

# Statement of Accounts 2009/10

## Uttlesford District Council



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## EXPLANATORY FOREWORD

### 1. INTRODUCTION

- 1.1 The purpose of this Statement of Accounts is to present the financial results of the Council's activities for the year ended 31 March 2010, and to summarise the overall financial position of the Council as at 31 March 2010. This foreword has been written to provide a guide to the significant matters reported in these accounts.
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### 2. THE ACCOUNTING STATEMENTS

- 2.1 The Council is required by law to complete its accounts in line with the Code of Practice on Local Authority Accounting – a Statement of Recommended Practice (SORP). In theory, the SORP ensures that all local authorities produce their accounts on a consistent basis, enabling comparisons.
- 2.2 The SORP represents an attempt by accounting regulators to reconcile accounting standards in general use within the UK with the statutory local government finance framework. This is not an easy marriage: there are material differences between what accounting rules state should be included in the accounts, and what legislation states should be financed by a local authority and local council taxpayers.
- 2.3 Accordingly there are many entries, particularly within the Income & Expenditure Accounts, which are included as notional items for presentational purposes, so that accounting standards are fulfilled, and then “reversed out” so that the bottom line financial performance is consistent with statutory requirements.
- 2.4 The SORP also requires expenditure on services to be categorised under standard headings that bear little relation to the actual organisation and structure of the Council.
- 2.5 The above can lead to a confusing picture if the core financial statements are taken at face value. Unfortunately, the Council has no discretion to depart from the prescribed format and content of those statements.
- 2.6 This Explanatory Foreword sets out the key issues and is intended to give the reader an insight into the Council's financial performance during 2009/10 in a way that the financial statements themselves may not otherwise do so.
- 2.7 The SORP for 2009/10 has required a few changes in the way certain financial statements and notes are presented. The changes relate to how the Council's Private Finance Initiative (PFI) Leisure Centres contract is accounted for, and the collection of Council Tax and Non Domestic Rates. None of these changes are significant to the reader's understanding of the Council's financial position or results for the year. The only significant additional disclosure requirement is greater transparency relating to senior officers' remuneration. The new disclosure can be seen in note 9 on page 34.
- 2.8 The following are summary definitions of the core financial statements:

#### **The Income and Expenditure Account and Statement of Movement on the General Fund Balance (Page 26)**

The **Income and Expenditure Account** reports the net cost for the year of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The surplus or deficit achieved on the Income & Expenditure Account represents the amount by which income is greater than or less than expenditure.

Income and Expenditure are measured using essentially the same accounting conventions (UK Generally Accepted Accounting Practice) that a large unlisted company would use in preparing its financial statements.

However, the items of income and expenditure that are required to be credited or charged to the General Fund is determined by statute rather than UK GAAP. Adjustments to reflect the overriding statutory requirements are shown in the **Statement of Movement on the General Fund Balance**.

For example, in some circumstances capital expenditure can be charged to the General Fund but all capital expenditure is excluded from the Income and Expenditure Account; and depreciation of fixed assets is charged to the Income and Expenditure Account but cannot be charged to the General Fund.

While the surplus or deficit on the Income and Expenditure Account is the best measure of the Council's financial results in accordance with UK GAAP, the movement on the General Fund Balance is in practice the most important reflection of the Council's stewardship and is therefore reflected in this statement.

### **Statement of Total Recognised Gains and Losses (Page 27)**

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.

### **Balance Sheet (Page 28)**

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, together with summarised information on the fixed assets held.

### **Cash Flow Statement (Page 29)**

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 30)**

The notes to the Statements provide additional information.

### **Housing Revenue Account (HRA) Income and Expenditure Account (Page 65)**

The Housing Revenue Account reflects a statutory obligation to maintain a separate revenue account for local authority social housing provision in accordance with the Local Government and Housing Act 1989. It includes the credit and debit items required to be taken into account when determining the surplus or deficit on the HRA for the year.

The HRA statement has two parts: the HRA Income and Expenditure Account and the Statement of Movement on the Housing Revenue Account Balance.

The HRA Income and Expenditure Account shows in more detail the income and expenditure on HRA services included as a one line summary in the whole authority Income and Expenditure Account.

The Statement of Movement on the Housing Revenue Account Balance shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the HRA Balance.

### **Collection Fund (Page 74)**

This shows the transactions of the Council as a billing authority relating to Council Tax and National Non-Domestic Rates, and illustrates the way in which these have been distributed to Precepting Authorities, the General Fund and the National Non-Domestic Rates Pool.

2.9 In addition the Statement of Accounts shows the following:

### **Report of the Auditor (Page 13)**

The Council's independent external auditor is the Audit Commission. The report sets out the auditor's comments on the reliability of the financial statements and the Council's compliance with accounting standards.

### **Statement of Accounting Policies (Page 16)**

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

### **Statement of Responsibilities for the Statement of Accounts (Page 25)**

This outlines the responsibilities of the Council and the Assistant Chief Executive (Finance) with respect to the Statement of Accounts.

### **Annual Governance Statement (Page 78)**

This explains the systems of Governance that were in place during 2009/10 and reviews their effectiveness.

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## **3. SIGNIFICANT MATTERS IN THE ACCOUNTS**

3.1 Section 4 below summarises the key financial results for 2009/10. To provide context the following describes significant non-routine items that feature in the detailed financial statements.

### **3.2 The Council's deposit with the failed Icelandic Bank, Landsbanki**

In October 2007 the Council placed the sum of £2.2 million with Landsbanki on a one year fixed term deposit, due to mature in October 2008. A few days before maturity was due, Landsbanki became insolvent. The Council's deposit was not returned and remains in Iceland, together with interest due on the deposit of £135,000, so that the total outstanding is £2.335 million.

At the time of publishing these accounts, no definitive information was available about the prospects of recovering the deposit, or the timetable for resolving this. The Landsbanki administrators have accepted UK local authorities' claims as priority claims, that is to say, the Council is a preferential creditor. However, non-preferential creditors are challenging this ruling through the Icelandic courts in litigation which is expected to take until Spring 2011 to resolve. Although there is a high degree of confidence from the Local Government Association and its legal advisers that preferential status will prevail, this is not certain; for example, the administrators of a different failed Icelandic bank,

Glitnir, ruled that UK local authorities were not preferential creditors. This is also the subject of litigation.

Meanwhile, the Council is required to include an estimate of the recoverable amount of the deposit in the 2009/10 accounts. CIPFA has advised local authorities to assume that preferential status will be confirmed and that 95% of the outstanding sum will be repaid between October 2011 and October 2018. After making the required calculations for discounting, based on the principle that money in the future is worth less than money now, the recoverable amount has been assessed at £1.51 million, a reduction ("impairment") of £825,000 on the original sum. The Statement of Accounts has been prepared on this basis.

The impairment is higher than the equivalent sum as at 31 March 2009 and the difference has been charged to the Income & Expenditure Account. Under special regulations laid down by Government, the charge has been reversed out in the Statement of Movement on the General Fund Balance so that there is no impact on the bottom line financial performance of the Council or the amount to be met from local taxpayers. The special regulation does not extend beyond 2009/10, so the impairment will have to be written off against General Fund balances in the 2010/11 accounts.

It is possible that the recoverable amount will end up being lower than the amount stated in the accounts. More recent information emerging from Iceland suggests that recovery for preferential creditors will be at around 88%, below the 95% figure detailed in CIPFA guidance. Moreover, the estimated recovery for non-preferential creditors is around 38%. There is no information available to estimate the probability of either outcome i.e. preferential or non-preferential, although as mentioned above there is a high degree of confidence that preferential status will prevail.

The impairment charge assuming 95% recovery is £825,000 as noted above. At 88%, the impairment charge is £945,000 and at 38%, £1.8 million. Depending on the outcome of the litigation, the Council is potentially obliged to write off a loss of between £825,000 and £1.8 million in 2010/11.

The Council has anticipated this and has built up a Contingency Fund within its General Fund earmarked reserves. The Fund is being maintained at just below £1.2 million, based upon a rudimentary probability estimate of the various possible scenarios. This does not prejudice the Council's claim against the Landsbanki administrators, which is being pursued on behalf of the Council and all affected councils by the Local Government Association, with the objective of recovering as much money as possible.

The non-return of the deposit has not caused any cash flow problems for the Council with staff and suppliers continuing to be paid normally. However, the Council has been unable to earn additional income on the deposit due to its non-availability for re-investment from October 2008.

### **3.3 VAT refund**

The Council was successful in securing a one-off refund of VAT from HM Revenues & Customs. The refund, of just under £0.3 million, has been credited to the Net Cost of Services in the Income & Expenditure Account.

### **3.4 Pension Fund Deficit**

The Council's share of the Essex County Council Pension Fund deficit is estimated to have grown from £16m to £22.7m during the year. This is shown as a liability on the balance sheet. The main reason for the worsened position is revised actuarial assumptions about liabilities falling upon the Fund. The Council is not required to identify



current resources to finance this deficit. Instead, the Council will be required to make payments over a deficit recovery period specified by the Actuary when they report the results of their formal Fund valuation in Autumn 2010. The deficit recovery period is likely to be in the order of 20 to 30 years or more. In the longer term, the Local Government Pension Scheme will cease to be viable without a significant redistribution of financial responsibility from employers to employees and/or a significant reduction in benefits for scheme members.

#### 4. SUMMARY OF THE 2009/10 FINANCIAL YEAR

4.1 2009/10 was a year in which the Council continued to strengthen its financial position following a period of consolidation in 2007/08 and 2008/09. In general, this was achieved with net underspends arising within revenue expenditure, windfall income such as the VAT refund mentioned above, and reserves being increased. The following summarises the key results. The numbers are presented in a different format to the core financial statements, to increase the clarity, but they are consistent with those statements.

##### GENERAL FUND

4.2 The General Fund includes income and expenditure relating to all Council services except the provision of social housing. The following table summarises results for the year. Details are shown in the Income and Expenditure Account and the Statement of Movement on the General Fund Balance on page 26; for reasons of clarity notional items are omitted from this summary table.

£000	Original Budget	Revised Budget	Actual	Variance Actual to Revised Budget
Net Service Expenditure	9,521	9,004	7,589	-1,415
Other items (net)	-407	-114	-258	-144
Net transfers to / from (-) reserves	-344	-78	1,504	1,582
Net Expenditure	8,770	8,812	8,835	23
Transfer to Working Balance	-	-	-	-
<b>TOTAL</b>	<b>8,770</b>	<b>8,812</b>	<b>8,835</b>	<b>23</b>
<b>Funding available</b>	<b>-8,770</b>	<b>-8,812</b>	<b>-8,835</b>	<b>-23</b>
<b>Final position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

4.3 The above shows that the Council has been able to replenish reserves by £1.504m, which compares with a planned withdrawal of £0.344m when the Original Budget was set; a difference of £1.848m. The reasons are as follows:

- £0.4m Housing & Planning Delivery Grant awarded by Government, not budgeted for
- £0.4m Net underspend and additional income arising within the Waste & Recycling service
- £0.45m Net favourable variances arising in other service & corporate budgets
- £0.3m One-off VAT refund
- £0.2m Budget allocation for Stansted airport planning application not required
- £0.1m Nationally-set staff pay award lower than budgeted for.

4.4 For further details of the General Fund financial performance in 2009/10, please refer to the Finance & Administration Committee 17 June 2010 meeting papers, [available on the Council's website](#).

4.5 The following is a summary of General Fund reserves for the year. The Working Balance ends the year at £1,096,000, which is the minimum safe contingency level determined by the Council.

£000	Balance 31/03/2009	Transfers to Gen Fund	Transfers from Gen Fund	Balance 31/03/2010
Working Balance	1,096	-	-	1,096
<u>Corporate Reserves</u>				
Budget Equalization	1,449	-	-	1,499
Change Management Landsbanki contingency	364 993	- -	183 169	547 1,162
<u>Service Reserves</u>				
Waste Management	82	-	200	282
Energy Efficiency	81	-2	13	92
Planning Development Business	141	-	629	770
Development	-	-	42	42
Elections	-	-	32	32
Licensing	-	-	138	138
Housing Benefits	-	-	100	100
<b>Total</b>	<b>4,206</b>	<b>-2</b>	<b>1,506</b>	<b>5,760</b>



**HOUSING REVENUE ACCOUNT**

- 4.6 The Housing Revenue Account (HRA) includes income and expenditure relating to the provision of social housing. By law this has to be kept separate from the General Fund so that Council Tax payers and rent payers do not subsidise one another. The following table summarises the results for the year. Further details are given in the HRA Income and Expenditure Account on page 65.

£000	Original Budget	Revised Budget	Outturn	Variance Adverse / Favourable (-)
Income	-12,282	-11,929	-11,978	-49
Housing Repairs	1,590	1,547	1,776	229
Supervision & Mgt.	2,030	1,957	1,615	-342
Rent, Rates & Property	30	30	41	11
Housing Subsidy	5,469	5,132	5,136	4
Depreciation	1,930	1,926	1,926	0
Bad Debt Provision	0	0	82	82
Depot costs	0	10	6	-4
Pay award saving	0	15	0	-15
Contribution to capital	0	0	182	182
Recharge from Gen Fund	1,152	1,223	1,198	-25
Pension costs	103	103	78	-25
<b>Deficit for year</b>	<b>22</b>	<b>14</b>	<b>62</b>	<b>48</b>
<b>Working Balance</b>				
Balance at 1 April 2009	-785	-785	-785	-
Deficit for year	22	14	62	48
<b>Balance at 31 March 2010</b>	<b>-763</b>	<b>-771</b>	<b>-723</b>	<b>48</b>

- 4.7 The table shows that there was an overall adverse variance of £48,000. This was due to the bad winter requiring a lot of responsive plumbing repairs, and a contribution to the capital programme to finance boiler and central heating replacements. This was offset by savings on salary costs and utilities, mainly gas prices. The HRA Working Balance was maintained at a level comfortably above the minimum safe contingency level assessed by the Council (£496,000).

**CAPITAL EXPENDITURE**

- 4.8 Capital expenditure in 2009/10 totalled £3.485m against a revised budget of £3.948m, a net underspend of £463,000, which comprised the following:

- Contractual commitments, which include contracts let and external funding received for schemes but the expenditure had not occurred by 31 March 2010, amount to £0.676m, and will carry forward into 2010/11.
- This leaves a net adverse variance of £0.213m which is mostly attributable to boiler and central heating replacements required within the housing stock, funded from HRA revenue balances.

Details are shown below.

