



**Epping Forest District Council
Statement of Accounts 2022/2023**



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1. INTRODUCING EPPING FOREST DISTRICT COUNCIL

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

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

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

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

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

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

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

2. PERFORMANCE AGAINST CORPORATE OBJECTIVES

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

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

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

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

Performance against all KPIs is reviewed quarterly and all key corporate programmes are reported on monthly through an internal governance process (and quarterly too, to support and align to KPI's and wider governance requirements). In 2022/23, the quarterly governance process for Performance was aligned as a single Overview and Scrutiny function, bringing together the three Corporate aims and objectives and also to ensure continued achievability and relevance, and to identify proposals for appropriate corrective action in areas of under-performance.

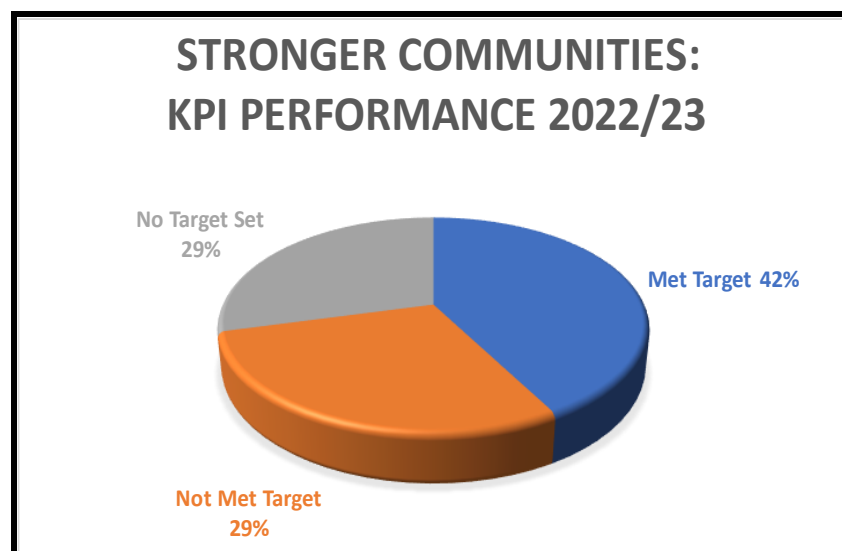
Stronger Communities

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

Key Performance Indicators (KPIs)

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

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



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

Customer Satisfaction however continues to prove more challenging, with the overall average of 57% against a target of 80%. Work is now underway to review customer satisfaction as a priority for the Council through a range of key projects.

Targets for *Engagement in Community, Physical or Cultural Activity* have again been exceeded with an average of 3,821 recorded against a target of 3,500. This is very positive considering the current cost of living crisis.

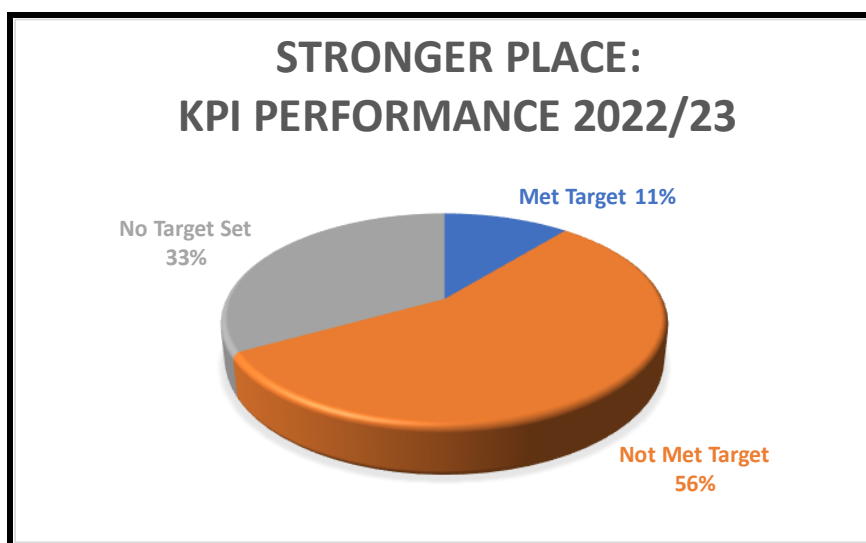
Stronger Place

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

Key Performance Indicators (KPIs)

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

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



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

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

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

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

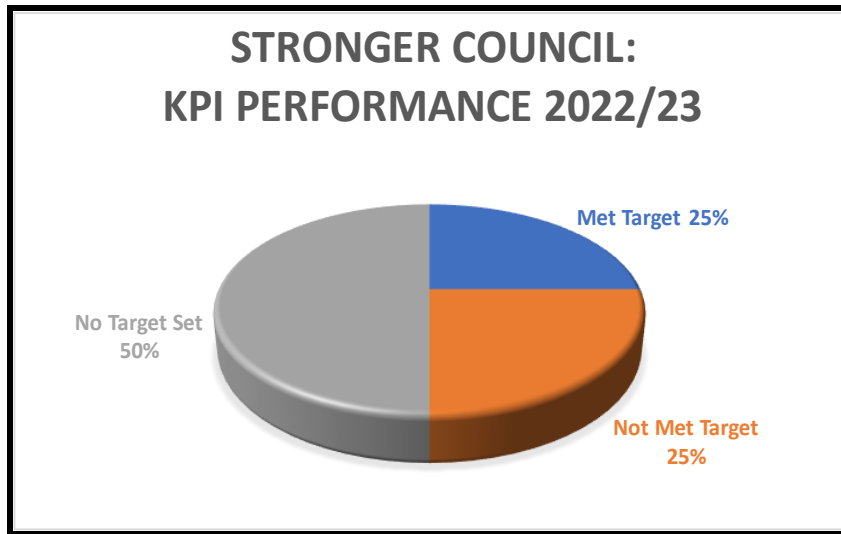
Stronger Council

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

Key Performance Indicators (KPIs)

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

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



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

Projects

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

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

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

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

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

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

3. FINANCIAL REVIEW 2022/23

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

The Consolidated Income & Expenditure Statement (CIES) on Page 23 shows that the Net Cost of Services for 2022/23 was very stable at £27.604 million (compared to £25.274 million in 2021/22); after other factors such as the impact of Taxation and other Gains and Losses, including those from the ring-fenced Housing Revenue Account, are adjusted for, Total Comprehensive Net Income of £80.623 million was recorded (down £5.548 million compared to 2021/22).

The presentation of individual services ("Continuing Operations") on the face of the CIES follows the principles established in CIPFA's "Service Reporting Code of Practice for Local Authorities (2022/23)" (SERCOP); consistency of reporting is achieved with the internal management accounts, which reflect how services are delivered and organised within the Council.

Elsewhere on the CIES, there are substantial fluctuations (both up and down). However, the CIES reflects a vast range of adjustments required by both statute and accounting standards. Underlying the figures, is the performance of the Council's General Fund and Housing Revenue Account in the year.

General Fund

The table below reflects the Month 12 (year-end) Management Accounts for 2022/23.

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

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

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

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

Housing Revenue Account (HRA)

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

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

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

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

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

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

Collection Fund

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

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

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

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

Balance Sheet

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

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

Usable Reserves

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

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

Earmarked Reserves reduced from £6.629 million to £3.824 million over the year. The dominant factor was the usage of the remaining balance of £2.710 million on the Collection Fund Deficit Reserve (CFDR). The CFDR was a newly created reserve in 2020/21. Its purpose was to help cover the Council's share of the Collection Fund loss created by the pandemic. The original funding for the reserve was received from the Government under Section 31 of the Local Government Act 2003, reflecting a loss in revenue triggered by the temporary expansion of Business Rates Relief to assist local businesses. The remaining balance was utilised to offset the Council's share of the deficit on Business Rates (a legacy of the pandemic), which enabled the Collection Fund to return to a surplus this year (see below for discussion on Collection Fund).

Unusable Reserves

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

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

Capital

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

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

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

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

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

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

- Housing Development (underspend £23.277 million) – the two dominant elements to note are:
 - *Housebuilding* – there was an underspend of £10.965 million (against a total budget of £15.598 million). Several schemes encountered planning issues and delays, including two schemes (“Pentlow” and “Woollard”), which were originally expected to be completed in Spring and Summer 2022. Woollard completed in September 2024 and Pentlow in December 2024; and
 - *Qualis Acquisitions* – the budget allocation for this scheme was £10.461 million, with no spending taking place during the year resulting in an underspend of the full budget. Qualis experienced initial delays in planning consents which initially halted works; then sharp increases in industry-wide costs challenged the viability of some of the schemes. Although permissions have now been granted, there were some viability concerns in 2022/23. Since then a scheme at Roundhills has commenced with anticipated completion in 2025/26 with a further scheme, which is currently in Planning to commence in 2025/26.
- Capital Works (underspend £7.516 million) – the single largest item of underspending in this category was Kitchens and Bathrooms (underspend £1.990 million) due to delays in contract mobilisation by Qualis due to necessary Survey Works, affecting the commencement of the programmed works. Planned Kitchens and Bathrooms not completed during the year have been rolled forward and added to the 2023/24 programme.
- Other Housing Schemes (underspend £5.831 million) – the single largest variance on Other Housing Schemes related to the Broadway Regeneration project (underspend £2.728 million). The budget was increased by the Cabinet to £6.0 million in March 2023 and the project is expected to complete by 2025/26.

Group Accounts

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

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

Government Support for Covid-19

Covid-19 Grants

Government grant funding for Covid-19 (both directly and indirectly via Essex County Council), in relation to the COVID-19 pandemic, began in 2020/21. Most of the funding was used to provide community support to residents and businesses during the pandemic as part of Government schemes, administered locally by the Council. The Council also received some grant funding from the Government to offset the continuing financial effects of the pandemic, such as the loss of income caused by successive lockdowns and social distancing (which was still a factor in the early days of the financial year).

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

The Council acted as Agent the following circumstances:

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

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

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

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

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

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

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

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

The Council spent £206,005 of the rolled forward LRS funding in 2021/22, which left a remaining balance of £5,128,707 as at 31st March 2022, to be returned to the Government; this was reported in the 2021/22 Statement of Accounts. Some grant recipients have subsequently returned their grants to the Council and, as at 31st March 2023, a total of £4.171 million was still waiting to be reclaimed by the Government.

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

Additional Restrictions Grant (ARG) – commenced 2020/21

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

All remaining ARG funds were spent in 2021/22.

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

As outlined in the table below, the COVID-19 pandemic led the Government to introduce a further 13 specific grant regimes for the Council to administer in 2020/21, followed by 5 more grants in 2021/22. Each of these grants had its own terms, conditions and eligibility criteria and some had detailed reporting requirements.

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

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

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

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

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

Government Support for Energy & Fuel Costs

Energy and Fuel Specific Support (commenced 2022/23)

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

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

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

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

4. PRINCIPAL RISKS AND UNCERTAINTIES

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

Annually the Chief Internal Auditor gives their opinion on the adequacy and effectiveness of the Council's governance, risk management arrangements and control processes. For 2022/23, these were found to be adequate and effective.

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

The top risks from the Council's Corporate Risk Register as at March 2023 are listed below:

| Top Risks Identified | | |
|--|--|--|
| Risk | Impact | Mitigation |
| Failure to comply with social housing regulation | If the Council is unable to demonstrate compliance with statutory/regulatory requirements it could face heavy fines. There is also a need to meet Health and Safety Standards and Consumer Standards as laid out in the Social Housing (Regulation) Bill (2023). If the Council is unprepared, it will face serious reputational damage. | <ol style="list-style-type: none"> 1).An external consultancy has given advice on compliance to the council, including policies and procedures. 2) Extensive work has been undertaken to provide compliance data to a dashboard for senior management to review monthly. 3) Weekly gas meetings take place monitoring and improving gas compliance. 4) Improvement plan for asbestos being produced for mid-March 2023. 5) Interim Strategic Director has agreed to lead on Health and Safety for Housing (as required by the Regulator) 6) The Director for Housing & Property is lead for Consumer Standards. As required by the Regulator. 7) Results of the mid-point of the stock condition survey were made available in March 2023. This will inform an assessment of Decent Homes Progress. |

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

Top Risks Identified (cont.)

| Risk | Impact | Mitigation |
|---|--|--|
| Risk of data/ information breach | Risk of data held by the Council ends up in inappropriate hands. System loss. Breach of the 2018 Data Protection Act (DPA) and the General Data Protection Regulations | <ol style="list-style-type: none"> 1) The Council continues to have a designated SIRO, Data Protection Officer, and FOI Officer 2) A Strategic Information Governance Group and an Information Asset Owner Group is in place. 3) The Information Governance Group has put together a work programme and is updated quarterly. 4) GDPR & Cyber security e-learning training on Litmos was provided during 2022. 5) Training is underway with SLT, started on 30 January 2023 |
| Lack of and/or inadequate Business Continuity Plans | Failure to ensure robust plans are in place for critical services and regularly tested could result in an event occurring having adverse impact on service delivery. | <ol style="list-style-type: none"> 1) There is a well established MIM process for ICT issues to be managed. 2) All 'office' based employees can work from home. 3) The Council has alternative locations it could work from. |
| Risk of cyber security incident | Failure to ensure adequate controls and firewalls are in place, along with close monitoring and training of staff could result in a cyber security incident. | <ol style="list-style-type: none"> 1) All data back ups now directly to the cloud. 2) Documented and tested incident management procedures in place. 3) Cyber security training completed by all users and the People Team notifies ICT of all leavers to ensure access rights are promptly disabled. 4) Access to the Council's Active Directory domain is protected by both two-factor authentication and robust password security settings. 5) Firewall appliances has been deployed to protect the Council's network. |
| Failure of Contractor/ Service - waste | Failure of Waste Contractor to deliver service and failure of the Council to procure a new Contractor to commence in November 2024 | <ol style="list-style-type: none"> 1) Biffa have invested resources to improve the service delivery in terms of increasing pay, training, and new vehicles. Additional external waste contractor has been deployed to help deal with the missed collections. 2) Cabinet approval for capital and permission to develop an EFDC waste depot at NWA granted in February 2023. 3) Cabinet decision to go out to procurement for the waste contract was agreed in October 2022. |

Top Risks Identified (cont.)

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

5. EXPLANATION OF THE ACCOUNTING STATEMENTS

The Statement of Accounts shows the financial performance for 2022/23 and the financial position as at 31st March 2023. They present the income and expenditure for the year and highlight any significant changes in the Council's financial position during the year.

The document comprises Core and Supplementary Financial Statements, together with Disclosure Notes. The format and content of the financial statements is prescribed by the *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23* ("the Code"), which is underpinned by International Financial Reporting Standards (IFRSs).

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

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

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

Core Financial Statements

Comprehensive Income and Expenditure Statement (CIES)

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

Movement in Reserves Statement (MIRS)

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

Balance Sheet

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

Cash Flow Statement

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

Notes to the Financial Statements

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

Supplementary Financial Statements

Housing Revenue Account (HRA)

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

Collection Fund

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

Group Accounts

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

Annual Governance Statement

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

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

Statement of responsibilities



THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

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

A handwritten signature in black ink, appearing to read 'Jon Whitehouse'.

Councillor Jon Whitehouse
Chairman of the Audit & Governance Committee

12th December 2024

THE SECTION 151 OFFICER'S RESPONSIBILITIES

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

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

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

The Section 151 Officer has also:

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

I certify that the accounts set out on pages 3 to 85 give a true and fair view of the financial position of the Council as at 31st March 2023 and the income and expenditure for the year then ended.

A handwritten signature in black ink, appearing to read 'Andrew Small'.

Andrew Small CPFA
Strategic Director & Section 151 Officer

12th December 2024



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EPPING FOREST DISTRICT COUNCIL REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

- give a true and fair view of the financial position of the Group and of the Authority as at 31 March 2023 and of the Group's and of the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We have audited the financial statements which comprise:

- the Group and Authority Comprehensive Income and Expenditure Statements;
- the Group and Authority Balance Sheets;
- the Group and Authority Movement in Reserves Statements;
- the Group and Authority Cash Flow Statements;
- the related notes 1 to 33 on the Authority's financial statements including a summary of significant accounting policies;
- the Housing Revenue Account Income and Expenditure Statement;
- the Movement on the Housing Revenue Account Statement and the related notes 1 to 9; and
- the Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting (2022/23).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice, the Local Audit and Accountability Act 2014 and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

Conclusions relating to going concern

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

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

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

The going concern basis of accounting for the Group and the Authority is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

Other information

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

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

We have nothing to report in respect of these matters.

Chief Financial Officer's responsibilities

As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We considered the nature of the Group and its control environment and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of non-compliance with laws and regulations.

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

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

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

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address them are described below:

- determination of whether revenue expenditure is incorrectly capitalised, we tested the capital expenditure on a sample basis to assess whether it meets the relevant accounting requirements to be recognised as capital in nature; and assessed whether the capitalised expenditure is recognised in the correct accounting period.
- determination of whether the transfer of assets out of assets under construction and into use meets the relevant accounting requirements to be capitalised and tested completed projects on a sample basis to confirm that depreciation is charged from the correct date. We have also reviewed the projects ledger and the status of individual projects to evaluate whether they have been depreciated from the appropriate point.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Matters on which we are required to report by exception

Use of resources

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

We have nothing to report in respect of this matter.

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

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

We are required under the Code of Audit Practice and Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2024, as to whether the Authority had proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Authority a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023 by the time of the issue of our audit report. Other findings from our work, including our commentary on the Authority's arrangements, will be reported in our separate Auditor's Annual Report.

Other matters on which we are required to report by exception

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

- in our opinion the annual governance statement is misleading or is inconsistent with information of which we are aware from our audit;
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

CERTIFICATE OF COMPLETION OF THE AUDIT

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

USE OF OUR REPORT

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



Mohammed Ramzan (Key Audit Partner)
For and on behalf of Deloitte LLP
Birmingham, United Kingdom
12 December 2024

The Authority is responsible for the maintenance and integrity of the corporate and financial information included on its website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Comprehensive income and expenditure statement



| | Note | 2022/23 | | | 2021/22 | | |
|--|------|-------------------|-----------------|-----------------|-------------------|-----------------|-----------------|
| | | Gross Expenditure | Income | Net Expenditure | Gross Expenditure | Income | Net Expenditure |
| | | £000's | £000's | £000's | £000's | £000's | £000's |
| Continuing Operations | | | | | | | |
| Chief Executive | | 711 | (321) | 390 | 886 | (364) | 522 |
| Community & Wellbeing Services | | 3,864 | (1,762) | 2,102 | 3,851 | (1,449) | 2,402 |
| Contract & Technical Services | | 18,380 | (8,138) | 10,242 | 17,729 | (9,932) | 7,797 |
| Corporate Services | | 10,569 | (3,155) | 7,414 | 10,471 | (2,855) | 7,616 |
| Customer Services | | 26,859 | (23,965) | 2,894 | 29,110 | (26,993) | 2,117 |
| Finance & Audit Services | | 2,310 | (821) | 1,489 | 2,733 | (788) | 1,945 |
| Housing & Property Services | | 2,197 | (529) | 1,668 | 2,719 | (543) | 2,176 |
| Place | | 472 | (178) | 294 | 886 | (433) | 453 |
| Planning Development Services | | 5,642 | (3,455) | 2,187 | 5,698 | (2,778) | 2,920 |
| Strategy, Delivery & Performance | | 690 | (5) | 685 | 691 | - | 691 |
| Housing Revenue Account | | 36,208 | (37,969) | (1,761) | 33,816 | (37,181) | (3,365) |
| Net Cost of Services | | 107,902 | (80,298) | 27,604 | 108,590 | (83,316) | 25,274 |
| Other Operating Expenditure | 9 | | | 2,116 | | | 974 |
| Financing and Investment Income and Expenditure | 10 | | | 13,053 | | | (14,821) |
| Taxation and Non-Specific Grant Income | 11 | | | (21,402) | | | (20,982) |
| (Surplus)/Deficit on Provision of Services | | | | 21,371 | | | (9,555) |
| (Surplus) on Revaluation of Property Plant and Equipment | 12 | | | (27,122) | | | (52,588) |
| Actuarial (Gains)/Losses on Pension Assets/Liabilities | | | | (44,752) | | | (30,779) |
| Total Comprehensive Income and Expenditure | | | | (50,503) | | | (92,922) |

Movement in reserves statement



| | General Fund Balance | Housing Revenue Account | Earmarked Reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Applied | Total Usable Reserves | Total Unusable Reserves | Total Reserves |
|--|----------------------|-------------------------|--------------------|--------------------------|-----------------------|------------------------|-----------------------|-------------------------|----------------|
| Movements in 2022/23 | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Balance as at 1st April 2022 | 4,070 | 4,164 | 6,628 | 11,910 | 9,365 | 1,607 | 37,744 | 721,122 | 758,866 |
| Surplus / (Deficit) on Provision of Services | (20,448) | (923) | - | - | - | - | (21,371) | - | (21,371) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | 71,874 | 71,874 |
| Total Comprehensive Income and Expenditure | (20,448) | (923) | - | - | - | - | (21,371) | 71,874 | 50,503 |
| Adjustment Between Accounting and Funding Basis Under Regulations | 16,791 | 1,311 | - | 308 | (878) | 102 | 17,634 | (17,634) | - |
| Net Increase / (Decrease) before Transfer to Earmarked Reserves | (3,657) | 388 | 0 | 308 | (878) | 102 | (3,737) | 54,240 | 50,503 |
| Transfer to Earmarked Reserves | 2,806 | - | (2,806) | - | - | - | - | - | - |
| Increase / (Decrease) in Year | (851) | 388 | (2,806) | 308 | (878) | 102 | (3,737) | 54,240 | 50,503 |
| Other Adjustments | - | - | (2) | - | - | - | (2) | (38) | (40) |
| Balance as at 31st March 2023 | 3,219 | 4,552 | 3,820 | 12,218 | 8,487 | 1,709 | 34,005 | 775,324 | 809,329 |

| | General Fund Balance | Housing Revenue Account | Earmarked Reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Applied | Total Usable Reserves | Total Unusable Reserves | Total Reserves |
|--|----------------------|-------------------------|--------------------|--------------------------|-----------------------|------------------------|-----------------------|-------------------------|----------------|
| Movements in 2021/22 | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Balance as at 1st April 2021 | 4,017 | 2,105 | 23,811 | 8,385 | 8,839 | - | 47,156 | 618,535 | 665,691 |
| Surplus / (Deficit) on Provision of Services | 7,978 | 1,577 | - | - | - | - | 9,555 | - | 9,555 |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | - | - |
| Total Comprehensive Income and Expenditure | 7,978 | 1,577 | - | - | - | - | 9,555 | - | 9,555 |
| Adjustment Between Accounting and Funding Basis Under Regulations | (12,127) | 482 | - | 3,525 | 526 | 1,354 | (6,240) | 6,240 | - |
| Net Increase / (Decrease) before Transfer to Earmarked Reserves | (4,149) | 2,059 | - | 3,525 | 526 | 1,354 | 3,315 | 6,240 | 9,555 |
| Transfer to Earmarked Reserves | 4,202 | - | (17,182) | - | - | - | (12,980) | 12,980 | - |
| Increase / (Decrease) in Year | 53 | 2,059 | (17,182) | 3,525 | 526 | 1,354 | (9,665) | 19,220 | 9,555 |
| Other Adjustments | - | - | - | - | - | 253 | 253 | 83,367 | 83,620 |
| Balance as at 31st March 2022 | 4,070 | 4,164 | 6,629 | 11,910 | 9,365 | 1,607 | 37,744 | 721,122 | 758,866 |

Balance sheet



| | Note | 31 March 2023 | | 31 March 2022 | |
|--------------------------------------|------|---------------|------------------|---------------|------------------|
| | | £000's | £000's | £000's | £000's |
| Long Term Assets | | | | | |
| Property, Plant & Equipment | 12 | 879,302 | | 854,568 | |
| Heritage Assets | | 620 | | 598 | |
| Investment Properties | 13 | 148,483 | | 162,006 | |
| Intangible Assets | | 1,450 | | 988 | |
| Long Term Debtors | 14 | 68,753 | | 58,454 | |
| Total Long Term Assets | | | 1,098,608 | | 1,076,614 |
| Current Assets | | | | | |
| Inventories | | 96 | | 157 | |
| Debtors | 16 | 14,702 | | 22,844 | |
| Cash & Cash Equivalents | 17 | 12,796 | | 18,736 | |
| | | | 27,594 | | 41,737 |
| Current Liabilities | | | | | |
| Creditors | 18 | (26,569) | | (43,750) | |
| Provisions | 19 | (3,414) | | (2,381) | |
| Short-Term Loans | | (38,175) | | (55,552) | |
| | | | (68,159) | | (101,683) |
| Long Term Liabilities | | | | | |
| Long-Term Loans | 15 | (244,506) | | (213,639) | |
| Pensions Liability | 31 | (4,208) | | (44,163) | |
| | | | (248,714) | | (257,802) |
| Total Assets Less Liabilities | | | 809,329 | | 758,866 |
| Usable Reserves | | (34,005) | | (37,744) | |
| Unusable Reserves | 20 | (775,324) | | (721,122) | |
| | | | (809,329) | | (758,866) |

Cash flow statement



| | Note | 2022/23 £000's | 2021/22 £000's |
|--|------|-------------------|-------------------|
| Net Surplus/(Deficit) on Provision of Services | | (21,371) | 9,555 |
| Adjustments to net surplus or deficit on the provision of services for non-cash movements | 21 | 25,616 | 53,389 |
| Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 21 | (14,037) | (29,870) |
| Net cash flows from Operating Activities | | (9,792) | 33,074 |
| Investing Activities | 22 | (12,641) | (15,461) |
| Financing Activities | 23 | 16,493 | (9,351) |
| Net Increase or (Decrease) in cash and cash equivalents | | (5,940) | 8,262 |
| Cash and Cash Equivalents at the beginning of the reporting period | | 18,736 | 10,474 |
| Cash and Cash equivalents at the end of the reporting period | 17 | 12,796 | 18,736 |



Notes to the Statement of Accounts

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1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises Epping Forest District Council's transactions for the 2022/23 financial year and its position at the year-end of 31st March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices.

