	1,354	(8,925)	19,220	10,295
Other Adjustments	-	-	-	-	-	253	253	76,618	76,871
Balance as at 31st March 2022	4,070	4,164	7,369	11,910	9,365	1,607	38,484	714,373	752,857

	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 2020/21	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance as at 1st April 2020	6,417	2,030	17,513	8,830	7,123	934	42,846	607,578	650,424
Surplus / (Deficit) on Provision of Services	(11,412)	(1,215)	-	-	-	-	(12,627)	-	(12,627)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	28,900	28,900
Total Comprehensive Income and Expenditure	(11,412)	(1,215)	-	-	-	-	(12,627)	28,900	16,273
Adjustment Between Accounting and Funding Basis Under Regulations	15,563	1,148	-	(445)	1,716	-	17,982	(17,982)	-
Net Increase / (Decrease) before Transfer to Earmarked Reserves	4,151	(67)	-	(445)	1,716	-	5,355	10,918	16,273
Transfer to Earmarked Reserves	(6,551)	253	6,298	-	-	-	-	-	-
Increase / (Decrease) in Year	(2,400)	186	6,298	(445)	1,716	-	5,355	10,918	16,273
Other Adjustments	-	(111)	-	-	-	(934)	(1,045)	39	(1,006)
Balance as at 31st March 2021	4,017	2,105	23,811	8,385	8,839	-	47,156	618,535	665,691

Balance sheet



	Note	31 March 2022		31 March 2021	
		£000's	£000's	£000's	£000's
Long Term Assets					
Property, Plant & Equipment	12	854,568		811,574	
Heritage Assets		598		542	
Investment Properties	13	162,006		147,305	
Intangible Assets		988		272	
Long Term Debtors	14	61,579		43,541	
Total Long Term Assets			1,079,739		1,003,234
Current Assets					
Inventories		158		56	
Debtors	16	29,414		36,593	
Cash & Cash Equivalents	17	18,736		10,474	
			48,307		47,124
Current Liabilities					
Creditors	18	(51,873)		(49,663)	
Provisions	19	(3,448)		(4,190)	
Short Term Loan		(54,000)		(23,000)	
			(109,321)		(76,853)
Long Term Liabilities					
Long Term Loans	15	(214,956)		(238,706)	
Pensions Liability	31	(50,913)		(69,108)	
			(265,869)		(307,814)
Total Assets Less Liabilities			752,856		665,691
Usable Reserves		(38,482)		(47,156)	
Unusable Reserves	20	(714,374)		(618,535)	
			(752,856)		(665,691)

Cash flow statement



	Note	2021/22 £000's	2020/21 £000's
Net Surplus/(Deficit) on Provision of Services		10,295	(12,627)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	21	36,616	51,555
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	(29,613)	(7,086)
Net cash flows from Operating Activities		17,298	31,842
Net cash flows from Operating Activities		17,298	31,842
Investing Activities	22	(15,461)	(62,360)
Financing Activities	23	6,425	16,270
Net Increase or (Decrease) in cash and cash equivalents		8,262	(14,248)
Cash and Cash Equivalents at the beginning of the reporting period		10,474	24,722
Cash and Cash equivalents at the end of the reporting period	17	18,736	10,474



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1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises Epping Forest District Council's transactions for the 2022/22 financial year and its position at the year-end of 31st March 2022. 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 2021/22 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 7 of the Accounts and Audit Regulations 2015.

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

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

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

1.2 ACCRUALS OF INCOME AND EXPENDITURE

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

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

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

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

1.3 CASH AND CASH EQUIVALENTS

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

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

1.4 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

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

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

1.5 COUNCIL TAX AND NON-DOMESTIC RATES

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

Accounting for Council Tax and NDR

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

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

1.6 EVENTS AFTER THE REPORTING PERIOD

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

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

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

1.7 FINANCIAL INSTRUMENTS

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

1.8 GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

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

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

1.9 INVESTMENT PROPERTY

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

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

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

1.10 LEASES

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

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

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

The Council as Lessee:

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor:

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

1.11 OVERHEADS AND SUPPORT SERVICES

The cost of overheads and support services are not recharged to General Fund service segments. This maintains clearer financial accountability and performance and – especially – ensures consistency with the Council's management accounts, which are reported to councillors throughout the financial year.

However, the cost of overheads and support services are recharged to the Housing Revenue Account, which ensures that a ring-fenced account is maintained, as required by statute.

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

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

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

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

1.13 PROPERTY PLANT AND EQUIPMENT

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives on a straight-line basis. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Subsequent expenditure on a fixed asset that maintains or enhances the previously assessed standard of performance of the asset does not negate the need to charge depreciation.

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

Disposal and Non-Current Assets Held for Sale

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

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

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

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

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

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

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

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

1. 14 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

1.15 RESERVES

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

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

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

1.16 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

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

1. 17 VALUE ADDED TAX (VAT)

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

1.18 FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

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

All material operating leases were required to be recorded on the Balance Sheet from 1st April 2019 in the private sector. However, in the light of Covid-19 pressures, HM Treasury and the Financial Reporting Advisory Board (FRAB) initially decided that the original IFRS 16 implementation deadline of 1st April 2020 for the public sector would be deferred for a further year, to accounting periods beginning 1st April 2021.

However, in December 2021, the Department of Levelling-up Housing and Communities (DLUHC) asked CIPFA/LASAAC to deliberate how time-limited changes to the Code may help ease delays to the publication of audited financial statements (just 9% of local authorities in England met the 30th of September 2021 audit publication deadline). The subsequent consultation issued in February 2022 included the further deferral of the implementation of IFRS 16 as an option, which was duly recommended by CIPFA/LASAAC in March 2022 and subsequently approved by FRAB. The implementation of IFRS 16 has now been deferred until 1st April 2024 (the 2024/25 Code), although early adoption – in 2022/23 or 2023/24 – is permitted.

The Council's current leasing activity (as a lessee) is relatively limited. Nevertheless, a review of the updated leasing position will be undertaken to ensure timely implementation, including consideration of early adoption in 2023/24. At this stage, it is not possible to provide a reasonable estimate of the financial impact that adopting IFRS16 will have.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

Pensions Liability

Estimation of the net liability to pay pensions depends on a range of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, life expectancy rates and expected returns on pension fund assets. Consultant actuaries are engaged to provide advice about assumptions to be applied. The actuary has provided some sensitivity analysis around the assumptions and this is contained within the Pensions Note 31. The carrying value of the Pensions Liability is (£50.913 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 Instruments Note 15.

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

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

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

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

Since leaving the EU, a range of impacts on the UK economy have been reported in the media. In the early post-Brexit days, the disruption to supply chains caused by labour shortages was headline news and more recently – in April 2022 (reflecting on Brexit ‘one-year on’) – the London School of Economics (LSE) Centre for Economic Performance reported that both UK imports and exports from/to the EU fell significantly during 2021, especially amongst low value goods, although some recovery towards the end of the year was noted.

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

Coronavirus (Covid-19) Pandemic

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

As a provider of frontline public services there were significant operational impacts on Epping Forest District Council at the time as it tried to maintain the delivery of core services, whilst providing additional support to residents and businesses who were facing a range of difficulties due to self-isolation measures and Government-imposed restrictions on businesses and the movement of people.

Whilst core services such as Waste Collection were maintained, other services – including Leisure Centres – were not able to operate (due to enforced closure) for extended periods.

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

Over the last two financial years (2020/21 and 2021/22), the Council has been responsible for the frontline delivery of a vast array of (Government-funded) support to residents and businesses ranging from the delivery of supplies to vulnerable residents by volunteers/re-deployed staff during the early days of the pandemic and providing means-tested reductions to Council Tax bills, through to major support for businesses in the form of support grants and Business Rate reductions.

General Financial Impact

Despite the provision of strong and rapid financial Government support, the Council faced a range of other financial pressures on its General Fund and Housing Revenue Account (HRA), predominantly in 2020/21. General Fund income from Fees and Charges especially was particularly badly affected (see comment below on Leisure Centres), along with general revenue funding, from both Council Tax and Business Rates.

However, the situation recovered in most areas during the early months of 2021/22 as the economy began to gradually open-up fully with the easing of Covid restrictions; this allowed the Government to progressively scale back – and gradually withdraw – its Covid-related financial support.

There are some financial legacy issues that are proving challenging to Epping Forest District Council, and local authorities in general, caused by long-lasting/permanent behavioural changes in society following the pandemic. For example, changes in working habits have reduced the level of commuter-driven income that the Council receives from Car Parking fees and Waste Management costs have risen, reflecting an increase in waste being generated. The long-term impacts of changes in shopping habits are still uncertain (although the Council's risk exposure to High Street Commercial Property is relatively limited).

Impact on the Property Portfolio

The Covid-19 pandemic initially caused extensive disruption to businesses and economic activities and the uncertainties increased the estimation uncertainty over the valuation of the property portfolio for the Balance Sheet as at 31st March 2020, which led to valuers issuing a "material valuation uncertainty" with their valuations. This was accompanied by a reduction property values; most notably the Council's Investment Property Portfolio, which dropped by £5.83 million (4.9%).

The impact of the pandemic on property values was more mixed in 2020/21. Whilst Car Parks performed badly (down £0.7 million or 4.4% from 2019/20) and certain Shops (with one Council block in particular – acquired just before the pandemic – being badly hit, suffering a £2.52 million – 14.2% – loss in value compared to the previous year. However, the Investment Property portfolio saw an overall net gain in value of £7.39 million (5.28%).

Most trading sectors were seeing a strong recovery by the end of 2021/22, which is reflected in rising valuations on 31st March 2022 in most cases. In particular, the Investment Property portfolio bounced back strongly, rising in value by £13.26 million (9.01%) compared to year end 2020/21.

But despite the upbeat position at the end of the reporting period, the ongoing War in Ukraine (and the accompanying inflation problem in particular) shows that the worldwide economy, including the UK, faces economic turbulence ahead, which guarantees uncertainty for the Council's property portfolio for some time yet.

Impact on the Leisure Contract

The Council has a 20-year contract with *Places Leisure* (PL) for the provision of leisure services in Epping Forest, which commenced in 2017. Under the terms of the contract, PL is responsible for managing four leisure centres (situated in Epping, Ongar, Loughton and Waltham Abbey) and pays an annual Management Fee to the Council (£1.4 million in 2021/22).

The outbreak of the pandemic saw the rapid closure of all leisure centres in the district in March 2020. This led to the immediate cessation of leisure operations and a complete loss of income from leisure-related fees and charges to PL. There then followed a series of partial re-openings (subject social distancing measures), further closures and – eventually, as the vaccination programme took effect and the Covid-19 threat gradually receded – a return to normal operations during 2021/22.

The Council was cushioned against the full financial impact of the pandemic on leisure service by both direct and indirect Government support in 2020/21, which continued into the early part of 2021/22. Footfall in the leisure centres bounced back strongly in 2021/22 with PL once again able to resume the full payment of the Management Fee. However, there is a very real threat that the recovery may be short lived in the light of soaring energy costs, with heated swimming pools especially being major consumers of energy (see below for discussion on inflation).

The War in Ukraine (including the worldwide “cost of living crisis”)

On 24th February 2022, Russian military forces invaded Ukraine in a major escalation of a conflict that began in 2014. The invasion caused Europe's largest refugee crisis since World War II, with more than 8 million Ukrainians fleeing the country and a third of the population being displaced.

At the time of preparing these financial statements, global food shortages and a major spike in energy prices are both attributable to the war in Ukraine. This has added to pressure already building in the UK economy following Brexit and the Covid-19 pandemic, combining to sharply drive-up inflation (UK CPI reached 9.1% in May 2022, which is its highest level in 40 years; the Bank of England are forecasting rates to go even higher in the Autumn of 2022). Major inflationary pressure (dubbed a “cost of living crisis” by the media) is a global phenomenon; central banks around the world – including the Bank of England – are beginning to raise interest rates in response.

The impact on the Council's finances of rising inflation and interest rates, will begin to emerge in the 2022/23 Statement of Accounts. The longer-term impacts are very uncertain at this stage, with the main threat being one of maintaining balanced budgets in the wake of larger pay settlements, rising contract costs for the delivery of key services such as Leisure and Waste Management and potentially reduced interest margins on Qualis loans. The viability of both existing General Fund and HRA capital commitments is also threatened with the cost of building materials in particular rising sharply.