£000	Original Budget	Revised Budget	Outturn	Variance Adverse/ Favourable(-)	Slippage carried forward to 2010/11	Overspend/ Underspend (-)
<u>General Fund schemes</u>						
Community & Housing	220	539	460	-79	80	1
Environment	1,013	752	374	-378	396	18
Finance & Administration	526	709	503	-206	200	-6
Supervision	-	23	5	-18	-	-18
<b>Sub total</b>	<b>1,759</b>	<b>2,023</b>	<b>1,342</b>	<b>-681</b>	<b>676</b>	<b>-5</b>
Housing Revenue Account schemes	1,886	1,925	2,143	218	-	218
<b>TOTAL CAPITAL PROGRAMME</b>	<b>3,645</b>	<b>3,948</b>	<b>3,485</b>	<b>-463</b>	<b>676</b>	<b>213</b>
<u>Capital Financing</u>						
External Grants & Contributions	56	300	341	41		
Borrowing	400	392	-	-392		
Capital Receipts	1,303	1,331	865	-466		
HRA Major Repairs Allowance	1,886	1,925	1,925	-		
Work in progress to be financed 2010/11	-	-	109	109		
Contribution from revenue (HRA)	-	-	217	217		
Contribution from revenue (GF)	-	-	28	28		
<b>Total sources of financing</b>	<b>3,645</b>	<b>3,948</b>	<b>3,485</b>	<b>-463</b>		

- 4.9 Capital Expenditure was financed by external grants and contributions, the HRA Major Repairs Allowance, revenue contributions and capital receipts. The balance of usable capital receipts reduced from £1.3 million to £0.7 million during 2009/10, which means that the Council will become dependent upon internal borrowing to support the capital programme in future years.

## 5. Major influences on the Council's income, expenditure and cash flow

5.1 The following are the major influences on the Council's income:

- Government funding through the Local Government Finance Settlement (Revenue Support Grant and distribution from the National Non-Domestic Rates Pool) is determined by central government. The annual change in funding is a major factor affecting the financial health of the Council.
- Government funding through other non-specific grant regimes, such as Housing & Planning Delivery Grant, Area Based Grant and the Local Authority Business Growth Incentive Scheme, has potential to improve the Council's financial position. Funding made available under such schemes is not usually announced in advance and is typically provided late in the financial year. There is no continuity of funding from year to year. Accordingly such income is difficult to predict and is therefore prudently excluded from budget estimates.
- Council Tax. The percentage increase is determined by the Council but constrained by central government capping rules and local public opinion. The yield from Council Tax is also affected by the growth in the number of households in the district, variations to discounts payable, and collectability of unpaid debts. The Council acts as billing authority and collects Council Tax on behalf of itself, Essex County Council,

Essex Police Authority, Essex Fire Authority and Town/Parish Councils. The share of the average Council Tax bill retained by the Council is approximately 10%.

- Fees & charges e.g. car park charges, planning fees. The amount of income received depends on market factors such as demand and price levels and effectiveness of income collections. Wider economic factors such as recessionary pressures can directly affect sources of income such as planning fees, building control fees and land charges.
- Specific government grants e.g. benefits subsidy. The amount received depends on performance and the amount of expenditure eligible for subsidy by grant.
- Rents & Service Charges (Housing Revenue Account only). The annual increase is determined by the Council within a framework defined by central government. The amount of income depends on the number of dwellings, performance in re-letting empty properties and collectability of debt.

5.2 The following are the major influences on the Council's expenditure:

- Employee costs including salaries, national insurance and pensions costs – the level of expenditure depends on the staffing establishment, annual pay increase (determined at a national level) and the Council's employer pension contribution, determined by Essex County Council as administering pensions authority.
- Premises costs including energy costs, rates and building maintenance – the level of expenditure depends on the condition of property, maintenance programmes, energy consumption and price variability.
- Transport costs including fuel and vehicle maintenance – the level of expenditure varies according to the level of service activity, condition of vehicles and price variability.
- Supplies & services expenditure varies according to contractual indexation, level of service activity, price variability and effectiveness of procurement procedures.
- Transfer payments such as Housing Benefit and Council Tax Benefit – the level of expenditure varies according to the number of people entitled to receive benefit and levels of housing benefit and council tax benefit due under government rules. Wider economic factors such as recessionary pressures have a direct effect on the number of people receiving benefit.
- Capital financing costs – the amount depends on the size of the capital programme and the methods of financing, in particular the amount of borrowing and use of finance leases.

5.3 The following are the major influences on the Council's cash flow:

- Timing of payments including length of time taken to pay suppliers' invoices.
  - Receipt of income including effectiveness of debt recovery.
  - Schedule of payment dates relating to amounts payable to precepting authorities and central government.
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**6. The financial needs and resources of the Council**

- 6.1 The Council requires financial resources to deliver its Corporate Priorities, statutory obligations and discretionary services. For a detailed explanation of how the Council's budget is aligned to its priorities, and a forecast of the resources required over the next few years, please refer to the Council's [Medium Term Financial Strategy](#), available on the Council's website and from the contact details given below.
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**7. Audit of Accounts**

- 7.1 These accounts are published following completion of the audit by the Audit Commission (see Auditor's Report on page 13).
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**8. Further Information**

- 8.1 The Council produces a detailed [Budget Book](#), which sets out the financial plans for the following financial year. A copy of this may be obtained by contacting Stephen Joyce, Assistant Chief Executive (Finance), at Uttlesford District Council, Council Offices, London Road, Saffron Walden, CB11 4ER. Email: [sjoyce@uttlesford.gov.uk](mailto:sjoyce@uttlesford.gov.uk)

Website: <http://www.uttlesford.gov.uk/finance>

Stephen Joyce  
Assistant Chief Executive (Finance)  
September 2010

Independent auditor's report to Members of Uttlesford District Council

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(Officer of the Audit Commission)

Audit Commission, Atlantic Business Centre, Lyttleton House, 64 Broomfield Road,  
Chelmsford, Essex, CM1 1SW



## **STATEMENT OF ACCOUNTING POLICIES**

### **1. GENERAL PRINCIPLES**

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 - 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.

The Council is required as part of the SORP 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 Income and Expenditure 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.
- A minimum transaction value of £500 has been applied in determining whether to accrue for income and expenditure in line with the first two bullet points above.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest 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 has 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, third party contributions and donations are recognised as income at the date that the Council 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 Pension 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 5.6% (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 seven 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 expected 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 or credited to the Statement of Total Recognised 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.

In relation to retirement benefits, statutory provisions required the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. 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. These powers were not used in 2009/10.

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

Income and expenditure excludes any amount related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is 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 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. A de minimis amount of £10,000 is applied to all intangible assets.

## 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. A de minimis amount of £10,000 is applied to all fixed assets.

**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 £10,000.

Asset valuations were carried out as at 1<sup>st</sup> April 2009 by: Justin Allen Dip Surv MRICS for the District Valuer Services, on behalf of Mark Catley, MRICS, FAAV, District Valuer, East of England. The Valuation letter was dated 29 April 2010.

Valuations of General Fund land and buildings fixed assets are carried out on an annual basis, as at the 1<sup>st</sup> of April.

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 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 on the General Fund Balance.

The Council will use the Net Book Value at the start of the year of disposal rather than revaluing the asset at the time of disposal to determine the profit or loss on the sale.

**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. The estimated useful life of each asset is determined at the start of the year after the asset is brought in to use.

Depreciation is calculated on the following bases:

- Dwellings - the depreciation charges equal the Major Repairs Allowance
- Other buildings – straight line allocation over the life of the property as estimated by the valuer.
- Vehicles, plant and equipment – straight line allocation over the life of the asset.
- Infrastructure - straight line allocation over 50 years.

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

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 (This is calculated using 'option 3' the reducing life method). 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. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure 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 asset's estimated useful life.

With effect from 2008/09 the actuarial method of determining revenue/capital split has been adopted.

**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 2009/10.

### 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. As the council is deemed to control the services that are provided under its PFI schemes and as ownership of the fixed assets will pass to the council at the end of the contracts for no additional charge, the council carries the fixed assets used under the contract on the Balance Sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. For the Council's sport centre scheme the liability was written down by an initial Capital contribution of £4.035m.

Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council.

The amount payable to the PFI operator each year is analysed into five elements:

- fair value of the services during the year – debited to the relevant service in the Income and Expenditure account
- finance cost – an interest charge of 8.29% on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs – debited to the relevant service in the Income and Expenditure account

**19. LONG-TERM DEBTORS**

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

## **20. THE COLLECTION FUND**

Under the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) we must have a Collection Fund which records the collection and distribution of Council Tax and National Non-Domestic Rates, and any residual Community Charge. The law covers transfers which are made between the General Fund and the Collection Fund.

### **Accounting for Council Tax income**

The 2009 SORP confirms that the Council acts as an agent in collecting the Council Tax income on behalf of the major preceptors. Changes have been made in 2009/10 to the accounting treatment for the Council Tax income to reflect the agency arrangements. These accounting changes are summarised below –

Up to 2008/09 the Council Tax income included in the Income and Expenditure Account related to the amount that under regulation was required to be transferred from the Collection Fund to the General Fund of the Council. Under the 2009 SORP the Council Tax income required to be included within the Income and Expenditure is the accrued income for the year. The difference between the accrued income for the year and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and is included as a reconciling item in the Statement of Movement on the General Fund Balance.

The Council Tax cash collected by the Council belongs proportionately to the Council and its major preceptors under the agency arrangement. Under the 2009 SORP - balances are included in the Balance Sheet for the Council's attributable share of Council Tax debtors (net of an allowance for doubtful debt) and its attributable share of creditors for overpaid Council Tax. Separate debtor/creditor balances between the Council and each major preceptor are included in the Balance Sheet, which represent each preceptor's attributable share of the net Council tax position at the year end.

Under the 2009 SORP only the Council's share of Council Tax net cash collected in the year is required to be included in the Revenue Activities section of the Cash Flow Statement. The major preceptor's share of net cash collected and the amounts paid by the Council to major preceptors are required to be included within in the Management of Liquid Resources section of the Cash Flow Statement.

### **Accounting for National Non-Domestic Rates (NNDR) income**

The 2009 SORP confirms that the Council acts as an agent in collecting the National Non-Domestic Rates (NNDR) on behalf of Central Government. Changes have been made in 2009/10 to the accounting treatment for the NNDR income to reflect the agency arrangements. These accounting changes are summarised below -

The Council currently excludes all NNDR income from its Income and Expenditure Account, apart from the cost of collection allowance, which is considered to be the Council's own income and not related to Central Government. No changes have been made to the accounting treatment for NNDR income within the Income and Expenditure Account under the 2009 SORP.

Up to 2008/09 the Council included the following balances separately within its balance sheet – NNDR taxpayers debtor/creditor balances, an impairment allowance for doubtful debts and a creditor/debtor with Central Government in respect of the under/over payment to the NNDR national pool. Under the 2009 SORP, these balances are no longer considered to be Balance sheet items of the Council as the Council is acting as an agent of Central Government. These balances have been removed under the 2009 SORP and consolidated into one overall debtor/creditor balance with Central Government.

Up to 2008/09 cash collected by the Council from NNDR tax payers (excluding cash retained for the Cost of collection allowance) and the Council's payment to the NNDR National Pool were previously included within the Revenue Activities section of the Cash Flow Statement. Under the 2009 SORP - the net balance of the income received and payments made are required to be included within the Management of Liquid Resources section of the Cash Flow Statement.

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

### **THE COUNCIL'S RESPONSIBILITIES**

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Assistant Chief Executive (Finance)
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

### **THE ASSISTANT CHIEF EXECUTIVE (FINANCE) RESPONSIBILITIES**

The Assistant Chief Executive (Finance) is responsible for the preparation of the Council'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 of Practice').

In preparing this Statement of Accounts, the Assistant Chief Executive (Finance) has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice.
- 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 Statement of Accounts presents a true and fair view of the financial position of Uttlesford District Council as at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

Signature: Stephen Joyce, CPFA  
Assistant Chief Executive (Finance)  
Date: 30 September 2010

### **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 Full Council on 30 September 2010.

Signature: Councillor Sue Schneider  
Chairman, Uttlesford District Council  
Date: 30 September 2010

## INCOME AND EXPENDITURE ACCOUNT

2008/09 Net Expenditure Restated £000		2009/10 Gross Expenditure £000	2009/10 Income £000	2009/10 Net Expenditure £000
1,166	Central Services to the Public	5,569	(4,529)	1,040
6,241	Cultural, Environmental and Planning Services	9,384	(5,083)	4,301
(29)	Highways, Roads and Transport Services	775	(1,129)	(354)
18,546	Housing Revenue Account	13,626	(12,141)	1,485
365	Other Housing Services	14,066	(13,356)	710
264	Social Services	223	(30)	193
1,546	Corporate and Democratic Core	1,655	(109)	1,546
759	Non Distributed Costs	2	0	2
<b>28,858</b>	<b>Net Cost of Services</b>	<b>45,300</b>	<b>(36,377)</b>	<b>8,923</b>
(160)	(Gain)/Loss on Disposal of Fixed Assets			172
1,748	Parish Council Precepts			1,819
115	Deficit of Trading Undertakings			57
648	Financial asset impairment			177
536	Interest Payable			499
229	Amounts Payable into the Housing Capital Receipts Pool			414
(637)	Interest and Investment Income			(235)
775	Pensions Interest Cost and Expected Return on Pensions Assets			1,305
(33)	Collection Fund Surplus			(16)
<b>32,079</b>	<b>Net Operating Expenditure</b>			<b>13,115</b>
(6,108)	Income from the Collection Fund			(6,504)
(721)	Government Grants not attributable to Specific Services			(831)
(3,569)	Distribution from Non-Domestic Rate Pool			(3,320)
<b>21,681</b>	<b>Deficit for the Year</b>			<b>2,460</b>

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2008/09 Restated £000	2009/10 £000
21,681	2,460
(21,716)	(2,460)
	-
(35)	-
(1,061)	(1,096)
(1,096)	(1,096)

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

2008/09 Restated £000		2009/10 £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>		
160	Net Gain on Sale of Fixed Assets	(172)	
(170)	Amortisation of Intangible Fixed Assets	(167)	
(21,329)	Depreciation and Impairment of Fixed Assets	(2,665)	
134	Government Grants Deferred Amortisation	200	
(1,792)	Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute	(455)	
135	Landsbanki interest not received	144	
(648)	Impairment of Financial Instruments	(177)	
(1,926)	Net Charges made for Retirement Benefits in accordance with FRS 17	(2,070)	
33	Collection Fund Surplus	16	
<b>(25,403)</b>		<b>16</b>	<b>(5,346)</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>		
321	Minimum Revenue Provision for Capital Financing	325	
-	- Unwinding of Pension Deferred Liability	(146)	
-	- Capital Expenditure Charged in Year to the General Fund Balance	246	
(229)	Transfer from Usable Capital Receipts to meet Payments to the Housing Capital Receipts Pool	(414)	
1,362	Employer's Contributions Payable to the Essex County Council Pension Fund and Retirement Benefits Payable Direct to Pensioners	1,433	
<b>1,454</b>		<b>1,433</b>	<b>1,444</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>		
234	Housing Revenue Account	(62)	
1,999	Net Transfer to Earmarked Reserves	1,504	
<b>2,233</b>		<b>1,504</b>	<b>1,442</b>
<b>(21,716)</b>	<b>Net Additional Amount required to be credited to the General Fund Balance for the Year</b>		<b>(2,460)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2008/09 Restated £000		2009/10 £000
21,681	Deficit for the Year on the Income and Expenditure Account	2,460
14,480	Deficit arising on Revaluation of Fixed Assets	226
(359)	Actuarial (Gains) / Losses on Pension Fund Assets and Liabilities	5,839
(36)	Write out of Section 52 monies to usable capital receipts	-
<b>35,766</b>	<b>Total Recognised / Losses for the Year</b>	<b>8,525</b>

