



*It's Our Community*

# STATEMENT OF ACCOUNTS 2007-08

30<sup>TH</sup> September 2008

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## **EXPLANATORY FOREWORD**

### **INTRODUCTION**

This foreword has been written to provide a guide to the significant matters reported in these accounts.

The Council's accounts for the year ended 31 March 2008 are set on pages 12 to 67, and consist of:

#### **Statement of Accounting Policies (Page 12)**

This Statement sets out the accounting policies on which the Council has based the following accounting statements.

#### **Statement of Responsibilities for the Statement of Accounts (Page 21)**

This outlines the responsibilities of the Council and the Interim Director of Central Services with respect to the Statement of Accounts.

#### **Income and Expenditure Account (Page 22)**

This statement is fundamental to the understanding of a local authority's activities, in that it reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.

#### **Statement of Movement on the General Fund Balance (Page 22)**

This statement is a reconciliation showing how the balance of resources generated and consumed in the year links in with the statutory requirements for raising council tax.

#### **Statement of Total Recognised Gains and Losses (Page 23)**

This statement brings together all the recognised gains and losses of the Council during the financial year, including those not identified in the Income and Expenditure Account, such as revaluations of fixed assets and pension actuarial gains and losses.

#### **Balance Sheet (Page 24)**

This statement is fundamental to the understanding of a Council's financial position at the year-end. It shows its balances and reserves, its long-term indebtedness and the fixed and net assets employed in its operations.

#### **Cash Flow Statement (Page 25)**

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

#### **Notes to the Core Financial Statements (Page 26)**

The notes to the Statements provide additional information in support of the main financial statements.

**Housing Revenue Account (HRA) Income and Expenditure Account (Page 54)**

This statement shows in detail the income and expenditure relating to the Council's provision of housing such as repairs and maintenance, administration costs and how this is financed by rents and other income.

**Statement of Movement on the Housing Revenue Account Balance (Page 55)**

This statement takes the outturn on the HRA Income and Expenditure Account and reconciles it to the surplus or deficit for the year on the HRA Balance as calculated in accordance with the requirements of the Local Government Housing Act 1989.

**Collection Fund (Page 64)**

This shows the transactions of the Council relating to Council Tax and National Non-Domestic Rates, and the way in which these have been distributed to Precepting Authorities.

In addition the statement of Accounts shows the following:

**Annual Governance Statement (Page 68)**

This explains the systems of Governance that are in place and reviews their effectiveness during the financial year ending 31 March 2008.

**SUMMARY OF THE 2007/08 FINANCIAL YEAR**

The 2007/08 financial year saw several difficult issues arise regarding the Council's General Fund accounts. Following problems identified early in the financial year with the budget setting process the Council has undertaken a range of cost reductions during 2007/08 including issuing a number of staff compulsory redundancies.

The year end saw an underspend, compared to the revised budget of £953k. A full analysis of the underspend is set out in the following pages of this Explanatory Foreword.

The Council retains balances of £1.061m in relation to its General Fund. The Council's Medium Term Financial Strategy agreed in February 2008 makes provision for replenishment of the Council's reserves in the financial years ahead, and action is being taken to significantly reduce the Council's cost base to ensure continuity of front line services to the public.

**GENERAL FUND SUMMARY 2007/08**

<b>SERVICE BUDGET</b>	<b>2007/08 Original Budget</b>	<b>2007/08 Revised Budget</b>	<b>2007/08 Actual</b>	<b>2007/08 Rev to Actual- Differ ence</b>
<b>COMMITTEE</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Community	3,254	3,124	3,161	37
Development Control	724	985	964	(21)
Environment	3,758	3,661	3,438	(223)
Finance and Administration	2,791	3,167	3,085	(82)
Licensing	50	49	0	(49)
<b>Service Budget Total</b>	<b>10,577</b>	<b>10,986</b>	<b>10,648</b>	<b>(338)</b>
Depreciation Charges Reversed	(1,101)	(1,141)	(1,417)	(276)
<b>Net Expenditure on Services</b>	<b>9,476</b>	<b>9,845</b>	<b>9,231</b>	<b>(614)</b>
Interest Receivable	(686)	(584)	(624)	(40)
Added Years/Pension Strain	90	135	122	(13)
Pension Fund Deficit Contribution	225	343	343	0
Unused Capacity	141	33	23	(10)
Transfers to / from Earmarked Reserves	(445)	(385)	(385)	0
Savings from corporate restructure	(180)	0	0	0
L A Business Growth Incentive (LABGI)	(600)	(237)	(260)	(23)
Redundancy funding from Capital Receipts	0	(237)	(490)	(253)
Addition to (Withdrawn from) General Fund Balance	0	(892)	61	953
<b>District Council Requirement</b>	<b>8,021</b>	<b>8,021</b>	<b>8,021</b>	<b>0</b>
Precepts to Parish Councils	1,667	1,667	1,667	0
<b>Budget Requirement 2007/08</b>	<b>9,688</b>	<b>9,688</b>	<b>9,688</b>	<b>0</b>
Amount to be Met by Government Grant and Local Taxpayers	(9,688)	(9,688)	(9,688)	0

**Set out below are details of the main variations between the Revised Budgets approved in February 2008 and the actuals for 2007/08:**

<b>Savings from:</b>	<b>£000</b>	<b>£000</b>
• Extra redundancy capitalisation from DCLG	253	
• Extra Investment Interest income	40	
• Additional income from LABGI	23	
• Savings on ` Added years	13	
• Savings on staffing budgets	201	
• Net underspend on maintenance/admin/other	218	
• Additional income	353	
		1,101
<b>Offset by additional costs on:</b>		
• Lower income	(107)	
• Additional staffing costs	(41)	
		(148)
<b>TOTAL VARIATIONS</b>		<b>953</b>

The Council had serious problems following budget setting, with the need to restate the budget for 2007/08 in April/May 2007. This has made comparison between the Original Budget for 2007/08, (agreed in February 2007), and the revised in the following February meaningless, and together with all the redundancies/deleted posts, ensures larger than normal variations to analyse.

### HOUSING REVENUE ACCOUNT OUTTURN

The Housing Revenue Account made a deficit of £126,000 in the year. The deficit is increased by accounting adjustments of £100,000 to produce a reduction in balances of £226,000. The balances on the HRA and Housing Repairs Accounts, when taken together, therefore reduce from £777,000 (1 April 2007) to £551,000 (31 March 2008).

There were no major variations between the revised budget and the out-turn.

Further information on the Housing Revenue Account transactions are set out in more detail on pages 54 to 63.

#### Housing Revenue Account - Actual Spending compared to Budget

	2007/08 Original Budget £'000	2007/08 Revised Budget £'000	2007/08 Actual £'000	Actual v Original £'000	Actual v Revised £'000
Income	(11,037)	(11,032)	(11,025)	12	7
Supervision and Management	2,433	2,220	2,310	(123)	90
Repairs and Maintenance	1,705	1,810	1,764	59	(46)
Negative Subsidy Payable	4,484	4,488	4,488	4	0
Depreciation and Amortisation	2,151	2,089	2,093	(58)	4
Other Expenditure	36	24	19	(17)	(5)
HRA Share of Corporate Core	267	267	267	0	0
HRA Share of non allocated costs	80	100	241	161	141
Increased Bad Debt Provision	16	29	45	29	16
<b>Net Expenditure/(Income) from Services</b>	135	(5)	202	67	208
Other Amounts affecting surplus	(44)	(40)	(76)	(32)	(37)
<b>(Surplus)/Deficit for the Year</b>	91	(45)	126	35	171

**CAPITAL EXPENDITURE**

Capital expenditure in 2007/08 totalled £4,566,809 against a revised capital programme budget of £5,550,137. This variation is mainly due to the slippage of schemes into 2008/09. The outturn for the 2007/08 capital programme is summarised in the table below:

Scheme	2007/08 Revised Budget	2007/08 Actual	Variance
<b>Finance &amp; Administration Committee</b>	£	£	£
Extension of IT Network to Sheltered Housing	10,000	0	(10,000)
Light Van Replacement	18,000	0	(18,000)
Replacement Planning & Building Surveying System	60,000	0	(60,000)
Minor Projects	20,000	8,613	(11,387)
Replacement Server Programme	10,000	0	(10,000)
Councillor IT Equipment Technical Strategy	70,000	69,319	(681)
Implementation	20,000	0	(20,000)
E-Gov BVPI 157	274,000	95,103	(178,897)
Revenue System replacement disk	15,000	0	(15,000)
Re-design of Council web-site	20,000	17,500	(2,500)
Mobile IT	20,000	5,230	(14,770)
Storage Network	35,000	0	(35,000)
Energy Efficiency Programme	55,000	43747	(11,253)
Capitalisation of Redundancy Costs	490,000	489,763	(237)
First Point	0	17,873	17873
	<b>1,117,000</b>	<b>747,148</b>	<b>(369,852)</b>
<b>Community Committee</b>	£	£	£
Building Safer Communities- Essex LAA	20,615	18,315	(2,300)
Day Centre - Takeley	16,000	0	(16,000)
Day Centre – Saffron Walden	26,500	6,113	(20,387)
Air Quality Equipment	6,000	5,853	(147)
Minor Works	40,000	47,436	7,436
Disabled Facilities	110,000	108,857	(1,143)
Community Project Grants	70,000	60,593	(9,407)
Airport Noise Monitoring Equipment	12,000	9,867	(2,133)
Thaxted Youth Club	40,000	40,000	0
D/W & Stansted Skateparks	40,000	24,000	(16,000)
Bridge End Garden	194000	186,133	(7,867)
Thaxted Day Care Centre	0	1,640	1,640
	<b>575,115</b>	<b>508,807</b>	<b>(66,308)</b>
<b>Environment Committee</b>	£	£	£
Flood Prevention Works	50,000	0	(50,000)
Upgrade of Recycling bring sites	20,000	12,355	(7,645)
Car Park Pay & Display Replacement Programme	80,000	74,265	(5,735)

## Statement of Accounts 2007-2008

Scheme	2007/08 Revised Budget	2007/08 Actual	Variance
Household Waste Collection - wheelie bins	9,000	19,857	10,857
Refuse Collection Vehicles	257,000	0	(257,000)
Septic Tank Vehicle	80,000	0	(80,000)
Trade Waste Bin Replacements	20,000	11,178	(8,822)
Purchase of ex-Lease Vehicles	31,392	31,392	0
Skips	7,500	8,040	540
Dunmow Eastern Sector Infrastructure	294,700	195,000	(99,700)
Elizabeth Way Culvert	50,000	2,269	(47,731)
	<b>899,592</b>	<b>354,356</b>	<b>(545,236)</b>
<b>Housing Revenue Account</b>	£	£	£
Central Heating Schemes	298,100	419,858	121,758
Environmental Works	65,000	65,334	334
Adaptations for Disabled	252,000	158,593	(93,407)
HTG Plant Replacement	30,000	2,525	(27,475)
Sheltered Improvements	8,000	1,627	(6,373)
Minor Disabled	0	120,787	120,787
Communal TV Systems	0	105	105
Door Replacement Programme	80,000	44,894	(35,106)
Chimney Re-instatement	31,000	21,972	(9,028)
Major Roof Works	127,130	133,107	5,977
Re-windowing Schemes	509,650	463,804	(45,846)
Re-wiring Schemes	22,500	22,500	0
Major Works - Voids Programme	270,000	273,792	3,792
Structural Work	50,000	74,552	24,552
Vicarage Mead	421,000	447,023	26,023
Sewerage Plant replacements	196,000	120,840	(75,160)
Bathroom/Kitchen Upgrade	483,400	537,386	53,986
Security Programme	6,750	8,006	1,256
Charges - Windowing	0	-35,730	(35,730)
Contractors & maintenance module	37,000	21,318	(15,682)
Wireless For Contractors	10,000	28,575	18,575
	<b>2,897,530</b>	<b>2,930,868</b>	<b>33,338</b>

Scheme	2007/08 Revised Budget	2007/08 Actual	Variance
<b>SUMMARY</b>	£	£	£
Housing Revenue Account	2,897,530	2,930,868	33,338
Finance Committee	1,117,000	747,148	(369,852)
Community Committee	575,115	508,807	(66,308)
Environment Committee	899,592	354,356	(545,236)
G.F. Supervision charges	60,900	25,630	(35,270)
	<b>5,550,137</b>	<b>4,566,809</b>	<b>(983,328)</b>

Details of how the Capital Programme was financed are set out in Note 23 to the Core Financial Statements.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UTTLESFORD DISTRICT COUNCIL**

### **Opinion on the financial statements**

I have audited the Authority accounting statements and related notes of Uttlesford District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Uttlesford District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### **Respective responsibilities of the Head of Financial Services and auditor**

The Director of Central Service's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. My responsibilities do not extend to any other information.

## **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority accounting statements and related notes.

## **Opinion**

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

## **CONCLUSION ON ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES**

### **Authority's Responsibilities**

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 regularly to review the adequacy and effectiveness of these arrangements.

### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Adverse Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the relevant criteria specified by the Audit Commission for principal local authorities specified by the Audit Commission, I am not satisfied that, in all significant respects, Uttlesford District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008, in that it did not put in place:

- adequate arrangements to maintain a sound system of internal control;
- adequate arrangements to manage and improve value for money;
- a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities;
- adequate arrangements to ensure that its spending matches its available resources;
- adequate arrangements for managing performance against budgets; and
- adequate arrangements for the management of its asset base.

### **Best Value Performance Plan**

I have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 17 December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

### **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

**Paul King**

**District Auditor**

Audit Commission, Sheffield House, Lytton Way, Stevenage. SG1 3HG

30 September 2008

## **STATEMENT OF ACCOUNTING POLICIES**

### **1. GENERAL PRINCIPLES**

The Statement of Accounts summarises the Council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007 - A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

Uttlesford District Council is required as part of the Local Authorities Statement of Recommended Practice (SORP 2007) to produce financial statements in accordance with the Best Value Accounting Code of Practice (BVACOP). The service expenditure analysis shown on the face of the Revenue Account reflects the BVACOP categories.

### **2. ACCRUALS OF INCOME AND EXPENDITURE**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed, and where there is a gap between the date supplies are received and their consumption, they are carried as stock on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **3. PROVISIONS**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. 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 to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes more likely than not 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 revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party, (e.g. from an insurance claim) this is only recognised as income in the

relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

#### 4. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits which do not represent usable resources for the Council-these reserves are explained in the relevant policies below.

#### 5. GOVERNMENT GRANTS AND CONTRIBUTIONS (REVENUE)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate.

Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

#### 6. RETIREMENT BENEFITS

Employees of the Council are members of The Local Government Pensions Scheme, administered by Essex County Council. The Scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

##### The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Essex County Council Pension Scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method- i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 6.1% (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Essex County Council Pension Fund attributable to the Council are included in the balance sheet at their fair value:
  - quoted securities – mid-market value
  - unquoted securities - professional estimate
  - unitised securities - average of the bid and offer prices
  - property - market value

The change in the net pension liability is analysed into six components:

- Current Service Cost - the increase in liabilities as a result of years of service earned this year allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
- Past Service Costs - the increase in liabilities arising from current year decisions whose effect relates to years of service in earlier years charged to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- Interest Cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid-debited to Net Operating Expenditure in the Income and Expenditure Account..
- Expected Return on Assets - the annual investment return on the fund assets attributable to the Council, based on an average of the long-term return-credited to Net Operating Expenditure in the Income and Expenditure Account.
- Gains/Losses on Settlements and Curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees-debited to the Net Cost of Services in the Income and Expenditure Account as part of Non-Distributed Costs.
- Actuarial gains and losses-changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions-debited to the Statement of Total Gains and Losses.
- Contributions paid to the Essex County Council pension fund – the cash paid by the Council as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

#### **DISCRETIONARY BENEFITS**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **7. VALUE ADDED TAX**

During 2007/08 income and expenditure excluded any amount related to VAT, as all VAT collected was payable to HM Revenues and Customs and all VAT paid was recoverable from them.

#### **8. OVERHEADS AND SUPPORT SERVICES**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2007 (BVACOP). The total absorption costing principle is

used-the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core-costs relating to the Council's status as a multi-functional, democratic organisation.
- Non-Distributed Costs; the costs of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

## 9. INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

## 10. TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**Recognition:** expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to revenue as it is incurred.

**Measurement:** Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- investment properties and assets surplus to requirements-lower of net current replacement cost or net realisable value,
- dwellings, other land and buildings, vehicles, plant and equipment-lower of net current replacement cost or net realisable value in existing use,
- infrastructure assets and community assets-depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties-existing use value
- specialised operational properties-depreciated replacement cost
- investment properties and surplus assets-market value

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, 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 Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

Vehicles, Plant and Equipment includes all vehicles but excludes all miscellaneous furniture and equipment with an individual value of less than £5,000.

The Council has built or refurbished three leisure centres under Private Finance Initiative (PFI) schemes. The Council's policy regarding them is consistent with the recommended treatment of PFI assets; namely the assets are not shown in the balance sheet as they are not Council assets.

Asset valuations were carried out as at 1<sup>st</sup> April 2007 by: Richard Wilson BSc MRICS for the District Valuer Services, on behalf of Mark Catley, MRICS, FAAV, District Valuer, East of England. The Valuation letter was dated 15<sup>th</sup> June 2007. The General Fund valuations were then revised on the 26 March 2008.

The timetable for the valuation of General Fund fixed assets has been change to one of a 5 year rolling programme, as apposed to the annual revaluation programme previously adopted . The new timetable for valuation is as follows:

2007 / 2008	Re-valuation of asset group (Land and Buildings)
2008 / 2009	Re-valuation of asset group (Other Assets / Land and Buildings)
2009 / 2010	Re-valuation of asset group (Vehicles and Moveable Plant)
2010 / 2011	Re-valuation of asset group (IT and Intangible assets)
2011 / 2012	Re-valuation of asset group (Fixed Plant, Equipment)

HRA Council Dwellings will continue to be valued annually by assessing the value of Beacon properties.

A number of Beacon properties have been identified as being typical for a particular size and type of dwelling. For example, a two bedroom semi-detached house. These properties are valued and the assessed value is applied to all properties of a similar size and type. This saves the Valuer from having to visit large numbers of houses which are all basically the same. This is the accepted method of valuing council dwellings.

**Impairment:** the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefit - the loss is charged to the relevant service revenue account
- otherwise written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where impairment loss is charged to the Income and Expenditure Account but there were accumulated gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

**Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable



Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

**Depreciation:** depreciation is provided for on all assets with a determinable finite life (except for investment properties) by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Dwellings and other buildings; For HRA dwellings, the depreciation charges equal the MRA (See Note 12 to HRA).
- Vehicles, plant and equipment; a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure; straight line allocation over 50 years.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Depreciation is calculated by writing off the value of the asset over its assessed useful life for all assets with a determinable finite life (this excludes mainly land, community assets and investment properties). From 2007/08 the calculation for depreciation is based on the estimated useful life of each asset which is determined at the start of the year after the asset is brought in to use.

This represents a change in accounting policy from 2006/07. The impact of this change is that if the same policy had been applied in 2006/07 the council would have charged £91,783 less depreciation to its fixed assets account. The overall depreciation charge for the year 2006/07 was £2,707,000 so this variation only represents a difference of 3.4% and is therefore not material in nature. This change in accounting policy is aimed at insuring a consistent approach to depreciation / amortisation throughout the accounts and to simplify the process.

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

**Grants and contributions:** where grants and contributions are received that are identifiable to fixed assets with a finite useful life; the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

## 11. CHARGES TO REVENUE FOR FIXED ASSETS

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service,
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

## 12. DEFERRED CHARGES

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of the deferred charges from existing capital resources, or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

## 13. LEASES

**Finance Leases:** The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset-the liability is written down as the rent becomes payable), and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable)

Fixed Assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life.

**Operating Leases:** Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

## 14. FINANCIAL LIABILITIES

Financial Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The Council did not have any external borrowings outstanding at the end of the financial year 2007/08.

## 15. FINANCIAL ASSETS

Financial Assets are classified into two types:

- loans and receivables-assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets-assets that have a quoted market price and/or do not have fixed or determinable payments

**Loans and Receivables:** Loans and Receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all the loans the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

The Council has made no soft loans (at less than market rates) during the year.

**Available-for-sale Assets:** The Council has no Available-for-sale Assets

## 16. STOCKS AND WORK IN PROGRESS

Vehicle fuel is valued at average cost. Housing stores are valued at the latest purchase price paid. Whilst this is a departure from SSAP 9 which requires stocks to be shown at the lower of cost and net realisable value, the effect of the different treatment is not material. Work in Progress is valued at cost, which includes an element of the Council's cost of supervision and management.

## 17. INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has no interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures, so is not required to prepare group accounts.

## 18. PRIVATE FINANCE INITIATIVE (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the service passes to the PFI contractor. Payments made by the Council under a contract are generally charged to revenue to reflect the value of services received in each financial year.

## 19. LONG-TERM DEBTORS

These are amortised by an annual amount equalling the annual repayments of principal paid by borrowers.

## **20. PRIOR PERIOD ADJUSTMENTS**

To comply with proper accounting practices, the 2007/08 Statement of Accounts requires the 2006/07 accounts to be restated to take account of a change in accounting treatment of leases as part of the audit of the 2006/07 Accounts. A Prior Period Adjustment note has therefore been included in the Notes to the Core Statements.

## **21. NEW ACCOUNTING REGULATIONS AND LEGISLATION**

The 2006/07 Statement of Accounts represented a substantial change from the Statements that the Council produced in 2005/06 and earlier years. The focus of those previous statements was the Consolidated Revenue Account, which had the dual role of setting out the Council's financial performance as measured in accordance with proper accounting practices and determining the net expenditure to be charged against council tax in the year.

The accounts are now produced as a set of statements each with a single clear objective:

- Income and Expenditure Account – a summary of the resources generated and consumed by the Council in the year (Page 22).
- Statement of Movement on the General Fund Balance – a reconciliation showing how the balance of resources generated / consumed in the year links in with the statutory requirements for raising council tax (Page 23).
- Statement of Total Recognised Gains and Losses – demonstrates how the movement in the net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus / deficit and to other unrealised gains and losses (Page 23).

The Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year. The surplus or deficit on this account represents the amount by which income is greater or less than expenditure. Both income and expenditure are measured using essentially the same accounting conventions (UK GAAP – Generally Accepted Accounting Principles) that a large, unlisted company would use in preparing its annual financial statements.

However, the items of income and expenditure that are required to be credited or charged to the Council's General Fund and which must be taken account in setting its budget requirement and in turn its Council Tax demand are determined by statute and non statutory proper practices rather than being in accordance with UK GAAP. For example, depreciation of fixed assets is charged to the Income and Expenditure Account but cannot be charged to the General Fund.

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

**THE AUTHORITY'S RESPONSIBILITIES**

The Authority is required to:

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

**THE RESPONSIBILITIES OF THE INTERIM DIRECTOR OF CENTRAL SERVICES**

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

In preparing this Statement of Accounts, the Interim Director of Central Services has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the local authority SORP.

The Interim Director of Central Services has also:

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

I hereby certify that the accounts present fairly the financial position of Uttlesford District Council and its income and expenditure, as at 31 March 2008.

Signature: A.Webb, FCCA, MAAT,  
Interim Director of Central Services  
Date: 30<sup>th</sup> September 2008

**APPROVAL OF THE ACCOUNTS**

In accordance with the requirements of s10 of the Accounts and Audit Regulations I confirm that the Statement of Accounts was approved by a resolution of the Performance Select Committee of Uttlesford District Council on 30 September 2008.

Signature: A J Ketteridge  
Leader of the Council  
Date: 30<sup>th</sup> September 2008

## INCOME AND EXPENDITURE ACCOUNT

2006/07		2007/08	2007/08	2007/08
Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
1,147	Central Services to the Public	4,956	(3,939)	1,017
7,352	Cultural, Environmental and Planning Services	11,724	(4,834)	6,890
(18)	Highways, Roads and Transport Services	565	(233)	332
(320)	Housing Revenue Account	11,284	(11,364)	(80)
338	Other Housing Services	10,272	(9,770)	502
80	Social Services	120	(20)	100
2,521	Corporate and Democratic Core	2,172	(46)	2,126
524	Non Distributed Costs	1,311	0	1,311
				0
<b>11,624</b>	<b>Net Cost of Services</b>	<b>42,404</b>	<b>(30,206)</b>	<b>12,198</b>
(23)	(Gain) / Loss on Disposal of Fixed Assets			0
1644	Parish Council Precepts			1,667
(3)	(Surplus) / Deficit of Trading Undertakings or Other Operations			(361)
16	Interest Payable			53
308	Amounts Payable into the Housing Capital Receipts Pool			697
0	Gain on Capital Receipts			(1004)
(635)	Interest and Investment Income			(679)
(18)	Pensions Interest Cost and Expected Return on Pensions Assets			(155)
<b>12,913</b>	<b>Net Operating Expenditure</b>			<b>12,416</b>
(5,610)	Income from the Collection Fund			(5,701)
(857)	Government Grants not attributable to Specific Services			(834)
(3,283)	Distribution from Non-Domestic Rate Pool			(3,415)
<b>3,163</b>	<b>(Surplus) / Deficit for the Year</b>			<b>2,466</b>

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2006/07 £000		2007/08 £000
3,163	(Surplus) / Deficit for the year on the Income and Expenditure Account	2,466
(2,963)	Net Additional Amount Required by Statute and Non-Statutory Proper Practices to be Debited or Credited to the General Fund Balance for the Year	(2,527)
200	(Increase) / Decrease in General Fund Balance for the Year	(61)
(1,200)	General Fund Balance Brought Forward	(1,000)
<b>(1,000)</b>	<b>General Fund Balance Carried Forward</b>	<b>(1,061)</b>

## RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2006/07 £000		2007/08 £000	£000
	<b>Amounts Included in the Income and Expenditure Account but required by Statute to be excluded when determining the Movement on the General Fund Balance for the Year</b>		
0	Gain on Capital Receipts	1006	
(39)	Amortisation of Intangible Fixed Assets	(43)	
(1,386)	Depreciation and Impairment of Fixed Assets	(1,154)	
0	Government Grants Deferred Amortisation	26	
(524)	Write downs of Deferred Charges to be Financed from Capital Resources	(1,203)	
23	Net Gain on Sale of Fixed Assets	0	
(1,389)	Net Charges made for Retirement Benefits in accordance with FRS 17	(1,874)	
(3,315)			<b>(3,242)</b>
	<b>Amounts Not Included in the Income and Expenditure Account but required by Statute to be Included when determining the Movement on the General Fund Balance for the Year</b>		
89	Minimum Revenue Provision for Capital Financing	266	
568	Capital Expenditure Charged in Year to the General Fund Balance	455	
(308)	Transfer from Usable Capital Receipts to meet Payments to the Housing Capital Receipts Pool	(697)	
1,217	Employer's Contributions Payable to the Essex County Council Pension Fund and Retirement Benefits Payable Direct to Pensioners	1,302	
1,566			<b>1,326</b>
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the Year</b>		
277	Housing Revenue Account	(226)	
0	Voluntary Revenue Provision for Capital Financing	0	
(1,491)	Net Transfer to or from Earmarked Reserves	(385)	
(1,214)			<b>(611)</b>
(2,963)	<b>Net Additional Amount required to be credited to the General Fund Balance for the Year</b>		<b>(2,527)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2006/07 £000		2007/08 £000
3,163	(Surplus) / Deficit for the Year on the Income and Expenditure Account	2,466
0	(Gains) / Losses on disposal of assets	447
(10,611)	(Surplus) / Deficit arising on Revaluation of Fixed Assets	(14,980)
(2,817)	Actuarial (Gains) / Losses on Pension Fund Assets and Liabilities	9,311
(45)	Collection Fund Balance	(46)
131	Capital Expenditure adding no value/ rent to mortgage	0
(228)	PFI deferred cost written out	(228)
0	Prior Period Adjustment	(89)
(10,407)	<b>Total Recognised (Gains) / Losses for the Year</b>	<b>(3,119)</b>

**BALANCE SHEET**

31 March 2007 £000		Note Number	31 March 2008 £000	£000
<b>191</b>	<b>Intangible Fixed Assets</b>	<b>19</b>		<b>165</b>
	<b>Tangible Fixed Assets</b>			
	Operational Assets:			
229,807	- Council Dwellings	20	244,430	
11,911	- Other Land and Buildings	20	11,973	
4,583	- Vehicles, Plant and Equipment	20	4,269	
77	- Infrastructure Assets	20	298	
40	- Community Assets	20	40	261,010
<b>246,609</b>				<b>261,175</b>
444	Non-Operational Assets	21		429
<b>247,053</b>	<b>Total Fixed Assets</b>			<b>261,604</b>
0	Long-Term Investments	27		0
555	Long-Term Debtors	28		551
<b>247,608</b>	<b>Total Long Term Assets</b>			<b>262,155</b>
	<b>Current Assets</b>			
151	Stocks and Work in Progress	29	107	
5,447	Debtors	30	4,212	
8,780	Short-Term Investments	31	8,698	
0	Cash and Bank		0	13,017
<b>261,986</b>	<b>Total Assets</b>			<b>275,172</b>
	<b>Current Liabilities</b>			
(5,854)	Creditors	32		(6,595)
(626)	Bank Overdraft			(171)
<b>255,506</b>	<b>Total Assets Less Current Liabilities</b>			<b>268,406</b>
(125)	Provisions	33	(125)	
(1,775)	Long Term Borrowing	16	(1,508)	
(130)	Deferred Government Grants	34	(299)	
(5,970)	Pensions Liability	48	(15,853)	
(555)	Deferred Credits	35	(551)	(18,336)
<b>246,951</b>	<b>Total Assets Less Liabilities</b>			<b>250,070</b>
220,074	Fixed Asset Reinstatement Account	37		0
24,896	Capital Financing Account	37		0
0	Revaluation Reserve	36		14,499
0	Capital Adjustment Account	37		244,995
4,495	Usable Capital Receipts Reserve	38		3,381
0	Major Repairs Reserve	HRA 12		0
(5,970)	Pensions Reserve	48		(15,853)
133	Unapplied Capital Grants	40		229
1,546	Earmarked Reserves	39		1,161
	<b>Revenue Balances</b>			
1,000	General Fund			1061
777	Housing Revenue Account			551
0	Collection Fund			46
<b>246,951</b>	<b>Total Equity</b>			<b>250,070</b>

A. WEBB, FCCA, MAAT.

Interim Director of Central Services. ....30<sup>th</sup> September 2008



**CASH FLOW STATEMENT**

<b>2006/07</b> <b>£000</b>		<b>2007/08</b> <b>£000</b>	<b>2007/08</b> <b>£000</b>	<b>2007/08</b> <b>£000</b>
	<b>Revenue Activities</b>			
	<b>Cash Outflows</b>			
11,335	- Cash Paid to and on behalf of Employees	11,165		
13,973	- Other Operating Cash Payments	14,600		
28,326	- National Non-Domestic Rates	27,349		
36,274	- Precepts Paid to Other Authorities	39,035		
4,299	- Housing Benefit Paid Out	4,443		
354	- Payments to the Capital Receipts Pool	399		
<b>94,561</b>			<b>96,991</b>	
	<b>Cash Inflows</b>			
(5,217)	- Rents (after Rebates)	(5,539)		
(38,178)	- Council Tax Receipts	(40,267)		
(25,382)	- National Non-Domestic Rate Receipts	(29,319)		
(3,283)	- National Non-Domestic Rate Receipts from Pool	(3,415)		
(640)	- Revenue Support Grant	(573)		
(4,366)	- DWP Grants for Benefits	(4,419)		
(8,740)	- Other Government Grants	(9,711)		
(4,502)	- Cash Received for Goods and Services	(5,113)		
(1,636)	- Other Operating Cash Receipts	(1,486)	(99,842)	
<b>2,617</b>	<b>Revenue Activities Net Cash Flow</b>			<b>(2,851)</b>
	<b>Cash Outflows</b>			
1	Interest Paid on Money we have borrowed		53	
(314)	Interest Received from investment of surplus cash		(679)	
<b>(313)</b>	<b>Servicing of Finance Net Cash Flow</b>			<b>(626)</b>
	<b>Capital Activities</b>			
	<b>Cash Outflows</b>			
6,213	Purchase of Fixed Assets	3,592		
330	Other Capital Cash Payments	975		
<b>6,543</b>			<b>4,567</b>	
	<b>Cash Inflows</b>			
(995)	Sale of Fixed Assets	(932)		
(69)	Capital Grants Received	(321)		
(229)	Other Capital Cash Receipts	(346)		
			(1,599)	
<b>5,250</b>	<b>Capital Activities Net Cash Flow</b>			<b>2,968</b>
<b>7,554</b>	<b>Net Cash (Inflow) / Outflow Before Financing</b>			<b>(509)</b>
	<b>Financing</b>			
	<b>Cash Outflows</b>			
32,700	New Short-Term Lending			29,900
0	Repayment Long Term Debt			265
	<b>Cash Inflows</b>			
(38,960)	Repayments of Amounts Loaned			(35,038)
<b>1,294</b>	<b>(Increase) / Decrease in Bank and Deposits</b>			<b>(5,382)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. GENERAL

The analysis of services used is based on CIPFA's Statement of Recommended Practice and Best Value Accounting Code of Practice Classification with certain main headings split to provide more detail.

### 2. PRIOR PERIOD ADJUSTMENTS

In the 2007/08 Statement of Accounts, the Council has changed the accounting treatment of leases taken out in 2006/07 for the provision of 16 waste collection vehicles under a lease agreement for a period of 7 years at an annual cost of £310,304. As part of the audit of the 2006/07 Accounts the Council's external auditor, (the District Auditor from the Audit Commission) disagreed with the Council accounting for the lease as an Operating Lease, whereas his view was that the lease was in fact a Finance Lease. As a result the District Auditor issued a Qualified Opinion on the 2006/07 Accounts.

The Council has now changed the accounting treatment so that the leases are now finance leases.

There is no impact on the comparative figures for 2006/07 in the Income and Expenditure Account as the replacement entries only affect the Council's Balance Sheet; (see note 16 to the Core Financial Statements).

### 3. PRIVATE FINANCE INITIATIVE

The Council's Private Finance Initiative (PFI) Scheme provided two new Leisure Centres in Great Dunmow and Stansted Mountfitchet, and refurbished the Lord Butler Fitness and Leisure Centre in Saffron Walden.

The Contract was fully operational from the financial year 2002/03, and is for 32 years, ending in 2033/34, which leaves 26 years outstanding

### 4. TRADING OPERATIONS

#### Car parking

The Council has 430 short stay spaces and 829 long stay spaces.

	2006/07 £000	2007/08 £000
Turnover	811	850
Expenditure Total	(456)	(443)
Surplus before Capital Charges	355	407
Capital Charges	(46)	(46)
Surplus on trading	309	361

### 5. SECTION 137 EXPENDITURE

Under Section 137 of the 1972 Act a Local Authority may incur expenditure which is not covered by any specific legislation but in its opinion is in the interests of its area. In 2007/08 there was no expenditure under this heading. (2006/07 £0)

**6. PUBLICITY**

Set out below, under the requirements of s5(1) of the Local Government Act 1986, is the council's spending on publicity. In 2007/08 this amounted to £148,314 (2006/07 £187,332), and comprised the following:-

	<b>2006/07</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Staff Advertising	55	62
General		
Advertising	116	70
Promotions	16	16
	<b>187</b>	<b>148</b>

The Publicity Account is a memorandum item compiled from details within the Council's revenue accounts.

**7. THE BUILDING CONTROL CHARGING ACCOUNT**The Building Control Statement

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Service cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement over the page shows the total cost of operating the Building Control Services divided between the chargeable and non-chargeable activities.

Under the Building (Local Authority Charges) Regulations 1998, the Council must set its fees for chargeable schemes so that the account breaks-even over a rolling 3 year period projected from the start of a scheme.

Statement of Accounts 2007-2008

<b>Building Control</b>	Chargeable Activities 2007/08 £000	Non- Chargeable Activities 2007/08 £000	Total 2007/08 £000	Total 2006/07 £000
<b>Expenditure</b>				
Employee Expenses	305	165	470	510
Transport	19	9	28	36
External Support	8	0	8	5
Data Processing	3	15	18	20
Supplies and Services	18	11	29	55
Street Naming and Numbering	0	4	4	7
Central and Support Services	93	52	145	117
<b>Total Expenditure</b>	<b>446</b>	<b>256</b>	<b>702</b>	<b>750</b>
<b>Income</b>				
Building Regulations Charges	447	5	452	455
Land Charge Fees		25	25	27
Miscellaneous Income		0	0	29
Charges to other Council Depts		41	41	38
<b>Total Income</b>	<b>447</b>	<b>71</b>	<b>518</b>	<b>549</b>
(Surplus) / Deficit for the Year	(1)	185	184	201
	Chargeable Activities £000	Non- Chargeable Activities £000	Total £000	
<u>Comparatives for 2006/07</u>				
Expenditure	473	277	750	
Income	(449)	(100)	(549)	
(Surplus) / Deficit for the Year	24	177	201	
<u>Comparatives for 2005/06</u>				
Expenditure	442	248	690	
Income	(454)	(65)	(519)	
(Surplus) / Deficit for the Year	(12)	183	171	

The Building Control Scheme of Charges

Both the Charges Regulations and the Uttlesford District Council Scheme for charges relating to building control functions are available for inspection at the Council offices.

**8. AGENCY INCOME AND EXPENDITURE**

Income and expenditure relating to work carried out on behalf of other Local Authorities and Government Departments, for which the cost is reimbursed, is excluded from the Summary Revenue Account. For 2007/08 there were no material Agency Agreements in operation.

**9. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970**

The Council is empowered by this Act to provide goods and services to other public bodies. However the Council did not have any schemes which fell within the scope of this Act in 2007/08.

**10. PARTNERSHIP SCHEMES**Community Safety Action Team

Community Safety Action Team (CSAT) works in partnership to deal with strategic issues in relation to the Crime & Disorder Act 1998 and sets out a three year strategic vision which came to an end in March 2008. Thereafter CSAT is expected to produce an annual strategy to combat/address issues of Crime & Disorder in the District.

The partnership consists of Uttlesford District Council, Essex Police, Essex County Council, Essex Fire Authority, West Essex Primary Care Trust and the Voluntary sector.

In 2007/08 the gross income of the partnership was £48,675 and expenditure £29,236. The unspent income (£19,439) has been carried forward and will contribute towards the costs of the partnership's strategic vision.

Uttlesford District Council contributed £7,500 to the partnership.

Community Strategy

Uttlesford Futures Management Board commission work in relation to the strategic needs of the District. In addition, it has the overall responsibility of producing a sustainable community strategy for the District by March 2008.

The partnership consists of Uttlesford District Council, Essex Police, Essex County Council, Essex Fire Authority, West Essex Primary Care Trust and the Voluntary sector.

In 2007/08 the gross income of the partnership was £76,458 and expenditure £46,625. The £29,833 underspend has been carried forward and will be spent by the Board during 2008/09.

Uttlesford District Council contributed £5,000 to the partnership.

Local Area Agreement

The Council is a participant in a Local Area Agreement (LAA) – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08 the LAA completed the second year of its three year agreement.

The purpose of the LAA is:

To form an agreement between the Essex Partnership, Essex County Council, Essex's Health Organisations, Fire and Police Services, the Essex Learning and Skills Council, Essex's twelve Local Strategic Partnerships and District and Borough Councils, and other local partners including the Community and Voluntary Sector and the Government (represented by Government Office for the East of England), to achieve fourteen outcomes that are regarded as being key to making Essex a better place to live and work.

To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.

To improve the effectiveness and efficiency of public services in Essex by pooling and aligning funding streams.

The LAA partners are:

Local Government Bodies - Essex County Council, Basildon District Council, Braintree District Council, Brentwood Borough Council, Castle Point Borough Council, Chelmsford Borough Council, Colchester Borough Council, Epping Forest District Council, Harlow District Council, Maldon District Council, Rochford District Council, Tendring District Council, Uttlesford District Council.

Local Strategic Partnerships (LSP) – Basildon District LSP, Braintree PACT (Partners and Communities Together), Brentwood LSP, Castle Point LSP, Chelmsford Strategic Partnership Board, Colchester 2020 LSP, Epping Forest LSP, Harlow 2020 Partnership, Maldon 2010 Partnership, Rochford LSP, Tendring LSP, Uttlesford Futures.

Community Protection Authorities – Essex County Fire and Rescue, Essex Police, National Probation Service.

Health Bodies – South East Essex PCT, South West Essex PCT, West Essex PCT, Mid Essex PCT and North East Essex PCT, Basildon and Thurrock University Hospitals NHS foundation Trust, SE Partnership NHS Trust, East of England Strategic Health Authority.

Learning Bodies – Essex Learning and Skills Council, Essex Southend and Thurrock connexions, University of Essex.

Voluntary Organisations – Essex Council for Voluntary Youth Services.

Other Organisations – Sport England, Haven Gateway Partnership, Thames Gateway South Essex Partnership, ESTIC, Families in Focus, Interlock, Rural Community Council for Essex, Essex Partnership Steering Group.

Essex County Council acts as the Accountable Body for the LAA. This means that they are responsible for the distribution of the grant paid by the Government Office to the partners involved.

The total amount of LAA grant received by the Accountable Body in 2007/08 is £14,845,141. The Council received £156,929 of this total.

## **11. MEMBERS' ALLOWANCES**

The Local Government Act 2000 and the Local Authorities (Members' Allowances) Regulations 2001 requires the Council to appoint an independent remuneration panel to review its scheme for Members' Allowances, and to make recommendations to the Council regarding the scheme to be operated in 2007/08.

The total Members' Allowances for 2007/08 were £275,468. (2006/07 £278,839)

Information regarding Members' Allowances is published in the local press. Further details are available from the Assistant Chief Executive on 01799 510431.

**12. OFFICERS' REMUNERATION**

As a requirement of the Accounts and Audit Regulations 2003, the number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 was:

<b>Remuneration Band</b>	<b>2006/07 Number of Employees</b>	<b>2007/08 Number of Employees</b>
£50,000 - £59,999	6	6
£60,000 - £69,999	1	1
£70,000 - £79,999	0	4
£80,000 - £89,999	1	1
£90,000 - £99,999	1	0
£100,000-£109,999	1	0
£110,000-£119,999	0	1
£120,000-£129,999	0	0
£130,000-£139,999	0	0
£140,000-£149,999	0	1
£200,000-£209,999	0	1

**13. RELATED PARTY TRANSACTIONS**

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

Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Council.

Members of the Council have direct control over the Council's financial and operational policies. However, any contracts entered into by the Council are in full compliance with the Council's Constitution, and any decisions made with proper consideration of declarations of interest. From the replies provided there are no material transactions to be declared.

Senior Officers of the Council have control over the day to day management of the Council so the Directors and the Chief Executive have been asked to declare any related party transactions. From the replies provided there are no material transactions to be declared.

During the year, transactions with related parties arising from funding arrangements with Central Government are detailed in Note 51 to the Core Financial Statements on the Cash Flow Statement, and with precepting authorities in Note 3 to the Collection Fund. Other material related party transactions for 2007/08 which are not fully disclosed elsewhere in the Statement of Accounts were as follows:

2006/07 Net		Receipts	Payments	2007/08 Net
£000		£000	£000	£000
11	Essex County Council	905	505	(400)
33	Other Local Authorities	142	250	108
0	East of England Regional Assembly-Bldg Capacity East	240	0	(240)
0	Health Protection Agency	101	0	(101)
75	Citizen's Advice Bureau	0	77	77
(14)	Uttlesford Council for Voluntary Service	28	33	5
1	Saffron Walden County High School	8	8	0
4	Saffron Walden & Great Dunmow Museum Society	3	3	0
(31)	West Essex and Uttlesford PCT's	29	5	(24)
	Rural Community Council of Essex	16	8	(8)
<b>79</b>		<b>1,472</b>	<b>889</b>	<b>(583)</b>

#### 14. FEES PAYABLE TO THE AUDIT COMMISSION

In 2007/08 Uttlesford District Council incurred the following fees relating to external audit and inspection:

	2006/07	2007/08
	£000	£000
Fees Payable to the Audit Commission with regard to External Audit Services carried out by the Appointed Auditor	113	125
Fees Payable to the Audit Commission in respect of Statutory Inspection	13	14
Fees Payable to the Audit Commission for the Certification of Grant Claims and Returns	60	61
Fees Payable in respect of Other Services Provided by the Appointed Auditor	0	0
	186	200

#### 15. OPERATING LEASE RENTALS

The Authority uses cars, vehicles and containers under the terms of an operating lease. The amount paid under these arrangements in 2007/8 was £201,121 (2006/07 £300,453).

The Authority was committed at 31 March 2008 to making payments of £239,461 under operating leases in 2008/09, comprising the following elements:

	Vehicles, Plant and Equipment
	£000
Leases expiring:	
Within 1 Year	80
2 – 5 Years	159
Over 5 Years	0

#### 16. FINANCE LEASE RENTALS & LONG TERM BORROWING



The authority has acquired 16 waste collection vehicles under a finance lease. The rentals payable under these arrangements in 2007/08 were £310,304 (2006/07 £103,345) charged to the Income and Expenditure Account as £44,083 finance costs (debited to interest payable) and £266,221 relating to the write-down of obligations to the lessor (debited as part of the appropriation to Capital Adjustment Account in the Statement of Movement on the General Fund Balance).

	<b>2006/07</b> (part year) £000	<b>2007/08</b> £000	<b>2 - 5</b> <b>years</b> £000	<b>6 - 10</b> <b>years</b> £000
Finance lease - amount payable	103	310	1,241	517
Principle repayment	89	266	1,065	444
Interest payable	14	44	176	73
	<b>103</b>	<b>310</b>	<b>1,241</b>	<b>517</b>

#### LONG TERM BORROWING

	<b>2006/07 (part year)</b> £000	<b>2007/08</b> £000	<b>2 - 5</b> <b>years</b> £000	<b>6 - 10</b> <b>years</b> £000
Finance lease – Opening balance	1,864	1,775	1,509	444
Principle repayment	(89)	(266)	(1,065)	(444)
<b>Closing balance</b>	<b>1,775</b>	<b>1,509</b>	<b>444</b>	<b>0</b>

#### 17. NOTES TO THE STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

##### EXPLANATION OF THE SIGNIFICANCE OF THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account brings together all of the functions of the authority and summarises all of the resources that the authority has generated, consumed or set aside in providing services during the year. However, this accounting basis is currently out of line with the statutory provisions that specify the net expenditure that the Council needs to take into account when setting its Council Tax.

In order to give a full presentation of the financial performance of an authority during the year, the outturn on the Income and Expenditure Account needs to be reconciled to the balance established by the statutory provisions.

The Statement of Movement on the General Fund Balance provides the necessary reconciliation:

## 18. NOTES TO THE STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

## MOVEMENTS ON RESERVES

	Balance as at 1 Apr 07	Net Gains / (Losses)	Balance as at 31 Mar 08	Purpose of Reserve
	£000	£000	£000	
Fixed Asset Restatement Account	220,074	(220,074)	0	Moved to the CAA
Revaluation Reserve	0	14,499	14,499	New Account from 01/04/07.
Capital Financing Account	24,896	(24,896)	0	Moved to the CAA
Capital Adjustment Account	0	244,995	244,995	New Account from 01/04/07.
Usable Capital Receipts Reserve	4,495	(1,114)	3,381	Proceeds of fixed asset sales available to meet future capital investment
Pensions Reserve	(5,970)	(9,883)	(15,853)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet
Housing Revenue Account	777	(226)	551	Resources available to meet future unexpected running costs for council houses
Major Repairs Reserve	0	0	0	Resources available to meet capital investment in council housing
Collection Fund	0	46	46	An independent account for income relating to council tax and non-domestic rates
General Fund Balance	1,000	61	1,061	Resources available to meet future running costs for non- housing services
Unapplied Capital Grants	133	96	229	Useable resources set aside for Planning Service delivery improvements
Earmarked Reserves (see Note 39)	1,546	(385)	1,161	Useable resources set aside for individual purposes
<b>Total</b>	<b>246,951</b>	<b>3,119</b>	<b>250,070</b>	

**19. INTANGIBLE FIXED ASSETS**

Intangible fixed assets are those items which, although the cost incurred in their acquisition is of a capital nature there is no physical tangible asset to show. In previous years the Council has not recognised its intangible fixed assets separately on the Balance Sheet. However the review of fixed assets during the audit of the 2005/06 Statement of Accounts identified that the Council does own a range of computer software licences which should be classified as intangible assets. This was correctly re-classified in the 2006/07 accounts. The movement in intangible assets during 2007/08 is set out in the table below:

Amortisation of intangible fixed assets is calculated on a straight line basis over 7 years starting on the year after purchase.

<b>2006/07 £'000</b>		<b>2007/09 £'000</b>	<b>20.</b>
-	Bal B/Fwd As At 31st March 2007	230	
-	Revaluation As At 1/4/07	-	
-	Additions	17	
-	Disposals	-	
-	Impairment	-	
230	Reclassification	-	
<b>230</b>	<b>Gross Bal C/F</b>	<b>247</b>	
-	Amortisation B/Fwd	(39)	
(39)	Amortisation In Year	(43)	
-	Amortisation Write Outs	-	
(39)	Amortisation Bal C/F	(82)	
<b>191</b>	<b>Net Value At 31st March 2008</b>	<b>165</b>	

**20. TANGIBLE FIXED ASSETS****a) MOVEMENT OF TANGIBLE FIXED ASSETS****Operational Assets**

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles Plant and Equipment £'000</b>	<b>Leased Assets £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>TOTAL £'000</b>
Bal B/Fwd As At 31st March 2007	231,615	12,278	3,324	1,864	78	40	<b>249,199</b>
Revaluation As At 1/4/07	12,705	301	-	-	-	-	<b>13,005</b>
Additions	2,881	9	463	-	222	-	<b>3,574</b>
Disposals	(929)	-	-	-	-	-	<b>(929)</b>
Impairment	-	(1)	-	-	-	-	<b>(1)</b>
Reclassification	-	-	-	-	-	-	-
Gross Bal C/F	<b>246,272</b>	<b>12,587</b>	<b>3,787</b>	<b>1,864</b>	<b>300</b>	<b>40</b>	<b>264,849</b>
Depreciation B/Fwd	(1,808)	(367)	(516)	(89)	(1)	-	<b>(2,781)</b>
Depreciation In Year	(1,851)	(372)	(510)	(266)	(1)	-	<b>(2,999)</b>
Depreciation Write Outs	1,816	125	-	-	-	-	<b>1,941</b>
Depreciation Bal C/F	<b>(1,843)</b>	<b>(613)</b>	<b>(1,026)</b>	<b>(355)</b>	<b>(2)</b>	-	<b>(3,839)</b>
<b>Net Value At 31st March 2008</b>	<b>244,430</b>	<b>11,973</b>	<b>2,761</b>	<b>1,509</b>	<b>298</b>	<b>40</b>	<b>261,010</b>
Net Value At 31st March 2007	229,807	11,911	2,808	1,775	77	40	246,418

21.

**Non Operational Assets**

	Investment properties	Surplus Assets	TOTAL
	£000	£000	£000
Balance B/FWD as at 31st March 2007	429	15	444
Revaluation as at 1/4/07	-	-	-
Additions	-	-	-
Disposals	-	(15)	(15)
Impairment	-	-	-
<b>Gross Balance C/F as at 31st March 2008</b>	<b>429</b>	<b>-</b>	<b>429</b>
Accumulated Depreciation	-	-	-
Depreciation applied 2007/08	-	-	-
Depreciation written out in year	-	-	-
<b>Depreciation Balance C/F</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net value at 31st March 2008</b>	<b>429</b>	<b>-</b>	<b>429</b>
Net value at 31st March 2007	429	15	444

**b) VALUATIONS OF FIXED ASSETS**

The timetable for the valuation of General Fund fixed assets has been change to one of a 5 year rolling programme, as apposed to the annual revaluation programme previously adopted . The new timetable for valuation is as follows:

2007 / 2008	Re-valuation of asset group (Land and Buildings)
2008 / 2009	Re-valuation of asset group (Other Assets / Land and Buildings)
2009 / 2010	Re-valuation of asset group (Vehicles and Moveable Plant)
2010 / 2011	Re-valuation of asset group (IT and Intangible assets)
2011 / 2012	Re-valuation of asset group (Fixed Plant, Equipment)

HRA Council Dwellings will continue to be valued annually by assessing the value of Beacon properties.

A number of Beacon properties have been identified as being typical for a particular size and type of dwelling. For example, a two bedroom semi-detached house. These properties are valued and the assessed value is applied to all properties of a similar size and type. This saves the Valuer from having to visit large numbers of houses which are all basically the same. This is the accepted method of valuing council dwellings.

Asset valuations were carried out as at 1<sup>st</sup> April 2007 by: Richard Wilson BSc MRICS for the District Valuer Services, on behalf of Mark Catley, MRICS, FAAV, District Valuer, East of England. The Valuation letter was dated 15<sup>th</sup> June 2007. The General Fund valuations were then revised on the 26 March 2008.

**c) ANALYSIS OF FIXED ASSETS**

2006/07			2007/08		
No.	Value £000		No.	Gross Internal Area (sq m)	Value £000
<b>Housing Revenue A/c</b> (See HRA note 8)			<b>Housing Revenue A/c</b>		
3,458	232,588	<b>Total HRA</b>	3,452	n/a	247,072
<b>General Fund</b>			<b>General Fund</b>		
n/a	187	Software Licences	n/a	n/a	165
1	3,708	Offices- Saffron Walden	1	3,022	3,754
1	711	Offices- Great Dunmow	1	1,236	736
2	395	Depot Premises	2	320	409
9	2,795	Car Parks	9	n/a	2,876
5	1,161	Day Centres	5	624	1,184
3	298	Public Conveniences	3	137	298
1	277	Cemetery Chapel	1	75	286
1	40	Dunmow Burial Ground	1	n/a	40
3	36	Public Conveniences Sites	3	n/a	36
2	41	Coach Parks Infrastructures	2	n/a	40
0	0	Other Infrastructure	2	n/a	222
n/a	3,699	Vehicles, Plant and Equipment	n/a	n/a	3,329
n/a	750	Information Technology	n/a	n/a	805
1	300	Turpin's Bowls Hall	1	1,700	300
1	52	Market – Great Dunmow	1	n/a	52
1	15	Old Public Convenience	0	0	0
	<b>14,465</b>	<b>Total GF</b>			<b>14,532</b>
	<b>247,053</b>	<b>Total Fixed Assets</b>			<b>261,604</b>

**22. ANALYSIS OF COMMUNITY ASSETS**

During 2007/08, the Council held one Community asset on its balance sheet. This was the burial ground at Great Dunmow.

**23. CAPITAL EXPENDITURE AND FINANCING**

	2007/08 £000		2007/08 £000
<b>Capital Expenditure</b>		<b>Financed By:</b>	
Intangible Assets	18	Usable Capital Receipts	1,423
Fixed Assets	3,574	Revenue Contributions	455
Deferred Charges	975	Major Repairs Reserves	1,851
		Section 106	195
		Capital Grants	643
	<b>4,567</b>		<b>4,567</b>

A detailed breakdown of spending on individual capital schemes is set out in the Explanatory Foreword.

**23. SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS**

As at 31 March 2008, the Council has no outstanding significant future contracts for capital investment. It does however have a few outstanding contracts for maintenance of the HRA housing stock but these are not significant.

## 24. PRIVATE FINANCE INITIATIVE

The Council's Private Finance Initiative (PFI) Scheme provided two new Leisure Centres in Great Dunmow and Stansted Mountfitchet, and refurbished the Lord Butler Fitness and Leisure Centre in Saffron Walden. The Contract was fully operational from the financial year 2002/03, and is for 32 years, ending in 2033/34, which leaves 26 years outstanding.

## 25. DEPRECIATION

Depreciation is calculated by writing off the value of the asset over its assessed useful life for all assets with a determinable finite life (this excludes mainly land, community assets and investment properties). From 2007/08 the calculation for depreciation is based on the estimated useful life of each asset which is determined at the start of the year after the asset is brought in to use.

This represents a change in accounting policy from 2006/07. The impact of this change is that if the same policy had been applied in 2006/07 the council would have charged £91,783 less depreciation to its fixed assets account. The overall depreciation charge for the year 2006/07 was £2,707,000 so this variation only represents a difference of 3.4% and is therefore not material in nature.

Generally the following are applied as shown in the table below:

	Useful Lives in Years up to
Infrastructure	50
Administration Buildings	30
Garages	10
Car Parks	30
Other buildings	40
IT equipment	7
Vehicles	7

## 26. DEFERRED CHARGES

	£000	£000
Expenditure:		
Capitalisation of redundancy costs	490	
Bridge End Gardens	186	
Renovation Grants	47	
Disabled Facilities Grants	109	
Private Finance Initiative - Transferred Assets	228	
Community Project Grants	61	
Thaxted Youth Club	40	
Dunmow & Stansted Skate park	24	
LAA Safer Communities Grant	18	
		1203
Amounts Funded from Government Grant	(313)	
Amounts Written off to Income & Expenditure Account	(400)	
Amounts Written off to Capital Adjustments Account	(490)	
		(1203)
<b>Balance as at 31 March 2008</b>		<b>0</b>

**27. LONG TERM INVESTMENTS**

Long term investments are funds that have been placed with counterparties such as a banks or building societies for a period in excess of 365 days. During 2007/08 the Council held no long term investments.

**28. LONG TERM DEBTORS**

	<b>Outstanding as at 31 March 2007</b>	<b>Loans Made</b>	<b>Loans Repaid</b>	<b>Outstanding as at 31 March 2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Loans on Sale of Council Houses	11	0	(4)	7
Rent to Mortgage	536	0	0	536
Provincial Council Headquarters	8	0	0	8
	<b>555</b>	<b>0</b>	<b>(4)</b>	<b>551</b>

**29. STOCKS AND WORK IN PROGRESS**

	<b>31 March 2007</b>	<b>31 March 2008</b>
	<b>£000</b>	<b>£000</b>
Housing Stores	59	49
Building Maintenance	22	8
Vehicle Fuel	17	21
Trading Stocks	47	26
Stationery	6	3
	<b>151</b>	<b>107</b>

**30. DEBTORS**

	<b>31 March 2007</b>	<b>31 March 2008</b>
	<b>£000</b>	<b>£000</b>
Non Domestic Rate Arrears (See Note 1 below)	0	278
Council Tax Arrears	474	721
Housing Rent Arrears	103	165
Government Departments	1,381	904
Due from the NNDR Pool	2,035	168
Other Local Authorities	98	105
Collection Fund	0	0
Interest due	206	63
Car Leasing prepaid	73	47
Vehicle Leasing prepaid	251	207
Other Accruals	591	907
Sundry Debtors	103	615
Miscellaneous	38	0
	<b>5,353</b>	<b>4,180</b>
<b>Amounts falling due after one year</b>		
Car Loans to employees	77	29
Home computing initiative	17	3
	<b>5,447</b>	<b>4,212</b>



Note 1. See Note 32 below for Creditors. The increase in NNDR Arrears above in 2007/08 is offset by an decrease in NNDR Accounts in Credit and a increase in Other Accruals

Note 2. The above debtors' figures are net of the following:

#### Provision for Bad Debts

	2006/07	2007/08
	£'000	£'000
Non Domestic Rates	245	113
Council Tax	800	768
Housing Rents	198	215
Overpaid Benefit	280	308
Sundry Debtors	18	18
	<b>1,541</b>	<b>1,422</b>

#### 31. SHORT TERM INVESTMENTS

Investments consist of deposits with banks and building societies meeting the Council's security criteria set out in the Council's Treasury Management Strategy Statement. The Council's short term investments as at 31 March 2008 consisted of:

31 March 2007		31 March 2008
£000		£000
7,400	Money Market Lending	2,262
1,367	Allied Irish Treasury	2,427
13	Bank of Scotland	4,009
<b>8,780</b>		<b>8,698</b>

#### 32. CREDITORS

31 March 2007		31 March 2008
£000		£000
518	Government Departments	316
227	Non Domestic Rates-accounts in credit (Note)	0
0	Due to NNDR Pool	0
170	Other Local Authorities	445
226	Collection Fund Surplus	294
216	Non-Domestic Rates in Advance	150
282	Council Tax in Advance	514
39	Housing Rents in Advance	226
2,774	S106 Agreements	2,913
1,402	Other Accruals	1,737
0	Sundry Creditors	0
<b>5,854</b>		<b>6,595</b>

Note: See Note 30 above for Debtors. The decrease in NNDR Accounts in Credit in 2007/08 is offset by an increase in NNDR Debtors.

**33. PROVISIONS**

The following table shows the provisions the Council has established to meet known future liabilities where the amount or timing are unknown:

<b>31 March 2007</b>		<b>31 March 2008</b>
<b>£000</b>		<b>£000</b>
52	Insurance Related Liabilities	52
73	Supporting People	73
<b>125</b>		<b>125</b>

The Insurance Related Liabilities provision has been set up in the event that there are any potential insurance claims relating to the period that the former Municipal Mutual Insurance were the Council's insurer.

The Supporting People provision has been set up in the anticipation that the funding from Essex County Council towards this service reduces in future years.

**34. DEFERRED GOVERNMENT GRANTS**

This account records the grants and other contributions received and applied to finance capital projects. Each grant is written down to revenue over the life of the asset it was used to finance.

	<b>2006/07</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Balance as at 1 April	89	130
Capital Grants Deferred	53	195
Capital Grants Written Down	(12)	(26)
<b>Balance as at 31 March</b>	<b>130</b>	<b>299</b>

**35. DEFERRED CREDITS**

Deferred Credits relate to advances for capital purposes where capital receipts will be received in instalments over agreed periods of time. See Note 28 to the Core Financial Statements (Long Term Debtors). It should be noted that the amounts included for Rent to Mortgage receipts reflect the value of the Council's share at the date of disposal. The timing and future value of these receipts is uncertain until received. The value associated with each property may go down as well as up.

	<b>Outstanding as at 31 March 2007</b>	<b>Loans Made</b>	<b>Loans Repaid</b>	<b>Outstanding as at 31 March 2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Loans on Sale of Council Houses	(11)	0	4	(7)
Rent to Mortgage	(536)	0	0	(536)
Provincial Council Headquarters	(8)	0	0	(8)
	<b>(555)</b>	<b>0</b>	<b>4</b>	<b>(551)</b>

**36. REVALUATION RESERVE**

The Revaluation Reserve is a new reserve for 2007/08, its purpose is to represents the difference between valuations as at 31/03/07 and the current valuations.

	£000	£000
<b>Balance as at 1 April 2007</b>		<b>0</b>
Adjustments:		
Gain in Valuation of Assets	(13,005)	
Write back of Depreciation	(1,941)	
Disposals of Assets	447	
		(14,499)
<b>Balance as at 31 March 2008</b>		<b>(14,499)</b>

**37. CAPITAL ADJUSTMENT ACCOUNT**

This is a new account whose opening balance represents amounts that were previously held on the Fixed Asset Restatement Account and the Capital Financing Account. Additionally the opening balance includes an adjustment to asset values to bring them in line with those held on the Fixed Asset Register following a data cleansing exercise. The account records: - (a) the historical cost of acquiring, creating or enhancing fixed assets over the life of those assets; (b) the historical cost of deferred charges over the period that the authority benefits from the expenditure and (c) the resources set aside by the authority to finance capital expenditure.

	£000	£000
B/F from FARA	(220,074)	
B/F from CFA	(24,896)	
<b>Balance as at 1 April 2007</b>		<b>(244,970)</b>
Usable Capital Receipts	(1423)	
Major Repairs Reserve	(1851)	
Revenue Contributions	(455)	
<b>2007/08 Capital Financing:</b>		<b>(3,729)</b>
Intangible Amortisation	44	
Depreciation of fixed assets	911	
Impairment of fixed assets	(1)	
Disposal of fixed assets	497	
Written down Deferred Gov. Grants	(548)	
Written down Deferred Charges	975	
MRP	(266)	
Major Repairs – HRA - Write down	2,092	
<b>Total Adjustments:</b>		<b>3,704</b>
<b>Balance as at 31 March 2008</b>		<b>(244,995)</b>

**38. USABLE CAPITAL RECEIPTS RESERVE**

The Usable Capital Receipts Reserve represents the Capital Receipts available to finance Capital Expenditure in future years.

	£000	£000
<b>Balance as at 1 April 2007</b>		<b>(4,495)</b>
2007/08 Capital Receipts	(1,015)	
Less:		
2007/08 Paid to Pool (Note below)	697	
2007/08 Capital Receipts used for Financing	1,423	
2007/08 Expenses from sales of Capital Assets	7	
<b>Balance as at 31 March 2008</b>		<b>(3,383)</b>

Note. The total amount payable to the Pool in respect of 2007/08 amounted to £696,878.10 whilst the actual payments amounted to £398,583. The balance was paid to the Pool on the 30<sup>th</sup> May 2008.

**39. EARMARKED RESERVES**

Reserve	Balance 1 Apr 07 £000	Reserve Enhanced £000	Reserve Applied £000	Balance 31 Mar 08 £000	Purpose of Reserve
Financial Management Reserve *	24		(24)	0	Absorbs variations in General Fund revenue expenditure and finances the costs of special and one-off projects. It can be used for both revenue and capital projects.
District Character Reserve *	311		(311)	0	Useable resources set aside for specialist advice in relation to ensuring that the District's character is protected from the effects of airport and other major development pressures
Planning Delivery Grant-Capital	133		(133)	0	Useable resources set aside for Planning Service delivery improvements aligned with reward grant received from Government * Moved to Unapplied Capital Grants in 07/08
PFI (Special Grant) Cashflow	1,102		0	1102	An equalisation reserve established to eliminate the reducing sum received from Government towards the Council's PFI scheme
District Election	50		(50)	0	Resources set aside to finance future district council elections
Housing Needs Survey	44			44	Useable resources set aside for regional Housing Market Assessments, a 5-yearly survey of the local housing market including affordable housing needs
Energy Efficiency Investment Reserve	15			15	Useable resources established to finance future investment in energy efficiency measures in non- HRA Council properties
<b>Total</b>	<b>1,679</b>	<b>0</b>	<b>(518)</b>	<b>1,161</b>	

Note: Residual balances on a range of reserves were amalgamated with the Financial Management Reserve and the District Character Reserve in 2006/07. This amalgamation was carried out in order to reduce the number of different reserves and thus reduce the complexity associated with maintaining a large number of reserves.

**40. UNAPPLIED CAPITAL GRANTS**

Grant	Balance 1 Apr 07 £000	Grant Enhanced £000	Grant Applied £000	Balance 31 Mar 08 £000	Purpose of Grant
Planning Delivery Grant- Capital	0	229	0	229	Government grant set aside for Planning Service delivery capital improvements.
<b>Total</b>	<b>0</b>	<b>229</b>	<b>0</b>	<b>229</b>	

**41. NET ASSETS EMPLOYED**

	31 March 2007	31 March 2008
	£000	£000
General Fund	16.9	8.3
Housing Revenue Account	230.1	241.8
<b>Total</b>	<b>247.0</b>	<b>250.1</b>

**42. FINANCIAL INSTRUMENTS**

For 2007/08, the SORP has introduced changes to the way in which local authorities account for financial instruments, in accordance with FRS 25, FRS 26 and FRS 29. A financial instrument is any contract which gives rise to a financial asset of one entity (such as cash, an equity instrument or a right to receive cash or an equity instrument) and a financial liability of another (such as an obligation to deliver cash or another financial asset).

The changes in accounting policies came into force on 1st April 2007, meaning that local authorities are not required to restate their 2006/07 figures for the effects of these changes. Any amendments required to the carrying values of items on the closing 2006/07 balance sheet as a result of the changes to accounting policy have been carried out as at 1st April 2007.

**Amounts recognised in the Balance Sheet**

Since some balance sheet categories, for example current debtors, include both items which are financial instruments and items which are not financial instruments. The table below shows the carrying values of financial instruments included within the various lines of the authority's balance sheet. In accordance with the SORP, any accrued interest as at 31st March 2008 is included within the carrying value of the financial instruments.

**Financial Instruments Balances**

	Long-Term		Current	
	31-Mar-07 £000s	31-Mar-08 £000s	31-Mar-07 £000s	31-Mar-08 £000s
Financial assets				
Loans and receivables				
Long term debtors	649	583	-	-
Debtors	-	-	1,219	2,044
Investments	-	-	8,780	8,699
	<b>649</b>	<b>583</b>	<b>9,999</b>	<b>10,743</b>
Financial liabilities at amortised cost				
Creditors	(2,774)	(2,913)	(1,611)	(2,077)
Cash at Bank			(626)	(171)
Long term borrowing	(1,775)	(1,509)	-	-
Deferred Credits	(555)	(551)	-	-
	<b>(5,104)</b>	<b>(4,973)</b>	<b>(2,237)</b>	<b>(2,248)</b>

**Recognised gains and losses**

The following table summarises the gains and losses which have arisen in the Council's Accounts in relation to financial instruments. The majority of these are reflected in the income and expenditure account. The exception to this is unrealised gains and losses relating to available for sale assets, which are reflected only in the statement of total recognised gains and losses.