5. EVENTS AFTER THE BALANCE SHEET DATE

The draft 2021/22 Statement of Accounts were authorised for issue on 7th July 2022 by Andrew Small (Executive Director & Section 151 Officer).

Where events taking place before this date provided information about conditions existing at 31st March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information (e.g. the anticipated collectability of outstanding debt at 31st March 2022 is reflected in a further increase to the provision for bad debts).

6. EXPENDITURE AND FUNDING ANALYSIS

Net Expenditure Chargeable to General Fund & HRA Balances	2020/21			2021/22		
	Adjustments between the funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement		Adjustments between the funding & Accounting Basis	Net Expenditure in the Comprehensive Income & Expenditure Statement	
£000s	£000's	£000's	£000's	£000's	£000's	
1,842	(68)	1,774	Chief Executive	522	(105)	417
2,936	(327)	2,609	Community & Wellbeing Services	2,402	(683)	1,719
15,148	(3,980)	11,168	Contract & Technical Services	8,521	(1,722)	6,799
234	(719)	(485)	Corporate Services	7,616	(1,289)	6,327
4,454	(717)	3,737	Customer Services	2,117	(695)	1,422
9,295	(596)	8,699	Finance & Audit Services	1,945	605	2,550
290	(6,273)	(5,983)	Housing & Property Services	2,176	(536)	1,640
1,725	(255)	1,470	Place	453	(104)	349
4,081	(542)	3,539	Planning Development Services	2,920	(678)	2,242
726	(1,723)	(997)	Qualis	(3,544)	688	(2,856)
1,212	(160)	1,052	Strategy, Delivery & Performance	691	(79)	612
(1,323)	13,662	12,339	Housing Revenue Account	(3,365)	(294)	(3,659)
						-
40,620	(1,698)	38,922	Net Cost of Service	22,454	(4,892)	17,562
(27,993)	(14,903)	(42,896)	Other Income and Expenditure	(32,749)	16,537	(16,212)
12,627	(16,601)	(3,974)	(Surplus) / Deficit	(10,295)	11,645	1,350
25,958			Opening General Fund and HRA Balance	29,932		
-			Other Transfers from Capital Funds	(12,981)		
3,974			Surplus / (Deficit) on General Fund & HRA Balance in Year	(1,350)		
29,932			Closing General Fund & HRA Balance at 31st March 2022 (For a split of this balance between the General Fund, HRA and Earmarked Reserves - see the Movement in Reserves Statement)	15,601		

Adjustments between Funding & Accounting Basis

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total
2021/22	£000's	£000's	£000's	£000's
Chief Executive	-	75	30	105
Community & Wellbeing Services	312	329	42	683
Contract & Technical Services	652	1,100	(30)	1,722
Corporate Services	299	912	78	1,289
Customer Services	-	737	(42)	695
Finance & Audit Services	38	(636)	(7)	(605)
Housing & Property Services	311	188	37	536
Place	-	99	5	104
Planning Development Services	-	678	-	678
Qualis Group	-	32	(720)	(688)
Strategy, Delivery & Performance	-	65	14	79
Housing Revenue Account	(789)	912	171	294
Net Cost of Service	823	4,491	(422)	4,892
Other Income and Expenditure from the Expenditure and Funding Analysis	(13,880)	1,342	(3,999)	(16,537)
Difference between General Fund (Surplus) / Deficit and Comprehensive Income and Expenditure	(13,057)	5,833	(4,421)	(11,645)

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total
2020/21	£000's	£000's	£000's	£000's
Chief Executive	(1)	(57)	(10)	(68)
Community & Wellbeing Services	(132)	(183)	(12)	(327)
Contract & Technical Services	(3,170)	(741)	(69)	(3,980)
Corporate Services	(84)	(577)	(58)	(719)
Customer Services	(133)	(530)	(54)	(717)
Finance & Audit Services	(81)	(133)	(382)	(596)
Housing & Property Services	(6,136)	(126)	(11)	(6,273)
Place	(48)	(181)	(26)	(255)
Planning Development Services	(78)	(405)	(59)	(542)
Qualis Group	-	-	(1,723)	(1,723)
Strategy, Delivery & Performance	(58)	(97)	(5)	(160)
Housing Revenue Account	14,853	(1,148)	(43)	13,662
Net Cost of Service	4,932	(4,178)	(2,452)	(1,698)
Other Income and Expenditure from the Expenditure and Funding Analysis	(7,265)	(1,234)	(6,404)	(14,903)
Difference between General Fund (Surplus) / Deficit and Comprehensive Income and Expenditure	(2,333)	(5,412)	(8,856)	(16,601)

Income & Expenditure Analysed by Nature

	Chief Executive	Community & Wellbeing Services	Contract & Technical Services	Corporate Services	Customer Services	Finance & Audit Services	Housing & Property Services	Place	Planning Development Services	Qualis Income Stream	Strategy, Delivery & Performance	Housing Revenue Account	Total
2021/22	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, Charges & Other Service Income	(364)	(857)	(16,746)	(2,829)	(1,543)	(788)	(543)	(152)	(2,364)	(3,990)	-	(39,899)	(70,075)
Government Grants	-	(592)	(1,256)	(26)	(25,957)	-	-	(281)	(414)	-	-	-	(28,526)
Total Income	(364)	(1,449)	(18,002)	(2,855)	(27,500)	(788)	(543)	(433)	(2,778)	(3,990)	-	(39,899)	(98,601)
Employee Expenses	765	1,796	6,681	6,156	4,200	1,655	1,088	552	4,200	200	650	5,829	33,772
Other Service Expenses	121	1,743	9,799	4,016	2,669	1,078	1,320	334	1,498	246	41	17,433	40,298
Asset Charges	-	312	2,553	299	-	-	311	-	-	-	-	13,272	16,747
Benefit Payments	-	-	-	-	22,748	-	-	-	-	-	-	-	22,748
Total Expenditure	886	3,851	19,033	10,471	29,617	2,733	2,719	886	5,698	446	691	36,534	113,565
Net Cost of Service	522	2,402	1,031	7,616	2,117	1,945	2,176	453	2,920	(3,544)	691	(3,365)	14,964

	Chief Executive	Community & Wellbeing Services	Contract & Technical Services	Corporate Services	Customer Services	Finance & Audit Services	Housing & Property Services	Place	Planning Development Services	Qualis Income Stream	Strategy, Delivery & Performance	Housing Revenue Account	Total
2020/21	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, Charges & Other Service Income	-	(649)	(4,642)	(737)	(525)	(79)	(1)	(152)	(1,527)	(1,220)	(128)	(34,791)	(44,451)
Government Grants	-	(468)	(142)	(6)	(30,715)	(6)	-	-	(790)	-	(11)	-	(32,137)
Total Income	-	(1,117)	(4,784)	(743)	(31,240)	(85)	(1)	(152)	(2,317)	(1,220)	(139)	(34,791)	(76,588)
Employee Expenses	902	2,487	8,549	5,961	7,020	2,385	1,125	2,238	5,567	-	911	4,224	41,369
Other Service Expenses	425	1,204	11,340	3,343	5,071	1,835	7,961	465	1,849	1,946	443	16,214	52,096
Support Service Recharges	515	236	(3,441)	(8,398)	(2,518)	5,091	(8,803)	(870)	(1,086)	-	(58)	3,720	(15,612)
Asset Charges	-	126	3,486	70	119	69	8	44	67	-	55	9,310	13,354
Benefit Payments	-	-	-	-	26,001	-	-	-	-	-	-	-	26,001
Total Expenditure	1,842	4,053	19,934	976	35,693	9,380	291	1,877	6,397	1,946	1,351	33,468	117,208
Net Cost of Service	1,842	2,936	15,150	234	4,453	9,295	290	1,725	4,080	726	1,212	(1,323)	40,620

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
2021/22	£000's	£000's	£000's	£000's	£000's	£000's
Adjustments Involving the Capital Adjustment Account:						
Exclusions						
Charges for depreciation and impairment of non-current assets	(2,397)	(9,705)	0	0	0	12,102
Upward/(Downward) revaluation of non-current assets	(186)	(3,565)	0	0	0	3,751
Movements in the fair value of Investment Properties	13,260	5	0	0	0	(13,265)
Amortisation of intangible assets	(95)	(3)	0	0	0	98
Capital Grants and contributions applied	794	906	0	0	0	(1,700)
Revenue expenditure funded from Capital under statute	(796)	0	0	0	0	796
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(14,456)	(3,482)	0	0	0	17,938
Capital expenditure charged against the General Fund and HRA	0	0	0	0	0	0
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	725	0	0	0	0	(725)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	883	0	0	0	0	(883)
Adjustments Primarily Involving the Capital Grants Unapplied						
Transferred from capital Grants Unapplied	1,353	0	0	0	(1,354)	1
Adjustments Involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES and other contributions	76	6,854	(6,930)	0	0	0
Transfer from Deferred Capital receipts on receipt of cash	0	0	(585)	0	0	585
Used to finance new Capital Expenditure	0	0	3,111	0	0	(3,111)
Contribution towards administrative costs of non-current asset	0	(39)	39	0	0	0
Contribution to finance the payments to the Government capital receipts pool	(840)	0	840	0	0	0
Adjustments Involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited/debited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	14,672	113	0	0	0	(14,785)
Adjustments relating to the Major repairs Reserve						
Depreciation transferred from HRA	0	9,705	0	(9,705)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	9,179	0	(9,179)
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited/credited to	(4,733)	(1,100)	0	0	0	5,833
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.	3,999	0	0	0	0	(3,999)
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.	(132)	(171)	0	0	0	303
Total Adjustments	12,127	(482)	(3,525)	(526)	(1,354)	(6,240)

	Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
2020/21	£000's	£000's	£000's	£000's	£000's	£000's
Adjustments Involving the Capital Adjustment Account:						
Exclusions						
Charges for depreciation and impairment of non-current assets	2,665	8,953	0	0	0	(11,618)
Upward/(Downward) revaluation of non-current assets	5,509	4,734	0	0	0	(10,243)
Movements in the fair value of Investment Properties	(7,377)	(11)	0	0	0	7,388
Amortisation of intangible assets	167	26	0	0	0	(193)
Capital Grants and contributions applied	(680)	0	0	0	680	0
Revenue expenditure funded from Capital under statute	680	0	0	0	0	(680)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	901	1,717	0	0	0	(2,618)
Capital expenditure charged against the General Fund and HRA balances	(4)	(3,541)	0	0	0	3,545
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	2,097	344	0	0	0	(2,441)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(738)	0	0	0	0	738
Adjustments Primarily Involving the Capital Grants Unapplied Account						
Transferred from capital Grants Receipt in Advance	0	0	0	0	(680)	680
Adjustments Involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES and other contributions	(465)	(3,415)	3,880	0	0	0
Transfer from Deferred Capital receipts on receipt of cash	0	0	1,030	0	0	(1,030)
Used to finance new Capital Expenditure	0	0	(4,498)	0	0	4,498
Contribution towards administrative costs of non-current asset disposals	0	18	(18)	0	0	0
Contribution to finance the payments to the Government capital receipts pool	839	0	(839)	0	0	0
Adjustments Involving the Deferred Capital Receipts Reserve						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	0	0	0	0	0	0
Adjustments relating to the Major repairs Reserve						
Depreciation transferred from HRA	0	(8,867)	0	8,867	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(7,151)	0	7,151
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited/credited to the CIES.	4,330	1,081	0	0	0	(5,411)
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.	7,394	0	0	0	0	(7,394)
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.	245	109	0	0	0	(354)
Total Adjustments	15,563	1,148	(445)	1,716	-	(17,982)