**BALANCE SHEET**

31/03/2009 Restated £000	Note Number	31/03/2010	
		£000	£000
565	<b>Intangible Fixed Assets</b>		691
	<b>Tangible Fixed Assets</b>		
211,841	- Council Dwellings	210,218	
22,810	- Other Land and Buildings	21,757	
3,612	- Vehicles, Plant and Equipment	3,434	
315	- Infrastructure Assets	364	
40	- Community Assets	40	235,813
<b>239,183</b>	<b>Operational Assets</b>		<b>236,504</b>
	<b>Non-Operational Assets</b>		
429	- Investment Properties	377	
-	- Held For Sale Assets	644	
5	- Assets Under Construction	115	1,136
<b>239,617</b>	<b>Total Fixed Assets</b>		<b>237,640</b>
1,686	Long-Term Investments		1,653
548	Long-Term Debtors		547
<b>241,851</b>	<b>Total Long Term Assets</b>		<b>239,840</b>
	<b>Current Assets</b>		
88	Stocks and Work in Progress	103	
2,721	Debtors	3,247	
5,506	Short-Term Investments	2,005	
3,677	Cash and Bank	5,446	10,801
<b>253,843</b>	<b>Total Assets</b>		<b>250,641</b>
	<b>Current Liabilities</b>		
(8,003)	Creditors		(6,306)
<b>245,840</b>	<b>Total Assets Less Current Liabilities</b>		<b>244,335</b>
(117)	Provisions	(67)	
(6,917)	Deferred Liabilities	(6,436)	
(269)	Deferred Government Grants	(1,201)	
(16,058)	Pensions Liability	(22,678)	(30,382)
<b>222,479</b>	<b>Total Assets Less Liabilities</b>		<b>213,954</b>
524	Revaluation Reserve		442
231,528	Capital Adjustment Account		228,914
1,331	Usable Capital Receipts Reserve		745
-	Major Repairs Reserve	<b>HRA 11</b>	-
(16,058)	Pensions Reserve		(22,678)
548	Deferred Credits		547
(513)	Financial Instruments Adjustments Reserve		(547)
78	Collection Fund Adjustment Account		48
3,160	Earmarked Reserves		4,664
	<b>Revenue Balances</b>		
1,096	General Fund		1,096
785	Housing Revenue Account		723
<b>222,479</b>	<b>Total Equity</b>		<b>213,954</b>

Signature: Stephen Joyce, CPFA  
Assistant Chief Executive (Finance)

Date: 30 September 2010

**CASH FLOW STATEMENT**

2008/09 Restated £000	2009/10 £000	2009/10 £000	2009/10 £000
<b>Revenue Activities</b>			
<b>Cash Outflows</b>			
9,200	9,336		
12,997	13,696		
0	0		
5,199	7,438		
472	659		
<b>27,868</b>		<b>31,129</b>	
<b>Cash Inflows</b>			
(5,377)	(5,453)		
(3,874)	(4,171)		
(131)	(136)		
(616)	(831)		
(13,813)	(16,600)		
(1,353)	(1,227)		
(7,158)	(3,846)		
		<b>(32,264)</b>	
<b>(4,454)</b>			<b>(1,135)</b>
<b>Revenue Activities Net Cash Inflow</b>			
<b>Cash Outflows</b>			
76	499		
<b>Cash Inflows</b>			
(445)	(91)		
<b>(4,823)</b>			<b>(727)</b>
<b>Servicing of Finance Net Cash Inflow</b>			
<b>Capital Activities</b>			
<b>Cash Outflows</b>			
2,868	2,922		
<b>2,868</b>		<b>2,922</b>	
<b>Cash Inflows</b>			
(451)	(673)		
(359)	(299)		
(217)	(318)		
		<b>(1,290)</b>	
<b>1,841</b>			<b>1,632</b>
<b>Capital Activities Net Cash Outflow</b>			
<b>Management of liquid Resources</b>			
2,201	(999)		
(165)	331		
		<b>(668)</b>	
<b>2,036</b>			<b>(668)</b>
<b>(946)</b>			<b>237</b>
<b>Net Cash (Inflow) / Outflow Before Financing</b>			
<b>Financing</b>			
<b>Cash Outflows</b>			
58,540			101,617
234			489
<b>Cash Inflows</b>			
(59,249)			(104,112)
<b>(1,421)</b>			<b>(1,769)</b>
<b>(Increase) / Decrease in Bank and Deposits</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

There are five prior period adjustments for the 2009/10 accounts.

#### 1. PFI

In line with the changes to the regulations in the 2009/10 CIPFA SORP the Council's PFI deal has been brought onto the Balance Sheet. This has had the effect of creating 3 assets with a net book value of £11,378,972 at 1<sup>st</sup> April 2008 and a long term liability of £ 5,544,105 at 1<sup>st</sup> April 2008.

This change in regulation has had a material impact on the 2008/09 accounts and has changed the bottom line of the Income and Expenditure Account, Balance Sheet and the Cash Flow Statement. Please see note 3 and 34 for details. It has also resulted in a change to the Council's accounting policies (policy 18).

#### **Summary of impacts on the 2008/09 published accounts in £000's**

##### **Balance Sheet**

The changes to the 2008/09 balance sheet are, the creation of 3 fixed assets with total value of £10.5m, the inclusion of a £5.4m deferred liability and a £5.1m adjustment to the bottom half (equity) part of the balance sheet

##### **Income and Expenditure account and the SMGFB**

Within the Income and Expenditure account / SMGFB the overall PFI unitary payment of £900k has been reclassified as follows,

- £460k Interest payable
- £55k Capital debt repayment
- £93k Contingent rent
- £292k Services

Additionally fixed asset depreciation of £304,137 has now been charged to the Income and Expenditure account and netted out through the SMGFB.

#### **2. Land at Lord Butler Sports Centre**

As part of the representation of the PFI within UDC's accounts, land valued at £1,294k has been added to fixed assets within the 2008/09 balance sheet. A corresponding credit of £1,294k has been applied to the Capital Adjustment Account.

#### **3. Deferred liabilities adjustment**

In line with the changes to the regulations in the 2009/10 CIPFA SORP, £471,000 of deferred liabilities was reclassified as current liabilities on the balance sheet for 2008/09. The reason for this adjustment was that the principal payment on these liabilities was due within one year at the 31/3/2009.

#### **4. Reclassification of intangible fixed assets**

During 2009/10 the Council undertook an exercise to ensure that all of its previous IT equipment purchases had been correctly classified as tangible or intangible. As a result of this work £596,000 (Net Book Value as at 31<sup>st</sup> March 2009) of tangible IT assets has been reclassified to intangible assets.

### 5. Collection fund

In line with the changes to the regulations in the 2009/10 CIPFA SORP, the Collection Fund 2008/09 comparative figures have been adjusted. The reason behind this adjustment is to ensure that only the parts of the collection fund that relate to council are shown within the statements of accounts. This adjustment main effect is to net out of the Creditor and debtor accounts the parts that do not belong to UDC. This netting out has no bottom line impact for the 2008/09 accounts.

### 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 PFI contract is with Leisure Connexions Ltd who manage the 3 Leisure Centres on the Council's behalf.

The contract was operational from the financial year 2003/04, and is for 32 years, ending in 2035/36, which leaves 26 years outstanding. At the end of 2009/10 the Council's remaining capital liability on this PFI contract was £5.366m.

#### Unitary charge breakdown

	2008/09 £000	2009/10 £000	1 Year £000	2 - 5 years £000	6 - 10 years £000	11 - 15 years £000	16 - 20 years £000	21 - 25 years £000	26 - 30 years £000
Leisure PFI - Unitary charge	900	938	957	4,022	5,497	6,070	6,701	7,398	1,569
Capital Repayment	55	59	64	314	564	840	1,251	1,863	492
Interest Expense	460	455	450	1,744	2,009	1,733	1,322	709	22
Contingent Rent	93	125	120	443	879	1,197	1,735	2,324	835
Services	292	299	323	1,521	2,045	2,300	2,393	2,502	220
	<b>900</b>	<b>938</b>	<b>957</b>	<b>4,022</b>	<b>5,497</b>	<b>6,070</b>	<b>6,701</b>	<b>7,398</b>	<b>1,569</b>

At the end of the contract the ownership of the 3 sports centres will be transferred back to the Council.

### 4. TRADING OPERATIONS

#### INDUSTRIAL ESTATE

	2008/09 £000	2009/10 £000
Turnover	101	61
Expenditure Total	(188)	(118)
Deficit before Charges	(87)	(57)
Capital Charges	(28)	0
Deficit on trading	(115)	(57)

**5. 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. The council is not currently achieving the 3 year breaks-even requirement and is investigating options to rectify the situation.

<b>Building Control</b>	<b>Chargeable Activities 2009/10 £000</b>	<b>Non- Chargeable Activities 2009/10 £000</b>	<b>Total 2009/10 £000</b>	<b>Total 2008/09 £000</b>
<b>Expenditure</b>				
Employee Expenses	283	137	420	404
Transport	22	10	32	30
External Support	8	-	8	12
Data Processing	8	8	16	16
Supplies and Services	11	6	17	15
Street Naming and Numbering	-	2	2	5
Central and Support Services	82	47	129	148
<b>Total Expenditure</b>	<b>414</b>	<b>210</b>	<b>624</b>	<b>630</b>
<b>Income</b>				
Building Regulations Charges	(363)	(10)	(373)	(391)
Land Charge Fees	-	(11)	(11)	(8)
Miscellaneous Income	-	(5)	(5)	(8)
Charges to other Council Depts	-	(77)	(77)	(30)
<b>Total Income</b>	<b>(363)</b>	<b>(103)</b>	<b>(466)</b>	<b>(437)</b>
<b>Deficit for the Year</b>	<b>51</b>	<b>107</b>	<b>158</b>	<b>193</b>
	<b>Chargeable Activities £000</b>	<b>Non- Chargeable Activities £000</b>	<b>Total £000</b>	
<u>Comparatives for 2008/09</u>				
Expenditure	442	188	630	
Income	(381)	(56)	(437)	
<b>Deficit for the Year</b>	<b>61</b>	<b>132</b>	<b>193</b>	
<u>Comparatives for 2007/08</u>				
Expenditure	446	256	702	
Income	(447)	(71)	(518)	
<b>Deficit for the Year</b>	<b>(1)</b>	<b>185</b>	<b>184</b>	

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.

## 6. 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 Income and Expenditure Account. For 2009/10 there were no material Agency Agreements in operation.

## 7. PARTNERSHIP SCHEMES

### Crime and Disorder Reduction Partnership (CDRP)

Community Safety Action Team (CSAT) works in partnership to deal with strategic issues in relation to the Crime & Disorder Act 1998. CSAT is expected to produce an annual strategic assessment to combat/address issues of crime and disorder in the District.

The partnership consists of Uttlesford District Council, Essex Police, Essex County Council, Essex Fire Authority, NHS West Essex and Council for Voluntary Services Uttlesford. It reports into the Local Strategic Partnership structure.

In 2009/10 the gross income of the partnership was £74,643 and expenditure £37,306. The unspent income (£37,337) has been carried forward and will contribute towards the costs of the partnership's strategic vision.

Uttlesford District Council contributed £2,500 to the partnership.

In addition the CDRP received £89,824 from Essex County Council's Area Based Grant allocation.

### Local Strategic Partnership (LSP)

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.

The partnership consists of Uttlesford District Council, Essex Police, Essex County Council, Essex Fire Authority, NHS West Essex, Uttlesford Council for Voluntary Services, Federation of Small Businesses, Sustainable Uttlesford, Uttlesford Association Local Councils and Learning and Skills Council.

In 2009/10 the gross income of the partnership was £116,068 and expenditure £65,047. The £51,021 underspend has been carried forward and will be spent by the Board during 2010/11.

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

In addition the partnership received £131,835 from Essex County Council's Performance Reward Grant allocation.

### Parking Partnership

The Council is a member of the Joint Committee for Parking Services that was formed with Braintree District Council and Colchester Borough Council with effect from 1 April 2009. For accounting purposes, the Joint Committee is considered to be a 'joint arrangement which is not an entity' (JANE). A copy of the audited accounts for the Joint Committee for Parking Services can be obtained from Colchester Borough Council.

Uttlesford District Council contributed £264,120 to the partnership.

**8. 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 2009/10.

The total Members' Allowances for 2009/10 were £284,811 (2008/09 £277,683)

Information regarding Members' Allowances is published in the local press and on the Council's website.

**9. SENIOR OFFICERS' REMUNERATION**

The following table shows the number of employees who received **basic salary payments** of more than £50,000 in the financial year 2008/09. Details of those employees' other remuneration and the employer's pension contribution are also included.

2008/09 Post holder information (Post title)	Basic Salary	Bonuses	Car Allowances	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding pension contributions 2008/09	Pension contributions	Total Remuneration including pension contributions 2008/09
<b>Chief Executive</b>	£100,848	-	£1,092	-	<b>£101,940</b>	£10,892	<b>£112,832</b>
<b>Assistant Chief Executive (Legal)</b>	£67,191	-	£1,092	-	<b>£68,283</b>	£7,257	<b>£75,540</b>
<b>Director of Development</b>	£67,764	-	£1,092	£582	<b>£69,438</b>	£7,319	<b>£76,757</b>
<b>Director of Central Services</b>	£76,828	- -	-	£3,434	<b>£80,262</b>	£8,297	<b>£88,559</b>
<b>Director of Operations</b>	£75,590	-	£1,092	-	<b>£76,682</b>	£8,164	<b>£84,846</b>
	<b>£388,221</b>	-	<b>£4,368</b>	<b>£8,384</b>	<b>£396,606</b>	<b>£41,929</b>	<b>£438,534</b>

The following table shows the number of employees who received **basic salary payments** of more than £50,000 in the financial year 2009/10. Details of those employees' other remuneration and the employer's pension contribution are also included. There are more employees listed and a larger total than the above 2008/09 table. There are two reasons for this: firstly, the Assistant Chief Executive (Finance) joined the Council in October 2008, half way through the year so the total basic salary payments received by the postholder in 2008/09 were below £50,000, so is omitted from the 2008/09 table. Secondly, the Head of Customer Support & Revenue Services received basic salary payments of just under £50,000 in 2008/09, so is omitted from the 2008/09 table. The postholder received a cost of living pay increase in 2009/10, so that the total basic salary payments received were above £50,000 in 2009/10.