The Statement of Accounts has been prepared in accordance with proper accounting practices (under Section 21 of the Local Government Act 2003). These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 7 of the Accounts and Audit Regulations 2015.

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

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

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

1.2 ACCRUALS OF INCOME AND EXPENDITURE

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

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

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

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

1.3 CASH AND CASH EQUIVALENTS

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

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

1.4 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

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

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

1.5 COUNCIL TAX AND NON-DOMESTIC RATES

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

Accounting for Council Tax and NDR

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

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

1.6 EVENTS AFTER THE REPORTING PERIOD

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

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

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

1.7 FINANCIAL INSTRUMENTS

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

1.8 GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

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

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

1.9 INVESTMENT PROPERTY

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

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

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

1.10 LEASES

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

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

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

The Council as Lessee:

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor:

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

1.11 OVERHEADS AND SUPPORT SERVICES

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

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

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

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

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

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

1.13 PROPERTY PLANT AND EQUIPMENT

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

Disposal and Non-Current Assets Held for Sale

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

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

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

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

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

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

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

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

1. 14 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

1.15 RESERVES

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

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

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

1.16 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

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

1. 17 VALUE ADDED TAX (VAT)

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

1.18 FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

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

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

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

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

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

Pensions Liability

Estimation of the net liability to pay pensions depends on a range of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, life expectancy rates and expected returns on pension fund assets. Consultant actuaries are engaged to provide advice about assumptions to be applied. The actuary has provided a sensitivity analysis on the assumptions, which is contained within the Pensions Note 31. The value of the Pensions Asset is (£25.912 million).

Fair Value Measurement

The use of the discounted cash flow model to measure the fair value of some of the Council's investment properties and financial instruments are dependent upon significant assumptions for rent growth, void properties and discount rates adjusted for regional factors. Significant changes in any of the inputs would result in a significantly different fair value measurement. The Council's fund manager has provided a sensitivity analysis around a 1% increase in the discount rate used for measuring the fair value of the Council's financial assets and liabilities which is disclosed within the Financial Instruments Note 15.

There have been three major events – “Brexit”, “Coronavirus” and the “War in Ukraine” – in recent years that have been reported as having the potential to have a significant financial impact on the assumptions and estimates made in the Statement of Accounts. Whilst concerning at the time, the subsequent effects of Brexit and Coronavirus were either not as seismic as initially feared (Brexit) or have settled to the extent that they are no longer a major cause for concern (Coronavirus), although there are some legacy issues that continue to prove challenging for this Council, and local authorities in general, caused by long-lasting/permanent behavioural changes in society following the pandemic (e.g. changes in working habits have reduced the level of commuter-driven income received from Car Parking fees).

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

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

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

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

5. EVENTS AFTER THE BALANCE SHEET DATE

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

Where events taking place before this date provided information about conditions existing at 31st March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information (e.g. the anticipated collectability of outstanding debt at 31st March 2023 is reflected in a further increase to the provision for bad debts). No adjustment has been made as a result of the UK High court ruling Virgin Media v NTL Pension Trustee II Ltd.

6. EXPENDITURE AND FUNDING ANALYSIS

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

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

Adjustments between Funding & Accounting Basis

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

| | Adjustments for Capital Purposes | Net Change for the Pensions Adjustments | Other Differences | Total |
|---|--|---|----------------------|----------------|
| 2021/22 | £000's | £000's | £000's | £000's |
| Chief Executive | - | (75) | (30) | (105) |
| Community & Wellbeing Services | (312) | (329) | (42) | (683) |
| Contract & Technical Services | (652) | (1,132) | 25 | (1,759) |
| Corporate Services | (299) | (912) | (78) | (1,289) |
| Customer Services | - | (737) | 42 | (695) |
| Finance & Audit Services | (38) | 636 | 7 | 605 |
| Housing & Property Services | (311) | (188) | (37) | (536) |
| Place | - | (99) | (5) | (104) |
| Planning Development Services | - | (678) | - | (678) |
| Strategy, Delivery & Performance | - | (65) | (14) | (79) |
| Housing Revenue Account | 789 | (912) | (171) | (294) |
| Net Cost of Service | (823) | (4,491) | (303) | (5,617) |
| Other Income and Expenditure from the Expenditure and Funding Analysis | 13,880 | (1,342) | 4,724 | 17,262 |
| Difference between General Fund (Surplus) / Deficit and Comprehensive Income and Expenditure | 13,057 | (5,833) | 4,421 | 11,645 |

Income & Expenditure Analysed by Nature

| | Chief Executive | Community & Wellbeing Services | Contract & Technical Services | Corporate Services | Customer Services | Finance & Audit Services | Housing & Property Services | Place | Planning Development Services | Strategy, Delivery & Performance | Housing Revenue Account | Total |
|--------------------------------------|-----------------|--------------------------------|-------------------------------|--------------------|-------------------|--------------------------|-----------------------------|--------------|-------------------------------|----------------------------------|-------------------------|-----------------|
| 2022/23 | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Fees, Charges & Other Service Income | (321) | (1,027) | (8,124) | (3,091) | (1,189) | (799) | (529) | (95) | (2,455) | (5) | (37,950) | (55,585) |
| Government Grants | - | (735) | (14) | (64) | (22,776) | (22) | - | (83) | (1,000) | - | (19) | (24,713) |
| Total Income | (321) | (1,762) | (8,138) | (3,155) | (23,965) | (821) | (529) | (178) | (3,455) | (5) | (37,969) | (80,298) |
| Employee Expenses | 639 | 2,267 | 5,861 | 5,774 | 4,440 | 1,571 | 950 | 365 | 4,265 | 688 | 5,360 | 32,180 |
| Other Service Expenses | 72 | 1,510 | 10,378 | 4,381 | 836 | 739 | 917 | 107 | 1,377 | 2 | 17,122 | 37,441 |
| Asset Charges | - | 87 | 2,141 | 414 | - | - | 330 | - | - | - | 13,726 | 16,698 |
| Benefit Payments | - | - | - | - | 21,583 | - | - | - | - | - | - | 21,583 |
| Total Expenditure | 711 | 3,864 | 18,380 | 10,569 | 26,859 | 2,310 | 2,197 | 472 | 5,642 | 690 | 36,208 | 107,902 |
| Net Cost of Service | 390 | 2,102 | 10,242 | 7,414 | 2,894 | 1,489 | 1,668 | 294 | 2,187 | 685 | (1,761) | 27,604 |

| | Chief Executive | Community & Wellbeing Services | Contract & Technical Services | Corporate Services | Customer Services | Finance & Audit Services | Housing & Property Services | Place | Planning Development Services | Strategy, Delivery & Performance | Housing Revenue Account | Total |
|--------------------------------------|-----------------|--------------------------------|-------------------------------|--------------------|-------------------|--------------------------|-----------------------------|--------------|-------------------------------|----------------------------------|-------------------------|-----------------|
| 2021/22 | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Fees, Charges & Other Service Income | (364) | (857) | (8,676) | (2,829) | (1,543) | (753) | (543) | (152) | (2,364) | - | (37,181) | (55,262) |
| Government Grants | - | (592) | (1,256) | (26) | (25,450) | (35) | - | (281) | (414) | - | - | (28,054) |
| Total Income | (364) | (1,449) | (9,932) | (2,855) | (26,993) | (788) | (543) | (433) | (2,778) | - | (37,181) | (83,316) |
| Employee Expenses | 765 | 1,796 | 6,260 | 6,156 | 4,200 | 1,655 | 1,088 | 552 | 4,200 | 650 | 5,829 | 33,151 |
| Other Service Expenses | 121 | 1,743 | 8,945 | 4,016 | 2,162 | 1,078 | 1,320 | 334 | 1,498 | 41 | 14,828 | 36,086 |
| Asset Charges | - | 312 | 2,524 | 299 | - | - | 311 | - | - | - | 13,159 | 16,605 |
| Benefit Payments | - | - | - | - | 22,748 | - | - | - | - | - | - | 22,748 |
| Total Expenditure | 886 | 3,851 | 17,729 | 10,471 | 29,110 | 2,733 | 2,719 | 886 | 5,698 | 691 | 33,816 | 108,590 |
| Net Cost of Service | 522 | 2,402 | 7,797 | 7,616 | 2,117 | 1,945 | 2,176 | 453 | 2,920 | 691 | (3,365) | 25,274 |

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

| | Usable Reserves | | | | | |
|--|-----------------|-------------------------|--------------------------|-----------------------|--------------------------|--------------------------------|
| | General Fund | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movements in Unusable Reserves |
| 2022/23 | £000's | £000's | £000's | £000's | £000's | £000's |
| Adjustments Involving the Capital Adjustment Account: Exclusions | | | | | | |
| Charges for depreciation and impairment of non-current assets | 1,951 | 10,422 | - | - | - | (12,373) |
| Upward/(Downward) revaluation of non-current assets | 152 | 3,323 | - | - | - | (3,475) |
| Movements in the fair value of Investment Properties | 14,654 | 5 | - | - | - | (14,659) |
| Amortisation of intangible assets | 166 | 69 | - | - | - | (235) |
| Capital Grants and contributions applied | (940) | (437) | - | - | - | 1,377 |
| Revenue expenditure funded from Capital under statute | 949 | (88) | - | - | - | (861) |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 347 | 2,225 | - | - | - | (2,572) |
| Capital expenditure charged against the General Fund and HRA | - | - | - | - | - | - |
| Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements | 1,128 | - | - | - | - | (1,128) |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (1,125) | - | - | - | - | 1,125 |
| Adjustments Primarily Involving the Capital Grants Unapplied | | | | | | |
| Transferred from capital Grants Unapplied | (102) | - | - | - | 102 | - |
| Adjustments Involving the Capital Receipts Reserve | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES and other contributions | (71) | (4,336) | 4,407 | - | - | - |
| Transfer from Deferred Capital receipts on receipt of cash | - | - | 1,002 | - | - | (1,002) |
| Used to finance new Capital Expenditure | - | - | (5,080) | - | - | 5,080 |
| Contribution towards administrative costs of non-current asset | - | 21 | (21) | - | - | - |
| Contribution to finance the payments to the Government capital receipts pool | - | - | - | - | - | - |
| Adjustments Involving the Deferred Capital Receipts Reserve | | | | | | |
| Transfer of deferred sale proceeds credited/debited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement | (114) | (97) | - | - | - | 211 |
| Adjustments relating to the Major repairs Reserve | | | | | | |
| Depreciation transferred from HRA | - | (10,422) | - | 10,422 | - | - |
| Use of the Major Repairs Reserve to finance new capital expenditure | - | - | - | (11,300) | - | 11,300 |
| Adjustments involving the Pensions Reserve | | | | | | |
| Reversal of items relating to retirement benefits debited/credited to | 3,920 | 877 | - | - | - | (4,797) |
| Adjustments involving the Collection Fund Adjustment Account | | | | | | |
| Amount by which council tax and business rate income credited to the CIES is different from that calculated in accordance with statutory requirements. | (3,650) | - | - | - | - | 3,650 |
| Adjustments Involving the Accumulated Absences Account | | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements. | (474) | (251) | - | - | - | 725 |
| Total Adjustments | 16,791 | 1,311 | 308 | (878) | 102 | (17,634) |

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

8. MOVEMENTS IN EARMARKED RESERVES

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

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

9. OTHER OPERATING EXPENDITURE

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

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

11. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

| | 31 March 2023 £000's | 31 March 2022 £000's |
|---|-------------------------|-------------------------|
| Council Tax Income | (12,915) | (13,189) |
| Non Domestic Rate Income | (11,775) | (11,094) |
| Non Domestic Rate Section 31 Grants | (6,617) | (5,693) |
| Non Domestic Rate Tariff Payment and Levy | 11,783 | 11,458 |
| Non-ring fenced Government Grants | (1,328) | (1,711) |
| Capital Grants and Other Contributions | (550) | (753) |
| Total | (21,402) | (20,982) |

12. PROPERTY, PLANT AND EQUIPMENT

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

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

2022/23

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

| | Council Dwellings & Garages | Other Land & Buildings | Vehicles, Plant & Equipment | Community Assets | Surplus Assets | Assets Under Construction | Total |
|--|-----------------------------|------------------------|-----------------------------|------------------|----------------|---------------------------|-----------------|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Gross Book Value 1st April 2021 | 717,368 | 66,148 | 16,957 | 1,143 | 7,640 | 10,365 | 819,621 |
| Additions | 11,644 | 284 | 1,396 | 0 | 31 | 10,451 | 23,806 |
| Disposals / Impairments | (3,526) | (6,925) | (4,643) | 0 | (7,590) | 0 | (22,684) |
| Reclassified in Year | 7,690 | (2,840) | 0 | 0 | 2,840 | (7,690) | 0 |
| Reclassified to Investment Property | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation Applied to the CIES | (3,565) | 38 | 0 | 0 | 0 | 0 | (3,527) |
| Revaluation Credited to the Revaluation Reserve | 54,342 | 381 | 0 | 0 | (2,394) | (22) | 52,307 |
| Accumulated Depreciation & Impairment Written Off on Revaluation | (9,367) | (96) | 0 | 0 | 0 | 0 | (9,463) |
| Gross Book Value 31st March 2022 | 774,586 | 56,990 | 13,710 | 1,143 | 527 | 13,104 | 860,060 |
| Depreciation 1st April 2021 | 0 | (1,529) | (11,455) | 0 | (1) | 0 | (12,985) |
| Reclassified | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Depreciation in Year | (9,412) | (1,114) | (1,434) | 0 | 0 | 0 | (11,960) |
| Depreciation on Disposed Assets | 45 | 76 | 4,629 | 0 | 0 | 0 | 4,750 |
| Accumulated Depreciation & Impairment Written Off on Revaluation | 9,367 | 96 | 0 | 0 | 0 | 0 | 9,463 |
| Depreciation 31st March 2022 | 0 | (2,471) | (8,260) | 0 | (1) | 0 | (10,732) |
| Net Book Value 31st March 2022 | 774,586 | 54,519 | 5,450 | 1,143 | 526 | 13,104 | 849,328 |

Infrastructure Assets

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

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

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

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

Depreciation

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

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

Revaluations

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

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

| | Other Land & Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total |
|---|------------------------|-----------------------------|-----------------------|------------------|----------------|---------------------------|----------------|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Carried Historical Cost | 0 | 11,657 | 8,082 | 1,143 | 0 | 9,873 | 30,755 |
| Valued at Current Value as from: | | | | | | | |
| 31st March 2023 | 44,524 | 0 | 0 | 0 | 0 | 0 | 851,416 |
| 31st March 2022 | 2,871 | 0 | 0 | 0 | 527 | 0 | 3,398 |
| 31st March 2021 | 806 | 0 | 0 | 0 | 0 | 0 | 806 |
| 31st March 2020 | 1,810 | 0 | 0 | 0 | 0 | 0 | 1,810 |
| 31st March 2019 | 1,180 | 0 | 0 | 0 | 0 | 0 | 1,180 |
| Total Cost or Valuation | 51,191 | 11,657 | 8,082 | 1,143 | 527 | 9,873 | 889,365 |

13. INVESTMENT PROPERTY

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

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

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

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

14. LONG TERM DEBTORS

| | 31 March 2023 £000's | 31 March 2022 £000's |
|---|-------------------------|-------------------------|
| Capital Advances (B3 Living) | 362 | 279 |
| Rents to Mortgages | 1,578 | 1,481 |
| Home Assist Loans | 224 | 240 |
| Place Loan | 100 | 100 |
| Qualis Loans | 66,489 | 57,421 |
| Provision for Credit losses | (2,308) | (1,067) |
| Net Carrying Amount at end of the year | 66,445 | 58,454 |

15. FINANCIAL INSTRUMENTS

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

Categories of Financial Instruments

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

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

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

Income and Expense Gains and Losses

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

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

Offsetting Financial Assets and Liabilities

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

| | 31 March 2023 | | | 31 March 2022 | | |
|-------------------------------|--------------------------------------|--|---|--------------------------------------|--|---|
| | Gross Assets (Liabilities) £000's | (Liabilities) assets set off £000's | Net position on balance sheet £000's | Gross Assets (liabilities) £000's | (Liabilities) assets set off £000's | Net position on balance sheet £000's |
| Bank Overdrafts | (2,500) | - | | (1,726) | - | |
| Bank Accounts in Credit | - | 2,291 | | - | 3,458 | |
| Total Financial Assets | (2,500) | 2,291 | (208) | (1,726) | 3,458 | 1,732 |

Fair Values of Assets and Liabilities

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

The Council's outstanding debt at 31st March 2023 consists of loans from the Public Works Loan Board (PWLB) and short-term loans from the local government authorities. Fair values are estimated as the price the lender would receive to sell the loans to another market participant on 31st March, based on observed market rates for similar transactions. The fair value of short-term financial liabilities held at amortised cost, including trade payables is assumed to approximate to the carrying amount.

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

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

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

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

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

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

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

Fair Value Sensitivities

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

16. DEBTORS AND PREPAYMENTS

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

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

17. CASH AND CASH EQUIVALENTS

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

18. CREDITORS

| | 31 March 2023 £000's | 31 March 2022 £000's |
|--|-------------------------|-------------------------|
| Government Departments and Other Local | (6,385) | (21,402) |
| Council Tax | (316) | (12) |
| Non Domestic Rates | (603) | (709) |
| Housing Rents | (521) | (555) |
| Sundry Creditors | (6,692) | (7,150) |
| Accruals and Deferred Income | (5,196) | (6,693) |
| Covid Grants | (5,908) | (7,229) |
| Energy and Fuel Support | (948) | - |
| Total Creditors | (26,569) | (43,750) |

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

19. PROVISIONS

A provision for Business Rates Appeals is retained. This reflects the Council's share (40%) of the potential liability for successful appeals lodged by local businesses against the Rateable Value of the premises that they occupy, and therefore the potential need for the Council to refund Business Rates paid in 2022/23 and prior years.

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

In addition, the Council is required by accounting standards to make a provision for potential losses in respect of Qualis loans. A total provision of £2.308 million was required for 2021/22 (£1.067 million in 2021/22); this comprises £2.235 million in respect of capital loans and £0.073 million in respect of revenue loans. Provisions in respect of capital loans are reversed under statute out in the Movement in Reserves Statement.

| | 31 March 2023 £000's | 31 March 2022 £000's |
|--------------------------------------|----------------------------|----------------------------|
| <u>Business Rates Appeals</u> | | |
| Opening Balance 1st April | 2,381 | 2,244 |
| Amounts Used in Year | (3,188) | (522) |
| Additional Provision Provided | 1,913 | 659 |
| Closing Balance | 1,106 | 2,381 |

20. UNUSABLE RESERVES

| | 31 March 2023 £000's | 31 March 2022 £000's |
|------------------------------------|-------------------------|-------------------------|
| Revaluation Reserve | 293,620 | 270,762 |
| Capital Adjustment Account | 420,978 | 441,135 |
| Pension Reserve | (4,208) | (44,163) |
| Deferred Capital Receipts Reserve | 64,341 | 57,172 |
| Collection Fund Adjustment Account | 880 | (2,770) |
| Accumulated Absences Account | (287) | (1,012) |
| Total Unusable Reserves | 775,324 | 721,124 |

Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

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

Collection Fund Adjustment Account

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

| | 31 March 2023 £000's | 31 March 2022 £000's |
|--|-------------------------|-------------------------|
| Balance as at 01 April | 2,770 | 6,769 |
| Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements | (3,649) | (3,999) |
| Balance as at 31 March | (879) | 2,770 |

Accumulated Absences Account

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

| | 31 March 2023 £000's | 31 March 2022 £000's |
|---|----------------------------|----------------------------|
| Balance as at 1st April | 1,012 | 709 |
| Settlement or cancellation of accrual made at the end of the preceding year | (1,012) | (709) |
| Amounts accrued at the end of the current year | 287 | 1,012 |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (725) | 303 |
| Balance as at 31st March | 287 | 1,012 |

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties.

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

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

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

Pension Reserve

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

| | 31 March 2023 £000's | 31 March 2022 £000's |
|--|-------------------------|-------------------------|
| Balance as at 01 April | (44,163) | (69,108) |
| Remeasurements of the net defined liability / (asset) | 44,553 | 30,200 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | (9,684) | (10,021) |
| Employers pensions contributions and direct payments to pensioners payable in the year | 5,086 | 4,766 |
| Balance as at 31 March | (4,208) | (44,163) |

Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as useable for financing new capital expenditure until they are backed by cash receipts. When the cash is eventually received, amounts are transferred to the Capital Receipts Reserve.

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

21. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items.

| | 31 March 2023 £000's | 31 March 2022 £000's |
|------------------------------|----------------------------|----------------------------|
| Interest Received | 379 | 2,152 |
| Interest Charge for the Year | (6,457) | (6,509) |
| Total | (6,078) | (4,357) |

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

| | 31 March 2023 £000's | 31 March 2022 £000's |
|--|----------------------------|----------------------------|
| Depreciation | 12,373 | 12,102 |
| Amortisation | 234 | 98 |
| Impairment and upward/downward revaluations | 3,475 | 3,751 |
| Increase / (decrease) in creditors | (14,923) | 9,654 |
| Increase / (decrease) in impairment for bad debt | - | (879) |
| (Increase) / decrease in debtors | 2,406 | 18,121 |
| (Increase) / decrease in inventories | 61 | (101) |
| Pension Liability | 4,797 | 5,833 |
| Carrying amount of Non-Current Assets sold | 2,573 | 17,938 |
| Movement in Investment Property Values Other Non-Cash Items Charged to the Net Surplus or deficit on the Provision of Services | 14,620 | (13,128) |
| Total | 25,616 | 53,389 |

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

| | 31 March 2023 £000's | 31 March 2022 £000's |
|---|----------------------------|----------------------------|
| Any other items for which the cash effects are investing or financing cash flows | (1,521) | (3,232) |
| Proceeds from the sale of property and equipment, investment property and intangible assets | (12,516) | (26,638) |
| Total | (14,037) | (29,870) |

22. CASH FLOW STATEMENT - INVESTING ACTIVITIES

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

23. CASH FLOW STATEMENT - FINANCING ACTIVITIES

| | 31 March 2023 £000's | 31 March 2022 £000's |
|--|----------------------------|----------------------------|
| Cash receipts fo short and long term borrowing | 87,133 | 146,000 |
| Repayments of short and long-term borrowing | (74,450) | (138,750) |
| Other payments for financing activities | 3,810 | (16,601) |
| Total | 16,493 | (9,351) |

24. MEMBER ALLOWANCES

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

25. OFFICER REMUNERATION

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

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

There were no payments relating to bonuses in the year. The emoluments above include all taxable employee payments. Pension contributions relate to Employer's contributions of 21.2% (21.2% in 2021/22).

The number of employees whose remuneration, including benefits in kind, but excluding employer's pension contributions, was £50,000 or more, is summarised in bands of £5,000 in the table below. The bandings have remained unchanged for several years, which means that (ignoring all other factors), general pay inflation will result in a gradual increase in the number of employees captured over time. This year there has been a significant increase in the number of employees in the lower bandings that have been captured by the disclosure requirement for the first time, partly as a consequence of the national (and local) fixed pay award for 2022/23 (of £1,925), which was the highest for a number of years.

| | 31 March 2023 No of Employees | 31 March 2022 No of Employees |
|--------------------------|-------------------------------------|-------------------------------------|
| Remuneration Band | | |
| £50,000 - £54,999 | 39 | 14 |
| £55,000 - £59,999 | 18 | 13 |
| £60,000 - £64,999 | 7 | 9 |
| £65,000 - £69,999 | 5 | 4 |
| £70,000 - £74,999 | 2 | 4 |
| £75,000 - £79,999 | 5 | 1 |
| £80,000 - £84,999 | 3 | 6 |
| £85,000 - £89,999 | - | - |
| £90,000 - £94,999 | - | - |
| £95,000 - £99,999 | - | 1 |
| £100,000 - £104,999 | 2 | - |
| £105,000 - £109,999 | - | - |
| £110,000 - £114,999 | 1 | - |
| £115,000 - £119,999 | 1 | 1 |
| £120,000 - £124,999 | - | - |
| £125,000 - £129,999 | - | - |
| £130,000 - £134,999 | - | 1 |
| £135,000 - £139,999 | 1 | 1 |
| £140,000 - £144,999 | - | 1 |
| £145,000 - £149,999 | - | - |
| £150,000 - £154,999 | - | - |
| £155,000 - £159,999 | - | - |
| £160,000 - £164,999 | - | - |
| £165,000 - £169,999 | - | - |
| £170,000 - £174,999 | - | - |
| £175,000 - £179,999 | - | - |
| £180,000 - £184,999 | - | - |
| £185,000 - £189,999 | - | - |
| £190,000 - £194,999 | - | - |
| £195,000 - £199,999 | - | - |
| Total | 84 | 56 |

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

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

| Termination Benefits | 2021/22 | | | |
|--|-------------------------------|------------------------|---------------------------|--|
| | No of Compulsory Redundancies | No of Other Departures | Total No of Exit Packages | Total Cost of Exit Packages in Each Band £'s |
| Exit Package Cost Band (including special payments) | | | | |
| £0 - £20,000 | 10 | 2 | 12 | 75,599 |
| £20,001 - £40,000 | 1 | 1 | 2 | 59,319 |
| £40,001 - £60,000 | - | - | - | - |
| £60,001 - £80,000 | 3 | 1 | 4 | 297,737 |
| £80,001 - £100,000 | - | - | - | - |
| above £100,000 | - | - | - | - |
| Total Cost Included in Bandings and in the CIES | 14 | 4 | 18 | 432,655 |

26. EXTERNAL AUDIT FEES

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

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

27. GRANTS AND CONTRIBUTIONS

| | 31 March 2023 £000's | 31 March 2022 £000's |
|---|----------------------------|----------------------------|
| Credited to Taxation and Non-Specific Grant Income | | |
| New Homes Bonus | 775 | 477 |
| COVID 19 Support for the Authority | - | 1,093 |
| Local Council Tax Support Grant | - | 135 |
| Service Grant | 382 | - |
| Other | 171 | 6 |
| Total Grants and Contributions | 1,328 | 1,711 |

| | 31 March 2023 £000's | 31 March 2022 £000's |
|--|-------------------------------------|-------------------------------------|
| <i>Credited to Services</i> | | |
| Arts Council | 50 | 70 |
| Broxbourne Borough Council | 10 | 10 |
| Cabinet Office | - | 26 |
| Cambridge & Peterborough Comb Authority | 4 | - |
| CGI UK Ltd | 5 | - |
| DCLG | 349 | - |
| Department for Levelling Up Housing & Communities | 2,565 | 2,998 |
| Department for Education | 5 | - |
| Department for Work and Pensions | 22,260 | 23,416 |
| Department of Business, Energy and Strategy | 44 | - |
| Department of Health and Social Care | - | 430 |
| East Herts District Council | 147 | 92 |
| EFDC | 100 | - |
| Epping Forest North Pc Network | 41 | - |
| Essex County Council | 713 | 2,620 |
| Essex Police, Fire & Crime Commissioner | 64 | 97 |
| Geoplace | 3 | - |
| Harlow Borough Council | 153 | 92 |
| Hertfordshire Council | 157 | - |
| HMLR | 30 | - |
| HMRC | 100 | - |
| Homes England (MHCLG) | - | 244 |
| National Heritage | 11 | 30 |
| Norfolk County Council | 7 | - |
| Royal Opera House | - | 1 |
| Tendring District Council | - | - |
| Town and Parish Councils | 158 | 208 |
| Uttlesford Community Action Network | 5 | - |
| Uttlesford District Council | 10 | 10 |
| West Essex CCG | 121 | 193 |
| Other | 3 | 399 |
| Total Grants and Contributions Credited to Services | 27,115 | 30,936 |

28. RELATED PARTY TRANSACTIONS

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

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

Entities Controlled or Significantly Influenced by the Council

The Council has a 100% shareholding in four companies:

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

The companies were incorporated in October 2019. The Council has issued eight loans to the Qualis Group in 2022-23 with a combined value of £10.550 million, bringing the overall total of loans issued to the Group to £69.753 million up to, and including, 31st March 2023. The loans were issued at commercial rates of interest with a fixed repayment schedule. A total of £3.831 million (excluding interest) had been repaid by 31st March 2023, of which £1.558 million was repaid in 2022/23.

Qualis Management Limited has provided the Housing Repairs service to the Council since October 2020; the Council paid £9.686 million for this service in 2022/23 (£8.723 million Revenue, plus £0.963 million Capital (£6.916 million 2021/22 comprising £6.113 million Revenue, plus £0.803 million Capital). The Council is also paid by Qualis for the provision of seconded staff, accommodation and support services. Group Accounts for the Council, including the Qualis companies, are shown later in this Statement of Accounts (pages 78 to 84).

Central Government

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

The 2020/21 and 2021/22 financial years saw an extremely high number of (pandemic-related) financial transactions with Central Government (reported in the relevant Statement of Accounts). In 2022/23, the number of transactions was far closer to normal levels, although £1,043,520 in funding in respect of Energy and Fuel grants was received from Government, for which the Council is acting as agent in distributing individual grants to eligible households. The Financial Review (pages 7 to 14) sets out further details.

29. CAPITAL EXPENDITURE AND FINANCING

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

| | 31 March 2023 £000's | 31 March 2022 £000's |
|---|-------------------------|-------------------------|
| Opening Capital Financing Requirement | 305,522 | 301,040 |
| Capital Investment | | |
| Property, Plant and Equipment | 15,433 | 24,249 |
| Investment Properties | 1,797 | 1,436 |
| Revenue Expenditure Funded from Capital Under Statute | 949 | 796 |
| Private Sector Housing Loans | - | 37 |
| Intangible Assets | 735 | 819 |
| Qualis Loans | 8,000 | 5,000 |
| Sources of Finance | | |
| Capital Receipts | (4,614) | (2,911) |
| Government Grants and Other Contributions | (1,377) | (1,700) |
| Major Repairs Reserve | (11,300) | (9,180) |
| Direct Revenue Contributions | - | (12,981) |
| Minimum Revenue Provision | (1,125) | (883) |
| Repayment Capital Loans | (467) | (200) |
| Closing Capital Financing Requirement | 313,553 | 305,522 |

30. LEASES

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

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

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

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

| | 31 March 2023 | | 31 March 2022 | |
|---------------------------------|--|---|--|---|
| | Receipts Due between 2 and 5 Years £000's | Total Receipts Due Thereafter £000's | Receipts Due between 2 and 5 Years £000's | Total Receipts Due Thereafter £000's |
| Land and Buildings | | | | |
| Shops (including shopping park) | 16,820 | 11,157 | 17,469 | 13,553 |
| Industrial Units | 4,211 | 44,263 | 5,067 | 48,273 |
| Other | 4,028 | 31,564 | 4,545 | 30,410 |
| Total | 25,059 | 86,984 | 27,081 | 92,236 |

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

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

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

31. PENSIONS

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

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

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

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

| | 31 March 2023 £000's | 31 March 2022 £000's |
|---|----------------------------|----------------------------|
| Comprehensive Income and Expenditure Statement | | |
| Service Cost | 8,477 | 8,587 |
| Net Interest Charged | 1,087 | 1,342 |
| Administration Expenses | 120 | 92 |
| Net Charge made to the CIES | 9,684 | 10,021 |
| Re-Measurements in Other Comprehensive | | |
| Return on Fund Assets in Excess of Interest | (4,687) | 14,197 |
| Other Actuarial Gains / (Losses) | - | 1,826 |
| Changes in Financial Assumptions | 100,341 | 9,887 |
| Change in Demographic Assumptions | - | 6,085 |
| Experience Gain / (Loss) on Defined Benefit Obligation | (20,981) | (1,795) |
| Changes in effect of asset ceiling | (30,120) | - |
| Re-Measurement of the Net Assets/(Defined Liability) | 44,553 | 30,200 |
| Pension Assets and Liabilities Recognised in the Balance Sheet | | |
| Present Value of the Funded Obligation | 180,747 | 251,031 |
| Present Value of the Unfunded Obligation | 1,992 | 2,358 |
| Fair Value of Scheme Assets | (208,651) | (209,226) |
| Impact of asset ceiling | 30,120 | - |
| Net Benefit Liability / (Asset) in the Balance Sheet | 4,208 | 44,163 |

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

| Reconciliation of the Fair Value of the Scheme Assets | 31 March 2023 £000's | 31 March 2022 £000's |
|---|----------------------------|----------------------------|
| Fair Value of the Plan Assets at 1 April | 209,226 | 190,210 |
| Interest on Assets | 5,424 | 3,797 |
| Return on Assets less Interest | (4,687) | 14,197 |
| Other Actuarial Gains / (Losses) | - | 1,826 |
| Administration Expenses | (120) | (92) |
| Employer Contributions including Unfunded | 5,086 | 4,766 |
| Contributions by Scheme Participants | 1,330 | 1,242 |
| Benefits Paid | (7,608) | (6,720) |
| Settlement Prices Received / (Paid) | - | - |
| Fair Value of the Plan Assets at 31 March | 208,651 | 209,226 |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based

on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual loss on assets less interest in the year was £4.7 million (gain on assets less interest £14.2 million in 2021/22).

| Scheme History | 2022/23 £000's | 2021/22 £000's | 2020/21 £000's | 2019/20 £000's | 2018/19 £000's |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Present Value of Liabilities | (180,747) | (251,031) | (256,735) | (214,582) | (229,281) |
| Fair Value of Assets | 208,651 | 209,226 | 190,210 | 153,616 | 162,440 |
| Present Value of Unfunded Obligation | (1,992) | (2,358) | (2,583) | (2,671) | (3,007) |
| Impact of Asset Ceiling | (30,120) | - | - | - | - |
| Surplus / (Deficit) in the Scheme | (4,208) | (44,163) | (69,108) | (63,637) | (69,848) |

The increase in net liability reflects the position after adjustment is made for the effects of an asset ceiling. It recognises that, where a surplus position arises out of an actuarial valuation, there is no unconditional right to a refund from the Fund and therefore an economic benefit to the Council should not be reflected in the Accounts.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total net liability on the Councils Balance sheet in 2021/22 was £44.163 million. In 2022/23 this has been revised and the current scheme position is a net liability balance of £4.208 million.

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

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

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about life expectancy rates, salary levels, and inflation rates. The District Council fund liabilities have been assessed by Barnett Waddingham, a firm of actuaries who provide the service for the Essex County Council Pension Fund, being based on the full Actuarial Valuation of the scheme as at 31st March 2022.

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

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

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

| Assets Held | 31 March 2023 | | 31 March 2022 | |
|---------------------|------------------|-------------|------------------|-------------|
| | £000's | % | £000 | % |
| Equities | 120,462 | 58% | 124,165 | 59% |
| Government Bonds | 3,058 | 1% | 5,063 | 2% |
| Other Bonds | - | 0% | 9,085 | 4% |
| Property | 17,128 | 8% | 17,871 | 9% |
| Cash / Liquidity | 6,266 | 3% | 5,922 | 3% |
| Alternative Assets | 33,098 | 16% | 26,371 | 13% |
| Other Managed Funds | 28,639 | 14% | 20,749 | 10% |
| Total | 208,651 | 100% | 209,226 | 100% |

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities was considered by the actuaries in the 2022 actuarial review of the Pension Fund. The anticipated shortfall in the funding of the scheme has determined the future level of pension contributions which will be due between triennial valuations.

| Sensitivity Analysis as at 31 March 2023 | Sensitivity 1b | Sensitivity 1a | Sensitivity 2b |
|---|-------------------|-------------------|-------------------|
| | £000's | £000's | £000 |
| Adjustment to Discount Rate | +0.5% | +0.1% | -0.5% |
| Present Value of Total Obligation | 170,148 | 180,100 | 196,943 |
| Projected Service Cost | 2,899 | 3,307 | 4,026 |
| Adjustment to Long Term Salary | +0.5% | +0.1% | -0.5% |
| Present Value of Total Obligation | 183,548 | 182,899 | 181,956 |
| Projected Service Cost | 3,429 | 3,419 | 3,406 |
| Adjustment to Pension Increases and Deferred Revaluation | +0.5% | +0.1% | -0.5% |
| Present Value of Total Obligation | 196,339 | 185,331 | 170,654 |
| Projected Service Cost | 4,042 | 3,532 | 2,883 |
| Adjustment to Mortality Age Rating | | + 1 Year | |
| Present Value of Total Obligation | | 190,082 | |
| Projected Service Cost | | 3,540 | |

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

32. NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risk associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

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

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

Credit Risk

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

Investments

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

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

The table below summaries the nominal value of the Council's investment portfolio at 31st March 2023, and confirms that all investments were made in line with the Council's approved rating criteria when investment placed.

| | 31 March 2023 | | | | | | |
|------------------------|----------------------------|----------------------|---------------------|---------------------|----------------------|-------------------------------|---------------|
| | Credit Rating Criteria Met | Up to 1 Month £000's | 1 - 3 Months £000's | 4 - 6 Months £000's | 7 - 12 Months £000's | Greater than 12 Months £000's | Total £000's |
| Banks UK | A+ | (208) | - | - | - | - | (208) |
| Cash equivalents MMF | A- | 10,000 | - | - | - | - | 10,000 |
| Cash Equivalents DMADF | UKGOV | 3,000 | - | - | - | - | 3,000 |
| Total | | 12,792 | - | - | - | - | 12,792 |

| | 31 March 2022 | | | | | | |
|------------------------|----------------------------|----------------------|---------------------|---------------------|----------------------|-------------------------------|---------------|
| | Credit Rating Criteria Met | Up to 1 Month £000's | 1 - 3 Months £000's | 4 - 6 Months £000's | 7 - 12 Months £000's | Greater than 12 Months £000's | Total £000's |
| Banks UK | A+ | 1,732 | - | - | - | - | 1,732 |
| Cash equivalents MMF | A- | 17,000 | - | - | - | - | 17,000 |
| Cash Equivalents DMADF | UKGOV | - | - | - | - | - | - |
| Total | | 18,732 | - | - | - | - | 18,732 |

Credit Risk – Debtors

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

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

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

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

Credit Risk - Loans

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

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

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

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

Liquidity Risk

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

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

The maturity analysis of the nominal value of the Council's debt at 31st March 2023 is as follows.

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

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

| | | 31 March 2022 £000's | % of Total Debt Portfolio | Cash Flows including Interest £000's |
|-----------------------------|-------------------------|----------------------------|---------------------------------|---|
| Short-Term Borrowing | Less than 1 Year | 55,317 | 21% | 62,445 |
| Long-Term Borrowing | Over 1 but not Over 2 | 1,317 | 1% | 7,998 |
| | Over 2 but not Over 5 | 3,950 | 1% | 23,811 |
| | Over 5 but not Over 10 | 36,583 | 14% | 68,153 |
| | Over 10 but not Over 15 | 6,583 | 2% | 35,232 |
| | Over 15 but not Over 20 | 156,906 | 58% | 174,546 |
| | Over 20 but not Over 25 | 3,250 | 1% | 4,156 |
| | Over 25 | 5,050 | 2% | 5,807 |
| Long-Term Borrowing | | 213,639 | 79% | 319,703 |

Interest Rate Risk

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 25% on external debt that can be subject to variable rates. As at 31st March 2023, 100% of the debt portfolio was held in fixed rate instruments. The one-year impact on income and expenditure of 1% interest rate rise was in relation to EIP (Equal Instalment of Principal) loans.

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

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

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

Price Risk

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

Foreign Exchange Risk

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

33. CAPITAL COMMITMENTS

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

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

Housing revenue account income and expenditure statement



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

Movement on Housing Revenue Account Statement

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

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

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

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

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

1. HOUSING REVENUE ACCOUNT ASSET VALUATION

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

| | 31 March 2023 £000's | 31 March 2022 £000's |
|-----------------------------|----------------------------|----------------------------|
| Dwellings | 806,892 | 774,586 |
| Plant, vehicles & equipment | 1,135 | 1,273 |
| Other operational property | 13,351 | 17,025 |
| Investment property | 149 | 155 |
| Total | 821,527 | 793,039 |

The Dwellings valuation shown in the Balance Sheet represents the value of the Housing Stock to the Council in its Existing Use as Social Housing, occupied on the basis of secure tenancies. The corresponding value of those Dwellings if sold on the open market without tenants (i.e. vacant possession) is £2,109,738,050 at 31st March 2023. The difference between the two values represents the economic cost of providing Council Housing at less than open market rent.

2. HOUSING STOCK

The Council was responsible for managing on average 6,442 dwellings during 2022/23 (6,436 in 2021/22). Changes in the stock are summarised below. The figures include 54 units for the homeless at Norway House, North Weald.

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

3. GROSS DWELLING RENT INCOME

During 2022/23:

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

4. PENSIONS

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against the HRA is based on the contributions payable to the fund in respect of 2022/23; the real cost of retirement benefits is therefore reversed out of the Housing Revenue Account in the Movement on the HRA balance.

5. HOUSING REVENUE ACCOUNT CAPITAL RECEIPTS

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

6. HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE

The HRA incurred the following capital expenditure:

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

7. MAJOR REPAIRS RESERVE

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

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

8. DEPRECIATION AND IMPAIRMENTS

Depreciation is charged on Housing Revenue Account assets in accordance with IAS 16. Depreciation is charged with reference to balance sheet values and the average life remaining on the housing stock and its major components. No depreciation is chargeable on the HRA investment assets. The difference between the figure shown on the face of the HRA and Note 7 above relates to £69,000 (£3,000 in 2021/22) in amortisation of intangible assets, other non-dwellings depreciation, revenue expenditure funded from capital and impairments.

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

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

Collection fund



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

1. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex County Council, Essex Police, Essex Fire Authority and this Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: 54,865 for 2022/23 (54,019 for 2021/22). The basic amount of Council Tax for a Band D property of £1,923.28 for 2022/23 (£1,845.47 for 2021/22) is multiplied by the proportion specified for the band to give an individual amount due.

Total income of £107,564,536 for 2022/23 was receivable from Council Taxpayers (£102,444,803 for 2021/22).

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

2. NON-DOMESTIC RATES

Non-Domestic Rates are organised on a national basis. The Government specifies an amount, 49.9p (small business) and 51.2p (all others) in 2022/23 (49.9p and 51.2p in 2021/22) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

From 1st April 2013 Business Rates Retention was introduced whereby local authorities retain 50% of the Business Rates collected and pay the remainder over to Central government. The amount retained is shared between the Council (40%), Essex County Council (9%) and Essex Fire Authority (1%). In addition, the Government has set a level of Business Rates Funding deemed to be applicable to each area and every Council either receives a top up (where business rates are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding). In 2022/23 this Council paid a tariff of £10,880,558 (£10,880,558 in 2021/22).

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

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

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

The total Non-Domestic Rateable Value at the year-end was £96,480,531 (£97,250,516 in 2021/22).

3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

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



Introduction

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

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

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

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

Accounting Policies

The Qualis group of companies initially had a financial year from 1st November to 31st October, but this has now been amended to run from 1st October to 30th September. These Group Accounts have been prepared using the best estimates provided by the group of activities from 1st April 2022 to 31st March 2023 and of the financial position of the group as at 31st March 2023.

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

Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated but are re-valued annually according to market conditions to ensure that they are held at the highest and best use value on the Balance Sheet date. Gains and losses on revaluation are posted to the profit and loss. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the profit and loss account as other operating income.

Basic Financial Assets

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

Pension Costs

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

Group Comprehensive Income and Expenditure Statement

| | 2022/23 | | | 2021/22 | | |
|--|-------------------|-----------------|-----------------|-------------------|-----------------|-----------------|
| | Gross Expenditure | Income | Net Expenditure | Gross Expenditure | Income | Net Expenditure |
| | £000's | £000's | £000's | £000's | £000's | £000's |
| Chief Executive | 711 | (321) | 390 | 886 | (364) | 522 |
| Community & Wellbeing Services | 3,864 | (1,762) | 2,102 | 3,851 | (1,449) | 2,402 |
| Contract & Technical Services | 18,380 | (8,138) | 10,242 | 17,729 | (9,932) | 7,797 |
| Corporate Services | 10,569 | (3,155) | 7,414 | 10,471 | (2,855) | 7,616 |
| Customer Services | 26,859 | (23,965) | 2,894 | 29,110 | (26,993) | 2,117 |
| Finance & Audit Services | 2,310 | (821) | 1,489 | 2,733 | (788) | 1,945 |
| Housing & Property Services | 2,197 | (529) | 1,668 | 2,719 | (543) | 2,176 |
| Place | 472 | (178) | 294 | 886 | (433) | 453 |
| Planning Development Services | 5,642 | (3,455) | 2,187 | 5,698 | (2,778) | 2,920 |
| Strategy, Delivery & Performance | 690 | (5) | 685 | 691 | - | 691 |
| Housing Revenue Account | 36,208 | (37,969) | (1,761) | 33,816 | (37,181) | (3,365) |
| Net Cost of Continuing Operations | 107,902 | (80,298) | 27,604 | 108,590 | (83,316) | 25,274 |
| Other Operating Expenditure | | | 2,004 | | | 211 |
| Financing and Investment Income and Expenditure | | | 20,094 | | | (13,208) |
| Taxation and Non-Specific Grant Income | | | (21,402) | | | (20,982) |
| (Surplus)/Deficit on Provision of Services | | | 28,300 | | | (8,705) |
| (Surplus) on Revaluation of Property Plant and Equipment | | | (27,122) | | | (52,588) |
| Actuarial (Gains)/Losses on Pension Assets/Liabilities | | | (49,188) | | | (31,480) |
| Total Comprehensive Income and Expenditure | | | (48,010) | | | (92,773) |

Group Balance Sheet

| | Note | 31 March 2023 | | 31 March 2022 | |
|--------------------------------------|-----------|---------------|------------------|---------------|------------------|
| | | £000's | £000's | £000's | £000's |
| Long Term Assets | | | | | |
| Property, Plant & Equipment | | 879,418 | | 869,441 | |
| Heritage Assets | | 620 | | 598 | |
| Investment Properties | | 177,286 | | 192,398 | |
| Intangible Assets | | 1,450 | | 988 | |
| Long Term Debtors | G2 | 2,264 | | 1,033 | |
| Pensions Asset | G6 | 1,677 | | - | |
| Total Long Term Assets | | | 1,062,715 | | 1,064,458 |
| Current Assets | | | | | |
| Inventories | G3 | 29,365 | | 157 | |
| Debtors and Prepayments | G4 | 13,575 | | 29,880 | |
| Cash & Cash Equivalents | G5 | 15,076 | | 24,110 | |
| | | | 58,016 | | 54,147 |
| Current Liabilities | | | | | |
| Creditors | | (27,900) | | (47,333) | |
| Provisions | | (3,414) | | (2,381) | |
| Short Term Loan | | (38,175) | | (55,552) | |
| | | | (69,489) | | (105,266) |
| Long Term Liabilities | | | | | |
| Long Term Loans | | (244,506) | | (213,639) | |
| Provision for deferred tax | | (1,689) | | - | |
| Pensions Liability | | (4,208) | | (46,831) | |
| | | | (250,403) | | (260,470) |
| Total Assets Less Liabilities | | | 800,839 | | 752,869 |
| Usable Reserves | | (23,838) | | (34,406) | |
| Unusable Reserves | | (777,001) | | (718,463) | |
| | | | (800,839) | | (752,869) |

Group Cash Flow Statement

| | 2022/23 £000's | 2021/23 £000's |
|--|-------------------|-------------------|
| Net Surplus/(Deficit) on Provision of Services | (28,300) | 8,705 |
| Adjustments to net surplus or deficit on the provision of services for non-cash movements | 19,912 | 64,894 |
| Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (14,037) | (29,870) |
| Net cash flows from Operating Activities | (22,425) | 43,729 |
| Investing Activities | (12,641) | (39,839) |
| Financing Activities | 26,032 | (5,807) |
| Net Increase or (Decrease) in cash and cash equivalents | (9,034) | (1,917) |
| Cash and Cash Equivalents at the beginning of the reporting period | 24,110 | 26,027 |
| Cash and Cash equivalents at the end of the reporting period | 15,076 | 24,110 |

Group Movement in Reserves Statement

| | Single Entity (EFDC) | | | | | | | | | Qualis | | Group | | |
|--|----------------------|-------------------------|--------------------|--------------------------|-----------------------|------------------------|-----------------------|-------------------------|----------------|-----------------|------------------|-----------------------------|-------------------------------|----------------|
| | General Fund Balance | Housing Revenue Account | Earmarked Reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Applied | Total Usable Reserves | Total Unusable Reserves | Total Reserves | Qualis Usable | Qualis Un Usable | Group Total Usable reserves | Group Total Unusable Reserves | Group Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Movements in 2022/23 | | | | | | | | | | | | | | |
| Balance as at 1st April 2022 | 4,070 | 4,164 | 6,628 | 11,910 | 9,365 | 1,607 | 37,744 | 721,122 | 758,866 | (3,338) | (2,659) | 34,406 | 718,463 | 752,869 |
| Surplus / (Deficit) on Provision of Services | (20,448) | (923) | - | - | - | - | (21,371) | - | (21,371) | (6,930) | - | (28,301) | - | (28,301) |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | 71,874 | 71,874 | - | - | - | 71,874 | 71,874 |
| Total Comprehensive Income and Expenditure | (20,448) | (923) | - | - | - | - | (21,371) | 71,874 | 50,503 | (6,930) | - | (28,301) | 71,874 | 43,573 |
| Adjustment Between Accounting and Funding Basis Under Regulations | 16,791 | 1,311 | - | 308 | (878) | 102 | 17,634 | (17,634) | - | - | - | 17,634 | (17,634) | - |
| Net Increase / (Decrease) before Transfer to Earmarked Reserves | (3,657) | 388 | - | 308 | (878) | 102 | (3,737) | 54,240 | 50,503 | (6,930) | - | (10,667) | 54,240 | 43,573 |
| Transfer to Earmarked Reserves | 2,806 | - | (2,806) | - | - | - | - | - | - | - | - | - | - | - |
| Increase / (Decrease) in Year | (851) | 388 | (2,806) | 308 | (878) | 102 | (3,737) | 54,240 | 50,503 | (6,930) | - | (10,667) | 54,240 | 43,573 |
| Other Adjustments | - | - | (2) | - | - | - | (2) | (38) | (40) | 101 | 4,336 | 99 | 4,298 | 4,397 |
| Balance as at 31 March 2023 | 3,219 | 4,552 | 3,820 | 12,218 | 8,487 | 1,709 | 34,005 | 775,324 | 809,329 | (10,167) | 1,677 | 23,838 | 777,001 | 800,839 |

| | Single Entity (EFDC) | | | | | | | | | Qualis | | Group | | |
|--|----------------------|-------------------------|--------------------|--------------------------|-----------------------|------------------------|-----------------------|-------------------------|----------------|----------------|------------------|-----------------------------|-------------------------------|----------------|
| | General Fund Balance | Housing Revenue Account | Earmarked Reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Applied | Total Usable Reserves | Total Unusable Reserves | Total Reserves | Qualis Usable | Qualis Un Usable | Group Total Usable reserves | Group Total Unusable Reserves | Group Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Movements in 2021/22 | | | | | | | | | | | | | | |
| Balance as at 1 April 2021 | 4,017 | 2,105 | 23,811 | 8,385 | 8,839 | - | 47,156 | 618,535 | 665,691 | (2,488) | (3,359) | 44,668 | 615,176 | 659,844 |
| Surplus / (Deficit) on Provision of Services | 7,978 | 1,577 | - | - | - | - | 9,555 | - | 9,555 | (850) | - | 8,705 | - | 8,705 |
| Other Comprehensive Income and Expenditure | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Comprehensive Income and Expenditure | 7,978 | 1,577 | - | - | - | - | 9,555 | - | 9,555 | (850) | - | 8,705 | - | 8,705 |
| Adjustment Between Accounting and Funding Basis Under Regulations | (12,127) | 482 | - | 3,525 | 526 | 1,354 | (6,240) | 6,240 | - | - | - | (6,240) | 6,240 | - |
| Net Increase / (Decrease) before Transfer to Earmarked Reserves | (4,149) | 2,059 | - | 3,525 | 526 | 1,354 | 3,315 | 6,240 | 9,555 | (850) | - | 2,465 | 6,240 | 8,705 |
| Transfer to Earmarked Reserves | 3,462 | - | (16,442) | - | - | - | (12,980) | 12,980 | - | - | - | (12,980) | 12,980 | - |
| Increase / (Decrease) in Year | (687) | 2,059 | (16,442) | 3,525 | 526 | 1,354 | (9,665) | 19,220 | 9,555 | (850) | - | (10,515) | 19,220 | 8,705 |
| Other Adjustments | - | - | - | - | - | 253 | 253 | 83,367 | 83,620 | - | 700 | 253 | 84,067 | 84,320 |
| Balance as at 31 March 2021 | 3,330 | 4,164 | 7,369 | 11,910 | 9,365 | 1,607 | 37,744 | 721,122 | 758,866 | (3,338) | (2,659) | 34,406 | 718,463 | 752,869 |

G1. OTHER OPERATING EXPENDITURE

Total comprehensive expenditure for all Qualis companies for 2022-23 was £2.493m. Which included £4.436m actuarial gains on Pension Assets and Losses on valuation of Investment Properties of £4.358 million

G2. LONG-TERM DEBTORS

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

G3. INVENTORIES

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

G4. DEBTORS AND PREPAYMENTS

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

G5. CASH AND CASH EQUIVALENTS

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

G6. PENSIONS

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

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

| | 31 March 2023 EFDC (Single entity) Note 31 £000 | 31 March 2022 EFDC (Single entity) Note 31 £000 |
|---|---|---|
| Present Value of Liabilities | (180,747) | (251,031) |
| Present Value of the Unfunded Obligation | 208,651 | 209,226 |
| Fair Value of Scheme Assets | (1,992) | (2,358) |
| Impact of Asset Ceiling | (30,120) | - |
| EFDC Net Asset /(Liability) in the Balance Sheet | (4,208) | (44,163) |
| Group - Net Liability in Qualis subsidiaries | 1,677 | (2,658) |
| EFDC GROUP Net Liability in the Balance Sheet | (2,531) | (46,821) |



Annual Governance Statement 2022/23

1. Scope of Responsibility

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

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

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

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

2. The Purpose of the Governance Framework

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

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

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

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

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

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

The table below summarises the Council's Governance Framework (which includes the system of internal control) for the year ending 31 March 2023 and up to the date of approval of this Statement and the Statement of Accounts.

| No. | The Governance Framework |
|-----|---|
| | The key elements of the Council's governance arrangements for 2022/23 were: |
| 1 | The Corporate Plan covering 2018-2023, setting out the Council's priorities and defining the goals to be achieved (a new Corporate Plan has been agreed covering 2023-2027). |
| 2 | The Constitution, which is revised each year: <ul style="list-style-type: none"> 2.1 sets out the Council's decision-making framework 2.2 gives a clear definition of the roles and responsibilities of members, committees, and the statutory officers (Head of the Paid Service, Section 151 Officer and Monitoring Officer) 2.3 includes a Scheme of Delegation of responsibility, Financial Regulations and Procurement Rules; and 2.4 defines Codes of Conduct for members and officers, and a Protocol for how the two work together. |
| 3 | The Council facilitates policy and decision making via a Cabinet Structure with Cabinet Member portfolios. The Council's Local Code of Governance was reviewed and approved by the Audit and Governance Committee November 2022. |
| 4 | There are three Select Committees to cover the Council's corporate ambitions being Stronger Communities, Stronger Place and Stronger Council. In addition, Task and Finish Panels undertake specific reviews and there is a co-ordinating Overview and Scrutiny Committee. |
| 5 | A Standards Committee. |
| 6 | An Audit and Governance Committee. |

| No. | The Governance Framework (cont.) |
|-----|---|
| 7 | An Executive Management Team consisting of the Chief Executive, Strategic Director, and Chief Operating Officer. The Chief Executive as Head of Paid Service is supported by the Council's Monitoring Officer and Section 151 Officer. It should be noted that from April 2023 the Section 151 Officer (and his deputy) are covering both Epping Forest District Council and Colchester City Council as part of the move towards the expansion of shared services, and potential devolution within Essex. |
| 8 | A Corporate Governance Group consisting of the Chief Executive, Section 151 Officer, Monitoring Officer, the Chief Internal Auditor, and other senior officers as required depending on the agenda, meeting monthly. |
| 9 | A Corporate Risk Strategy, which was overseen by a Risk Management Group meeting quarterly. The Council's risk management framework was revised during the year. The Risk Management Group has been disbanded and is now overseen by the Senior Leadership Team on at least a quarterly basis. |
| 10 | A standard committee report format that includes specific consideration of all legal, financial, professional, technical, risk management and equalities implications. |
| 11 | A Medium-Term Financial Plan which informs service planning and budget setting. |
| 12 | A Comments, Compliments, and Complaints procedure. |
| 13 | A risk-based approach to Internal Audit, emphasising the need for sound control, governance and risk management arrangements. |
| 14 | A robust Whistle Blowing Policy and process (reviewed and last updated November 2022) along with an Anti-Fraud and Corruption Strategy (which was reviewed and approved by the Audit and Governance Committee in November 2022) outlining the Council's zero tolerance approach to fraud and corruption and include anti-bribery and anti-money laundering policies. |

3. Review of Effectiveness

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

- The Chief Executive and Service Director governance statements, which provide appropriate management assurance that the key elements of the system of internal control are operating effectively, including the Council's relationship with its subsidiary company, Qualis
- Documentary evidence of processes, procedures, and standards
- A Corporate Fraud Team, which supports the Council's counter fraud and corruption framework in taking action to prevent, detect and investigate fraud
- The Chief Internal Auditor's annual opinion on the Council's control environment, delivered to the Audit and Governance Committee, as the body charged with governance. Audit reports issued along with the assurance ratings of, substantial, moderate, limited or no assurance, on the adequacy and effectiveness of the Council's control environment, including key financial systems
- The work undertaken by the External Auditor and reported, including their "Communication with those Charged with Governance" (ISA260); and
- Significant governance issues from previous years and from 2022/23.

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

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

The Corporate Governance Group has undertaken an assessment of the arrangements for governance during 2022/23 including a review of the assurance checklists and statements submitted by managers. It has concluded that arrangements are fit for purpose and working effectively, and this has been endorsed by the SLT (Senior Leadership Team). As a result of this assessment, a small number of other governance issues have been identified to further strengthen arrangements, as detailed in Table 2 below.