8. MOVEMENTS IN EARMARKED RESERVES

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

	Balance 31st March 2020	Transfers Out	Transfers In	Balance 31st March 2021	Transfers Out	Transfers In	Balance 31st March 2022
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
General Fund							
District Development Fund	497	-	652	1,149	(928)	391	612
Invest to Save Reserve	292	-	-	292	(89)	-	203
Deferred Revenue Income	673	(8)	-	665	(81)	21	605
Insurance Reserve	150	-	-	150	-	-	150
Building Control	309	(236)	-	73	-	122	195
Museum Fund	113	-	20	133	(23)	-	110
All Weather Pitch	89	-	15	104	-	15	119
O2 Mast Fund	37	(11)	13	39	(13)	13	39
Rental Loans	378	-	-	378	-	-	378
North Weald Inland Port	-	-	-	-	(40)	700	660
S106 Revenue Contributions	88	(46)	43	85	(32)	-	53
Community Projects	371	-	340	711	(642)	528	597
Garden Town	537	(291)	-	246	(164)	-	82
Local Plan	964	(590)	-	374	(374)	-	-
Planning Appeals	45	(3)	-	42	(42)	-	-
Collection Fund Deficit Reserve	-	-	6,650	6,650	(3,200)	-	3,450
Other Ongoing Projects	-	-	-	-	-	116	116
Housing Revenue Account							
Housing Repairs Reserves	250	(250)	-	-	-	-	-
Self Financing Reserve	12,720	-	-	12,720	(12,720)	-	-
Total Earmarked Reserves	17,513	(1,435)	7,733	23,811	(18,348)	1,906	7,369

9. OTHER OPERATING EXPENDITURE

	31 March 2022 £000's	31 March 2021 £000's
Parish Council Precepts	3,764	3,810
Payments to the Government Housing Pool	840	839
(Gains) / losses on the disposal of non-current assets	(3,630)	(1,793)
Total	974	2,857

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	31 March 2022 £000's	31 March 2021 £000's
Total Net Surplus from Investment Property	(7,490)	(5,781)
Interest payable and similar charges	6,744	6,439
Pensions interest cost	1,342	1,549
Interest receivable and similar income	(72)	(25)
Changes in Fair Value of Investment Properties	(13,265)	(7,377)
Total	(12,741)	(5,195)

11. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

	31 March 2022 £000's	31 March 2021 £000's
Council Tax Income	(13,189)	(12,311)
Non Domestic Rate Income	(11,094)	(8,915)
Non Domestic Rate Tariff Payment and Levy	11,458	12,727
Non-ring fenced Government Grants	(7,404)	(15,084)
Capital Grants and Other Contributions	(753)	(2,072)
Total	(20,982)	(25,655)

12. PROPERTY, PLANT AND EQUIPMENT

2021/22

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Gross Book Value 1st April 2021	717,368	66,148	16,957	8,341	1,143	7,640	10,365	827,962
Additions	11,644	284	1,396	443	0	31	10,451	24,249
Disposals / Impairments	(3,526)	(6,925)	(4,643)	0	0	(7,590)	0	(22,684)
Reclassified in Year	7,690	(2,840)	0	0	0	2,840	(7,690)	0
Revaluation Applied to the CIES	(3,565)	38	0	0	0	0	0	(3,527)
Revaluation Credited to the Revaluation Reserve	54,342	381	0	0	0	(2,394)	(22)	52,307
Accumulated Depreciation & Impairment Written Off on Revaluation	(9,367)	(96)	0	0	0	0	0	(9,463)
Gross Book Value 31st March 2022	774,586	56,990	13,710	8,784	1,143	527	13,104	868,844
Depreciation 1st April 2021	0	(1,529)	(11,455)	(3,403)	0	(1)	0	(16,388)
Reclassified	0	0	0	0	0	0	0	0
Depreciation in Year	(9,412)	(1,114)	(1,434)	(141)	0	0	0	(12,101)
Depreciation on Disposed Assets	45	76	4,629	0	0	0	0	4,750
Accumulated Depreciation & Impairment Written Off on Revaluation	9,367	96	0	0	0	0	0	9,463
Depreciation 31st March 2022	0	(2,471)	(8,260)	(3,544)	0	(1)	0	(14,276)
Net Book Value 31st March 2022	774,586	54,519	5,450	5,240	1,143	526	13,104	854,568

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

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Carried Historical Cost	0	0	13,710	8,784	1,143	0	13,104	36,741
Valued at Current Value as from:								
31st March 2022	774,586	3,146	0	0	0	527	0	778,259
31st March 2021	0	27,076	0	0	0	0	0	27,076
31st March 2020	0	3,270	0	0	0	0	0	3,270
31st March 2019	0	23,211	0	0	0	0	0	23,211
31st March 2018	0	287	0	0	0	0	0	287
Total Cost or Valuation	774,586	56,990	13,710	8,784	1,143	527	13,104	868,844

The useful lives of both dwellings and the components within have been reviewed during 2021/22. The average useful life of all components, including the buildings has been assessed from 52 to 54 years.

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

13. INVESTMENT PROPERTY

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES.

	31 March 2022 £000's	31 March 2021 £000's
Rental Income from Investment Property	9,240	9,421
Direct Operating Expenses Arising from Investment Property	(1,750)	(3,640)
Net Gain / (Loss)	7,490	5,781

The following table summarises the movement in fair value of Investment Properties over the year. The following table summarises the movement in fair value of investment properties over the year. The Council's Industrial Sites continued to perform strongly during the year, resulting in an increase of £6.058 million in Fair Value. Included within this, is the repurchase of a long lease for a group of units in Brooker Road, Waltham Abbey, where it is expected that there will be greatly improved income potential when re-let. In addition, the Epping Forest Retail Park had a significant increase in Fair Value of £3.7 million (9.74%) and other general Investment Properties had gains of £2.4 million. An overall average increase of 9.01% was gained through property revaluations. All investment properties have been valued based on Level 3 unobservable inputs using an income approach, and their current use is their highest and best use. The updated valuations were carried out as at 31st March 2022 by Jason Sharman MRICS, RICS Registered Valuer (Partner) of Carter Jonas.

Properties Categorised within Level 3	31 March 2022 £000's	31 March 2021 £000's
Balance as at 31 March	147,305	136,418
Balance as at 01 April	147,305	136,418
Reclassified in year	-	630
Acquisition	-	-
Repurchased leases	1,035	2,681
Enhancements to existing properties	401	188
Net Gains / (Losses) from fair value adjustments	13,265	7,388
Balance at end of the year	162,006	147,305

14. LONG TERM DEBTORS

	31 March 2022 £000's	31 March 2021 £000's
Capital Advances (B3 Living)	279	375
Rents to Mortgages	1,481	1,549
Home Assist Loans	240	267
Place Loan	100	100
Qualis Loans	59,479	41,250
Net Carrying Amount at Year End	61,579	43,541

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2022 £000's	31 March 2021 £000's	31 March 2022 £000's	31 March 2021 £000's
Financial liabilities at amortised cost				
Borrowing	213,639	198,956	55,317	62,750
Total financial liabilities	213,639	198,956	55,317	62,750
Loans and receivables				
Investments	-	-	17,000	9,100
Debtors	2,100	2,291	-	-
Cash	-	-	1,736	1,374
Qualis loans	57,421	40,050	2,058	1,200
Total financial assets	59,521	42,341	20,794	11,674

On 28th March 2012 the Council borrowed £185.456m from the Public Works Loan Board (PWLB) to pay the Ministry of Housing, Communities and Local Government (formerly the DCLG) on the cessation of the HRA Subsidy System. In addition to principal repayments "EIP" (repayment) loans, the Council also repaid a £31.8 million maturity loan and borrowed a further £16.0 million (£36.0 million in 2020/21) from the PWLB in 2021/22. In all cases, accrued interest for each current year is included in Creditors on the Balance Sheet.

Income and Expense Gains and Losses

	Financial Liabilities		Financial Assets	
	31 March 2022 £000's	31 March 2021 £000's	31 March 2022 £000's	31 March 2021 £000's
Interest expense	6,744	5,403	-	-
Fee expense	16	12	-	-
Total expense in Surplus or Deficit on the Provision of Services	6,760	5,415	-	-
Interest Income	-	-	(7)	(819)
Total income in Surplus or Deficit on the Provision of Services	-	-	(7)	(819)
Net Gain / (Loss) for the year	6,760	5,415	(7)	(819)

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the Balance Sheet.

	31 March 2022			31 March 2021		
	Gross Assets (Liabilities) £000's	(Liabilities) assets set off £000's	Net position on balance sheet £000's	Gross Assets (liabilities) £000's	(Liabilities) assets set off £000's	Net position on balance sheet £000's
Bank Overdrafts	(1,726)	3,458		(1,666)	3,036	
Bank Accounts in Credit	3,458	(1,726)		3,036	(1,666)	
Total Financial Assets			1,732			1,370

Fair Values of Assets and Liabilities

Fair value is the amount for which an asset can be exchanged, or a liability settled. Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost i.e. the aggregate of principal and accrued interest.

The Council's outstanding debt at 31st March 2022 consists of loans from the Public Works Loan Board (PWLb) and short-term loans from the local government authorities. Fair values are estimated as the price the lender would receive to sell the loans to another market participant on 31st March, based on observed market rates for similar transactions. The fair value of short-term financial liabilities held at amortised cost, including trade payables is assumed to approximate to the carrying amount.

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

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- *Level 1* – fair value is only derived from quoted prices in active markets for identical assets or liabilities e.g. bond prices; and
- *Level 2* – fair value is calculated from inputs that are observable for the asset or liability, other than quoted prices, e.g. interest rates or yields for similar instruments.

	Fair Value Level	31 March 2022		31 March 2021	
		Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
Financial Liabilities held at Amortised Cost					
Long-Term Borrowing	2	213,639	223,783	198,956	236,974
Short-Term Borrowing		55,317	55,317	55,317	55,317
Total Financial Liabilities		268,956	279,100	254,273	292,291
Financial Assets					
Qualis Loans	2	59,479	62,643	41,250	32,245
Short-Term Investments	1	17,000	17,000	9,100	9,100
Cash and Cash equivalents		1,736	1,736	1,374	1,374
Long-Term Debtors	2	2,099	4,100	2,291	3,641
Total Financial Assets		80,314	85,479	54,015	46,360

The fair value of borrowings is higher than the carrying amount because the Council's portfolio of loans includes several fixed rate loans where the interest rate payable is higher than the current rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2022) arising from a commitment to pay interest to lenders above current market rates.

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

Fair Value Sensitivities

Impact of 1% increase on discount rate for fair values	Effect on Fair Values	Effect on Income & Expenditure	Effect on Fair Values	Effect on Income & Expenditure
	31 March 2022 £000's	31 March 2022 £000's	31 March 2021 £000's	31 March 2021 £000's
PWLB	(25,799)	9	(29,997)	317
Qualis Loans	(4,569)	-	3,901	(30)
Total	(30,368)	9	(26,096)	287

16. DEBTORS AND PREPAYMENTS

	31 March 2022 £000's	31 March 2021 £000's
Government Departments and Other Local Authorities	9,529	16,019
Council Tax Arrears	9,863	8,882
NDR Arrears	813	1,025
Housing Rent Arrears	143	169
Sundry Debtors	8,219	9,758
Prepayments & Deposits	847	739
Total	29,414	36,593

Council Tax and Business Rates arrears shown above, and the related Bad Debt Provisions represent the Council's share of the total debt. The remainder is shown as part of an amount due from major preceptors on the basis that the Council has paid over more in precepts than it has received and is net of prepayments.

17. CASH AND CASH EQUIVALENTS

	31 March 2022 £000's	31 March 2021 £000's
Cash	4	4
Bank Current Accounts	1,732	1,370
Investment MMF	17,000	9,100
Total Cash and Cash Equivalents	18,736	10,474

18. CREDITORS

	31 March 2022 £000's	31 March 2021 £000's
Government Departments and Other Local Authorities	24,352	26,192
Council Tax	12	14
Non Domestic Rates	709	403
Housing Rents	555	690
Sundry Creditors	12,280	11,166
Accruals and Deferred Income	6,693	5,217
Covid Grants	7,229	5,262
Qualis	42	719
Total Creditors	51,872	49,663

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

19. PROVISIONS

A provision for Business Rates Appeals is retained. This reflects the Council's share (40%) of the potential liability for successful appeals lodged by local businesses against the Rateable Value of the premises that they occupy, and therefore the potential need for the Council to refund Business Rates paid in 2021/22 and prior years.

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

In addition, the Council is required by accounting standards to make a provision for potential losses in respect of Qualis loans. A total provision of £1.067 million was required for 2021/22 (£1.946 million in 2020/21); this comprises £0.998 million in respect of capital loans and £0.069 million in respect of revenue loans. Provisions in respect of capital loans are reversed under statute out in the Movement in Reserves Statement.