## Statement of Accounts 2009/10

2009/10 Post holder information (Post title)	Basic Salary	Bonuses	Car Allowances	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding pension contributions 2009/10	Pension contributions	Total Remuneration including pension contributions 2009/10
<b>Chief Executive</b>	£102,442	-	£488	£1,894	<b>£104,824</b>	£11,986	<b>£116,810</b>
<b>Assistant Chief Executive (Legal)</b>	£67,584	-	£1,164	-	<b>£68,748</b>	£7,907	<b>£76,655</b>
<b>Director of Development</b>	£76,010	-	-	£1,906	<b>£77,916</b>	£8,893	<b>£86,809</b>
<b>Director of Central Services</b>	£76,032	-	-	£3,483	<b>£79,515</b>	£8,896	<b>£88,411</b>
<b>Director of Operations</b>	£76,032	-	£1,164	£1,164	<b>£77,196</b>	£8,896	<b>£86,092</b>
<b>Assistant Chief Executive (Finance)</b>	£67,470	-	-	-	<b>£67,470</b>	£7,894	<b>£75,364</b>
<b>Head of Customer Support and Revenue Services</b>	£50,362	-	£1,164	-	<b>£51,526</b>	£5,892	<b>£57,418</b>
	<b>£515,932</b>	<b>£0</b>	<b>£3,980</b>	<b>£8,447</b>	<b>£526,774</b>	<b>£60,364</b>	<b>£587,559</b>

The following table shows the number of employees whose total **remuneration** (salary and other benefits), excluding employer's pension contributions, was more than £50,000, in bands of £5,000. The table uses a different measure (total remuneration) than the two tables shown above (basic salary), but the information between the tables is consistent.

Remuneration Band	2008/09 Number of Employees	2009/10 Number of Employees
£50,000 - £54,999	9	9
£55,000 - £59,999	-	-
£60,000 - £64,999	-	-
£65,000 - £69,999	-	1
£70,000 - £74,999	2	1
£75,000 - £79,999	1	3
£80,000 - £84,999	1	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	1	-
£105,000 - £109,999	-	1
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	-	-
£145,000 - £150,000	-	-

The Council has no employees whose total remuneration exceeds £150,000 per year.

**10. 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 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 transactions to be declared.

Related party transactions during the year have arisen from funding arrangements with Central Government shown on the Cash Flow Statement, and with precepting authorities detailed in Note 3 to the Collection Fund. Other material related party transactions for 2009/10 which are not fully disclosed elsewhere in the Statement of Accounts were as follows:

2008/09 £000	2009/10 £000	2009/10 £000	2009/10 £000
Net	Receipts	Payments	Net
(302) Essex County Council	(1,093)	782	(311)
500 Other Local Authorities	(58)	536	478
(61) East of England Regional Assembly-Bldg Capacity East	-	19	19
(95) Health Protection Agency	(34)	-	(34)
(40) Fire & Police Authority	(60)	116	56
81 Citizens Advice Bureau	-	157	157
(20) Uttlesford Council for Voluntary Service	-	101	101
4 Saffron Walden County High School	-	-	-
0 Saffron Walden Town Council	(10)	26	16
(9) Saffron Walden & Great Dunmow Museum Society	(1)	3	2
(38) West Essex and Uttlesford PCT's	(19)	-	(19)
1 Rural Community Council of Essex	(102)	2	(100)
<b>21</b>	<b>(1,377)</b>	<b>1,742</b>	<b>365</b>

**11. FEES PAYABLE TO THE AUDIT COMMISSION**

In 2009/10 Uttlesford District Council incurred the following fees relating to external audit and inspection:

	2008/09 £000	2009/10 £000
Fees Payable to the Audit Commission with regard to External Audit Services carried out by the Appointed Auditor	128	124
Fees Payable to the Audit Commission in respect of Statutory Inspection	21	9
Fees Payable to the Audit Commission for the Certification of Grant Claims and Returns	51	65
	<b>200</b>	<b>198</b>

**12. OPERATING LEASE RENTALS**

The Council uses cars, vehicles and containers under the terms of an operating lease. The amount paid under these arrangements in 2009/10 was £141,099 (2008/09 £109,487).

The Council was committed at 31 March 2010 to making payments of £201,406 under operating leases, comprising the following elements:

	Vehicles, Plant and Equipment
<b>Leases expiring:</b>	<b>£000</b>
Within 1 Year	97
Within 2 – 5 Years	104
<b>Total</b>	<b>201</b>

**13. OPERATING LEASE INCOME**

The Council has two assets that it leases out on an operational basis (Angel Lane Market and Turpin's Bowls Hall). The annual revenue income from these leases is £26,000.

	Land & Buildings
<b>Payment due:</b>	<b>£000</b>
Within 1 Year	26
Within 2 – 5 Years	104

**14. FINANCE LEASE RENTALS & LONG TERM BORROWING**

The Council has acquired 16 waste collection vehicles under a finance lease. The rentals payable under these arrangements in 2009/10 were £310,304 charged to the Income and Expenditure Account as £44,082 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).

	2008/09	2009/10	1 Year	2 - 5 years
	£000	£000	£000	£000
Finance lease - amount payable	310	310	310	828
Principal repayment	257	266	275	778
Interest payable	53	44	35	50
	<b>310</b>	<b>310</b>	<b>310</b>	<b>828</b>



**15. 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 Council and summarises all of the resources that the Council 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.

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

## MOVEMENTS ON RESERVES

	Restated Balance as at 01-Apr-09 £000	Net Gains / (Losses) £000	Balance as at 31-Mar-10 £000	Purpose of Reserve
Revaluation Reserve	524	(82)	442	This account represents the difference between valuations as at 31/03/07 and the current valuations.
Capital Adjustment Account	231,528	(2,614)	228,914	This 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 and (c) the resources set aside to finance capital expenditure.
Usable Capital Receipts Reserve	1,331	(586)	745	Proceeds of fixed asset sales available to meet future capital investment
Pensions Reserve	(16,058)	(6,620)	(22,678)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet
Housing Revenue Account	785	(62)	723	Resources available to meet future unexpected running costs for council houses
Major Repairs Reserve	-	-	-	Resources available to meet capital investment in council housing
Financial Instruments Adjustment Reserve	(513)	(34)	(547)	Reserve to hold the impairment adjustments to the Landsbanki investment
Deferred Capital Receipts	548	(1)	547	Reserve to hold deferred capital receipts
General Fund Balance	1,096	-	1,096	Resources available to provide contingency for unforeseen events
Earmarked Reserves (see Note 37)	3,160	1,504	4,664	Usable resources set aside for individual purposes
Collection Fund Adjustment Account	78	(30)	48	An account for adjustment to the income relating to council tax and non-domestic rates
<b>Total</b>	<b>222,479</b>	<b>(8,525)</b>	<b>213,954</b>	

**17. 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. The movement in intangible assets during 2009/10 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.

During the year 2009/10 £725k of I.T. assets were re-stated as intangible assets. The comparative figures for 2008/9 have been re-stated to reflect this change, together with £316k of related amortisation.

<b>2008/09</b>		<b>2009/10</b>
<b>£000</b>		<b>£000</b>
<b>Restated</b>		
972	Balance at 31st March 2009	1,004
-	- Revaluation as at 1st April 2009	-
32	Additions	292
-	- Disposals	-
-	- Impairment	-
<b>1,004</b>	<b>Gross Balance carried forward</b>	<b>1,296</b>
(269)	Amortisation as at 31st March 2009	(439)
(170)	Amortisation In Year	(166)
-	- Amortisation Write Outs	-
<b>(439)</b>	<b>Amortisation balance carried forward</b>	<b>(605)</b>
<b>565</b>	<b>Net Value At 31st March 2010</b>	<b>691</b>

**18. 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>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>TOTAL £000</b>
Restated Balance as at 31/03/2009	211,841	23,796	5,486	318	40	<b>241,481</b>
Revaluation as at 01/04/2009	5,893	1,210	-	-	-	<b>7,103</b>
Additions	2,107		473	50	-	<b>2,630</b>
Disposals	(340)	(458)	-	-	-	<b>(798)</b>
Impairment	(9,283)	(848)	-	-	-	<b>(10,131)</b>
Reclassification - Held for Sale	-	(690)	-	-	-	<b>(690)</b>
<b>Gross Balance C/F</b>	<b>210,218</b>	<b>23,010</b>	<b>5,959</b>	<b>368</b>	<b>40</b>	<b>239,595</b>
Restated Deprec. B/Fwd	-	(985)	(1,874)	(3)	-	<b>(2,862)</b>
Deprec. In Year	(1,925)	(704)	(651)	(1)	-	<b>(3,281)</b>
Deprec. Write Outs	1,925	362	-	-	-	<b>2,287</b>
Deprec. Write Outs - Disposals	-	28	-	-	-	<b>28</b>
Reclassification - Held for Sale	-	46	-	-	-	<b>46</b>
Deprec. Bal C/F	-	<b>(1,253)</b>	<b>(2,525)</b>	<b>(4)</b>	-	<b>(3,782)</b>
<b>Net Value At 31/03/2010</b>	<b>210,218</b>	<b>21,757</b>	<b>3,434</b>	<b>364</b>	<b>40</b>	<b>235,813</b>
Restated Net Value At 31/03/2009	211,841	22,810	3,612	315	40	238,618

During the year 2009/10 £725k of I.T. assets were re-stated as Intangible assets. The opening balance for Vehicles Plant & Equipment as been restated to reflect this amendment, together with a £316k reduction in the b/f amortisation balance.

During the year 2009/10 the net book values for the three PFI sports centres were taken to the balance sheet in accordance with the SORP. The total net book value adjustment of £10.580m + £1.294m for the land at the Lord Butler sports centre, has been adjusted within the restated opening balance at 31/3/09.

Held within the overall total net book value of £237,325k at 31/03/2010 are leased assets with a net book values of £11,332k. These assets relate to finance leases or PFI agreements. During 2009/10 these assets were depreciated by £622k.

**b) VALUATIONS OF FIXED ASSETS**

HRA Council Dwellings are 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 2009 by: Justin Allen Dip Surv MRICS for the District Valuer Service, on behalf of Mark Catley, MRICS, FAAV, District Valuer, East of England. The Valuation letter was dated 29<sup>th</sup> April 2010.

**c) ANALYSIS OF FIXED ASSETS**

31/03/2009		31/03/2010	
Number	Restated Value £000	Number	Value £000
<b>Housing Revenue Account</b> (See HRA note 8)		<b>Housing Revenue Account</b>	
3,447	213,985	3,433	212,115
<b>General Fund</b>		<b>General Fund</b>	
n/a	481 Software Licences	n/a	626
1	3,160 Offices- Saffron Walden Offices- Great Dunmow	1	3,025
1	660 (Held for Sale)	1	644
2	363 Depot Premises	2	342
9	2,890 Car Parks	9	3,013
5	1,386 Day Centres	4	1,048
3	274 Public Conveniences	3	227
1	273 Cemetery Chapel	-	-
1	40 Dunmow Burial Ground	1	40
3	36 Public Conveniences Sites	3	36
2	39 Coach Parks Infrastructures	2	38
2	240 Other Infrastructure Vehicles, Plant and	2	290
n/a	1,890 Equipment	n/a	1,884
3	11,911 Leased Assets & PFI	3	11,331
n/a	390 Information Technology	n/a	482
1	300 Turpin Bowls Hall Priors Green Community	1	300
-	- Hall Land at Lord Butler Sport	1	790
n/a	1,294 Centre	n/a	1,294
n/a	5 Assets Under Construction		115
	<b>25,632 Total General Fund</b>		<b>25,525</b>
	<b>239,617 Total Fixed Assets</b>		<b>237,640</b>

**19. Non Operational Assets**

<b>Non Operational Assets</b>	<b>Investment properties £000</b>	<b>Surplus Assets £000</b>	<b>Held for Sale Assets £000</b>	<b>Assets Under Construction £000</b>	<b>TOTAL £000</b>
Balance B/FWD as at 31st March 2009	429	-	-	5	434
Revaluation as at 1/4/09	-	-	-	-	-
Additions	-	-	690	110	800
Disposals	(52)	-	-	-	(52)
Impairment	-	-	-	-	-
<b>Gross Balance C/FWD as at 31st March 2010</b>	<b>377</b>	<b>-</b>	<b>690</b>	<b>115</b>	<b>1,182</b>
Accumulated Depreciation	-	-	-	-	-
Held for Sale - reclassification of dep'n	-	-	(30)	-	(30)
Depreciation applied 2009/10	-	-	(16)	-	(16)
Depreciation written out in year	-	-	-	-	-
<b>Depreciation Balance C/FWD</b>	<b>-</b>	<b>-</b>	<b>(46)</b>	<b>-</b>	<b>(46)</b>
<b>Net value at 31st March 2010</b>	<b>377</b>	<b>-</b>	<b>644</b>	<b>115</b>	<b>1,136</b>
Net value at 31st March 2009	429	-	-	5	434

At the end of 2009/10 Dunmow Office was transferred out of Operational into Non-Operational Assets. The net book value of this held for sale asset at year end was £644k. This sale is due to be completed on the 30 September 2010.

**20. ANALYSIS OF COMMUNITY ASSETS**

During 2009/10, the Council held one Community asset on its balance sheet. This was the burial ground at Great Dunmow. Net book value for this asset at 31/03/2010 is £39,763.

**21. CAPITAL EXPENDITURE AND FINANCING**

	<b>2009/10 £000</b>		<b>2009/10 £000</b>
<b>Capital Expenditure</b>		<b>Financed By:</b>	
Intangible Assets	292	Usable Capital Receipts	(865)
Fixed Assets	2,630	Revenue Contributions - GF	(29)
Revenue Expenditure Funded from Capital Under Statute	455	Revenue Contributions - HRA	(217)
		Major Repairs Reserves	(1,925)
		Section 106	(80)
		Capital Grants	(261)
<b>TOTAL</b>	<b>3,377</b>		<b>(3,377)</b>

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

**22. SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS**

As at 31 March 2010, 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.

**23. 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). 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.

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

**24. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

	£000	£000
Expenditure:		
Renovation Grants	38	
Disabled Facilities Grant	239	
Community Project Grants	98	
Play Programme Grants - Big Lottery Grant	44	
Housing Improvement Grant	36	
		<b>455</b>
Amounts Written off to Income & Expenditure Account	(455)	
Amounts Written off to Capital Adjustments Account	-	
		<b>(455)</b>
<b>Balance as at 31/03/2010</b>		<b>-</b>

**25. LONG TERM INVESTMENTS**

Long term investments are funds that have been placed with counterparties for a period in excess of 365 days.

