



Epping Forest District Council
Statement of Accounts 2022/2023



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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 5 Action Plan (covering 2022/23) represented the fifth reporting cycle for the Corporate Plan.

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). In 2022/23, the quarterly governance process for Performance was aligned as a single Overview and Scrutiny function, bringing together the three Corporate aims and objectives and also to ensure continued achievability and relevance, and to identify proposals for appropriate corrective action in areas of under-performance.

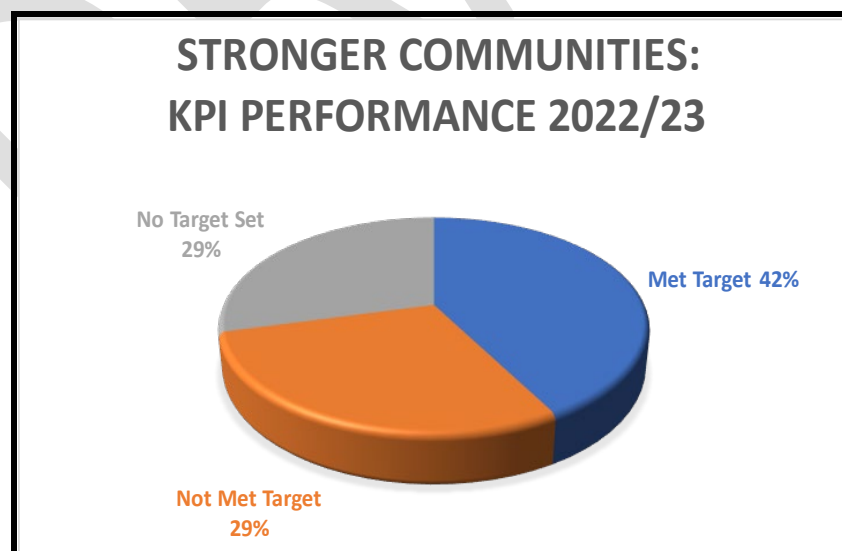
Stronger Communities

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:

- 3 out of 7 (42%) met their target
- 2 out of 7 (29%) did not meet their target; and
- 2 out of 7 (29%) were for information only, with no set target.



First Point of Contact Resolutions performed well with the 45% target being exceeded in all four quarters. Meanwhile *Complaints Resolution performance against the SLA target* was also positive with cases being resolved on time against a target of 85%.

Customer Satisfaction however continues to prove more challenging, with the overall average of 57% 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 for *Engagement in Community, Physical or Cultural Activity* have again been exceeded with an average of 3,821 recorded against a target of 3,500. This is very positive considering the current cost of living crisis.

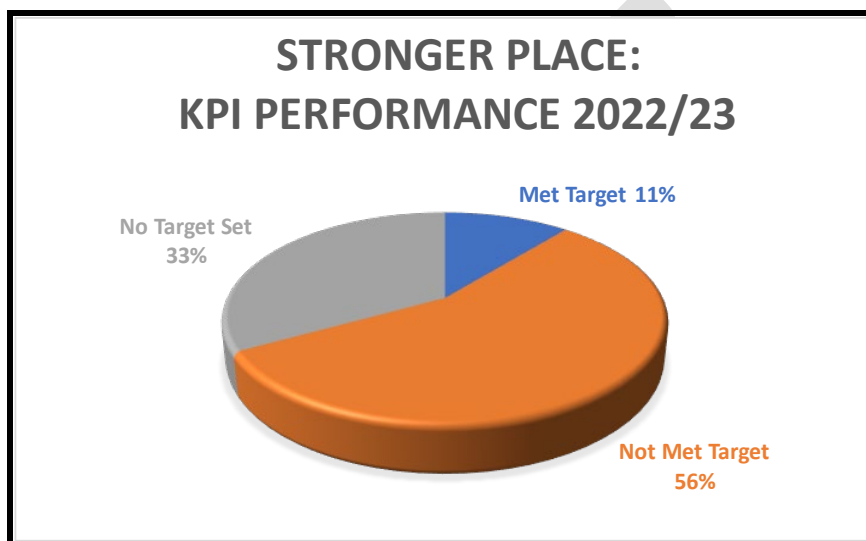
Stronger Place

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 nine KPIs.

Key Performance Indicators (KPIs)

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

- 1 out of 9 (11%) met their target
- 5 out of 9 (56%) did not meet their target; and
- 3 out of 9 (33%) were for information only, with no set target.



Recycling rates were slightly off target with an average rate of 58.86% achieved against the 60% target. The *Household Waste* was off target too with an average of 0.230kg per household recorded against a target of 0.100kg, largely due to waste contractor issues and higher than anticipated missed collections.

The overall *Percentage of Planning Applications Determined Within Agreed Timelines* (on Major, Minor and 'Other' applications) was 78.5% for the year, although processing times varied between application categories as follows:

- | | | |
|--|---|--------------------|
| • Major Applications | - | 94.1% (Target 80%) |
| • Minor Applications | - | 68.3% (Target 90%) |
| • Other Applications (e.g. house extensions) | - | 73.2% (Target 90%) |

Performance on Major Applications improved during the year due to enhanced project management and extended timescales agreed with developers. As with 2021/22, performance on Minor Applications was affected by the legacy of the Air Quality Impact Assessment standards, which have delayed decision-making, although this is now showing an upward trend as the backlog continues to decline. Performance on Other Applications has been lower this year as resources have been more focussed on Major Applications, which are higher fee earning (necessitated by the difficult budget position). Performance in all categories still remained comfortably above the Government's minimum 60% standard (the threshold for 'underperformance').

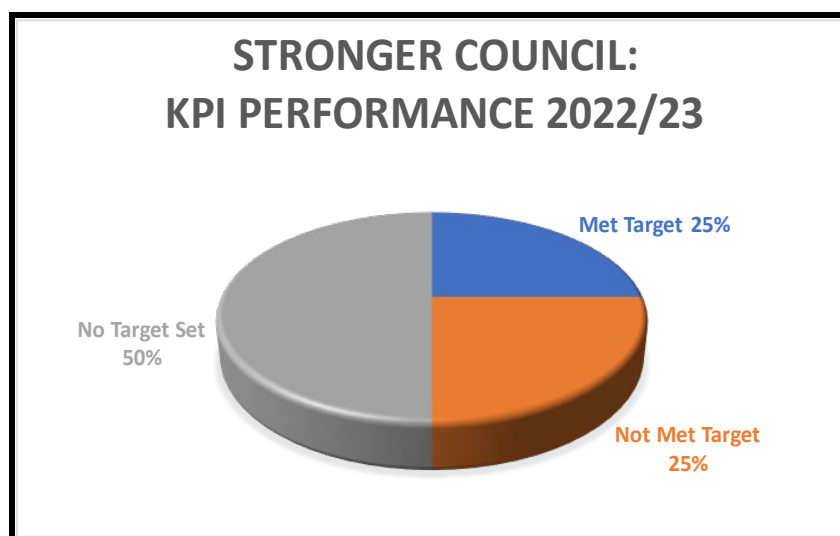
Stronger Council

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



Staff Sickness Absence improved in 2022/23 with the average rate dropping to 1.95% compared to 3.11% in 2021/22. However, *Staff Turnover* was off target, with a total turnover rate of 16.37% against the national set average target of 11%.

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:

- 8 out of 15 (53%) were Completed, Placed on Hold, or Cancelled
- 4 out of 15 (27%) were 'In Delivery' at year end; and
- 3 out of 15 (20%) were at 'Service Design/Scoping' stage.

Successfully completed projects (excluding projects on hold or cancelled) delivered during the year improved technology and reduced operating costs, including:

- Revenues & Benefits SAAS Project ("Cloud One")
- Community and Culture Trust; and
- Back Office System (Digital Planning System) – Phase 1

Project delivery is ongoing in 2023/24 for the remaining projects.

3. FINANCIAL REVIEW 2022/23

In common with the wider public sector and most of the private sector, the 2022/23 financial year has proved a tough one, with the Council's finances facing a head wind created by the economic crisis, with both revenue and capital spending plans coming under substantial pressure. The revenue budget recorded a substantial overspend in the year and the affordability of capital commitments is becoming significantly more challenging due to rapidly rising interest rates.

The Consolidated Income & Expenditure Statement (CIES) on Page 23 shows that the Net Cost of Services for 2022/23 was very stable at £27.604 million (compared to £25.274 million in 2021/22); 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 £80.623 million was recorded (down £5.548 million compared to 2021/22).

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 (2022/23)" (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). 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 2022/23.

General Fund Services 2022/23	Net Expenditure		Variance
	Budget £000's	Outturn £000's	
Chief Executive	658	659	1
Commercial & Technical Services	139	(125)	(264)
Community & Wellbeing	1,783	1,454	(329)
Corporate Services	9,763	8,741	(1,022)
Customer Services	2,255	3,032	777
Finance & Audit	2,411	2,974	563
Housing & Property	1,849	1,541	(308)
Place	375	297	(78)
Planning & Development	1,480	1,976	497
Strategy, Delivery & Performance	850	600	(250)
Qualis Income	(2,909)	(1,775)	1,135
Financing & Recharges	(3,023)	(2,459)	563
Totals	15,631	16,917	1,286

The Month 12 Accounts show that the General Fund budget was in deficit by £1.286 million at year end. It was an outcome that came as no surprise, with a deficit of £1.2 million forecast as early as Quarter 1 (30th June 2022), and reflected a difficult year financially for the Council with rising inflation and interest rates, as well as further delays in the adoption the Local Plan, being significant factors behind the deficit.

The most significant variance related to Qualis Income, falling short of budget by £1.135 million due to the lengthy delay in finalising the Local Plan, as well as challenging economic conditions, combining to have a detrimental impact on income from the margins that the Council generates from Qualis loans. In addition, rising interest rates also pushed up the cost of PWLB borrowing for the Council, which put a further squeeze on loan margins.

In contrast, the Corporate Services function recorded a budget surplus of £1.022 million, with substantial savings occurring in a range of Corporate Services including ICT (£382,900), Other Support Services (£238,000) and Insurance (£237,300).

Housing Revenue Account (HRA)

The table below summarises the outturn on the HRA for 2022/23 compared to 2021/22.

Description	2021/22 £000's	2022/23 £000's	Variance £000's
Total Income	(37,182)	(37,969)	(787)
Total Expenditure	33,452	35,888	2,436
Net Cost of Services (included in CIES)	(3,730)	(2,081)	1,649
Corporate expenses charged to HRA	364	320	(44)
Net Cost/(Income) of HRA Services (included in CIES)	(3,366)	(1,761)	1,605
Other accounting adjustments	1,789	2,684	895
(Surplus)/Deficit on HRA Services	(1,577)	923	2,500
Reconciling adjustments (including reversals)	(482)	(1,311)	(829)
(Increase)/Decrease in HRA Balance	(2,059)	(388)	1,671

The HRA Balance further increased by £0.388 million in the year (£2.059 million in 2021/22); this was despite some significant budget pressures, most notably on Repairs and Maintenance, which were up by £1.056 million this year (from £8.841 million in 2021/22, to £9.897 million in 2022/23).

In contrast, overall Income increased by £0.787 million (from £37.182 million in 2021/22, to £37.969 million in 2022/23), driven by additional income received from Dwelling Rents, aided by the addition of newly developed housing to the Council's stock.

Capital charges for Depreciation and Amortisation increased in the year by £0.782 million (from £9.708 million in 2021/22, to £10.490 million in 2022/23) due mainly to previous Revaluation Gains (in 2021/22). However, this year, Revaluation Losses of £4.785 million (£5.515 million in 2021/22) were charged to the HRA, which outweighed Revaluation Gains of £1.462 million (£1.950 million in 2021/22) credited to the HRA (to reverse Revaluation Losses that had been charged in previous years). The Revaluation Losses and Impairment Charges made to the HRA do not impact on Rent levels as they are reversed out in the Movement in Reserves Statement.

As with 2021/22, no contributions were required from the HRA to fund capital expenditure this year, due to slippage in the Housing Development Programme. The HRA Balance ended the year at £4.552 million (compared to 4.164 million in 2021/22).

Collection Fund

The Collection Fund is a ring-fenced account for the management of Council Tax and Business Rates income. It was mixed fortunes for the Collection Fund this year as the system and the numbers continued to settle down following the pandemic-driven upheaval experienced in 2020/21 and 2021/22.

The Council also continued to benefit from the Essex Council Tax Sharing Agreement this year (up from £436,578 in 2021/22 to £531,111 in 2022/23, although short of budget expectations) and the Essex Business Rates Pool (estimated Levy saving circa £750,000). Thus:

- Council Tax (2022/23 Deficit £2.678 million) – the Epping share of the recorded (in-year) Deficit is £317,840. The Deficit was primarily driven by the need to make additional Provision for Non-Payment at year end (up from £1.124 million in 2021/22, to £3.349 million in 2022/23) in the light of a larger than expected Arrears List.
- Business Rates (2022/23 Surplus £9.914 million) – the Epping share of the recorded Surplus is £3,965,795. For the second year running, an exceptionally large Surplus was recorded as Section 31 reserves built up during the pandemic were released to the Collection Fund; the balance on the Business Rates element of the Collection Fund is now back in Surplus for the first time since 2019/20.

The Collection Fund carried an overall Surplus as at 31st March 2023 of £1.252 million (Council Tax £1.334 million Deficit, Business Rates £2.586 million Surplus).

Balance Sheet

The Council's Balance Sheet value increased by £80.583 million (10.6%) in 2022/23, resulting in a net position of £839.449 million as at 31st March 2023 (£758.866 million as at 31st March 2022). Notable differences (excluding the Pensions balance) include the following:

- *Property, Plant & Equipment (up £24.734 million)* – property values have again proved resilient this year despite the economic turbulence experienced. Most notably, the value of Council Dwellings increased by £32.306 million in the year
- *Investment Properties (down £13.523 million)* – the gains experienced in the value of the Investment Property portfolio (immediately post-pandemic) in 2021/22 have been reversed this year. Fair values declined in the commercial sector within the context of economic uncertainty, a rapid rise in the cost of debt, high inflation, and corporate demand uncertainty, together with the ongoing long-term structural shifts in demand accelerated by the pandemic, resulting in an 8% reduction in the overall portfolio, although industrial units were hardest hit, suffering a 14% reduction. The value of the Council's retail units fell by 6%
- *Long-Term Debtors (up £9.232 million)* – the rise in long-term debtors primarily relates to an increase in the principal outstanding on loans made to Qualis (long-term balance outstanding £66.489 million as at 31st March 2023)
- *Debtors (down £8.143 million)* – the fall in short-term debtors is primarily due to a change in the year-end position on Business Rates with the preceptors with the balance on the Collection Fund being accrued as a Debtor this year for £4.397 million, whereas a Creditor balance of £1.552 million was accrued in 2021/22.
- *Cash & Cash Equivalents (down £5.940 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 as the pandemic receded, (nationally) there continued to be some uncertainty as to the winding up arrangements for Covid business grants, including the timing of repayments of unspent balances to Central Government. This was added to by other Government grants (e.g. on Energy and Fuel) in 2022/23 in the light of the 'cost of living crisis'
- *Creditors (down £17.181 million)* – the reduced Creditors balance primarily relates to a reduction in Government and Other Local Authority Creditors of £15.017 million. Notable differences included a reduced balance (of £6.005 million) owing to the Government in respect of Section 31 (Business Rates) payments. In addition, a receipt of £5.173 million was received from the Government in March 2022 in respect of the Council Tax Energy Rebate ("Support for Energy Bills") scheme, which related to the 2022/23 financial year, so was accrued as a receipt-in-advance
- *Short-Term Loans (down £17.377 million)* – the strategy of taking out Short-Term Local Authority Loans was eased during the year as short-term borrowing rates became less attractive compared to previous years; this led to the gradual return of long-term loans (the approach is kept under constant review with our appointed Treasury Management advisors, Arlingclose); and
- *Long-Term Loans (up £30.867 million)* – the net increase in long-term loans reflected a change in borrowing strategy in the light increased interest rates as described above.

