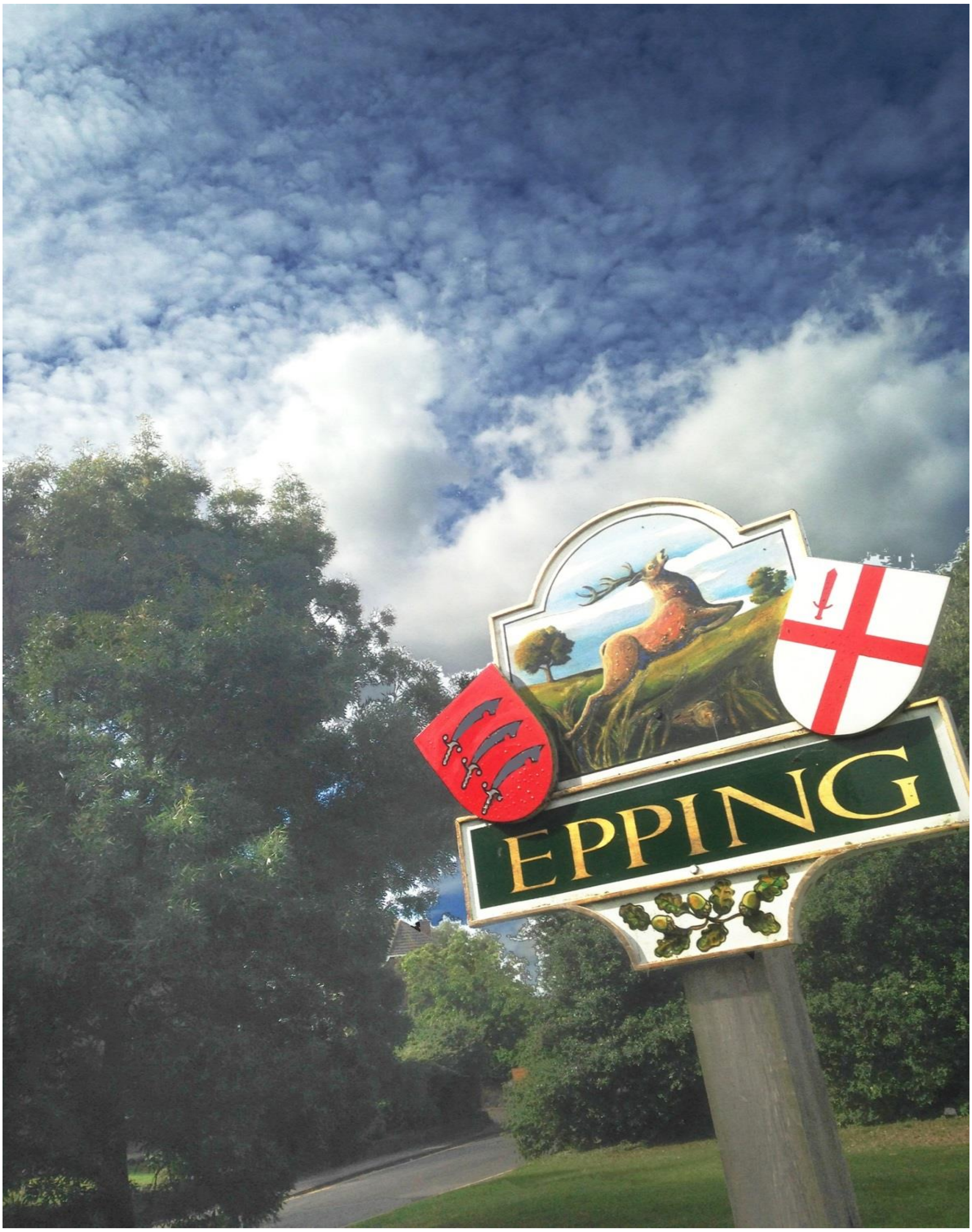

Epping Forest District Council

www.eppingforestdc.gov.uk

STATEMENT OF ACCOUNTS

2013/14

STATUTORY STATEMENT OF ACCOUNTS 2013/14

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Further copies of this report are available from the Director of Finance & ICT at the Civic Offices, High Street, Epping, Essex, CM16 4BZ

INTRODUCTION AND EXPLANATORY FOREWORD

INTRODUCTION

This is the fourth set of annual accounts to be prepared under the requirements of International Financial Reporting Standards (IFRS) and hopefully stakeholders are now familiar with this format. The accounts are a complex document and readers have not been helped by the previous changes to content and presentation. Thankfully there have been no significant changes for this year and it is hoped that we may now see a reduction in the significance and number of changes. The process we are required to follow and the key financial statements are outlined below.

The Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC) publishes a Code of Practice on Local Authority Accounting (the Code) every year that local authorities are required to follow in producing their financial statements. In recent years the Accounting Standards Board (ASB) has insisted that the Code moves closer to Generally Accepted Accounting Principles (GAAP), so that public sector financial statements more closely resemble those prepared in the private sector and hence the switch to IFRS.

- Comprehensive Income and Expenditure Statement - this brings together all gains and losses during the year to report them in one statement. This statement replaces the previous Income and Expenditure Account and the Statement of Total Recognised Gains and Losses.

- Movement in Reserves Statement - this shows the movements on all reserves in the bottom half of the Balance Sheet and reconciles the surplus or deficit on the Comprehensive Income and Expenditure Statement to the movement in the General Fund Balance. This replaces the Statement of Movement on General Fund Balance and the note which had previously been used to disclose movements on reserves.

- Balance Sheet - this is the statement of the Council's net worth at the end of the financial year.

- Cashflow Statement - this reports the movement on cash and cash equivalents in a more summarised form than used previously. Under IFRS some items are now included within cash that would previously have been excluded.

The above are described as core financial statements as all local authorities are required to produce them. Both the Balance Sheet and the Cashflow Statement are long established documents that have not been radically amended over time by the successive accounting standards. The Balance Sheet lists what the Council owns, what is owed to the Council and what the Council owes to others. The Cashflow Statement summarises the movements in cash broken down into operating, investing and financing activities that have taken place during the year and their overall effect on the Council's holdings of cash at the end of the year.

2013/14 was a year of significant change for several aspects of local authority finance. The move from Council Tax Benefit to Local Council Tax Support and the introduction of local retention of Non-Domestic Rates were significant developments for residents and businesses as well as local authorities. Replacing an existing benefit with a new one with 10% less money on a short timescale was a considerable challenge. Authorities were not given full discretion in devising schemes as there was a requirement to protect residents of pensionable age. As this group represented approximately half the Council Tax Benefit caseload, it meant the other half had to bear the brunt of the change. So instead of the entire caseload facing a bill for 10% of the full Council Tax charge it meant those of working age were faced with a bill for 20% of the full charge.

Through an agreement with Essex County Council and the Police and Fire Authorities it was possible to employ additional staff to deal with these challenging cases where people were being asked to pay the Council Tax for the first time. The use of this dedicated resource meant efforts on collecting the majority of non-benefit cases were not compromised. This resulted in the overall collection rate being better than estimated and the costs of local support being contained within the budget. It can be concluded that the challenge of Local Council Tax Support was successfully dealt with in 2013/14. However, further reductions in funding mean the challenge increases over time and I will return to this in the later section on future prospects.

As an incentive to promote economic growth authorities were able to retain a share of any growth in income from non-domestic rates. The outcomes from this have been something of a mixed bag. In recognition of the need for a more proactive approach to debt recovery. Members agreed additional funding and this has been repaid many times over with an increase in the collection rate. The outcomes that have been less positive arise from design flaws in the system that are beyond the Council's control. When the system started it was not with a clean slate as authorities were required to take on the liabilities for all of the outstanding appeals, instead of this problem remaining with central government. The settling of appeals in 2013/14 and the need to provide against those still outstanding at the year end has caused a funding shortfall in the year and placed the Council in the system's "Safety Net".

The other key design flaw in the system is that the General Fund and the Collection Fund account for items in different years. This means the loss on the Collection Fund that put the Council in the "Safety Net" will not be accounted for until 2014/15. However, the "Safety Net" funding comes in to the General Fund and so is accounted for in 2013/14. This rather odd situation means it appears that we have more income in 2013/14 than planned but the reality is we have less, we just leave it a year before we account for it. This is why in the table below it appears that the income from Government Grants and Local Taxation is higher than had been estimated.

In the accounts for last year, and part way through 2013/14, concern was expressed about the Council's significant income streams that are property related and were providing lower returns than has historically been the case. However, the full year position was far more positive and there is now evidence of a recovery in the figures. A ring-fenced account is maintained for Building Control which is required to break even over a three year rolling period. Last year saw a deficit of £73,000 but 2013/14 has seen the account break even for the year. Significant improvement were also seen in Local Land Charges where income was up from £186,000 in 2012/13 to £209,000 and Development Control where income was up to £656,000 from £562,000 in 2012/13. The extent of any recovery is less evident with the MOT service provided by Fleet Operations, which saw a further reduction from £235,000 to £231,000 for the year. This is a substantial fall from the £311,000 achieved in 2010/11 or the £289,000 in 2011/12.

The Continuing Services Budget (CSB) position was made worse by a reduction in income from £936,000 to £588,000 for the market at North Weald, a reduction of £348,000 and a reduction in administration subsidy from the Department for Work and Pensions for providing the housing benefits service by £104,000 to £646,000. Savings for the 2014/15 budget were delivered through the organisational restructuring and increases in rental income through additional investments in property. It was also another good year for New Homes Bonus and an additional £535,000 of income was included for this in the 2014/15 estimates.

In 2013/14 the Council's Balance Sheet value has increased by £52.11 million to £410.96 million. This increase has been driven by a revaluation of Council Dwellings and Garages which totalled £33.3 million. The increase was partially offset by depreciation and so the overall increase in Operational Assets was £25.85 million.

The growth in the Council's Balance Sheet was helped by a decrease in Long Term Liabilities, particularly in respect of the pension fund. This has reduced significantly in the year from £75.36 million to £57.82 million. The assets of the scheme have increased in value by £6.14 million but the major change is on the liabilities which have decreased by £10.90 million. A change in the demographics assumptions on pre-retirement decrements (rates of withdrawal, death in service and ill health retirement) produced a reduction in liabilities of more than 5% for scheme members and this is by far the biggest reason for the overall fall in the liability. The inclusion of this amount in the Balance Sheet shows the extent of the Council's liability if the pension fund was to close on 31 March 2014. It does not mean that this full liability will have to be paid over to the pension fund in the near future.

The year-end position is better than was anticipated when the revised estimates were set. A predicted General Fund deficit of £160,000 has been eliminated and a surplus of £383,000 was achieved. The Housing Revenue Account has a deficit of £593,000, some £700,000 worse than the revised estimate of a surplus of £107,000. The next section provides more detail on both the revenue and capital outturn for the year.

SUMMARY OF OUTTURN

The following tables provide a summary review of net expenditure and financing for 2013/14

General Fund

The table below summarises the revenue outturn for the General Fund and the consequential movement in balances for 2013/14.

General Fund	**Original Estimate £000**	**Revised Estimate £000**	**Actual Spend £000**	**Variance from Original £000**	**Variance from Revised £000**
Net Expenditure after Adjustments	14,368	14,484	14,227	(141)	(257)
Government Grants and Local Taxation	(14,324)	(14,324)	(14,440)	(116)	(116)
(Contribution to)/from Balances	**44**	**160**	**(213)**	**(257)**	**(373)**
Opening Balances - 1/04/2013	(9,671)	(9,671)	(9,671)	-	-
(Contribution to)/from Balances	44	160	(213)	(257)	(373)
Closing Balances - 31/3/14	**(9,627)**	**(9,511)**	**(9,884)**	**(257)**	**(373)**

Net expenditure for 2013/14 totalled £14.23 million, which was £141,000 (1.0%) below the original estimate agreed in February 2013 and £257,000 (0.9%) below the revised estimate compled in December 2013. When compared to a gross expenditure budget of approximately £75 million, the variances can be restated as 0.2% and 0.35% respectively.

An analysis of the changes between Continuing Services Budget (on-going expenditure (CSB)) and District Development Fund (One-off Expenditure (DDF)) expenditure illustrates where the main variances in revenue expenditure have occurred.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening CSB	15,171	15,191	14,824	(347)	(367)
In Year Growth	436	902	940	504	38
In Year Savings	(1,239)	(1,609)	(1,537)	(298)	72
Total Continuing Services Budget	**14,368**	**14,484**	**14,227**	**(141)**	**(257)**
DDF - Expenditure	1,626	2,592	1,904	278	(688)
DDF - One Off Savings	(642)	(1,921)	(2,106)	(1,464)	(185)
Total DDF	**984**	**671**	**(202)**	**(1,186)**	**(873)**
Appropriations	**(984)**	**(671)**	**202**	**1,186**	**873**
Net Expenditure	**14,368**	**14,484**	**14,227**	**(141)**	**(257)**

Continuing Services Budget

CSB expenditure was £141,000 below the original estimate and £257,000 lower than the revised. The variances have arisen on both the opening CSB which was £367,000 lower than the revised estimate, and the in year figures which were £110,000 higher than the revised estimate.

In contrast to recent years, when measured against the Original Budget, salaries were overspent by £60,000. Actual salary spending for the authority in total, including agency costs, was some £19.94 million compared against an original estimate of £19.88 million. Whilst the General Fund was overspent by around £160,000, the HRA was underspent by around £100,000. The General Fund overspend was due in part to additional staffing in the Deputy Chief Executive directorate but this was paid for by external funding secured too late to be included in the budget. However, generally vacancy levels fell below the 2.5% allowed for in the budget. The underspend on the HRA fell mostly on the Housing Repairs Fund as it related to vacancies in the Housing Works Unit. When comparing to the Revised Estimate there was a General Fund underspend of around £180,000 as budgets had been adjusted for known variations and some recruitment took longer than expected.

There were a number of other underspent CSB budgets, with the largest underspend of £213,000 being on Housing Benefits. This was partly due to adjustments relating to previous years and the identification of a higher level of overpayments than in previous years. Overpayments are recoverable from the recipients and are therefore shown as income and reduce overall net expenditure.

The original in-year CSB net saving figure of £803,000 reduced at revised estimate to a net saving of £707,000. The main reason for this being the reduction in the income from the market at North Weald. This was offset to a degree by a reduction in the non-domestic rate bill for the Civic Offices. This reduction was backdated and a credit of £209,000 has been made to the DDF for that element. The actual net savings were £110,000 below the revised figure at £597,000. This was primarily due to gate fees on the waste management contract which were £65,000 more than estimated.

District Development Fund

Net DDF expenditure was £1,186,000 below the original estimate and £873,000 below the revised estimate. There are requests for carry forwards totalling £682,000 and therefore the variation actually equates to a £191,000 net under spend on the DDF items undertaken. These one-off projects are akin to capital, in that there is regular slippage and carry forward of budgetary provision. Therefore the only reasonable variance analysis that can be done is against the revised position.

The DDF reduced between the Original and Revised position by some £313,000. This was mainly due to new items identified during 2013/14, the three main items being £400,000 for section 31 grant relating to Small Business Rate Relief granted. It had been known that the Government would pay some Section 31 Grant but the actual announcement came very late in the year. A £209,000 one-off saving for Non Domestic rates on the Civic Offices backdated to 2010 and offsetting expenditure for severance costs arising from the implementation of the new Directorate structure of £211,000.

The rephasing of the Local Plan budget again proved overly optimistic as £103,000 remained unspent and has been carried forward to 2014/15. There were a number of other projects still in progress in Neighbourhoods and the total DDF carry forward for this directorate is £288,000. The directorate with the second highest carry forward is Resources, with a total of £132,000. The majority of the carry forward from this area relates to Building Maintenance (£77,000). Less significant carry forwards were also seen in the Governance Directorate (£62,000) and the Office of the Chief Executive (£39,000).

Several items contributed to the net underspend of £191,000, the largest being unanticipated income of £138,000 that arose from claw backs of Council Tax Benefit. With the introduction of Local Council Tax Support, Council Tax Benefit ceased and any changes in entitlement calculated in 2013/14 for earlier years were retained by the Council. There was also additional income of £62,000 in Development Control and a saving of £44,000 on external audit fees.

The effect of this is that there is a balance of £3.85 million on the DDF as at 31 March 2014 whereas it was expected that the balance would be £2.91 million. The carry forward provision of £682,000 has been added to the programme for 2014/15 meaning that at the end of that year there is £258,000 more available to spend. The MTFS set in February 2014 had anticipated that the unallocated DDF balance would still be £0.87 million at the end 2017/18 and this has increased to £1.18 million.

Housing Revenue Account

The table below summarises the revenue outturn for the HRA.

Housing Revenue Account	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Revenue Expenditure	14,114	13,982	13,929	(185)	(53)
Depreciation	18,418	12,851	13,110	(5,308)	259
Total Expenditure	**32,532**	**26,833**	**27,039**	**(5,493)**	**206**
Gross Dwelling Rents	(31,080)	(30,966)	(30,884)	(196)	(82)
Other Rents and Charges	(2,896)	(2,911)	(2,853)	(43)	(58)
Total Income	**(33,976)**	**(33,877)**	**(33,737)**	**(239)**	**(140)**
Net Cost of Service	**(1,444)**	**(7,044)**	**(6,698)**	(5,254)	**346**
Interest and Other Transfers	(453)	(460)	(489)	(36)	(29)
Interest Payable	5,571	5,532	5,526	(45)	(6)
Transfer from Major Repairs Reserve	(11,496)	(5,929)	(5,349)	6,147	580
Net Operating Income	**(7,822)**	**(7,901)**	**(7,010)**	**812**	**891**
Appropriations					
Capital Expenditure					
Charged to Revenue	4,200	4,200	4,200	0	0
Transfer to Self Financing Reserve	3,180	3,180	3,180	0	0
Transfer to Service Enhancement Fund	0	272	(58)	(58)	(330)
Other	314	142	98	(216)	(44)
Deficit for Year	**(128)**	**(107)**	**410**	**538**	**517**
Opening Balance 1/4/13	(3,375)	(3,375)	(3,375)	0	0
Deficit for year	(128)	(107)	410	538	517
Closing Balance - 31/3/14	**(3,503)**	**(3,482)**	**(2,965)**	**538**	**517**

A surplus within the HRA of £128,000 and £107,000 was expected within its original and probable outturn revenue budgets respectively; the actual outturn was a deficit of £410,000. The difference of £517,000 between the revised estimate and the actual is largely due to the transfer from the Major Repairs Reserve (MRR). This transfer was £580,000 less than had been budgeted due to a correction arising from the 2012/13 audit. Whilst this has reduced the HRA balance it has increased the MRR balance and these can be brought back into line with projections in 2014/15 when deciding the financing of the capital programme.