	Outstanding as at 31-Mar-09	Net adjustment including interest and impairments	Repayments	Outstanding as at 31-Mar-10
	£000		£000	£000
<b>Landsbanki Investment *</b>	1,686	(33)	-	1,653
	<b>1,686</b>	<b>(33)</b>	<b>-</b>	<b>1,653</b>

\* See note 40 FINANCIAL INSTRUMENTS – subsection Landsbanki

**26. LONG TERM DEBTORS**

	Outstanding as at 31-Mar-09	Loans Made	Loans Repaid	Outstanding as at 31-Mar-10
	£000	£000	£000	£000
Loans on Sale of Council Houses	4	-	(1)	3
Rent to Mortgage	536	-	-	536
Provincial Council Headquarters	8	-	-	8
	<b>548</b>	<b>-</b>	<b>(1)</b>	<b>547</b>

**27. STOCKS AND WORK IN PROGRESS**

	31-Mar 2009	31-Mar 2010
	£000	£000
Housing Stores	42	43
Building Maintenance	1	11
Vehicle Fuel	12	14
Trading Stocks	29	31
Stationery	4	4
	<b>88</b>	<b>103</b>



**28. DEBTORS**

<b>Restated 31/03/2009 £000</b>	<b>31-Mar-10 £000</b>
- Non Domestic Rate Arrears (See Note 1 below)	201
151 Council Tax Arrears	165
126 Housing Rent Arrears	94
798 Government Departments	1,002
142 Other Local Authorities	196
6 Interest due	5
33 Car Leasing prepaid	46
207 Vehicle Leasing prepaid	207
777 Other Accruals	1,015
455 Sundry Debtors	312
12 Miscellaneous	-
13 Car Loans to employees	3
1 Home computing initiative	1
<b>2,721</b>	<b>3,247</b>

Note 1. The above debtors figures are net of the following:

**Provision for Bad Debts**

<b>Restated 31/03/2009 £000</b>	<b>31-Mar-10 £000</b>
<b>Provision for Bad Debts</b>	
416 Non Domestic Rates	545
136 Council Tax	166
265 Housing Rents	280
318 Overpaid Benefit	391
89 Sundry Debtors	64
<b>1,224</b>	<b>1,446</b>

**29. SHORT TERM INVESTMENTS AND CASH BALANCES**

Investments consist of deposits with banks and building societies meeting the Council's security criteria set out in the Council's Treasury Management Strategy. The Council's short term investments and cash balances as at 31 March 2010 consisted of:

	31-Mar-09 £000	31-Mar-10 £000
<b>FIXED TERM INVESTMENTS</b>		
Money Market Lending	3,006	2,005
Government deposit account	1,500	-
Bank of Scotland	1,000	-
	<b>5,506</b>	<b>2,005</b>
<b>INSTANT ACCESS CASH BALANCES</b>		
Money Market Funds	-	2,001
Santander UK PLC	1,995	2,007
Barclays BPA Plus Account	-	100
Barclays PLC Current Account	1,682	1,338
	<b>3,677</b>	<b>5,446</b>
<b>TOTAL</b>	<b>9,183</b>	<b>7,451</b>

**30. CREDITORS**

Restated 31/03/2009 £000	31-Mar-10 £000
271 Government Departments	212
1,012 Other Local Authorities	461
994 Non Domestic Rates	-
34 Council Tax	37
49 Housing Rents	49
3,182 Section 106	3,133
374 Capital Grants	475
1,616 Other Accruals	1,413
471 Sundry Creditors	526
<b>8,003</b>	<b>6,306</b>

**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>Restated 31/03/2009 £000</b>	<b>Income £000</b>	<b>Interest £000</b>	<b>Drawn Down £000</b>	<b>31-Mar-10 £000</b>
Stansted Housing Partnership	2,662	-	12	-	2,674
Dunmow Eastern Sector	68	-	-	(50)	18
Section 106 - Estuary Housing	30	-	-	(30)	-
Section 106 - Woodlands Park	116	22	-	(31)	107
Section 106 - Holmes & Hills	41	-	-	-	41
Section 106 - Bellrope Meadows	150	-	-	-	150
Section 106 - Little Canfield	13	-	-	-	13
Section 106 - Laurels Yard Site/ Priors Green	88	-	-	-	88
Section 106 - Felsted	10	-	-	-	10
Section 106 - Oakwood Park	4	-	-	(4)	0
Section 106 - Bell College	-	32	-	-	32
<b>Total</b>	<b>3,182</b>	<b>54</b>	<b>12</b>	<b>(115)</b>	<b>3,133</b>

**31. 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-Mar-09 £000</b>	<b>31-Mar-10 £000</b>
112 Legal Claims	67
5 Other	-
<b>117</b>	<b>67</b>

- Legal Claims: an estimate of the Council's liability under certain legal claims (and associated costs) that were in progress as at 31 March 2010 and remain unresolved at the time the Statement of Accounts was produced. The estimates are based upon the most probable outcomes as assessed by the Council's Monitoring Officer. The actual liabilities could vary from the disclosed amount. It is expected that the claims will be settled during 2010/11.

**32. DEFERRED LIABILITIES**

	<b>Restated</b>					
	<b>2008/09</b>	<b>2009/10</b>	<b>1 Year</b>	<b>2 - 5</b>	<b>6 - 10</b>	<b>11 +</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>years</b>	<b>years</b>	<b>years</b>
				<b>£000</b>	<b>£000</b>	<b>£000</b>
Finance lease – Opening balance	1,593	1,363	1,097	822	-	-
Adjustment to principal balance held	27	-	-	-	-	-
Principal repayment	(257)	(266)	(275)	(822)	-	-
<b>Closing balance</b>	<b>1,363</b>	<b>1,097</b>	<b>822</b>	<b>-</b>	<b>-</b>	<b>-</b>
Leisure PFI – Opening balance	5,544	5,489	5,430	5,366	5,052	4,488
Principal repayment	(59)	(59)	(64)	(314)	(564)	(4,488)
<b>Closing balance</b>	<b>5,485</b>	<b>5,430</b>	<b>5,366</b>	<b>5,052</b>	<b>4,488</b>	<b>-</b>
Pensions Liabilities – Opening balance	-	540	394	248	-	-
Payment to Pension Fund	-	(146)	(146)	(248)	-	-
Pensions Liabilities	540	-	-	-	-	-
<b>Closing balance</b>	<b>540</b>	<b>394</b>	<b>248</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEFERRED LIABILITIES AT 31/3/2010</b>	<b>7,388</b>	<b>6,921</b>	<b>6,436</b>	<b>5,052</b>	<b>4,365</b>	<b>-</b>
Payments due within one year	(471)	(485)				
<b>BALANCE SHEET POSITION AT 31/3/2010</b>	<b>6,917</b>	<b>6,436</b>				

In accordance with the 2009/10 CIPFA SORP the elements of these liabilities that relate to 2010/11 have been reclassified under current liabilities on the balance sheet.

Finance Lease: In 2006 the authority acquired 16 waste collection vehicles under a finance lease. The rentals payable under these arrangements in 2009/10 were £310,310 charged to the Income and Expenditure Account as £44,089 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).

PFI: 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 PFI contract was fully operational from the financial year 2003/04, and is for 32 years, ending in 2035/36, which leaves 26 years outstanding. At the end of 2009/10 the Council's remaining capital liability on this PFI contract was £5,430,151. Please refer to note 3 for more details.

Pensions Liabilities: The Council's contractual liability to make top up payments to the Essex County Council pension fund as a result of decisions taken in earlier years to release staff on early retirement terms. The top up payments will be made during the years 2010/11 to 2012/13.

**33. 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.

	2008/09 £000	2009/10 £000
Balance as at 1 April	299	269
Capital Grants Deferred	-	962
Capital Grants Written Down	(30)	(30)
<b>Balance as at 31 March</b>	<b>269</b>	<b>1,201</b>

During 2009/10 under a S106 agreement the Council has been passed the ownership of Priors Green Community Hall, an asset with a total value at 1/4/09 of £790k. In accordance with the SORP for donated assets, this has been credited in the balance sheet as a deferred grant and is thus included in the £962k grants deferred in year (as per the above table). The asset is expected to be transferred back out of the Council's ownership during 2010/11.

**34. REVALUATION RESERVE**

The Revaluation Reserve 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 2009</b>		<b>524</b>
Adjustments:		
Gain in Valuation of Assets	284	
Impairment	(350)	
Write back of Depreciation	3	
Disposals of Assets	(19)	
		(82)
<b>Balance as at 31 March 2010</b>		<b>442</b>

**35. CAPITAL ADJUSTMENT ACCOUNT**

This account balance represents amounts that were previously held on the Fixed Asset Restatement Account and the Capital Financing Account. 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
Balance as at 1 April 2009	225,144	
Adjustment for PFI	5,090	
Adjustment for Lord Butler Sport Centre Land	1,294	
<b>Sub Total</b>		<b>231,528</b>
Usable Capital Receipts	865	
Major Repairs Reserve	1,925	
Revenue Contributions	246	
<b>2009/10 Capital Financing:</b>		<b>3,036</b>
Intangible Amortisation	(165)	
Depreciation of fixed assets	(1,147)	
Impairment of fixed assets	(1,469)	
Disposal of fixed assets	(803)	
Written down Deferred Gov. Grants	200	
Written down of revenue expenditure funded from capital under statute	(455)	
Minimum Revenue Provision	325	
Major Repairs – HRA - Write down	(2,136)	
<b>Total Adjustments:</b>		<b>(5,650)</b>
<b>Balance as at 31 March 2010</b>		<b>228,914</b>

**36. 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 25 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.

	Outstanding as at 31 March 2009	Loans Made	Loans Repaid	Outstanding as at 31 March 2010
	£000	£000	£000	£000
Loans on Sale of Council Houses	4	-	(1)	3
Rent to Mortgage Provincial Council Headquarters	536	-	-	536
	8	-	-	8
	<b>548</b>	<b>-</b>	<b>(1)</b>	<b>547</b>

**37. USABLE CAPITAL RECEIPTS RESERVE**

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

	<b>£000</b>
<b>Balance as at 1 April 2009</b>	<b>1,331</b>
<u>Receipts:</u>	
2009/10 Capital Receipts (Housing and Land)	673
<u>Applied:</u>	
2009/10 Paid to Pool	(415)
Historic accrual write off	42
2009/10 Capital Receipts used for Financing	(865)
2009/10 Expenses from sales of Capital Assets	(21)
<b>Balance as at 31 March 2010</b>	<b>745</b>

**38. EARMARKED GENERAL FUND RESERVES**

<b>Reserve</b>	<b>Balance 1 Apr 09 £000</b>	<b>Reserve Enhanced £000</b>	<b>Reserve Applied £000</b>	<b>Balance 31 Mar 10 £000</b>	<b>Purpose of Reserve</b>
Change Management	364	183	-	547	Finances the costs of special and one-off projects.
Budget Equalization	1,499	-	-	1,499	Useable resources set aside for equalization of pressures within the budget for the next 5 years.
Planning Development	141	629	-	770	Useable resources set aside for planning development issues
Landsbanki contingency	993	169	-	1,162	To cover losses against the Landsbanki investment
Waste Management	82	200	-	282	Waste management contingency provision against unforeseen costs and to enable a managed reduction in the base budget.
Elections	-	32	-	32	Contributions toward future election costs.
Licensing	-	138	-	138	Reserve to absorb excess of costs over income in relation to taxi licensing services
Business Development	-	42	-	42	Reserve to assist economic development and businesses in the district
Housing Benefits	-	100	-	100	Reserve to allow investment in the Benefits service, and to provide contingency against clawback of grant.
Energy Efficiency	81	13	(2)	92	Useable resources established to finance future investment in energy efficiency measures in Council properties
<b>Total</b>	<b>3,160</b>	<b>1,506</b>	<b>(2)</b>	<b>4,664</b>	

**39. NET ASSETS EMPLOYED**

	<b>Restated 31/03/2009 £m</b>	<b>31-Mar-10 £m</b>
General Fund	11.1	8.5
Housing Revenue Account	211.4	205.5
<b>Total</b>	<b>222.5</b>	<b>214.0</b>

**40. FINANCIAL INSTRUMENTS**

In 2007/08, the SORP introduced changes to the way in which local authorities account for financial instruments, in accordance with FRS 25, FRS 26 and FRS 29. These changes remain applicable in the 2009/10 SORP. 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).

**Amounts recognised in the Balance Sheet**

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 2010 is included within the carrying value of the financial instruments.

<b>Financial Instruments Balances</b>	<b>Long-Term</b>		<b>Current</b>	
	<b>Restated</b>		<b>Restated</b>	
	<b>31/03/2009</b>	<b>31-Mar-10</b>	<b>31/03/2009</b>	<b>31-Mar-10</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<u>Financial assets loans and receivables</u>				
Long term debtors	562	550	n/a	n/a
Debtors	n/a	n/a	2,455	2,798
Cash at Bank	n/a	n/a	3,677	5,446
Investments	n/a	n/a	5,522	2,023
	<b>562</b>	<b>550</b>	<b>11,654</b>	<b>10,267</b>
<u>Financial liabilities at amortised cost</u>				
Creditors	(3,556)	(3,608)	(2,910)	(2,176)
Deferred Liabilities	(6,917)	(6,436)	(471)	(485)
Deferred Credits	(548)	(547)	n/a	n/a
	<b>(11,021)</b>	<b>(10,591)</b>	<b>(3,381)</b>	<b>(2,661)</b>



**Financial Instruments – Balances**

The assets and liabilities disclosed in the balance sheet are analysed across the following categories at their carrying amount:

	Long Term		Current	
	31-Mar-09 £000	31-Mar-10 '£000	31-Mar-09 '£000	31-Mar-10 '£000
Borrowing	-	-	-	-
Deferred liabilities	6,921	6,436	471	485
Trade Creditors	-	-	-	41
<b>Total Financial Liabilities</b>	<b>6,921</b>	<b>6,436</b>	<b>471</b>	<b>526</b>
Loans and receivables	-	-	5,506	2,005
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
<b>Total Financial Assets</b>	<b>-</b>	<b>-</b>	<b>5,506</b>	<b>2,005</b>

The following table reflects the composition of investments recorded on the Balance Sheet:

	Long Term		Current	
	31-Mar-09 £000	31-Mar-10 '£000	31-Mar-09 '£000	31-Mar-10 '£000
<b>Investments:</b>				
Nominal Amount	-	-	5,506	2,005
Accrued Interest	-	-	16	18
Unamortised Premiums / (Discounts) on Available-for-Sale Assets	-	-	-	-
Movement in Fair Value on Available-for-Sale Assets	-	-	-	-
<b>Total Financial Assets</b>	<b>-</b>	<b>-</b>	<b>5,522</b>	<b>2,023</b>

The portion of long-term liabilities and investments due to be settled within 12 months of the balance sheet date are presented in the balance sheet under 'current liabilities' or 'current investments'.

Where loans are advanced at below market rates they are classed as 'Soft Loans'. The 2009 SORP sets out specific accounting requirements for soft loans. The Council does not have any soft loans.