5. Significant Governance Issues

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

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

| No. | Significant issue identified in 2021/22 AGS | Action taken in 2022/23 to address the issue |
|-----|---|--|
| 1 | <p>Economic Issues</p> <p>At the time of preparing the AGS in 2021/22, both national and global events had led to a very volatile economic situation. Unprecedented increases in inflation compared to previous years were being seen and the availability of raw materials etc. was a problem globally. This has a direct impact on the Council in terms of potential cost increases including major works and projects. There may also be indirect consequences, with potential increases in demand by those accessing Council services.</p> | <p>The implications of the economic situation were monitored with mitigating strategies developed and implemented by the Senior Leadership Team.</p> <p>Key considerations featured in the reports presented to Cabinet, and in the development of the MTFP (Medium-Term Financial Plan) for 2023/24 and future years.</p> <p>The Council subsequently managed to absorb the worst of the inflationary peak in its base budgets through the realisation of substantial savings in both 2023/24 (£4.304 million) and 2024/25 (£2.938 million). Despite this, core services were protected, whilst simultaneously maintaining the Council's long-term financial sustainability</p> |
| 2 | <p>Statement of Accounts</p> <p>It was reported in the 2021/22 AGS that, due to technical and resource issues there had been a delay in the final (audited) approval of the 2020/21 Accounts. Nationally, there was an ongoing issue with councils being unable to get their final accounts audited, which was having a knock on impact on the 2021/22 and 2022/23 Accounts.</p> | <p>The Council continued to work with its External Auditors to resolve the audit difficulties. The Audit and Governance Committee was kept informed on progress.</p> <p>At the time of preparing this (the 2022/23) AGS, the 2020/21 Accounts have yet to be signed off by the auditors, although audit work is at an advanced stage.</p> |

| No. | Significant issue identified in 2021/22 AGS (cont.) | Action taken in 2022/23 to address the issue |
|--|---|--|
| 3 | <p>Financial Management Code</p> <p>2020/21 saw the introduction of CIPFA's Financial Management Code 2019. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management.</p> | <p>The planned compliance assessment – programmed for 2022/23 – has slipped into 2023/24. However, substantial progress has been made over the last 3 years in developing a resilient Finance function and addressing many of the underlying principles within the Code.</p> <p>This is now programmed in for 2023/24.</p> |
| <p><i>Common themes emerging from the 2022/23 Service Assurance Statements were:</i></p> | | |
| 4 | <p>Business Continuity</p> <p>As the Council emerges from the Pandemic, there is a need to revisit and maintain Service Business Continuity Plans, as well as ensuring that staff are both aware of business continuity arrangements, and are testing the plans.</p> | <p>A Business Continuity project is ongoing to review the Business Continuity Framework and processes. This is being overseen by the (officer) Corporate Governance Group.</p> |
| 5 | <p>Financial Regulations</p> <p>Financial Regulations were due to be reviewed in 2022/23. There was a consensus that officers would welcome guidance and training on the Council's Financial Regulations. There will be a joined-up approach between Finance, HR and Internal Audit to ensure this is both proportionate and targeted.</p> | <p>The review of Financial Regulations is now scheduled for 2023/24 to ensure that they are informed by the new Management Structure.</p> |

In preparing this AGS and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement or require careful monitoring. These are set out in the table below, together with the steps to be taken to address them.

Table 2: Areas for improvement or monitoring during 2023/24

| No. | Objective | Risk area/action plan for 2023/24 |
|-----|--|---|
| 1 | <p>Economic Issues</p> <p>At the time of preparing this (2022/23) AGS, economic volatility – both nationally and globally – continues, although there are some early signs of stability emerging with inflation beginning to settle down (CPI peaked at 11.1% in October 2022), with notable reductions in fuel and energy prices. Interest rates though continue to rise as the Government strives to further dampen inflation. This is having a direct impact on both the Council and Qualis, threatening the viability of a range of capital schemes.</p> <p>The economic situation is also proving challenging for the local community and is increasing the demand for Council services in some areas (e.g. Housing Benefits) as well as exerting pressure on core Council funding streams such as Council Tax and Business Rates.</p> | <p>The implications continue to be monitored by SLT and feature as key considerations in the reports presented to Cabinet and in the development of the MTFP (Medium-Term Financial Plan) for 2024/25 and future years.</p> <p>This includes the Section 151 Officer’s quarterly Qualis Monitoring Report to Cabinet.</p> <p>Frontline services – especially Revenues and Benefits – continue to prioritise and resource the delivery of the various support packages offered by the Government in response to public need (e.g. through various Energy schemes and rebates).</p> |
| 2 | <p>Statement of Accounts</p> <p>The delays with the audit of the Accounts reported in the 2021/22 AGS have worsened (nationally) in 2022/23, with the Government now actively considering a range of concerns raised from within the Local Government sector.</p> | <p>Locally, the Council continued to work with its External Auditors to resolve the audit difficulties, and the Section 151 Officer also accessed professional guidance and support available through professional networks, including the Essex Finance Officers Association (EFOA).</p> <p>Steady progress was made in resolving the long-outstanding audit issues, with an unqualified audit opinions eventually obtained on the 2020/21 and 2021/22 Accounts, with an opinion on the 2022/23 Accounts anticipated in time to meet the 13th December 2024 statutory “backstop” date.</p> |

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

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

Signed 

29th June 2023

Georgina Blakemore

Chief Executive

Signed 

29th June 2023

Councillor Chris Whitbread

Leader of the Council

| INTEGRITY | OPENNESS | VISION | OUTCOMES | CAPACITY & CAPABILITY | PERFORMANCE | ACCOUNTABILITY |
|--|--|---|---|--|--|--|
| Behave with integrity, demonstrating a strong commitment to ethical values and respect the rule of law. | Ensure openness and comprehensive stakeholder engagement | Define outcomes in terms of sustainable economic, social and environmental benefits | Determining the interventions necessary to optimise the achievement of intended outcomes | Develop the Council's capacity, including the capability of its leadership and the individuals within it. | Manage the Council's risk and performance through robust internal control and strong public financial management. | Implement good practice in transparency, reporting and audit to deliver effective accountability. |
| Examples supporting the Annual Governance Statement (AGS) 2022/23 | | | | | | |
| <p>Constitution sets out code of conduct for Members and staff.</p> <p>Regularly publicised whistleblowing policy. Zero tolerance to anti-fraud and corruption.</p> <p>Clear and transparent decision-making process. Section 151/Monitoring Officer part of report clearing process.</p> <p>Standards Committee</p> | <p>Published Freedom of Information and complaints/compliments scheme.</p> <p>Publicly available agenda and minutes of meetings.</p> <p>Monitoring and maintaining a record of partnerships. Member appointment to community organisations.</p> <p>Active consultation through the Council's Consultation policy and plan</p> <p>'Critical friend' challenge through the Council's scrutiny process.</p> <p>Revised and updated Code of Governance</p> | <p>2018-2023 Corporate Plan which is supported by service/operational plans.</p> <p>Draft Local plan that supports the Council's vision.</p> <p>Decision making process that take into account these effects on its residents, paying due regard to the public sector equality duty.</p> <p>Providing fair access to Council services offered.</p> <p>Economic Development Strategy</p> | <p>Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance.</p> <p>Decision making processes that receive objective and rigorous involvement including involvement of the Monitoring and Section 151 Officers</p> <p>Anti-Fraud and Corruption strategy.</p> | <p>People Strategy</p> <p>Established induction and training programme for existing and new Councillors. Process includes mentoring and training events.</p> <p>Induction process for staff, access to personal development appropriate to their roles. Formal Personal Development Review (PDR) for staff and access to health and wellbeing opportunities.</p> | <p>Risk management is an integral part of the council's activities and decision making.</p> <p>Internal Audit function that provides assurance on governance, risk management and controls reporting to the Audit and Governance Committee</p> <p>Active corporate fraud team</p> <p>Medium Term Financial Plan.</p> | <p>Defined process to ensure reports for the public/stakeholders are fair, balanced, easily accessible and understandable.</p> <p>Reporting regularly on performance and on the use of resources.</p> <p>Processes to ensure external/internal audit recommendations are acted upon.</p> <p>Requirement for Service Directors to produce annual assurance statements which feed into the AGS</p> |
| An active Corporate Governance Group which takes charge of the Annual Governance Statement | | | | | | |

Appendix 1 Epping Forest Code of Governance

Glossary of terms



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

ACCOUNTING PERIOD

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

ACCOUNTING POLICIES

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

ACCRUALS

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

AMORTISATION

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

ANNUAL GOVERNANCE STATEMENT

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

ASSET

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

- A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible (e.g. a leisure centre), or intangible (e.g. computer software licences); and
- A current asset will be consumed or cease to have material value within the financial year (e.g. cash and stock).

AUDIT OF ACCOUNTS

An independent examination of the Council's financial affairs.

BALANCES (OR RESERVES)

These are usable or unusable reserves. Usable reserves represent accumulated funds from prior years that are available to the Council and can be spent. Some reserves may be earmarked for specific purposes and are for funding future defined initiatives or meeting identified risks or liabilities. Unusable reserves have been established for technical purposes and are not available to spend nor can be used to fund service provision.

BALANCE SHEET

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

CAPITAL EXPENDITURE

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

CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL FINANCING

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

CAPITAL FINANCING REQUIREMENT

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

CAPITAL RECEIPT

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

CASH FLOW STATEMENT

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

CIPFA

This is the Chartered Institute of Public Finance and Accountancy. This organisation produces the Code of Practice that practitioners follow so that all local authorities prepare their accounts in a consistent and comparable way.

COLLECTION FUND

This account reflects the statutory requirement for billing authorities to maintain a separate collection fund which shows the transactions of the billing authority in relation to non-domestic rates and the council tax and illustrates the way in which these have been distributed to other authorities (preceptors) and the General Fund.

COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

COMPREHENSIVE EXPENDITURE AND INCOME STATEMENT (CIES)

This is the statement that shows the accounting cost (surplus/deficit) in the year of providing services in accordance with generally accepted accounting practices. It is not the amount funded from taxation. The Council raises taxation to cover the cost of expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

CONSISTENCY

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

CONTINGENT GAINS

A contingent gain (or asset) is a possible economic gain arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control.

CONTINGENT LIABILITIES

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the authority's control; or
- A current obligation arising from past events where it is not probable (but not impossible) that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

It is considered that a contingent liability below £100,000 need not be disclosed, as any such amounts would not be significant.

CORPORATE AND DEMOCRATIC CORE

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

COUNCIL TAX

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

CREDITORS

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

DEBTORS

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

DEPRECIATION

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

FAIR VALUE

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

FINANCE LEASE

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

GENERAL FUND

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HOUSING REVENUE ACCOUNT

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

IMPAIRMENT

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

INTANGIBLE ASSETS

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

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

INVESTMENTS

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

INVESTMENT PROPERTIES

An interest in land and/or buildings:

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

LIABILITY

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

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over time.

LONG TERM DEBTORS

These debtors represent the capital income still to be received, e.g. from the sale of an asset or the granting of a mortgage or a loan.

MINIMUM REVENUE PROVISION (MRP)

This is the minimum amount that the Council must charge to the CIES each year to provide for the repayment of General Fund debt.

MOVEMENT IN RESERVES STATEMENT

This financial statement presents the movement in usable and unusable reserves (the Council's total reserve balances).

NON-DOMESTIC RATES (NDR) (also known as Business Rates)

Non-domestic rates, or business rates, collected by the Council are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1st April 2013, local authorities keep a proportion of the business rates paid locally (currently 50%). This money, together with revenue from council taxpayers, fees and charges and certain other sums, is used to pay for the services provided by the Council.

NET BOOK VALUE

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

NET CURRENT REPLACEMENT COST

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

NET REALISABLE VALUE

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

NON-OPERATIONAL ASSETS

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

OPERATING LEASES

Leases other than a finance lease.

OPERATIONAL ASSETS

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

POST BALANCE SHEET EVENTS

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

PRECEPT

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

PRIOR YEAR ADJUSTMENTS

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

PROPERTY, PLANT AND EQUIPMENT

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

PROVISIONS

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

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

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

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

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

PRUDENCE

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

PRUDENTIAL CODE

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

PUBLIC WORKS LOAN BOARD (PWLB)

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

RELATED PARTIES

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

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

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

RELATED PARTY TRANSACTION

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

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

This list is not intended to be comprehensive.

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

REMUNERATION

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

REVALUATION RESERVE

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

REVENUE EXPENDITURE

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

STOCKS

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

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

THE CODE

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

UNAPPORTIONABLE CENTRAL OVERHEADS

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

Glossary of pension related terms



ACTUARIAL GAINS AND LOSSES

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

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

CURRENT SERVICE COST

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

CURTAILMENT

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

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

DEFINED BENEFIT SCHEME

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

DEFINED CONTRIBUTION SCHEME

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

DISCRETIONARY BENEFITS

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

EXPECTED RATE OF RETURN ON PENSION ASSETS

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

IAS19

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

INTEREST COST (PENSIONS)

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

INVESTMENTS (PENSIONS FUND)

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

NON-DISTRIBUTED COSTS

Non-distributed costs are defined as comprising:

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

PAST SERVICE COST

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

PENSION SCHEME LIABILITY

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

PROJECTED UNIT METHOD - PENSION FUND VALUATION

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

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

RETIREMENT BENEFITS

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

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

SCHEME LIABILITIES

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

SETTLEMENT

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

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

VESTED RIGHTS

In relation to a defined benefit scheme, these are:

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

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