Income from Dwelling Rents was down on expectations as there was a surge in sales in the second half of the year. There were savings on Revenue Expenditure of £53,000 when compared to the revised position. It was expected that the introduction of the universal credit would push up rent arrears. However, this has been delayed and rent arrears have actually fallen, meaning a significantly lower contribution to the Bad and Doubtful debts provision was necessary.

The revenue balance on the HRA of £2.97 million is below the target balance of between £3 million and £4 million previously agreed by Cabinet. However, as stated above, this is countered by the balance on the MRR of £11.36 million, being £1.36 million higher than estimated.

Capital Outturn

The table below summarises the capital expenditure outturn and its financing for 2013/14.

Capital Expenditure and Financing	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
General Fund	2,794	4,580	2,323	(471)	(2,257)
Housing Revenue Account	15,417	11,030	10,683	(4,734)	(347)
Total Expenditure	**18,211**	**15,610**	**13,006**	**(5,205)**	**(2,604)**
Grants	987	1,254	995	8	(259)
Capital Receipts	4,315	3,327	1,644	(2,671)	(1,683)
Revenue Contributions	12,909	11,029	10,367	(2,542)	(662)
Total Financing	**18,211**	**15,610**	**13,006**	**(5,205)**	**(2,604)**

The table identifies a net underspend against the revised estimate of £2.60 million. This includes some schemes showing genuine savings. However, there are also schemes where expenditure was ahead of schedule and these overspends in 2013/14 have been financed by bringing forward £471,000 of funding from 2014/15.

As always with the capital programme, there has been some slippage and £3.20 million of funding has been carried forward to 2014/15. The two largest areas of slippage on non-housing items were the purchase of Bridgeman House (£654,000) and the purchase of a property to expand the museum (£650,000). Whilst there is a £2.26 million underspend on the General Fund programme the net carry forward is £2.39 million, this is due to a net overspend of £129,000 on the projects undertaken. On the housing programme the greatest slippage was on the roofing programme (£406,000) due to a delay in letting new contracts. There was an underspend of £347,000 on the HRA programme and this matches the net carry forward as there was a net nil overspend on projects undertaken.

The generation of capital receipts proved to be higher in 2013/14 than had been anticipated. This was largely due to the increased number of council house sales since the rise in the maximum allowable right to buy discount from £34,000 to £75,000. Although an increase was expected, a total of 53 properties were sold compared to an estimated 32. In addition to this the Council benefited from further capital receipts from the release of a covenant as well as sales of vehicles and bins. On the other hand, the use of capital receipts to finance expenditure was £1.68 million lower than estimated reflecting the overall underspend on the General Fund in particular. The impact of the increased receipts and reduced usage is that the year end balance is £4.64 million higher than projected, standing at £17.46 million as at 31 March 2014. The movements in capital resources are set out in the tables below:

Usable Capital Receipt Balances	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening Balance - 1/04/13	**13,715**	**13,900**	**13,900**	185	-
Usable Receipts Arising	753	2,243	5,211	4,458	2,968
Use of Other Capital Receipts	(4,315)	(3,327)	(1,644)	2,671	1,683
Closing Balance - 31/3/14	**10,153**	**12,816**	**17,467**	**7,314**	**4,651**

Major Repairs Reserve	Original Estimate £000	Revised Estimate £000	Actual Spend £000	Variance from Original £000	Variance from Revised £000
Opening Balance - 1/04/13	**9,955**	**9,755**	**9,755**	(200)	-
Major Repairs Allowance	6,922	6,922	7,750	828	828
Use of MRR	(8,709)	(6,679)	(6,145)	2,564	534
Closing Balance - 31/3/14	**8,168**	**9,998**	**11,360**	**3,192**	**1,362**

CARBON REDUCTION

The Council remains committed to reducing its carbon footprint and in addition to signing the Nottingham Declaration has developed a Carbon Change Strategy. The objectives of the Carbon Change Strategy are:

- **Reduce our carbon footprint**
  Substantially reduce the amount of CO2 and the other greenhouse gases we as a Council emit through all our services and operations.
- **Be a community leader**
  To reduce our impact and to lead by example, taking forward our knowledge, partnerships and resources to encourage and help the wider community and stakeholders to become more sustainable.
- **Use our powers**
  Influence and use our powers in procurement, private housing, commercial sector and planning. Minimise the environmental impact of new development and ensure any future developments are able to withstand the challenge of the changing climate.
- **Prepare the Council and the District for the impacts of climate change**
  Make preparations to ensure the Council's assets and operations are resilient to the predicted climate change impacts and assist in the work to prepare the District for the new climate.

The Council is working on a number of initiatives to reduce its carbon footprint. Last year I highlighted work on the housing stock with an initiative involving new builds, where a trial scheme was undertaken to construct houses from straw bales, which provide excellent insulation and greatly reduce heating requirements. These properties were successfully completed during 2013/14 and are now occupied. During 2013/14 finance was approved for a project to put solar panels on the roof of the Civic Offices and this project should be completed during 2014/15. This demonstrates that the Council will continue to pursue initiatives to substantially reduce power consumption.

THE FUTURE

In looking ahead it is worth considering the international situation as our economy does not exist in isolation and is not immune from events in Europe, the Middle East or America. Europe has been slower to emerge from recession than the United Kingdom and the International Monetary Fund has recommended the adoption of more expansionary monetary policies to provide a stimulus. However, the difficulty will remain in Europe that one size of policy rarely fits all of the members. The middle east continues as a concern with several on-going conflicts and this instability causing fluctuations in oil prices. Iraq, Syria and Egypt head the list of concerns at the moment but the whole region is in a volatile state. America used to provide a degree of comfort and stability but the economy there retracted sharply in the last quarter. Some commentators are claiming this was weather related and an unrepresentative blip, we have to hope they are correct. There are other flashpoints worthy of a brief mention as well, such as Ukraine and North Korea. Overall there is little on the world stage that encourages enthusiasm and creates optimism about the world economy.

Looking ahead domestically, there are just a couple of months before the Scottish referendum and less than a year before a General Election. The outcome of both votes is far from certain. In Scotland an early lead for the "No" campaign has narrowed and it will be interesting to see what effect the approach of the Commonwealth Games has. The recent successes of UKIP have added an extra dimension to domestic politics and as well as effecting outcomes in some seats it has been predicted that they may even win a seat in Parliament.

Having mentioned the relatively strong growth in the domestic economy, it is certainly not the case that everything is going well. Despite the reductions in unemployment there has been little extra money coming in to the Treasury by way of either personal or corporate tax and consequently Government borrowing remains above target. The expenditure side of the public finance equation is also causing concern. In particular, Employment Support Allowance and associated initiatives have been less effective than predicted and the resultant welfare payments mean the Government is in danger of breaching the Benefit Cap it set itself. It is clear that whichever party wins the General Election will have little money to play with and that austerity will be a ongoing theme in the public sector, so the challenge of doing more with less will continue and is likely to accelerate.

In the Introduction I mentioned the key changes that have taken place in local authority finances during 2013/14 and now it is necessary to consider the impacts of these changes for 2014/15 and beyond. The introduction of Local Support for Council Tax was successfully managed in 2013/14 and keeping a similar scheme in place for 2014/15 should prevent any significant difficulties arising. However, the further reductions in Government funding will necessitate some changes to the scheme for 2015/16. The percentage of a full bill paid by those receiving support will need to increase from 20% but the amount of the increase has to be carefully considered. In many of these cases if the individuals were presented with a full bill they would be unable to pay it and so would pay nothing. There is a tipping point somewhere between 20% and 100% at which these cases will not make an attempt to pay and we need to be mindful of this in designing the 2015/16 scheme. Equally, there is a limit to the extent that Members will be prepared to subsidise this benefit from General Fund resources.

The local retention of non-domestic rates provides an opportunity in the long term but is something of a headache in the short term. As mentioned above, the Council found itself in the Safety Net for 2013/14 due to the outstanding appeals against the old system. This Council's share of the deficit on the Collection Fund is approximately £400,000 and this will be accounted for in 2014/15. This had in part been anticipated and £250,000 had been allowed for in the District Development Fund. Looking further to the future, developments at St John's Road, Langston Road and North Weald Airfield should boost the non-domestic rating list and provide additional funding. It is difficult to predict when these developments will take place and their precise impact on the rating list but they do provide a balance against the other largely negative prospects on the horizon.

The final key area in need of mention is New Homes Bonus (NHB), which has helped limit the overall impact of Government funding reductions. During 2013/14 there was concern when the Government consulted on top slicing NHB to fund the Local Economic Partnerships. Even these bodies themselves were opposed to this and the idea was dropped, although the Government did say there would be a review of NHB. When the scheme was implemented it was designed to cover a rolling six year period. The first four years of the scheme have seen growth in the amount of housing in the district and the Council will receive approximately £1.82 million in NHB in 2014/15. If any revision of the scheme significantly reduced the size of the payments a large hole could appear in the budget. However, it must be remembered that the NHB is paid for with money top sliced from the overall funding for local government so the Council would be likely to receive some income from whatever replaced NHB and it seems unlikely that the Government would want to introduce another major financial reform for local authorities before the General Election.

Whilst the General Fund revenue balances are higher than anticipated, they still need to be managed and safeguarded. The current reserves policy stipulates that the balances should not go below 25% of net budget requirement. This would allow a reduction from the current level of £10.1 million to £3.2 million by the end of 2017/18. It is very difficult to imagine £1.7 million being used from reserves each year for all of the next four years and so there seems little chance of this limit being breached in the medium term.

The Housing Revenue Account is also in a strong financial position, although the number of right to buy sales generated by the increased level of discount is causing some concern. The first concern is in terms of lost rental income as this is much greater than had been allowed for in the modelling of the HRA for self-financing. Secondly, there is concern about the ability of the Council to spend the much larger amount of receipts on new housing within the time allowed. A review of the house building programme and its financing will be conducted in 2014/15 to ensure the Council is not required to pay over receipts and interest to the Government.

The four-year programme of non housing revenue account capital investment totals £14.9 million, inclusive of amounts carried forward from 2013/14. Neighbourhoods has the largest programme, with £5.9 million being spent. Within Neighbourhoods, £4.1 million is for the purchase of investment properties and £345,000 is available for parking schemes. The Communities Directorate has the next largest programme with £2.9 million, of which £1.75 million will be spent on the museum. As it is still unclear which of the many development opportunities will be taken forward and on what timescale no provision has been included at this time.

The Council's financial strength has meant its response to the austerity programme could be more measured than some other authorities who have rushed to cut jobs and services. The service restructure that took place in 2013/14 will be finalised in 2014/15 and provides an opportunity to enhance efficiency and effectiveness whilst realising savings in a sustainable way. Reductions in grant support will continue and financial pressures will arise from service areas, such as Local Support for Council Tax. The MTFS is regularly revisited and updated and the net savings targets may need to be increased, to achieve these savings over the medium term there will need to be a hard look at priorities. The Council will have to consider reductions in the level at which many services are provided and whether some continue to be provided at all, particularly where there is either private sector provision or no statutory duty on the Council to provide a service.

The Council's accounts were completed and approved for issue on 30 June 2014.

Robert Palmer BA ACA
Director of Finance & ICT

Statement of Responsibilities for the Statement of Accounts

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts

COUNCILLOR TONY BOYCE
CHAIRMAN OF THE COUNCIL

THE DIRECTOR OF FINANCE AND ICT'S RESPONSIBILITIES

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

In preparing this Statement of Accounts, the Director of Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgments and estimates that were reasonable and prudent;
- Complied with the Local Authority Code.

The Director of Resources 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 4 to 67 give a true and fair view of the financial position of the Council as at 31 March 2014 and the income and expenditure for the year then ended.

ROBERT PALMER BA ACA
DIRECTOR OF RESOURCES

September 26, 2014

Independent auditor's report to the Members of Epping Forest District Council

Opinion on the Council's financial statements

We have audited the financial statements of Epping Forest District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Epping Forest District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditors

As explained more fully in the Statement of the Director of Resources Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Epping Forest District Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice for local government bodies (March 2010) requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement meets the disclosure requirements set out in the guidance 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 or is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

Conclusion on Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Council and the auditor

The Council 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 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Epping Forest District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the accounts of Epping Forest District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.We certify that we have completed the audit of the accounts of Epping Forest District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

David Eagles
For and on behalf of BDO LLP, Appointed Auditor

Ipswich, UK

30-Sep-14

MOVEMENT IN RESERVES STATEMENT

	Note	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Total Unusable Reserves**	**Total Reserves**
Movements in 2012/13		***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***
Balance as at 31 March 2012		***9,201***	***4,638***	***4,493***	***4,577***	***15,842***	***8,241***	***190***	***47,182***	***304,451***	***351,633***
Surplus/(Deficit) on Provision of Services		*(5,356)*	*-*	*19,518*	*-*	*-*	*-*	*-*	***14,162***	*-*	***14,162***
Other Comprehensive Income and Expenditure		*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	***(7,943)***	***(7,943)***
Total Comprehensive Income and Expenditure		***(5,356)***	***-***	***19,518***	***-***	***-***	***-***	***-***	***14,162***	***(7,943)***	***6,219***
Adjustment between accounting and funding bases under regulations	***6***	*5,870*	*-*	*(17,710)*	*-*	*(1,942)*	*1,514*	*32*	***(12,236)***	***12,236***	*-*
Net Increase/(Decrease) before transfer to Earmarked Reserves		***514***	***-***	***1,808***	***-***	***(1,942)***	***1,514***	***32***	***1,926***	***4,293***	***6,219***
Transfers to Earmarked Reserves		*(45)*	*45*	*(2,926)*	*2,926*	*-*	*-*	*-*	*-*	*-*	*-*
Increase\(Decrease) in Year		***469***	***45***	***(1,118)***	***2,926***	***(1,942)***	***1,514***	***32***	***1,926***	***4,293***	***6,219***
Balance as at 31 March 2013		***9,670***	***4,683***	***3,375***	***7,503***	***13,900***	***9,755***	***222***	***49,108***	***308,744***	***357,852***
Movements in 2013/14		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance as at 31 March 2013		**9,670**	**4,683**	**3,375**	**7,503**	**13,900**	**9,755**	**222**	**49,108**	**308,744**	**357,852**
Surplus/(Deficit) on Provision of Services		(4,682)	-	32,344	-	-	-	-	**27,662**	-	**27,662**
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	***24,945***	**24,945**
Total Comprehensive Income and Expenditure		**(4,682)**	**-**	**32,344**	**-**	**-**	**-**	**-**	**27,662**	**24,945**	**52,607**
Adjustment between accounting and funding bases under regulations	**6**	5,278	-	(30,468)	-	3,567	1,604	(38)	**(20,057)**	***20,057***	-
Net Increase/(Decrease) before transfer to Earmarked Reserves		**596**	**-**	**1,876**	**-**	**3,567**	**1,604**	**(38)**	**7,605**	**45,002**	**52,607**
Transfers to Earmarked Reserves		(382)	382	(2,285)	2,285	-	-	-	-	-	-
Increase\(Decrease) in Year		**214**	**382**	**(409)**	**2,285**	**3,567**	**1,604**	**(38)**	**7,605**	**45,002**	**52,607**
Balance as at 31 March 2014		**9,884**	**5,065**	**2,966**	**9,788**	**17,467**	**11,359**	**184**	**56,713**	**353,746**	**410,459**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31 March 2014

	Note	2013/14 Gross Expend £000	 Income £000	 *Net Expend £000*	*2012/13* Gross Expend £000	 Income £000	 *Net Expend £000*
CONTINUING OPERATIONS							
Central Services to the Public		4,306	(1,191)	**3,115**	12,879	(9,995)	***2,884***
Corporate and Democratic Core		2,600		**2,600**	2,557	-	***2,557***
Cultural & Related Services		4,945	(837)	**4,108**	4,544	(468)	***4,076***
Environmental & Regulatory Services		10,738	(3,180)	**7,558**	10,404	(2,970)	***7,434***
Highways and Transport Services		1,180	(1,141)	**39**	1,509	(1,415)	***94***
Concessionary Fares		20	(9)	**11**	15	(33)	***(18)***
Non Local Authority Housing		40,667	(39,524)	**1,143**	39,962	(38,844)	***1,118***
Planning Services		4,274	(1,124)	**3,150**	4,310	(987)	***3,323***
Housing Revenue Account		27,743	(64,454)	**(36,711)**	25,590	(51,038)	***(25,448)***
EXCEPTIONAL ITEMS							
General Fund							
Interest on Compulsory Purchase Compensation	11	-	-	**-**	-	(237)	***(237)***
NET COST OF SERVICES		**96,473**	**(111,460)**	**(14,987)**	**101,770**	**(105,987)**	***(4,217)***
OTHER OPERATING EXPENDITURE	8			**1,948**			***3,320***
FINANCING AND INVESTMENT INCOME AND EXPENDITURE	9			**4,714**			***5,761***
TAXATION AND NON-SPECIFIC GRANT INCOME	10			**(19,337)**			***(19,026)***
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES				**(27,662)**			***(14,162)***
(Surplus) on Revaluation of Property Plant and Equipment	12 & 16			**(4,653)**			***(298)***
Actuarial (gains)/losses on Pension Assets/Liabilities	39			**(20,425)**			***8,676***
Other (Gains)/Losses				**133**			***(435)***
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE				**(52,607)**			***(6,219)***

BALANCE SHEET

	Note	31 March 2014 £000	31 March 2014 £000	*31 March 2013 £000*	*31 March 2013 £000*
LONG TERM ASSETS					
Property, Plant & Equipment	12		554,477		*528,641*
Heritage Assets	13		542		*542*
Investment Properties	14		39,754		*39,242*
Intangible Assets	15		543		*616*
Long Term Investments	18		10,004		*10,074*
Long Term Debtors	17		2,453		*1,977*
TOTAL LONG TERM ASSETS			607,773		*581,092*
Current Assets					
Assets held for sale	16	1,510		*515*	
Inventories	19	274		*213*	
Debtors and Prepayments	20	5,653		*5,993*	
Short Term Temporary Investments	18	33,910		*30,259*	
Cash & Cash Equivalents	21	15,338		*9,906*	
			56,685		*46,886*
Current Liabilities					
Creditors	22	(8,943)		(8,131)	
Provisions	23	(794)			
			(9,737)		*(8,131)*
LONG TERM LIABILITIES					
Long Term Loans	18	(185,456)		*(185,456)*	
Pensions Liability	39	(57,820)		*(75,357)*	
Capital Grant Receipts in Advance	35	(986)		*(1,182)*	
			(244,262)		*(261,995)*
TOTAL ASSETS LESS LIABILITIES			410,459		*357,852*
Usable Reserves			56,713		*49,108*
Unusable Reserves	24		353,746		*308,744*
			410,459		*357,852*

THE CASH FLOW STATEMENT

	Note	2013/14 £000	*2012/13 £000*
Net Surplus or (Deficit) on Provision of Services		**27,662**	***14,162***
Adjustments to net surplus or deficit on the provision of services for non-cash movements	**25**	**(6,901)**	***660***
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**25**	**(6,870)**	***(1,891)***
Net cash flows from Operating Activities	**25**	**13,891**	***12,931***
Investing Activities	**26**	**(10,187)**	***(17,791)***
Financing Activities	**27**	**1,728**	***949***
Net Increase or (Decrease) in cash and cash equivalents		**5,432**	***(3,911)***
Cash and Cash Equivalents at the beginning of the reporting period		**9,906**	***13,817***
Cash and Cash equivalents at the end of the reporting period	**21**	**15,338**	***9,906***

Index of Notes to the Statement of Accounts

1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES & RESTATEMENT OF PRIOR YEAR FIGURES

General Principles

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain 2014. The Code has been developed by the CIPFA/LASAAC Joint Committee under the oversight of the Financial Reporting Advisory Board as opposed to the Accounting Standards Board as previously.

The Code is based on International Financial Reporting Standards (IFRS) which comprises of International Accounting Standards (IAS), interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC). The Code notes that it interprets and adapts IFRS but such instances are identified within the Code.

There is a new requirement to split other comprehensive income and expenditure between those items that will be credited or debited to the CIES in a future period and those that will not. There are no items that will appear in the CIES in a future period so the format of the other comprehensive income and expenditure section remains the same.

1.2. ACCOUNTING CONCEPTS

The accounting policies referred to are consistent with the persuasive accounting concepts of:

Going Concern - the accounts have been drawn up on the basis that the Council is going to continue in its operational existence for the foreseeable future.

Accruals - Income and expenditure is recognised in the period to which they relate rather than when the related cash is received or paid.

The Primacy of Legislation - Where there is conflict between legislative requirements and accounting principle, legislative requirements will prevail.

1.3. ESTIMATION

Where actual amounts to be included within the accounts are uncertain estimates are used. The estimate is based on the best assessment of information available at the time of closing the accounts. When the actual figures are determined any difference arising is accounted for in the year when the actual figure is determined.

1.4 CASHFLOW PREPARATION

The Code allows the preparation of the cashflow to be either the direct or indirect method. The Council has prepared the statement using the indirect method.

1.5 GROUP ACCOUNTS

Accounting practice requires that where the Council has a material financial interest and a significant level of control over another entity, it should prepare group accounts. The Council has reviewed its relationships with other entities and has concluded that no material financial interest or significant control exists and group accounts are therefore not required.

1.6 COLLECTION FUND

This records all transactions in relation to Council Tax and Non Domestic rates. The Council transfers its share of Council Tax income to the General Fund to finance expenditure and the remainder is passed to precepting authorities. From 1 April 2013 the regime governing Non Domestic Rate income has changed. From that date 50% is passed to Central Government, 40% to the General fund with 9% and 1% being passed to the County Council and Fire Authority respectively, after passing a collection allowance to the General Fund.

The General Fund receives 40% of the Business Rates form the Collection Fund. However, because this amount exceeds the Business Rates Baseline funding a further amount (£9.84 million) is paid to Central Government as a tariff.

1.7 PROPERTY PLANT AND EQUIPMENT

All expenditure on the acquisition, creation or enhancement of property plant and equipment (PPE) is capitalised on an accruals basis in the accounts. Expenditure is capitalised, provided that the asset yields benefits to the Council and the services it provides for more than one year. This excludes expenditure on routine repairs and maintenance of assets, which is charged directly to service accounts.

Property Plant and Equipment were originally valued and recorded in the accounts as at 1 April 1994. These valuations were based upon certificates issued by the Council's Chief Valuer and Estates Surveyor. Additions since that date are included in the accounts at cost. Council dwellings and garages are revalued every year using the Beacon Properties approach as the basis for valuation. The valuation takes the form of a full revaluation followed by four years of desk top revaluations, with the last full revaluation occurring as at 1 April 2010. Other assets are revalued as part of the Council's rolling programme under which assets are revalued over a five year period. The Council dwellings and garages valuation has been carried out by District Valuer A Wilcock, MRICS, and other assets by the Council's Principal Valuer and Estates Surveyor.

The introduction of IFRS via the 2010/11 code required the Council to value component parts of PPE for the first time. This applies when an asset is either revalued or a component replaced or created and is subject to a significance test. The purpose of this is to ensure that the depreciation charge accurately reflects the differing useful lives of components particularly where the asset within which the component is situated has a rather longer life. Within the 2010/11 accounts, Council dwellings and associated land were valued on the basis of Existing Use for Social Housing (EUV-SH) being 39% of the Vacant Possession value. The components within the dwelling have been valued based on the proportion of the total dwelling to which their value relates.

The policy was introduced for PPE revalued during 2010/11 and as part of that process the necessity to recognise significant components was also considered. A series of significance tests were applied to identify which assets it was appropriate to componentise. The first stage was applied to Council housing and leisure centres as the largest asset categories; Council dwellings and leisure centres which had a value greater than 20% of the total value of the asset categories were considered significant. As a result of these tests all Council dwellings and two leisure centres were identified and a second test was applied; any component which exceeded 20% of the total value of the asset as a whole was deemed significant. The value of plant and equipment within council dwellings and one of the leisure centres, namely Loughton Leisure Centre, was thereby identified as significant and componentisation has been applied to these assets. The Civic Offices were revalued during 2013/14 and as a result componentisation was applied to this as part of that process. Componentisation has not been applied to any other assets.

The useful lives of both dwellings and the components within have been reviewed during 2013/14. The useful life of the buildings has been reassessed at 60 years with the average life of components at 26 years.

An impairment is defined as a loss in value due to the consumption of economic benefits. Where a valuation reduction occurs due to a fall in prices generally this is known as a downward revaluation. In both cases the loss is taken to the revaluation reserve to the extent that revaluation gains relating to that particular asset exists within the revaluation reserve in the first place.

If the value of the impairment or downward revaluation exceeds the revaluation amount relating to that asset already residing in the revaluation reserve then the difference is recognised in the CIES in the year in which it occurs. The valuations are based upon the facts and evidence prevailing at the date of valuation. The valuation date is 31 March of the year to which the accounts relate, in the case of 2013/14, 31 March 2014. As part of this years revaluation the valuer has assessed that the proportion of value in the Land element is 35%, which is an increase from 30% in 2012/13.

Revaluations of individual assets are also undertaken when a material change happens. Infrastructure and community assets do not have a value attributed to them and therefore their value is based on the historic cost of providing the asset. Surplus assets, which are identified for sale on the open market, are revalued at market value which reflects any changes in planning permission granted.

Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use. Investment properties are included in the balance sheet at the lower of net current replacement cost and net realisable value (open market value). Community assets are included in the balance sheet at historical cost and Infrastructure assets at depreciated historic cost.

Long term assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes, issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets (excluding land) are classified as follows:

Type of Asset	Valuation Method	Estimated Useful Life (Years)
Council Dwellings and Garages	Existing use value for social housing Existing use value	15 to 60
Other land and buildings	Existing use value	20 to 50
Infrastructure assets	Depreciated Historic Cost	15 to 40
Community assets	Historic Cost	Indeterminable
Vehicles, plant, furniture and equipment	Depreciated historic cost	5 to 20
Non-operational assets	Existing use value Market value Historic Cost (where market value for existing use cannot be ascertained)	

Where assets are acquired under operating leases, the leasing rentals payable are charged to revenue. The cost of assets and the related liability for future rentals payable are not shown in the balance sheet but are disclosed in the notes. (See Note 38).

Where an asset has been disposed of, the profit or loss on disposal is applied to the CIES with corresponding entries to fixed assets and cash/debtors. Subsequently, the income derived is credited to the Usable Capital Receipts Reserve, and accounted for on an accruals basis. The profit or loss on disposal is then reversed within the Movement in Reserves Statement to neutralise the effect on the General Fund of the entry in the CIES. Upon disposal, any valuation gains since 1 April 2007 relating to those assets are written off against the Revaluation Reserve with the remainder being written off against the Capital Adjustment Account.

1.8 DEPRECIATION

In accordance with the provisions of IAS 16, assets are depreciated on a straight-line basis over their useful economic life. Where a unique asset is purchased or constructed the useful life is assessed based on information available concerning that asset. The only general exceptions to this are freehold land, community assets and non-operational investment properties which are not depreciated. 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.

1.9 HERITAGE ASSETS

The 2011/12 Code introduced the concept of heritage assets. The accounting standard (FRS 30) was introduced during 2010/11 but only applicable from 2011/12. A heritage asset is defined as an asset that is maintained principally for the contribution it makes to knowledge and culture. In the case of the Council the museums service hold a number of artefacts that fall within this definition. The Code also states that such assets should be recognised where the authority has information on the cost or value of the assets, but where this is not available, a note to that effect should be included. The amount relating to artefacts that the Council holds information on is not material to the accounts themselves and therefore not all the disclosures required by the Code have been made.

The Council has an acquisitions and disposals policy in place for these assets. The intention on acquisition is to keep the items in perpetuity and an acquisition would only be made once the long term value and the ability of the museum to provide adequate care and public accessibility to it has been assessed. This would include the ability to acquire the asset with valid title. If an item is to be disposed of it would be necessary to confirm that the museums service could legally do so and would be after due consideration but would not be based on the principle of generating funds. The museum keeps records of its collection on a database allocating a unique reference number to each artefact and is cared for by the collections manager. The Council's Museum is open to the public to view some of the artefacts but a significant number are not generally on display. There is a temporary exhibitions programme whereby certain items are shown for a limited period and some items are being stored in digital format for presentation on the museums part of the web-site.

1.10 INTANGIBLE ASSETS

Intangible assets are payments of a capital nature where no tangible fixed asset is created but which are expected to yield future economic benefits to the Council. Software, including licences, is considered an intangible asset as it fulfils the two tests above. Council policy is to capitalise such expenditure but amortise it to revenue over the useful life of the asset, in this case five years.

1.11 CAPITAL EXPENDITURE CHARGED TO REVENUE

The Local Government and Housing Act 2003 allows local authorities to finance an unlimited amount of capital expenditure through its revenue accounts. The Council's policy has been to finance a significant amount of Housing Revenue Account (HRA) capital expenditure in this way.

1.12 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure funded from capital under statute relates to expenditure of a capital nature that does not result in the creation of a fixed asset either tangible or intangible. This expenditure was previously known as Deferred Charges and such expenditure was initially classified as capital expenditure but then written off in full to the relevant service heading within the CIES. Proper practice now is that the expenditure is classed as revenue. However, because the financing of this expenditure is from a capital source, a credit is applied within the Movement in Reserves Statement from Capital Receipts so that there is no overall effect on the Council Tax or the General Fund.

1.13 REVALUATION RESERVE/CAPITAL ADJUSTMENT ACCOUNT

The Revaluation Reserve contains upward revaluations occurring to Fixed Assets since 1 April 2007. Revaluations prior to that date would have been within the now defunct Fixed Asset Restatement Account, the balance of which was transferred to the Capital Adjustment Account on the same date. Where a subsequent downward valuation occurs, relating to a fall in market values generally, then previous upward revaluations relating to that particular asset are reversed. Any excess write down is charged to the Capital Adjustment Account after being passed through the CIES and the Adjustments between Accounting Basis and Funding Basis Under Regulation.

1.14 INVESTMENTS

Investments are accounted for in accordance with IAS 32, 39 and IFRS 7. These reporting standards prescribe the recognition, measurement and disclosure requirements in relation to financial instruments. All the Council's financial assets are in the form of loans and receivables. Investments are therefore shown in the Balance Sheet at amortised cost. The Council held investments with the Heritable Bank, a UK regulated subsidiary of an Icelandic Bank, that went into administration. As a result, the value of the investments held have been impaired in line with CIPFA's LAAP Bulletin 82 which was issued to provide guidance relating specifically to this situation.

1.15 ASSETS HELD FOR SALE

Assets are classed as being held for sale where, at the balance sheet date, they were being actively marketed and the sale itself is highly probable in its current condition.

1.16 INVENTORIES

Separate stores are maintained in the Fleet Operations and Building Maintenance services. Stores are valued in the accounts at the lower of cost and net realisable value.

1.17 DEBTORS AND CREDITORS

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice and IAS 8. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to electricity and similar periodic receipts and payments, which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

The recoverability of the Council's General Fund debts is considered each year through an analysis by age and type of debt outstanding at 31 March. An appropriate provision is made for any bad debts/losses that are anticipated. An analysis of size and type of debt outstanding at 31 March on the HRA has also been undertaken in accordance with the Housing Revenue Accounts (Arrears of Rent and Charges) Directions 1990.

1.18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be capable of being converted into cash within 24 hours.

1.19 FINANCIAL INSTRUMENTS

Financial liabilities are carried at amortised cost. The Council had no borrowings until 28 March 2012 when a payment had to be made to the Department of Communities and Local Government of £185.456 million and an equivalent amount had to be borrowed from the Public Works Loan Board. This occurred on the cessation of the HRA subsidy regime.

Financial assets 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.

1.20 CAPITAL RECEIPTS

Capital Receipts from the sale of assets are treated in the accounts as laid down by regulations made under the Local Government Act 2003. Under the act 75% of the value of council house sales and 50% of the value of other HRA asset sales must be paid over to a central government pool for re-distribution. If however, non right to buy receipts are used to finance further capital expenditure on affordable housing then pooling can be avoided. From 2012/13 there is also the ability for authorities to retain additional monies on the basis that the receipts will be used to finance a one-for-one replacement program where some proceeds from a sale is used for the provision of a replacement affordable home. The amount that remains with the Council is credited to the Usable Capital Receipts Reserve and is therefore available to fund capital expenditure.

1.21 GOVERNMENT CAPITAL GRANTS AND OTHER CAPITAL CONTRIBUTIONS

Where a grant or contribution has been received the first consideration is whether there is a condition attached to the receipt of that grant. Where there is no condition, or the condition is met, then the income is recognised in the CIES. This income must then be reversed out within the Movement in Reserves Statement. If the related expenditure has been incurred the reversal is to the Capital Adjustment Account, if the expenditure has not been incurred the reversal is to the Capital Grants Unapplied Account.

Where a condition is not met the income must be recognised in the Capital Grants Received in Advance Account. If in a future accounting period the condition is met, at that point the grant income is recognised in the CIES and reversed out in the Movement in Reserves Statement as before. If there is no prospect of the conditions being met the grant monies are held as a Creditor until such time as repayment can be made. Where the only condition attached to a grant is that it must be spent on a particular asset or used for a particular purpose then the condition is assumed to be met only when expenditure actually occurs.

1.22 REVENUE GRANTS

Grants are credited to the operational heading to which they relate, or, if they are not specific, to the Taxation and Non-Specific Grant Income section of the CIES, in the year of receipt unless there are conditions attached to the grant that have not yet been met. The Grant is then recognised in the Financial year when the conditions are eventually met.

1.23 COST OF SUPPORT SERVICES AND SERVICE ADMINISTRATION

Administrative expenses are allocated over all services and to all users including services to the public, trading undertakings, capital accounts and services provided for other bodies and other support services, on a consistent basis applicable to the service provided, i.e. actual time spent by staff, area occupied, per capita, actual use etc.

1.24 RESERVES

The Council has set aside certain revenue and capital amounts as earmarked reserves. They include reserves for the District Development Fund, pensions deficit, insurance, housing repairs, on-street parking, building control and future museum acquisitions. All other fund balances represent working balances for the purpose of the specific fund and are made up of accumulated surpluses and deficits derived over a period of time. All earmarked fund balances and reserves are reviewed periodically as to their size and appropriateness.

1.25 PENSIONS

The accounting treatment for pensions is to recognise the assets, liabilities and long term commitments, rather than merely the contributions to the scheme. The assets of the scheme are measured at realisable value (Bid Values), the liabilities are measured on an actuarial basis which examines the benefits for pensioners and accrued benefits for current scheme members.

1.26 INTERNAL INTEREST

Interest is credited to the HRA based on the level of its fund balances. The amounts are calculated using the average rate of interest on approved investments, as prescribed in the HRA Item 8 Credit and Item 8 Debit (general) Determinations 2013/14.

1.27 CONTINGENT ASSETS

A contingent asset arises when it is possible that an asset will materialise from past events and will only be confirmed by the occurrence of one or more future events which are not wholly within the control of the Council.

1.28 CONTINGENT LIABILITIES

A contingent liability arises when it is possible that an obligation will materialise from past events and will only be confirmed by the occurrence of one or more future events which are not wholly within the control of the Council, or a present obligation arising from past events is not recognised because it either is unlikely that a transfer of economic benefits will occur or the amount of such a transfer cannot be measured with sufficient reliability.

1.29 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.

1.30 LEASES

Finance Leases: A finance lease is defined as a lease that transfers substantially the risks and rewards of ownership without necessarily transferring the title. The Council has no agreements that meet the definition of a finance lease.

Operating Leases: An operating lease is defined as any lease that is not a finance lease. The Council has a variety of assets under operating leases, including vehicles, vending machines and mowers. The leases transfer benefits of ownership without actually transferring title to the assets, and therefore in accordance with accounting practice the leased assets are not stated in the Balance Sheet. Hire purchase contracts similar to operating leases are accounted for on the same basis where applicable.

Rentals are charged to service revenue accounts on a straight line basis over the period of the lease. No provision is made for outstanding lease commitments.

Various Council assets, such as Commercial Properties, industrial estate units and areas of land, are let to tenants under the heading operating leases. Rental income (net of cash incentives for a lessee to sign a lease) is credited to the CIES.

1.31 PRINCIPAL AND AGENT RELATIONSHIPS

Most transactions of the Council are undertaken on its own behalf and thereby the risk and rewards of those transactions belongs to the Council. In these situations the Council is acting as a Principal

There are, however, some situations where this is not the case and the Council acts as an intermediary or agent. The two main instances relate to the collection of Council Tax and Business Rates where the Council is collecting income on behalf of itself and preceptors. With regard to Council Tax the major preceptors are Essex County Council, Essex Police and Crime Commissioner and Essex Fire Authority and with regard to Business Rates, the Department of Communities and Local Government (DCLG), Essex County Council and Essex Fire Authority.

The Balance Sheet transactions at the year end in relation to these agent relationships are split between the parties with the balances contained in the balance sheet relating to the Council's own portion of the debt and associated balances The proportion of the transactions relating to the other parties are therefore shown as debtors or creditors due to or from those parties.

1.32 EXCEPTIONAL ITEMS

An items is treated as exceptional when it arises from an event outside normal Council activity and is felt to be significant when viewed in conjunction with the income and expenditure of the operational heading to which it relates.