**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.

Recognised in Income and Expenditure Account 2009/10	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and receivables	Available for sale assets	
	£000	£000	£000	
Interest Expense	(499)	-	-	(499)
Losses on derecognition	-	-	-	-
Impairment losses	-	(178)	-	(178)
Interest payable and similar charges	(499)	(178)	-	(677)
Interest income	-	235	-	235
Gains on derecognition	-	-	-	-
Interest and investment income	-	235	-	235
Gains on revaluation	-	-	-	-
Losses on revaluation	-	-	-	-
Amounts recycled to the I&E Account after impairment	-	-	-	-
Net gain/(loss) for the year	(499)	57	-	(442)

### Financial Instruments – Fair Values

The 2009 SORP requires the Fair Values of assets and liabilities to be disclosed for comparison purposes. Fair Value is defined in Financial Reporting Standard 26 (FRS 26) as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price.

In the case of Uttlesford's investments, these consisted of deposits with Banks and Money Market Funds. The maturity dates of these investments were all within 12 months of the balance sheet date, and the carrying amount has therefore been viewed to be equal to the fair value.

### Management of risks arising from Financial Instruments

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

### Credit Risk

Credit risk is the possibility that one party to a financial instrument will fail to meet its contracted obligation causing a loss to the other party. Amounts due to the Council from financial assets can arise either from loans and investments made, or from income receivable for goods or services provided by the Council. The majority of the Council'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 Council'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.

Some of the Council's short term trade debtors relate to the provision of goods and services, such as rents, car parking charges or sports centre income. The Council

operates an active debt recovery policy, to ensure that amounts due are collected as promptly as possible.

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence.

Throughout 2009/10, there has been continued stress in the financial markets due to the meltdown of the Icelandic economy and the fallout from the 'Credit Crisis'. As a response, and on advice from the Council's Treasury Advisors, the Council has introduced additional limits for new investments. The minimum criteria for investments now stands at a minimum long term rating (lowest common denominator approach) of A+ and a short term rating of F1.

The table below summarises the nominal value of the Council's investment portfolio at 31<sup>st</sup> March 2010, and confirms that all investments were made in line with the Council's approved credit rating criteria:

Counterparty	Credit Rating Criteria Met When Investment Placed?	Credit Rating Criteria Met on 31.03.2010?	Balance Invested at 31.03.2010				Total
			Up to 1 month	> 1 month and < 3 months	> 6 months and < 9 months	> 12 months and < 24 months	
Banks - UK	YES	YES	2,105	-	-	-	<b>2,105</b>
<b>Total Banks</b>			<b>2,105</b>	-	-	-	<b>2,105</b>
<i>Money Market Funds</i>	YES	YES	2,001	n/a	n/a	n/a	<b>2,001</b>
<i>Call Accounts</i>	YES	YES	2,007	n/a	n/a	n/a	<b>2,007</b>
<b>Total</b>			<b>4,008</b>	-	-	-	<b>4,008</b>

The above analysis shows that all deposits outstanding as at 31.03.2010 met the Council's credit rating criteria on the 31.03.2010.

The above analysis excludes the estimated carrying value after the impairment of the Council's Icelandic Bank investment of £2.2M.

### **Landsbanki**

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (New Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. The resolution committee has announced that its best estimate of the amount to be repaid to preferential claimants is 83%. CIPFA have recommended that the Statement of Accounts is based on this estimate.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of Old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets and the subsequent decision to remove it.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 33p in the pound.

No information has been provided by the resolution committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the authority has used the estimated repayment timetables for Heritable and KS&F as a basis for its assumption about the timing of recoveries.

Recoveries are expressed as a percentage of the Council's claim in the administration, which it is expected may validly include interest accrued up to 15 October 2008.

## FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The Financial Instruments Adjustment Account (FIAA) was established on 1 April 2007 when Financial Reporting Standards 25, 26 and 29 relating to Financial Instruments were adopted into SORP (2007 SORP). The balance in the FIAA account at the end of the financial year represents the amount that should have been charged to Income and Expenditure in accordance with proper accounting practices under the SORP, but which Statutory Provisions allow or require to be deferred over future years.

	<b>£000</b>
<b>Balance as at 31 March 2009</b>	<b>513</b>
<u>Landsbanki Adjustments</u>	
Impairments	178
Interest	(144)
Repayment	-
<b>Balance as at 31 March 2010</b>	<b>547</b>

### Liquidity risk

Liquidity risk is the risk that the Council may not have sufficient cash available to meet its day-to-day obligations to make payments. The Council 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 Council is readily able to access the funds that it needs, and has no significant liquidity risk. However, there is a consequent risk that the Council may be obliged to borrow at a time of unfavourable interest rates.

The Council had no outstanding short or long term debt as at 31 March 2010.

### 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. The Council is exposed to risks arising from movements in interest rates in terms of the investment portfolio. As investments are generally made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions to mitigate credit risk.

## **41. CONTINGENT LIABILITIES**

The Council has 1 contingent liability:

1. Municipal Mutual Insurance (MMI)

MMI is an insurance company established by a group of local authorities and incorporated in 1903. The Company suffered substantial losses between 1990 and 1992. These losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement. In September 1992 MMI ceased to write new, or to renew, general insurance business.

A contingent Scheme of Arrangement became effective in 1994. The Council is a Scheme Creditor under the Scheme. Details of the Scheme are viewable on the MMI website: [www.mminsurace.co.uk](http://www.mminsurace.co.uk).

Under the Scheme, MMI will continue to pay agreed claims arising from incidents that occurred prior to September 1992 as long as their funds remain sufficient to meet these obligations. If MMI's funds become insufficient to meet the cost of agreed claims, it is possible that MMI will seek to recover monies from Scheme Creditors.

MMI's Directors expect that funds held in reserve will remain in surplus, so it is unlikely that the Council will be required to make a contribution. However, as at 31 March 2010, the maximum possible liability for the Council under the Scheme is £60,447 (31 March 2009: £60,447). It is considered unlikely that the Council will be required to honour this liability so the amount has not been recognized in the accounts. The potential liability for the Council could increase in the event that new claims arise relating to incidents that occurred prior to September 1992.

## **42. CONTINGENT ASSETS**

The Council has 2 contingent assets:

1. In 2003, the Council overpaid £129,738 to HM Customs & Excise in error. In 2008, the Council entered into correspondence with HM Revenue & Customs to request that the overpayment be refunded along with interest of £1,028, bringing the total refund requested to £130,766. As at 31 March 2009, HMRC had declined to refund the overpayment because under VAT law, errors more than 3 years old cannot be rectified. The Council is pursuing this matter with Ministers. However, although the possibility exists that some recompense will be forthcoming, it is considered unlikely that the request for a refund will be agreed, so the possible gain of £130,766 has not been reflected in the accounts and the overpayment was written off in 2008/09.

2. VAT Fleming Claim

In 1996 the Government reduced the time limit for claiming overpaid VAT to three years from the date of the overpayment. No transitional provisions were made to allow claims to be made for a limited period under the old rules before the new time limits came into effect. The absence of such transitional arrangements was held to breach EC law and in 2008 the House of Lords made rulings in what is known as the "Fleming" case which have provided an opportunity to reclaim overpaid VAT for the period 1973 to 1996 in what is known as a "Fleming Claim". The Council submitted a Fleming Claim prior to the deadline of 1 April 2009. The claim for £309,020 of VAT, plus interest was paid by HMRC to the Council during August 2009. An estimated £100,000 of compound interest is still being claimed for. This potential additional gain has not been recognised in the Council's accounts. The timescale for determining the outcome is not known.

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

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 2009/10 this date is 20<sup>th</sup> September 2010.

On 17 August new legislation came into force that made it illegal for the Council to levy fees for personal searches of the Land Charges Register. The legislation indicates that in certain circumstances, charges already levied may be reclaimed from local councils. At the time of issuing the accounts, the Government had not closely defined how refund claims should be assessed, and it was not certain that Councils would be required to bear the cost of any refunds given. The Council has estimated that its maximum financial exposure could be up to £55,000. This amount is not reflected in the financial statements.

In his budget statement on 22 June, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the Essex Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS17/IAS19 benefit obligations by between 5% and 8% for most employers. The precise financial effect will be taken into account in the FRS17/IAS19 figures for the financial year ending 31 March 2011.

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

Uttlesford District Council is the sole trustee of the Saffron Walden Pig Market charity.

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.

		2008/09	2009/10
		£000	£000
	<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)	(40)	(40)
<b>Payments</b>	Grants paid	39	39
	Management and Administration.	1	1
	<b>Net Receipts / Payments</b>	-	-
	<b>(b) Statement of Assets and Liabilities</b>		
	Land-Share of Fairycroft Road Car Park	48	120

**45. PENSION FUND**

As part of the terms and conditions of employment of its employees, the Council offers membership of 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.

	2008/09 £000	2009/10 £000
Current Service Cost	(1,124)	(753)
Past Service Cost	-	-
Loss Due to Curtailments	(27)	(10)
Interest Cost	(3,449)	(3,381)
Expected Return on Assets	2,674	2,074
Movement on Pensions Reserve	<b>(1,926)</b>	<b>(2,070)</b>
Employers Contributions payable to the Scheme	1,362	1,433

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.

A reconciliation of the opening and closing balances of the present value of scheme liabilities for retirement benefits attributable to the Council as at 31 March 2010 are as follows:

	2008/09 £000	2009/10 £000
Benefit Obligation at beginning of period	(56,864)	(47,900)
Current Service Cost	(1,124)	(753)
Interest Cost	(3,449)	(3,381)
Member Contributions (UDC)	(420)	(439)
Actuarial Gains/(Losses) on Liabilities	11,798	(15,107)
Change in assumptions	-	-
Loss Due to Curtailments	(27)	(10)
Benefits/Transfers paid	2,186	1,750
Benefit Obligation at end of period	<b>(47,900)</b>	<b>(65,840)</b>
Note: Value of unfunded discretionary benefits included in Liabilities	(1,610)	(1,931)

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

A reconciliation of the opening and closing balances of the present value of scheme assets for retirement benefits attributable to the Council as at 31 March 2010 are as follows:

	2008/09 £000	2009/10 £000
Fair value of plan assets at beginning of period	41,011	31,842
Revaluation adjustment	(41)	-
Expected return on plan assets	2,674	2,074
Actuarial (Losses) / gains on Assets	(11,398)	9,124
Employer Contributions	1,362	1,433
Member Contributions (UDC)	420	439
Benefits/Transfers paid	(2,186)	(1,750)
Fair value of plan assets at end of period	<b>31,842</b>	<b>43,162</b>

Summary information for the year to 31 March 2010 is as follows:

	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000
Estimated Liabilities in the Scheme	(47,871)	(48,242)	(56,864)	(47,900)	(65,840)
Estimated Assets in the Scheme	39,256	42,272	41,011	31,842	43,162
Net Liability/Deficiency in the Fund	<b>(8,615)</b>	<b>(5,970)</b>	<b>(15,853)</b>	<b>(16,058)</b>	<b>(22,678)</b>
Actuarial Gains/(Losses)	1,479	2,817	(9,311)	400	(5,983)
Revaluation adj for balance b/f per FRS 17	-	-	-	(41)	-
Total pension cost recognised in STRGL	<b>1,479</b>	<b>2,817</b>	<b>(9,311)</b>	<b>(359)</b>	<b>(5,983)</b>

The CIPFA Code of Practice on Local Authority Accounting in the UK requires the above figures to be disclosed for 5 years.

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:

	01-Apr-09 %	31-Mar-10 %
Rate of Inflation	3.3	3.3
Rate of Increase in Salaries	4.8	4.8
Rate of Increase in Pensions	3.3	3.3
Discount Rate	7.1	5.6
Mortality Rates Assumption	Medium Cohort	Medium Cohort



Statement of Accounts 2009/10

The split of assets held by the Fund attributable to Uttlesford District Council as at 31 March 2010 is set out in the following table:

	31-Mar-09		31-Mar-10	
	£000	%	£000	%
Equities	23,722	74.5	29,134	67.5
Government Bonds	2,770	8.7	3,410	7.9
Other Bonds	1,688	5.3	4,316	10
Property	3,121	9.8	4,014	9.3
Cash/Liquidity	541	1.7	2,288	5.3
<b>Total</b>	<b>31,842</b>	<b>100</b>	<b>43,162</b>	<b>100</b>
Market Value of Total Fund Assets (£million)	3,043	31/03/2007		
	2,225	31/12/2008		
	2,864	31/12/2009		

Notes: 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 2010.

In accordance with FRS 17 the previous year figures have again been re-stated to reflect the revised asset prices included in the revised deficiency brought forward from 2007/08.

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

	31-Mar-09	31-Mar-10
	%	%
Equities	7.5	7.5
Government Bonds	4.0	4.5
Other Bonds	6.0	5.2
Property	6.5	6.5
Cash/Liquidity	0.5	0.5

**STATEMENT OF ACTUARIAL GAINS AND LOSSES**

	2005/06		2006/07		2007/08		2008/09		2009/10	
	£000	%	£000	%	£000	%	£000	%	£000	%
Asset Gain / (Loss)	4,967	13.0	468	1.1	(4,531)	(11.0)	(11,398)	(35.8)	9,124	21.1
Liability Gain / (Loss)	(1,045)	(2.2)	-	-	(1,216)	(2.1)	11,798	24.6	(15,107)	(22.9)
Change in Assumptions	(3,628)	(7.6)	2,349	(4.9)	(3,564)	(6.3)	n/a		n/a	
<b>Net Gain / (Loss)</b>	<b>294</b>	<b>(0.6)</b>	<b>2,817</b>	<b>(5.8)</b>	<b>(9,311)</b>	<b>(16.4)</b>	<b>400</b>	<b>0.8</b>	<b>(5,983)</b>	<b>9.1</b>

The CIPFA Code of Practice on Local Authority Accounting in the UK requires the above figures to be disclosed for 5 years.