Usable Reserves

The overall balance on Usable Reserves reduced from £37.744 million to £34.005 million over the year.

The General Fund (unallocated) balance began the year at £4.070 million and ended the year at £3.219 million, with the reduction mainly reflecting the Budget overspend of £1.286 million recorded in the Month 12 Management Accounts (noted above). A planned contribution of £0.337 million to the General Fund balance in 2022/23 was not achieved, with a contribution *from* the balance of £0.972 million required instead. The Council's adopted minimum contingency balance is £4.0 million and, as the Budget overspend at year end was forecast during the year, the Medium-Term Financial Plan (MTFP) 2023/24 to 2027/28 (adopted in February 2023) includes a strategy to replenish the General Fund balance over the five-year period.

Earmarked Reserves reduced from £6.629 million to £3.824 million over the year. The dominant factor was the usage of the remaining balance of £2.710 million on the Collection Fund Deficit Reserve (CFDR). The CFDR was a newly created reserve in 2020/21. Its purpose was 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. The remaining balance was utilised to offset the Council's share of the deficit on Business Rates (a legacy of the pandemic), which enabled the Collection Fund to return to a surplus this year (see below for discussion on Collection Fund).

Unusable Reserves

The Council is required to maintain substantial Unusable Reserves, primarily for technical accounting purposes. The overall balance increased from £721.122 million to £805.444 million over the year.

Most notably, the Council's pension position improved dramatically, with the Net Liability of £44.163 million recorded as at 31st March 2022, turning into a Net Surplus of £25.912 million as at 31st March 2023 (a positive swing of £70.075 million). This was primarily driven by the positive impact of a change in actuarial assumptions. In particular, the discount rate (based on the predicted market yield on high quality corporate bonds) applied to future defined benefit obligations increased from 2.6% to 4.8% and (perhaps surprisingly in the current climate) the future CPI inflation assumption reduced from 3.2% to 2.9%, which also reduces expectations as to future obligations.

Capital

The table below summarises the Capital Expenditure outturn for 2022/23.

Description	2022/23 £000's	2021/22 £000's
General Fund	11,949	25,676
Housing Revenue Account (HRA)	15,875	21,414
Total Capital Programme	27,824	47,090

Expenditure on the General Fund Capital Programme decreased by £13.727 million this year. The remaining priorities presented in the Corporate Plan 2018-2023 were the focus for 2022/23, with the most notable expenditure items (in terms of size) as follows:

- Qualis Loans – £8.0 million in Capital loans were granted to Qualis during the year compared to £5.0 million granted in 2021/22. 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)
- Disabled Facilities Grants (DFGs) – £0.940 million was spent on Disabled Facilities Grants in the year, which are 100% funded through an annual allocation from the Government; and
- Investment Property – the Council once again continued with its strategy of buying back long leases granted on certain investment properties, spending £0.456 million (out of a total spend of £0.521 million) in 2022/23 from the Investment Property Acquisition Fund buying back a lease on a Council owned property in Brooker Road, Waltham Abbey.

The Council also acquired the lease on the former Princess of Wales public house in Loughton at a cost of £0.695 million (inc. legal fees) through the General Fund Capital Programme. However, the asset was subsequently transferred to the HRA for the purposes of Housing Development. The capital cost was matched by a debt re-allocation between the General Fund and the HRA (where the budget was held), based on the agreed market value of £900,000.

There was a net decrease of £5.539 million in expenditure on the HRA Capital Programme in the year compared to 2021/22, as the Council continued to roll out the Housing Development Programme. However, total expenditure – at £15.875 million – on the overall Capital Programme was £36.624 million lower than originally planned, with three notable areas of underspending/slippage; Housing Development, Capital Works and Other Housing Schemes as follows:

- Housing Development (underspend £23.277 million) – the two dominant elements to note are:
 - *Housebuilding* – there was an underspend of £10.965 million (against a total budget of £15.598 million). Several schemes encountered planning issues and delays, including two schemes (“Pentlow” and “Woollard”), which were originally expected to be completed in Spring and Summer 2022, but completion is now anticipated in 2023/24; and
 - *Qualis Acquisitions* – the budget allocation for this scheme was £10.461 million, with no spending taking place during the year resulting in an underspend of the full budget. Qualis experienced initial delays in planning consents which initially halted works; then sharp increases in industry-wide costs challenged the viability of some of the schemes. Although permissions have now been granted, there are still some viability concerns, so works are now not anticipated to commence until 2023/24 at the earliest.
- Capital Works (underspend £7.516 million) – the single largest item of underspending in this category was Kitchens and Bathrooms (underspend £1.990 million) due to delays in contract mobilisation by Qualis due to necessary Survey Works, affecting the commencement of the programmed works. Planned Kitchens and Bathrooms not completed during the year have been rolled forward and added to the 2023/24 programme.
- Other Housing Schemes (underspend £5.831 million) – the single largest variance on Other Housing Schemes related to the Broadway Regeneration project (underspend £2.728 million). The budget was increased by the Cabinet to £6.0 million in March 2023 and the project is expected to complete by 2025/26.

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 focusing on development, investment and service delivery.

The Group Accounts – which can be found on pages 76 to 91 – present a full picture of the Council’s financial position and its exposure to risk. Transactional volumes have continued to grow since Qualis became active in 2020/21, so likewise the Group Accounts continue to grow in their importance.

Government Support for Covid-19, Energy & Fuel Costs

Covid-19 Grants

Government grant funding for Covid-19 (both directly and indirectly via Essex County Council), in relation to the COVID-19 pandemic, began in 2020/21. 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 has been included within successive Statements of Accounts, including this one, 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 had 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) – commenced 2020/21

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

Most of the grant funding remained open for final payments beyond 31st March 2021, with the Council carrying forward £5,326,968 into 2021/22, which included £220,401 in relation to two LRSG 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 LRSG funding in 2021/22, which left a remaining balance of £5,128,707 as at 31st March 2022, to be returned to the Government; this was reported in the 2021/22 Statement of Accounts. Some grant recipients have subsequently returned their grants to the Council and, as at 31st March 2023, a total of £4.171 million was still waiting to be reclaimed by the Government.

Covid-19 Business Grants: Phase 2 (Community Support) – balances rolled forward into 2022/23						
Description	Total Allocation (received 2020/21)	Remaining Balance B/Fwd. (01/04/22)		Returned from Recipient (2022/23)	Paid to Government (2022/23)	Grant Remaining (31/03/23)
		Council as Agent	Council as Principal			
	£'s	£'s	£'s	£'s	£'s	£'s
LRSG (Various) Agent	8,966,978	3,041,722	0	10,499	(977,064)	2,075,157
LRSG (Various) Principal	516,508	0	215,984	0	0	215,984
Closed Business Lockdown One-Off Payment	5,715,000	1,871,000	0	9,000	0	1,880,000
Totals	15,198,486	4,912,722	215,984	19,499	(977,064)	4,171,141

Additional Restrictions Grant (ARG) – commenced 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.

Other Specific Grants (commenced 2020/21 & 2021/22)

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, followed by 5 more grants in 2021/22. 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.

New funding of £7,925,011 was received in 2021/22, with expenditure of £5,996,597 in year, leaving an additional remaining balance of £1,928,414.

The overall remaining balance of £2,668,042 was reported in the 2021/22 Statement of Accounts. Some grant recipients have subsequently returned their grants to the Council, further payments (on "Test & Trace") have been made, and the outstanding balance on the "Omicron (Hospitality & Leisure)" grant has been returned to the Government. There was a remaining balance of £2.368 million still waiting to be reclaimed by the Government as at 31st March 2023.

Other Specific Grants (Community Support) – balances rolled forward into 2022/23							
Description	Total Allocation	Balance B/Fwd. (01/04/22)		Returned from Recipient (2022/23)	Spend (2022/23)	Repaid to Gov (2022/23)	Grant Remaining (31/03/23)
		Council as Agent	Council as Principal				
	£'s	£'s	£'s	£'s	£'s	£'s	£'s
Direct (from Central Government)							
Test & Trace (Agent)	738,939	602,526	0	0	(81,000)	0	521,526
Test & Trace (Principal)	25,000	0	25,000	0	0	0	25,000
Restart	6,156,162	1,182,799	0	18,000	0	0	1,200,799
Omicron – Hospitality & Leisure Grant	972,045	206,684	0	0	0	(206,684)	0
Omicron – Additional Restrictions Grant	352,931	0	272,179	0	0	0	272,179
Indirect (via Essex County Council)							
Compliance & Enforcement	231,906	0	81,882	0	0	0	81,882
Essex Additional Business Support Grant	333,252	266,752	0	0	0	0	266,752
Totals	8,810,235	2,258,761	379,061	18,000	(81,000)	(206,684)	2,368,138

Energy and Fuel Specific Support (commenced 2022/23)

Similar to its pandemic response, the Government introduced three new initiatives for 2022/23 with the Council distributing funds to help provide further community support in respect of spiralling Energy and Fuel costs. The "Support for Energy Bills" Council Tax Rebate scheme provided £150 eabtes to householders in Council Tax bands A to D; the initiative also included a "Discretionary Fund". A total funding allocation of £5,172,600 was received in the year, with £5,086,655 spent, resulting in a carried forward balance of £86,220 million at year end.

In addition, the Government provided further funding in the form of the "Energy Bills Support Scheme" (providing payments of £400 to eligible households), whilst £200 per household was made available to eligible households via the "Alternative Fuel Payment". A total funding allocation of £1,043,520 was received in the year, with £95,800 spent, resulting in a carried forward balance of £947,720 million at year end.

The overall funding allocation for Energy and Fuel Support was £6,216,120 in 2022/23, with £5,182,180 spent, resulting in a carried forward balance of £1,033,940 million at year end.

Energy & Fuel Specific Grants (Community Support) - new for 2022/23					
Description	Total Allocation (2022/23)	Council as Agent	Council as Principal	Spend (2022/23)	Grant Remaining (31/03/23)
	£'s	£'s	£'s	£'s	£'s
Direct (from Central Government)					
Council Tax Rebate – Main Scheme (Bands A to D)	4,795,050	4,795,050	0	(4,764,750)	30,300
Council Tax Rebate – Discretionary	377,550	0	377,550	(321,630)	55,920
Energy Bills Support Scheme	859,520	859,520	0	(76,400)	783,120
Alternative Fuel Payment	184,000	184,000	0	(19,400)	164,600
Totals	6,216,120	5,838,570	377,550	(5,182,180)	1,033,940

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 2022/23, these were found to be adequate and effective.

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 March 2023 are listed below:

Top Risks Identified		
Risk	Impact	Mitigation
Failure to comply with social housing regulation	If the Council is unable to demonstrate compliance with statutory/regulatory requirements it could face heavy fines. There is also a need to meet Health and Safety Standards and Consumer Standards as laid out in the Social Housing (Regulation) Bill (2023). If the Council is unprepared, it will face serious reputational damage.	1).An external consultancy has given advice on compliance to the council, including policies and procedures. 2) Extensive work has been undertaken to provide compliance data to a dashboard for senior management to review monthly. 3) Weekly gas meetings take place monitoring and improving gas compliance. 4) Improvement plan for asbestos being produced for mid-March 2023. 5) Interim Strategic Director has agreed to lead on Health and Safety for Housing (as required by the Regulator) 6) The Director for Housing & Property is lead for Consumer Standards. As required by the Regulator. 7) Results of the mid-point of the stock condition survey were made available in March 2023. This will inform an assessment of Decent Homes Progress.

Top Risks Identified (cont.)		
Risk	Impact	Mitigation
Increase in demand for housing.	Inadequate provision provided by the Council to deal with the cost-of living pressures and responses to the Domestic Abuse Act, which have resulted in increased demand for homelessness assistance directly affecting the general fund.	<p>1) Work undertaken to provide a private sector lettings resource to increase prevention of homelessness, reduce demand for Temporary Accommodation and instances where a full rehousing duty would otherwise be owed</p> <p>2) Project to improve tenancy sustainment in the private rented sector has been included in the Service Plan for 2023/24 to prevent homelessness at an earlier stage.</p>
Failure to maintain a Balanced Budget and Sustainable MediumTerm Financial Plan (MTFP)	Failure to maintain a Balanced Budget and Sustainable MediumTerm Financial Plan (MTFP) would breach a legal duty to maintain a balanced budget and could potentially result in the bankruptcy of the Council.	<p>1) The active monitoring and reporting on internal and external factors affecting the MTFP, including the 2024/25 Budget through the established Financial Planning Framework</p> <p>2) Regular communication of financial position and future prospects to Members (through the Cabinet and Scrutiny process) and senior management (via SLT route).</p>
Failure to ensure continued financial viability of Qualis	Failure to ensure the continued financial viability of Qualis represents a major financial and reputational risk to the Council.	<p>1) Quarterly monitoring and reporting on progress against Qualis Business Plan through the established Governance Framework.</p> <p>2) Quarterly reporting on Council budget position (including Qualis loan margins and other transactions) through Cabinet and Scrutiny process.</p> <p>3) Enhanced reporting (with effect from 2023/24 in compliance with December 2021 codes) through Audit & Governance Committee re Capital and Treasury Management strategies (especially on Qualis-related Service and Commercial Investments).</p>
Failure to maintain and improve VFM.	A failure to maintain and improve Value for Money (VFM) in the commissioning and delivery of services would potentially jeopardise public funds and cause the Council significant reputational damage.	<p>1) Quarterly performance monitoring and reporting through established Cabinet and Scrutiny progress.</p> <p>2) Ad hoc scrutiny of Qualis service-delivery performance.</p>
Failure to recruit/retain skilled staff	Experiencing significant workforce issues around not having the right skills, behaviours, productivity and capacity in place to deliver services to our residents and deliver the Corporate Plan 2023-27.	<p>1) People Strategy in place that recognises the importance of attraction & retention, employee development, supports our new ways of working and engagement with employees and trade unions, and wellbeing support.</p> <p>2) A successful Apprentice Scheme which maximises expenditure of the Apprenticeship Levy</p> <p>3) Well established hybrid/flexible ways of working</p> <p>4) Leadership development programmes</p> <p>5) A dedicated L&D (Learning and Development) budget and team</p> <p>6) Partnership working/shared services other authorities and public services which offers potential career, specialist and personal development.</p> <p>7) Officers involved in a range of Essex wide groups discussing attraction and recruitment to wider Essex councils.</p>