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

The Council is required to disclose information on the impact of a change in accounting policy that will be required by an accounting standard that has been issued but not yet adopted. This applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. 1 January 2014 for the 2013/14 financial year). The applicable standards are as follows:

IFRS 10, consolidated financial Statements has now been issued. This outlines the requirements for the preparation of consolidated financial statements. It requires an entity to consolidate if it controls another entity.

IFRS 11 Joint Arrangements has also been issued. This outlines the accounting by entities that jointly control an arrangement. Joint control is where there is a contractually agreed sharing of control and arrangements and are classified as a joint venture or joint operation.

IFRS 12 - Disclosure of interests in other entities. This is a consolidated disclosure standard requiring a wide range of disclosures about an entities interests in Subsidiaries, Joint Arrangements, Associates and other unconsolidated structured entities.

IAS 27 Consolidated and Separate Financial Statements has been amended and outlines when consolidation is required and how to deal with change in ownership, prepare Separate Statements and related disclosures.

IAS 28 Investments in Associates and Joint Ventures has been amended. This standard outlines the accounting arrangements for investments in associates. An associate is defined as an entity that an investor has significant influence over in terms of operation and financial control.

None of these amendments to the accounting standards currently affect the Council.

Amendments have been made to IAS 1 The presentation of Financial Statements which are to be adopted for 2014/15. The standard sets out the overall requirements for Financial statements including overriding concepts such as Going Concern, Accruals and the distinction between Current and Non Current Assets. It also changes the groupings currently reported under other comprehensive Income between those that could become part of the provision of service costs and those that will not. The Financial Statements need to contain a Statement of Financial Position, A statement of Profit or Loss and other Comprehensive Income, a Statement of Changes in Equity and a Statement of Cash Flows. This comes into effect for the financial year starting on 1 April 2014 and is purely a presentational issue.

There have been some amendments to the reporting requirements of IAS32 Financial Instruments - Presentation in relation to the offsetting of Financial Assets and Liabilities. Currently an entity can offset certain Financial Assets and Liabilities but there is not a consistent offsetting model used which can lead to a lack of consistency particularly where an entity has a large volume of derivatives. A common offsetting model is proposed. However, this Council does not offset, nor is it likely to offset, Financial Assets and Liabilities so this should not affect the Financial Statements. This is effective from the financial year beginning on 1 April 2014.

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 or those involving uncertainty about future events.

The major uncertainty is around future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

Property Plant and Equipment

Assets are depreciated over useful lives that are dependant on assumptions relating to repairs and maintenance to those assets. It is possible that the Council may not be able to expend the resources necessary to maintain the estimated useful life assessed and therefore additional depreciation and a fall in asset values may occur. For example the annual Depreciation charge for a Council Dwelling, being the most significant class of Council assets, would increase by around 4% if the useful economic life of the buildings and significant components were reduced by one year.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Consultant actuaries are engaged to provide advice about assumptions to be applied. The actuary has provided some sensitivity analysis around the assumptions and this is contained within the Pensions note 39. The carrying value of the Pensions Liability is (£58.32 million).

Arrears

The Council has a number of sundry debtors relating to arrears and what is felt to be an appropriate provision for bad and doubtful debts has been provided against this. Given the current economic climate it is possible that this level of provision might become inadequate. If collection rates were to deteriorate then the charge to the CIES would increase. The carrying value of the Councils debtors is £5.64million.

5. EVENTS AFTER THE BALANCE SHEET DATE

The financial statements were authorised for issue on 30 June 2014 by Robert Palmer BA ACA. The financial statements reflect all events up to this date.

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	2013/14 £000 *Usable Reserves*					
	General Fund	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
Adjustments involving the Capital Adjustment Account:						
Exclusions;						
Charges for depreciation and impairment of non-current assets	(2,359)	(13,136)	-	-	-	15,495
Reversal of Impairment of non-current assets	(62)	29,930	-	-	-	(29,868)
Movements in the fair value of Investment Properties	470	-	-	-	-	(470)
Amortisation of intangible assets	(221)	(6)	-	-	-	227
Capital Grants and contributions applied	242	237	-	-	-	(479)
Revenue expenditure funded from Capital under statute	(134)	-	-	-	-	134
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	(202)	(3,640)	-	-	-	3,842
Capital expenditure charged against the General Fund and HRA balances	23	4,200	-	-	-	(4,223)
Adjustments primarily involving the Capital Grants Unapplied Account	(38)	-	-	-	38	-
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES	13	5,945	(5,958)	-	-	-
Transfer from Deferred Capital receipts on receipt of cash	-	-	(7)	-	-	7
Used to finance new capital expenditure	-	-	1,644	-	-	(1,644)
Contribution towards administrative costs of non-current asset disposals	-	(69)	69	-	-	-
Contribution to finance the payments to the Government capital receipts pool	(685)	-	685	-	-	-
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	-	127	-	-	-	(127)
Adjustments relating to the Major repairs Reserve:						
Reversal of Major repairs Allowance credited to the HRA	-	7,749	-	(7,749)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-		-	6,145	-	(6,145)
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited\credited to the CIES.	(2,023)	(865)	-	-	-	2,888
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.	(290)	-	-	-	-	290
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.	(12)	(4)	-	-	-	16
TOTAL ADJUSTMENTS	(5,278)	30,468	(3,567)	(1,604)	38	(20,057)

	2012/13 £000 Usable Reserves					
	General Fund	*Housing Revenue Account*	*Capital Receipts Reserve*	*Major Repairs Reserve*	*Capital Grants Unapplied*	*Movement in Unusable Reserves*
Adjustments involving the Capital Adjustment Account: Exclusions;						
Charges for depreciation and impairment of non-current assets	(2,298)	(12,693)	-	-	-	**14,991**
Upward/(Downward) revaluation of non-current assets		19,228	-	-	-	**(19,228)**
Movements in the market value of Investment Properties	(2,241)	-	-	-	-	**2,241**
Amortisation of intangible assets	(271)	(6)	-	-	-	**277**
Capital Grants and contributions applied	522	208	-	-	-	**(730)**
Revenue expenditure funded from Capital under statute	(535)	(172)	-	-	-	**707**
Amounts of non-current assets written off on disposal or sale as part of the gain\loss on disposal to the CIES	(120)	(816)	-	-	-	**936**
Capital expenditure charged against the General Fund and HRA	28	4,200	-	-	-	**(4,228)**
Application of HRA self financing loan transferred to the Capital Adjustment Account	-	-	-	-	-	**-**
Adjustments primarily involving the Capital Grants Unapplied Account	32	-	-	-	(32)	**-**
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain\loss on disposal to the CIES	236	1,161	(1,319)	-	-	**(78)**
Transfer from Deferred Capital receipts on receipt of cash	-	-	(12)	-	-	**12**
Used to finance new capital expenditure	-	-	2,660	-	-	**(2,660)**
Contribution towards administrative costs of non-current asset disposals	-	(17)	17	-	-	**-**
Contribution to finance the payments to the Government capital receipts pool	(596)	-	596	-	-	**-**
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer to Deferred Capital Receipts Reserve upon revaluation of rents to mortgages.	-	20	-	-	-	**(20)**
Adjustments relating to the Major repairs Reserve:						
Reversal of Major repairs Allowance credited to the HRA	-	6,932	-	(6,932)	-	**-**
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	5,418	-	**(5,418)**
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited\credited to the CIES	(719)	(337)	-	-	-	**1,056**
Adjustments involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the CIES is different from that calculated in accordance with statutory requirements.	114	-	-	-	-	**(114)**
Adjustments involving the Accumulated Absences Account						
Amount by which officer remuneration charged to CIES on an accruals basis is different from that required in accordance with statutory requirements	(22)	2	-	-	-	**20**
TOTAL ADJUSTMENTS	***(5,870)***	***17,710***	***1,942***	***(1,514)***	***(32)***	***(12,236)***

7. EARMARKED RESERVES

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

	Balance 31 March 2012 £000	Transfers Out £000	Transfers In £000	Balance 31 March 2013 £000	Transfers Out £000	Transfers In £000	Balance 31 March 2014 £000
Housing Repairs Reserve	*3,915*	*(5,607)*	*5,200*	*3,508*	(5,953)	5,200	2,755
District Development Fund	*3,457*	*(1,649)*	*1,773*	*3,581*	(1,904)	2,171	3,848
Self Financing Reserve	-	-	*3,180*	*3,180*	-	3,180	6,360
Pension Deficit Reserve	*66*	-	-	*66*	(66)	-	-
Deferred Revenue Income	*498*	*(19)*	-	*479*	(21)	-	458
Insurance Reserve	*1,143*	*(13)*	-	*1,130*	(81)	-	1,049
Service Enhancement Fund (HRA)	-	-	*170*	*170*	(58)	-	112
Building Control	*94*	*(73)*	-	*21*	-	-	21
On Street Parking	*28*	-	-	*28*	-	-	28
Museum Fund	*9*	-	*9*	*18*	-	8	26
Rental Loans	-	-	-	-	-	191	191
Small Loans Fund	*5*	-	-	*5*	-	-	5
Total Earmarked Reserves	***9,215***	***(7,361)***	***10,332***	***12,186***	**(8,083)**	**10,750**	**14,853**

8. OTHER OPERATING EXPENDITURE

	31 March 2014 £000	31 March *2013 £000*
Parish Council Precepts	2,990	*3,167*
Parish Support Grants	320	*0*
Payments to the Government Housing Receipts Pool	685	*596*
(Gains)/losses on the disposal of non-current assets	(2,047)	*(443)*
Total	**1,948**	***3,320***

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	31 March 2014 £000	31 March *2013 £000*
Total Net Surplus from Trading Operations (Note 29)	(2,640)	*(3,340)*
Interest payable and similar charges	5,542	*5,516*
Pensions interest cost	3,009	*1,881*
Interest receivable and similar income	(431)	*(517)*
Changes in Fair Values of Investment Properties	(470)	*2,241*
Changes in Value of Deferred Capital Receipts	(127)	*(20)*
Reversal of Investment Impairment	(169)	*0*
Total	**4,714**	***5,761***

10. TAXATION AND NON SPECIFIC GRANT INCOMES

	31 March 2014 £000	2013 £000
Council Tax income	(10,567)	*(11,373)*
Non Domestic Rate income and expenditure	(2,519)	*(6,530)*
Non-ring fenced government grants	(6,251)	*(1,063)*
Capital grants and other contributions	0	*(60)*
Total	**(19,337)**	***(19,026)***

11. EXCEPTIONAL ITEMS

There are no exceptional item reported within the Accounts in 2013/14.

There was one item reported in the prior period. This was:-

A compensation payment of £100,000 and interest of £237,000 has been received in relation to an ongoing compulsory purchase order that dates back to around 1992. The case has been quite complex with the Council needing to prove good title with regard to the land in question. The compensation itself has been treated as a Capital Receipt with the interest being treated as revenue income and credited to the DDF.

12. PROPERTY PLANT AND EQUIPMENT

A thorough review of non current assets was undertaken during 2012/13 as part of the process to implement a new Asset Management System. The review provided a more detailed analysis of the assets owned by the Council and their associated values. It also revealed the need to restate the Council's gross book values and gross depreciation figures in two asset groups: vehicles, plant and equipment; and infrastructure assets. In both cases the gross figures have been restated downwards to account for redundant assets no longer in use. The net book values have not been affected.

	OPERATIONAL ASSETS							
	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	WIP Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value 31 March 2013	459,848	43,577	15,399	18,289	2,822	794	1,217	541,946
Reclassified	-	(43)	-	(26)	-	43	-	(26)
Restated	(27)	(269)	(365)	-	-	-	-	(661)
01 April 2013	459,821	43,265	15,034	18,263	2,822	837	1,217	541,259
Additions	10,310	398	627	221	-	-	216	11,772
Disposals	(3,736)	-	(78)	-	-	-	-	(3,814)
Reclassified in year	(1,437)	355	398	205	-	(858)	513	(824)
Revaluations Credited to the CIES	30,544	(89)	-	-	-	-	(587)	29,868
Revaluation Credited to the Revaluation reserve	2,985	230	-	-	-	817	365	4,397
Accumulated Depreciation & Impairment written off on revaluation	(12,693)	(639)	-	-	-	-	(36)	(13,368)
Gross Book Value 31 March 2014	485,794	43,520	15,981	18,689	2,822	796	1,688	569,290
Depreciation 31 March 2013	-	(2,026)	(6,094)	(5,177)	-	(8)	-	(13,305)
Restated	-	74	385	-	-	-	-	459
01 April 2013	-	(1,952)	(5,709)	(5,177)	-	(8)	-	(12,846)
Reclassified	37	(55)	53	1	-	-	(36)	-
Depreciation in Year	(12,826)	(745)	(1,424)	(500)	-	-	-	(15,495)
Depreciation on Assets Sold	96	-	64	-	-	-	-	160
Accumulated Depreciation & Impairment written off on revaluation	12,693	639	-	-	-	-	36	13,368
Depreciation 31 March 2014	-	(2,113)	(7,016)	(5,676)	-	(8)	-	(14,813)
Net Book Value 31 March 2014	**485,794**	**41,407**	**8,965**	**13,013**	**2,822**	**788**	**1,688**	**554,477**

	OPERATIONAL ASSETS							
	Council Dwellings and Garages	***Other Land and Buildings***	***Vehicles, Plant and Equipment***	***Infrastructure Assets***	***Community Assets***	***Surplus Assets***	***WIP Assets***	***Total***
	£000	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***	***£000***
Gross Book Value 31 March 2012	*454,463*	*42,823*	*17,154*	*17,746*	*2,822*	*756*	*669*	*536,433*
Reclassified	*-*	*-*	*(282)*	*282*	*-*	*-*	*-*	*-*
Restated	*-*	*269*	*(2,500)*	*(105)*	*-*	*-*	*-*	*(2,336)*
01 April 2013	*454,463*	*43,092*	*14,372*	*17,923*	*2,822*	*756*	*669*	*534,097*
Additions	*9,069*	*348*	*1,485*	*366*			*905*	*12,173*
Disposals	*(841)*	*-*	*(592)*	*-*	*-*	*-*	*-*	*(1,433)*
Reclassified in year	*(407)*	*137*	*134*	*-*	*-*	*38*	*(357)*	*(455)*
Revaluations credited to the CIES	*19,228*	*-*	*-*	*-*	*-*	*-*	*-*	*19,228*
Revaluation Credited to the Revaluation reserve	*459*	*-*	*-*	*-*	*-*	*-*	*-*	*459*
Accumulated Depreciation & Impairment Written off on revaluation	*(22,123)*	*-*	*-*	*-*	*-*	*-*	*-*	*(22,123)*
Gross Book Value 31 March 2013	*459,848*	*43,577*	*15,399*	*18,289*	*2,822*	*794*	*1,217*	*541,946*
Depreciation 31 March 2012	*(9,786)*	*(1,336)*	*(7,836)*	*(4,594)*	*-*	*-*	*-*	*(23,552)*
Restated Depreciation	*-*	*8*	*196*	*(196)*	*-*	*(8)*	*-*	*-*
Accumulated Depreciation written off on revaluation	*-*	*6*	*2,500*	*105*	*-*	*-*	*-*	*2,611*
01 April 2012	*(9,786)*	*(1,322)*	*(5,140)*	*(4,685)*	*-*	*(8)*	*-*	*(20,941)*
Depreciation in Year	*(12,377)*	*(704)*	*(1,418)*	*(492)*	*-*	*-*	*-*	*(14,991)*
Depreciation on assets sold	*40*	*-*	*464*	*-*	*-*	*-*	*-*	*504*
Accumulated Depreciation & Impairment written off on revaluation	*22,123*	*-*	*-*	*-*	*-*	*-*	*-*	*22,123*
Depreciation 31 March 2013	*-*	*(2,026)*	*(6,094)*	*(5,177)*	*-*	*(8)*	*-*	*(13,305)*
Net Book Value 31 March 2013	***459,848***	***41,551***	***9,305***	***13,112***	***2,822***	***786***	***1,217***	***528,641***

	OPERATIONAL ASSETS							
	Council Dwellings and Garages	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	WIP Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	940	15,981	18,689	2,822	-	1,688	40,120
Valued at fair value as at:								
31 March 2014	485,794	9,027	-	-	-		-	494,821
31 March 2013	-	275	-	-	-	540	-	815
31 March 2012	-	1,459	-	-	-	216	-	1,675
31 March 2011	-	31,819	-	-	-	40	-	31,859
Total Cost or Valuation	485,794	43,520	15,981	18,689	2,822	796	1,688	569,290

13. HERITAGE ASSETS

	Waltham Abbey Bible	Other Artefacts	Civic Chains	Epping Fountain	Total
	£000	£000	£000	£000	£000
Gross Book Value 31 March 2013	*262*	*147*	*110*	*26*	*545*
Depreciation 31 March 2013	-	-	-	(3)	(3)
Depreciation in Year	-	-	-	-	-
Depreciation 31 March 2014	-	-	-	(3)	(3)
Net Book Value 31 March 2014	262	147	110	23	542

	Waltham Abbey Bible	*Other Artefacts*	*Civic Chains*	*Epping Fountain*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Gross Book Value 31 March 2012	*262*	*147*	*110*	*26*	*545*
Depreciation 31 March 2012	*-*	*-*	*-*	*(3)*	*(3)*
Depreciation in Year	*-*	*-*	*-*	*-*	*-*
Depreciation 31 March 2013	*-*	*-*	*-*	*(3)*	*(3)*
Net Book Value 31 March 2013	***262***	***147***	***110***	***23***	***542***

Waltham Abbey Bible and other artefacts

The Bible and other Artefacts are valued based on their valuation on the current insurance schedule. The items included on the Balance Sheet relate only to the top items featuring on the schedule. The total insurance valuation is rather higher than this but cannot be identified to a particular item or items that are in the Council's collection.

There are some quite significant assets within the collection. The most valuable being the Waltham Abbey Bible valued at £262,500, a painting 'view from the garden, Epping' by artist Lucien Pissarro who lived in the district for a while (£63,000), A Purbeck marble bust of a knight valued in 1985 at £36,000, two hoards of coins valued at £21,900 in total and five other items identified separately valued in total at a little over £25,000.

The Council's museums service holds a large collection of Heritage Assets but in many cases no valuation is available.

As well as the assets referred to earlier there are between 25,000 and 30,000 pieces of art work including watercolours and sketches, over 10,000 objects and documents of social historic interest, a large number of photographic and archaeological items and some costumes. Some of this has been catalogued but by no means all. The assets are either held within the museum itself or held in storage. No valuation has been undertaken of these assets as it would have been too onerous to do so in the time scale applicable to the financial statements.