<b>Recognised in Income and Expenditure Account 2007/08</b>	<b>Financial Liabilities</b>		<b>Financial Assets</b>		<b>Total</b>
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available for sale assets £000s	£000s	
Interest Expense	(53)	-	-	(53)	
Losses on derecognition	-	-	-	-	
Impairment losses	-	-	-	-	
Interest payable and similar charges	<b>(53)</b>	-	-	<b>(53)</b>	
Interest income	-	679	-	679	
Gains on derecognition	-	-	-	-	
Interest and investment income	-	<b>679</b>	-	<b>679</b>	
Gains on revaluation	-	-	-	-	
losses on revaluation	-	-	-	-	
Amounts recycled to the I&E Account after impairment	-	-	-	-	
Net gain/(loss) for the year	<b>(53)</b>	<b>679</b>	-	<b>626</b>	

**Management of risks arising from Financial Instruments**

There are a number of risks associated with financial instruments which the authority is necessarily exposed to. However the authority monitors and seeks to manage these risks in order to minimise the potential for losses to occur.

**Credit Risk**

Credit risk is the risk that amounts due to the authority may not be received.

Amounts due to the authority from financial assets can arise either from loans and investments made, or from income receivable for goods or services provided by the authority. The majority of the authority's loans and investments are made for treasury management purposes, to generate income from available balances. The parameters within which these investments are made are set out within the authority's approved Treasury Management Policy. This policy limits the amounts which can be invested with any individual financial institution and with any group of companies, and specifies the levels of independent credit ratings which institutions must hold for the authority to invest particular amounts with them. The effect of the policy limits is to restrict as far as is practical the authority's exposure to risk from the failure of a financial institution. The authority's financial assets have been reviewed for impairment, and the authority is not aware of any factors which would suggest that the amounts will not be received in full, and has therefore concluded that no impairment provision is required.

Some of the authority's short term trade debtors relate to the provision of goods and services, such as rents, car parking charges or sports centre income. The authority operates an active debt recovery policy, to ensure that amounts due are collected as promptly as possible.

**Liquidity risk**

Liquidity risk is the risk that the authority may not have sufficient cash available to meet its day-to-day obligations to make payments. The authority has access to borrowings from both the Public Works Loans Board and commercial lenders to meet its long term spending and shorter term cash flow requirements. By statute, all amounts borrowed by a local authority are secured without priority across all of its revenues. This statutory provision helps to ensure that the authority is readily able to access the funds that it needs, and has no significant liquidity risk. However, there is a consequent risk that the authority may be obliged to borrow at a time of unfavourable interest rates (see (c) below).

**Interest rate risk**

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

**43. CONTINGENT LIABILITIES**

The Council has 2 contingent liabilities:

1. A tree preservation order case where costs of £11,921.91 (plus interest since December 2005) could be payable.
2. There has been a further development regarding the expansion of Stansted Airport: in respect of the G1 appeal, British Airports Authority (BAA) has asked for costs to be awarded against the Council. A precise figure has yet to be determined however it would be reasonable to expect this to be in excess of £1million. The Council believes it can defend the request but should it be unsuccessful there are no reserves to meet an award of this size.

**44. CONTINGENT ASSETS**

As at the balance sheet date, there were no contingent assets.

**45. EVENTS AFTER THE BALANCE SHEET DATE**

Under the CIPFA Accounting Code of Practice, the Council is required to disclose the date that the financial statements are authorised for issue. This establishes the date after which events will not have been recognised in the statement of accounts. For 2007/08 this date is 20<sup>th</sup> June 2008.

**46. SECTION 106 AGREEMENTS**

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances of Section 106 receipts held by the Council during the year were as follows:

<b>Scheme</b>	<b>31 March 2007 £000</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>31 March 2008 £000</b>
Stansted Housing Partnership	2412	138	0	2550
Dunmow Eastern Sector	177	0	(71)	106
Dunmow Section 106	149	196	(124)	221
Section 52 agreements	36	0	0	36
<b>Total</b>	<b>2774</b>	<b>334</b>	<b>(195)</b>	<b>2,913</b>

**47. OTHER FUNDS - SAFFRON WALDEN PIG MARKET**

The Charity owns a proportion of a public pay and display car park and its income is derived from that.

The car park is maintained and run by the District Council and the Charity received its share (66/303) of the net income.

The Charity distributes the income it receives by way of grants to charities that work in the Saffron Walden area.

	<b>2006/07 £</b>	<b>2007/08 £</b>
<b>(a) Receipts and Payments Account</b>		
<b>Receipts</b>		
Operating activities to generate funds: Proportion of Fairycroft Road Car Park (66/303 of net income)	(34,864)	(33,650)
<b>Payments</b>		
Grants paid	34,614	33,400
Management and Administration.	250	250
<b>Net Receipts / Payments</b>	<b>0</b>	<b>0</b>
<b>(b) Statement of Assets and Liabilities</b>		
Land-Share of Fairycroft Road Car Park	65,355	68,233



**48. PENSION FUND**

As part of the terms and conditions of employment of its employees, the Council offers members a pension scheme with defined benefits. Although benefits will not actually be payable until employees retire, the Council has a commitment to make payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Essex County Council. This is a funded scheme, which means that the Council and employees pay contributions into the Fund, calculated at a level intended to balance pension liabilities with investment assets.

The contributions are based on rates determined by the Fund's professionally qualified actuaries based on triennial reviews, the most recent of which was 31 March 2007.

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 the Council is required to make against the Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure. The following transactions have been made in the Income and Expenditure Account during the year:

Note: Under the projected unit method the current service cost will increase as members approach retirement.

	<b>2006/07</b> <b>£000</b>	<b>2007/08</b> <b>£000</b>
Current Service Cost	(1,379)	(1,160)
Past Service Cost	(28)	(645)
Loss Due to Curtailments	0	(224)
Interest Cost	(2,354)	(2,601)
Expected Return on Assets	2,372	2,756
Movement on Pensions Reserve	1,389	1,874
Employers Contributions payable to the Scheme	1,217	1,302

Further information can be found in Essex County Council's Pension Fund's Annual Report which is available upon request from Essex County Council, County Hall, Chelmsford, Essex, CM1 1JZ.

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March are as follows:

	<b>2006/07</b> <b>£000</b>	<b>2007/08</b> <b>£000</b>
Estimated Liabilities in the Scheme	(48,242)	(56,864)
Estimated Assets in the Scheme	42,272	41,011
Net Liability / Deficiency in the Fund	(5,970)	(15,853)
Note: Value of unfunded discretionary benefits included in Liabilities	(1,147)	(1,882)

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The deficit on the scheme will be made good by increased

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contributions over the remaining working life of employees, as assessed by the scheme actuary.

The movement in the Deficiency for the year to 31 March was as follows:

	<b>2006/07</b> £000	<b>2007/08</b> £000
<b>Deficiency at 1 April</b>	<b>(8,615)</b>	<b>(5,970)</b>
Employers Contributions	1,217	1,302
Current Service Cost	(1,379)	(1,160)
Past Service Cost	(28)	(645)
Curtailment Cost	0	(224)
Expected Return on Assets	2,372	2,756
Interest Cost	(2,354)	(2,601)
Actuarial Gain/(Loss)	2,817	(9,311)
<b>Deficiency at 31 March</b>	<b>(5,970)</b>	<b>(15,853)</b>

The assets and liabilities of the fund attributable to Uttlesford District Council have been derived by Mercer Human Resource Consulting Ltd from a full actuarial valuation of the fund undertaken by them as at 31 March 2007.

The main assumptions used in their calculations have been:

	<b>1 April 2007</b> %	<b>31 March 2008</b> %
Rate of Inflation	3.1	3.6
Rate of Increase in Salaries	4.6	5.1
Rate of Increase in Pensions	3.1	3.6
Discount Rate	5.4	6.1

The split of assets held by the Fund attributable to Uttlesford District Council as at 31 March is set out in the following table:

	<b>1 April 2007</b>		<b>31 March 2008 *</b>	
	£000	%	£000	%
Equities	29,295	69.3	28,790	70.2
Government Bonds	4,185	9.9	3,855	9.4
Other Bonds	2,663	6.3	2,707	6.6
Property	5,284	12.5	4,388	10.7
Cash/Liquidity	845	2.0	1,271	3.1
<b>Total</b>	<b>42,272</b>	<b>100</b>	<b>41,011</b>	<b>100</b>
Market Value of Total Fund Assets (£million)	2,952		3,043	

Note: The figures provided by Mercers in the table above demonstrating the split of assets and the market value of the whole fund are as at 31 March 2008

The expected rates of return on the assets detailed above are shown in the following table:

	1 April 2007 %	31 March 2008 %
Equities	7.50	7.50
Government Bonds	4.70	4.60
Other Bonds	5.40	6.10
Property	6.50	6.50
Cash/Liquidity	5.25	5.25

**STATEMENT OF ACTUARIAL GAINS AND LOSSES**

	2005/06		2006/07		2007/08	
	£000's	%	£000's	%	£000's	%
Asset Gain (Loss)	4,967	(13.0)	468	(1.1)	(4,531)	(11.0)
Liability Gain (Loss)	(1,045)	(2.2)	0	(0.0)	(1,216)	(2.1)
Change in Assumptions	(3,628)	(7.6)	2,349	(4.9)	(3,564)	(6.3)
Net Gain (Loss)	294	(0.6)	2,817	(5.8)	(9,311)	(16.4)

The C.I.P.F.A Code of Practice on Local Authority Accounting in the UK requires the above figures to be disclosed for 5 years. This information is not available prior to 2005/06.

**NOTES TO THE CASH FLOW STATEMENT****49. RECONCILIATION OF (SURPLUS) / DEFICIT ON INCOME & EXPENDITURE ACCOUNT TO NET CASH FLOW FROM REVENUE ACTIVITIES**

2006/07 £000		2007/08 £000	2007/08 £000
3,163	General Fund (Surplus) / Deficit	2,466	
(45)	Movement on Collection Fund	46	
<b>3,118</b>			<b>2,512</b>
	<b>Adjustment for Non – Cash Transactions</b>		
(3,145)	Amortisation, Depreciation & Impairment of Fixed Assets	(3,044)	
(524)	Deferred charges written off to Services	(975)	
23	Profit / (Loss) on disposal of fixed assets	0	
0	Profit / (Loss) on Capital Receipts	1,006	
(172)	Net Retirement Benefit Changes	(801)	
(218)	Transfers (to) / from Reserves	(159)	
<b>(4,036)</b>			<b>(3,973)</b>
	<b>Items on an Accruals Basis</b>		
7	Increase / (Decrease) in Stocks	(44)	
95	Increase / (Decrease) in Long-Term Debtors	(4)	
2,056	Increase / (Decrease) in Debtors	(1,235)	
743	(Increase) / Decrease in Creditors	(741)	
<b>2,901</b>			<b>(2,024)</b>
	<b>Items Classified in another Classification in the Cash Flow Statement</b>		
(1)	Interest Payable	(53)	
635	Interest (Receivable)	679	
<b>634</b>			<b>626</b>
<b>2,617</b>	<b>Net Cash Flow from revenue activities</b>		<b>(2,859)</b>

**50. ANALYSIS OF MOVEMENT IN NET CASH & INVESTMENTS**

	<b>On 1<sup>st</sup> April 2007 £'000</b>	<b>Cash Movement in the year £'000</b>	<b>Non-Cash Movement in the year £'000</b>	<b>On 31<sup>st</sup> March 2008 £'000</b>
Bank Overdraft	(626)	455	0	(171)
Deposits Repayable on Demand	1,380	4,927	129	6,436
Short Term Investments	7,400	(5,138)	0	2,262
<b>Net Cash &amp; Investments</b>	<b>8,154</b>	<b>244</b>	<b>129</b>	<b>8,527</b>

**Reconciliation of Net Cash Flow to Movement in Net Cash and Investments**

	<b>2007/08 £'000</b>
Increase / (Decrease) in Bank & Deposits for the period	5,382
Cash inflow from decrease in liquid resources	(5,138)
Change in net cash & investments resulting from cash flows	244
Non-cash changes in net cash & investments	129
<b>Movement in net cash &amp; investments in the period</b>	<b>373</b>
<b>Net cash &amp; investments at 1<sup>st</sup> April 2007</b>	<b>8,154</b>
<b>Net cash &amp; investments at 31<sup>st</sup> March 2008</b>	<b>8,527</b>

## 51. ANALYSIS OF GOVERNMENT GRANTS

2006/07		2007/08		
Payments on Account		Payments on Account	Accruals Adjustments	Grant Entitlement
£000		£000	£000	£000
34	Disabled Facilities Grants	55	0	55
35	Other Capital Grants (Part Partnership Development)	49	0	49
0	Reg. Hsg Cap. Grant	121	0	121
0	Planning Delivery Grant	96	0	96
<b>69</b>	<b>Capital Grants Total</b>	<b>321</b>	<b>0</b>	<b>321</b>
8,071	DWP: HousingBenefitSubsidy	8,157	84	8,241
26	Discretionary Housing Payments	18	0	18
101	Home Office - Partnership Development	108	(81)	27
101	DoH - Port Health	79	22	101
1	- Other	29	(29)	0
0	Tax Credits -CT Benefits Admin	14	0	14
0	Verification Framework	48	0	48
0	WIB Subsidy	23	0	23
0	DCLG Travellers Needs Survey	8	0	8
0	Local Housing Allowance	67	0	67
58	DEFRA - Recycling	0	0	0
40	DCLG: - Homelessness	50	(20)	30
217	- Business Growth	19	241	260
450	- PFI Special Grant	450	0	450
543	-Planning Delivery Grant	276	11	287
131	NNDR Cost of Collection	130	0	130
0	-General Fund Hsg	42	0	42
<b>9,739</b>	<b>Other Government Grants</b>	<b>9,518</b>	<b>228</b>	<b>9,746</b>
<b>9,808</b>	<b>Total</b>	<b>9,839</b>	<b>228</b>	<b>10,067</b>
3,283	Distribution from NNDR Pool	3,415	0	3,415
4,235	Housing Benefit Subsidy - Rent Allowances	4,612	(193)	4,419
640	Revenue Support Grant	573	0	573
<b>17,966</b>	<b>Government Grant Total</b>	<b>18,439</b>	<b>35</b>	<b>18,474</b>

**HRA INCOME AND EXPENDITURE ACCOUNT**

<b>2006/07</b>		<b>2007/08</b>
<b>£000</b>		<b>£000</b>
	<b>Income</b>	
(9,766)	Dwelling Rents	(10,247)
(202)	Non-Dwelling Rents	(203)
(471)	Charges for Services and Facilities	(474)
(93)	Contributions towards Expenditure	(101)
<b>(10,532)</b>	<b>Total Income</b>	<b>(11,025)</b>
	<b>Expenditure</b>	
1,696	Repairs and Maintenance	1,764
1,863	Supervision and Management	2,310
24	Rents, Rates, Taxes and other Charges	19
4,240	Negative Housing Subsidy Payable	4,488
	Depreciation and Impairment of Fixed Assets	
1,808	• Dwellings	1,851
237	• Other Fixed Assets	242
25	Amortisation of Deferred Charges	0
51	Increase in Bad Debt Provision	45
0	Sums directed by the Secretary of State to be transferred to the General Fund	0
<b>9,944</b>	<b>Total Expenditure</b>	<b>10,719</b>
<b>(588)</b>	<b>Net Income of HRA Services per the Income and Expenditure Account</b>	<b>(306)</b>
	HRA Services Share of Corporate and Democratic Core	267
	HRA Share of other amounts included in the	241
148	Whole Authority Net Cost of Services but not allocated to Specific Services	
<b>(173)</b>	<b>Net Income from HRA Services</b>	<b>202</b>
(23)	(Gain) / Loss on Sale of HRA Fixed Assets	0
0	Amortisation of Premiums and Discounts	0
(61)	Interest and Investment Income	(45)
(4)	Pension Interest Cost and Expected Return on Pensions Assets	(31)
<b>(261)</b>	<b>Deficit / (Surplus) for the year on HRA Services</b>	<b>126</b>

**STATEMENT OF MOVEMENT ON THE HRA BALANCE**

2006/07 £000		2007/08 £000
	(Surplus) / Deficit for the Year on the HRA	126
(261)	Income and Expenditure Account	
320	Net Additional Amount Required by Statute to be Debited / (Credited) to the HRA Balance for the Year	100
59	(Increase) / Decrease in the Housing Revenue Account	226
(836)	Housing Revenue Account Surplus Brought Forward	(777)
<b>(777)</b>	<b>Housing Revenue Account Surplus Carried Forward</b>	<b>(551)</b>

**NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE**

2006/07 £000		2007/08 £000
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the Year</b>	
23	Gain or Loss on Sale of HRA Fixed Assets	0
(237)	Transfer to / (from) Major Repairs Reserve	(242)
(214)		(242)
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the Year</b>	
0	Transfers to / (from) Housing Repairs Account	0
(34)	Employer's Contributions Payable from the Essex County Council Pension Fund and Retirement Benefits payable Direct to Pensioners	(113)
568	Capital Expenditure funded by the HRA	455
<b>320</b>	<b>Net Additional Amount required by Statute to be debited to the HRA Balance for the Year</b>	<b>100</b>

**NOTES TO THE HOUSING REVENUE ACCOUNT****1. INTRODUCTION**

The Housing Revenue Account (HRA) is a record of revenue income and expenditure relating to the Council's own housing stock. The Council's income and expenditure on other housing services is not charged to the HRA but to the General Fund. The items to be charged to the HRA are prescribed by statute. It is an account that is ring-fenced the authority's General Fund, which means that the Council has no general discretion to transfer sums into or out of the HRA.

**2. GROSS RENTAL INCOME**

This item comprises the amount of income due for the year from rents and charges in respect of houses and other property within the HRA. It includes rent remitted by way of housing benefit rebate, met by a transfer from the General Fund rather than subsidy income.

<b>2006/07 £000</b>		<b>2007/08 £000</b>
9,766	Dwelling Rent Income	10,247
(4,746)	Tenant Rent Rebates	(5,044)
5,020	Collectable Rent	5,203
<b>2006/07</b>		<b>2007/08</b>
48.60%	Dwelling Rent proportion met by Rent Rebate	49.22%

**3. CHARGES FOR SERVICES AND FACILITIES**

This represents the Council's income for the year in respect of services or facilities provided by it in connection with its provision of houses and other property in the HRA.

**4. SUPERVISION AND MANAGEMENT**

Supervision and management expenditure on functions relating to all HRA properties are charged under this item. It includes expenditure on HRA policy and management, tenancy management, and rent collection and accounting. Special Services are the running costs of those services that benefit specific groups of tenants. These include communal heating and lighting, lifts, caretaking and cleaning, grounds maintenance and non-essential care welfare services. Sheltered Housing provision comes under the heading of Special Services.

**5. RENTS, RATES, TAXES AND OTHER CHARGES**

This includes all items which the Council is liable to pay in respect of HRA property. It includes Council Tax on empty properties, lease rental on properties, rates and water charges payable on non-dwellings and landlord insurance costs.



**6. NEGATIVE SUBSIDY PAYMENTS TO THE SECRETARY OF STATE**

The HRA subsidy calculation is based on annual assumptions covering the rents each authority will charge (guideline rents), allowances for management and maintenance, the HRA's share of debt financing and management costs, calculated in accordance with a formula, and other specific items of income and expenditure.

<b>2006/07 £000</b>	<b>Subsidy Element</b>	<b>2007/08 £000</b>
1,107	Management Allowance	1,115
2,503	Maintenance Allowance	2,652
1,808	Major Repairs Allowance	1,851
46	Anti Social Behaviour Allowance	0
21	Charges for Capital	61
(9,724)	Rent	(10,355)
(1)	Interest on Receipts	(1)
-	Rental constraint allowance	189
<b>(4,240)</b>	<b>Net Total</b>	<b>(4,488)</b>

**7. RENT ARREARS AND PROVISION FOR BAD OR DOUBTFUL DEBTS**

<b>2006/07 £000</b>	<b>Provision</b>	<b>2007/08 £000</b>
(162)	Provision 1 April	(195)
18	Write-Offs in Year	28
(51)	Additional Provision in Year	(45)
(195)	Provision 31 March	(212)
	<b>Arrears</b>	
298	Gross Rent Arrears 31 March	377
15	Other Arrears 31 March	15
313	Total Arrears 31 March	392
	<b>Rent</b>	
9,766	Gross Rent	10,247
5,020	Collectable Rent	5,203
2006/07	Rent Arrears Ratios	2007/08
3.05%	Rent Arrears as Proportion of Gross Rent	3.68%
5.94%	Rent Arrears as Proportion of Collectable Rent	7.25%

**8. SUMS DIRECTED BY THE SECRETARY OF STATE – TRANSFER TO THE GENERAL FUND**

From 2004/05, the requirement to account for rent rebates in the HRA was moved to the General Fund. This brings an additional cost to the General Fund which previously fell on the HRA. However transitional arrangements to ease in the burden on the General Fund over two years lead to a transfer to the General Fund, as directed by the Secretary of State.

**9. BALANCE SHEET VALUES OF HRA PROPERTY**

2006/07 £000		2007/08 £000
<b>220,986</b>	<b>Values as at 1 April</b>	<b>232,588</b>
4,317	Additions	2,931
(750)	Disposals	(929)
9,986	Revaluations	12,755
92	Reclassification	0
<b>234,631</b>	<b>Gross Book Value at 31 March</b>	<b>247,345</b>
(2,043)	Depreciation for Year	(2,092)
0	Depreciation write out	1,821
<b>232,588</b>	<b>Net Book Value as at 31 March</b>	<b>247,074</b>

The Balance Sheet Values of the HRA operational and non operational assets are summarised below.

	1 April 2007 £000	31 March 2008 £000	31 March 2008 Number
<b>Intangible Assets</b>			
Software Licences	4	2	n/a
<b>Operational Assets</b>			
Council Dwellings	229,807	244,430	2881
Council Garages	2,436	2,254	560
Depot Premises	115	163	1
Small Housing Stores	14	14	1
HRA IT System	83	41	n/a
HRA Sheltered WAN	0	21	n/a
Housing Contractors	40	63	n/a
Wireless for Contractors	12	9	n/a
<b>Non-Operational Assets</b>			
Housing Allotment sites	35	35	8
Depot Premises	42	42	1
	<b>232,588</b>	<b>247,074</b>	<b>3,452</b>

**10. HOUSING STOCK VALUATIONS**

The total balance sheet value of the dwellings within the HRA can be summarised as follows:

The valuation of the dwellings in the Balance Sheet is on the basis of Existing Use as Social Housing with secure tenancies. The difference between the Balance Sheet valuation and the higher valuation on the basis of Vacant Possession shows the economic cost of providing council housing at less than open market rents.

2006/07 £000		2007/08 £000
	<b>The Existing Use value of the dwellings was:-</b>	
218,025	As at 1 April 2007	227,706
227,706	As at 31 March 2008	244,319
	<b>The Vacant Possession value of the dwellings was:-</b>	
474,606	As at 1 April 2007	495,014

495,014	As at 31 March 2008	531,130
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## 11. HOUSING STOCK

The Council was responsible for managing housing stock, which was made up as follows:

31 March 2007		31 March 2008
1,390	Houses	1384
750	Flats	750
747	Bungalows	747
<b>2,887</b>		<b>2881</b>
31 March 2007		31 March 2008
82	Bedsits	82
378	1 Bedroom Flats	378
152	1 Bedroom Houses	152
269	2 Bedroom Flats	268
805	2 Bedroom Houses	802
21	3 Bedroom Flats	21
1,131	3 Bedroom Houses	1129
49	4+ Bedroom Houses	49
<b>2,887</b>		<b>2881</b>

The change in the stock can be summarised as follows:

2006/07		2007/08
<b>2,892</b>	<b>Stock at 1 April</b>	<b>2,887</b>
(3)	Less RTB Sales	(6)
(1)	Less Rent To Mortgage	0
(1)	Other Disposals	0
<b>2,887</b>		<b>2,881</b>

## 12. MAJOR REPAIRS RESERVE

The Accounts and Audit Regulations require the Council to maintain a Major Repairs Reserve (MRR). The main credit to the MRR is an amount equivalent to the total depreciation charge for all HRA assets. Government determinations require that where depreciation charges for HRA dwellings are less than (or greater than) the Major Repairs Allowance (MRA), an amount equal to the difference be transferred from the HRA to the MRR (or from the MRR to the HRA). For this Council, the HRA dwelling depreciation charges equal the MRA.

The Council can spend the money held within the MRR without this being charged to the HRA. Statute effectively requires that the MRR be used only for capital expenditure on HRA assets.

2006/07 £000		2007/08 £000
(943)	Balance at 1 April	0
	Transfers to MRR:-	
(1,808)	Amount equivalent to depreciation - Dwellings	(1,851)
(237)	Amount equivalent to depreciation - Other	(240)
	Transfers from MRR:-	
2,751	HRA Capital Expenditure financing	1,851

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237	Transfer to the HRA - Depreciation other assets	240
<b>0</b>	<b>Balance at 31 March</b>	<b>0</b>

**13. CAPITAL EXPENDITURE AND FINANCING**

Capital Expenditure and the financing of that expenditure can be summarised as follows:

<b>2006/07</b>		<b>2007/08</b>
<b>£000</b>		<b>£000</b>
	Expenditure:	
4,262	Housing Improvement	2,881
58	Other HRA schemes	50
25	Cash Incentive Grants	0
<u>4,345</u>		<u>2,931</u>
	Funded By:	
0	Borrowing	0
1,027	Useable Capital Receipts	266
0	External Contributions	359
568	Revenue Contributions	455
2,750	Major Repairs Reserve	1,851
<u><b>4,345</b></u>	<b>Total Capital Expenditure</b>	<u><b>2,931</b></u>

Note: A further, more detailed breakdown of how the £2.931m expenditure was spent is set out in the Explanatory Foreword.

**14. CAPITAL RECEIPTS**

Capital Receipt transactions can be summarised as follows:

<b>2006/07</b>		<b>2007/08</b>
<b>£000</b>		<b>£000</b>
	Sale of Council Houses	
	<u>Right-to-Buy</u>	
403	Sale Proceeds	232
6	Mortgage Repayments	4
45	Rent to Mortgage Scheme	0
22	Repayment of Discounts	0
(13)	Sale expenses	(7)
<u>463</u>		<u>229</u>
	<u>Other Houses</u>	
0	Sale Proceeds	0
0		0
<b>463</b>	<b>Total Council House</b>	<b>229</b>
	Land	
339	Sale Proceeds	1
<b>339</b>	<b>Total Land Sales</b>	<b>1</b>
<u><b>802</b></u>		<u><b>230</b></u>

**15. DEPRECIATION OF FIXED ASSETS**

Authorities are required to charge depreciation on all HRA properties calculated in accordance with proper practices, including non-dwelling properties. The Chief Financial

Officer is responsible for deciding the most appropriate method of estimating depreciation for the Council's assets and must have regard to provisions in the SORP when determining the method to be used in the estimation of depreciation for HRA properties. For HRA dwellings these proper practices need to be considered in the context of the Major Repairs Allowance (MRA), which is a component part of HRA subsidy. It is intended to represent the estimated average annual cost of maintaining the condition of the housing stock over a 60-year period, based on the authority's mix of dwelling archetypes, and it is accepted that the MRA is likely to constitute a reasonable estimate of depreciation for HRA dwellings.

The total charge made for depreciation of land, houses and other property within the HRA is as follows:

<b>2006/07</b> <b>£000</b>		<b>2007/08</b> <b>£000</b>
	<b>Intangible Assets</b>	
2	Software Licences	2
	<b>Operational Assets</b>	
1,808	Council Dwellings	1851
182	Garages	182
5	Depot Premises	7
1	Small Housing Stores	1
41	HRA IT System	41
2	Sheltered WAN	0
3	Housing Contractors	6
1	Wireless for Contractors	2
	<b>Non-Operational Assets</b>	
0	Housing Allotment sites	0
0	Depot Premises (leased)	0
<b>2,045</b>		<b>2092</b>

**Use of the MRA as a proxy for Depreciation in 2007/08****(1) INDICATIVE CALCULATION - Depreciation of Council Dwellings**

<b>Description</b>	<b>2007/08</b>	<b>2007/08</b>
	(£000)	(£000)
B/F VALUE - HRA DWELLINGS	229,807	
OUTLAY - HRA DWELLINGS	2,881	
DEPRECIATION - HRA DWELLINGS	(1,851)	
DISPOSALS - HRA DWELLINGS	(928)	
REVALUATION - HRA DWELLINGS	12,705	
Value as at 31 March	<u>242,614</u>	

**Assumption - Depreciation period (years)** **60**

**Existing Stock**

B/F VALUE - HRA DWELLINGS	229,807
- DISPOSALS - HRA DWELLINGS	(928)
	<u>228,879</u>

**Assumption - Value of land as % of total value** **50%** 114,440  
 Value of buildings 114,440

DEPRECIATION on existing stock 1,907  
**TOTAL INDICATIVE DEPRECIATION IN YEAR** **1,907**

**(2) MAJOR REPAIRS ALLOWANCE (MRA - used for HRA Subsidy Calculations)**

Calculation per HSGA 2006-07 - 03 (f002 hr) **1,851**

**(3) DIFFERENCE between indicative calculation and MRA proxy**

(£) **56**  
 (%) **3.04%**

**Note a**

The assumption that the remaining useful life of the properties equates to 60 years may bring a significant margin of error into the calculation. There is no evidence to prove that the properties will not be maintained in perpetuity.

A further significant margin of error is introduced into the calculation with the approximation that land value equates to 50% of the total property value.

**Note b**

The Major Repairs Allowance is compiled using measurable criteria which take account of age, type and quality of build for all properties within the HRA and endeavors to establish a reasonable estimate of the average costs of maintaining the stock to a decent homes standard.

**(4) CONCLUSION**

There is a difference of less than 5% between the MRA and an indicative calculation of depreciation of Council dwellings, whilst the estimated calculation of depreciation introduces a margin of error, probably well in excess of 5%. The MRA is reasonably easy to measure and it therefore represents a good proxy measure for the depreciation of the stock of Council Dwellings in 2006/07.

**16. HRA SHARE OF PENSION RESERVE CONTRIBUTIONS**

The costs of retirement benefits are now recognised within the HRA when they are earned by employees. The following transactions have been made in the HRA during the year:

	<b>2006/07</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Net Cost of Services	38	143
Net Operating Expenditure	(4)	(30)
<b>Movement on Pensions Reserve</b>	<b>34</b>	<b>113</b>

**THE COLLECTION FUND 2007/08**

Uttlesford District Council is the authority responsible for the billing, collection and recovery of council tax, community charges and national non-domestic rates.

The Council is required to maintain a separate income and expenditure account to reflect the transactions relating to the Collection Fund.

2006/07 £000	INCOME AND EXPENDITURE ACCOUNT	2007/08	
		£000	£000
	<b>Income</b>		
38,192	Council Tax Payers	40,311	
2,820	Council Tax Benefit	2,898	
41,012	Total Council Tax	43,209	
25,483	Business Rate Payers	29,475	
66,495			72,684
	<b>Expenditure</b>		
29,863	Precepts and Demands:	31,580	
3,451	- Essex County Council	3,663	
1,810	- Essex Police Authority	1,885	
5,610	- Essex Fire Authority	5,760	
40,734	Uttlesford District Council		42,888
(421)	Distributions of Previous Years' Surplus:	204	
(48)	- Essex County Council	23	
(26)	- Essex Police Authority	12	
0	- Essex Fire Authority	(60)	
(495)	Uttlesford District Council		179
345	Provision for Doubtful Debts		28
25,352	Business Rates;		29,345
131	- Payments to the National Pool		130
66,067	- Cost of Collection Allowance		72,570
(428)	(Surplus) / Deficit for the Year		(114)
201	(Surplus) / Deficit as at 1 April		(227)
<b>(227)</b>	<b>(Surplus) / Deficit as at 31 March</b>		<b>(341)</b>



## NOTES TO THE COLLECTION FUND

### 1. COUNCIL TAX

Council Tax derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands using estimated April 1991 valuations for this purpose. Individual charges are calculated by aggregating the requirements of Essex County Council, Essex Police Authority and the Council. The basic amount for a 2007/08 Band D property, being £1,310.49 (2006/07, £1,257.12), is multiplied by the proportion specified for the particular band to give an individual amount due, to which must be added any Parish precept.

### 2. COUNCIL TAX BASE

When setting the 2007/08 Council Tax a gross tax base of 31,539 Band D equivalents was estimated. An allowance of 0.9% to cover losses on collection and adjustments was applied, thus reducing the tax base to 31,255 Band D equivalent properties. To this figure were added M.O.D. properties which are exempt, but contributions in lieu are received.

#### Estimated Council Tax Base 2007/08 - Analysis of Properties

	A	B	C	D	E	F	G	H	Total
Total Properties (after adjusting for discounts)	739	2,709	6,603	5,325	4,772	3,364	3,662	342	27,516
Ratio to Band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	492	2,107	5,869	5,325	5,833	4,859	6,104	685	31,274
Additions (Net of Discounts / Exemptions)									265
Total Band D Equivalents									31,539
Estimated Collection Rate for 2007/08 – 99.1%									31,255
Add M.O.D Properties									200
<b>COUNCIL TAX BASE</b>									<b>31,455</b>

An analysis of the income from Council Taxpayers is detailed below:

	2006/07 £000	2007/08 £000
Gross Council Tax Collectable	45,142	47,587
Less:		
- Exemptions	(1,251)	(1,367)
- Discounts	(2,884)	(3,020)
Net Collectable before Benefits and Allowances	41,007	43,200
Benefits	(2,820)	(2,897)
Transitional Relief	5	9
<b>Income from Council Tax Payers</b>	<b>38,192</b>	<b>40,312</b>

**3. PRECEPTS**

The following authorities made precepts on the Collection Fund:

	<b>2006/07</b>	<b>2007/08</b>
	<b>£</b>	<b>£</b>
Essex County Council	29,863,327	31,579,247
Essex Police Authority	3,450,612	3,663,249
Essex Fire Authority	1,810,662	1,885,413
Uttlesford District Council	5,609,587	5,760,487
	<b>40,734,188</b>	<b>42,888,396</b>

**4. NATIONAL NON-DOMESTIC RATES**

Non-domestic rates are calculated on a national basis. The Council is responsible for collecting rates due from business ratepayers in its area but pays the proceeds into a National Pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities on the basis of a fixed amount per head of population.

The National Non-Domestic rateable value in the Council's area at 1 April 2007 was £77,293,727 (£76,549,897 at 1 April 2006) and the multiplier, which is specified by the Government, was 44.1p (06/07 43.3p) producing a yield of £34.087 million. The actual income from ratepayers was £29.475 million and the difference of £4.612 million is explained as follows:-

	<b>2006/07</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Transitional Relief	(2,489)	(573)
Charitable Relief	(1,552)	(1,799)
Void Properties	(1,677)	(2,087)
Net Increase / (Decrease) in assessments	(2,043)	24
(Increase) / Decrease in Bad Debt Provision	(114)	109
Interest on Refunds	(35)	(10)
Other Adjustments during the Year	247	(276)
	<b>(7,663)</b>	<b>(4,612)</b>

The National Non-Domestic rateable value at the year end was £76,564,027

**5. FUND BALANCE**

The movement in the fund balance can be analysed as follows:-

<b>Fund Balance</b>	<b>2006/07</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
(Surplus) / Deficit as at 1 April	201	(226)
Movement in the Year	(428)	(114)
<b>(Surplus) / Deficit as at 31 March</b>	<b>(227)</b>	<b>(340)</b>

The Collection Fund surpluses (shown in brackets) and deficits have been apportioned as follows:

	<b>2006/07</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Essex County Council	(193)	(251)
Essex Police Authority	(22)	(29)
Essex Fire Authority	(12)	(15)
Other major preceptors	(227)	(295)
Uttlesford District Council	0	(46)
	<b>(227)</b>	<b>(341)</b>

The apportionments are made in the same proportion as the precepts made by each authority upon the Collection Fund for the year.

The surplus/ deficits are included in the balance sheet under debtors/ creditors for the amounts due to the Other Major Preceptors, whilst the element relating to Uttlesford is shown under balances, as recommended under the SORP.

## **ANNUAL GOVERNANCE STATEMENT**

### **1 Scope of Responsibility**

Uttlesford District Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and 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 the 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 and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be found on the Council Website [www.Uttlesford.gov.uk](http://www.Uttlesford.gov.uk) in our Members Handbook under Codes and Protocols, or by writing to

Uttlesford District Council  
Council Offices  
London Road  
Saffron Walden  
Essex, CB11 4ER

This statement explains how the Council has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

### **2 The Purpose of the Governance Framework**

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and its activities through which it accounts and engages with 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 that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk 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 ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Uttlesford District Council for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

### 3 The Governance Framework

Uttlesford District Council's governance framework derives from six core principles identified in a 2004 publication entitled The Good Governance Standard for Public Services. This was produced by the Independent Commission on Good Governance in Public Services – a commission set up by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Office for Public Management. The commission utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles are:

- a) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- b) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- c) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- e) Developing the capacity and capability of members and officers to be effective; and
- f) Engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of each of these core principles at Uttlesford District Council are as follows:

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

The Uttlesford District Council Corporate Plan 2007-09 outlines the vision, aims and four priority areas and Medium-Term Financial Strategy. This strategy outlines the principal objectives for the Council and represents the key planning documents for the Council, from which a number of additional plans are developed in support of it. These include the Best Value Performance Plan, the Capital Strategy, the Asset Management Plan, Leisure Strategy and the Housing Strategy.

The objectives outlined within these Strategies are translated into more specific aims and objectives in the service delivery plans which each Council service is required to prepare annually. Performance against these objectives is monitored by individual services and formally reviewed by the Strategic Management Board and Performance Select Committee to ensure the council's objectives are being met and published within the Best Value Performance Plan.

Satisfaction surveys and a formal complaints procedure allow the Council to gauge customer satisfaction with regard to the effectiveness of service delivery.

In addition the Local Strategic Partnership (LSP) - Uttlesford Futures has developed a new version of the Sustainable Community Strategy in consultation with key stakeholders and the wider community. Membership comprises of a wide range of public, private, voluntary and community sector organisations which are committed to sustaining the high quality of life in the district.

The Council has a formal performance management framework in place providing links from the corporate priorities of the Authority, the budget and work planning process and the annual divisional plans.

As part of the budget cycle, each Head of Division produces an annual Divisional Plan, which is presented to Strategic Management Board for approval, in conjunction with the Council's priorities and financial resources. Performance Indicators are set at a national and local level and targets agreed for the coming three years. Once the Divisional Plans and budgets have been finalised and approved, individual staff reviews take place to agree work plans and targets.

Performance against targets is monitored on a quarterly and annual basis by Heads of Division and reports are presented to Strategic Management Board and Performance Select Committee, in order that service standards are maintained and corrective action can be taken.

In addition, within the Corporate Plan and Best Value Performance Plan, there is a formal link made between the priorities of the Council and how these measured..

Members and officers working together to achieve a common purpose with clearly defined functions and roles

Uttlesford District Council has adopted a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people.

The main decision making Committees are the three Policy Committees, namely Finance and Administration, Community and Environment which are responsible for all matters defined by law and operate within the budget and policy framework approved annually by full Council. The role of the Policy Committees is to develop policies and services within the framework of the Corporate Strategy and policies. Meetings are open to the public except where personal or confidential matters are being discussed. Policy committees take decisions under delegated powers and those decisions therefore have effect as if decisions of Full Council, they do not need to be and are not ratified.

Policy and decision making are facilitated by a clear framework of delegation set out in the Council's Constitution, with clear details of delegated authorities to officers.

All reports are reviewed for legal, financial and risk considerations prior to being presented to Members of the Council for formal decision-making.

The Council meets in public at least six times a year. There are five cycles of meetings for Committees of the Council in each Council year. This, together with an appropriate level of delegation to senior managers enables speedy decision making.

The Strategic Management Board of the Council meets on a weekly basis and provides the strategic direction of the Council in delivering the requirements of the Members. It also considers other internal control issues, including risk management, performance management, compliances, efficiency, value for money and financial management.

There is also a robust budget and policy framework and detailed financial regulations, which are monitored by the Section 151 Officer and the Monitoring Officer. The Constitution is updated continually to reflect any changes in structure.

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The behaviour of Members is regulated through separate Codes of Conduct which have been formally approved and adopted. These Codes are supported by numerous protocols that apply the principles of the codes to specific areas of Council activity.

In addition the Council has a Standards Committee whose roles and functions include:

- promoting and maintaining high standards of conduct by councillors and co-opted members;
- assisting councillors and co-opted members to observe the Members Code of Conduct;
- advising the Council on the adoption or revision of the Members Code of Conduct;
- monitoring the operation of the Members Code of Conduct;
- advising, training or arranging to train councillors and co-opted members on matters relating to the Members Code of Conduct;
- granting dispensations to councillors and co-opted members from requirements relating to interests set out in the Members Code of Conduct;
- dealing with any reports from an ethical standards officer and any report from the Monitoring Officer on any matter which is referred by an ethical standards officer to the Monitoring Officer;
- the exercise of the above functions in relation to the town and parish Councils wholly or mainly in its area and the members of those town and parish Councils.

The Council recognises the importance of the principles of Corporate Governance and the need to apply them across all areas of the Authority's corporate activities. The approach is regularly reviewed against the guidelines issued by CIPFA/SOLACE and the findings are reported to Committee annually.

The Head of Paid Services, Section 151 Officer and Monitoring Officer have specified roles within the Constitution to ensure reports prepared for member decision comply with the budget and policy framework and are lawful.

Each Member receives copies of the meeting Agendas in advance. As one of the Agenda items for each meeting, the Members are required to declare any interests at the outset of the meeting. In addition, Members are encouraged to undertake any training relevant to their area of decision making.

Internal and External Audit work together to review and provide annual opinions of the control framework, governance arrangements and the validity of the annual accounts. The Internal Audit Section operates to standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK' and the Institute of Internal Auditors – UK and Ireland 'Code of Ethics and the International Standards for the Professional Practice of Internal Auditing'.

The Council has policies to safeguard both itself and its staff when making decisions. An Anti-Fraud & Corruption Strategy and Whistle Blowing Policy have been developed and communicated to staff as part of the Induction process. Both Policies provide clear reporting channels and are reviewed on an annual basis.

The Council's financial management arrangements consist of a number of interlocking strands:

*Financial Regulations* – The regulations provide the framework for managing the Council's financial affairs. They identify the financial responsibilities of the Council, its committees and officers. They also set out the procedures that the Council has adopted for financial planning, budgeting, risk management, auditing, treasury management and procurement of goods and services including standing orders for contracts.

*Medium Term Financial Planning* – The Council approved its first Medium Term Financial Strategy (MTFS) in February 2007. In March 2008 the Council approved the MTFS from 2008/09 onwards. This provides the basis for financial decision making over the next 3 years for both the Council's Revenue and Capital budgets. The Council also publishes a Budget Book containing more detailed revenue information for the following financial year together with capital projections for the next three years. The projections are reviewed and updated on an annual basis.

*Budget Management* - A protocol is in place for the management of budget over and under spends, and use of the Council's financial reserves, that is designed to manage areas of known budget risk, the planning for predictable budget peaks and change management issues. The responsibility for all earmarked reserves is assigned to individual officers.

*Budget Monitoring and Reporting* – Officers are provided with information enabling them to manage their budgets. All budgets have been re-assigned to the responsible budget managers. Councillors have identified that further work is required to improve the Council's approach to budgetary control and a major initiative to progress this is being undertaken from June 2008 following which, Councillors will receive monthly budget monitoring reports.

The Council has in place a detailed divisional planning process that feeds into the budget setting system. Heads of Division are required to prepare Divisional Plans on an annual basis.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council has several Committees which carry out regulatory or scrutiny functions as follows:

The Scrutiny Committee is formally responsible for monitoring and reviewing policy and advising policy committees, as well as scrutinising the performance of outside bodies and making reports and recommendations as appropriate and may receive public petitions.

The Performance Select Committee monitors the performance of the Council and progress against improvement plans, fulfils the Council's Audit Committee functions in respect of External Audit, Internal Audit and Risk Management and makes reports and recommendations to policy committees and the Council as a whole on its policies, budget and service delivery as appropriate.

In addition to the above, there are also two regulatory Committees, Development Control and Licensing, which are remitted to take certain decisions delegated from the Full Council. In general, these comprise planning and licensing decisions.

The Council is in the process of embedding Risk Management throughout the Council, with an active Risk Management Steering Group re-convened in February 2006. The Risk Management Steering Group is charged with embedding the risk management process throughout the organisation.

Its Terms of Reference are to:

- Approve the Council's risk management strategy
- Promote a best practice framework that embeds risk management at the Council
- Monitor and review the Council's risk management strategy
- Monitor and review the Council's various risk registers
- Monitor and review the Council's business continuity arrangements



The Terms of Reference group were agreed in October 2006 and reviewed in July 2007.

The Council first adopted a risk management strategy and policy in 2003 which was updated in July 2007. This policy has been designed to identify, prioritise and manage the risks that exist in order to ensure the Council achieves its aims and objectives.

The strategic and operational risks that have been identified have been prioritised and Strategic and Operational Risk Registers for 2007-09 have been developed. The management of the key risks identified in the Strategic Risk Register have been assigned to the Strategic Management Board with the interim Chief Executive, Assistant Chief Executive and Directors taking individual responsibility for managing an appropriate action plan to combat the risk. Heads of Division are the Risk Managers for the Operational Risk Registers for the services within their divisions and are responsible for managing an appropriate action plan to combat the risks therein.

A programme of regular monitoring and review of Risk Registers by the Risk Management Steering Group has been agreed. It will review on a quarterly basis select risks with highest risk ratings and progress towards implementation of actions to mitigate the high risks evaluated. An annual evaluation of the management of high risks throughout the year will be undertaken in March 2009. Where deemed necessary, the Risk Management Steering Group will also invite the Director or Head of Division responsible to attend meetings to discuss their risk management practices where either little progress has been made in reducing high risks levels or where significant changes to risk ratings have occurred or been achieved

The Performance Select Committee has specific responsibility for scrutinising Risk Management and receives regular Risk Management update reports from the Risk Management Steering Group at its meetings.

Developing the capacity and capability of members and officers to be effective

Uttlesford entered in to an HR partnership with Essex County Council commencing on 1 April 2008. One of the first projects is a review of Member and Officer training needs especially in the area of Finance and budget responsibilities.

All Council services are delivered by trained and experienced officers. Job Descriptions and Person Specifications have been drawn up for all posts to ensure that the best candidates are appointed into each position.

All officers employed by the Council receive an annual 'U Perform' at which performance can be measured against set objectives. Training needs are also identified as part of this process and addressed via the Human Resources service and/or individual service as appropriate.

Uttlesford District Council has made a significant commitment towards the training of its staff. Staff are actively encouraged to apply for training through the 'U Perform' process. Significant budget is set aside annually to ensure that these training needs are met.

A significant commitment has also been made towards retaining good staff, by offering numerous 'work friendly' schemes and where possible encouraging succession planning and promotion from within. This ensures that valuable skills and experience are retained and passed on, rather than being lost.

The Interim Chief Executive and Leader of the Council have a good working relationship and hold regular meetings to discuss any emerging issues. The Interim Chief Executive also briefs all members with regard to their roles at the time they are sworn in.

There are regular meetings between Members and Senior Officers. These include Chair Person and Directors fortnightly meetings and Committee briefing meetings. These meetings allow Members to be briefed on reports going through Committee, forthcoming matter for consideration and to allow Members to ask pertinent questions to inform the decision making process.

The new HR partnership is looking at Member training above and beyond the initial induction phase. The first phase of training will be around finance and will be delivered by CIPFA FAN training and will consist of up to four courses depending upon the individual Members Committee responsibilities.

Engaging with local people and other stakeholders to ensure robust public accountability

Uttlesford District Council recognises that communication with all stakeholders plays a fundamental role in the successful delivery of high quality, cost effective services.

The Council is constantly striving to improve its communications performance, to build on its track record of continuous improvement and to ensure that the authority as a whole is open and accessible to the community, service users and staff. Most recently Uttlesford has:

- Invested in new technology to ensure that services are available electronically
- Entered into a partnership with Essex County Council which will see (from August 2008) joint bi-monthly newsletters delivered to all households
- Funded free electronic access points at some remote sites with direct links to both the Council and Citizens Advice Bureau
- Introduced a Customer Service Centre that will enable the majority of queries to be answered and problems solved at the initial point of contact.

Uttlesford continues to listen to feedback from the local community and to learn from best practice across the country. With this in mind, the Council is currently developing a revised Communications Strategy which will be presented to Members in the near future.

The strategy has been developed with the input of staff, Members and other key stakeholders. Consultation has also taken place with representatives from across the District, to establish the standards of communication that are demanded of the Council. In addition, best practice has been explored to ensure that this strategy takes the Council forward to reach the highest standards of communication.

All Committee meetings are open to the public except where personal or confidential matters are discussed. All agendas and minutes are placed on-line, along with the Council's policies and strategies. These items are also available by directly contacting the Council, should a Stakeholder be unable to access it electronically.

The Council's Best Value Performance Plan and Corporate Plan represent the key documents that outline the vision, priorities and objectives for the year ahead, sets performance targets and outlines the Council's accountability to its stakeholders. When identifying the priorities and objectives for the Corporate Plan the views of stakeholders and the wider community are taken into account. The Corporate Plan is made available to all via the Council's website.

The Council's programme for securing continuous improvement in its services is set out in the Best Value Performance Plan and Corporate Plan. Actions for improvement are drawn from a variety of sources including external inspections, internal audit reviews and scrutiny reviews; issues arising from performance management; consultation exercises; and service improvements identified by the Council's complaints and comments procedure. These improvements are communicated to all annually through the Best Value Performance Plan.

The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received from the Council. Complaints can be made on-line or in writing and the Council has set targets for responding to all complaints received, ensuring accountability to its Stakeholders. The procedure will be reviewed and updated during 2008/09.

There is a Local Strategic Partnership - Uttlesford Futures - which has adopted a new Sustainable Community Strategy up to 2018 with the following six themes:

- Children and Young People Matter
- Staying Healthy
- Developing Business
- Feeling Safe
- Protecting the Environment
- Getting Around

The Sustainable Community Strategy was developed following consultation with key stakeholders and the wider community. The six overarching themes (detailed above) were identified and specific actions to address them have been determined by the Working Groups. Progress against the actions are measured on a quarterly basis and reported to Uttlesford Futures Management Team and Board.

There are terms of reference and constitutions set up for key partnerships which ensure that all members of the partnership act lawfully throughout the decision making process. Key partnerships include the Local Strategic Partnership - Uttlesford Futures and the Essex Waste Management Advisory Board.

#### **4 Review of Effectiveness**

Uttlesford District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Management Team within the Authority, who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the External Auditors and other review agencies and inspectorates

The key features of the Council's internal control framework are:

##### ***The Authority***

The key formal document governing the internal control framework for the Authority is its Constitution. All delegation of decision-making is made in accordance with the requirements of the Constitution and the Scheme of Delegation, which forms part of the Constitution.

The formal rules governing the way in which the Council, its Committees and Officers conduct their business are also set out as part of the Constitution and include:

- Budget & Policy Framework
- The Financial Regulations
- Rules of Procedure for Council & Committee Meetings
- Access to Information Procedure Rules

All Committee reports are reviewed by the Monitoring Officer to ensure that they are lawful and by the Section 151 Officer for financial and risk implications prior to be presented to Members.

The Council has three Policy Committees that approve all policies and reports under each directorate. The Scrutiny Committee has the powers to 'call in' and challenge any Committee decisions.

The Monitoring Officer has a duty to monitor and review the constitution to ensure that its aims and principles are current. The constitution is reviewed regularly and updates are issued as necessary. Recent changes to the Constitution have included changes to the scheme of delegation and members allowances.