	31 March 2022 £000's	31 March 2021 £000's
<u>Business Rates Appeals</u>		
Opening Balance 1st April	2,244	2,145
Amounts Used in Year	(522)	(509)
Additional Provision Provided	659	608
	2,381	2,244
<u>Qualis Loans</u>		
Provision for Credit Losses	1,067	1,946
Closing Balance	3,448	4,190

20. UNUSABLE RESERVES

	31 March 2022 £000's	31 March 2021 £000's
Revaluation Reserve	270,762	225,718
Capital Adjustment Account	441,135	431,212
Pension Reserve	(50,913)	(69,108)
Deferred Capital Receipts Reserve	57,172	38,191
Collection Fund Adjustment Account	(2,770)	(6,769)
Accumulated Absences Account	(1,012)	(709)
Total Unusable Reserves	714,374	618,535

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 2022 £000's	31 March 2021 £000's
Balance as at 1st April	225,718	200,246
Opening Balance Adjustment	-	13
Upward Revaluation of Assets	56,047	30,911
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services.	(3,458)	(1,952)
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	52,589	
Difference between fair value depreciation and historical cost depreciation	(2,804)	(2,477)
Accumulated Gains on assets sold or scrapped	(4,741)	(1,023)
Amount written off to the capital adjustment account	(7,545)	
Balance as at 31st March	270,762	225,718

Collection Fund Adjustment Account

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

	31 March 2022 £000's	31 March 2021 £000's
Balance as at 1st April	6,769	(626)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(3,999)	7,395
Balance as at 31st March	2,770	6,769

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

	31 March 2022 £000's	31 March 2021 £000's
Balance as at 1st April	709	355
Settlement or cancellation of accrual made at the end of the preceding year	(709)	(355)
Amounts accrued at the end of the current year	1,012	709
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	303	709
Balance as at 31st March	1,012	709

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 1st 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 2022 £000's	31 March 2021 £000's
Balance as at 1st April	431,212	467,374
Adjustment to Opening Balance	-	25
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement		
Charges for depreciation and impairment of PPE	(12,102)	(11,618)
Revaluation Gains / (Losses) on Property, Plant and Equipment	(3,751)	(10,243)
Revenue Expenditure Funded from Capital under Statute	(796)	(680)
Amounts for non-current assets written off on disposal or sale as part of gain / loss on disposal to the CIES	(17,938)	(2,618)
Amortisation of Intangible Assets	(98)	(192)
	(34,685)	(25,351)
Adjusting Amounts Written Out of the Revaluation Reserve	7,545	3,500
Net written out amount of the cost of non-current assets consumed in the year	404,072	445,548
Capital Financing Applied in the Year		
Use of the Capital Receipts Reserve to Finance New Capital Expenditure HRA	2,553	3,261
Use of the Capital Receipts Reserve to Finance New Capital Expenditure General Fund	358	1,237
Use of the Major Repairs Reserve to Finance New Capital Expenditure	9,180	7,151
Capital Grants Credited to the CIES that have been applied to Capital Financing	1,265	680
Statutory Provision for the Financing of Capital Investments Charged against the General Fund and HRA Balances	(4,056)	(38,336)
Capital Expenditure Charged against the General Fund and HRA Balances	13,415	3,545
	22,715	(22,462)
Movement in the Market Value of Investment Properties debited or credited to the CIES	13,265	7,388
Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances	883	738
Repayment Capital Loan	200	-
Balance as at 31st March	441,135	431,212

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 2022 £000's	31 March 2021 £000's
Balance as at 01 April	(69,108)	(63,637)
Remeasurements of the net defined liability / (asset)	23,773	(4,568)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(10,344)	(5,834)
Employers pensions contributions and direct payments to pensioners payable in the year	4,766	4,931
Balance as at 31 March	(50,913)	(69,108)

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 2022 £000's	31 March 2021 £000's
Balance as at 01 April	38,191	3,325
Statutory Provision for the Financing of Capital Investments and Loans Charged against the General Fund and HRA Balances	19,790	36,613
Impairment Charges in Relation to advances charged to the CIES	(224)	(708)
Transfer to Capital Receipts Reserve upon receipt of cash	(585)	(1,039)
Balance as at 31 March	57,172	38,191

21. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items.

	31 March 2022 £000's	31 March 2021 £000's
Interest Received	(185)	819
Interest Charge for the Year	(6,744)	(6,488)
Total	(6,929)	(5,669)

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

	31 March 2022 £000's	31 March 2021 £000's
Depreciation	12,102	11,618
Amortisation	98	192
Impairment and upward/downward revaluations	3,751	2,897
Increase / (decrease) in creditors	9,654	28,973
(Increase) / decrease in debtors	1,605	(1,769)
(Increase) / decrease in inventories	(101)	25
Pension Liability	5,833	5,349
Carrying amount of Non-Current Assets sold	17,938	4,259
Other Non-Cash Items Charged to the Net Surplus or deficit on the Provision of Services	(14,264)	10
Total	36,616	51,555

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

	31 March 2022 £000's	31 March 2021 £000's
Any other items for which the cash effects are investing or financing cash flows	(26,381)	(3,536)
Proceeds from the sale of property and equipment, investment property and intangible assets	(3,232)	(3,550)
Total	(29,613)	(7,086)

22. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	31 March	
	31 March 2022 £000's	31 March 2021 £000's
Purchase of Property, Plant and Equipment, Investing Property	(26,327)	(30,063)
Purchase of Short-term and Long-term Investments	-	(41,500)
Other Payments for Investing Activities	(50)	-
Proceeds from Sale of Property, Plant and Equipment, Investment	7,400	3,550
Proceeds from Short-term and Long-term Investments	-	-
Other Receipts from Investing Activities	3,516	5,653
Total	(15,461)	(62,360)

23. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31 March 2022	31 March 2021
	£000's	£000's
Billing Authorities - Council Tax and NDR adjustments	-	(20,980)
Cash receipts of short and long term borrowing	146,000	37,250
Repayments of short and long-term borrowing	(138,750)	-
Other payments for financing activities	(825)	-
Total	6,425	16,270

24. MEMBER ALLOWANCES

	31 March	31 March
	2022 £000's	2021 £000's
Allowances	351	332
Expenses	1	-
Total Member Allowances	352	332

25. OFFICER REMUNERATION

	2021/22				
	Salary (including fees and allowances)	Benefits in Kind	Pension Contributions	Redundancy	Total Remuneration including Pension Contributions
	£'s	£'s	£'s	£'s	£'s
Chief Executive	135,014	1,321	26,755	-	163,090
Chief Operating Officer	140,070	-	-	-	140,070
Strategic Director & Section 151 Officer	116,725	-	24,746	-	141,471
Service Director - Planning & Development	81,048	155	17,149	-	98,352
Service Director - Contract & Technical Services	12,488	27	1,494	-	14,009
Service Director - Customer Services	81,048	155	17,149	-	98,352
Service Director - Corporate Services	81,048	155	-	-	81,203
Project Director - Housing Revenue Account	81,085	-	17,149	-	98,234
Project Director - Community & Wellbeing	81,016	-	17,149	-	98,165
Harlow & Gilston Garden Town Director	97,348	-	20,638	-	117,986
Service Director - Strategy, Delivery & Performance (Interim)	80,528	-	17,072	-	97,600
Total	987,418	1,813	159,301	-	1,148,532

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

There were no payments relating to bonuses in the year. The emoluments above include all taxable employee payments. Pension contributions relate to Employer's contributions of 21.2% (21.2% in 2020/21).

The number of employees whose remuneration, including benefits in kind, but excluding employer's pension contributions, was £50,000 or more, is summarised in bands of £5,000 in the table below. The bandings have remained unchanged for several years, which means that (ignoring all other factors), general pay inflation will result in a gradual increase in the number of employees captured over time, although the position has remained stable this year.

Remuneration Band	31 March	
	2022 No of Employees	2021 No of Employees
£50,000 - £54,999	14	18
£55,000 - £59,999	13	7
£60,000 - £64,999	9	16
£65,000 - £69,999	4	3
£70,000 - £74,999	4	-
£75,000 - £79,999	1	3
£80,000 - £84,999	6	4
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	1	-
£100,000 - £104,999	-	1
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	1	-
£135,000 - £139,999	1	-
£140,000 - £144,999	1	-
£145,000 - £149,999	-	2
£150,000 - £154,999	-	1
£155,000 - £159,999	-	-
£160,000 - £164,999	-	-
£165,000 - £169,999	-	-
£170,000 - £174,999	-	-
£175,000 - £179,999	-	-
£180,000 - £184,999	-	-
£185,000 - £189,999	-	-
£190,000 - £194,999	-	1
£195,000 - £199,999	-	-
Total	56	56

Employee contracts terminated in 2021/22, are summarised in the table below.

Termination Benefits	2021/22			
	No of Compulsory Redundancies	No of Other Departures	Total No of Exist Packages	Total Cost of Exit Packages in Each Band
				£'s
Exit Package Cost Band (including special payments)				
£0 - £20,000	5	-	-	27,765
£20,001 - £40,000	1	-	2	91,773
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
above £100,000	-	-	-	-
Total Cost Included in Bandings and in the CIES	6	-	2	119,538

Termination Benefits	2020/21			
	No of Compulsory Redundancies	No of Other Departures	Total No of Exist Packages	Total Cost of Exit Packages in Each Band
				£'s
Exit Package Cost Band (including special payments)				
£0 - £20,000	13	-	13	130,079
£20,001 - £40,000	2	-	2	67,726
£40,001 - £60,000	1	-	1	51,990
£60,001 - £80,000	2	-	2	151,685
£80,001 - £100,000	-	-	-	-
above £100,000	1	-	1	143,647
Total Cost Included in Bandings and in the CIES	19	-	19	545,127

26. EXTERNAL AUDIT FEES

The following fees have been paid for services carried out by public sector appointed auditors for 2021/22.

	31 March	
	31 March 2022 £000's	31 March 2021 £000's
External Audit Services (Deloitte)	160	80
Certification of Grant Claims & Returns (BDO)	20	21
Other Services	-	-
Total External Audit Fees	180	101

27. GRANTS AND CONTRIBUTIONS

	31 March 2022 £000's	31 March 2021 £000's
Credited to Taxation and Non-Specific Grant Income		
New Homes Bonus	477	1,077
S31 Small Business Rate Relief	5,693	2,289
Community Projects	-	11
Other	1,234	33
Total Grants and Contributions	7,404	3,410

	31 March 2022 £000's	31 March 2021 £000's
Credited to Services		
Department for Work and Pensions	23,415	26,274
Department for Communities and Local Government (MHCLG)	797	1,727
Homes England (MHCLG)	244	1,048
Essex County Council	2,129	1,737
Arts Council	20	8
Essex Police, Fire & Crime Commissioner	21	21
Town and Parish Councils	255	168
Broxbourne Borough Council	10	35
National Heritage	30	-
Harlow Borough Council	92	102
East Herts District Council	112	102
Uttlesford District Council	10	10
Tendring District Council	0	3
West Essex CCG	193.4	92
Other	(31)	-
National Arts Collection Fund	-	32
Sports Council	17.9	262
Royal Opera House	1	7
Total Grants and Contributions	27,315	31,625

28. RELATED PARTY TRANSACTIONS

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

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

Entities Controlled or Significantly Influenced by the Council

The Council has a 100% shareholding in four companies:

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

The companies were incorporated in October 2019. The Council has issued two loans to the Qualis Group in 2021-22 with a combined value of £19.753 million, bringing the overall total of loans issued to the Group to £61.753 million up to, and including, 31st March 2022. The loans were issued at commercial rates of interest with a fixed repayment schedule. A total of £2.273 million (excluding interest) had been repaid by 31st March 2022, of which £1.523 million was repaid in 2021/22.

Qualis Management Limited has provided the Housing Repairs service to the Council since October 2020; the Council paid £6.916 million for this service in 2021/22 (£6.113 million Revenue, plus £0.803 million Capital (£3.318 million 2020/21 comprising £2.886 million Revenue, plus £0.432 million Capital). The Council is also paid by Qualis for the provision of seconded staff, accommodation and support services. Group Accounts for the Council, including the Qualis companies, are shown later in this Statement of Accounts (pages 81 to 85).

Central Government

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

The 2021/22 financial year continued with an unusually high number of financial transactions with Central Government especially at the beginning (as Coronavirus restrictions were gradually lifted), with the Council receiving £13.751 million (£63.749 million in 2020/21) in additional grants from the Government (either directly, or indirectly via Essex County Council) due to the Covid-19 pandemic. The Financial Review (pages 7 to 16) sets out full details.

29. CAPITAL EXPENDITURE AND FINANCING

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

	31 March 2022	31 March 2021
	£000's	£000's
Opening Capital Financing Requirement	301,040	248,438
Capital Investment		
Opening Balance Adjustment	-	1,893
Property, Plant and Equipment	24,249	27,099
Investment Properties	1,436	2,869
Revenue Expenditure Funded from Capital Under Statute	796	680
Private Sector Housing Loans	37	612
Intangible Assets	819	60
Qualis Loans	5,000	36,000
Sources of Finance		
Capital Receipts	(2,911)	(4,497)
Government Grants and Other Contributions	(1,700)	(2,225)
Major Repairs Reserve	(9,180)	(7,151)
Direct Revenue Contributions	(9,004)	(2,000)
Minimum Revenue Provision	(883)	(738)
Repayment Capital Loans	(200)	-
Closing Capital Financing Requirement	309,499	301,040

30. LEASES

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

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

	31 March 2022 £000's	31 March 2021 £000's
Assets Leased to Third Parties		
Land and Buildings		
Shops (including shopping park)	5,456	5,316
Industrial Units	1,469	2,449
Other	1,834	341
Total Rental Receivable	8,759	8,106

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

	31 March 2022		31 March 2021	
	Receipts Due between 2 and 5 Years £000's	Total Receipts Due Thereafter £000's	Receipts Due between 2 and 5 Years £000's	Total Receipts Due Thereafter £000's
Land and Buildings				
Shops (including shopping park)	17,469	13,553	17,276	15,042
Industrial Units	5,067	48,273	6,316	50,329
Other	4,545	30,410	1,279	25,909
Total	27,081	92,236	24,871	91,280

Gross Amount of Assets Held for Use in Operating Leases:

Gross Amount of Assets Held for Use in Operating Leases	31 March 2022 £000's	31 March 2021 £000's
Land and Buildings		
Shops	99,142	92,363
Industrial Units	43,089	35,996
Other	19,775	18,946
Total Assets	162,006	147,305

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

31. PENSIONS

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

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

The Council recognises cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against Council Tax is based on contributions payable to the fund in respect of 2021/22, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure.

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

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

Comprehensive Income and Expenditure Statement	31 March	
	2022	2021
	£000	£000
Service Cost	8,910	4,147
Net Interest Charged	1,342	1,571
Administration Expenses	92	116
Net Charge made to the CIES	10,344	5,834
Re-Measurements in Other Comprehensive Income		
Return on Fund Assets in Excess of Interest	13,637	41,186
Other Actuarial Gains / (Losses)	-	-
Changes in Financial Assumptions	10,768	(50,958)
Change in Demographic Assumptions	-	2,441
Experience Gain / (Loss) on Defined Benefit Obligation	(632)	2,763
Re-Measurement of the Net Assets/(Defined Liability)	23,773	(4,568)
Pension Assets and Liabilities Recognised in the Balance Sheet		
Present Value of the Funded Obligation	255,404	256,735
Present Value of the Unfunded Obligation	2,349	2,583
Fair Value of Scheme Assets	(206,840)	(190,210)
Net Liability in the Balance Sheet	50,913	69,108

Reconciliation of the Fair Value of the Scheme Liabilities				
	Unfunded Liabilities		All Funded/Unfunded Liabilities	
			Local Government	
	2022 £000	2021 £000	2022 £000	2021 £000
Net Pensions Liability at 1st April	(2,583)	(2,671)	(259,318)	(217,253)
Current Service Cost	0	0	(8,381)	(7,422)
Interest Cost	(49)	(49)	(5,139)	(4,473)
Change in Financial Assumptions	44	(193)	10,768	(50,958)
Change in Demographic Assumptions	0	34	0	2,441
Experience Gain	(7)	39	(632)	2,763
Liabilities Assumed / (Extinguished) on Settlements	0	0	0	9,080
Estimated Benefits Paid	0	0	6,474	8,045
Past Service Cost Including Curtailments	0	0	(529)	(485)
Contributions by Scheme Participants	0	0	(1,242)	(1,313)
Unfunded Pension Payments	246	257	246	257
Net Pension Liability at 31 March	(2,349)	(2,583)	(257,753)	(259,318)

Reconciliation of the Fair Value of the Scheme Assets		
	31 March	
	2022 £000	2021 £000
Fair Value of the Plan Assets at 1 April	190,210	153,616
Interest on Assets	3,797	2,902
Return on Assets less Interest	13,637	41,186
Other Actuarial Gains / (Losses)	-	-
Administration Expenses	(92)	(116)
Employer Contributions including Unfunded	4,766	4,931
Contributions by Scheme Participants	1,242	1,313
Benefits Paid	(6,720)	(8,302)
Settlement Prices Received / (Paid)	-	(5,320)
Fair Value of the Plan Assets at 31 March	206,840	190,210

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual gain on assets less interest in the year was £13.6 million (£41.2 million 2020/21).

Scheme History					
	2021/22 £000's	2020/21 £000's	2019/20 £000's	2018/19 £000's	2017/18 £000's
Present Value of Liabilities	(255,404)	(256,735)	(214,582)	(229,281)	(223,074)
Fair Value of Assets	206,840	190,210	153,616	162,440	148,214
Present Value of Unfunded Obligation	(2,349)	(2,583)	(2,671)	(3,007)	-
Surplus / (Deficit) in the Scheme	(50,913)	(69,108)	(63,637)	(69,848)	(74,860)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £50.913 million in the Balance Sheet has decreased the reported net worth of the Council by 6.3% (9.4% 2020/21).

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 2023 is £4.713 million. The Service Cost is expected to be £8.657 million for the year to 31 March 2023.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about life expectancy rates, salary levels, and inflation rates. The District Council fund liabilities have been assessed by Barnett Waddingham, a firm of actuaries who provide the service for the Essex County Council Pension Fund, being based on the full Actuarial Valuation of the scheme as at 31st March 2019.

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

	2022	2021
Life Expectancy Assumptions		
Longevity at 65 for current pensioners in years:		
Men	22	22
Women	24	24
Longevity at 65 for future pensioners in years:		
Men	23	23
Women	25	25
Other Assumptions		
Rate of inflation RPI	3.5%	3.2%
Rate of inflation CPI	3.2%	2.8%
Rate of increase in salaries	4.2%	3.8%
Rate of increase in pensions	3.2%	2.8%
Rate for discounting scheme liabilities	2.6%	2.0%

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

	31 March 2022		31 March 2021	
	£000	%	£000	%
Equities	124,193	60%	120,324	63%
Government Bonds	4,938	2%	4,846	3%
Other Bonds	9,058	4%	9,253	5%
Property	16,964	8%	13,404	7%
Cash / Liquidity	5,248	3%	4,791	3%
Alternative Assets	25,560	12%	21,861	11%
Other Managed Funds	20,879	10%	15,731	8%
Total	206,840	100%	190,210	100%

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in the 2019 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 between triennial valuations.

Sensitivity Analysis as at 31 March 2022	Sensitivity 1	Existing Assumptions	Sensitivity 2
	£000	£000	£000
Adjustment to Discount Rate	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	253,146	257,753	262,449
Projected Service Cost	8,395	8,657	8,927
Adjustment to Long Term Salary Increase	0.1%	0.0%	0.1%
Present Value of Total Obligation	258,117	257,753	257,392
Projected Service Cost	8,662	8,657	8,653
Adjustment to Pension Increases and	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	262,052	257,753	253,530
Projected Service Cost	8,924	8,657	8,397
Adjustment to Mortality Age Rating	+ 1 Year	None	- 1 Year
Present Value of Total Obligation	270,017	257,753	246,092
Projected Service Cost	9,019	8,657	8,309

Sensitivity Analysis as at 31 March 2021	Sensitivity 1	Existing Assumptions	Sensitivity 2
	£000	£000	£000
Adjustment to Discount Rate	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	254,656	259,318	264,070
Projected Service Cost	8,558	8,823	9,096
Adjustment to Long Term Salary Increase	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	259,699	259,318	258,939
Projected Service Cost			
Adjustment to Pension Increases and	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	263,647	263,647	255,066
Projected Service Cost	9,093	8,823	8,560
Adjustment to Mortality Age Rating	+1year	none	-1year
Present Value of Total Obligation	272,584	259,318	246,734
Projected Service Cost	9,229	8,823	8,432

32. NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

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

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

Credit Risk

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

Investments

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

It should also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. A limit of £10 million is placed on the amount of money that can be invested with a single counterparty except the UK Government which is unlimited. The Council also sets a total group investment limit (£10 million) for institutions that are part of the same banking group.

The table below summaries the nominal value of the Council's investment portfolio at 31st March 2022, and confirms that all investments were made in line with the Council's approved rating criteria when investment placed.

The amounts below include Money Market Funds which are included in Cash and Cash Equivalents.

Balances Invested as at 31 March 2022							
	Credit Rating Criteria Met	Up to 1 Month £000's	1 - 3 Months £000's	4 - 6 Months £000's	7 - 12 Months £000's	Greater than 12 Months £000's	Total £000's
Banks UK	YES	1,732	-	-	-	-	1,732
Money Market Funds	YES	17,000	-	-	-	-	17,000
Total	-	18,732	-	-	-	-	18,732

Balances Invested as at 31 March 2021							
	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	1,370	-	-	-	-	1,370
Money Market Funds	YES	9,100	-	-	-	-	9,100
Total	-	10,470	-	-	-	-	10,470

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 2022		
	Amount £000's	Default Risk Judged %	Bad Debt Provision £000's
Sundry Debtors	10,301	38.3	3,946
Housing Arrears	860	98.3	845
Net Charge made to the CIES	11,161		4,791

	31 March 2021		
	Amount £000's	Default Risk Judged %	Bad Debt Provision £000's
Sundry Debtors	10,118	35.4	3,580
Housing Arrears	928	81.8	759
Net Charge made to the CIES	11,046		4,339

The credit risk in relation to counterparty investments is relatively small as the likelihood of default is also small. A risk arises with Sundry Debtors, Housing and Taxation Debtors, because they represent amounts owed to the Council and there will always be a level of default inherent in such debts. A provision for non-payment of debts is provided within the overall Debtors' figure stated in the Accounts.

Liquidity Risk

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

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

The maturity analysis of the nominal value of the Council's debt at 31st March 2022 is as follows.

		31 March 2022 £000's	% of Total Debt Portfolio	Cash Flows including Interest £000's
Short Term Borrowing	Less than 1 Year	55,317	21%	62,445
Long Term Borrowing	Over 1 but not Over 2	1,317	1%	7,998
	Over 2 but not Over 5	3,950	1%	23,811
	Over 5 but not Over 10	36,583	14%	68,153
	Over 10 but not Over 15	6,583	2%	35,232
	Over 15 but not Over 20	156,906	58%	174,546
	Over 20 but not Over 25	3,250	1%	4,156
	Over 25	5,050	2%	5,807
Long-Term Borrowing		213,639	100%	319,703

The maturity analysis of the nominal value of the Council's debt at 31st March 2021 was as follows.

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

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. Following the repayment of a PWLB variable interest rate loan of £31.8 million on 28th March 2022, 100% of the debt portfolio was held in fixed rate instruments as at 31st March 2022.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be as presented in the table below.

	2022 £000's	2021 £000's
Increase in Interest Payable on Variable Rate Borrowing	9	318
Increase in Interest Receivable on Variable Rate Investments	(169)	(1)
Impact on Surplus or Deficit on the Provision of Services	(160)	317
Share of Overall Impact debited/(credited) to HRA	(160)	317

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

Price Risk

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

Foreign Exchange Risk

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

33. CAPITAL COMMITMENTS

The Council has a large Housing Development Programme which continues to be rolled out over the district. Total contractual commitments - with multiple suppliers - of £25.384 million have been made to enable the development of Phase 4 of the Programme.

As at 31st March 2022, contracted development works (including construction works and associated professional services) to the value of £12.761 million had been completed and invoiced on Phase 4 of the Programme and are reflected in the transactions presented in these financial statements.

The remaining contractual commitments on Phase 4 of the Housing Development Programme as at 31st March 2022 total £12.623 million, and are expected to be met over the next three financial years as follows:

- 2022/23 - £4,132,843
- 2023/24 - £6,495,630
- 2024/25 - £1,994,219.