Top Risks Identified (cont.)		
Risk	Impact	Mitigation
Risk of data/ information breach	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	<p>1) The Council continues to have a designated SIRO, Data Protection Officer, and FOI Officer</p> <p>2) A Strategic Information Governance Group and an Information Asset Owner Group is in place.</p> <p>3) The Information Governance Group has put together a work programme and is updated quarterly.</p> <p>4) GDPR & Cyber security e-learning training on Litmos was provided during 2022.</p> <p>5) Training is underway with SLT, started on 30 January 2023</p>
Lack of and/or inadequate Business Continuity Plans	Failure to ensure robust plans are in place for critical services and regularly tested could result in an event occurring having adverse impact on service delivery.	<p>1) There is a well established MIM process for ICT issues to be managed.</p> <p>2) All 'office' based employees can work from home.</p> <p>3) The Council has alternative locations it could work from.</p>
Risk of cyber security incident	Failure to ensure adequate controls and firewalls are in place, along with close monitoring and training of staff could result in a cyber security incident.	<p>1) All data back ups now directly to the cloud.</p> <p>2) Documented and tested incident management procedures in place.</p> <p>3) Cyber security training completed by all users and the People Team notifies ICT of all leavers to ensure access rights are promptly disabled.</p> <p>4) Access to the Council's Active Directory domain is protected by both two-factor authentication and robust password security settings.</p> <p>5) Firewall appliances has been deployed to protect the Council's network.</p>
Failure of Contractor/ Service - waste	Failure of Waste Contractor to deliver service and failure of the Council to procure a new Contractor to commence in November 2024	<p>1) Biffa have invested resources to improve the service delivery in terms of increasing pay, training, and new vehicles. Additional external waste contractor has been deployed to help deal with the missed collections.</p> <p>2) Cabinet approval for capital and permission to develop an EFDC waste depot at NWA granted in February 2023.</p> <p>3) Cabinet decision to go out to procurement for the waste contract was agreed in October 2022.</p>

Top Risks Identified (cont.)		
Risk	Impact	Mitigation
Failure to achieve carbon emission targets	Failure to achieve carbon emission targets will result in not achieving our targets contained within our Corporate Plan and will result in increased costs.	Following the Climate Action Plan approved by Cabinet in April 2022. Actions from the action plan have continued to be implemented by different service areas e.g. - Further roll out of rapid electric charging points in Ongar - Energy efficiency measures in park homes and other low efficiency household as part of the Sustainable Warmth programme - Energy audit at the Waltham Abbey museum - Litter strategy adopted
Failure to achieve strong economic development	A failure to deliver projects linked to the council's UK Shared Prosperity Fund (UKSPF) bid, mean that the council will miss out on the benefits linked to £1 million worth of external funding.	Strategic Partnerships specialist/Economic Lead responsible for overseeing delivery of various business support programmes to be delivered through economic development team. A process has been set up between the economic development team and the legal and procurement teams, to ensure all contracts for projects are reviewed before sign off.

5. EXPLANATION OF THE ACCOUNTING STATEMENTS

The Statement of Accounts shows the financial performance for 2022/23 and the financial position as at 31st March 2023. 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 2022/23* ("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

XXth Month 2023

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 2023 and the income and expenditure for the year then ended.

Andrew Small CPFA
Strategic Director & Section 151 Officer

XXth Month 2023



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 2023 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 2022/23.

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 (2022/23).

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 2022/23 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 31st March 2023.

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 31st March 2023.

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.

Mo Ramzan (Appointed Auditor)
For and on behalf of Deloitte LLP
St Albans, United Kingdom
XXth Month 2023

Comprehensive income and expenditure statement



	Note	2022/23			2021/22		
		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		711	(321)	390	886	(364)	522
Community & Wellbeing Services		3,864	(1,762)	2,102	3,851	(1,449)	2,402
Contract & Technical Services		18,380	(8,138)	10,242	17,729	(9,932)	7,797
Corporate Services		10,569	(3,155)	7,414	10,471	(2,855)	7,616
Customer Services		29,641	(26,747)	2,894	29,617	(27,500)	2,117
Finance & Audit Services		2,310	(821)	1,489	2,733	(788)	1,945
Housing & Property Services		2,197	(529)	1,668	2,719	(543)	2,176
Place		472	(178)	294	886	(433)	453
Planning Development Services		5,642	(3,455)	2,187	5,698	(2,778)	2,920
Strategy, Delivery & Performance		690	(5)	685	691	-	691
Housing Revenue Account		39,644	(41,405)	(1,761)	36,534	(39,899)	(3,365)
Net Cost of Services		114,120	(86,516)	27,604	111,815	(86,541)	25,274
Other Operating Expenditure	9			2,116			974
Financing and Investment Income and Expenditure	10			13,053			(14,821)
Taxation and Non-Specific Grant Income	11			(21,402)			(20,982)
(Surplus)/Deficit on Provision of Services				21,371			(9,555)
(Surplus) on Revaluation of Property Plant and Equipment	12			(27,122)			(52,588)
Actuarial (Gains)/Losses on Pension Assets/Liabilities				(74,872)			(24,028)
Total Comprehensive Income and Expenditure				(80,623)			(86,171)

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 2022/23	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance as at 1st April 2022	4,070	4,164	6,628	11,910	9,365	1,607	37,744	721,122	758,866
Surplus / (Deficit) on Provision of Services	(20,448)	(923)	-	-	-	-	(21,371)	-	(21,371)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	101,994	101,994
Total Comprehensive Income and Expenditure	(20,448)	(923)	-	-	-	-	(21,371)	101,994	80,623
Adjustment Between Accounting and Funding Basis Under Regulations	16,791	1,311	-	308	(878)	102	17,634	(17,634)	-
Net Increase / (Decrease) before Transfer to Earmarked Reserves	(3,657)	388	0	308	(878)	102	(3,737)	84,360	80,623
Transfer to Earmarked Reserves	2,806	-	(2,806)	-	-	-	-	-	-
Increase / (Decrease) in Year	(851)	388	(2,806)	308	(878)	102	(3,737)	84,360	80,623
Other Adjustments	-	-	(2)	-	-	-	(2)	(38)	(40)
Balance as at 31st March 2023	3,219	4,552	3,820	12,218	8,487	1,709	34,005	805,444	839,449

	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	7,978	1,577	-	-	-	-	9,555	-	9,555
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	7,978	1,577	-	-	-	-	9,555	-	9,555
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	(4,149)	2,059	-	3,525	526	1,354	3,315	6,240	9,555
Transfer to Earmarked Reserves	4,202	-	(17,182)	-	-	-	(12,980)	12,980	-
Increase / (Decrease) in Year	53	2,059	(17,182)	3,525	526	1,354	(9,665)	19,220	9,555
Other Adjustments	-	-	-	-	-	253	253	83,367	83,620
Balance as at 31st March 2022	4,070	4,164	6,629	11,910	9,365	1,607	37,744	721,122	758,866

Balance sheet



	Note	31 March 2023		31 March 2022	
		£000's	£000's	£000's	£000's
Long Term Assets					
Property, Plant & Equipment	12	879,302		854,568	
Heritage Assets		620		598	
Investment Properties	13	148,483		162,006	
Intangible Assets		1,450		988	
Long Term Debtors	14	68,753		59,521	
Pensions Asset		25,912			
Total Long Term Assets			1,124,520		1,077,681
Current Assets					
Inventories		96		157	
Debtors	16	14,701		22,844	
Cash & Cash Equivalents	17	12,796		18,736	
			27,593		41,737
Current Liabilities					
Creditors	18	(26,569)		(43,750)	
Provisions	19	(3,414)		(3,448)	
Short Term Loan		(38,175)		(55,552)	
			(68,158)		(102,750)
Long Term Liabilities					
Long Term Loans	15	(244,506)		(213,639)	
Pensions Liability	31	-		(44,163)	
			(244,506)		(257,802)
Total Assets Less Liabilities			839,449		758,866
Usable Reserves		(34,005)		(37,744)	
Unusable Reserves	20	(805,444)		(721,122)	
			(839,449)		(758,866)

Cash flow statement



	Note	2022/23 £000's	2021/22 £000's
Net Surplus/(Deficit) on Provision of Services		(21,371)	9,555
Adjustments to net surplus or deficit on the provision of services for non-cash movements	21	25,616	37,356
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	(14,037)	(29,613)
Net cash flows from Operating Activities		(9,792)	17,298
Investing Activities	22	(12,641)	(15,461)
Financing Activities	23	16,493	6,425
Net Increase or (Decrease) in cash and cash equivalents		(5,940)	8,262
Cash and Cash Equivalents at the beginning of the reporting period		18,736	10,474
Cash and Cash equivalents at the end of the reporting period	17	12,796	18,736



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1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises Epping Forest District Council's transactions for the 2022/23 financial year and its position at the year-end of 31st March 2023. 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 2022/23 (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; and
- 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 a sensitivity analysis on the assumptions, which is contained within the Pensions Note 31. The value of the Pensions Asset is (£25.912 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 have been three major events – “Brexit”, “Coronavirus” and the “War in Ukraine” – in recent years that have been reported as having the potential to have a significant financial impact on the assumptions and estimates made in the Statement of Accounts. Whilst concerning at the time, the subsequent effects of Brexit and Coronavirus were either not as seismic as initially feared (Brexit) or have settled to the extent that they are no longer a major cause for concern (Coronavirus), although there are some legacy issues that continue to prove challenging for this Council, and local authorities in general, caused by long-lasting/permanent behavioural changes in society following the pandemic (e.g. changes in working habits have reduced the level of commuter-driven income received from Car Parking fees).

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

At the time of publishing these Statement of Accounts, the War in Ukraine continues and has been widely attributed as the primary cause of major worldwide inflationary pressure (initially triggered by a spike in fuel and energy prices) and sharply rising interest rates. Nevertheless there are some early signs of stability emerging with inflation beginning to settle down (CPI peaked at 11.1% in October 2022), with notable reductions in fuel and energy prices in recent months. Interest rates though continue to rise as the Government strives to further dampen inflation. This is having a direct impact on both the Council and Qualis, threatening the viability of a range of capital schemes.

The economic situation is also proving challenging for the local community and is increasing the demand for Council services in some areas (e.g. Housing Benefits) as well exerting pressure on core income sources Council funding streams such as Council Tax and Business Rates.

With regard to this Statement of Accounts, there is some uncertainty as to the future values of the Council's – relatively large – Commercial Property portfolio. As explained in the Financial Review (on Page 9), the Balance Sheet value of the portfolio reduced by £13.523 million during 2022/23, with industrial units being the hardest hit. Whilst retail units fared better (although still losing value), the future of retail generally seems uncertain in the long term, although the Council is fortunate in having very limited exposure to ‘high street retail’ (with the retail portfolio mainly focussed on retail parks, supermarkets and neighbourhood shops).

5. EVENTS AFTER THE BALANCE SHEET DATE

The draft 2022/23 Statement of Accounts were authorised (**uncertified**) for issue on 2nd June 2023 by Andrew Small (Executive Director & Section 151 Officer).

Where events taking place before this date provided information about conditions existing at 31st March 2023, 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 2023 is reflected in a further increase to the provision for bad debts).

6. EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and Rent Payers how the funding available to the Council (i.e., Government Grants, Rents, Council Tax and Business Rates) for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision-making purposes between the Council's service directorates. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2021/22				2022/23		
Net Expenditure Chargeable to General Fund & HRA Balances £000s	Adjustments between the funding & Accounting Basis £000's	Net Expenditure in the Comprehensive Income & Expenditure Statement £000's		Net Expenditure Chargeable to General Fund & HRA Balances £000's	Adjustments between the funding & Accounting Basis £000's	Net Expenditure in the Comprehensive Income & Expenditure Statement £000's
417	(105)	522	Chief Executive	339	(51)	390
1,719	(683)	2,402	Community & Wellbeing Services	1,728	(374)	2,102
6,038	(1,759)	7,797	Contract & Technical Services	7,898	(2,344)	10,242
6,327	(1,289)	7,616	Corporate Services	6,362	(1,052)	7,414
1,422	(695)	2,117	Customer Services	2,401	(493)	2,894
2,550	605	1,945	Finance & Audit Services	2,316	827	1,489
1,640	(536)	2,176	Housing & Property Services	1,231	(437)	1,668
349	(104)	453	Place	241	(53)	294
2,242	(678)	2,920	Planning Development Services	1,636	(551)	2,187
612	(79)	691	Strategy, Delivery & Performance	600	(85)	685
(3,659)	(294)	(3,365)	Housing Revenue Account	(15,863)	(14,102)	(1,761)
				-		-
19,657	(5,617)	25,274	Net Cost of Service	8,889	(18,715)	27,604
(17,567)	17,262	(34,829)	Other Income and Expenditure	(5,623)	610	(6,233)
2,090	11,645	(9,555)	(Surplus) / Deficit	3,266	(18,105)	21,371
(29,932)			Opening General Fund and HRA Balance	(14,861)		
12,981			Other Transfers from Capital Funds	-		
(14,861)			Closing General Fund & HRA Balance at 31st March 2023 (For a split of this balance between the General Fund, HRA and Earmarked Reserves - see the Movement in Reserves Statement)	(11,595)		

Adjustments between Funding & Accounting Basis

	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total
2022/23	£000's	£000's	£000's	£000's
Chief Executive	-	(90)	38	(52)
Community & Wellbeing Services	(87)	(349)	62	(374)
Contract & Technical Services	(1,441)	(972)	70	(2,343)
Corporate Services	(414)	(797)	159	(1,052)
Customer Services	4	(518)	21	(493)
Finance & Audit Services	-	704	123	827
Housing & Property Services	(330)	(162)	55	(437)
Place	-	(64)	11	(53)
Planning Development Services	-	(613)	62	(551)
Strategy, Delivery & Performance	-	(94)	9	(85)
Housing Revenue Account	(13,628)	(725)	251	(14,102)
Net Cost of Service	(15,896)	(3,680)	861	(18,715)
Other Income and Expenditure from the Expenditure and Funding Analysis	(862)	(1,117)	2,589	610
Difference between General Fund (Surplus) / Deficit and Comprehensive Income and Expenditure	(16,758)	(4,797)	3,450	(18,105)

	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

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	Strategy, Delivery & Performance	Housing Revenue Account	Total
2022/23	£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	(321)	(1,027)	(8,124)	(3,091)	(5)	(799)	(529)	(95)	(2,455)	(5)	(41,386)	(57,837)
Government Grants	-	(735)	(14)	(64)	(26,742)	(22)	-	(83)	(1,000)	-	(19)	(28,679)
Total Income	(321)	(1,762)	(8,138)	(3,155)	(26,747)	(821)	(529)	(178)	(3,455)	(5)	(41,405)	(86,516)
Employee Expenses	639	2,267	5,861	5,774	4,440	1,571	950	365	4,265	688	5,360	32,180
Other Service Expenses	72	1,509	10,378	4,381	3,618	740	918	106	1,377	2	20,558	43,659
Asset Charges	-	87	2,141	414	-	-	330	-	-	-	13,726	16,698
Benefit Payments	-	-	-	-	21,583	-	-	-	-	-	-	21,583
Total Expenditure	711	3,863	18,380	10,569	29,641	2,311	2,198	471	5,642	690	39,644	114,120
Net Cost of Service	390	2,101	10,242	7,414	2,894	1,490	1,669	293	2,187	685	(1,761)	27,604

	Chief Executive	Community & Wellbeing Services	Contract & Technical Services	Corporate Services	Customer Services	Finance & Audit Services	Housing & Property Services	Place	Planning Development Services	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
Fees, Charges & Other Service Income	(364)	(857)	(8,676)	(2,829)	(1,543)	(788)	(543)	(152)	(2,364)		(39,899)	(58,015)
Government Grants	-	(592)	(1,256)	(26)	(25,957)			(281)	(414)			(28,526)
Total Income	(364)	(1,449)	(9,932)	(2,855)	(27,500)	(788)	(543)	(433)	(2,778)	-	(39,899)	(86,541)
Employee Expenses	765	1,796	6,507	6,156	4,200	1,655	1,088	552	4,200	650	5,829	33,398
Other Service Expenses	121	1,743	8,669	4,016	2,669	1,078	1,320	334	1,498	41	17,433	38,922
Asset Charges	-	312	2,553	299	-	-	311	-	-	-	13,272	16,747
Benefit Payments	-	-	-	-	22,748	-	-	-	-	-	-	22,748
Total Expenditure	886	3,851	17,729	10,471	29,617	2,733	2,719	886	5,698	691	36,534	111,815
Net Cost of Service	522	2,402	7,797	7,616	2,117	1,945	2,176	453	2,920	691	(3,365)	25,274

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
2022/23	£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	1,951	10,422	-	-	-	(12,373)
Upward/(Downward) revaluation of non-current assets	152	3,323	-	-	-	(3,475)
Movements in the fair value of Investment Properties	14,654	5	-	-	-	(14,659)
Amortisation of intangible assets	166	69	-	-	-	(235)
Capital Grants and contributions applied	(940)	(437)	-	-	-	1,377
Revenue expenditure funded from Capital under statute	949	(88)	-	-	-	(861)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	347	2,225	-	-	-	(2,572)
Capital expenditure charged against the General Fund and HRA	-	-	-	-	-	-
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	1,128	-	-	-	-	(1,128)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,125)	-	-	-	-	1,125
Adjustments Primarily Involving the Capital Grants Unapplied						
Transferred from capital Grants Unapplied	(102)	-	-	-	102	-
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	(71)	(4,336)	4,407	-	-	-
Transfer from Deferred Capital receipts on receipt of cash	-	-	1,002	-	-	(1,002)
Used to finance new Capital Expenditure	-	-	(5,080)	-	-	5,080
Contribution towards administrative costs of non-current asset	-	21	(21)	-	-	-
Contribution to finance the payments to the Government capital receipts pool	-	-	-	-	-	-
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	(114)	(97)	-	-	-	211
Adjustments relating to the Major repairs Reserve						
Depreciation transferred from HRA	-	(10,422)	-	10,422	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(11,300)	-	11,300
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited/credited to	3,920	877	-	-	-	(4,797)
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.	(3,650)	-	-	-	-	3,650
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.	(474)	(251)	-	-	-	725
Total Adjustments	16,791	1,311	308	(878)	102	(17,634)

	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	-	-	-	(12,102)
Upward/(Downward) revaluation of non-current assets	186	3,565	-	-	-	(3,751)
Movements in the fair value of Investment Properties	(13,260)	(5)	-	-	-	13,265
Amortisation of intangible assets	95	3	-	-	-	(98)
Capital Grants and contributions applied	(794)	(906)	-	-	-	1,700
Revenue expenditure funded from Capital under statute	796	-	-	-	-	(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	-	-	-	(17,938)
Capital expenditure charged against the General Fund and HRA balances	-	-	-	-	-	-
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)	-	-	-	-	725
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(883)	-	-	-	-	883
Adjustments Primarily Involving the Capital Grants Unapplied Account						
Transferred from capital Grants Receipt in Advance	(1,353)	-	-	-	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	-	-	-
Transfer from Deferred Capital receipts on receipt of cash	-	-	585	-	-	(585)
Used to finance new Capital Expenditure	-	-	(3,111)	-	-	3,111
Contribution towards administrative costs of non-current asset disposals	-	39	(39)	-	-	-
Contribution to finance the payments to the Government capital receipts pool	840	-	(840)	-	-	-
Adjustments Involving the Deferred Capital Receipts Reserve						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	(14,672)	(113)	-	-	-	14,785
Adjustments relating to the Major repairs Reserve						
Depreciation transferred from HRA	-	(9,705)	-	9,705	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(9,179)	-	9,179
Adjustments involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited/credited to the CIES.	4,733	1,100	-	-	-	(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)	-	-	-	-	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	-	-	-	(303)
Total Adjustments	(12,127)	482	3,525	526	1,354	6,240

8. MOVEMENTS IN EARMARKED RESERVES

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

	Balance 31st March 2021	Transfers Out	Transfers In	Balance 31st March 2022	Transfers Out	Transfers In	Balance 31st March 2023
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
General Fund							
All Weather Pitch	104	-	15	119	-	18	137
Building Control	73	-	122	195	(115)	-	80
Collection Fund Deficit Reserve	6,650	(3,940)	-	2,710	(2,710)	-	-
Community Projects	711	(642)	528	597	(515)	353	435
Deferred Revenue Income	665	(81)	21	605	-	3	608
Digital Innovation Zone	-	-	-	-	(77)	204	127
District Development Fund	1,149	(928)	391	612	(396)	8	224
Garden Town	246	(164)	-	82	(265)	593	410
Homelessness	-	-	-	-	(167)	423	256
Insurance Reserve	150	-	-	150	-	-	150
Invest to Save Reserve	292	(89)	-	203	(89)	-	114
Local Plan	374	(374)	-	-	-	-	-
Museum Fund	133	(23)	-	110	-	-	110
New Burdens	-	-	-	-	-	122	122
North Weald Inland Port	-	(40)	700	660	(193)	150	617
Staff Benefits	39	(13)	13	39	(21)	13	31
Planning Appeals	42	(42)	-	-	-	-	-
Prosperity Fund	-	-	-	-	(50)	83	33
Rental Loans	378	-	-	378	(378)	-	-
S106 Revenue Contributions	85	(32)	-	53	(13)	-	40
Other Ongoing Projects	-	-	116	116	(67)	281	330
Housing Revenue Account							
Self Financing Reserve	12,720	(12,720)	-	-	-	-	-
Total Earmarked Reserves	23,811	(19,088)	1,906	6,629	(5,056)	2,251	3,824

9. OTHER OPERATING EXPENDITURE

	31 March 2023 £000's	31 March 2022 £000's
Parish Council Precepts	3,887	3,764
Payments to the Government Housing Pool	-	840
(Gains) / losses on the disposal of non-current assets	(1,771)	(3,630)
Total	2,116	974

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	31 March 2023 £000's	31 March 2022 £000's
Total Net Surplus from Investment Property	(8,774)	(7,490)
Interest payable and similar charges	9,258	6,744
Pensions interest cost	1,087	1,342
Interest receivable and similar income	(3,178)	(2,152)
Changes in Fair Value of Investment Properties	14,659	(13,265)
Changes in Value of Deferred Capital Receipts	-	-
Total	13,053	(14,821)

11. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

	31 March 2023 £000's	31 March 2022 £000's
Council Tax Income	(12,915)	(13,189)
Non Domestic Rate Income	(18,392)	(16,787)
Non Domestic Rate Tariff Payment and Levy	11,783	11,458
Non-ring fenced Government Grants	(1,328)	(1,711)
Capital Grants and Other Contributions	(550)	(753)
Total	(21,402)	(20,982)

12. PROPERTY, PLANT AND EQUIPMENT

In accordance with the Temporary Relief offered by the update to the Code on Infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for Infrastructure Assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as the gross cost and accumulated depreciation are not measured accurately and would not provide a sound basis for the users of the financial statements to take economic or other decisions relating to Infrastructure Assets.

2022/23

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Gross Book Value 1st April 2022	774,586	56,990	13,710	1,143	527	13,104	860,060
Additions	9,188	50	805	0	0	5,290	15,333
Disposals / Impairments	(2,022)	0	(2,858)	0	0	(184)	(5,064)
Reclassified in Year	8,984	(456)	0	0	0	(7,886)	642
Revaluation Applied to the CIES	(3,323)	(152)	0	0	0	0	(3,475)
Revaluation Credited to the Revaluation Reserve	29,591	(2,039)	0	0	0	(451)	27,101
Accumulated Depreciation & Impairment Written Off on Revaluation	(10,112)	(3,202)	0	0	0	0	(13,314)
Gross Book Value 31st March 2023	806,892	51,191	11,657	1,143	527	9,873	881,283
Depreciation 1st April 2022	0	(2,471)	(8,260)	0	(1)	0	(10,732)
Reclassified	(11)	29	0	0	0	0	18
Depreciation in Year	(10,127)	(1,109)	(993)	0	0	0	(12,229)
Depreciation on Disposed Assets	26	0	2,795	0	0	0	2,821
Accumulated Depreciation & Impairment Written Off on Revaluation	10,112	3,202	0	0	0	0	13,314
Depreciation 31st March 2023	0	(349)	(6,458)	0	(1)	0	(6,808)
Net Book Value 31st March 2023	806,892	50,842	5,199	1,143	526	9,873	874,475

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total
	£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	1,143	7,640	10,365	819,621
Additions	11,644	284	1,396	0	31	10,451	23,806
Disposals / Impairments	(3,526)	(6,925)	(4,643)	0	(7,590)	0	(22,684)
Reclassified in Year	7,690	(2,840)	0	0	2,840	(7,690)	0
Reclassified to Investment Property	0	0	0	0	0	0	0
Revaluation Applied to the CIES	(3,565)	38	0	0	0	0	(3,527)
Revaluation Credited to the Revaluation Reserve	54,342	381	0	0	(2,394)	(22)	52,307
Accumulated Depreciation & Impairment Written Off on Revaluation	(9,367)	(96)	0	0	0	0	(9,463)
Gross Book Value 31st March 2022	774,586	56,990	13,710	1,143	527	13,104	860,060
Depreciation 1st April 2021	0	(1,529)	(11,455)	0	(1)	0	(12,985)
Reclassified	0	0	0	0	0	0	0
Depreciation in Year	(9,412)	(1,114)	(1,434)	0	0	0	(11,960)
Depreciation on Disposed Assets	45	76	4,629	0	0	0	4,750
Accumulated Depreciation & Impairment Written Off on Revaluation	9,367	96	0	0	0	0	9,463
Depreciation 31st March 2022	0	(2,471)	(8,260)	0	(1)	0	(10,732)
Net Book Value 31st March 2022	774,586	54,519	5,450	1,143	526	13,104	849,328

Infrastructure Assets

	31 March 2023 £000's	31 March 2022 £000's
Net Book Value at 01 April	5,240	4,938
Additions	110	443
De-Recognition/Disposals	(812)	0
Depreciation	(144)	(141)
Depreciation on disposed assets	433	0
Net Book Value at 31 March	4,827	5,240

The Council has determined in accordance with Regulation 30M of the Local Authorities Capital Finance and Accounting (England) Amendment Regulations 2022 that the carrying amounts to be derecognised for Infrastructure Assets when there is replacement expenditure is nil.

Reconciliation of Infrastructure and Other Assets Net Book Value at 31st March 2023

	31 March 2023 £000's	31 March 2022 £000's
Infrastructure assets	4,827	5,240
Other Property Plant and Equipment assets	874,475	849,328
Total Property, Plant and Equipment Assets	879,302	854,568

Depreciation

The following asset lives have been used in the calculation of depreciation:

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

Revaluations

The Council undertakes a rolling programme of valuations that ensures that all Property, Plant and Equipment required to be measured at Fair Value is revalued at least every five years. Carter Jonas LLP undertook valuations on behalf of the Council in 2022/23 for Operational and Investment property. HRA stock was valued at 31st March 2023 by the Valuation Office Agency (VOA).

All valuations of Land and Buildings were carried out in accordance with methodologies and basis for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS).

	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
Carried Historical Cost	0	11,657	8,082	1,143	0	9,873	30,755
Valued at Current Value as from:							
31st March 2023	44,524	0	0	0	0	0	851,416
31st March 2022	2,871	0	0	0	527	0	3,398
31st March 2021	806	0	0	0	0	0	806
31st March 2020	1,810	0	0	0	0	0	1,810
31st March 2019	1,180	0	0	0	0	0	1,180
Total Cost or Valuation	51,191	11,657	8,082	1,143	527	9,873	889,365

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 Comprehensive Income and Expenditure Account.

	31 March 2023 £000's	31 March 2022 £000's
Rental Income from Investment Property	10,473	9,240
Direct Operating Expenses Arising from Investment Property	(1,699)	(1,750)
Net Gain / (Loss)	8,774	7,490

The following table summarises the movement in fair value of investment properties over the year. The commercial property sector has been operating within the context of economic uncertainty, a rapid rise in the cost of debt, high inflation, and corporate demand uncertainty, together with the ongoing long-term structural shifts in demand accelerated by the pandemic, which has resulted in an overall decrease in fair value of the portfolio of £14.659 million or almost 8%. The Council's retail occupier portfolio has experienced a reduction of 6%, however the industrial unit sector has seen a sharper correction in values than the commercial market as a whole which has resulted in a reduction in portfolio value of over 14%. All investment properties have been valued based on Level 3 unobservable inputs using an income approach and the assumption that their current use is their highest and best use. The valuations were carried out as at 31st March 2023 by Jason Sharman MRICS, RICS Registered Valuer and Partner of Carter Jonas LLP.

Properties Categorised within Level 3	31 March 2023 £000's	31 March 2022 £000's
Balance as at 31 March	162,006	147,305
Balance as at 01 April	162,006	147,305
Reclassified in year	(661)	-
Acquisition	-	-
Repurchased leases	1,217	1,035
Enhancements to existing properties	580	401
Net Gains / (Losses) from fair value adjustments	(14,659)	13,265
Balance at end of the year	148,483	162,006

14. LONG TERM DEBTORS

	31 March 2023 £000's	31 March 2022 £000's
Capital Advances (B3 Living)	362	279
Rents to Mortgages	1,578	1,481
Home Assist Loans	224	240
Place Loan	100	100
Qualis Loans	66,489	57,421
Net Carrying Amount at end of the year	68,753	59,521

15. FINANCIAL INSTRUMENTS

Financial assets and liabilities held during the year are measured at amortised cost. Qualis loans are shown gross. A loss allowance reflecting the statistical likelihood that the debtor will be unable to meet their contractual commitments to the Council is shown in Note 19 (Provisions).