### ***The Scrutiny Committee***

The Scrutiny Committee is formally responsible for monitoring and reviewing policy and advising policy committees, as well as scrutinising the performance of outside bodies and making reports and recommendations as appropriate and may receive public petitions. In 2007/8 one decision was called in for scrutiny.

### ***The Performance Select Committee***

The Performance Select Committee monitors the performance of the Council and progress against improvement plans, fulfils the Council's Audit Committee functions in respect of External Audit, Internal Audit and Risk Management and makes reports and recommendations to policy committees and the Council as a whole on its policies, budget and service delivery as appropriate.

Section Heads have also been requested to attend meetings to explain poor performance within their service.

### ***The Standards Committee***

The Standards Committee met regularly throughout 2007/08 as part of the Committee cycle of meetings. It advised the Council on adopting a revised Code of Conduct compliant with the amended legislation; it responded to various government consultations on issues surrounding the Code of Conduct; it sponsored the attendance of the Standards Board's Sixth Annual Assembly by the Independent Chairman and the Monitoring Officer; it supported training for district, parish and town councillors and parish and town clerks on the new Code of Conduct and provided guidance to a parish council which was having difficulties with its Members not observing the Code.

The Standards Committee has also dealt with two complaints that have been made against Members of parish councils that were referred to them by the Standards Board for England and one from a member of the public ensuring high standards of conduct are maintained. Training has also been received by the Committee Members on the additional powers that the Standards Committee will have regarding complaints in 2008/09 to ensure that they will act lawfully from the outset.

### ***Internal Audit***

The role of internal audit is to review the internal control framework that governs the operations of the Council and, in so doing, provide an independent opinion to both management and members of the Authority on the robustness of the Council's internal control environment.

The Internal Audit function of the Council is delivered by the Internal Audit Team. The work of the team complies in all significant respects with the requirements of CIPFA's Code of Practice for Internal Audit in Local Government in the UK and with the Code of Ethics and International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors – UK and Ireland

Internal audit is part of the Council's corporate governance framework. Corporate governance is defined as the system by which local authorities direct and control their functions. The requirement for adequate and effective internal audit is statutory for all local authorities. Annual audit coverage is traditionally linked to a five year strategic work plan, which ensures that all services are reviewed on a cyclical basis. The frequency with which services are audited within the cycle is dependant on the result of a risk assessment, indications of performance and being reconciled to available audit resource. Senior officers and Members are traditionally consulted about the proposed work plan.

A separate Annual Audit Plan is agreed that identifies the audits to be completed during the year, including the core fundamental systems (audited annually as part of the managed audit agreement with the Council's External Auditors) and other operational systems.

The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Director, Head of Division and Service Manager and Director. Head of Paid Services, the Monitoring Officer and the Section 151 Officer also receive a report of all audits completed.

Each audit report includes agreed recommendations for improvement (graded high, medium or low). All recommendations are regularly followed up to ensure they are acted on. An opinion of the overall internal control environment is also provided. Where assurance is deemed to be unsatisfactory, immediate action is required.

The Internal Audit Team reports directly to the Performance Select Committee at each of its meetings. The committee approves the Audit Plan and monitors the performance of the Audit Team and progress against audit recommendations. The committee also receive copies of all audit reports issued and selected audits reports are reviewed by the committee at its meetings at which the Head of Division responsible for the service audited is required to attend and confirm progress towards the implementation of the recommendations made in the audit report.

It is considered best practice that an internal review of the effectiveness of internal audit is undertaken and the findings reported to Members for their consideration. The purpose of this review is to ensure that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance. No internal review has undertaken in 2007-08, the work of Internal Audit is being reviewed externally by the Audit Commission who are expected to report their findings in July 2008, any recommendations arising from this report will be actioned in 2008-09.

The Performance Select Committee receives regular reports on risk management, updating them on the work undertaken by the Risk Management Steering Group and approving key documents including the risk management strategy and the Corporate Risk Register.

This has enabled the Performance Select Committee to be satisfied that significant progress has been towards embedding Risk Management throughout the authority and that the Council is improving in its identification of and actions to mitigate the key risks to the Council's ability to achieve its objectives.

The Audit Team reports annually to the Performance Select Committee, providing the audit opinions of all audits completed and an overall audit opinion. The overall audit opinion on the control environment for 2007/08 is that risks identified by Internal Audit are adequately controlled.

### ***Other Assurance Mechanisms***

In addition to the above, the Council has conducted a formal review of its internal control environment and collated evidence and assurance from a variety of sources. This has

included the collation of assurances from all service managers and directors on the effectiveness of the internal control environment. A review of the returns concluded that based on this self assessment, effective controls were in place.

The Council has a Performance Management Framework through which quality of service can be measured by both local and national performance indicators. Performance targets are set and agreed for the coming three years and is monitored on a quarterly basis by Heads of Divisions and reported to the Strategic Management Board and Performance Select Committee in order that corrective action can be taken where services are deemed to be under performing.

The Audit Commission reviewed the data quality used for assessing performance and deemed it to be of a "good quality and there were no qualifications to the information submitted". Performance in 2007/08 resulted in 39% of our BVPI's being in the top quartile (based on 57 out of 60 indicators reported at the time of preparation of this statement) an overall improvement in year of 36% of the indicators.

The Audit Commission carried out a Comprehensive Performance Assessment Inspection of the Council in 2004. The Council was assessed as "Fair".

The most recent Audit Commission Inspections were:

- September 2006 Waste Management and Street scene. The Council was assessed as Fair Service / Promising prospects for improvement
- July 2007 Access to Services 19 July 2007. the Council was assessed as Fair Service / Promising prospects for improvement
- May 2008 Community Housing Services. The Council was assessed as Fair Service / Poor prospects for improvement

As part of the Comprehensive Performance Assessment framework the Council has been assessed twice under the 'use of resources' category. The outcome of the first assessment was a score of 2 (out of 4) and for the 2006/07 (reported in December 2007) assessment the score had reduced to 1. Top level areas for improvement have been identified and form part of the Voluntary Improvement board – Short term improvement Plan.

## **5 Significant Control and Governance Issues**

The following control and governance issues were identified during 2007/08

### *a) Financial Control Issues*

#### **I. Closedown 2006/07**

The Accounts and Audit Regulations 2003 set out the requirements for the production and publication of the annual Statement of Accounts. The Regulations require authorities to approve the 2006/07 draft Statement of Accounts (subject to audit) before 30th June 2007. The Council failed to meet this deadline, as the Accounts were not approved until a meeting of Full Council on 31st July 2007.

Following the commencement of the Audit of the Accounts by the Audit Commission, it became apparent that there was a large number of material amendments required to the Statement of Accounts, before they could be signed of by the District Auditor. It was also apparent that the Council's Balances and Reserves had been substantially reduced. On the 11th December 2007, as a result of further consideration by the District Auditor, it was determined that the lease taken out in November 2006 for 18 recycling vehicles, previously

determined by the Council as an Operating Lease, was in fact a Finance Lease. The Accounts were re-submitted to Performance Select Committee on 11th December 2007, and approved at Full Council on the same night, with no amendment for the incorrect treatment of the Lease.

As a result, the District Auditor in February 2008 issued a Qualified Opinion on the 2006/07 Accounts.

## **II. Staffing**

Since the Accounts were approved there have been a number of changes in the Finance Division's senior staff.

Currently the Interim Director of Central Services is carrying out the responsibilities of the Chief Finance Officer, and further support at a senior level is being provided by resources from Public Sector Consultants Ltd.

A number of new appointments were made in the Finance Section in late 2007 and a new post of Chief Financial Officer has now been approved by the Council, with an appointment expected in summer 2008.

## **III. Budget 2007/08**

Because of the issues with the Council's financial position set out above, further detailed work on the estimates included in the Council's Budget for 2007/08 was undertaken, starting in April 2007. Regular reports have been submitted to Council, up to the setting of the 2008/09 Budget in February 2008.

It became apparent that there had been a number of errors in the Budget for 2007/08 set in February 2007, which resulted in a substantial underestimate of the Council's Budget Requirement.

The Council implemented a series of cost cutting measures in order to minimise the shortfall on the 2007/08 Budget and also approved an updated Medium Term Financial Strategy with a revised outturn forecast for 2007/08, together with updated projections for 2008/09.

The Council then approved proposals for first voluntary, then compulsory redundancies which resulted in a number of staff leaving the Council, together with the deletion of a large number of vacant posts from the establishment.

## **IV. Budget 2008/09**

As a result of the shortfall in projected income and underestimated budgets the Council's Earmarked Reserves and the General Fund Balance were forecast to be severely depleted at 31st March 2008. The Council agreed to the use of the PFI Reserve as temporary support to the General Fund Balance in 2007/08.

In addition there is an assumption of £0.5m savings being achieved in the base budget for 2008/09.

Following the necessary reductions in costs actioned above, the Council set a Budget for 2008/09 in February 2008.

**V. Use of Resources**

The Council's draft Use of Resources Auditor Judgements 2007 was reported to Performance Select Committee on 29th April 2008. Set out below are the scores for the relevant themes:

<b>Theme</b>	<b>2006</b>	<b>2007</b>
Financial Reporting	2	1
Financial Management	2	1
Financial Standing	2	1
Internal Control	2	2
Value for Money	2	2
<b>Overall Use of Resources Score</b>	<b>2</b>	<b>1</b>

The scoring is based on the Audit Commission's Standard Scale used for assessments and inspections, which are set out below:

<b>Scale</b>	<b>Scale for assessment</b>
1	Below minimum requirements-inadequate performance
2	Only at minimum requirements-adequate performance
3	Consistently above minimum requirements-performing well
4	Well above minimum requirements-performing strongly

*b) Governance Issues***I. Head of Paid Services / Chief Executive vacancy**

The former Chief Executive and Head of Paid Service left the Council's employment in February 2008. Since that time, the Director of Development has assumed the role of Interim Chief Executive and Head of Paid Service, pending a permanent appointment. The post was advertised nationally in June 2008.

This leaves the council with some capacity issues at a senior level which in turn increases the risk around corporate governance, service delivery and accountability to stakeholders.

**II. Internal Audit**

To help address issues arising from the financial position of the Council at the end of 2007/08, the Internal Audit work plan for 2008/09 now includes audit time allocated to Corporate Audits of Income, Reconciliations, Budget (Setting) and Budget Monitoring and Reporting

**III. Risk Management**

Although the Council has a corporate Risk Management Group and Risk Register, the Council needs to continue to take further action to progress the embedding of a risk management culture across the authority.

**VI. Code of Corporate Governance**

The Council has a Code of Corporate Governance. Training on Corporate Governance has been provided for Members; however there is scope for further training and/or increased awareness in this area.



**VII. Business Continuity**

The Council has business and service continuity plans in place. However, it is planned that these will be reviewed during the year to ensure that they remain current.

**VIII. Partnership Working**

The Council has a number of partnership working arrangements in place, which are critical to the achievement of the Council's corporate objectives. As such, the Council should ensure that the risk and corporate governance arrangements for these partnerships is fully considered.

**IX. Short Term Recovery /Improvement Plan**

As a consequence of the governance issues that the Council has encountered, a short term recovery/improvement plan has been prepared to assist in addressing the key issues. The Council has secured support, in the form of capacity building, from Improvement East and has also set up a Voluntary Improvement Board, to oversee the council's progress and to assist the council to improve. This is a concept that has worked successfully with other councils.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review

Signed

.....

John Mitchell

Interim Chief Executive  
Date:30<sup>th</sup> September 2008

.....

Cllr Jim Ketteridge

Leader of the Council  
Date:30<sup>th</sup> September 2008

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**GLOSSARY OF TERMS**

This section gives further explanation of the technical terms used in the Statement of Accounts.

- **Actuary:** An expert employed by Essex County Council who advises on rates of death and other issues to ensure the Pension Fund has sufficient funds to pay future commitments.
- **Amortisation:** A reduction in the value of an intangible asset over time.
- **Balance Sheet:** A statement of all the Council's assets at the end of the financial year.
- **Capital Receipts:** Income from the disposal of assets.
- **Capital expenditure:** Spending on assets that have a life span of more than a year, especially land and buildings.
- **Cash-flow Statement:** This statement shows the variations in the Council's cash transactions between the two financial year-ends, together with changes in assets and liabilities in the same period.
- **Collection Fund:** A fund which accounts for all the income and expenditure in respect of the collection of Council Tax and National Non-Domestic Rates.
- **Community Assets:** Assets which the Council is unlikely to sell such as parks.
- **Contingent Liability:** Liabilities that the Council may have, but it cannot be identified as to the exact amount owing or when it will be due to be paid.
- **Corporate Governance:** The Council's responsibilities for ensuring that its business is conducted in accordance with the law and proper standards.
- **Creditors:** Sums of money the Council owes for work done or goods and services supplied, which have not been paid for at the end of the financial year.
- **Current Assets:** Assets held which are held for less than one year at the Balance Sheet date.
- **Current Liabilities:** Liabilities held for less than a year at the Balance Sheet.
- **Curtailments:** The cost of the extra pension or lump sum an employee receives if their retirement benefits are increased above the basic pension-scheme benefit.
- **Debtors:** Sums of money the Council is owed but which has not been paid at the end of the financial year.
- **Deferred:** An event that has been delayed until a future time.
- **Deferred Charges:** Spending on assets which the Council does not own, but which will last for number of years.
- **Deferred Contributions:** Amounts paid in advance for future duties.
- **Depreciation:** The annual payment for the reduction in the value of a tangible asset due to wear and tear.

- **Earmarked Reserves:** Amounts set aside for specific purposes.
- **Finance Lease:** The Council accounts for leases as Finance Leases when substantially all the risks and rewards relating to the leases property transfer to the Council.
- **Formula Grant:** The money paid to the Council from the Government as support for providing services.
- **FRS 17:** The accounting statement under which the Council applies its pension accounting:
- **Income and Expenditure Account:** The name of the Account within which all the Council's revenue spending and income is recorded.
- **Infrastructure:** Assets which only have a nominal value, as they are not usually sold.
- **Intangible Assets:** Assets which are held for more than one year, but are, for instance, computer software licences, and not a physical asset like a building.
- **LABGI:** The Local Authority Business Growth Initiative is a grant received from the Government over a 3 year period which ended on 31<sup>st</sup> March 2008, in respect of development for each authority.
- **Local Government Pension Scheme:** The national statutory pension scheme that sets out the regulations and benefits for all the Council's employees who have joined the scheme.
- **Liabilities:** The amounts of debts that the Council owes externally.
- **National Non-Domestic Rates:** The amount collectable of all businesses in the Uttlesford area, using a multiplier set by the Government. The NNDR collected is paid into a national pool which is then shared out to all local authorities by the Government depending on the population in each council area.
- **Operating Lease:** A method of paying for the use of vehicles and plant over the life of the asset, where the Council does not become the owner. Rentals are charged to the service receiving the benefit of use of the asset.
- **Operational Assets:** Assets used by the Council in assisting in the delivery of its services to the public.
- **Parish Council:** A public sector organisation which delivers some services within the parish boundaries, raising income from a precept on this Council which collects council tax from dwelling owners in the parish.
- **Precept:** The demand received from the other major service providers in the Council's area, to be collected from Council taxpayers in the area. These are Essex County Council, Essex Police Authority, and Essex Fire Authority together with the demands from parish councils.
- **Prior year adjustments:** Major accounting changes to the previous year's accounts as a result of further information or changes in accounting standards.
- **Provisions:** Amounts set aside at the time the accounts are prepared for material liabilities of uncertain timing or amount.

- **Revenue expenditure and income:** Spending on day to day running of services, such as maintenance costs, salaries etc together with fees and charges made for use of certain services, for instance car parking.
- **Taxbase:** The number of properties converted to a Band D total on which the Council divides into the total amount the Council needs for the financial year, to produce a Band D Council Tax level.
- **Tangible Assets:** Assets which have physical substance and are used in the provision of services on a continuing basis.
- **Trading undertakings:** Services provided to the public which could also be provided by external companies.

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## **OTHER INFORMATION**

### **THE STATEMENT OF ACCOUNTS**

This document is one of a series of documents published which provide financial information on the Council's activities.

Other Publications include:

### **THE BUDGET BOOK**

This gives expenditure plans for the following financial year and capital programme projections for 2 further years.

### **MEDIUM TERM FINANCIAL STRATEGY**

This contains 3 year projections and strategies in relation to the Council's finances.

### **BEST VALUE PERFORMANCE PLAN**

This provides targeted performance indicators and other relevant financial information.

### **CORPORATE PLAN 2007-09**

This sets out the Council's purposes, goals and themes for the District until 2009, and states its priorities.

The Council also produces a wide range of other publications for tourists, businesses and other interested parties. A selection can be found in the reception area of offices of the Council, Public Libraries and the Tourist Information Centre.

Members of the public may attend Council and Committee meetings, the dates of which are published in the local press, on notice boards in offices of the Council and on the Council's website. In addition, copies of the Council Minutes are available in local Libraries and on the website. There is also an opportunity for members of the public to ask questions and make statements at meetings of the Council and Committees.

If further information on any aspect of these accounts is required, please contact Adrian Webb, Interim Director of Central Services, Council Offices, London Road, Saffron Walden, Essex. CB11 4ER. Telephone (01799) 510421.

Further information on all the above documents is available on the Council's website [www.uttlesford.gov.uk](http://www.uttlesford.gov.uk)