An estimate of contributions payable on the scheme for 2010/11 is shown below

	2010/11
	%
Normal Contributions	1,217
£ for £ recharges	109
<b>Total</b>	<b>1,326</b>

## NOTES TO THE CASH FLOW STATEMENT

## 46. RECONCILIATION OF DEFICIT ON INCOME &amp; EXPENDITURE ACCOUNT TO NET CASH FLOW FROM REVENUE ACTIVITIES

2008/09 Restated £000	2009/10 £000	2009/10 £000
21,681	Income and Expenditure account deficit	2,335
<b>21,681</b>		<b>2,335</b>
	<b>Adjustment for Non – Cash Transactions</b>	
(21,498)	Amortisation, Depreciation & Impairment of Fixed Assets	(2,831)
(1,792)	Deferred charges written off to Services	(455)
(229)	Housing Capital Receipts Pool	(414)
	- Capital expenditure funded from revenue	246
160	Gain on disposal of fixed assets	(172)
(648)	Impairment of Financial Instruments	(177)
(1,235)	Net Retirement Benefit Changes	(637)
410	Other items	1,115
2,233	Transfers to Reserves	1,617
<b>(22,599)</b>		<b>(1,708)</b>
	<b>Appropriations</b>	
(117)	Contributions to Provisions	(65)
(799)	Increase in bad debt provision	225
(144)	VAT historic write off	-
<b>(1,060)</b>		<b>160</b>
	<b>Items on an Accruals Basis</b>	
(19)	(Decrease) / Increase in Stocks	15
(3)	(Decrease) in Long-Term Debtors	(1)
(437)	(Decrease) / Increase in Debtors	527
(1,762)	(Increase) / Decrease in Creditors	1,809
<b>(2,221)</b>		<b>2,350</b>
	<b>Items in another Classification in Cash Flow Statement</b>	
(724)	Interest Payable	(677)
637	Interest Receivable	235
<b>(87)</b>		<b>(442)</b>
<b>(4,286)</b>	<b>Net Cash Flow from revenue activities</b>	<b>2,695</b>

## 47. ANALYSIS OF MOVEMENT IN NET CASH &amp; INVESTMENTS

	01-Apr-09 £000	Cash Movement in the year £000	Non-Cash Movement in the year £000	31-Mar-10 £000
Bank Balance	1,682	(345)	-	1,337
Deposits Repayable on Demand	3,001	1,107	5	4,113
Short Term Investments	4,500	(2,500)	-	2,000
Long Term Investments	1,686	-	(33)	1,653
<b>Net Cash &amp; Investments</b>	<b>10,869</b>	<b>(1,738)</b>	<b>(28)</b>	<b>9,103</b>

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

	2009/10 £000
Increase in Bank & Deposits for the period	762
Cash outflow from decrease in liquid resources	(2,500)
Change in net cash & investments resulting from cash flows	<b>(1,738)</b>
Non-cash changes in net cash & investments	(28)
<b>Movement in net cash &amp; investments in the period</b>	<b>(1,766)</b>
<b>Net cash &amp; investments at 1<sup>st</sup> April 2009</b>	<b>10,869</b>
<b>Net cash &amp; investments at 31<sup>st</sup> March 2010</b>	<b>9,103</b>

### 48. ANALYSIS OF GOVERNMENT GRANTS

2008/09 Payments on Account £000	2009/10 Payments on Account £000
359 Capital Grants	318
450 PFI Special Grant	450
798 Other Government Grants and Contributions	777
3,569 Distribution from NNDR Pool	3,320
8,608 DWP: Housing Benefit Subsidy	9,668
5,205 Housing Benefit Subsidy – Rent Allowances	6,860
721 Government grants not attributable to specific services	831
<b>19,710 Government Grant Total</b>	<b>22,224</b>

## HOUSING REVENUE ACCOUNT

### INCOME AND EXPENDITURE ACCOUNT

2008/09 £000		2009/10 £000
	<b>Income</b>	
(10,908)	Dwelling Rents	(11,150)
(199)	Non-Dwelling Rents	(201)
(565)	Charges for Services and Facilities	(518)
(96)	Contributions towards Expenditure	(106)
<b>(11,768)</b>	<b>Total Income</b>	<b>(11,975)</b>
	<b>Expenditure</b>	
1,848	Repairs and Maintenance	2,083
2,090	Supervision and Management	2,253
34	Rents, Rates, Taxes and other Charges	41
5,160	Negative Housing Subsidy Payable	5,136
	Depreciation and Impairment of Fixed Assets	
1,864	- Dwellings	1,926
252	- Other Fixed Assets	211
18,641	Fixed Asset Impairment	1,467
121	Increase in Bad Debt Provision	82
<b>30,010</b>	<b>Total Expenditure</b>	<b>13,199</b>
18,242	Net Expenditure	1,224
267	HRA Services Share of Corporate and Democratic Core	261
145	HRA Share of other amounts included in the Whole Authority Net Cost of Services but not allocated to Specific Services	(2)
<b>18,654</b>	<b>Net Expenditure on HRA Services</b>	<b>1,483</b>
(160)	(Gain) on Sale of HRA Fixed Assets	(306)
(23)	Interest and Investment Income	(4)
94	Pension Interest Cost and Expected Return on Pensions Assets	157
<b>18,565</b>	<b>Deficit for the year on HRA Services</b>	<b>1,330</b>

**STATEMENT OF MOVEMENT ON THE HRA BALANCE**

2008/09 £000	2009/10 £000
(Surplus) / Deficit for the Year on the HRA Income 18,565 and Expenditure Account	1,330
Net Additional Amount Required by Statute to be Debited / (Credited) (18,799) to the HRA Balance for the Year	(1,268)
<b>(234)</b> (Increase) / Decrease in the Housing Revenue Account	<b>62</b>
(551) Housing Revenue Account Surplus Brought Forward	(785)
<b>(785)</b> Housing Revenue Account Surplus Carried Forward	<b>(723)</b>

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

2008/09 £000	2009/10 £000
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the Year</b>	
160 Gain or Loss on Sale of HRA Fixed Assets	306
(18,643) Fixed Asset Impairment	(1,467)
- Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute	(36)
(234) Net Charges made for Retirement Benefits in accordance with FRS 17	(249)
<b>(18,717)</b>	<b>(1,446)</b>
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the Year</b>	
170 Employer's Contributions Payable to the Essex County Council Pension Fund and Retirement Benefits Payable Direct to Pensioners	172
(252) Transfer from the Major Repairs Reserve	(211)
- Capital Expenditure funded by the HRA	217
<b>(18,799)</b> Net Additional Amount required by Statute to be debited / (credited) to the HRA Balance for the Year	<b>(1,268)</b>

**NOTES TO THE HOUSING REVENUE ACCOUNT****HRA 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 from the Council's General Fund, which means that the Council has no general discretion to transfer sums into or out of the HRA.

**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.

2008/09 £000	2009/10 £000
10,908 Dwelling Rent Income	11,150
(5,343) Tenant Rent Rebates	(5,680)
5,565 Collectable Rent	5,470
2008/09	2009/10
48.98% Dwelling Rent proportion met by Rent Rebate	50.94%

**HRA 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.

**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.

**HRA 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.

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

The HRA subsidy calculation is based on annual assumptions covering the rents each Council 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>2008/09 Subsidy Element</b>	<b>2009/10</b>
<b>£000</b>	<b>£000</b>
1,148 Management Allowance	1,210
2,674 Maintenance Allowance	2,804
1,864 Major Repairs Allowance	1,930
61 Charges for Capital	38
(10,906) Rent	(11,118)
(1) Interest on Receipts	-
- Rental constraint allowance	-
<b>(5,160) Net Total</b>	<b>(5,136)</b>

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

<b>2008/09</b>	<b>2009/10</b>
<b>£000</b>	<b>£000</b>
<b>Provision</b>	
(215) Provision as at 1 April	(265)
71 Write-Offs in Year	45
(121) Additional Provision in Year	(60)
(265) Provision 31 March	(280)
<b>Arrears</b>	
390 Gross Rent Arrears 31 March	374
1 Other Arrears 31 March	-
391 Total Arrears 31 March	374
<b>Rent</b>	
10,908 Gross Rent	11,150
5,565 Collectable Rent	5,470
<b>2008/09 Rent Arrears Ratios</b>	
3.58% Rent Arrears as Proportion of Gross Rent	3.35%
7.03% Rent Arrears as Proportion of Collectable Rent	6.84%

**HRA 8. BALANCE SHEET VALUES OF HRA PROPERTY**

<b>Restated 2008/09 £000</b>	<b>2009/10 £000</b>
<b>247,074 Values as at 1 April</b>	<b>213,935</b>
1,963 Additions - Tangible Assets	2,107
10 Additions - Intangible Assets	-
(283) Disposals	(340)
(36,421) Impairment	(9,289)
- Revaluations	5,910
- Reclassification	-
<b>212,343 Gross Book Value at 31 March</b>	<b>212,323</b>
(2,096) Depreciation for Year	(2,117)
(18) Amortisation for Year	(20)
3,706 Depreciation write out	1,929
<b>213,935 Net Book Value as at 31 March</b>	<b>212,115</b>

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

	<b>1 April 2009 £000 restated</b>	<b>1 April 2009 Number</b>	<b>31 March 2010 £000</b>	<b>31 March 2010 Number</b>
<b>Intangible Assets</b>				
Housing Contractors - Licences	46	n/a	36	n/a
Wireless for Contractors - Licences	28	n/a	19	n/a
Housing server replacement - Licences	10	n/a	9	n/a
<b>Operational Assets</b>				
Council Dwellings	211,841	2,876	210,218	2,872
Council Garages	1,778	560	1,596	560
Depot Premises	140	1	149	1
Small Housing Stores	11	1	8	1
Housing server replacment	4	n/a	3	n/a
<b>Non-Operational Assets</b>				
Housing Allotment sites	35	8	35	8
Depot Premises	42	1	42	1
	<b>213,935</b>	<b>3,447</b>	<b>212,115</b>	<b>3,443</b>



**HRA 9. 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.

2008/09 £000	2009/10 £000
<b>The Existing Use value of the dwellings was:-</b>	
233,313 As at 1st April	210,558
<b>The Vacant Possession value of the dwellings was:-</b>	
507,204 As at 1st April	457,736

**HRA 10. HOUSING STOCK**

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

31-Mar-09	31-Mar-10
1,383 Houses	1379
747 Flats & Bedsits	747
746 Bungalows	746
<b>2,876</b>	<b>2,872</b>
65 Bedsits	65
393 1 Bedroom Flats	393
152 1 Bedroom Houses	152
268 2 Bedroom Flats	268
800 2 Bedroom Houses	800
21 3 Bedroom Flats	21
1,128 3 Bedroom Houses	1124
49 4+ Bedroom Houses	49
<b>2,876</b>	<b>2,872</b>

The change in the stock can be summarised as follows:

2008/09	2009/10
<b>2,881 Stock at 1 April</b>	<b>2,876</b>
(2) Less RTB Sales	(4)
(3) Other Disposals	-
<b>2,876 Stock at 31st March</b>	<b>2,872</b>

**HRA 11. 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.

2008/09	2009/10
£000	£000
- Balance at 1 April	-
Transfers to MRR:	
(1,864) Amount equivalent to depreciation - Dwellings	(1,925)
(252) Amount equivalent to depreciation - Other Assets	(211)
Transfers from MRR:	
1,864 HRA Capital Expenditure financing	1,925
252 Transfer to the HRA - Depreciation other assets	211
<b>- Balance at 31 March</b>	<b>-</b>

**HRA 12. CAPITAL EXPENDITURE AND FINANCING**

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

2008/09	2009/10
£000	£000
<b>Expenditure:</b>	
1,960 Housing Improvement	2,107
14 Other HRA schemes	-
23 Cash Incentive Grants	36
<b>1,997</b>	<b>2,143</b>
<b>Funded By:</b>	
59 Useable Capital Receipts	-
74 External Contributions	-
- Revenue Contributions	218
1,864 Major Repairs Reserve	1,925
<b>1,997</b>	<b>2,143</b>

**HRA 13. CAPITAL RECEIPTS**

Capital receipt transactions can be summarised as follows:

2008/09 £000		2009/10 £000
<b>Sale of Council Houses</b>		
	<u>Right-to-Buy</u>	
79	Sale Proceeds	139
3	Mortgage Repayments	-
<u>(3)</u>	Sale expenses	<u>(1)</u>
<b>79</b>		<b>138</b>
	<u>Other Houses</u>	
-	Sale Proceeds	-
<b>79</b>	<b>Total Council House Sales</b>	<b>138</b>
<b>Sale of HRA Land</b>		
	<u>Land Sales</u>	
144	Sale Proceeds	5
<u>(3)</u>	Expenses	<u>(2)</u>
<b>141</b>	<b>Total Land Sales</b>	<b>3</b>
<b>220</b>	<b>TOTAL HRA ASSET SALES</b>	<b>141</b>

**HRA 14. 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 Finance 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:

2008/09 restated £000		2009/10 £000
<b>Intangible Assets</b>		
18	Software Licences	20
<b>Operational Assets</b>		
1,864	Council Dwellings	1,926
182	Garages	182
7	Depot Premises	7
2	Small Housing Stores	1
23	HRA IT System	-
9	Housing Contractors	-
9	Wireless for Contractors	-
-	Housing Server	1
<b>Non-Operational Assets</b>		
-	Housing Allotment sites	-
<b>2,114</b>		<b>2,137</b>

**HRA 15. Housing Revenue Account expenditure funded from capital under statute**

	£000	£000
Expenditure:		
Cash Incentive Grant	36	
		<b>36</b>
Amounts Written off to Income & Expenditure Account	(36)	
Amounts Written off to Capital Adjustments Account	-	
		<b>(36)</b>
<b>Balance as at 31/03/2009</b>		<b>-</b>

**HRA 16. Pension Reserve**

Under the full implementation of FRS17 (see Note 6, page 29) expenditure reflects the current service cost of retirement benefits. The overall amount to be met from rent and Government subsidy remains unchanged.

## THE COLLECTION FUND 2009/10

Uttlesford District Council is the authority responsible for the billing, collection and recovery of council tax 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.