Categories of Financial Instruments

The following categories of Financial Instruments are carried in the Balance Sheet.

	Long-term		Short-term	
	31 March 2023 £000's	31 March 2022 £000's	31 March 2023 £000's	31 March 2022 £000's
Financial liabilities				
Borrowing	(244,506)	(213,639)	(38,175)	(55,552)
Total financial liabilities	(244,506)	(213,639)	(38,175)	(55,552)
Financial assets				
Debtors	2,264	2,100	3,605	5,733
Cash	-	-	(204)	1,736
Cash equivalents MMF	-	-	10,000	17,000
Cash equivalents	-	-	3,000	-
Qualis loans	66,489	57,421	2,181	2,460
Total financial assets	68,753	59,521	18,582	26,929

Short-term Borrowing includes £1.042 million in principal repayments and accrued interest due within 12 months on Long-term Borrowing (£0.235 million in 2021/22). Short-term Qualis Loans includes £0.199 million principal repayments and accrued interest due within 12 months on Long-term Loans (£0.403 million in 2021/22).

Income and Expense Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments comprise the following.

	Financial Liabilities		Financial Assets	
	31 March 2023 £000's	31 March 2022 £000's	31 March 2023 £000's	31 March 2022 £000's
Interest expense	9,258	6,744	-	-
Fee expense	-	16	-	-
Total expense in Surplus or Deficit on the Provision of Services	9,258	6,760	-	-
Interest Income	-	-	(3,178)	(2,152)
Total income in Surplus or Deficit on the Provision of Services	-	-	(3,178)	(2,152)
Net (Gain) / Loss for the year	9,258	6,760	(3,178)	(2,152)

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 2023			31 March 2022		
	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	(2,500)	-		(1,726)	-	
Bank Accounts in Credit	-	2,291		-	3,458	
Total Financial Assets	(2,500)	2,291	(208)	(1,726)	3,458	1,732

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 2023 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.

	31 March 2023		31 March 2022	
	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	(244,506)	(202,495)	(213,639)	(223,783)
Short-Term Borrowing	(38,175)	(38,175)	(55,552)	(55,317)
Total Financial Liabilities	(282,681)	(240,670)	(269,191)	(279,100)
Financial Assets				
Qualis Loans	68,670	58,193	59,881	63,045
Cash and Cash equivalents MMF	10,000	10,000	17,000	17,000
Cash and Cash equivalents DMADF	3,000	3,000	-	-
Cash and Cash equivalents Bank and Cash	(204)	(204)	1,736	1,736
Long-Term Debtors	2,264	2,760	2,100	4,100
Short-Term Debtors	3,605	3,605	5,733	5,733
Total Financial Assets	87,335	77,354	86,450	91,614

The fair value of borrowing is lower than the carrying amount on the Balance Sheet because the Council's portfolio of loans includes several fixed rate loans where the interest rate payable is lower than the current rates available for similar loans at the Balance Sheet date.

The fair value of the Qualis loans held at amortised cost is lower than the carrying amount on the Balance Sheet because market interest rates have risen since these loans were made or agreed. A hypothetical buyer of the loans would thus expect a discount for receiving interest that is below current market rates. because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

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

Fair Value Sensitivities

Impact of 1% increase on Discount Rate for Fair Values	Effect on Fair Values 31 March 2023 £000's	Effect on Income & Expenditure 31 March 2023 £000's	Effect on Fair Values 31 March 2022 £000's	Effect on Income & Expenditure 31 March 2022 £000's
PWLB	(19,446)	199	(25,799)	9
Qualis Loans	(3,541)	-	(4,569)	-
Total	(22,986)	199	(30,368)	9

16. DEBTORS AND PREPAYMENTS

	31 March 2023 £000's	31 March 2022 £000's
Government Departments and Other Local Authorities	3,408	9,601
Council Tax Arrears	2,239	1,789
NDR Arrears	1,626	1,592
Housing Rent Arrears	954	860
Sundry Debtors	10,511	11,892
Prepayments & Deposits	1,341	847
Qualis Loan	2,181	2,459
Bad Debt Provision	(7,559)	(6,195)
Total	14,702	22,844

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 2023 £000's	31 March 2022 £000's
Petty Cash	4	4
Bank Current Accounts	(208)	1,732
Investment MMF	10,000	-
Investment DMADF	3,000	17,000
Total Cash and Cash Equivalents	12,796	18,736

18. CREDITORS

	31 March 2023 £000's	31 March 2022 £000's
Government Departments and Other Local Authorities	(6,385)	(21,402)
Council Tax	(316)	(12)
Non Domestic Rates	(603)	(709)
Housing Rents	(521)	(555)
Sundry Creditors	(6,692)	(7,150)
Accruals and Deferred Income	(5,196)	(6,693)
Covid Grants	(6,856)	(7,229)
Total Creditors	(26,569)	(43,749)

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 2022/23 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 £2.308 million was required for 2021/22 (£1.067 million in 2021/22); this comprises £2.235 million in respect of capital loans and £0.073 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 2023 £000's	31 March 2022 £000's
<u>Business Rates Appeals</u>		
Opening Balance 1st April	2,381	2,244
Amounts Used in Year	(3,188)	(522)
Additional Provision Provided	1,913	659
	1,106	2,381
<u>Qualis Loans</u>		
Provision for Credit Losses	2,308	1,067
Closing Balance	3,414	3,448

20. UNUSABLE RESERVES

	31 March 2023 £000's	31 March 2022 £000's
Revaluation Reserve	293,620	270,762
Capital Adjustment Account	420,978	441,135
Pension Reserve	25,912	(44,163)
Deferred Capital Receipts Reserve	64,341	57,172
Collection Fund Adjustment Account	880	(2,770)
Accumulated Absences Account	(287)	(1,012)
Total Unusable Reserves	805,444	721,124

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 2023 £000's	31 March 2022 £000's
Balance as at 1st April	270,762	225,718
Opening Balance Adjustment		
Upward Revaluation of Assets	32,595	56,047
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services.	(5,473)	(3,458)
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	27,122	52,589
Difference between fair value depreciation and historical cost depreciation	(3,474)	(2,804)
Accumulated Gains on assets sold or scrapped	(790)	(4,741)
Amount written off to the capital adjustment account	(4,264)	(7,545)
Balance as at 31st March	293,620	270,762

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 2023 £000's	31 March 2022 £000's
Balance as at 01 April	2,770	6,769
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	(3,649)	(3,999)
Balance as at 31 March	(879)	2,770

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 2023 £000's	31 March 2022 £000's
Balance as at 1st April	1,012	709
Settlement or cancellation of accrual made at the end of the preceding year	(1,012)	(709)
Amounts accrued at the end of the current year	287	1,012
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	(725)	303
Balance as at 31st March	287	1,012

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 2023 £000's	31 March 2022 £000's
Balance as at 01 April	441,135	431,212
<i>Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement</i>		
Charges for depreciation and impairment of PPE	(12,373)	(12,102)
Revaluation Gains / (Losses) on Property, Plant and Equipment	(3,475)	(3,751)
Revenue Expenditure Funded from Capital under Statute	(862)	(796)
Amounts for non-current assets written off on disposal or sale as part of gain / loss on disposal to the CIES	(2,573)	(17,938)
Amortisation of Intangible Assets	(234)	(98)
	(19,517)	(34,685)
Adjusting Amounts Written Out of the Revaluation Reserve	4,264	7,545
Net written out amount of the cost of non-current assets consumed in the year	425,882	404,072
<i>Capital Financing Applied in the Year</i>		
Use of the Capital Receipts Reserve to Finance New Capital Expenditure HRA	3,238	2,553
Use of the Capital Receipts Reserve to Finance New Capital Expenditure General Fund	1,376	358
Use of the Major Repairs Reserve to Finance New Capital Expenditure	11,300	9,180
Capital Grants Credited to the CIES that have been applied to Capital Financing	1,377	1,265
Statutory Provision for the Financing of Capital Investments Charged against the General Fund and HRA Balances	(9,128)	(4,056)
Capital Expenditure Charged against the General Fund and HRA Balances	-	13,415
	8,163	22,715
Movement in the Market Value of Investment Properties debited or credited to the CIES	(14,659)	13,265
Statutory Provision for the financing of capital investment charged against the General Fund and HRA balances	1,125	883
Repayment of Capital Loan	467	200
Balance as at 31st March	420,978	441,135

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 2023 £000's	31 March 2022 £000's
Balance as at 01 April	(44,163)	(69,108)
Remeasurements of the net defined liability / (asset)	74,673	30,200
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(9,684)	(10,021)
Employers pensions contributions and direct payments to pensioners payable in the year	5,086	4,766
Balance as at 31 March	25,912	(44,163)

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 2023 £000's	31 March 2022 £000's
Balance as at 01 April	57,172	38,191
Statutory Provision for the Financing of Capital Investments and Loans Charged against the General Fund and HRA Balances	8,000	19,790
Impairment Charges in Relation to advances charged to the CIES	171	(224)
Transfer to Capital Receipts Reserve upon receipt of cash	(1,002)	(585)
Balance as at 31 March	64,341	57,172

21. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items.

	31 March 2023 £000's	31 March 2022 £000's
Interest Received	379	(185)
Interest Charge for the Year	(6,457)	(6,744)
Total	(6,078)	(6,929)

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

	31 March 2023 £000's	31 March 2022 £000's
Depreciation	12,373	12,102
Amortisation	234	98
Impairment and upward/downward revaluations	3,475	3,751
Increase / (decrease) in creditors	(7,035)	9,654
(Increase) / decrease in debtors	(5,482)	2,345
(Increase) / decrease in inventories	61	(101)
Pension Liability	4,797	5,833
Carrying amount of Non-Current Assets sold	2,573	17,938
Other Non-Cash Items Charged to the Net Surplus or deficit on the Provision of Services	14,620	(14,264)
Total	25,616	37,356

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

	31 March 2023 £000's	31 March 2022 £000's
Any other items for which the cash effects are investing or financing cash flows	(1,521)	(3,232)
Proceeds from the sale of property and equipment, investment	(12,516)	(26,381)
Total	(14,037)	(29,613)

22. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	31 March 2023 £000's	31 March 2022 £000's
Purchase of Property, Plant and Equipment, Investment Property	(19,298)	(26,327)
Purchase of Short-term and Long-term Investments	-	-
Other Payments for Investing Activities	(2,058)	(50)
Proceeds from Sale of Property, Plant and Equipment, and Investment	5,347	7,400
Proceeds from Short-term and Long-term Investments	-	-
Other Receipts from Investing Activities	3,368	3,516
Total	(12,641)	(15,461)

23. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31 March 2023 £000's	31 March 2022 £000's
Cash receipts fo short and long term borrowing	87,133	146,000
Repayments of short and long-term borrowing	(74,450)	(138,750)
Other payments for financing activities	3,810	(825)
Total	16,493	6,425

24. MEMBER ALLOWANCES

	31 March 2023 £000's	31 March 2022 £000's
Allowances	355	351
Expenses	1	1
Total Member Allowances	356	352

25. OFFICER REMUNERATION

	Salary (including fees £'s)	Benefits in Kind £'s	2022/23 Pension Contributions £'s	Redundancy £'s	Total Remuneration £'s
Chief Executive - Georgina Blakemore	137,436	1,447	29,079	-	167,962
Chief Operating Officer	111,924	-	-	-	111,924
Strategic Director & Section 151 Officer	119,060	-	25,241	-	144,301
Strategic Director	100,205	-	21,136	-	121,341
Service Director - Planning & Development	82,818	-	17,557	-	100,375
Service Director - Contract & Technical Services	-	-	-	-	-
Service Director - Customer Services	82,818	-	17,557	-	100,375
Service Director - Corporate Services	82,818	-	-	-	82,818
Project Director - Housing Revenue Account	52,526	-	10,889	-	63,415
Project Director - Community & Wellbeing	-	-	-	-	-
Harlow & Gilston Garden Town Director	102,277	-	21,624	-	123,901
Total	871,882	1,447	143,083	-	1,016,412

	2021/22				Total Remuneration including Pension Contributions
	Salary (including fees and allowances)	Benefits in Kind	Pension Contributions	Redundancy	
	£'s	£'s	£'s	£'s	£'s
Chief Executive - Georgina Blakemore	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 - HRA	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

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 2021/22).

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. This year there has been a significant increase in the number of employees in the lower bandings that have been captured by the disclosure requirement for the first time, partly as a consequence of the national (and local) fixed pay award for 2022/23 (of £1,925), which was the highest for a number of years.

	31 March 2023 No of Employees	31 March 2022 No of Employees
Remuneration Band		
£50,000 - £54,999	39	14
£55,000 - £59,999	18	13
£60,000 - £64,999	7	9
£65,000 - £69,999	5	4
£70,000 - £74,999	2	4
£75,000 - £79,999	5	1
£80,000 - £84,999	3	6
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	1
£100,000 - £104,999	2	-
£105,000 - £109,999	-	-
£110,000 - £114,999	1	-
£115,000 - £119,999	1	1
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	1
£135,000 - £139,999	1	1
£140,000 - £144,999	-	1
£145,000 - £149,999	-	-
£150,000 - £154,999	-	-
£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	-	-
£195,000 - £199,999	-	-
Total	84	56

Employee contracts terminated in 2022/23, are summarised in the table below.

Termination Benefits	2022/23			
	No of Compulsory Redundancies	No of Other Departures	Total No of Exit Packages	Total Cost of Exit Packages in Each Band £'s
Exit Package Cost Band (including special payments)				
£0 - £20,000	14	5	19	159,202
£20,001 - £40,000	2	3	5	156,720
£40,001 - £60,000	1	-	1	57,120
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
above £100,000	-	-	-	-
Total Cost Included in Bandings and in the CIES	17	8	25	373,042

Termination Benefits	2021/22			
	No of Compulsory Redundancies	No of Other Departures	Total No of Exit Packages	Total Cost of Exit Packages in Each Band £'s
Exit Package Cost Band (including special payments)				
£0 - £20,000	5	-	5	27,765
£20,001 - £40,000	1	2	3	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	8	119,538

26. EXTERNAL AUDIT FEES

The following fees have been paid for services carried out by public sector appointed auditors for 2022/23.

	31 March 2023 £000's	31 March 2022 £000's
External Audit Services (Deloitte)	120	160
Certification of Grant Claims & Returns (BDO)	28	20
Other Services	6	-
Total External Audit Fees	154	180

27. GRANTS AND CONTRIBUTIONS

	31 March 2023 £000's	31 March 2022 £000's
Credited to Taxation and Non-Specific Grant Income		
New Homes Bonus	775	477
Other	553	1,234
Total non-ring fenced Government Grants	1,328	1,711

	31 March 2023 £000's	31 March 2022 £000's
<i>Credited to Services</i>		
Department for Work and Pensions	22,364	23,415
Department for Levelling Up Housing & Communities	2,959	797
Homes England (MHCLG)	105	244
Essex County Council	794	2,129
Arts Council	50	20
Essex Police, Fire & Crime Commissioner	64	21
Town and Parish Councils	158	255
Broxbourne Borough Council	10	10
National Heritage	11	30
Harlow Borough Council	153	92
East Herts District Council	147	112
Uttlesford District Council	10	10
West Essex CCG	121	193
Other	7	(31)
Sports Council	0	18
Royal Opera House	0	1
CGI UK Ltd	5	-
DCLG	357	-
Department for Business, Energy and Industrial Strategy	1,136	-
Department for Education	5	-
Epping Forest North Pc Network	41	-
Geoplace	3	-
Hertfordshire County Council	157	-
HMLR	30	-
HMRC	100	-
Norfolk County Council	7	-
Sainsbury Plc	30	-
Uttlesford Community Action Network	5	-
Total Grants and Contributions	28,829	27,316

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 eight loans to the Qualis Group in 2022-23 with a combined value of £10.550 million, bringing the overall total of loans issued to the Group to £69.753 million up to, and including, 31st March 2023. The loans were issued at commercial rates of interest with a fixed repayment schedule. A total of £3.831 million (excluding interest) had been repaid by 31st March 2023, of which £1.558 million was repaid in 2022/23.

Qualis Management Limited has provided the Housing Repairs service to the Council since October 2020; the Council paid £9.686 million for this service in 2022/23 (£8.723 million Revenue, plus £0.963 million Capital (£6.916 million 2021/22 comprising £6.113 million Revenue, plus £0.803 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 76 to 80).

Central Government

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

The 2020/21 and 2021/22 financial years saw an extremely high number of (pandemic-related) financial transactions with Central Government (reported in the relevant Statement of Accounts). In 2022/23, the number of transactions was far closer to normal levels, although £1,043,520 in funding in respect of Energy and Fuel grants was received from Government, for which the Council is acting as agent in distributing individual grants to eligible households. The Financial Review (pages 7 to 14) sets out further 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 2023 £000's	31 March 2022 £000's
Opening Capital Financing Requirement	305,522	301,040
Capital Investment		
Property, Plant and Equipment	15,433	24,249
Investment Properties	1,797	1,436
Revenue Expenditure Funded from Capital Under Statute	949	796
Private Sector Housing Loans	-	37
Intangible Assets	735	819
Qualis Loans	8,000	5,000
Sources of Finance		
Capital Receipts	(4,614)	(2,911)
Government Grants and Other Contributions	(1,377)	(1,700)
Major Repairs Reserve	(11,300)	(9,180)
Direct Revenue Contributions	-	(12,981)
Minimum Revenue Provision	(1,125)	(883)
Repayment Capital Loans	(467)	(200)
Closing Capital Financing Requirement	313,553	305,522

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 as follows.

	31 March 2023 £000's	31 March 2022 £000's
Assets Leased to Third Parties		
Land and Buildings		
Shops (including shopping park)	5,383	5,456
Industrial Units	1,362	1,469
Other	1,369	1,834
Total Rental Receivable	8,113	8,759

The total of future minimum lease payments due after 1 year are as follows.

	31 March 2023		31 March 2022	
	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)	16,820	11,157	17,469	13,553
Industrial Units	4,211	44,263	5,067	48,273
Other	4,028	31,564	4,545	30,410
Total	25,059	86,984	27,081	92,236

The gross amount of assets held for use in Operating Leases are as follows.

Gross Amount of Assets Held for Use in Operating Leases	31 March 2023 £000's	31 March 2022 £000's
Land and Buildings		
Shops	93,479	99,142
Industrial Units	38,114	43,703
Other	16,890	19,161
Total Assets	148,483	162,006

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 officers, the Council 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 the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when benefits are paid as pensions. However, the charge made against Council Tax is based on contributions payable to the fund in respect of 2022/23, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure.

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

Comprehensive Income and Expenditure Statement	31 March 2023 £000's	31 March 2022 £000's
Service Cost	8,477	-
Net Interest Charged	1,087	1,342
Administration Expenses	120	92
Net Charge made to the CIES	9,684	1,434
Re-Measurements in Other Comprehensive Income		
Return on Fund Assets in Excess of Interest	(4,687)	14,197
Other Actuarial Gains / (Losses)	-	1,826
Changes in Financial Assumptions	100,341	9,887
Change in Demographic Assumptions	-	6,085
Experience Gain / (Loss) on Defined Benefit Obligation	(20,981)	(1,795)
Re-Measurement of the Net Assets/(Defined Liability)	74,673	30,200
Pension Assets and Liabilities Recognised in the Balance Sheet		
Present Value of the Funded Obligation	180,747	251,031
Present Value of the Unfunded Obligation	1,992	2,358
Fair Value of Scheme Assets	(208,651)	(209,226)
Net Liability in the Balance Sheet	(25,912)	44,163

Reconciliation of the Fair Value of the Scheme Liabilities				
	Unfunded Liabilities		All Funded/Unfunded Liabilities Local Government	
	31 March 2023 £000's	31 March 2022 £000's	31 March 2023 £000's	31 March 2022 £000's
Net Pensions Liability at 1st April	(2,358)	(2,583)	(253,389)	(259,318)
Current Service Cost	0	0	(7,883)	(8,058)
Interest Cost	(58)	(49)	(6,511)	(5,139)
Change in Financial Assumptions	377	33	100,341	9,887
Change in Demographic Assumptions	0	84	-	6,085
Experience Gain	(203)	(89)	(20,981)	(1,795)
Liabilities Assumed / (Extinguished) on Settlements	0	0	-	-
Estimated Benefits Paid	0	0	7,358	6,474
Past Service Cost Including Curtailments	0	0	(594)	(529)
Contributions by Scheme Participants	0	0	(1,330)	(1,242)
Unfunded Pension Payments	250	246	250	246
Net Pension Liability at 31 March	(1,992)	(2,358)	(182,739)	(253,389)

Reconciliation of the Fair Value of the Scheme Assets		31 March 2023	31 March 2022
Fair Value of the Plan Assets at 1 April		209,226	190,210
Interest on Assets		5,424	3,797
Return on Assets less Interest		(4,687)	14,197
Other Actuarial Gains / (Losses)		-	1,826
Administration Expenses		(120)	(92)
Employer Contributions including Unfunded		5,086	4,766
Contributions by Scheme Participants		1,330	1,242
Benefits Paid		(7,608)	(6,720)
Settlement Prices Received / (Paid)		-	-
Fair Value of the Plan Assets at 31 March		208,651	209,226

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual loss on assets less interest in the year was £4.7 million (gain on assets less interest £14.2 million in 2021/22).

Scheme History					
	2022/23 £000's	2021/22 £000's	2020/21 £000's	2019/20 £000's	2018/19 £000's
Present Value of Liabilities	(180,747)	(251,031)	(256,735)	(214,582)	(229,281)
Fair Value of Assets	208,651	209,226	190,210	153,616	162,440
Present Value of Unfunded Obligation	(1,992)	(2,358)	(2,583)	(2,671)	(3,007)
Surplus / (Deficit) in the Scheme	25,912	(44,163)	(69,108)	(63,637)	(69,848)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total net liability on the Councils Balance sheet in 2021/22 was £44.163 million. In 2022/23 this has been revised and the current scheme position is a net asset balance of £25.912 million.

The financial position of the Council remains healthy. Changes to the pension fund balances are eliminated through reductions/increases in the contributions made over the remaining working life of employees, as assessed by the scheme actuary.

The total employer contributions expected to be made to the scheme by the Council in the year to 31st March 2024 is £4.207 million. The Service Cost is expected to be £3.417 million for the year to 31st March 2024.

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 2022.

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

	2022/23	2021/22
<u>Life Expectancy Assumptions</u>		
Longevity at 65 for current pensioners in years:		
Men	21	21
Women	24	24
Longevity at 65 for future pensioners in years:		
Men	22	22
Women	25	25
<u>Other Assumptions</u>		
Rate of inflation RPI	3.9%	3.5%
Rate of inflation CPI	2.9%	3.2%
Rate of increase in salaries	3.9%	4.2%
Rate of increase in pensions	2.9%	3.2%
Rate for discounting scheme liabilities	4.8%	2.6%

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

	31st March 2023		31st March 2022	
	£000's	%	£000's	%
Equities	120,462	58%	124,193	60%
Government Bonds	3,058	1%	4,938	2%
Other Bonds	-	0%	9,058	4%
Property	17,128	8%	16,964	8%
Cash / Liquidity	6,266	3%	5,248	3%
Alternative Assets	33,098	16%	25,560	12%
Other Managed Funds	28,639	14%	20,879	10%
Total	208,651	100%	206,840	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 2022 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 2023		Sensitivity 1b	Sensitivity 1a	Sensitivity 2b
		£000's	£000's	£000's
Adjustment to Discount Rate		+0.5%	+0.1%	-0.5%
Present Value of Total Obligation		170,148	180,100	196,943
Projected Service Cost		2,899	3,307	4,026
Adjustment to Long Term Salary Increase		+0.5%	+0.1%	-0.5%
Present Value of Total Obligation		183,548	182,899	181,956
Projected Service Cost		3,429	3,419	3,406
Adjustment to Pension Increases and		+0.5%	+0.1%	-0.5%
Present Value of Total Obligation		196,339	185,331	170,654
Projected Service Cost		4,042	3,532	2,883
Adjustment to Mortality Age Rating			+ 1 Year	
Present Value of Total Obligation			190,082	
Projected Service Cost			3,540	

Sensitivity Analysis as at 31 March 2022		Sensitivity 1b	Sensitivity 1a	Sensitivity 2b
		£000's	£000's	£000's
Adjustment to Discount Rate		+0.5%	+0.1%	-0.5%
Present Value of Total Obligation		231,366	248,731	278,829
Projected Service Cost		7,026	8,043	9,888
Adjustment to Long Term Salary Increase		+0.5%	0.1%	-0.5%
Present Value of Total Obligation		254,790	253,666	252,033
Projected Service Cost		8,345	8,327	8,299
Adjustment to Pension Increases and		+0.5%	+0.1%	-0.5%
Present Value of Total Obligation		277,138	257,874	232,743
Projected Service Cost		9,889	8,609	7,014
Adjustment to Mortality Age Rating			+ 1 Year	
Present Value of Total Obligation			266,157	
Projected Service Cost			8,681	

32. NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities (both revised in December 2021).

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risk 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 Investment Strategy in compliance with the MHCLG Investment Guidance for local authorities. The guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with appropriate 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 2023, and confirms that all investments were made in line with the Council's approved rating criteria when investment placed.

31 March 2023							
	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	A+	(208)	-	-	-	-	(208)
Cash equivalents MMF	A-	10,000	-	-	-	-	10,000
Cash Equivalents DMADF	UKGOV	3,000	-	-	-	-	3,000
Total		12,792	-	-	-	-	12,792

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	A+	1,732	-	-	-	-	1,732
Cash equivalents MMF	A-	17,000	-	-	-	-	17,000
Cash Equivalents DMADF	UKGOV	-	-	-	-	-	-
Total		18,732	-	-	-	-	18,732

Credit Risk – Debtors

The following analysis summaries the Council's potential maximum exposure to credit risk, based on experience of the level of default on Trade Debtors and Housing Arrears, adjusted for market conditions.

31 March 2023			
	Amount £000's	Default Risk Judged %	Bad Debt Provision £000's
Trade Debtors	4,618	21.9%	1,013
Housing Arrears	954	95.0%	907

31 March 2022			
	Amount £000's	Default Risk Judged %	Bad Debt Provision £000's
Trade Debtors	6,382	10.2%	649
Housing Arrears	860	98.3%	845

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.

Credit Risk - Loans

In furthering the Council's strategic objectives, it provides loans to Qualis.

The amounts recognised on the Balance Sheet, and the Council's total exposure to credit risk from these instruments are presented below.

31 March 2023				
Borrower	Exposure Type	Amount £000's	Default Risk Judged %	Expected Credit Loss £000's
Qualis Loans	Loan Commitments at Market Rate	68,670	3.4%	2,308

31 March 2022				
Borrower	Exposure Type	Amount £000's	Default Risk Judged %	Expected Credit Loss £000's
Qualis Loans	Loan Commitments at Market Rate	59,881	1.8%	1,067

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 2023 is as follows.

		31 March 2023 £000's	% of Total Debt Portfolio	Cash Flows including Interest £000's
Short-Term Borrowing	Less than 1 Year	32,276	11%	41,621
Long-Term Borrowing	Over 1 but not Over 2	9,276	3%	17,158
	Over 2 but not Over 5	12,829	5%	35,584
	Over 5 but not Over 10	51,381	18%	84,797
	Over 10 but not Over 15	41,321	15%	70,232
	Over 15 but not Over 20	126,906	45%	139,071
	Over 20 but not Over 25	3,250	1%	4,049
	Over 25	4,400	2%	5,017
Long-Term Borrowing		249,363	89%	355,908

The maturity analysis of the nominal value of the Council's debt at 31st March 2022 was 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	79%	319,703

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. As at 31st March 2023, 100% of the debt portfolio was held in fixed rate instruments. The one-year impact on income and expenditure of 1% interest rate rise was in relation to EIP (Equal Instalment of Principal) loans.

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.

	2022-23 £000's	2021-22 £000's
Increase in Interest Payable on Variable Rate Borrowing	210	9
Increase in Interest Receivable on Variable Rate Investments	(89)	(169)
Impact on Surplus or Deficit on the Provision of Services	121	(160)

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

As at 31st March 2023, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years relating to the Council's Housing Development Programme. The remaining commitments on those contract as at 31st March 2023 totalled £10.687 million, and are expected to be met over the next two financial years as follows:

- 2023/24 - £4.571 million
- 2024/25 - £6.116 million
- **Total Commitments** - **£10.687 million**

Housing revenue account income and expenditure statement



	Note	2022/23 £000's	2021/22 £000's
Income			
Dwelling Rents	3	(35,294)	(33,958)
Non Dwelling Rents		(764)	(783)
Charges for Services and Facilities		(1,484)	(2,025)
Contributions Towards Expenditure		(427)	(416)
Total Income		(37,969)	(37,182)
Expenditure			
Repairs and Maintenance		9,897	8,841
Supervision and Management		11,615	10,706
Revaluation of Fixed Assets		3,225	3,451
Rents, Rates, Taxes and Insurance		525	600
Depreciation and Amortisation	7/8	10,490	9,708
Debt Management		20	22
Provision for bad and doubtful debt		116	124
Total Expenditure		35,888	33,452
Net Cost of Services as Included in the Comprehensive Income and Expenditure Statement		(2,081)	(3,730)
HRA services share of Corporate Expenses		320	364
Net Cost (Income) of HRA Services		(1,761)	(3,366)
HRA Share of the Income and Expenditure included in the Comprehensive Income and Expenditure Statement		(1,761)	(3,366)
Capital Grants and Contributions		(437)	(472)
Gain on Sale of HRA Non-Current Assets		(2,090)	(3,333)
Interest Payable and similar charges		5,348	5,476
Interest and Investment Income		(294)	(65)
Changes in Fair Value of Investment Properties		5	(5)
Pensions Interest / Return on Assets		152	188
(Surplus) / Deficit for the Year on HRA Services		923	(1,577)

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.

Increase / Decrease in the Housing Revenue Account Balance	Note	2022/23 £000	2021/22 £000
(Surplus)/ deficit for the year on the Housing Revenue Account Income and Expenditure		923	(1,577)
Adjustments between accounting basis and funding basis under statute (including to or	9	(1,311)	(482)
Transfers to Earmarked Reserves	9	0	0
(Increase) / decrease in the Housing Revenue Account Balance		(388)	(2,059)
Housing Revenue Account Surplus Brought Forward		(4,164)	(2,105)
Housing Revenue Account Surplus Carried Forward		(4,552)	(4,164)

1. HOUSING REVENUE ACCOUNT ASSET VALUATION

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

	31 March 2023 £000's	31 March 2022 £000's
Dwellings	806,892	774,586
Plant, vehicles & equipment	1,135	1,273
Other operational property	22,587	17,367
Investment property	149	154
Total	830,763	793,380

The Dwellings valuation shown in the Balance Sheet represents the value of the Housing Stock to the Council in its Existing Use as Social Housing, occupied on the basis of secure tenancies. The corresponding value of those Dwellings if sold on the open market without tenants (i.e. vacant possession) is £2,109,738,050 at 31st March 2023. 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 6,442 dwellings during 2022/23 (6,436 in 2021/22). Changes in the stock are summarised below. The figures include 54 units for the homeless at Norway House, North Weald.

	31 March 2023	31 March 2022
Stock as at 1 April	6,436	6,437
Less: Sales	(16)	(30)
Stock Transfers / Conversions	1	
Other Movements	2	19
New Properties	19	10
Stock as at 31 March	6,442	6,436
Number of: Houses and Bungalows	3,508	3,500
Flats and Maisonettes	2,880	2,882
Other	54	54
Stock as at 31 March	6,442	6,436

3. GROSS DWELLING RENT INCOME

During 2022/23:

- 1.22% (0.8% in 2021/22) of all lettable dwellings were vacant
- Average rents were £106.63 per week including affordable rents, an increase of £4.31 or 4.2%, on the previous year
- On average 33% (35.2% in 2021/22) of Council tenants received some help through rent rebates in 2022/23
- Rent arrears increased to £953,975 (£860,317 in 2021/22), which represents 2.48% (2.36% in 2021/22) of gross income
- The provision for bad and doubtful debts on Arrears amounted to £739,609 (£717,510 in 2021/22)
- Amounts written off during the year totalled £54,092 (£38,414 in 2021/22); and
- Dwelling rents are shown after allowing for voids.

4. 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 2022/23; the real cost of retirement benefits is therefore reversed out of the Housing Revenue Account in the Movement on the HRA balance.

5. HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS

The Council received £4,335,694 in respect of HRA capital receipts during 2022/23 (£7,034,523 in 2021/22). The receipts came from the sale of Council Houses £3,625,661 (£6,833,275 in 2021/22), Right to Buy ("RTB") discounts repaid £42,071 (£20,768 in 2021/22), Rent to Mortgage sale £nil (£180,480 in 2021/22), and other sales £667,961 (£nil in 2021/22). The receipts have been allocated in accordance with the prescribed proportions - £1,706,946 (£1,512,333 in 2021/22) for house building projects, £20,800 (£39,000 in 2021/22) to offset the cost of administration of the sales, £nil (£839,616 in 2021/22) to be paid over to the Central Government pool, with the remainder of £2,607,947 (£4,643,574 in 2021/22) available to fund other capital projects.

6. HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

The HRA incurred the following capital expenditure:

Capital Expenditure	31 March 2023 £000's	31 March 2022 £000's
Council Dwellings	8,630	15,023
House Building and Disabled Adaptations	5,533	4,629
Plant, Vehicles and Equipment	1,051	765
Environmental Works	595	555
	66	443
Total Expenditure	15,875	21,414
<i>Financed by:</i>		
Major Repairs Reserve	11,300	9,180
Self Financing Reserve	-	8,743
Capital Receipts	3,238	2,553
Other Contributions	437	938
Borrowing	900	-
Stock as at 31 March	15,875	21,414

7. MAJOR REPAIRS RESERVE

The Council is required to maintain a Major Repairs Reserve. The Housing Revenue Account is charged with depreciation for the year. An amount equal to this is credited to the Major Repairs Reserve. This income can then be used to fund repairs of a capital nature or to repay debt. The movement on the reserve is as follows:

	2022/23		2021/22	
	£000	£000	£000	£000
Balance as at 1st April		(9,365)		(8,840)
Depreciation Transferred from the HRA	(10,422)		(9,705)	
Used to Fund Capital Expenditure on Council Dwellings	11,301		9,180	
Total Expenditure		879		(525)
Balance as at 31st March		(8,486)		(9,365)

8. 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 7 above relates to £69,000 (£3,000 in 2021/22) in amortisation of intangible assets, other non-dwellings depreciation, revenue expenditure funded from capital and impairments.

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

	2022/23 £000's	2020/21 £000's
Amounts to be Excluded		
Depreciation/ Amortisation Reversals and Impairments	(10,403)	(9,708)
Revaluation of Council Dwellings and Garages	(3,323)	(3,565)
Movements in the fair value of investment	(5)	5
Deferred receipt rents to mortgages	97	113
Gain / (loss) on disposal of HRA Fixed Assets	2,090	3,333
Accumulated Absences Accruals	251	(171)
HRA share of contributions to / (from) Pensions Reserve	(877)	(1,100)
Total of Amounts to be Excluded	(12,170)	(11,093)
Amounts to be Included		
Transfer to Major Repairs Reserve	10,422	9,705
Capital contributions applied	437	906
Total of Amounts to be Included	10,859	10,611
Net increase/(decrease) before transfers to / from Reserve	(1,311)	(482)
Transfers to /from Earmarked Reserves	-	-
Total Transfers To Earmarked Reserves	-	-
Total	(1,311)	(482)

Collection fund



		2022/23			2021/22		
		Council Tax	Non-Domestic Rates	Collection Fund Total	Council Tax	Non-Domestic Rates	Collection Fund Total
	Note	£000's	£000's	£000's	£000's	£000's	£000's
Income							
Council Tax	1	(107,564)	-	(107,564)	(102,445)	-	(102,445)
Non-Domestic Rates	2	-	(30,120)	(30,120)	-	(28,933)	(28,933)
Total Income		(107,564)	(30,120)	(137,684)	(102,445)	(28,933)	(131,378)
Expenditure							
Precepts and Demands							
Central Government		-	15,771	15,771	-	17,857	17,857
Epping Forest District Council		12,526	12,617	25,143	12,000	14,286	26,286
Essex County Council		76,873	2,839	79,712	72,434	3,214	75,648
Essex Police		11,989	-	11,989	11,265	-	11,265
Essex Fire Authority		4,133	316	4,449	3,991	357	4,348
Distribution of Estimated Collection Fund Surplus/(Deficit)	3						
Central Government		-	(5,029)	(5,029)	-	(8,621)	(8,621)
Epping Forest District Council		165	(4,024)	(3,859)	(99)	(6,897)	(6,996)
Essex County Council		997	(905)	92	(590)	(1,552)	(2,142)
Essex Police		155	-	155	(89)	-	(89)
Essex Fire Authority		55	(101)	(46)	(33)	(172)	(205)
Other							
Transitional Protection (NDR)		-	178	178	-	(33)	(33)
Cost of Collection Allowance (NDR)		-	176	176	-	174	174
Provision for Appeals (NDR)		-	(3,188)	(3,188)	-	343	343
Provision for Non Payment		3,349	1,556	4,905	1,124	720	1,844
Total Expenditure		110,242	20,206	130,448	100,003	19,676	119,679
Deficit / (Surplus) for the Year		2,678	(9,914)	(7,236)	(2,442)	(9,257)	(11,699)
Balance Brought Forward		(1,344)	7,328	5,984	1,098	16,585	17,683
Balance Carried Forward		1,334	(2,586)	(1,252)	(1,344)	7,328	5,984

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: 54,865 for 2022/23 (54,019 for 2021/22). The basic amount of Council Tax for a Band D property of £1,923.28 for 2022/23 (£1,845.47 for 2021/22) is multiplied by the proportion specified for the band to give an individual amount due.

Total income of £107,564,536 for 2022/32 was receivable from Council Taxpayers (£102,444,803 for 2021/22).

	Chargeable Dwellings	Chargeable Dwellings after Discount, Exemptions and Disabled Relief	Ratio to Band D	Band D Equivalents
Band A Disabled	-	4	5/9	2
Band A	2,013	1,557	2/3	1,038
Band B	5,111	4,199	7/9	3,266
Band C	11,768	10,459	8/9	9,297
Band D	14,122	13,031	9/9	13,031
Band E	9,999	9,269	11/9	11,329
Band F	6,996	6,582	13/9	9,507
Band G	6,164	5,850	15/9	9,750
Band H	1,203	1,136	18/9	2,272
Total Band D				59,492
Less Band D equivalents entitled to Council Tax Support				3,509
Total Band D Equivalents				55,983
Less: Adjustment for Collection Rate				1,118
Council Tax Base				54,865

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 2022/23 (49.9p and 51.2p in 2021/22) 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 2022/23 this Council paid a tariff of £10,880,558 (£10,880,558 in 2021/22).

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 £96,480,531 (£97,250,516 in 2021/22).

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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Group accounts



Introduction

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

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

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

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 2022 to 31st March 2023 and of the financial position of the group as at 31st March 2023.

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.

Investment Properties

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 profit and loss. The same treatment is applied to gains and losses on disposal. These revaluations are then transferred from the profit and loss account in the balance sheet to the revaluation reserve. Rentals received in relation to investment properties are credited to the profit and loss account as other operating income.

Basic Financial Assets

Basic financial assets, which include debtors, and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Pension Costs

The companies operate a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Group Comprehensive Income and Expenditure Statement

	2022/23			2021/22		
	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	114,120	(86,516)	27,604	111,815	(86,541)	25,274
Other Operating Expenditure			2,004			211
Financing and Investment Income and Expenditure			15,736			(13,208)
Taxation and Non-Specific Grant Income			(21,402)			(20,982)
(Surplus)/Deficit on Provision of Services			23,942			(8,705)
(Surplus) on Revaluation of Property Plant and Equipment			(27,122)			(52,588)
Actuarial (Gains)/Losses on Pension Assets/Liabilities			(79,308)			(24,729)
Total Comprehensive Income and Expenditure			(82,488)			(86,022)

Group Balance Sheet

	Note	31 March 2023		31 March 2022	
		£000's	£000's	£000's	£000's
Long Term Assets					
Property, Plant & Equipment		879,418		869,441	
Heritage Assets		620		598	
Investment Properties		181,644		192,398	
Intangible Assets		1,450		988	
Assets held for sale		-		-	
Long Term Debtors	G2	2,264		42	
Pensions Asset	G6	27,589		-	
Total Long Term Assets			1,092,985		1,063,467
Current Assets					
Inventories	G3	29,365		157	
Debtors and Prepayments	G4	13,575		31,938	
Cash & Cash Equivalents	G5	15,076		24,110	
			58,016		56,205
Current Liabilities					
Creditors		(27,900)		(47,333)	
Provisions		(3,414)		(3,448)	
Short Term Loan		(38,175)		(55,552)	
			(69,489)		(106,333)
Long Term Liabilities					
Long Term Loans		(244,506)		(213,639)	
Provision for deferred tax		(1,689)		-	
Pensions Liability		-		(46,831)	
			(246,195)		(260,470)
Total Assets Less Liabilities			835,317		752,869
Usable Reserves		(28,196)		(34,406)	
Unusable Reserves		(807,121)		(718,463)	
			(835,317)		(752,869)

Group Cash Flow Statement

	2022/23 £000's	2021/23 £000's
Net Surplus/(Deficit) on Provision of Services	(23,942)	8,705
Adjustments to net surplus or deficit on the provision of services for non-cash movements	15,554	48,861
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(14,037)	(29,613)
Net cash flows from Operating Activities	(22,425)	27,953
Investing Activities	(12,641)	(39,839)
Financing Activities	26,032	9,969
Net Increase or (Decrease) in cash and cash equivalents	(9,034)	(1,917)
Cash and Cash Equivalents at the beginning of the reporting period	24,110	26,027
Cash and Cash equivalents at the end of the reporting period	15,076	24,110

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
Movements in 2022/23	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1st April 2022	4,070	4,164	6,628	11,910	9,365	1,607	37,744	721,122	758,866	(3,338)	(2,659)	34,406	718,463	752,869
Surplus / (Deficit) on Provision of Services	(20,448)	(923)	-	-	-	-	(21,371)	-	(21,371)	(2,572)	-	(23,943)	-	(23,943)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	101,994	101,994	-	-	-	101,994	101,994
Total Comprehensive Income and Expenditure	(20,448)	(923)	-	-	-	-	(21,371)	101,994	80,623	(2,572)	-	(23,943)	101,994	78,051
Adjustment Between Accounting and Funding Basis Under Regulations	16,791	1,311	-	308	(878)	102	17,634	(17,634)	-	-	-	17,634	(17,634)	-
Net Increase / (Decrease) before Transfer to Earmarked Reserves	(3,657)	388	-	308	(878)	102	(3,737)	84,360	80,623	(2,572)	-	(6,309)	84,360	78,051
Transfer to Earmarked Reserves	2,806	-	(2,806)	-	-	-	-	-	-	-	-	-	-	-
Increase / (Decrease) in Year	(851)	388	(2,806)	308	(878)	102	(3,737)	84,360	80,623	(2,572)	-	(6,309)	84,360	78,051
Other Adjustments	-	-	(2)	-	-	-	(2)	(38)	(40)	101	4,336	99	4,298	4,397
Balance as at 31 March 2023	3,219	4,552	3,820	12,218	8,487	1,709	34,005	805,444	839,449	(5,809)	1,677	28,196	807,121	835,317

	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
Movements in 2021/22	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 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	7,978	1,577	-	-	-	-	9,555	-	9,555	(850)	-	8,705	-	8,705
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income and Expenditure	7,978	1,577	-	-	-	-	9,555	-	9,555	(850)	-	8,705	-	8,705
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	(4,149)	2,059	-	3,525	526	1,354	3,315	6,240	9,555	(850)	-	2,465	6,240	8,705
Transfer to Earmarked Reserves	3,462	-	(16,442)	-	-	-	(12,980)	12,980	-	-	-	(12,980)	12,980	-
Increase / (Decrease) in Year	(687)	2,059	(16,442)	3,525	526	1,354	(9,665)	19,220	9,555	(850)	-	(10,515)	19,220	8,705
Other Adjustments	-	-	-	-	-	253	253	83,367	83,620	-	700	253	84,067	84,320
Balance as at 31 March 2021	3,330	4,164	7,369	11,910	9,365	1,607	37,744	721,122	758,866	(3,338)	(2,659)	34,406	718,463	752,869

G1. OTHER OPERATING EXPENDITURE

Total comprehensive Income for all Qualis companies for 2022-23 was £1.865 million. Which included £4.436 million actuarial gains on Pension Assets.

G2. LONG-TERM DEBTORS

	31 March 2023 EFDC (Single entity) Note 14 £000	31 March 2023 EFDC GROUP £000's	31 March 2022 EFDC (Single entity) Note 14 £000	31 March 2022 EFDC GROUP £000's
Capital Advances (B3 Living)	362	362	279	279
Rents to Mortgages	1,578	1,578	1,481	1,481
Home Assist Loans	224	224	240	240
Place Loan	100	100	100	100
Qualis Loans	66,489	-	57,421	-
Net Carrying Amount at end of the year	68,753	2,264	59,521	2,100

G3. INVENTORIES

Five buildings for the total value of £11.312 million were reclassified from fixed assets to work in progress (WIP)/inventories as the were ready for sale.

G4. DEBTORS AND PREPAYMENTS

	31 March 2023 EFDC (Single entity) Note 16 £000	31 March 2023 EFDC GROUP £000's	31 March 2022 EFDC (Single entity) Note 16 £000	31 March 2022 EFDC GROUP £000's
Government Departments and Other Local Authorities	3,408	3,408	9,601	9,601
Council Tax Arrears	2,239	2,239	1,789	1,789
NDR Arrears	1,626	1,626	1,592	1,592
Housing Rent Arrears	954	954	860	860
Sundry Debtors	10,511	11,566	11,892	22,905
Prepayments & Deposits	1,341	1,341	847	847
Qualis Loan	2,181	-	2,459	-
Bad Debt provision	(7,559)	(7,559)	(6,195)	(6,195)
Total	14,702	13,575	22,844	31,398

G5. CASH AND CASH EQUIVALENTS

	31 March 2023 EFDC (Single entity) Note 17 £000	31 March 2023 EFDC GROUP £000's	31 March 2022 EFDC (Single entity) Note 17 £000	31 March 2022 EFDC GROUP £000's
Cash	4	4	4	4
Bank Current Accounts	(208)	2,072	1,732	7,106
Investment MMF	10,000	10,000	-	-
Investment DMADF	3,000	3,000	17,000	17,000
Total Cash and Cash Equivalents	12,796	15,076	18,736	24,110

G6. PENSIONS

Net pension liability in Qualis subsidiaries was calculated in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to employees of Qualis Management (the Employer) as at 31st March 2023.

Further information about the LGPS can be found in Note 31 of the EFDC Single Entity Accounts.

	31 March 2023 EFDC (Single entity) Note 31 £000	31 March 2022 EFDC (Single entity) Note 31 £000
Present Value of Liabilities	(180,747)	(251,031)
Present Value of the Unfunded Obligation	208,651	209,226
Fair Value of Scheme Assets	(1,992)	(2,358)
EFDC Net Asset /(Liability) in the Balance Sheet	25,912	(44,163)
Group - Net Liability in Qualis subsidiaries	1,677	(2,658)
EFDC GROUP Net Liability in the Balance Sheet	27,589	(46,821)

Annual governance statement



Annual Governance Statement 2022/23

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 2022), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Council's Constitution. A copy of the Code is on our website at www.eppingforestdc.gov.uk. The code is aligned to the 2016 edition of the CIPFA/SOLACE framework.

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

2. The Purpose of the Governance Framework

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

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

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

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

- (i) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- (ii) Ensuring openness and comprehensive stakeholder engagement.
- (iii) Defining outcomes in terms of sustainable economic, social and environmental benefits.
- (iv) Determining the interventions necessary to optimise the achievement of intended outcomes.
- (v) Developing the Council's capacity, including the capability of its leadership and the individuals within it.
- (vi) Managing risks and performance through robust internal control and strong public financial management; 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 2023 and up to the date of approval of this Statement and the Statement of Accounts.

No.	The Governance Framework
	<p>The key elements of the Council's governance arrangements for 2022/23 were:</p> <ol style="list-style-type: none"> 1 The Corporate Plan covering 2018-2023, setting out the Council's priorities and defining the goals to be achieved (a new Corporate Plan has been agreed covering 2023-2027). 2 The Constitution, which is revised each year: <ol style="list-style-type: none"> 2.1 sets out the Council's decision-making framework 2.2 gives a clear definition of the roles and responsibilities of members, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer) 2.3 includes a Scheme of Delegation of responsibility, Financial Regulations and Procurement Rules; and 2.4 defines Codes of Conduct for members and officers, and a Protocol for how the two work together. 3 The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios. The Council's Local Code of Governance was reviewed and approved by the Audit and Governance Committee November 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	An Executive Management Team consisting of the Chief Executive, Strategic Director, and Chief Operating Officer. The Chief Executive as Head of Paid Service is supported by the Council's Monitoring Officer and Section 151 Officer. It should be noted that from April 2023 the Section 151 Officer (and his deputy) are covering both Epping Forest District Council and Colchester City Council as part of the move towards the expansion of shared services, and potential devolution within Essex.
8	A Corporate Governance Group consisting of the Chief Executive, Section 151 Officer, Monitoring Officer, the Chief Internal Auditor, and other senior officers as required depending on the agenda, meeting monthly.
9	A Corporate Risk Strategy, which was overseen by a Risk Management Group meeting quarterly. The Council's risk management framework was revised during the year. The Risk Management Group has been disbanded and is now overseen by the Senior Leadership Team on at least a quarterly basis.
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.
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 2022) along with an Anti-Fraud and Corruption Strategy (which was reviewed and approved by the Audit and Governance Committee in November 2022) 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, including the Council's relationship with its subsidiary company, Qualis
- 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 and reported, including their "Communication with those Charged with Governance" (ISA260); and
- Significant governance issues from previous years and from 2022/23.

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

This AGS demonstrates that the Council has sound governance arrangements in place which continued to work well in practice for the 2022/23 financial year. However, the Council is not complacent and areas for improvement or development are detailed in Section 5.

The Corporate Governance Group has undertaken an assessment of the arrangements for governance during 2022/23 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 the 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 2 below.

5. Significant Governance Issues

This final part of the Annual Governance Statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues or risks. The Council's Corporate Governance Group, who monitor and review the corporate governance framework, has ensured that the issues raised in the previous AGS have been addressed as detailed in Table 1 below.

Table 1: Progress on significant governance issues identified in the 2021/22 AGS

No.	Significant issue identified in 2021/22 AGS	Action taken in 2022/23 to address the issue
1	Economic Issues At the time of preparing the AGS in 2021/22, both national and global events had led to a very volatile economic situation. Unprecedented increases in inflation compared to previous years were being seen and the availability of raw materials etc. was 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 indirect consequences, with potential increases in demand by those accessing Council services.	The implications of the economic situation were monitored with mitigating strategies developed and implemented by the Senior Leadership Team. Key considerations featured in the reports presented to Cabinet, and in the development of the MTFP (Medium-Term Financial Plan) for 2023/24 and future years.
2	Statement of Accounts It was reported in the 2021/22 AGS that, due to technical and resource issues (mainly with the External Auditor) there had been a delay in the final (audited) approval of the 2020/21 Accounts. Nationally, there was an ongoing issue with councils being unable to get their final accounts audited, which was having a knock on impact on the 2021/22 and 2022/23 Accounts.	The Council continued to work with its External Auditors to resolve the audit difficulties. The Audit and Governance Committee was kept informed on progress. At the time of preparing this (the 2022/23) AGS, the 2020/21 Accounts have yet to be signed off by the auditors, although audit work is at an advanced stage.

No.	Significant issue identified in 2021/22 AGS (cont.)	Action taken in 2022/23 to address the issue
3	Financial Management Code 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.	The planned compliance assessment – programmed for 2022/23 – has slipped into 2023/24. However, substantial progress has been made over the last 3 years in developing a resilient Finance function and addressing many of the underlying principles within the Code. This is now programmed in for 2023/24.
<i>Common themes emerging from the 2022/23 Service Assurance Statements were:</i>		
4	Business Continuity As the Council emerges from the Pandemic, there is a need to revisit and maintain Service Business Continuity Plans, as well as ensuring that staff are both aware of business continuity arrangements, and are testing the plans.	A Business Continuity project is ongoing to review the Business Continuity Framework and processes. This is being overseen by the (officer) Corporate Governance Group.
5	Financial Regulations Financial Regulations were due to be reviewed in 2022/23. 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.	The review of Financial Regulations is now scheduled for 2023/24 to ensure that they are informed by the new Management Structure.

In preparing this AGS 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 2: Areas for improvement or monitoring during 2023/24

No.	Objective	Risk area/action plan for 2023/24
1	<p>Economic Issues</p> <p>At the time of preparing this (2022/23) AGS, economic volatility – both nationally and globally – continues, although there are some early signs of stability emerging with inflation beginning to settle down (CPI peaked at 11.1% in October 2022), with notable reductions in fuel and energy prices. Interest rates though continue to rise as the Government strives to further dampen inflation. This is having a direct impact on both the Council and Qualis, threatening the viability of a range of capital schemes.</p> <p>The economic situation is also proving challenging for the local community and is increasing the demand for Council services in some areas (e.g. Housing Benefits) as well as exerting pressure on core Council funding streams such as Council Tax and Business Rates.</p>	<p>The implications continue to be monitored by SLT and feature as key considerations in the reports presented to Cabinet and in the development of the MTFP (Medium-Term Financial Plan) for 2024/25 and future years.</p> <p>This includes the Section 151 Officer's quarterly Qualis Monitoring Report to Cabinet.</p> <p>Frontline services – especially Revenues and Benefits – continue to prioritise and resource the delivery of the various support packages offered by the Government in response to public need (e.g. through various Energy schemes and rebates).</p>
2	<p>Statement of Accounts</p> <p>The delays with the audit of the Accounts reported in the 2021/22 AGS have worsened (nationally) in 2022/23, with the Government now actively considering a range of concerns raised from within the Local Government sector. Locally, the Council has an increasingly resilient Finance function, but a shortfall in External Audit resources has prevented the final sign off of the draft 2020/21 Accounts and limited audit work has been undertaken on the draft 2021/22 Accounts. Concerns include potential accuracy of rolled forward balances in the 2022/23 Accounts.</p>	<p>The Council is continuing to work with its External Auditors to resolve the audit difficulties, and the Section 151 Officer is also accessing professional guidance and support available through professional networks, including the Essex Finance Officers Association (EFOA).</p> <p>The Audit and Governance Committee is being kept informed on progress.</p>

No.	Objective (cont.)	Risk area/action plan for 2023/24
3	Financial Management Code The assessment has carried over from the 2021/22 AGS action plan, although further progress was made in addressing the underlying principles of the Code in 2022/23.	The Code assessment will now be undertaken in 2023/24 to ensure that the Council can demonstrate compliance with the Code. If there are any remaining deficiencies, an action plan will be developed to address these.
4	Income Recovery The Income Recovery functions require improvement, with the Council experiencing a range of interlinked financial pressures as a consequence of sub-optimal performance (leading to increased revenue costs through additional bad debt provisions and lower returns from funding incentives such as the Essex "Council Tax Sharing Agreement" – CTSA). The Sundry Debtors function has a substantial backlog of outstanding cases (exacerbated by the recent installation of a new IT system) and the Council experienced higher Local Tax Arrears than expected at the year end, due to a decline in Council Tax and Business Rates collection in Quarter 4 of 2022/23.	Additional performance measures have been introduced in 2023/24 to more closely monitor and capture the Council's progress in tackling a backlog in outstanding Sundry Debts. Additional resources are also being engaged within the Revenues function. Income collection and recovery systems – including performance – for both Local Tax and Sundry Debts is being explored and benchmarked as part of the shared services partnership with Braintree District Council and Colchester City Council.
5	Financial Regulations The review has carried over from the 2021/22 AGS action plan, with the delay partly as a consequence of ongoing delays to the introduction of the new Management Structure.	The review will now be undertaken in 2023/24. The updated Financial Regulations will be systematically rolled out in a structured way to ensure that they are suitably disseminated and clearly embedded within frontline service areas.
<i>Common themes emerging from the 2022/23 Service Assurance Statements were:</i>		
6	Risk Management Further work is required to develop and embed Risk Management processes.	Work undertaken in 2022/23 to refresh the Corporate Plan and to better align risk management processes will continue into 2023/24 driven by the Council's Senior Leadership Team.
7	Business Continuity A Business Continuity project has been ongoing during 2022/23 which has included providing relevant training to services so that they can develop their Business Continuity plans.	Business Continuity arrangements will be strengthened through the completion of all Business Continuity Plans (corporate and service level) and these will be tested during 2023/24.

We propose to continue improving matters in the year ahead, in order 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

29th June 2023

Georgina Blakemore

Chief Executive

Signed

29th June 2023

Councillor Chris Whitbread

Leader of the Council

DRAFT

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) 2022/23						
Constitution sets out code of conduct for Members and staff. Regularly publicised whistleblowing policy. Zero tolerance to anti-fraud and corruption. Clear and transparent decision-making process. Section 151/Monitoring Officer part of report clearing process. Standards Committee	Published Freedom of Information and complaints/compliments scheme. Publicly available agenda and minutes of meetings. Monitoring and maintaining a record of partnerships. Member appointment to community organisations. Active consultation through the Council's Consultation policy and plan 'Critical friend' challenge through the Council's scrutiny process. Revised and updated Code of Governance	2018-2023 Corporate Plan which is supported by service/operational plans. Draft Local plan that supports the Council's vision. Decision making process that take into account these effects on its residents, paying due regard to the public sector equality duty. Providing fair access to Council services offered. Economic Development Strategy	Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance. Decision making processes that receive objective and rigorous involvement including involvement of the Monitoring and Section 151 Officers Anti-Fraud and Corruption strategy.	People Strategy Established induction and training programme for existing and new Councillors. Process includes mentoring and training events. 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.	Risk management is an integral part of the council's activities and decision making. Internal Audit function that provides assurance on governance, risk management and controls reporting to the Audit and Governance Committee Active corporate fraud team Medium Term Financial Plan.	Defined process to ensure reports for the public/stakeholders are fair, balanced, easily accessible and understandable. Reporting regularly on performance and on the use of resources. Processes to ensure external/internal audit recommendations are acted upon. Requirement for Service Directors to produce annual assurance statements which feed into the AGS
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 the 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 parish and town councils.

PRIOR YEAR ADJUSTMENTS

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

PROPERTY, PLANT AND EQUIPMENT

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

PROVISIONS

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

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

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

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

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

PRUDENCE

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

PRUDENTIAL CODE

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

PUBLIC WORKS LOAN BOARD (PWLb)

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

RELATED PARTIES

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

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

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

RELATED PARTY TRANSACTION

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

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

This list is not intended to be comprehensive.

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

REMUNERATION

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

REVALUATION RESERVE

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

REVENUE EXPENDITURE

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

STOCKS

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

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

THE CODE

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

UNAPPORTIONABLE CENTRAL OVERHEADS

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

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.