Housing revenue account income and expenditure statement



	Note	2021/22 £000's	2020/21 £000's
Income			
Dwelling Rents	3	(33,958)	(32,034)
Non Dwelling Rents		(783)	(772)
Charges for Services and Facilities		(2,025)	(1,623)
Contributions Towards Expenditure		(416)	-
Revaluation of Fixed Assets	1	-	(335)
Total Income		(37,182)	(34,764)
Expenditure			
Repairs and Maintenance	4	8,841	8,639
Supervision and Management		10,706	8,811
Revaluation of Fixed Assets		3,451	5,318
Rents, Rates, Taxes and Insurance		600	519
Depreciation and Amortisation	8/9	9,708	9,239
Debt Management		22	71
Provision for bad and doubtful debt		124	13
Total Expenditure		33,452	32,610
Net Cost of Services as Included in the Comprehensive Income and Expenditure Statement		(3,730)	(2,154)
HRA services share of Corporate Expenses		364	813
HRA services share of Other Services		-	29
Net Cost (Income) of HRA Services		(3,366)	(1,312)
HRA Share of the Income and Expenditure included in the Comprehensive Income and Expenditure Statement		(3,366)	(1,312)
Capital Grants and Contributions		(472)	(1,392)
Gain on Sale of HRA Non-Current Assets		(3,333)	(1,812)
Interest Payable and similar charges		5,476	5,403
Interest and Investment Income		(65)	(49)
Changes in Fair Value of Investment Properties		(5)	(11)
Pensions Interest / Return on Assets		188	387
(Surplus) / Deficit for the Year on HRA Services		(1,577)	1,214

Movement on Housing Revenue Account Statement

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

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

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

This reconciliation statement summarises the differences between the outturn in the HRA Income and Expenditure Statement and the HRA balance.

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

Increase / decrease in the Housing Revenue Account Balance	Note	2021/22 £000's	2020/21 £000's
(Surplus)/ deficit for the year on the Housing Revenue Account Income and Expenditure Statement		(1,577)	1,214
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	10	(482)	(1,036)
Transfers to Earmarked Reserves	10	0	(253)
(Increase) / decrease in the Housing Revenue Account Balance		(2,059)	(75)
Housing Revenue Account Surplus Brought Forward		(2,105)	(2,030)
Housing Revenue Account Surplus Carried Forward		(4,164)	(2,105)

1. HOUSING REVENUE ACCOUNT ASSET VALUATION

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

	Operational Assets							Investment Properties	Total
	Council Dwellings & Garages	Vehicles & Equipment	Other Land & Buildings	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction		
2021/22	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Gross Book Value 1st April 2021	717,367	3,147	1,379	4,795	112	50	10,365	150	737,365
Additions	11,644	439	-	443	-	-	8,888	-	21,414
Disposals / impairments	(3,526)	(2)	-	-	-	-	-	-	(3,528)
Reclassified in year	7,691	246	-	-	-	-	(7,691)	-	246
Revaluations applied to the CIES	(3,565)	-	-	-	-	-	-	-	(3,565)
Revaluation credited to the Revaluation	54,342	-	-	-	-	-	(22)	5	54,325
Accumulated depreciation and impairment written off on revaluation	(9,367)	-	-	-	-	-	-	-	(9,367)
Gross Book Value 31st March 2022	774,586	3,830	1,379	5,238	112	50	11,540	155	796,890
Depreciation 01 April 2021	-	(1,924)	(62)	(1,115)	-	(1)	-	-	(3,102)
Reclassified	-	(29)	-	-	-	-	-	-	(29)
Depreciation in year	(9,412)	(147)	(26)	(90)	-	-	-	-	(9,675)
Depreciation on disposed assets	45	1	-	-	-	-	-	-	46
Accumulated depreciation and impairment written off on revaluation	9,367	-	-	-	-	-	-	-	9,367
Depreciation 31st March 2022	-	(2,099)	(88)	(1,205)	-	(1)	-	-	(3,393)
Net Book Value 31st March 2022	774,586	1,731	1,291	4,033	112	49	11,540	155	793,497
Net Book Value 1st April 2021	717,367	1,223	1,317	3,680	112	49	10,365	150	734,263

	Operational Assets							Investment Properties	Total
	Council Dwellings & Garages	Vehicles & Equipment	Other Land & Buildings	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction		
2020/21	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Gross Book Value 1st April 2020	688,159	3,629	1,379	4,427	112	50	9,109	139	707,004
Additions	12,703	5	-	368	-	-	4,854	-	17,930
Disposals / impairments	(1,738)	(487)	-	-	-	-	-	-	(2,225)
Reclassified in year	3,598	-	-	-	-	-	(3,598)	-	0
Revaluations applied to the CIES	(4,734)	-	-	-	-	-	-	11	(4,723)
Revaluation credited to the Revaluation	28,045	-	-	-	-	-	-	-	28,045
Accumulated depreciation and impairment written off on revaluation	(8,666)	-	-	-	-	-	-	-	(8,666)
Gross Book Value 31st March 2021	717,367	3,147	1,379	4,795	112	50	10,365	150	737,365
Depreciation 1st April 2020	-	(2,238)	(36)	(1,028)	-	(1)	-	-	(3,255)
Reclassified	-	-	-	-	-	-	-	-	0
Depreciation in year	(8,688)	(153)	(26)	(87)	-	-	-	-	(8,954)
Depreciation on disposed assets	22	467	-	-	-	-	-	-	489
Accumulated depreciation and impairment written off on revaluation	8,666	-	-	-	-	-	-	-	8,666
Depreciation 31st March 2021	-	(1,924)	(62)	(1,115)	-	(1)	-	-	(3,102)
Net Book Value 31st March 2021	717,367	1,223	1,317	3,680	112	49	10,365	150	734,263
Net Book Value 1st April 2020	688,159	1,391	1,343	3,399	112	49	9,109	139	703,701

The Dwellings valuation shown in the Balance Sheet represents the value of the Housing Stock to the Council in its existing use as social housing, occupied as secure tenancies. The corresponding value of those Dwellings if sold on the open market without tenants (vacant possession) is £1,876,331,700 as at 1st April 2021. The difference between the two values represents the economic cost of providing Council Housing at less than open market rent.

2. HOUSING STOCK

The Council was responsible for managing on average 6,436 dwellings during 2021/22 (6,429 in 2020/21). Changes in the stock are summarised below. The figures include 54 units for the homeless at Norway House, North Weald.

		31 March 2022	31 March 2021
Stock as at 1st April		6,437	6,421
Add/(Subtract):	Sales	(30)	(14)
	Other Movements	19	12
	New Properties	10	18
Stock as at 31st March		6,436	6,437
Number of:	Houses and Bungalows	3,500	3,496
	Flats and Maisonettes	2,882	2,887
	Other	54	54
Stock as at 31st March		6,436	6,437

3. GROSS DWELLING RENT INCOME

During 2021/22:

- 0.8% (1.37% in 2020/21) of all lettable dwellings were vacant
- Average rents were £102.32 per week including affordable rents, an increase of £2.97 or 3.0%, on the previous year
- On average, 35.2% (40.0% in 2020/21) of Council tenants received some help through rent rebates in 2021/22
- Rent arrears reduced to £860,317 (£928,435 in 2020/21), which represents 2.36% (2.60% in 2020/21) of gross income
- The provision for bad and doubtful debts on these arrears amounted to £717,510 (£759,173 in 2020/21)
- Amounts written off during the year totalled £38,414 (£91,581 in 2020/21); and
- Dwelling rents are shown after allowing for voids.

4. HOUSING REPAIRS FUND

The Council previously maintained a Housing Repairs Fund that evened out the annual cost to tenants of the Council's cyclical repairs programme. The Council now pays Qualis a management fee to deliver the Housing Repairs service, which has the effect of smoothing the costs incurred by the HRA. Consequently, the Housing Repairs Fund was extinguished in 2020/21. The movements on the fund in its final year are presented in the comparative information below.

	2021/22		2020/21	
	£000's	£000's	£000's	£000's
Balance as at 1st April	-	-		(250)
Contribution from the HRA	-	-	(8,252)	
Other Income	-	-	(137)	
Total Income	-	-		(8,389)
Responsive and Void Repairs	-	-	6,306	
Planned Maintenance	-	-	2,333	
Other Expenditure	-	-	-	
Total Expenditure	-	-		8,639
Balance as at 31st March	-	-		-

In 2020/21 the amount shown on the face of the Housing Revenue Income and Expenditure Statement is the actual net expenditure on repairs and maintenance rather than the contribution to the repairs fund. The difference between the two figures forms part of the adjustments between accounting basis and funding basis under regulations (Note 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 2021/22; 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 £7,034,523 in HRA capital receipts during 2021/22 (£3,749,060 in 2020/21). The receipts came from the sale of Council Houses £6,833,275 (£3,415,800 in 2020/21), Right to Buy ("RTB") discounts repaid £20,768 (£58,491 in 2020/21), Rent to Mortgage sales £180,480 (£203,000 in 2020/21), and other sales £nil (£70,769 in 2020/21). The receipts have been allocated in accordance with the prescribed proportions - £1,512,333 (£1,945,004 in 2020/21) for house building projects, £39,000 (£18,200 in 2020/21) to offset the cost of administration of the sales, £839,616 (£839,313 in 2020/21) to be paid over to the Central Government Pool, with the remainder of £4,643,574 (£946,543 in 2020/21) available to fund other capital projects.

7. HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

The HRA incurred the following capital expenditure:

Capital Expenditure	2021/22 £000's	2020/21 £000's
Council Dwellings	15,023	6,692
House Building and Developments	4,629	10,552
Disabled Adaptations	765	500
Plant, Vehicles and Equipment	555	8
Environmental Works	443	178
Total Expenditure	21,414	17,930
<i>Financed by:</i>		
Revenue	-	2,000
Major Repairs Reserve	9,180	7,151
Self Financing Reserve	8,743	-
Capital Receipts	2,553	3,261
Other Contributions	938	1,541
Borrowing	-	3,977
Total Financing	21,414	17,930

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:

	2021/22		2020/21	
	£000	£000	£000	£000
Balance as at 1st April		(8,840)		(7,123)
Depreciation Transferred from the HRA	(9,705)		(8,867)	
Used to Fund Capital Expenditure on Council	9,180		7,150	
Transferred to the HRA	-		-	
Total Expenditure		(525)		(1,717)
Balance as at 31st March		(9,365)		(8,840)

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 £3,000 (2020/21 £372,000) in amortisation of intangible assets, other non-dwellings depreciation, revenue expenditure funded from capital and impairments.

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

	2021/22 £000's	2020/21 £000's
Amounts to be Excluded		
Depreciation/ Amortisation Reversals and Impairments	(9,708)	(8,979)
Revaluation of Council Dwellings and Garages	(3,565)	(4,622)
Movements in the fair value of investment	5	11
Deferred receipt rents to mortgages	113	(343)
Gain / (loss) on disposal of HRA Fixed Assets	3,333	1,680
Accumulated Absences Accruals	(171)	(109)
HRA share of contributions to / (from) Pensions Reserve	(1,100)	(1,082)
Total of Amounts to be Excluded	(11,093)	(13,444)
Amounts to be Included		
Transfer to Major Repairs Reserve	9,705	8,867
Capital expenditure funded by the HRA	-	2,000
Capital contributions applied	906	1,541
Total of Amounts to be Included	10,611	12,408
Net increase/(decrease) before transfers to / from Reserve	(482)	(1,036)
Transfers to /from Earmarked Reserves		
Housing Repairs Fund	-	(250)
Section 106	-	(3)
Total Transfers To Earmarked Reserves	-	(253)
Total	(482)	(1,289)

11. TRANSFER TO SELF FINANCING RESERVE

The HRA Self-Financing Reserve was set up for the original purpose of receiving a transfer of £3.18 million per annum to accumulate enough funds to repay a £31.8 million loan due for repayment in March 2022. Whilst this was the stated purpose of the fund, this did not preclude the use of these funds for another HRA purpose. The balance on the reserve at the beginning of 2021/22 was £12.72 million. In 2021/22, £3.977 million has been used to repay debt and the remaining balance of £8.743 million has been used to fund spending on the HRA Capital Programme, thereby negating the need to borrow.

Collection fund



	Note	2021/22			2020/21		
		Council Tax £000's	Non-Domestic Rates £000's	Collection Fund Total £000's	Council Tax £000's	Non-Domestic Rates £000's	Collection Fund Total £000's
Income							
Council Tax	1	(102,445)	-	(102,445)	(99,840)	-	(99,840)
Non-Domestic Rates	2	-	(28,933)	(28,933)	-	(19,287)	(19,287)
Total Income		(102,445)	(28,933)	(131,378)	(99,840)	(19,287)	(119,127)
Expenditure							
Precepts and Demands							
Central Government		-	17,857	17,857	-	17,408	17,408
Epping Forest District Council		12,000	14,286	26,286	12,154	13,927	26,081
Essex County Council		72,434	3,214	75,648	72,303	3,133	75,436
Essex Police		11,265	-	11,265	10,871	-	10,871
Essex Fire Authority		3,991	357	4,348	4,044	348	4,392
Distribution of Estimated Collection Fund Surplus/(Deficit)							
Central Government	3	-	(8,621)	(8,621)	-	971	971
Epping Forest District Council		(99)	(6,897)	(6,996)	119	777	896
Essex County Council		(590)	(1,552)	(2,142)	687	175	862
Essex Police		(89)	-	(89)	104	-	104
Essex Fire Authority		(33)	(172)	(205)	39	19	58
Other							
Transitional Protection (NDR)		-	(33)	(33)	-	5	5
Cost of Collection Allowance (NDR)		-	174	174	-	173	173
Provision for Appeals (NDR)		-	343	343	-	(1,272)	(1,272)
Provision for Non Payment		1,124	720	1,844	793	1,705	2,498
Total Expenditure		100,003	19,676	119,679	101,114	37,369	138,483
Deficit / (Surplus) for the Year		(2,442)	(9,257)	(11,699)	1,274	18,082	19,356
Balance Brought Forward		1,098	16,584	17,681	(176)	(1,499)	(1,675)
Balance Carried Forward		(1,344)	7,327	5,983	1,098	16,584	17,681

1. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council, Essex Police, Essex Fire Authority and this Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: 54,019 for 2021/22 (54,729 for 2020/21). The basic amount of Council Tax for a Band D property of £1,775.79 for 2021/22 (£1,746.09 for 2020/21) is multiplied by the proportion specified for the band to give an individual amount due.

Total income of £102,444,803 for 2021/22 (£99,840,261 for 2020/21) was receivable from Council Taxpayers.

	Chargeable Dwellings	Chargeable Dwellings after Discount, Exemptions and Disabled Relief	Ratio to Band D	Band D Equivalents
Band A Disabled	-	5	5/9	3
Band A	1,807	1,565	2/3	1,043
Band B	4,958	4,181	7/9	3,252
Band C	11,538	10,463	8/9	9,300
Band D	13,963	12,967	9/9	12,967
Band E	9,836	9,239	11/9	11,292
Band F	6,875	6,541	13/9	9,449
Band G	6,052	5,800	15/9	9,667
Band H	1,189	1,126	18/9	2,252
Total Band D				59,224
Less Band D equivalents entitled to Council Tax Support				3,822
Total Band D Equivalents				55,402
Less: Adjustment for Collection Rate				1,383
Council Tax Base				54,019

2. NON-DOMESTIC RATES

Non-Domestic Rates are organised on a national basis. The Government specifies an amount, 49.9p (small business) and 51.2p (all others) in 2021/22 (49.9p and 51.2p in 2020/21) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

From 1st April 2013 Business Rates Retention was introduced whereby local authorities retain 50% of the Business Rates collected and pay the remainder over to Central government. The amount retained is shared between the Council (40%), Essex County Council (9%) and Essex Fire Authority (1%). In addition, the Government has set a level of Business Rates Funding deemed to be applicable to each area and every Council either receives a top up (where business rates are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding). In 2021/22 this Council paid a tariff of £10,880,558 (£10,880,558 in 2020/21).

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

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

The Council is part of the Essex Business Rates Pool. A pool minimises the potential Levy on Business Rates growth that an individual authority might need to pay Central Government; authorities paying a Tariff to the Government, join a pool with an authority receiving a Top Up. In the case of the Essex Pool, the County Council are receiving a Top Up and the Districts are paying a Tariff, and by pooling their Business Rates can significantly reduce their Levy rates from the 50% they would face alone.

The total Non-Domestic Rateable Value at the year-end was £97,250,516 (£97,043,793 in 2020/21).

3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

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

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Introduction

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

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

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

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

Accounting Policies

The Qualis group of companies initially had a financial year from 1st November to 31st October, but this has now been amended to run from 1st October to 30th September. These Group Accounts have been prepared using the best estimates provided by the group of activities from 1st April 2021 to 31st March 2022 and of the financial position of the group as at 31st March 2022.

Qualis investment property is included at acquisition cost as no revaluation has been undertaken as at 31st March 2022.

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

Group Comprehensive Income and Expenditure Statement

	2021/22			2020/21		
	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
	£000's	£000's	£000's	£000's	£000's	£000's
Net Cost of Continuing Operations	111,815	(89,361)	22,454	119,473	(78,853)	40,620
Other Operating Expenditure			211			7,505
Financing and Investment Income and Expenditure			(11,128)			(4,402)
Taxation and Non-Specific Grant Income			(20,982)			(25,655)
(Surplus)/Deficit on Provision of Services			(9,445)			18,068
(Surplus) on Revaluation of Property Plant and Equipment			(52,588)			(28,958)
Actuarial (Gains)/Losses on Pension Assets/Liabilities			(24,729)			58
Total Comprehensive Income and Expenditure			(86,762)			(10,832)

Group Balance Sheet

	31 March 2022		31 March 2021	
	£000's	£000's	£000's	£000's
Long Term Assets				
Property, Plant & Equipment	869,441		811,697	
Heritage Assets	598		542	
Investment Properties	192,398		168,098	
Intangible Assets	988		272	
Assets held for sale	2,100		-	
Long Term Debtors	-		2,291	
Total Long Term Assets		1,065,525		982,900
Current Assets				
Inventories	157		56	
Debtors and Prepayments	38,508		40,332	
Short Term Temporary Investments	24,110		-	
Cash & Cash Equivalents	-		26,027	
		62,775		66,415
Current Liabilities				
Creditors	(55,456)		(51,080)	
Provisions	(3,448)		(4,190)	
Short Term Loan	(54,000)		(23,000)	
		(112,904)		(78,270)
Long Term Liabilities				
Long Term Loans	(214,956)		(238,706)	
Pensions Liability	(53,581)		(72,497)	
		(268,537)		(311,203)
Total Assets Less Liabilities		746,859		659,842

Group Cash Flow Statement

	2021/22 £000's	2020/21 £000's
Net Surplus/(Deficit) on Provision of Services	9,445	(18,068)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	48,121	56,092
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(29,613)	(7,086)
	27,953	30,938
Net cash flows from Operating Activities	27,953	30,938
Investing Activities	(39,839)	(46,315)
Financing Activities	9,969	16,270
Net Increase or (Decrease) in cash and cash equivalents	(1,917)	893
Cash and Cash Equivalents at the beginning of the reporting period	26,027	25,134
Cash and Cash equivalents at the end of the reporting period	24,110	26,027

Group Movement in Reserves Statement

	Single Entity (EFDC)									Qualis		Group		
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Total Usable Reserves	Total Unusable Reserves	Total Reserves	Qualis Usable	Qualis Un Usable	Group Total Usable Reserves	Group Total Unusable Reserves	Group Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Movements in 2021/22														
Balance as at 1st April 2021	4,017	2,105	23,811	8,385	8,839	-	47,156	618,535	665,691	(2,488)	(3,359)	44,668	615,176	659,844
Surplus / (Deficit) on Provision of Services	8,718	1,577	-	-	-	-	10,295	-	10,295	(850)	-	9,445	-	9,445
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	8,718	1,577	-	-	-	-	10,295	-	10,295	(850)	-	9,445	-	9,445
Adjustment Between Accounting and Funding Basis Under Regulations	(12,127)	482	-	3,525	526	1,354	(6,240)	6,240	-	-	-	(6,240)	6,240	-
Net Increase / (Decrease) before Transfer to Earmarked Reserves	(3,409)	2,059	-	3,525	526	1,354	4,055	6,240	10,295	(850)	-	3,205	6,240	9,445
Transfer to Earmarked Reserves	3,462	-	(16,442)	-	-	-	(12,980)	12,980	-	-	-	(12,980)	12,980	-
Increase / (Decrease) in Year	53	2,059	(16,442)	3,525	526	1,354	(8,925)	19,220	10,295	(850)	-	(9,775)	19,220	9,445
Other Adjustments	-	-	(2)	-	-	253	251	76,618	76,869	-	701	251	77,319	77,570
Balance as at 31 March 2022	4,070	4,164	7,367	11,910	9,365	1,607	38,482	714,373	752,855	(3,338)	(2,658)	35,144	711,715	746,859

	Single Entity (EFDC)									Qualis		Group		
	General Fund Balance	Housing Revenue Account	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Applied	Total Usable Reserves	Total Unusable Reserves	Total Reserves	Qualis Usable	Qualis Un Usable	Group Total Usable Reserves	Group Total Unusable Reserves	Group Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Movements in 2020/21														
Balance as at 1 April 2020	6,417	2,030	17,513	8,830	7,123	934	42,846	607,578	650,424	(406)	-	42,440	607,578	650,018
Surplus / (Deficit) on Provision of Services	(13,912)	(1,215)	-	-	-	-	(15,127)	-	(15,127)	(5,470)	-	(20,597)	-	(20,597)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	28,900	28,900	29	-	29	28,900	28,929
Total Comprehensive Income and Expenditure	(13,912)	(1,215)	-	-	-	-	(15,127)	28,900	13,773	(5,441)	-	(20,568)	28,900	8,332
Adjustment Between Accounting and Funding Basis Under Regulations	15,563	1,148	(445)	1,716	-	-	17,982	(17,982)	-	3,359	(3,359)	21,341	(21,341)	-
Net Increase / (Decrease) before Transfer to Earmarked Reserves	1,651	(67)	-	(445)	1,716	-	2,855	10,918	13,773	(2,082)	(3,359)	773	7,559	8,332
Transfer to Earmarked Reserves	(4,051)	142	6,298	-	-	(934)	1,455	39	1,494	-	-	1,455	39	1,494
Increase / (Decrease) in Year	(2,400)	75	6,298	(445)	1,716	(934)	4,310	10,957	15,267	(2,082)	(3,359)	2,228	7,598	9,826
Balance as at 31 March 2020	4,017	2,105	23,811	8,385	8,839	-	47,156	618,535	665,691	(2,488)	(3,359)	44,668	615,176	659,844



Annual Governance Statement 2021/22

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 reviewed November 2021), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Councils Constitution. A copy of the Code is on our website at www.eppingforestdc.gov.uk. 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; and
- (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 2022 and up to the date of approval of this Statement and the Statement of Accounts.

No.	The Governance Framework
	The key elements of the Council's governance arrangements for 2021/22 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:
	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 approved by the Audit and Governance Committee January 2022.
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

No.	The Governance Framework (cont.)
7	A Leadership Team consisting of the Chief Executive, Strategic Director, and a Chief Operating Officer. The Chief Executive as Head of Paid Service is supported by the Council's Monitoring Officer and Section 151 Officer.
8	A Corporate Governance Group consisting of the Chief Executive, Section 151 Officer, Monitoring Officer, the Chief Operating Officer, the Strategy, Delivery & Performance Director, the Chief Internal Auditor, and other senior officers as required depending on the agenda, meeting monthly
9	A Corporate Risk Strategy overseen by a Risk Management Group meeting quarterly
10	A standard committee report format that includes specific consideration of all legal, financial, professional, technical, risk management and equalities implications
11	A Medium-Term Financial Plan which informs service planning and budget setting, and a Finance and Performance Management Cabinet Committee that meets regularly
12	A comments, compliments, and complaints procedure
13	A risk-based approach to internal audit, emphasising the need for sound control, governance and risk management arrangements
14	A robust whistle blowing policy and process (reviewed and last updated November 2021) along with an anti-fraud and corruption strategy (which was reviewed and approved by the Audit and Governance Committee in November 2021) outlining the Council's zero tolerance approach to fraud and corruption and include anti-bribery and anti-money laundering policies.

3. Review of Effectiveness

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

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

Documentary evidence of processes, procedures, and standards.

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

The Chief Internal Auditor's annual opinion on the Council's control environment, delivered to the Audit and Governance Committee, as the body charged with governance. Audit reports issued along with the assurance ratings of, substantial, moderate, limited or no assurance, on the adequacy and effectiveness of the Council's control environment, including key financial systems.

The work undertaken by the External Auditor reported in their annual audit and their "Communication with those Charged with Governance" (ISA260) and other review reports.

Significant governance issues from previous years and from 2021/22.

4. Impact of Coronavirus on the Council's Governance Arrangements for 2021/22

As a result of the pandemic during 2020/21 the majority of staff worked from home, and Council meetings were held virtually and were still open to the public. Regulations which allowed authorities to meet remotely ceased after 06 May 2021, and since then all decision-making meetings have been held in person.

During 2021/22 the majority of staff have continued to work from home but since April 2022 there has been expectation that staff come into the office two to three days a week.

Similar to 2020/21, throughout 2021/22 key Council services, including all statutory ones, continued during lockdown although some processes were amended to allow for remote working, for example allowing approval by email instead of a wet signature and discussed with Internal Audit first. Some services continued to be paused during the first part of 2021/22 for example leisure services. Some new activities started in 2020/21 continued, for example distribution of the government's Covid-19 related business grants by the Revenues and Benefits service.

5. Overall opinion of Epping Forest District Council's Governance Arrangements

Despite coronavirus this AGS demonstrates that the Council's governance arrangements have remained fit for purpose. There has been no significant detriment on the Council's ability to deliver its services.

The Corporate Governance Group has undertaken an assessment of the arrangements for governance during 2021/22 including a review of the assurance checklists and statements submitted by managers. It has concluded that arrangements are fit for purpose and working effectively, and this has been endorsed by SLT (Senior Leadership Team). As a result of this assessment, a small number of other governance issues have been identified to further strengthen arrangements, as detailed in table two.

6. Significant Governance Issues

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

Table One: Progress on significant governance issues identified in the 2020/21 AGS

No.	Significant issue identified in 2020/21 AGS	Action taken in 2021/22 to address the issue
1	Ensuring the health and safety of staff, partners, and the public in the way it delivers its services As in 2020/21 the Council will keep under review Health and Safety measures both within the Council and across the district to ensure government legislation and guidance is being followed regarding the country's recovery from Covid-19, especially where the Council is delivering its services.	The Council keeps Health and Safety measures both within the Council and across the District under constant review through the Senior Leadership and Wider Leadership Team.

No.	Significant issue identified in 2020/21 AGS (cont.)	Action taken in 2021/22 to address the issue
2	<p>Financial Management Code review</p> <p>2020/21 saw the introduction of CIPFA's Financial Management Code 2019. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management.</p> <p>An assessment will be undertaken to ensure the Council can demonstrate compliance with the Code. If there are deficiencies, an action plan will be developed to address these</p>	<p>This is programmed in for 2022/23.</p>
3	<p>Statement of Accounts</p> <p>Due to both technical and resource issues (due to Covid-19) there has been a delay in the final approval of the 2018/19 and 2019/20 accounts. This may impact on the approval of the final accounts for 2020/21, the date of publication (which is also the target date for the completion of the external audit) is 30 September 2021.</p> <p>A restructure of the accountancy team and a review of Council processes will be undertaken to mitigate the risk of future delays for subsequent years production and approval of the Council's Statement of Accounts</p>	<p>The Statement of Accounts for 2018/19 and 2019/20 have been signed off with the external auditor issuing an unqualified audit opinion in both cases</p> <p>The Council continues to work with its External Auditors to resolve final issues from this year's audit.</p> <p>The restructure of the Finance Team is complete and year end processes in place.</p>
4	<p>Disaster recovery (DR)</p> <p>An Internal Audit found significant deficiencies in the Council's IT Disaster Recovery management control framework, which led to the Chief Internal Auditor's giving a qualified opinion for 2020/21. This is a known problem and extensive work commenced prior to the audit to strengthen this.</p> <p>Progress against the recommendations made will be closely monitored by the Corporate Governance Group and any slippage reported to the Audit and Governance Committee.</p>	<p>An IT disaster recovery plan has been prepared and tested.</p> <p>In addition to loss of key Council sites, provision has been made for loss of internet connectivity. A contracted disaster recovery provider is in place and data is replicated across two sites.</p>

No.	Significant issue identified in 2020/21 AGS (cont.)	Action taken in 2021/22 to address the issue
Common themes from the Service Assurance Statements were:		
6	Risk management and business/service planning Work commenced in 2020/21 to better align service/business plans and risk management processes. This will continue in 2021/22	A Risk Management Working Group has been established to help move risk management forward in the Council. The Group is reviewing the Risk Management Framework and to align this with service planning and project management.
7	Financial Regulations Financial Regulations are due to be reviewed in 2021/22. There was a consensus that officers would welcome guidance and training on the Council's Financial Regulations. There will be a joined-up approach between Finance, HR and Internal Audit to ensure this is both proportionate and targeted.	Financial Regulations were due to be revised in quarter four 2021/22 but this has slipped into 2022/23. Following the review, appropriate and relevant training will be provided to staff.

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 2022/23

No.	Objective	Risk area/action plan for 2022/23
1	Economic issues At the time of writing this AGS, both national and global events have led to a very volatile economic situation. Unprecedented increases in inflation compared to previous years are being seen and availability of raw materials etc. is a problem globally. This has a direct impact on the Council in terms of potential cost increases including major works and projects. There may also be an indirect consequence with a potential increase in demand by those accessing Council services	Implications are being monitored with mitigating strategies being developed and implemented by the Senior Leadership Team and will feature as key considerations in the reports presented to Cabinet through 2022/23 and in the development of the MTFP (Medium Term Financial Plan) for 2023/24 and future years.

No.	Objective	Risk area/action plan for 2022/23
2	<p>Statement of Accounts</p> <p>As reported in last year's AGS, due to technical and resource issues (mainly with the External Auditor) there has been a delay in the final approval of the 2020/21 accounts. Nationally, there has been an ongoing issue with councils being unable to get their final accounts audited. This will have a knock effect on the 2021/22 Accounts</p>	<p>The Council continues to work with its External Auditors to resolve the current issues. Once resolved a timetable will be agreed regarding the outstanding accounts. The Audit and Governance Committee will be kept abreast on progress.</p>
3	<p>Financial Management Code review</p> <p>Carried over from last year's AGS action plan</p>	<p>An assessment will be undertaken to ensure the Council can demonstrate compliance with the Code. Or if there are deficiencies, develop an action plan to address these</p>
<p>Common themes from the Service Assurance Statements were:</p>		
4	<p>Business Continuity</p> <p>As we emerge from the pandemic there is a need to revisit and maintain service business continuity plans. As well as ensuring staff are aware of the business continuity arrangements and testing the plans.</p>	<p>A business continuity project is being initiated to review the business continuity framework and processes and will progressed during the year, overseen by the officer Corporate Governance Group (which is chaired by the Chief Executive)</p>
5	<p>Financial Regulations</p> <p>Carried over from last year's AGS</p>	<p>Financial Regulations</p> <p>Once Financial Regulations have been reviewed, Finance, with the assistance of HR and Internal Audit, will ensure training provided is both proportionate and targeted</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 

28th June 2022

Georgina Blakemore

Chief Executive

Signed ... 

28th June 2022

Councillor Chris Whitbread

Leader of the Council

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) 2020/21						
<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. Member appointment to community organisations.</p> <p>Active consultation through the Council's Consultation policy and plan</p> <p>'Critical friend' challenge through the Council's scrutiny process.</p> <p>Revised and updated Code of Governance</p>	<p>2018-2023 Corporate Plan which is supported by service/operational plans.</p> <p>Draft Local plan that supports the Council's vision.</p> <p>Decision making process that take into account these effects on its residents, paying due regard to the public sector equality duty.</p> <p>Providing fair access to Council services offered.</p> <p>Economic Development Strategy</p>	<p>Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance.</p> <p>Decision making processes that receive objective and rigorous involvement including involvement of the Monitoring and Section 151 Officers</p> <p>Anti-Fraud and Corruption strategy.</p>	<p>People Strategy</p> <p>Established induction and training programme for existing and new Councillors. Process includes mentoring and training events.</p> <p>Induction process for staff, access to personal development appropriate to their roles. Formal Personal Development Review (PDR) for staff and access to health and wellbeing opportunities.</p>	<p>Risk management is an integral part of the council's activities and decision making.</p> <p>Internal Audit function that provide assurance on governance, risk management and controls reporting to the Audit and Governance Committee</p> <p>Active corporate fraud team</p> <p>Medium Term Financial Plan.</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						

Appendix 1 Epping Forest Code of Governance

Glossary of terms



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

ACCOUNTING PERIOD

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

ACCOUNTING POLICIES

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

ACCRUALS

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

AMORTISATION

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

ANNUAL GOVERNANCE STATEMENT

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

ASSET

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

- A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible (e.g. a leisure centre), or intangible (e.g. computer software licences); and
- 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 the Council's financial position at the year-end. It shows the balances and reserves at the Council's disposal and its long-term indebtedness and the non-current and net current assets employed in its operations together with summarised information on the non-current assets held.

CAPITAL EXPENDITURE

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

CAPITAL ADJUSTMENT ACCOUNT

This account records the accumulated amount of set aside capital receipts and minimum revenue provision (the contribution from revenue to cover repayment of the borrowing that has been undertaken to fund capital expenditure) together with capital expenditure financed by way of capital receipts, grants and revenue contributions. Set against these amounts are adjustments to the revenue account for depreciation and capital expenditure written off to revenue during the year. This, therefore, ensures that only actual expenses are charged to revenue in year and are paid for by council taxpayers.

CAPITAL FINANCING

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

CAPITAL FINANCING REQUIREMENT

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

CAPITAL RECEIPT

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

CASH FLOW STATEMENT

This statement summarises the cash flows of the Council 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 £100,000 need not be disclosed, as any such amounts would not be significant.

CORPORATE AND DEMOCRATIC CORE

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

COUNCIL TAX

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

CREDITORS

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

DEBTORS

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

DEPRECIATION

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

FAIR VALUE

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

FINANCE LEASE

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

GENERAL FUND

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING REVENUE ACCOUNT

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

IMPAIRMENT

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

INTANGIBLE ASSETS

This is expenditure which may properly be defined as being capital expenditure, but which does not result in a physical asset being created. For expenditure to be recognised as an intangible asset it must yield future economic benefits to the council. One of the most common examples would be software licences.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

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

INVESTMENTS

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments that do not meet the above criteria should be classified as current assets.

INVESTMENT PROPERTIES

An interest in land and/or buildings:

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

LIABILITY

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

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over 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, local authorities keep a proportion of the business rates paid locally (currently 50%). This money, together with revenue from council taxpayers, fees and charges and certain other sums, is used to pay for the services provided by the Council.

NET BOOK VALUE

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

NET CURRENT REPLACEMENT COST

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

NET REALISABLE VALUE

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASES

Leases other than a finance lease.

OPERATIONAL ASSETS

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

POST BALANCE SHEET EVENTS

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

PRECEPT

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

PRIOR YEAR ADJUSTMENTS

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

PROPERTY, PLANT AND EQUIPMENT

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

PROVISIONS

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

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

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

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

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

PRUDENCE

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

PRUDENTIAL CODE

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

RELATED PARTIES

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

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

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

RELATED PARTY TRANSACTION

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

- The purchase, sale, lease, rental or hire of assets between related parties;
- The provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- The provision of services to a related party, including the provision of pension fund administration services; and
- Transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

This list is not intended to be comprehensive.

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

REMUNERATION

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

REVALUATION RESERVE

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

REVENUE EXPENDITURE

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

STOCKS

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

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

THE CODE

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

UNAPPORTIONABLE CENTRAL OVERHEADS

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

Glossary of pension related terms



ACTUARIAL GAINS AND LOSSES

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

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

CURRENT SERVICE COST

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

CURTAILMENT

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

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

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DISCRETIONARY BENEFITS

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

EXPECTED RATE OF RETURN ON PENSION ASSETS

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

IAS19

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSIONS FUND)

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

NON-DISTRIBUTED COSTS

Non-distributed costs are defined as comprising:

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

PAST SERVICE COST

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

PENSION SCHEME LIABILITY

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

PROJECTED UNIT METHOD - PENSION FUND VALUATION

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

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

RETIREMENT BENEFITS

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

- An employer's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

SCHEME LIABILITIES

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

SETTLEMENT

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

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

VESTED RIGHTS

In relation to a defined benefit scheme, these are:

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

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