Epping Fountain

The Epping Fountain was previously recognised as an Infrastructure Asset and has been reclassified as a Heritage Asset. The fountain was erected many years ago and, although removed for some years, has now been refurbished and re-erected in its original position.

Civic Chains

The Chains were both passed to the Council by predecessor authorities. They feature a number of symbols related to the history of the district.

The Hunting Horn is the Master Keeper’s symbol of office and Chigwell and Loughton were two of the ten walks in the forest over which the Master Keeper had authority. In the forest region, the Lordship of the Manor developed from the office of Master Keeper.
The wreath of Oak Leaves is also symbolic of the forest.

The Stag is thought to be the single feature unifying the district. The Stag is particularly representative of Buckhurst Hill.
The Axe-heads were introduced because they were the Verderer’s symbol of Office and the Verderer’s Court was held at the King’s Head, Chigwell. They are also symbolic of the great fight to save the forest from enclosure, in which Loughton was so prominent.

14. INVESTMENT PROPERTY

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

	31 March 2014 £000	31 March 2013 £000
Rental income from investment property	4,109	***4,570***
Direct operating expenses arising from investment property	(268)	***(204)***
Net gain/(loss)	**3,841**	***4,366***

The following table summarises the movement in fair value of investment properties over the year. Most property valuations have increased slightly or remained the same. The updated valuations were carried out as at 31 March 2014 .The reduction in the prior year was due to a fall in the value of land at North Weald Airfield used for the Saturday and Bank Holiday markets. The popularity of the market has diminished recently and fewer traders and members of the public attend. A reduced rent was agreed with the operator and as a result the valuation fell.

	31 March 2014 £000	31 March 2013 £000
Balance as at 31 March	39,242	*41,541*
Reclassified	26	-
Balance as at 1 April	39,268	*41,541*
Reclassified in year	(34)	(68)
Construction	50	10
Net gains/(losses) from fair value adjustments	470	*(2,241)*
Balance at end of the year	**39,754**	***39,242***

15. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment, and is amortised over a 5 year period.

The carrying amount of intangible assets is amortised on a straight line basis. All of the amortisation charge of £227,000 to revenue in 2013/14 was charged to the ICT cost centre and then absorbed as an overhead across all the service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	31 March	
	2014	***2013***
	£000	***£000***
Balance at start of year:-		
Gross carrying amounts	1,519	*1,445*
Accumulated amortisation	(903)	*(626)*
Net carrying amount at start of year	616	*819*
Additions	154	*74*
Amortisation	(227)	*(277)*
Net Carrying Amount at end of year	**543**	***616***

16. ASSETS HELD FOR SALE

A HRA property, Leader Lodge in North Weald, was originally put up for sale in 2012/13 and, although a sale was agreed, the buyers withdrew their offer. Active marketing of the property resumed in March 2014 and an unconditional offer of £652,000 has now been received and therefore the property has been re-valued to this amount. A former car park in Church Hill Loughton was also put up for sale in 2013/14 and has subsequently been sold in May 2014 for £858,000.

17. LONG TERM DEBTORS

	31 March	
	2014	***2013***
	£000	***£000***
Mortgages	13	*21*
Capital Advances (B3 Living)	493	*189*
Rents to Mortgages	1,493	*1,366*
Other Local Authorities - Transferred Debt	377	*401*
Home Assist Loans	77	-
Net Carrying Amount at end of year	**2,453**	***1,977***

18. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long term		Current	
	31 March 2014 £000	***31 March 2013 £000***	**31 March 2014 £000**	***31 March 2013 £000***
Financial liabilities at amortised cost				
Borrowing	185,456	*185,456*	-	
Trade Creditors	-	-	5,277	*5,006*
Total financial liabilities	**185,456**	***185,456***	**5,277**	***5,006***
Loans and receivables at amortised costs				
Investments	10,004	*10,074*	33,911	*30,259*
Debtors	2,453	*1,977*	5,866	*5,773*
Cash			10,308	*4,905*
	12,457	***12,051***	**50,085**	***40,937***
Available for Sale	-	-	5,030	*5,001*
Total financial assets	**12,457**	***12,051***	**55,115**	***45,938***

On 28 March 2012 the Council took on new debt of £185.456m from the Public Works Loan Board (PWLB) to pay the Department of Communities and Local Government on the cessation of the HRA Subsidy System.

The item included under Available for Sale in the financial instruments balances table above is included within the cash & cash equivalents on the balance sheet. The £5m relates to an investment made to a Money Market Fund and interest accrued, which needs to be reported under Available for Sale within the financial instruments balances. The Code of Practice requires an Available for Sale Financial Instruments Reserve Account to record any unrealised gains or losses from holding available for sale investment. However, as this is a Money Market Fund which has a constant net asset value, this means that each £1 invested buys 1 unit, which is re-priced back to £1 at the end of each day. All gains are realised and credited to the CIES.

Income, Expense, Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments consists of the following items:

	Financial Liabilities:		Financial Assets:	
	2013/14 £000	**2012/13 £000**	**2013/14 £000**	**2012/13 £000**
Interest expense	(5,542)	*(5,517)*	-	-
Impairment (losses) / gains	-	-		
Interest payable and similar charges	**(5,542)**	***(5,517)***	**-**	**-**
Interest income		-	431	*517*
Interest and investment income	**-**	**-**	**431**	***517***
Net gain/(loss) for the year	**(5,542)**	***(5,517)***	**431**	***517***

Fair Values of Assets and Liabilities

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. Fair value is the amount for which an asset can be exchanged, or a liability settled. The Council's debt outstanding at 31 March 2014 consists of loans from the Public Works Loan Board (PWLB). The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have to pay to extinguish the loans on these dates.

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

	31 March 2014		31 March 2013	
	Carrying amount £000	**Fair Value £000**	**Carrying amount £000**	**Fair Value £000**
Financial liabilities				
Borrowing	185,501	*187,940*	185,501	*199,342*
Long-term creditors	-	-	-	-
Total Financial Liabilities	**185,501**	***187,940***	**185,501**	***199,342***
Financial assets				
Investments	43,914	*43,914*	40,333	*40,333*
Long-term debtors	2,453	*2,453*	1,977	*1,977*
Total Financial Assets	**46,367**	***46,367***	**42,310**	***42,310***

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

The Council had £10,004,000 (£10,074,000 at 31 March 2013) classed as investments in excess of one year. These relates to two investments totalling £10m made to other local authorities and £4,000 other long term investments. It is assumed that the carrying amount shown in the balance sheet is approximate to the fair value.

19. INVENTORIES

	2014				
	Franking Machines £000	**Miscellaneous Stocks £000**	**Works Unit £000**	**Work In progress £000**	**TOTAL £000**
Balance at the start of the year	18	120	64	11	**213**
Purchases	25	165	252		**442**
Recognised as an expense during the year	(25)	(91)	(260)	(5)	**(381)**
Balance at year end	**18**	**194**	**56**	**6**	**274**

	Franking Machines	*Miscellaneous Stocks*	***2013 Restated*** *Works Unit*	*Work In progress*	***TOTAL***
	£000	***£000***	***£000***	***£000***	***£000***
Balance at the start of the year	*17*	*74*	*76*	*14*	***181***
Purchases	*29*	*308*	*161*	*7*	***505***
Recognised as an expense during the year	*(28)*	*(262)*	*(173)*	*(10)*	***(473)***
Balance at year end	***18***	***120***	***64***	***11***	***213***

20. DEBTORS AND PREPAYMENTS

	31 March	
	2014	***2013***
	£000	***£000***
Amounts falling due in one year		
Government Departments	990	*1,856*
Other Local Authorities	1,067	*911*
Council Tax arrears	278	*246*
NDR arrears	243	*-*
Housing Rent arrears	473	*319*
Sundry debtors	2,426	*2,400*
Prepayments	176	*260*
Others	-	*1*
Total Debtors	**5,653**	***5,993***

Council Tax arrears, and from 1 April 2013, Business Rates arrears shown above and the related bad debt provision relate only to the Council's proportion of the total debt. The remainder is shown as part of an amount due from major preceptors on the basis that the Council has paid over more in precepts than it has received and is net of prepayments. This is the situation with regard to Business Rates.

21. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements.

	31 March	
	2014	***2013***
	£000	***£000***
Cash	147	*5*
Bank current accounts	2,161	*4,900*
Short-term deposits with money market funds	13,030	*5,001*
Total Cash and Cash Equivalents	**15,338**	***9,906***

The 'Short-term deposits with money market funds' relates to £13m deposit made to a Money Market Fund and interest accrued (£30,000). This has been included within the cash equivalents as funds can be drawn down and used on the day of request. The fund has a constant net asset value, this means that each £1 you put in buys 1 unit, which is re-priced back to £1 at the end of each day.

22. CREDITORS

	31 March	
	2014	***2013***
	£000	***£000***
Government Departments and Other Local Authorities	1,940	*1,455*
Council Tax	220	*178*
Non Domestic Rates	136	-
Housing rents	309	*241*
Sundry creditors	4,422	*3,564*
Accruals and deferred income	1,916	*2,693*
Total Creditors	**8,943**	***8,131***

Included within creditors is £3,000 (£3,000 at 31 March 2013) relating to Waltham Abbey Tourist Information Centre. This falls within the definition of a related party. Council Tax prepayments, and from 1 April 2013, Business Rates prepayments shown above relate only to the Council's proportion of the total debt. The remainder is shown as part of an amount due to major preceptors on the basis that the Council has paid over less in precepts than it has received and is net of arrears. This is the situation with regard to Council Tax. With regard to Business Rates there was a net Debtor at the end of 2013/14.

23. PROVISIONS

An outstanding legal case provision of £200,000 has been created on the basis that a settlement has been proposed regarding the ongoing proceedings brought by property search companies for the refund of fees paid by them to the Council. The proposed settlement is on the basis that interest and costs are excluded and have yet to be determined and that the claimants concerned still intend to advance a claim for damages against authorities for anti competitive behaviour. It is the view of the authorities legal advisors that the case for damages for anti competitive behaviour is somewhat weaker than the claim for refunds but nevertheless there are risks attached to having to defend such a claim at trial.

With the retention of Business Rates income the Council has had to take on the liability for settling appeals. It has been necessary to make a provision for those appeals within the Collection Fund. The total amount being £1.49 million of which £594,000 relates to this Council.

24. USABLE AND UNUSABLE RESERVES

Movements in Usable Reserves are shown in detail on the Movement in Reserves Statement.

	31 March 2014 £000	2013 £000
Revaluation Reserve	12,587	*7,934*
Capital Adjustment Account	397,913	*374,915*
Pensions Reserve	(57,820)	*(75,357)*
Deferred Capital Receipts Reserve	1,504	*1,384*
Collection Fund Adjustment Account	(275)	*15*
Accumulated Absences Account	(163)	*(147)*
Total Unusable Reserves	**353,746**	***308,744***

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 2014 £000	2013 £000
Balance as at 1 April	7,934	*8,060*
Revaluations during the year	4,534	*459*
Depreciation adjustment	122	*(585)*
Restatement	(3)	-
Balance at 31 March	**12,587**	***7,934***

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 and gains recognised as donated assets that have yet to be consumed by the Council.

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

Note 6 details the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2014 £000	2014 £000	31 March 2013 £000
Balance at 1 April		374,915	*360,870*
Reversal of items relating to capital expenditure debited or credited to the CIES			
Charges for depreciation and impairment of non-current assets	(15,495)		*(14,991)*
Revaluation gains/(losses) on Property, Plant and Equipment	29,868		*19,228*
Amortisation of intangible assets	(227)		*(277)*
Revenue expenditure funded from capital under statute	(134)		*(707)*
Amounts for non-current assets written off on disposal or sale as part of gain/loss on disposal to the CIES	(3,842)	10,170	*(928)*
Adjusting Amounts written out of the Revaluation Reserve		(134)	*585*
		384,951	*363,780*
Capital financing applied in the year			
Use of the Capital Receipts Reserve to finance new capital expenditure	1,644		*2,660*
Use of the Major Repairs Reserve to finance new capital expenditure	6,145		*5,418*
Capital grants credited to the CIES that have been applied to capital financing	480		*730*
Capital expenditure charged against the General Fund and HRA balances	4,223	12,492	*4,228*
Asset Revaluations			*340*
Movement in the market value of Investment Properties debited or credited to the CIES		470	*(2,241)*
Balance at 31 March		**397,913**	***374,915***

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) was established under Financial Reporting Standards 25, 26 and 29 when Financial Instruments were adopted into the then SORP (2007), now superseded by the Code. The FIAA is not currently in use so does not form part of the Balance Sheet.

Pensions 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	
	2014	***2013***
	£000	***£000***
Balance at 1 April	(75,357)	*(65,625)*
Actuarial (gains) or losses on pensions assets and liabilities	20,425	*(8,676)*
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(6,855)	*(4,885)*
Employers pensions contributions and direct payments to pensioners payable in the year	3,967	*3,829*
Balance at 31 March	**(57,820)**	***(75,357)***

Deferred Capital Receipts Reserve

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 deferred cash settlement deferred cash eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	31 March	
	2014	***2013***
	£000	***£000***
Balance at 1 April	1,384	*1,372*
Repayment of Mortgages	(7)	*(8)*
Rents to Mortgages	127	*20*
Balance at 31 March	**1,504**	***1,384***

Collection Fund Adjustment Account

The Collection Fund manages the differences arising from the recognition of Council Tax income in the CIES as it falls due from Council Tax Payers compared with the statutory arrangements for paying across amounts to General Fund from the Collection Fund.

	31 March 2014 £000	31 March 2013 £000
Balance at 1 April	15	*(99)*
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	104	*114*
Amount by which non domestic rate income credited to the CIES is different from non domestic rate income calculated for the year in accordance with statutory requirements	(394)	*-*
Balance at 31 March	**(275)**	***15***

Accumulated Absences Account

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

	31 March 2014 £000		31 March 2013 £000
Balance at 1 April		(147)	*(127)*
Reversal of prior year accrual	147		*127*
Amounts accrued at the end of the current year	(163)		*(147)*
Amount by which the officer remuneration charges to the CIES is different from remuneration chargeable		(16)	*(20)*
Balance at 31 March		**(163)**	***(147)***

25. CASH FLOW STATEMENT - OPERATING ACTIVITIES

Adjust net surplus or deficit on the provision of services for non cash movements

	31 March 2014 £000	31 March 2013 £000
Depreciation	15,495	*14,991*
Amortisation	227	*277*
Impairment and downward valuations	(30,090)	*(19,228)*
Material Impairment losses on Investment debited to surplus or deficit on the provision of services in year		
Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss a/c		
Increase / (Decrease) in Interest Creditors	-	*(77)*
Increase / (Decrease) in Creditors	1,333	*706*
(Increase) / Decrease in Interest and Dividend Debtors	(111)	*72*
(Increase) / Decrease in Debtors	(748)	*(485)*
(Increase) / Decrease in Inventories	(61)	*(31)*
Pension Liability	2,888	*1,056*
Contributions to / (from) Provisions	794	*202*
Carrying amount of non-current assets sold	3,842	*936*
Movement in Investment Property Values	(470)	*2,241*
Total	**(6,901)**	***660***

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

	31 March 2014 £000	31 March 2013 £000
Capital Grants credited to surplus or deficit on the provision of services	(855)	*(576)*
Net adjustment from the sale of short and long term investments	70	-
Proceeds from the sale of property and equipment, investment property and intangible assets	(6,085)	*(1,315)*
Total	**(6,870)**	***(1,891)***

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

	31 March 2014 £000	31 March 2013 £000
Interest received	320	*589*
Interest charge for the year	(5,542)	*(5,593)*
Other operating activities	19,113	*17,935*
Total	**13,891**	***12,931***

26. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	31 March 2014 £000	31 March 2013 £000
Purchase of property, plant and equipment, investment property and intangible assets	(12,919)	*(11,941)*
Purchase of short-term and long-term investments	(99,638)	*(125,039)*
Other payments for Investing Activities	(1,228)	*(196)*
Proceeds from sale of property, plant and equipment, investment property and intangible assets	5,948	*1,241*
Proceeds from short-term and long term investments	96,120	*117,239*
Other receipts from investing activities	1,530	*905*
Net cash flows from investing activities	**(10,187)**	***(17,791)***

27. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	31 March 2014 £000	31 March 2013 £000
Billing Authorities - Council Tax and NNDR adjustments	1,728	-
Other receipts/ (payments) from financing activities	-	*949*
Net cash flows from financing activities	**1,728**	***949***

28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

2013/14

	Corporate Support Services £000	Deputy Chief Executive £000	Environmental & Street Scene £000	Finance & ICT £000	Housing £000	Office of the Chief Executive £000	Planning & Economic Development £000	Housing Revenue Account £000	Total £000
Fees, charges & other service income	(3,863)	(614)	(5,053)	(179)	(880)	(99)	(1,119)	(34,246)	**(46,053)**
Impairment Charges								(30,544)	**(30,544)**
Government Grants				(39,243)		(23)	(5)		**(39,271)**
Total Income	**(3,863)**	**(614)**	**(5,053)**	**(39,422)**	**(880)**	**(122)**	**(1,124)**	**(64,790)**	**(115,868)**
Employee Expenses	637	963	1,600	2,141	614	202	1,644	3,159	**10,960**
Other Service Expenses	728	730	9,515	804	608	170	574	9,795	**22,924**
Support Service Recharges	713	689	2,024	1,298	340	2,420	1,595	2,567	**11,646**
Depreciation	32	62	1,687	57			228	13,174	**15,240**
Benefit Payments				37,270					**37,270**
Total Operating Expenditure	**2,110**	**2,444**	**14,826**	**41,570**	**1,562**	**2,792**	**4,041**	**28,695**	**98,040**
Net Cost Of Services	**(1,753)**	**1,830**	**9,773**	**2,148**	**682**	**2,670**	**2,917**	**(36,095)**	**(17,828)**

2012/13

	Corporate Support Services £000	*Deputy Chief Executive £000*	*Environmental & Street Scene £000*	*Finance & ICT £000*	*Housing £000*	*Office of the Chief Executive £000*	*Planning & Economic Development £000*	*Housing Revenue Account £000*	*Total £000*
Fees, charges & other service income	(4,033)	*(394)*	*(5,375)*	*(399)*	*(697)*	*(109)*	*(591)*	*(31,189)*	***(42,787)***
Impairment Charges								*(19,228)*	***(19,228)***
Government Grants		*(65)*	*(94)*	*(47,143)*	*(449)*	-	*(10)*	*(475)*	***(48,236)***
Total Income	***(4,033)***	***(459)***	***(5,469)***	***(47,542)***	***(1,146)***	***(109)***	***(601)***	***(50,892)***	***(110,251)***
Employee Expenses	*604*	*851*	*1,530*	*1,950*	*751*	*195*	*1,402*	*2,778*	***10,061***
Other Service Expenses	*494*	*550*	*9,648*	*351*	*880*	*375*	*671*	*8,219*	***21,188***
Support Service Recharges	*683*	*652*	*2,070*	*1,418*	*463*	*2,313*	*1,313*	*1,944*	***10,856***
Depreciation	*23*	*83*	*1,560*	*57*	-		*232*	*12,717*	***14,672***
Benefit Payments	-	-	-	*45,679*	-	-	-	-	***45,679***
Total Operating Expenditure	***1,804***	***2,136***	***14,808***	***49,455***	***2,094***	***2,883***	***3,618***	***25,658***	***102,456***
Net Cost Of Services	***(2,229)***	***1,677***	***9,339***	***1,913***	***948***	***2,774***	***3,017***	***(25,234)***	***(7,795)***

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement.

	2013/14 £000	*2012/13 £000*
Net Expenditure in the Directorate Analysis	**17,828**	*7,795*
Services and Support Services not in analysis	**(201)**	*(69)*
Amounts in the CIES not reported to management in the Analysis	**-**	*(170)*
Amounts included in the Analysis not included in the Net Cost of Service	**(2,640)**	*(3,340)*
Cost of Services in CIES	**14,987**	***4,216***

Reconciliation to Subjective Analysis **2013/14**

	Directorate Analysis *£000*	**Services and Support Services not in analysis** *£000*	**Amounts not reported to management for decision making** *£000*	**Amounts not included in Net Cost of Service** *£000*	**Cost of Services** *£000*	**Corporate Amounts** *£000*	**Total** *£000*
Fees, charges & other service income	46,053	-	-	(4,408)	**41,645**	4,359	**46,004**
Impairment Reversal	30,544	-	-	-	**30,544**	-	**30,544**
Interest and Investment Income	-	-	-	-	**-**	431	**431**
Income from Council Tax	-	-	-	-	**-**	10,567	**10,567**
Government Grants and Contributions	39,271	-	-	-	**39,271**	8,770	**48,041**
Total Income	**115,868**	**0**	**0**	**(4,408)**	**111,460**	**24,127**	**135,587**
Employee Expenses	10,960	201	-	(636)	**10,525**	3,645	**14,170**
Other Service Expenses	60,194	-	-	(525)	**59,669**	530	**60,199**
Support Service Recharges	11,646	-	-	(566)	**11,080**	512	**11,592**
Depreciation, Amortisation and Impairment	15,240	-	-	(41)	**15,199**	(598)	**14,601**
Interest Payments	-	-	-	-	**-**	5,542	**5,542**
Precepts and Levies	-	-	-	-	**-**	3,310	**3,310**
Payments to Housing Capital Receipts Pool	-	-	-	-	**-**	684	**684**
(Gain)/Loss on Disposal of Fixed Assets	-	-	-	-	**-**	(2,046)	**(2,046)**
Rents to mortgages valuation increase	-	-	-	-	**-**	(127)	**(127)**
Total Expenditure	**98,040**	**201**	**0**	**(1,768)**	**96,473**	**11,452**	**107,925**
Surplus/(Deficit) on the provision of services	**17,828**	**(201)**	**0**	**(2,640)**	**14,987**	**12,675**	**27,662**

Reconciliation to Subjective Analysis

	2012/13						
	Directorate Analysis	***Services and Support Services not in analysis***	***Amounts not reported to management for decision making***	**Amounts not included in Net Cost of Service**	***Cost of Services***	***Corporate Amounts***	***Total***
Fees, charges & other service income	*42,786*	*387*	*237*	*(4,883)*	***38,527***	*4,884*	***43,411***
Impairment Reversal	19,228	*0*	*0*	*0*	***19,228***	*0*	*19,228*
Interest and Investment Income	-	-	-	-	**-**	*5,471*	*5,471*
Income from Council Tax	-	-	-	-	**-**	*11,373*	*11,373*
Government Grants and Contributions	48,236	-	-	-	***48,236***	*7,653*	*55,889*
Total Income	***110,250***	***387***	***237***	***(4,883)***	***105,991***	***29,381***	***135,372***
Employee Expenses	*10,061*	*181*	-	*(605)*	***9,637***	*7,439*	***17,076***
Other Service Expenses	*66,865*	*17*	*407*	*(635)*	***66,654***	*635*	***67,289***
Support Service Recharges	*10,856*	*257*	-	*(279)*	***10,834***	*279*	***11,113***
Depreciation, Amortisation and Impairment	*14,673*		-	*(24)*	***14,649***	*2,266*	***16,915***
Interest Payments	-	-	-	-	-	*5,516*	***5,516***
Precepts and Levies	-	-	-	-	-	*3,167*	***3,167***
Payments to Housing Capital Receipts Pool	-	-	-	-	-	*597*	***597***
(Gain)/Loss on Disposal of Fixed Assets	-	-	-	-	-	*(443)*	***(443)***
HRA self financing	-	-	-			-	
Rents to mortgages valuation increase	-	-	-	-	-	*(20)*	***(20)***
Total Expenditure	***102,455***	***455***	***407 -***	***1,543***	***101,774***	***19,436***	***121,210***
Surplus/(Deficit) on the provision of services	***7,795***	***(68)***	***(170)***	***(3,340)***	***4,217***	***9,945***	***14,162***

29. TRADING OPERATIONS

The trading operations of the Council comprise a number of Commercial Properties and Industrial Estates including North Weald Airfield where units are leased to local businesses at market rates, the Fleet Operations Service provides MOT testing and motor servicing to the public, and is currently under review.

	2013/14 Expenditure	2013/14 Income £000	2013/14 Surplus/Deficit £000
Industrial Estates	121	(1,225)	(1,104)
Commercial Properties	348	(1,847)	(1,499)
Fleet Operations	306	(283)	23
North Weald Centre	993	(1,053)	(60)
Total Surplus	**1,768**	**(4,408)**	**(2,640)**
2012/13	***1,544***	***(4,884)***	***(3,340)***

30. AGENCY SERVICES

An agreement exists with Sainsbury's supermarket whereby the Council's car parking management contractor manages two car parks on their behalf. In 2013/14 income from the car parks of £334,000 (2012/13 £333,000) was received, of which £297,000 (2012/13 £296,000), was paid over after allowing for an administration charge.

31. POOLED BUDGETS

Epping Forest Community Safety Partnership (CSP)

The Council works in partnership with a range of other public bodies and is supported by £26,928 funding from The Police and Crime Commissioner (PCC), to deliver Community Safety initiatives across the district.

Representatives on the Community Safety Partnership include the Council, Essex County Fire and Rescue Service, Essex Police, West Essex Clinical Commissioning Group, Probation Services and Voluntary Action Epping Forest. All partners have one voting right and as such, no one party has more control over the operation of the partnership than any other member.

The Police and Crime Commissioners Office is the accountable body for the Community Safety Fund in Essex and is responsible for the distribution of funding and monitoring and evaluation of work funded.

The Council is responsible for ensuring that grant monies are used in accordance with the wishes of the Community Safety Partnership as a whole and employs a Community Safety Manager, Community Safety Officer, CCTV Officer and assistant and two anti-social behaviour officers. In addition, part of the PCC funding supports a West Analyst post which is based at Epping Forest District Council (EFDC).

Local Strategic Partnership (LSP)

One Epping Forest is the Local Strategic Partnership (LSP) for Epping Forest District. It brings together public, private and voluntary sector agencies responsible for the provision of services. The partnership running costs are funded from a pooled budget established by Epping Forest District Council, to which other parties have made contributions. Epping Forest has made a contribution of £10,000 in 2013/14, and the partnership holds a balance of £52,000 available for use in future years.

32. MEMBER ALLOWANCES

Member allowances and expenses are shown below. Further details of these allowances are available on page 67.

	2013/14 £000	*2012/13 £000*
Allowances	291	*295*
Expenses	24	*23*
Total	**315**	***318***

33. OFFICER REMUNERATION

		Salary (Including fees & Allowances) £	Benefits in Kind £	Pension Contributions £	Total Remuneration including pension contributions. £
Chief Executive	2013/14	112,000	1,397	14,560	**127,957**
	2012/13	*56,000*	*673*	*7,280*	***63,953***
Deputy Chief Executive	2013/14	89,803	2,951	11,674	**104,428**
	2012/13	*99,769*	*4,508*	*12,970*	***117,247***
Director of Housing	2013/14	78,944	1,234	10,263	**90,441**
	2012/13	*79,872*	*4,605*	*10,356*	***94,833***
Director of Planning & Economic Development	2013/14	78,697	525	10,231	**89,453**
	2012/13	78,948	5,548	10,263	***94,759***
Director of Finance & ICT	2013/14	79,094	3,041	10,282	**92,417**
	2012/13	79,577	3,351	10,344	***93,272***
Director of Environment & Street Scene	2013/14	78,798	1,239	10,244	**90,281**
	2012/13	79,341	1,259	10,314	***90,914***
Director of Corporate Support Services	2013/14	78,158	1,239	10,161	**89,558**
	2012/13	78,010	1,239	10,141	***89,390***
Assistant to the Chief Executive	2013/14	64,148	1,239	8,332	**73,719**
	2012/13	75,623	1,239	9,699	***86,561***

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 13.0%.

The number of employees whose remuneration, including benefits in kind, but excluding employers pension contributions, was £50,000 or more in bands of £5,000 were (there were no officers in bands between £115,000 - £149,999).

Remuneration Band	**2013/14 Number of Employees**	***2012/13 Number of Employees***
£50,000 - £54,999	9	*10*
£55,000 - £59,999	5	*4*
£60,000 - £64,999	2	*2*
£65,000 - £69,999	1	*0*
£70,000 - £74,999	0	*0*
£75,000 - £79,999	2	*2*
£80,000 - £84,999	3	*4*
£85,000 - £89,999	0	*0*
£90,000 - £94,999	1	*0*
£95,000 - £99,999	0	*0*
£100,000 - £104,999	0	*1*
£105,000 - £109,999	0	*0*
£110,000 - £114,999	1	*0*
Total	**24**	***23***

Senior Officers where emoluments - salary is £150,000 or more per year.
No Senior Officer fell under this category in 2012/13 or 2013/14.

Termination Benefits

	2013/14			
Exit Package Cost Band (including special payments)	**Number of Compulsory Redundancies**	**Number of Other Departures**	**Total number of Exit Packages**	**Total Cost of Exit Packages in each band**
£0- £20,000	0	2	2	14,769
£20,000 - £40,000	0	1	1	25,891
£40,000 - £60,001	0	1	1	46,090
£150,000 - £200,000	0	1	1	164,817
Total cost included in bandings and in the CIES				**251,567**

In 2012/13 the Authority terminated one officers employment on the transfer of the management of on and off street parking to the North Essex Parking Partnership (NEPP). A redundancy payment of £46,064 was made to the employee in question which was wholly re-imbursed by Essex County Council.

34. EXTERNAL AUDIT FEES

The following external audit fees have been paid to the Audit Commission and BDO LLP.

	2013/14 £000	***2012/13 £000***
Fees payable to BDO LLP with regard to external audit services carried out by the appointed auditor for the year.	85	*100*
Fees payable to BDO LLP for the certification of grant claims and returns for the year.	28	*55*
Rebate of fees from Audit Commission	(11)	*(8)*
Total	**102**	***147***

35. GRANTS AND CONTRIBUTIONS

The Council credited the following grants and contributions to the CIES in 2013/14:

	2013/14 £000	*2012/13 £000*
Credited to Taxation and Non-Specific Grant Income		
Non domestic rates	-	*127*
Revenue Support Grant	4,373	*6,530*
New Homes Bonus	1,310	*719*
S31 Small business rate Relief	446	*-*
Council Tax Freeze grant	82	*204*
Second Homes Discount Allowance	-	*60*
Community Projects	17	*13*
Other	23	*-*
Total	**6,251**	***7,653***

	2013/14 £000	*2012/13 £000*
Credited to Services		
Department for Work and Pensions	38,577	*46,998*
Department for Communities and Local Government	587	*626*
Essex County Council	422	*222*
Essex Police Authority	23	*-*
Department of Health	-	*27*
Hughmark Continental	16	*65*
Broxbourne Borough Council	48	*-*
British Gas	-	*36*
Arts Council	54	*-*
Lottery Fund	35	*-*
Harlow Health Works Project	59	*-*
Contributions to Affordable Housing	412	*199*
Other grants and contributions received	84	*49*
Total	**40,317**	***48,222***

The Council has received some grants and contributions that have yet to be recognised as income as they have conditions attached to them that if they are not met will require monies to be returned to the giver. The balances at the year end are as follows:

	2013/14 £000	*2012/13 £000*
Capital Grants received in Advance		
Affordable Housing Contributions	467	*606*
St Johns Development	229	*225*
Department for Communities and Local Government	161	*199*
Essex County Council	-	*50*
Grange Farm Development	38	*38*
Manor Road Development	40	*-*
Hughmark Continental	44	*57*
Other	7	*7*
Total	**986**	***1,182***

36. RELATED PARTY DECLARATIONS

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

Central Government

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority 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). Grants received from government departments are set out in the subjective analysis on Note 28 on reporting for resource allocation decisions.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of members allowances paid in 2013/14 is shown in Note 32. During 2013/14 expenditure totalling £333,480 (£269,069 in 2012/13) was paid to, and income totalling £77,490 (£50,973 in 2012/13) was received from, organisations in which 27 members (22 in 2012/13) had connections. Included in the expenditure amount is a creditor of £3,000 (£3,000 in 2012/13). The nature of the expenditure was primarily grants and contributions to organisations of £297,305, subscriptions of £21,150, , rent of £6,000 and £9,025 of other items with which members had declared interests, with varying levels of involvement.

37. CAPITAL EXPENDITURE AND CAPITAL 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.

	2014 £000	*2013 £000*
Opening Capital Financing Requirement	184,672	*184,672*
Capital Investment		
Property, Plant and Equipment	11,773	*12,173*
Investment Properties	50	*10*
Revenue Expenditure Funded from Capital Under Statute	134	*707*
Private Sector Housing Loans	205	-
Intangible Assets	154	*74*
Sources of Finance		
Capital Receipts	(1,644)	*(2,660)*
Government grants and other contributions	(304)	*(584)*
Value of vehicle written off	-	*(74)*
Major Repairs Reserve	(6,145)	*(5,418)*
Direct revenue contributions	(4,223)	*(4,228)*
Closing Capital Financing Requirement	**184,672**	***184,672***

38. LEASES

Leasing rentals are charged to service revenue accounts.

The Council has entered into various leasing agreements relating to cars and vending equipment. All of the leases are categorised as operating leases. The arrangements provide for charges to be made evenly throughout the period of the lease. The total lease payment in 2013/14 is £136,000.

The total of future minimum lease payments due within 1 year are:	2013/14 £000	*2012/13 £000*
Cars	112	*14*
Vending Equipment	-	*5*
Total	**112**	***19***

Vehicles & Equipment

	2013/14 £000	*2012/13 £000*
Payments due;		
Not later than one year	112	*19*
Later than one year and not later than five years	135	*9*
Later than five years	-	-
Total	**247**	***28***

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

Assets Leased to Third Parties The total of future minimum lease payments due within 1 year are:	2013/14 £000	*2012/13 £000*
Land & Buildings		
Shops	1,655	*1,633*
Industrial & Commercial	1,032	*962*
Other	924	*898*
Total Rental Receivable	**3,611**	***3,493***

The timing of total future minimum lease payments are:

	31 March 2014		*31 March 2013*	
	Receipts due between 2 and 5 years	Total receipts due thereafter	*Receipts due between 2 and 5 years*	*Total receipts due thereafter*
	£000	£000	*£000*	*£000*
Land & Buildings				
Shops	5,293	4,231	*4,572*	*3,968*
Industrial & Commercial	3,968	50,732	*3,474*	*51,153*
Other	2,751	6,940	*3,192*	*7,077*
Total	**12,012**	**61,903**	***11,238***	***62,198***

Gross Amount of Assets held for use in operating leases.

	31 March 2014 £000	31 March *2013 £000*
Land & Buildings		
Shops	16,437	*16,040*
Industrial & Commercial	12,997	*12,767*
Other	10,320	*10,435*
Total Assets	**39,754**	***39,242***

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

39. PENSIONS

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

As part of the terms and conditions of employment of the Council's officers the authority offers retirement benefits. Although these benefits will not actually be payable 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 figures disclosed below have been derived from a re-assessment of the assets and liabilities as a result of an interim actuarial valuation of the Fund carried out by the Fund's Actuary, Barnett Waddingham Public Sector Consulting, as at 31 March 2014. The approach to calculating the IAS19 figures in between full actuarial valuations is approximate in nature. Broadly the approach by the Actuaries assumes that the experience of the Fund will be in line with the actuarial assumptions used for IAS19 purposes. The approach adopted by the Actuary follows "IAS 19 - Calculation Guide for Local Authorities".

The Council recognises cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against Council Tax is based on contributions payable to the fund in respect of 2013/14 so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure.

Changes to the reporting requirements of IAS 19 came into effect from 2013/14. The equivalent figures for the prior year would not be materially different to those reported previously so no restatement has been made.

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

Comprehensive Income and Expenditure Statement

	2013/14 £000	*2012/13 £000*
Service Cost	3,845	-
Current Service cost	-	*2,983*
Settlement and Curtailment loss	-	*21*
Net interest charged	3,009	-
Interest Cost	-	*6,835*
Expected return on Assets	-	*(4,954)*
Administration Expenses	15	-
Net charge made to the CIES	**6,869**	***4,885***

Pension Assets and Liabilities Recognised in the Balance Sheet

	2013/14 £000	*2012/13 £000*
Present value of the funded obligation	155,414	*165,891*
Present value of the unfunded obligation	4,101	*4,526*
Fair value of scheme assets	(101,695)	*(95,060)*
Net Liability in the Balance Sheet	**57,820**	**75,357**

Reconciliation of the fair value of the Scheme Liabilities

	Unfunded Liabilities		All Funded/Unfunded Liabilities: Local Government Pension Scheme	
	2014 £000	***2013 £000***	**2014 £000**	***2013 £000***
Net pensions liability at 1 April 2013	(4,526)	*(4,510)*	(170,417)	*(150,823)*
Movements in the current year				
Current service cost	-	-	(3,659)	*(2,983)*
Interest cost	(179)	*(200)*	(6,901)	*(6,835)*
Change in financial assumptions	-	-	3,662	-
Change in demographic assumptions	-	-	10,884	-
Experience loss/gain	-	-	2,851	-
Estimated benefits paid	-	-	4,859	*5,092*
Employers' contributions payable to scheme	335	*337*	-	-
Total actuarial losses	-	-	-	*(14,286)*
Past service cost including curtailments	-	-	(186)	*(21)*
Contributions by scheme participants	-	-	(943)	*(898)*
Unfunded pension payments	-	-	335	*337*
Actuarial gain/(loss)	269	*(153)*	-	-
Net pensions liability at 31 March	**(4,101)**	***(4,526)***	**(159,515)**	***(170,417)***

Reconciliation of fair value of the Scheme Assets:

	2014 £000	***2013 £000***
Fair value of the plan assets at 1 April	95,060	*85,198*
Expected Return on Scheme Assets	-	*4,954*
Interest on assets	3,892	-
Return on assets less interest	4,470	-
Total Actuarial gains/(losses)	(1,442)	*5,610*
Administration Expenses	(15)	-
Employer contributions including unfunded	3,981	*3,829*
Contributions by scheme participants	943	*898*
Benefits paid	(5,194)	*(5,429)*
Fair value of the plan assets at 31 March	**101,695**	***95,060***

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on assets less interest in the year was £3.97 million (£6.68 million for 2012/13).

Scheme History

	2013/14 £000	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000
Present Value of Liabilities	(159,515)	(170,417)	(150,823)	(130,136)	(139,219)
Fair Value of Assets	101,695	95,060	85,198	83,812	82,726
Surplus/(deficit) in the scheme	(57,820)	(75,357)	(65,625)	(46,324)	(56,493)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £58.32 million in the balance sheet has increased the reported net worth of the Council by 14% (22% 2012/13).

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

The total employer contributions expected to be made to the scheme by the council in the year to 31 March 2015 is £3.62 million. The Service Cost is expected to be £3.39 million for the year to 31 March 2015.

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 mortality rates, salary levels, and inflation rates. The District Council fund liabilities have been assessed by Barnett Waddington a firm of actuaries who provide the service for the Essex County Council Pension Fund, being based on the full Actuarial Valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

	2013/14 %	*2012/13 %*
Long term expected rate of return on assets in the scheme:		
Equity investments	6.70	*6.10*
Government Bonds	3.60	*3.00*
Other Bonds	4.20	*4.10*
Property	5.70	*5.10*
Cash/Liquidity	3.40	*0.50*
Alternative Assets	4.20	*6.10*

Mortality Assumptions

Longevity at 65 for current pensioners:		
Men	22.70	*22.70*
Women	25.10	*25.30*
Longevity at 65 for future pensioners:		
Men	24.90	*24.20*
Women	27.40	*26.90*
Rate of Inflation RPI	3.50%	*3.30%*
Rate of Inflation CPI	2.70%	*2.50%*
Rate of Increase in Salaries	4.50%	*4.30%*
Rate of Increase in pensions	2.70%	*2.50%*
Rate for discounting scheme liabilities	4.40%	*4.10%*

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

	As at 31 March 2014		***As at 31 March 2013***	
	£000	**%**	***£000***	***%***
Equities	67,803	67.00	*60,839*	*64.00*
Government Bonds	8,096	8.00	*6,654*	*7.00*
Other Bonds	8,096	8.00	*7,605*	*8.00*
Property	11,132	11.00	*11,407*	*12.00*
Cash/Liquidity	2,024	2.00	*3,802*	*4.00*
Alternative Assets	4,048	4.00	*4,753*	*5.00*
Total	**101,199**	**100**	***95,060***	***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 2013 actuarial review of the Pension Fund. The anticipated shortfall in the funding of the scheme has determined the future level of pension contributions which will be due in between triennial valuations.

Sensitivity Analysis as at 31 March 2014	Sensitivity 1	Sensitivity 2	Sensitivity 3
The table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service cost along with a plus/minus year age rating adjustment to the mortality assumption.	**+0.1% p.a. discount rate as at 31 March 2014 £000s**	**0.0% p.a. discount rate as at 31 March 2014 £000s**	**-0.1% p.a. discount rate as at 31 March 2014 £000s**
Present Value of Total Obligation	156,910	159,515	162,165
Projected Service Cost	3,325	3,393	3,462
Adjustment to mortality age rating	**+1year**	**none**	**-1year**
Present Value of Total Obligation	153,932	159,515	165,149
Projected Service Cost	3,277	3,393	3,510

40. CONTINGENT LIABILITIES

There has for some time been a possibility that the Council might become liable for the settlement of claims relating to Mesothelioma, the lung disease associated with exposure to Asbestos. There have been court proceeding in an attempt to ascertain whether liability to settle any claims rests with the Council's current insurers or the insurers at the time of employees exposure to the risk. On 28 March 2012 judgement was passed that liability rests with the insurers at the time of potential exposure. The insurers at the time are no longer trading as such and it is unlikely that there are sufficient assets to meet the totality of any claims, which will therefore mean some liability, if not all, will fall on the scheme creditors of which this Council is one. Whilst there is a little more clarity suggesting that 15% or £84,500 might be the extent of the liability, which has now been paid, this is by no means certain. Having reviewed the situation It is felt for the time being the transfer made to the insurance fund of £650,000 in 2011/12 should remain until such time as things become clearer.

41. NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with The Prudential Code of Capital Finance for Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy (for 2013/14 this was agreed at Full Council on 19 February 2013). The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

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

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

Credit Risk

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

Investments

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

The table below summaries the nominal value of the Council's investment portfolio at 31 March 2014, and confirms that all investments were made in line with the Council's approved rating criteria when investment placed:

The amounts below include the money market fund which is included in cash and cash equivalents.

		Balance invested as at 31 March 2014					
	Credit rating criteria met on 31	**Up to 1 month £000**	**Between 1 and 3 months £000**	**Between 4 and 6 £000**	**Between 7 and 12 £000**	**Greater than 12 months £000**	**Total £000**
Banks UK	YES	3,500	12,000	12,000	1,300		28,800
Banks UK	NO						0
Banks non-UK	NO						0
Total Banks		**3,500**	**12,000**	**12,000**	**1,300**	**0**	**28,800**
Building Societies	YES			5,000			5,000
Local Authorities						10,000	10,000
Money Market Funds	YES	13,000					13,000
Total		**16,500**	**12,000**	**17,000**	**1,300**	**10,000**	**56,800**

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £2.5m invested in Heritable bank at that time. As at 31 March 2014 an amount of £2.36m had been received from the administrator which represents a little over 94% of the original investment. The latest communication, received in September 2013, stated that further dividends were not expected until the end of the litigation process.

Debtors

The following analysis summaries the Council's potential maximum exposure to credit risk, based on the experience gathered over the last five financial years on the level of default on trade debtors, adjusted for market conditions.

	Amount at 31 March 2014 £000	**Default risk judged as at 31 March 2014 %**	**Bad debt provision for 2013/14 £000**
Sundry Debtors	4,448	45.5	2,022
Housing Arrears	1,094	56.8	621
Total	**5,542**		**2,643**

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

Liquidity Risk

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

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

The maturity analysis of the nominal value of the Council's debt at 31 March 2014 was as follows:

		31 March 2014 £000	% of total debt portfolio
Short Term Borrowing	**Less than 1 Year**	**0**	**0**
Long Term Borrowing	Over 1 but not over 2	0	0.00
	Over 2 but not over 5	0	0.00
	Over 5 but not over 10	31,800	17.15
	Over 10 but not over 15	0	0.00
	Over 15 but not over 20	0	0.00
	Over 20 but not over 25	60,000	32.35
	Over 25 but not over 30	93,656	50.50
Long Term Borrowing		**185,456**	**100.00**

Market Risk

Interest Rate Risk - The Council is exposed to risks arising from movements in interest rates. The Treasury Strategy aims to mitigate these risks by setting an upper limit of 25% on external debt that can be subject to variable rates. At 31 March 2014, 83% of the debt portfolio was held in fixed rate instruments and 17% in variable rate instruments.

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

	£000
Increase in interest payable on variable rate borrowing	318
Increase in interest receivable on variable rate investments	(193)
Impact on Surplus or Deficit on the Provision of Services	**125**
Share of overall impact debited/(credited) to HRA	**125**

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

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

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

42. CAPITAL COMMITMENTS

In April 2014 the Council purchased the long leasehold of 2 - 18 Torrington Drive for £3.5 million. The Council had committed itself to this purchase in December 2013. This was subject to the completion of works by the existing leaseholder.

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

	Note	2013/14 £000	*2012/13 £000*
INCOME			
Dwelling Rents (Gross)	3	(30,885)	*(29,226)*
Non Dwelling Rents		(870)	*(852)*
Charges for Services and Facilities		(1,985)	*(1,560)*
Leaseholder Contributions		(170)	*(172)*
Revaluation of Fixed Assets	1	(30,544)	*(19,228)*
TOTAL INCOME		(64,454)	*(51,038)*
EXPENDITURE			
Repairs and maintenance	4	6,053	*5,607*
Supervision and Management		7,169	*6,400*
Rents, Rates, Taxes and Insurance		542	*524*
Revenue Expenditure funded from Capital under Statute	10	170	*172*
Depreciation	2/8/9	13,110	*12,652*
Revaluation of Fixed Assets	1	632	*-*
Debt Management		51	*59*
Provision for Bad / Doubtful Debts		16	*176*
TOTAL EXPENDITURE		27,743	*25,590*
NET COST OF SERVICES AS INCLUDED IN THE COMPREHENSIVE INCOME & EXPENDITURE STATEMENT		(36,711)	*(25,448)*
HRA services share of Corporate & Democratic Core		572	*572*
HRA share of other services		44	*50*
NET COST (INCOME) OF HRA SERVICES		(36,095)	*(24,826)*
HRA SHARE OF THE INCOME AND EXPENDITURE INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		(36,095)	*(24,826)*
Gain on sale of HRA non-current assets		(2,236)	*(328)*
Interest Payable and Similar Charges		5,526	*5,517*
Interest and Investment Income		(375)	*(461)*
Valuation increase Rent to Mortgages		(127)	*(20)*
Pensions Interest/Return on Assets		963	*600*
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES		(32,344)	*(19,518)*

MOVEMENT ON HOUSING REVENUE ACCOUNT STATEMENT

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

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

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

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

	Note	2013/14 £000	*2012/13 £000*
INCREASE/DECREASE IN THE HOUSING REVENUE ACCOUNT BALANCE			
(Surplus)/Deficit for the year on the Housing Revenue Account Income and Expenditure Statement		(32,344)	*(19,518)*
Adjustments between accounting basis and funding basis under statute (including to or from reserves)	12	30,468	*17,710*
Transfers to Earmarked Reserves	12	2,285	*2,926*
(Increase) or decrease in the Housing Revenue Account balance		409	*1,118*
Housing Revenue Account surplus brought forward		(3,375)	*(4,493)*
Housing Revenue Account surplus carried forward		(2,966)	*(3,375)*

1. HOUSING REVENUE ACCOUNT ASSET VALUATION

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

	OPERATIONAL ASSETS						NON-OPERATIONAL ASSETS	
	Land £000	Dwellings £000	Garages £000	Vehicles & Equipment £000	Other Land & Buildings £000	Other £000	Investment Properties £000	Total £000
Gross Book Value								
1 April 2013	152,597	303,382	3,869	3,238	869	2,525	143	466,623
Revalued								
Restated	(12)	(15)			237			210
Reclassified	-		-					
1 April 2013	152,585	303,367	3,869	3,238	1,106	2,525	143	466,833
Revalued in year								
Additions		10,310		76	63	226		10,675
Disposals	(1,308)	(2,429)		(56)				(3,793)
Reclassified in year	(525)	(792)	(120)		39	1,402		4
Accumulated Depreciation Written Off		(12,559)	(134)		(1)			(12,694)
Revalued	11,745	21,730	54		(45)	(222)		33,262
Gross Book Value	162,497	319,627	3,669	3,258	1,162	3,931	143	494,287
Depreciation								
1 April 2013	-			(1,446)	(5)	(416)	-	(1,867)
Restated								
Reclassified								
1 April 2013	-	-	-	(1,446)	(5)	(416)	-	(1,867)
Accumulated Depreciation Written Off		12,559	134					12,693
Reclassified		37			2	-		39
Depreciation in Year	-	(12,688)	(138)	(260)	(10)	(56)		(13,152)
Depreciation on Assets Sold	-	92	4	56				152
Depreciation 31 March 2014	-	-	-	(1,650)	(13)	(472)	-	(2,135)
Net Book Value 31 March 2014	**162,497**	**319,627**	**3,669**	**1,608**	**1,149**	**3,459**	**143**	**492,152**
Net Book Value 1 April 2013	***152,597***	***303,382***	***3,869***	***1,588***	***856***	***2,053***	***143***	***464,488***

The dwelling valuation shown in the balance sheet represents the value of the housing stock to the Council in its existing use as social housing occupied on the basis of secured tenancies. The corresponding value of those dwellings if sold on the open market without tenants, i.e. vacant possessionis £1,148,017,500, based on stock figures as at 31 March 2014 and values as at 1 April 2013. The difference between the two values represents the economic cost of providing council housing at less than open market rents.

2. HOUSING STOCK

The Council was responsible for managing on average 6,530 (6,563 in 2012/13) dwellings during 2013/14. Changes in the stock are summarised below. The figures include 48 units for the homeless at Norway House, North Weald, and 6 wardens' and caretakers' dwellings.

		2013/14	2012/13
Stock as at 1 April		6,556	6,570
Less	Sales	(53)	*(13)*
	Stock Transfers / Conversions	(20)	*(5)*
	Reinstated Properties	(1)	
Add	New Properties	1	*4*
Stock as at 31 March		6,483	*6,556*
Number of:			
Houses and Bungalows		3,489	*3,518*
Flats and Maisonettes		2,984	*3,028*
Other		10	*10*

3. GROSS DWELLING RENT INCOME

During 2013/14 0.87% (0.76% in 2012/13) of all lettable dwellings were vacant. Average rents were £90.96 per week, an increase of £3.82 or 4% over the previous year. 52% (54% in 2012/13) of all Council tenants received some help through rent rebates in 2013/14. Rent arrears increased to £1,094,262 (£1,054,450 in 2012/13), which represents 3.5% (3.7% in 2012/13) of gross dwelling rent income. The provision for bad and doubtful debts on these arrears amounted to £621,478 (£735,794 in 2012/13). Amounts written off during the year totalled £129,980 (£73,122 in 2012/13). Dwelling rents are shown after allowing for voids.

4. HOUSING REPAIRS FUND

The Council maintains a Housing Repairs Fund that evens out the annual cost to tenants of a cyclical repairs programme. The movement on the Fund is as follows:

	2013/14		*2012/13*	
	£000	£000	*£000*	*£000*
Balance as at 1 April		(3,508)		*(3,915)*
Contribution from the HRA	(5,200)		*(5,200)*	
Other Income	(100)		*(81)*	
Total Income		(5,300)		(5,281)
Responsive & Void Repairs	3,884		*3,317*	
Planned Maintenance	2,093		*2,201*	
Other	76		*170*	
Total Expenditure		6,053		*5,688*
Balance as at 31 March		**(2,755)**		***(3,508)***

In accordance with the accounting changes introduced for the 2006/07 accounts, the amount shown on the face of the Housing Revenue Income and Expenditure Statement is the actual net expenditure on repairs and maintenance rather than the contribution to the repairs fund. The difference between the two figures forms part of the adjustments between accounting basis and funding basis under regulations (Note 6 page 20).

5. PENSIONS

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against the HRA is based on the contributions payable to the fund in respect of 2013/14; the real cost of retirement benefits is therefore reversed out of the Housing Revenue Account after Net Operating Expenditure.

6. HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS

The Council received £5,824,067 in respect of HRA capital receipts during 2013/14. This arose as a result of the sale of council houses (£5,813,390), sale of vehicles (£3,850) and principal repayments on mortgages (£6,827). Of this the Council used £101,500 for the housebuilding project and £68,900 for the administration of the sales which left £5,653,667 to fund other capital projects and pay the central government pool an amount of £684,515.

7. CAPITAL EXPENDITURE

The HRA incurred the following capital expenditure.

Capital Expenditure on:	**£000**	**Financed by:**	**£000**
Council Dwellings	9,563	Revenue	4,200
House Building and developments	368	Major Repairs Reserve	6,145
Disabled Adaptations	494	Capital Receipts	101
Plant, Vehicles and Equipment	76	Other Contributions	237
Intangibles	8		
Environmental Works	111		
Land and Buildings	63		
	10,683		**10,683**

8. MAJOR REPAIRS RESERVE

With effect from 1 April 2001 the Council is required to maintain a Major Repairs Reserve. This was originally funded from the Government via Housing Subsidy but is now funded from the HRA directly. The Housing Revenue Account is charged with the depreciation for the year the opposite entry of which is a credit to the Major Repairs Reserve. This income can then be used to fund repairs of a capital nature. For a transitionary period of five years The Council is allowed to transfer back to the HRA a notional sum calculated by the Government in lieu of the Major Repairs Allowance received. The movement on the reserve is as follows:

	2013/14		***2012/13***	
	£000	**£000**	***£000***	***£000***
Balance as at 1 April		(9,755)		*(8,241)*
Depreciation transferred from the HRA		(13,098)		*(12,652)*
Used to fund Capital Expenditure on Council Dwellings	6,145		*5,418*	
Transferred to the HRA	5,349		*5,720*	
Total Expenditure		11,494		*11,138*
Balance as at 31 March		**(11,359)**		**(9,755)**

9. DEPRECIATION

Depreciation is charged on Housing Revenue Account assets in accordance with IAS 16. Depreciation is now 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. (See also note 1, page 58)

10. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

A charge of £170,000 (£172,000 in 2012/13) was made in respect of revenue expenditure funded from capital under statute. This related to recharges to leaseholders for repairs.

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

	2013/14 £000	2012/13 £000
AMOUNTS TO BE EXCLUDED		
Transfer from Major Repairs Reserve and other depreciation reversals and impairments	**(5,393)**	***(5,767)***
Upward revaluation of Council Dwellings and Garages	**29,930**	***19,228***
Revenue expenditure funded from Capital under statute	**(170)**	***(172)***
Valuation changes Rents to Mortgages	**127**	***20***
Gain/(loss) on disposal of HRA fixed assets	**2,236**	***328***
Flexi / Leave Accruals	**(4)**	***2***
HRA share of contributions to/ (from) pensions reserve	**(2,139)**	***(1,559)***
	24,587	***12,080***

	2013/14	2012/13 £000
AMOUNTS TO BE INCLUDED		
Leaseholder Contributions	**170**	***172***
Employers contributions payable to the pension fund	**1,274**	***1,222***
Capital Expenditure funded by the HRA	**4,200**	***4,200***
Capital Contributions Applied	**237**	***36***
	5,881	***5,630***
Net Increase or Decrease before Transfers to/from Reserves	**30,468**	***17,710***

TRANSFERS TO EARMARKED RESERVES				
Housing Repairs Fund	**(753)**		***(407)***	
Self Financing Reserve	**3,180**		***3,180***	
Service Enhancement Fund	**(58)**		***170***	
Insurance Fund	**(84)**		***(17)***	
		2,285		***2,926***
		32,753		***20,636***

12. SETTLEMENT PAYMENTS DETERMINATION 2012 (HRA SELF-FINANCING)

On 28 March 2012 the Council borrowed £185,456,000 from the Public Works Loan Board in order to pay an equivalent amount over to the Department for Communities and Local Government. This payment was the amount prescribed as payable on the cessation of the HRA Subsidy regime on 31 March 2012. This amount is shown as long term loans on the Balance Sheet.

13. TRANSFER TO INSURANCE FUND

There has for sometime been a possibility that the Council might become liable for the settlement of claims relating to Mesothelioma. There have been court proceeding in an attempt to ascertain whether liability to settle any claims rests with the Councils current insurers or the insurers at the time of employees exposure to the risk. On 28 March 2012 judgement was passed that liability rests with the insurers at the time of potential exposure. The insurers at the time are no longer trading as such and it is unlikely that there are sufficient assets to meet the totality of any claims, which will therefore mean some liability if not all will fall on the scheme creditors of which this Council is one. Whilst there is a little more clarity and in fact the 15% levy of £84,000 has now been paid the actual extent of the liability is by no means certain. Having reviewed the situation it is felt for the time being the transfer made to the fund of £650,000 in 2011/12 should remain until such time as things become clearer.

14. TRANSFER TO SELF FINANCING RESERVE/SERVICE ENHANCEMENT FUND

As part of the new financial arrangements for the HRA two new earmarked reserves have been set up. A Self Financing Reserve was set up with the purpose of receiving a transfer of £3.18m per annum to accumulate enough funds to repay the £31.8m variable loan. Whilst this is the stated purpose of the fund the decision does not preclude the use of these funds for another HRA purpose. Self financing has meant additional funds have become available for HRA expenditure, as a result a programme of service enhancements and improvements have been agreed by the Council. It was agreed that any unspent monies allocated in 2013/14 should be carried forward within the fund for use in future accounting periods. The value of this carry forward at the end of the financial year was £112,000.

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

INCOME	Note	Council Tax 2013/14 £000	Non Domestic Rates 2013/14 £000	Collection Fund Total 2013/14 £000	*Council Tax 2012/13 £000*	*Non Domestic Rates 2012/13 £000*	*Collection Fund Total 2012/13 £000*
Council Tax	1	(76,662)	-	(76,662)	*(82,973)*	-	*(82,973)*
Non Domestic Rates	2	-	(32,979)	(32,979)	-	*(32,301)*	*(32,301)*
TOTAL INCOME		(76,662)	(32,979)	(109,641)	*(82,973)*	*(32,301)*	*(115,274)*
EXPENDITURE							
Precepts and Demands:							
Essex County Council		54,521	2,871	57,392	*59,663*	-	*59,663*
Essex Police		7,098		7,098	*7,505*	-	*7,505*
Essex Fire Authority		3,332	319	3,651	*3,647*	-	*3,647*
Epping Forest District Council		10,453	12,759	23,212	*11,334*	-	*11,334*
Distribution of Estimated Collection Fund Surplus/(Deficit).	3						
Essex County Council		57	-	57	*(400)*	-	*(400)*
Essex Police		7	-	7	*(49)*	-	*(49)*
Essex Fire Authority		4	-	4	*(24)*	-	*(24)*
Epping Forest District Council		11	-	11	*(75)*	-	*(75)*
Non Domestic Rate							
Payment to National Pool		-	-	-	-	*32,127*	*32,127*
Payment to Central Government		-	15,949	15,949	-	-	-
Transitional Protection		-	42	42	-	-	-
Cost of Collection Allowance		-	171	171	-	*174*	*174*
Provision for Appeals			1,486	1,486	-	-	-
Provision for Non Payment		280	(30)	250	*28*	-	*28*
Council Tax Write Offs		159	397	556	*509*	-	*509*
TOTAL EXPENDITURE		75,922	33,964	109,886	82,138	32,301	*114,439*
DEFICIT / (SURPLUS) FOR YEAR		(740)	985	245	*(835)*	-	*(835)*
BALANCE BROUGHT FORWARD		(115)	-	(115)	*720*	-	*720*
BALANCE CARRIED FORWARD		(855)	985	130	*(115)*	-	*(115)*

Notes to the Collection Fund

1. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council, Essex Police, Essex Fire Authority and this Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted discounts: 50,169 for 2013/14, 54,900 for 2012/13). The figure Band d equivalent figure has reduced in 2013/14 due to the abolition of Council Tax Benefit and the introduction of Local Council Tax Support (LCTS). The effect of LCTS is to act as a discount on Council Tax and reduce the number of chargeable properties rather than under Council Tax Benefit where the benefit granted was treated as a payment toward the Council Tax due. The basic amount of Council Tax for a Band D property (£1,443.42 for 2013/14, £1,438.65 for 2012/13) is multiplied by the proportion specified for the particular band to give an individual amount due.

	Chargeable Dwellings	Chargeable Dwellings after Discount, Exemptions and Disabled Relief	Ratio to Band D	Band D Equivalents
Band A Disabled	-	2	5/9	1
Band A	1,748	1,400	2/3	933
Band B	4,902	3,968	7/9	3,086
Band C	11,392	10,015	8/9	8,902
Band D	13,690	12,504	1	12,504
Band E	9,363	8,659	1 2/9	10,583
Band F	6,717	6,297	1 4/9	9,096
Band G	5,788	5,500	1 2/3	9,167
Band H	1,133	1,072	2	2,144
Total Band D				56,416
Band D equivalents entitled to Council Tax Support				5,118
Total Band D equivalents				51,298
Less Adjustment for Collection Rate				1,129
Council Tax Base				50,169

The income of £76,662,113 for 2013/14 (£82,973,314 for 2012/13) is receivable from the following sources.

	2013/14 £000	2012/13 £000
Billed to Council tax payers	76,804	73,959
Council Tax Benefits paid/(clawed back)	(142)	9,014
	76,662	82,973

2. NATIONAL NON DOMESTIC RATES

Non Domestic Rates are organised on a national basis. The Government specifies an amount, 46.2p (small business) and 47.1p (others) in 2013/14, (45.0p (small business) 45.8p (others) in 2012/13) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

In 2013/14 the method of distributing and accounting for Business Rates changed. Prior to 1 April 2013 Non Domestic Rates were collected by the Council and paid over to central Government who then redistributed the sums collected in the form of Non Domestic rates grant.

From 1 April 2013 Business Rates Retention came in 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 2013/14 this Council paid a tariff of £9,846,000 which is a charge to the General Fund.

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

If a reduction of business rates income of more than 7.5% of its funding baseline has occurred then the government will make up any difference between this and the actual loss in the form of a safety net payment. Whilst there has been a reduction in income this was not enough for the Council to fall into the safety net.

The total non-domestic rateable value at the year-end was £86,726,349(£86,549,824 in 2012/13).

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 and the other Major Precepting Authorities. The surplus or deficit on the fund is estimated as at 15 January every year and paid over or recovered from the Council's General fund and major precepting authorities in the following Financial year. The balance on the Fund represents the difference between the estimated surplus or deficit and the actual position. There was no deficit or surplus in relation to Business Rates as this is the first year of operation.

Annual Governance Statement

1 Scope of Responsibility

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

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

The Council has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and forms part of the Councils Constitution. A copy of the Code is on our website at www.eppingforestdc.gov.uk. This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2011, in relation to the publication of a Statement on Internal Control.

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 (2010).

The Council's Code of Governance recognises that effective governance is achieved through the following core principles.

(i) focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.

(ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles.

(iii) promoting values for the Council and demonstrating good governance through upholding high standards of conduct and behaviour.

(iv) taking informed and transparent decisions which are subject to effective scrutiny and management of risk.

(v) developing the capacity and capability of Members and officers to be effective.

(vi) engaging with local people and other stakeholders to ensure robust public accountability.

The table below summarises the Council's Governance Framework (which includes the system of internal control) for the year ending 31st March 2014 and up to the date of approval of this Statement and the Statement of Accounts.

	The Governance Framework
	The key elements of the Council's governance arrangements for 2013/14 were:
1	A corporate plan covering 2011-2015, setting out the Council's priorities and defining the goals to be achieved
2	The Constitution, which is revised each year
2.1	sets out the Council's decision-making framework
2.2	gives a clear definition of the roles and responsibilities of members, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer)
2.3	includes a scheme of delegation of responsibility, financial regulations and contract standing orders
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.
4	There are Standing Scrutiny Panels to cover key policy areas, Task and Finish Panels to undertake specific reviews and a co-ordinating Overview and Scrutiny Committee.
5	A Standards Committee.
6	An Audit and Governance Committee
7	A Management Board consisting of the Chief Executive, Deputy Chief Executive and Directors
8	A Corporate Governance Group consisting of the Chief Executive, Deputy Chief Executive, Section 151 Officer, Monitoring Officer, Deputy Monitoring Officer and The Chief Internal Auditor, meeting monthly
9	A Corporate Risk Strategy managed by a Risk Management Group meeting quarterly
10	Working Group on Financial Regulations, Contract Standing Orders and Delegated Authorities
11	A standard committee report format that includes specific consideration of all legal, financial, professional and technical considerations
12	A Medium Term Financial Strategy which informs service planning and budget setting,
13	A compliments and complaints procedure
14	A risk-based approach to internal audit, emphasising the need for sound control and good value
15	A robust whistle blowing policy and process, refreshed in 2011-12, along with supporting documents outlining the Council's zero tolerance approach to fraud and corruption
16	Contribution to the delivery of the Sustainable Community Strategy for the District through active participation on One Epping Forest, formerly the Local Strategic Partnership, and the alignment of the Key Themes of the Corporate Plan 2011/15 with the Community Strategy.

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.

- Directors governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively;
- Documentary evidence of processes, procedures and standards:
- 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 full, substantial, limited or no assurance, on the adequacy and effectiveness of the Council's control environment, particularly in the key financial systems;
- The work undertaken by the External Auditor reported in their annual audit and inspection letter and other review reports;

- Significant governance issues from previous years;
- Significant governance Issues from 2013/14.

In the Annual Governance Statement for 2012/13 we reported two significant governance issues relating to the Housing Repairs Service and Housing and Council Tax Benefits. Both of these issues had been resolved by the time that statement was published.

In preparing this statement and reviewing the effectiveness of the council's governance arrangements, we have identified areas for improvement which are set out in the table below, together with the steps to be taken to address them.

No.	Issue	Action to be taken
1	**ICT Procurement** During a routine internal audit, it was observed that there had been departures from Contract Standing Orders in respect of monitoring expenditure with individual suppliers, and Financial Regulations, which included inventory and invoice control.	Reports have been developed and regular monitoring put in place. Relevant staff have been reminded of the requirements of the Financial Regulations regarding inventory control and invoice certification.
2	**Car Parking Income** As part of an internal audit review of the contracted service it was identified that there were limitations in the information supplied by North Essex Parking Partnership (NEPP) which affected the monitoring and reconciliation of the income. It should be noted that based on the testing of the system of key controls in place at EFDC, it was considered that the processes are sound and are in place for when the full data is made available from NEPP.	This issue is in the process of being addressed by management and by the internal audit sections of the Councils which are members of the NEPP. The introduction of new parking meters will greatly improve the monitoring of the pay and display income received

We propose over the coming year to continue to improve matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for any improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed ………………………………	Signed ………………………………
Glen Chipp Chief Executive	Councillor Chris Whitbread Leader of the Council

Members Allowances

The allowances of £314,501 listed below include the connect scheme, travel and subsistence and employers national insurance and pension costs. The figures also include allowances paid to lay members of the Audit & Governance Committee and the Standards Committee.

		£
R.H.MORGAN		8,034
P.SMITH		4,554
D.J.STALLAN		10,566
D.J.JACOBS		3,664
A.G.GRIGG		9,977
S.W.MURRAY		5,300
J.M.WHITEHOUSE		3,400
M.A.MCEWEN		3,698
J.KNAPMAN		3,400
C.L.WHITBREAD	Leader	18,938
J.H.WHITEHOUSE		3,400
U.M.GADSBY		3,503
P.GODE		3,400
M.SARTIN	Chairman	11,594
J.M.HART		6,468
J.LEA		5,183
J.A MARKHAM		3,025
C.P.POND		3,601
B.P.SANDLER		5,762
S.A.STAVROU		10,781
K.ANGOLD-STEPHENS		4,413
K.S.CHANA		3,787
G.MOHINDRA		3,400
P.J.SPENCER		4,032
L.A.WAGLAND		3,400
J.A.WYATT		5,812
B.A.ROLFE		5,061
R.BASSETT		10,846
A.WATTS		5,550
H.ULKUN		9,977
E.A.WEBSTER(SPINKS)		10,516
A.L.BOYCE	Vice-Chairman	7,172
J.PHILIP		5,183
D.J.WIXLEY		3,657
Total		211,055

	£
M.A.PEDDLE(Nee Rickman)	244
S.A.LYE	266
R.THOMPSON	500
D.JACKMAN	266
A.LION	5,550
W.S.BREARE-HALL	11,068
T.O.COCHRANE	3,499
J.HART	3,537
Y.R.KNIGHT	5,445
S.I.WATSON	3,400
L.T.LEONARD	4,029
R.COHEN	3,400
S.JONES	5,445
C.W.FINN	1,375
R.KELLY	266
K.AVEY	3,150
P.KESKA	3,400
A.MITCHELL	3,400
G.WALLER	10,534
H.BRADY	3,229
G.CHAMBERS	3,658
A.J CHURCH	3,400
L.GIRLING	3,650
H.KANE	3,400
H.MANN	3,150
G.SHEILL	3,400
T.THOMAS	3,400
N.WRIGHT	3,900
P.ADAMS	63
D.COOPER	250
R.BUTLER	2,853
J.GUTH	63
A.JARVIS	256
Total	103,446
GRAND TOTAL	**314,501**

Glossary of Terms

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

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

BALANCE SHEET

This statement sets out an authority's financial position at the year-end. It shows the balances and reserves at an authority's disposal and its long-term indebtedness and the fixed and net current assets employed in its operations together with summarised information on the fixed assets held.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset or expenditure that adds to and not merely maintains the value of an existing asset.

CAPITAL ADJUSTMENT ACCOUNT

This account records the accumulated amount of set aside receipts and minimum revenue provision together with capital expenditure financed by way of capital receipts 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. This account was formerly known as the Capital Financing Account.

CAPITAL FINANCING REQUIREMENT

This measures the change in and the underlying need for the council to borrow to finance Capital expenditure. Where all capital expenditure is financed by resources generated by the council the Capital Financing Requirement will remain unchanged.

CASH FLOW STATEMENT

This statement summarises the cash flows of the authority for capital and revenue spending as well as the cash flows used to finance these activities.

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 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.

Glossary of Terms

CONSISTENCY

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

CONTINGENCY

A condition that exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CONTINGENT LIABILITIES

A contingent liability is either:

(i) 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

(ii) a present (current) obligation arising from past events where it is not probable (but not impossible) that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

It is considered that a contingent liability below £50,000 need not be disclosed, as any such amounts would not be significant.

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.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose nominated bodies managing the same services.

INTANGIBLE ASSETS

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.

REVENUE EXPENDITURE CHARGED TO CAPITAL UNDER STATUTE

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.

Glossary of Terms

DEPRECIATION

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

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXTRAORDINARY ITEMS

Material items that derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

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

FINANCE LEASE

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.

FIXED ASSETS

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

GENERAL FUND

This statement records the information of all the authority's activities, excluding those in relation to the Housing Revenue Account and Local Council precepts.

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.

Glossary of Terms

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

An impairment occurs when a fixed asset suffers a loss in value either due to a fall in market values generally, or as a result of use of the asset other than normal wear and tear.

INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

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

Interest in land and / or buildings:

(i) in respect of which construction work and development have been completed; and

(ii) which is held for its investment potential, any rental income being negotiated at arms length.

LONG-TERM CONTRACTS

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

MINIMUM REVENUE PROVISION (MRP)

Local authorities are required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of calculation is defined by statute and does not relate to actual external debt outstanding. Statute requires MRP of 2% of the housing credit ceiling and 4% of the non-housing credit ceiling, offset by an adjustment for debts commuted in relation to old improvement grants.

Glossary of Terms

NET BOOK VALUE

The amount at which fixed 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

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

Fixed 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

Fixed 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

Those 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.

PRIOR YEAR ADJUSTMENTS

Those 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.

PROVISIONS

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

(i) the local authority has a present obligation (legal or constructive) as a result of a past event;

(ii) it is probable that a transfer of economic benefits will be required to settle the obligation; and

(iii) 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;

(i) 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

(ii) as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

PRUDENCE

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate cash realisation of which can be assessed with reasonable certainty.

RELATED PARTIES

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

(i) one party has direct or indirect control of the other party; or
(ii) the parties are subject to common control from the same source; or
(iii) 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
(iv) 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.

Examples of related parties of an authority include:

(i) central government;
(ii) local authorities and other bodies precepting or levying demands on the Council Tax;
(iii) its subsidiary and associated companies;
(iv) its joint ventures and joint venture partners;
(v) its members;
(vi) its chief officers; and
(vii) its pension fund.

Examples of related parties of a pension fund include its:

(i) administering authority and its related parties;
(ii) scheduled bodies and their related parties; and
(iii) trustees and advisers.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

(i) members of the close family or the same household; and
(ii) partnerships, companies, trusts or other entities in which the individual or a member of their close family or the same household, has a controlling interest.

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:

(i) the purchase, sale, lease, rental or hire of assets between related parties;
(ii) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
(iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
(iv) the provision of services to a related party, including the provision of pension fund administration services;

(v) 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.

REVALUATION RESERVE

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

STOCKS

Comprise the following categories:

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

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:

(i) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or

(ii) 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:

(i) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and

(ii) 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

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.

Glossary of Pension Related Terms

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority, and which are not expected to recur. They do not include exceptional items nor do they include prior year items merely because they relate to a prior period.

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 (NON-PENSIONS FUND)

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, other than those in relation to the pensions fund, which do not meet the above criteria should be classified as current assets.

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.

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.

PROJECTED UNIT METHOD

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:

(i) 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

(ii) 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:

(i) an employer's decision to terminate an employee's employment before the normal retirement date, or

(ii) 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:

(i) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits

(ii) the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and

(iii) 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:

(i) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;

(ii) for deferred pensioners, their preserved benefits, and

(iii) for pensioners, pensions to which they are entitled.

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