2008/09 £000	INCOME AND EXPENDITURE ACCOUNT	2009/10 £000	£000
<b>Income</b>			
42,689	Council Tax Payers	44,157	
338	Council Tax Payers (adjustment relating to prior years)	18	
3,146	Council Tax Benefit	3,655	
<u>46,173</u>	Total Council Tax	<u>47,830</u>	
31,915	Business Rate Payers		34,576
<u><b>78,088</b></u>			<u><b>82,406</b></u>
<b>Expenditure</b>			
Precepts and Demands:			
33,402	- Essex County Council	34,526	
3,901	- Essex Police Authority	4,152	
1,988	- Essex Fire Authority	2,092	
6,108	Uttlesford District Council	<u>6,458</u>	
			47,228
45,399	Distributions of Previous Years' Surplus:		
34	- Essex County Council	216	
4	- Essex Police Authority	25	
2	- Essex Fire Authority	12	
-	- Uttlesford District Council	<u>30</u>	
			283
491	Provision for Doubtful Debts		233
Business Rates:			
31,784	- Payments to the National Pool		34,440
131	- Cost of Collection Allowance to General Fund		136
<u><b>77,845</b></u>			<u><b>82,320</b></u>
(243)	(Surplus) for the Year		(86)
(340)	(Surplus) as at 1 April		(583)
<u><b>(583)</b></u>	<b>(Surplus) as at 31 March</b>		<u><b>(669)</b></u>

## 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 2009/10 Band D property, being £1402.65 (2008/09, £1,367.73), 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 2009/10 Council Tax a gross tax base of 32,510 Band D equivalents was estimated (2008/09, 32,006). An allowance of 0.9% to cover losses on collection and adjustments was applied, thus reducing the tax base to 32,186 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 2009/10 - Analysis of Properties

	A	B	C	D	E	F	G	H	Total
Total no. Properties (after adjusting for discounts)	758	2,728	6,757	5,553	4,931	3,502	3,724	351	28,304
Ratio to Band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	505	2,122	6,006	5,553	6,027	5,058	6,207	702	32,180
Additions (Net of Discounts / Exemptions)									330
Total Band D Equivalents									32,510
Estimated Collection Rate for 2009/10 – 99%									32,186
Add M.O.D Properties									187
<b>COUNCIL TAX BASE</b>									<b>32,373</b>

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

	2008/09 £000	2009/10 £000
Gross Council Tax Collectable	50,445	52,632
Council Tax Payers (adjustment relating to prior years)	338	18
Less:		
- Exemptions	(1,415)	(1,522)
- Discounts	(3,199)	(3,302)
Net Collectable before Benefits and Allowances	<b>46,169</b>	<b>47,826</b>
Benefits	(3,146)	(3,656)
Transitional Relief	4	5
<b>Income from Council Tax Payers</b>	<b>43,027</b>	<b>44,175</b>

### 3. PRECEPTS

The following authorities made precepts on the Collection Fund:

	2008/09 £000	2009/10 £000
Essex County Council	33,402	34,526
Essex Police Authority	3,901	4,152
Essex Fire Authority	1,988	2,092
Uttlesford District Council	6,108	6,458
	<b>45,399</b>	<b>47,228</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 2009 was £79,293,022 (£76,564,027 at 1 April 2008) and the multipliers, which were specified by the Government, were 48.1p excluding small business relief (2008/09 45.8p) and 48.5p including small business relief (2008/09 46.2p). Based on the lower rate this produced an approximate yield of £38.140 million. The actual income from ratepayers was £34.576 million and the difference of £3.564 million is explained as follows:

	2008/09 £000	2009/10 £000
Transitional Relief	(364)	(481)
Charitable Relief	(1,561)	(1,540)
Void Properties	(718)	(1,709)
Net Increase in assessments	23	-
(Increase) in Bad Debt Provision	(255)	(145)
Interest on Refunds	(41)	(23)
Other Adjustments during the Year	(235)	334
	<b>(3,151)</b>	<b>(3,564)</b>

It should be noted that the multiplier used above of 48.1p is the small business relief multiplier (the comparable figure used for 2008/09 e.g. 45.8p). A higher 'with supplement' multiplier is levied for businesses not receiving small business relief. For 2009/10 this was 48.5p (2008/09 46.2p).

The National Non-Domestic rateable value at the year end was £80,372,552.

## 5. FUND BALANCE

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

<b>Fund Balance</b>	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
(Surplus) as at 1 April	(340)	(583)
(Surplus) / Deficit for the Year	95	(86)
Prior year adjustment	(338)	-
<b>(Surplus) as at 31 March</b>	<b>(583)</b>	<b>(669)</b>

The Collection Fund surpluses have been apportioned as follows:

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
Essex County Council	(429)	(513)
Essex Police Authority	(50)	(60)
Essex Fire Authority	(26)	(31)
Other major preceptors	<b>(505)</b>	<b>(604)</b>
Uttlesford District Council	(78)	(65)
	<b>(583)</b>	<b>(669)</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 is included in the balance sheet under creditors for the amounts due to the Other Local Authorities, whilst the element relating to Uttlesford is shown under balances, as recommended under the SORP.

## 6. COLLECTION FUND ADJUSTMENT ACCOUNT

This account records the resources set aside by the authority to finance Collection Fund commitments.

<b>Fund Balance</b>	<b>2008/09</b>	<b>2009/10</b>
	<b>£000</b>	<b>£000</b>
(Surplus) as at 1 April	(46)	(78)
Adjustments within year	(32)	30
<b>(Surplus) as at 31 March</b>	<b>(78)</b>	<b>(48)</b>



## **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 2010 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 outlines the vision, aims and four priority areas and Medium-Term Financial Strategy. The Corporate Plan has now been reviewed and updated to 2015. These plans and strategy outline the principal objectives for the Council and represents the key planning documents for the Council.

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.

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. A consultation process was undertaken and the Annual Assembly was held in October 2009. Workshop discussions contributed towards further refreshing of the Sustainable Community Strategy. The outcomes confirmed the priority areas for the thematic working groups to address during 2010.

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.

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 there is a formal link made between the priorities of the Council, actions intended to meet those priorities and how these are 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 Policy Committees, namely Finance and Administration, Community and Housing and Environment which are responsible for all matters defined by law and operate within the budget and policy framework approved annually by full Council. In addition to these there is the Licensing Committee which also has certain policy functions. 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.

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. The Licensing and Standards Committees also meet on an ad hoc basis to deal with individual cases. This, together with an appropriate level of delegation to senior managers, enables 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 Corporate Plans. 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.

In early 2010 CIPFA published a statement on the role of the chief financial officer in local government, setting out core principles and standards relating to the role of CFO and how it fits into the organisation's governance arrangements. In all material respects the Council complied with the CIPFA statement in 2009/10. Although the Chief Finance Officer did not report directly to the Chief Executive, he was part of the Strategic Management Board and had full access to the Chief Executive when required. A re-alignment of line management responsibilities early in 2010/11 means that the CFO will report direct to the Chief Executive.

***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 a Code of Conduct which has been formally approved and adopted. This Code is supported by 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 the Monitoring officer or Ethical Standards Officer on complaints or allegations of a breach of the Members Code of Conduct;
- 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 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. The Section 151 Officer is also responsible for preventing the Council incurring expenditure which is unlawful or contrary to policy and the Monitoring Officer for engaging in unlawful or ultra vires activities

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. A training programme for all staff on the Whistle Blowing Policy revised in 2009 has been undertaken.

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. Revised Financial Regulations were presented to Members at the Finance and Administration Committee meeting in July 2009 and to Full Council in July 2009.

**Contract Procedure Rules** - New Contracts Procedure Rules have been developed, to replace the existing Contract Standing Orders. These were presented to Members at the Finance and Administration Committee meeting in March 2010 and will be presented to Full Council in April 2010 and for adoption in 2010-11.

**Medium Term Financial Planning** – The Council approved the latest version of the Medium Term Financial Strategy (MTFS) in February 2010. This forecast provides the basis for financial decision making over the next five years for both the Council's Revenue and Capital budgets for deploying of resources and identifying of savings targets. The Council also publishes a Budget Book containing more detailed revenue information for the following financial year together with capital projections for the next five 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** – All budgets are assigned to named budget holders who receive monthly financial reports to enable them to manage their budgets. Summary reports are prepared for SMB and Committees. The reports have complete coverage of the Council's financial position, clear and detailed analysis, a rolling revised budget to ensure that actuals are compared with budgets like for like, and coverage of General Fund, HRA, Capital and Treasury Management in one report.

***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 Committee has an ongoing work plan, which is reviewed annually.

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 which is remitted to take certain decisions delegated from the Full Council and Licensing Committee which has decision making powers under the Licensing Act 2003 and the Gambling Act 2005. In general, these comprise planning and licensing decisions.

The Council has resolved to commence consultation on moving to a cabinet style administration as opposed to the alternative arrangement.

The Council is in the process of embedding Risk Management throughout the Council. Responsibility for overseeing the Risk Management process has been passed to the Business Improvement & Performance Team. Member support has been given to the team through the identification of a Risk Champion.

An implementation action plan is currently being progressed. Actions completed during 2009/10 include:

- Finalisation and dissemination of the revised Corporate Risk Framework and Strategy document in March 2009.
- Promotion of the best practice framework that embeds risk management at the Council to all Officers.
- Review and revision of the Corporate Risk Register. The register reflects all strategic level risks with associated mitigating actions that are monitored quarterly by both the Strategic Management Board and the Performance Select Committee.
- Development of Divisional Risk Registers via the Divisional Planning process. These registers reflect all operational risks that are managed by the relevant Head of Division. Again, mitigating actions have been identified and will be monitored on a quarterly basis. This monitoring activity will be facilitated via fortnightly Heads of Division / Senior Management Board meetings. All operational risks have been aligned to the Corporate Risk register where appropriate.
- All identified risks categorised and then prioritised by scoring them against a 4x4 matrix. A target score for each has also been identified.
- The management of all risks continues to be facilitated by Covalent, the Council's performance management system.

The Council first adopted a risk management strategy and policy in 2003 which has been regularly reviewed and updated. The 2009 revision of the policy aims to help identify, prioritise and manage the risks that exist in order to ensure the Council adopts a proactive approach to mitigating its risks.

The Performance Select Committee continues to have specific responsibility for scrutinising Risk Management and receives regular Risk Management update reports from the Business Improvement Team at its meetings.

A Voluntary Improvement Board was established during 2008 and comprises representatives of key external organisations and the Council. The Board monitors the Council's progress in priority areas. The Chairmanship of the Board was handed over to the Council by the Audit Commission in July 2009.

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

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

There are regular meetings between Senior Members and Officers. These include regular Chairs and Directors meetings and Committee Chairmen 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.

Members are being trained above and beyond the initial induction phase. Training provided for Members in 2009-10 includes Treasury Management; Probity in Planning and the Effectiveness of an Audit Committee.

### ***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:

- Created a new external communications strategy along with associated branding and style guides to help focus key messages to the community and ensure the council is represented in a consistent way.
- Drafted a new consultation strategy as part of a wider piece of work around consultation, which will include new processes and an annual consultation schedule. This will help eliminate duplication in consultation efforts across the authority.
- Recruited a 500-member Citizens Panel to help the council gauge public opinion about new policies and initiatives, along with public satisfaction for council services.
- Promoted joint-working through a district council customer service facility at the county council-run library in Great Dunmow and through opening up our Community Information Centre at Thaxted for use by other public bodies including the parish council, police and CAB.
- The council now also gives office space to JobCentre Plus advisors at Saffron Walden and Thaxted to address the issue of there being no JobCentre in the district.

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 Corporate Plan represents 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 sought through a number of consultation mechanisms, and 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 Corporate Plan. Actions for improvement are drawn from a variety of sources including external inspections, internal audit reviews; scrutiny reviews; Business Improvement reviews; Value for Money analysis; issues arising from performance management consultation exercises and service improvements identified by the Council's complaints and comments procedure.

The Council has formal complaints procedures which allows the public or other stakeholders to make a complaint regarding the service received from the Council or on the conduct of Members. 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.

There is a Local Strategic Partnership (LSP) - Uttlesford Futures - which has adopted a new Sustainable Community Strategy up to 2018. The membership of the thematic working groups is being reviewed alongside the action plans and additional partners are being identified and invited to participate. The Transport Forum is set to become one of the thematic groups under the Uttlesford Futures Partnership and meetings held with Essex County Council representatives to secure commitment to the development of transport action plans. Presentations have been made to the two community forums at which parish council representatives and the public are present.

The Sustainable Community Strategy was developed following consultation with key stakeholders and the wider community. Progress against the actions are measured on a quarterly basis and reported to Uttlesford Futures Management Team and Board.

Since December/January a review has been taking place of all of the action plans to ensure that completed or unachievable projects are removed and replaced with a smaller number of SMART projects to ensure the community benefits from the pooling of partnership resources. In addition, projects have been established for which Performance Reward Grant (PRG) funding has been secured to the value of £263,671 and will be implemented over a 2 year period. By way of introducing partnership risk assessments these will be applied initially to the PRG projects and then rolled out across all of the thematic groups' actions plans and partners. PRG projects are developing successfully and the LSP now has its own web page on the Uttlesford website which is linked to the Essex LSP portal to keep the public informed.

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. Uttlesford Futures has a comprehensive Governance Handbook and the terms of reference for all of the working groups are being reviewed to ensure they comply with the overarching document. Key partnerships include the Local Strategic Partnership - Uttlesford Futures; the Essex Legal Services Partnership and the Parking Partnership established between Colchester (lead authority) Braintree and Uttlesford Councils, which is being overseen by a Joint Committee and a Joint Committee Agreement is in place.



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

Utlesford 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:

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

The Council has three Policy Committees that approve all policies and reports. 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.

##### ***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.

##### ***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.

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

The Standards Committee met regularly throughout 2009-10 as part of the Committee cycle of meetings and presents an annual report to Full Council on its work throughout the year. The Committee achieved the work plan it adopted at its June 2009 meeting. Items addressed from the 2009-10 work plan included Probity in Planning; Chairman & Member training; Communications; Promoting Democracy and Changes to the Adjudication Panel.

The Standards Committee is now responsible for considering complaints and deciding whether or not to refer them for investigation in accordance with criteria published on the Council's website. The committee has shown itself willing to depart from the criteria in appropriate cases. In 2009-10 the committee received 7 allegations of breaches of the Code of Conduct. 5 were referred for investigation. In respect of the other 2 the sub-committee decided to take no action. Of the 5 referred 2 resulted in a hearing leading to the imposition of sanctions. 3 investigations are ongoing.

### ***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. 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, rated in line with the Council's risk rating system.

All recommendations are regularly followed up to ensure they are acted on. An opinion of the overall internal control environment is also provided.

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 the audit plan and on the implementation of audit recommendations by management. The committee also receive copies of all audit reports issued and selected audits reports are subject to review by the committee at its meetings at which the Head of Division responsible for the service audited may be 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 the system of internal audit and its compliance with the CIPFA Code of Practice for Internal Audit in Local Government is undertaken and the findings of this review have been reported to Members for their consideration as part of its Annual Report and Opinion. Internal Audit is also subject to regular review by the Audit Commission, all recommendations made in the 2008-09 review have been implemented. 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.

### ***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.

Unverified performance data for 2009/10 has identified that 61% of all indicators collected performed on or above target (35% of National Indicators, 66% of Corporate Indicators and 52% of Service Indicators). The under-performing Performance Indicator review process continues to be applied to indicators that have under-performed for 2 or more quarters.

As At 31 March 2010 the most recent Audit Commission Inspection was of the Community Housing Services in May 2008. The Council was assessed as Fair Service / Poor prospects for improvement. An action plan was drawn up following the inspection and is being delivered, all target dates for completion of actions have been met with the remaining actions being ongoing. The services were reinspected in Spring/Summer 2010 with a final assessment of a fair service / promising prospects for improvement.

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

### ***Outstanding issues from 2007-08 and 2008-09***

There are no outstanding significant control and governance issues from the Annual Governance Statements 2007-08 and 2008-09.

### ***Significant Control and Governance issues identified 2009-10***

**Asset Management**

The Council continues to receive qualified assessments from the Audit Commission in regard to its asset management as its Corporate arrangements for Asset Management are currently underdeveloped. A Service Level Agreement has been signed with Basildon District Council for the provision of Asset Management for the Council.

**Development of cost and performance information**

The Council needs to further develop cost and performance information to gain a clear understanding of the linkage between the two and enable more effective decision making.

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  
Chief Executive  
Date:

Councillor Jim Ketteridge  
Leader of the Council  
Date: