



# Uttlesford District Council



## Statement of Accounts 2010/11



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## EXPLANATORY FOREWORD

### 1. INTRODUCTION

- 1.1 This Statement of Accounts presents the financial results of the Council's activities for the year ended 31 March 2011, and summarises the overall financial position of the Council as at 31 March 2011. This foreword provides 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 CIPFA Code of Practice on Local Authority Accounting – a Statement of Recommended Practice (the 'Code').
- 2.2 With effect from 2010/11, the 'Code' is based upon International Financial Reporting Standards (IFRS). The introduction of IFRS has entailed significant alterations to the format and content of the accounts. The comparative figures for 2009/10 have had to be restated to ensure they are presented on a consistent basis with the 2010/11 figures. In many cases, the restated 2009/10 figures bear little relation to the audited 2009/10 accounts.
- 2.3 The 'code' represents an attempt by accounting regulators to reconcile IFRS with the statutory local government finance framework. This is not an easy marriage: there are material differences between what IFRS state should be included in the accounts, and what legislation states should be financed by a local authority and local council taxpayers. There are many entries in the accounts, particularly within the 'Comprehensive Income & Expenditure Statement', which are included as notional items for presentational purposes, so that IFRS are fulfilled, and then "reversed out" via the 'Statement of Movement in Reserves' so that the bottom line financial performance is consistent with statutory requirements.
- 2.4 To compound this issue, IFRS has introduced new terminology, disclosures and accounting treatment that undermine the clarity of the accounts. Furthermore, some IFRS-related changes are counter-intuitive, for example, the requirement to bring assets onto the balance sheet that the Council uses but does not actually own, for example, Saffron Walden Museum. The 'code' also requires expenditure on services to be categorised under standard headings that bear little relation to the actual 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 2010/11 in a way that the financial statements themselves may not clearly do so.
- 2.7 Many financial commentators and practitioners in local government have criticised the decision to implement IFRS in local government, and there have been calls for a reform of the accounting rules to ensure greater clarity and understandability. Any reader of these accounts who agrees that a

better approach is needed may wish to contact either CIPFA, the Financial Reporting Council or the Department for Communities & Local Government.

2.8 The following are summary definitions of the core financial statements:

### **Movement in Reserves Statement (page 18)**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be used to fund expenditure, or minimise increases in Council Tax) and 'unusable reserves' (i.e. those kept to manage the accounting processes for non-current assets, financial instruments and employee benefits, and do not represent usable resources for the Council).

The (surplus)/deficit on the Provision of Services line shows the true economic cost of providing the Council's services, details of which are shown in the Comprehensive Income and Expenditure Statement (see below). The 'true economic cost', consistent with accounting rules, is different from the statutory amounts of expenditure required to be charged to the General Fund and Housing Revenue Account for council tax setting and rent setting purposes.

The "net (increase)/decrease before transfer to earmarked reserves" line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### **Comprehensive Income and Expenditure Statement (page 20)**

This statement shows the accounting cost in the year of providing services in accordance with the accounting rules, rather than the statutory amounts to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from accounting costs. The taxation position is shown in the Movement in Reserves Statement.

**Balance Sheet (Page 21)**

This statement is fundamental to the understanding of a Council's financial position at the year-end. It shows the value as at 31 March of the Council's assets and liabilities. The Council's net assets (i.e. assets less liabilities) are matched by reserves held by the Council. Reserves are reported in two categories. Usable reserves may be used by the Council to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). Unusable reserves are those that the Council is not able to use to provide services, and include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available for use if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

**Cash Flow Statement (Page 23)**

This statement shows the changes in cash and cash equivalents of the Council during the financial year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

**Notes to the Core Financial Statements (Page 24 to 81)**

The notes to the Statements provide additional information.

**Housing Revenue Account (HRA) Comprehensive Income and Expenditure Account (Page 82)**

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 Comprehensive 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 Comprehensive Income and Expenditure Account.

**Collection Fund (Page 89)**

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:

**Statement of Responsibilities for the Statement of Accounts (Page 16)**

This outlines the responsibilities of the Council and the Assistant Chief Executive - Finance with respect to the accounts.

**Statement of Accounting Policies (Page 94)**

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

**Report of the Auditor (Page 112)**

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.

**Annual Governance Statement (Page 115)**

This explains the systems of Governance that were in place during 2010/11 and reviews their effectiveness. There were no significant weaknesses.

### 3. SIGNIFICANT MATTERS IN THE ACCOUNTS

Section 4 below summarises the key financial results for 2010/11. To provide context the following describes significant non-routine items that feature in the detailed financial statements.

#### 3.1. 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. This ruling was confirmed by the Icelandic courts in April 2011. However, non-preferential creditors are appealing the court decision, with appeals likely to be heard in autumn 2011.

Meanwhile, the Council is required to include an estimate of the recoverable amount of the deposit in the 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 December 2011 and December 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 £1.74 million, a reduction ("impairment") of £595,000 on the original sum. The Statement of Accounts has been prepared on this basis.

After making other required accounting adjustments reflecting notional interest receipts, the net sum of £460,000 has been charged as a revenue loss in the Comprehensive Income & Expenditure Account. The Council had anticipated this and had built up a Contingency Fund within its General Fund earmarked reserves.

It is possible that the recoverable amount will end up being lower than the amount stated in the accounts. Most significant will be the outcome of the appeal against the court ruling regarding preferential status. The estimated recovery for non-preferential creditors is around 38%. Exchange rate fluctuations and actual timing of payments could affect amount of dividends and the impairment charge reflected in the Council's accounts.

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. To an extent, compensation for the loss of income will form part of the eventual confirmed settlement from Landsbanki.

### 3.2. Pension Fund Deficit reduction

The Council's share of the Essex County Council Pension Fund deficit is estimated to have fallen from £22.7m to £19.2m during the year. This is shown as a liability on the balance sheet. The main reason for the improved position is the Government's decision to link scheme members' benefits to the Consumer Prices Index instead of the higher Retail Prices Index. This change therefore reduces the value of estimated future liabilities falling upon the fund. Further reforms of public sector pensions are being considered by Government and it is likely that other measures will be taken in the next few years that will reduce the deficit further. Meanwhile, 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 Pension Fund Board, based upon actuarial advice. 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.

### 3.3. Other critical judgements and key sources of estimation uncertainty

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The main critical judgement made in the Statement of Accounts is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council has a robust Medium Term Financial Strategy that will minimise any service reductions. Other key judgements and uncertainties are:

- Under IFRS the Council is deemed to control the services provided under a Private Finance Initiative (PFI) with Leisure Connections Limited in relation to the provision of three leisure centres. The Council has applied relevant accounting policies to this arrangement and assets valued at £16 million are included on the Balance Sheet, together with liabilities arising from the PFI contract.
- Under IFRS the Council is deemed to control the risks and rewards associated with the delivery of community facilities from both the Thaxted Guildhall and Saffron Walden Museum. As a result of applying relevant accounting policies these arrangements have been classified as donated assets and placed on the Balance Sheet, although the Council does not actually own the assets.
- As at 31 March 2011, the Council had debts due from customers totaling £3.4 million. A review of arrears suggests that bad debt provisions totaling £1.4 million are appropriate. Given the current economic climate, it is not certain whether this is sufficient.
- The Council has cancelled its contractual arrangements in relation to three public conveniences, known as "Supaloos". A provision of £170,000 has been placed in the accounts to reflect the estimated termination payment for the contract, due in 2011/12.



#### 4. SUMMARY OF THE 2010/11 FINANCIAL YEAR

- 4.1 2010/11 was a year in which the Council continued to strengthen its financial position following a period of consolidation that began in 2008. In general, this was achieved with net underspends arising within revenue expenditure. Target use of reserves was made during the year to invest in service improvements and the implementation of projects that will reduce the Council's running costs over the medium term. 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 Movement in Reserves on the General Fund Balance on page 18; for reasons of clarity notional items are omitted from this summary table.

	<b>Original Budget Restated</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Actual to Revised Budget</b>	<b>Variance Actual to Original Budget</b>
	£'000	£'000	£'000	£'000	£'000
Net Service Expenditure	9,227	9,794	9,023	(771)	(204)
Other items (net)	40	40	125	85	85
<b>Sub total – net operating expenditure</b>	<b>9,267</b>	<b>9,834</b>	<b>9,148</b>	<b>(686)</b>	<b>(119)</b>
Landsbanki impairment	1,014	1,162	460	(702)	(554)
Use of Landsbanki reserve	(1,014)	(1,162)	(460)	702	554
<b>Net Expenditure</b>	<b>9,267</b>	<b>9,834</b>	<b>9,148</b>	<b>(686)</b>	<b>(119)</b>
Transfer to Working Balance	85	85	85	-	-
Transfer to/(from) Reserves	(387)	(944)	(899)	45	(512)
<b>TOTAL</b>	<b>8,965</b>	<b>8,975</b>	<b>8,334</b>	<b>(641)</b>	<b>(631)</b>
<b>Funding available</b>	<b>(8,965)</b>	<b>(8,975)</b>	<b>(8,975)</b>	<b>-</b>	<b>(10)</b>
<b>Final position</b>	<b>-</b>	<b>-</b>	<b>(641)</b>	<b>-</b>	<b>-</b>

Statement of Accounts 2010/11

4.3 The above shows that net operating expenditure was £686,000 below the amount in the Revised Budget. The reasons are as follows:

£0.232m	Costs relating to termination of Supaloos contract
£0.125m	Additional direct revenue financing of capital expenditure
(£0.453m)	Additional Government funding to offset Housing & Council Tax Benefits expenditure
(£0.120m)	Net surplus arising from court decision to allow local authorities to retain land charges income
(£0.105m)	Net savings in the waste collection service
(£0.365m)	Minor variances (net)

**(£0.686m)** Net favourable variance

4.4 For further details of the General Fund financial performance in 2010/11, please refer to the Cabinet 16 June 2011 meeting papers, [available on the Council's website](#). The following is a summary of General Fund reserves for the year. The Working Balance ends the year at £1,181,000, which is the minimum safe contingency level determined by the Council.

	<b>Balance 31.3.2010</b>	<b>Transfers From General Fund</b>	<b>Transfers between reserves</b>	<b>Transfers To General Fund</b>	<b>Balance 31.3.2011</b>
	£'000	£'000	£'000	£'000	£'000
Working Balance	1,096	85	-	-	1,181
<u>Corporate Reserves</u>					
Budget Equalization	1,499	-	-	-	1,499
Change Management	547	632	123	(489)	813
Landsbanki Contingency	1,162	-	-	(460)	702
<u>Service Reserves</u>					
Planning Development	770	-	(123)	(299)	348
Waste Management	282	-	-	(60)	222
Energy Efficiency	92	-	-	(83)	9
Licensing	138	1	-	-	139
Elections	32	30	-	-	62
Business Development	42	-	-	-	42
Homelessness	-	25	-	-	25
Housing Benefits	100	55	-	-	155
<b>TOTAL</b>	<b>5,760</b>	<b>828</b>	<b>-</b>	<b>(1,391)</b>	<b>5,197</b>

**HOUSING REVENUE ACCOUNT**

- 4.5 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 82.

	Original Budget	Revised Budget	Outturn	Variance Adverse / Favourable (-)
	£'000	£'000	£'000	£'000
Income	(12,125)	(12,126)	(12,153)	(27)
Housing Repairs	1,650	1,692	1,866	174
Supervision & Mgt.	1,773	1,753	1,606	(147)
Rent, Rates & Property	30	30	43	13
Housing Subsidy	4,937	4,937	4,898	(39)
Depreciation	1,955	1,955	1,955	-
Bad Debt Provision	59	59	29	(30)
Contribution to capital	400	400	400	-
Recharge from General Fund	1,197	1,197	1,199	2
Pension costs	51	51	85	34
<b>Surplus for year</b>	<b>(73)</b>	<b>(52)</b>	<b>(73)</b>	<b>(21)</b>
<b><u>Working Balance</u></b>				
Balance at 1 April 2010	(723)	(723)	(723)	-
Surplus for year	(73)	(52)	(73)	(21)
<b>Balance at 31 March 2011</b>	<b>(796)</b>	<b>(775)</b>	<b>(796)</b>	<b>(21)</b>

- 4.6 The table shows that there was an overall favourable variance of £21,000. This was a result of unbudgeted repairs costs arising from very cold weather, compensated for by careful management of other budgets to achieve an overall result close to budget. The HRA Working Balance was maintained at a level comfortably above the minimum safe contingency level assessed by the Council (£484,000).

**CAPITAL EXPENDITURE**

4.7 Capital expenditure in 2010/11 totalled £5.129m against a revised budget of £5.877m, a net underspend of £748,000, 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, amount to £274,000, and will carry forward into 2011/12.
- This leaves a net favourable variance of £474,000 which is mostly attributable to savings on capital budgets allocated to vehicle replacements, a drop in demand for disabled facilities grants, and completion of capital works under budget.

£000	Original Budget	Revised Budget	Outturn	Variance Adverse/ Favourable(-)	Slippage carried forward to 2011/12	Overspend/ Underspend (-)
<u>General Fund schemes</u>						
Community & Housing	1,342	495	282	-213	-110	-103
Environment	1,024	1,529	1,173	-356	-122	-234
Finance & Administration	755	437	402	-35	-20	-15
Supervision	5	0	0	0	0	0
<b>Sub total</b>	<b>3,126</b>	<b>2,461</b>	<b>1,857</b>	<b>-604</b>	<b>-252</b>	<b>-352</b>
Housing Revenue Account schemes	2,658	3,416	3,272	-144	-22	-122
<b>TOTAL CAPITAL PROGRAMME</b>	<b>5,784</b>	<b>5,877</b>	<b>5,129</b>	<b>-748</b>	<b>-274</b>	<b>-474</b>
<u>Capital Financing</u>						
External Grants & Contributions	1,272		946			
Internal Borrowing	1,232		0			
Capital Receipts	1,175		1,698			
HRA Major Repairs Allowance	1,955		1,955			
Work in progress to be financed 2011/12	0		28			
Contribution from revenue (HRA)	150		400			
Contribution from revenue (GF)	0		102			
<b>Total sources of financing</b>	<b>5,784</b>		<b>5,129</b>			

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- 4.8 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 £0.7 million to nil during 2010/11, which means that the Council will become dependent upon internal borrowing to support the capital programme in future years.
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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 112).

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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>

- 8.2 To express views on the clarity of the financial statements and the use of IFRS in local government, the following organisations may be contacted:

CIPFA [http://www.cipfa.org.uk/corporate/contact\\_us.cfm](http://www.cipfa.org.uk/corporate/contact_us.cfm)

Financial Reporting Council <http://frc.org.uk/contact.cfm>

DCLG <http://www.communities.gov.uk/corporate/contact>

Stephen Joyce  
Assistant Chief Executive - Finance  
29 September 2011

## **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 Council, 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 (by delegation to the Performance and Audit Committee)

### **THE ASSISTANT CHIEF EXECUTIVE – FINANCE'S 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').

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 local authority 'Code'.
- 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 2011 and its Income and Expenditure for the year ended 31 March 2011.

Signature: Stephen Joyce, CPFA  
Assistant Chief Executive - Finance  
Date: 29 September 2011



**APPROVAL OF THE ACCOUNTS**

I confirm that the Statement of Accounts was approved by a resolution of the Performance & Audit Committee on 29 September 2011

Signature:

Councillor Simon Howell  
Chairman Performance & Audit Committee  
Uttlesford District Council

Date:

29 September 2011

**MOVEMENT IN RESERVES STATEMENT**

	<b>General Fund Balance</b>	<b>Earmarked GF Reserves</b>	<b>HRA Balance</b>	<b>Usable Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Authority Reserves</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Balance at 31 March 2010</b>	<b>(1,096)</b>	<b>(4,664)</b>	<b>(723)</b>	<b>(745)</b>	<b>(3,386)</b>	<b>(10,614)</b>	<b>(208,417)</b>	<b>(219,031)</b>
(Surplus) or deficit on provision of services (accounting basis)	47	-	23,432	-	-	<b>23,479</b>	(111)	<b>23,368</b>
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	(49,764)	<b>(49,764)</b>
Total Comprehensive Expenditure and Income	47	-	23,432	-	-	<b>23,479</b>	(49,875)	<b>(26,396)</b>
Adjustments between accounting basis & funding basis under regulations	577	-	(23,505)	745	534	<b>(21,649)</b>	21,649	-
Net Increase / Decrease before Transfers to Earmarked Reserves	624	-	(73)	745	534	<b>1,830</b>	(28,226)	<b>(26,396)</b>
Transfers to / (from) Reserves	(709)	648	-	-	61	-	-	-
(Increase) / Decrease in Year	(85)	648	(73)	745	595	<b>1,830</b>	(28,226)	<b>(26,396)</b>
<b>Balance at 31 March 2011</b>	<b>(1,181)</b>	<b>(4,016)</b>	<b>(796)</b>	-	<b>(2,791)</b>	<b>(8,784)</b>	<b>(236,643)</b>	<b>(245,427)</b>

	General Fund Balance	Earmarked GF Reserves	HRA Balance	Usable Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2009</b>	<b>(1,096)</b>	<b>(3,160)</b>	<b>(785)</b>	<b>(1,331)</b>	<b>(3,415)</b>	<b>(9,787)</b>	<b>(216,819)</b>	<b>(226,606)</b>
(Surplus) or deficit on provision of services (accounting basis)	219	-	1,330	-	-	<b>1,549</b>	121	<b>1,670</b>
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	5,905	<b>5,905</b>
Total Comprehensive Expenditure and Income	219	-	1,330	-	-	<b>1,549</b>	6,026	<b>7,575</b>
Adjustments between accounting basis & funding basis under regulations	(1,723)	-	(1,268)	586	29	<b>(2,376)</b>	2,376	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(1,504)	-	62	586	29	<b>(827)</b>	8,402	<b>7,575</b>
Transfers to / (from) Reserves	1,504	(1,504)	-	-	-	-	-	-
(Increase) / Decrease in Year	-	(1,504)	62	586	29	<b>(827)</b>	8,402	<b>7,575</b>
<b>Balance at 31 March 2010</b>	<b>(1,096)</b>	<b>(4,664)</b>	<b>(723)</b>	<b>(745)</b>	<b>(3,386)</b>	<b>(10,614)</b>	<b>(208,417)</b>	<b>(219,031)</b>

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

<b>Restated Net Total</b>			<b>Gross Expenditure</b>	<b>Income</b>	<b>Net Expenditure</b>
<b>2009/10</b>		<b>Notes</b>	<b>2010/11</b>	<b>2010/11</b>	<b>2010/11</b>
<b>£'000</b>			<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
1,040	Central Services to the Public		5,897	(4,734)	1,163
3,705	Cultural, Environmental & Planning		11,618	(4,314)	7,304
(402)	Highways, Roads & Transport Services		1,088	(1,035)	53
1,484	Housing Revenue Account		36,195	(12,146)	24,049
710	Other Housing Services		14,233	(15,095)	(862)
193	Adult Social Care		365	(18)	347
1,546	Corporate and Democratic Core		2,163	(111)	2,052
2	Non-Distributed Costs		836	(3,857)	(3,021)
<b>8,278</b>	<b>Cost of Services</b>		<b>72,395</b>	<b>(41,310)</b>	<b>31,085</b>
2,525	Other Operating Expenditure	2.5			2,219
1,803	Financing & Investment	2.5			1,290
(10,936)	Tax and Non-Specific Grant Income	2.5			(11,226)
<b>1,670</b>	<b>Deficit on Provision of Services</b>				<b>23,368</b>
66	(Surplus) or Deficit on Revaluation of Fixed Assets				(49,335)
5,839	Actuarial (Gains) and Losses on Pension Assets /Liabilities				(429)
<b>7,575</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(26,396)</b>

## BALANCE SHEET

Restated 1 April 2009 Balance £'000	Restated 31 March 2010 Balance £'000		Notes	31 March 2011 Balance	
				£'000	£'000
<b>565</b>	<b>691</b>	<b>Intangible Fixed Assets</b>	17		<b>720</b>
		<b>Property, Plant and Equipment - Operational Assets</b>			
211,841	210,218	Council Dwellings	18	228,721	
23,167	22,090	Other Land and Buildings	18	23,147	
3,612	3,434	Vehicles, Plant and Equipment	18	7,903	
315	364	Infrastructure Assets	18	451	
688	703	Community Assets	18	1,007	
<b>239,623</b>	<b>236,809</b>				<b>261,229</b>
		<b>Property, Plant and Equipment - Non Operational</b>			
5	115	Assets Under Construction	18	84	
<b>240,193</b>	<b>237,615</b>	<b>Total Fixed Assets</b>			<b>262,033</b>
1,686	1,653	Long Term Investments	32	1,740	
548	547	Long Term Debtors	32.5	538	
<b>242,427</b>	<b>239,815</b>	<b>Total Long Term Assets</b>			<b>264,311</b>
88	103	Stocks and Work in Progress	22	110	
2,721	3,247	Debtors	23	2,991	
3,006	2,005	Short Term Investments	32	2,022	
-	644	Assets Held for Sale		-	
6,177	5,446	Cash and Cash Equivalents	32	5,481	
<b>11,992</b>	<b>11,445</b>	<b>Total Current assets</b>			<b>10,604</b>
(4,580)	(2,341)	Short Term Creditors	24	(2,780)	
(117)	(67)	Short Term Provisions	26	(393)	
<b>249,722</b>	<b>248,852</b>	<b>Total Assets Less Current Liabilities</b>			<b>271,742</b>
(6,917)	(6,921)	Deferred Liabilities	27	(6,464)	
(141)	(222)	Capital Grants and Donations in Advance	25.1	(691)	
(16,058)	(22,678)	Pensions Liability	13	(19,160)	
<b>(23,116)</b>	<b>(29,821)</b>	<b>Total Long Term Liabilities</b>			<b>(26,315)</b>
<b>226,606</b>	<b>219,031</b>	<b>TOTAL NET ASSETS</b>			<b>245,427</b>

		<b>Usable Reserves</b>			
(1,096)	(1,096)	Revenue Balance - General Fund	3.1	(1,181)	
(3,160)	(4,664)	General Fund Earmarked reserves	3.2	(4,016)	
(785)	(723)	Revenue Balance - Housing Revenue Account	3.1	(796)	
(1,331)	(745)	Usable Capital Receipts reserve	3.3	-	
(3,415)	(3,386)	Capital Grants and Contributions Unapplied		(2,791)	
<b>(9,787)</b>	<b>(10,614)</b>	<b>Total Usable Reserves</b>			<b>(8,784)</b>
(524)	(442)	Revaluation Reserve	4.1	(48,189)	
(232,373)	(230,733)	Capital Adjustment Account	4.3	(207,121)	
16,058	22,678	Pensions Reserve	4.6	19,160	
(548)	(547)	Deferred Capital Receipts	4.2	(538)	
513	547	Financial Instruments Adjustments Reserve	4.4	-	
133	128	Accumulated Compensated Absences Adjustment Account	4.5	127	
(78)	(48)	Collection Fund Adjustment Account	4.7	(82)	
<b>(216,819)</b>	<b>(208,417)</b>	<b>Total - Unusable Reserves</b>			<b>(236,643)</b>
<b>(226,606)</b>	<b>(219,031)</b>	<b>TOTAL - TAXPAYER EQUITY</b>			<b>(245,427)</b>

Signature: Stephen Joyce, CPFA  
Assistant Chief Executive – Finance  
Date: 29 September 2011

## CASH FLOW STATEMENT

Restated 2009/10 £'000		2010/11 £'000	Notes
(1,670)	Net (Deficit) on the provision of services	(23,368)	
5,982	Adjustments to Net (Deficit) on the provision of services - non cash movements	28,509	
(3,708)	Adjust for items included in the net (deficit) on the provision of services that are investing and financing activities	(1,928)	
<b>604</b>	<b>Net Cash flows from operating activities</b>	<b>3,213</b>	<b>5.0</b>
(1,137)	Net cash flows from investing activities	(2,703)	5.1
(198)	Net Cash flows from financing activities	(475)	5.2
<b>(731)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>35</b>	
6,177	Cash and cash equivalents at the beginning of the reporting period	5,446	
(731)	Increase/(decrease) in cash and cash equivalent in year	35	
<b>5,446</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>5,481</b>	<b>5.3</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. BEST VALUE ACCOUNTING CODE OF PRACTICE

The Comprehensive Income and Expenditure Statement reports the net cost for the year of the Council's activities and demonstrates how that cost has been financed from central government grants and income from local taxpayers.

The Best Value Accounting Code of Practice requires mandatory service expenditure analysis to be used by all local authorities to show revenue expenditure. The intention is to provide consistency and comparability of service costs between local authorities.

### 2. PRIOR PERIOD ADJUSTMENTS

As a result of a change in various accounting policies in order to adopt the practices and principles of IFRS; the following prior period adjustments have been undertaken to restate the 2009/10 Accounts:

- IAS 19 – Accounting for Employees Accrued Leave Entitlement.  
The 'Code' requires the Council to account for any short term employee benefits that are outstanding at the balance sheet date. For example annual leave and flexitime; As a result a provision has been made for the accumulated untaken leave.
- IAS 16 – Property Plant and Equipment, with particular focus on the stricter definition of Investment Assets.  
The 'Code' has introduced key criteria for an asset to be classified as an Investment property. Therefore in applying these criteria, these assets have now been reclassified to operational assets
- IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance.  
Previously, Capital Grants and Contributions were only recognised in the Comprehensive Income and Expenditure Statement when the associated expenditure was incurred. The 'Code' now requires capital grants and contributions without conditions to be recognised in the Comprehensive Income and Expenditure Statement and held in reserves until matched with the associated expenditure. Capital grants and contributions with conditions are held as a creditor until the condition is met.
- IAS 17 – Reclassification of Lease Arrangements.  
The 'Code' introduced guidance to classify leases as either finance or operating leases. The council has identified two finance leases with effect from 2010/11 as identified at notes 9.3 & 27



**2.1 Impact on the Comprehensive Income and Expenditure Statement for 2009/10**

The accounting changes have had the following impact on the comparative figures for 2009/10 compared with those published for 2009/10 under UK GAAP:

	Extract of Income and Expenditure Account in 2009/10 Published Statement	Adjustment to reflect Accounting Change for Accrued Leave Provision	Adjustment to reflect Changes to Accounting for Property, Plant and Equipment	Adjustment to reflect Changes for Accounting for Government Grants	Reclassification of various income and Costs Categories	Restated Comprehensive Income and Expenditure Statement 2009/10
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net Cost of Service</b>	<b>8,923</b>	<b>(5)</b>	<b>(40)</b>	<b>(597)</b>	<b>(3)</b>	<b>8,278</b>
Other Operating Expenditure	2,389	-	-	-	136	2,525
Financing and Investment Income and Expenditure	1,803	-	-	-	-	1,803
Taxation and Non Specific Grants Income	-	-	-	(281)	(10,655)	(10,936)
<b>Net Operating Expenditure</b>	<b>13,115</b>	<b>(5)</b>	<b>(40)</b>	<b>(878)</b>	<b>(10,522)</b>	<b>1,670</b>
Income from Collection Fund and Non specific Grants	(10,655)	-	-	-	10,655	-
Surplus or Deficit on Revaluation of Fixed Assets	-	-	-	-	66	66
Actuarial Gain/Losses on Pension Assets/Liabilities	-	-	-	-	5,839	5,839
<b>Deficit For the Year</b>	<b>2,460</b>	<b>(5)</b>	<b>(40)</b>	<b>(878)</b>	<b>6,038</b>	<b>7,575</b>

**2.2 Impact on the Statement of Movement on the General Fund Balance and Statement of Total Recognised Gains and Losses for 2009/10.**

The above statements now form part of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

## 2.3 Impact on the 2009/10 Balance Sheet

	Balance Sheet as at 31 March 2009 as per Published Statement of Accounts for 2009/10 £'000	Changes in Property, Plant and Equipment Accounting Policies £'000	Changes to Accounting Arrangements for grants and Contributions - Donated assets £'000	Changes to Accounting Policies for Cash and Cash Equivalents £'000	Accrued Leave Provision £'000	Changes to Accounting Arrangements for Capital Grants and Contributions £'000	Reclassification of Provisions £'000	Revised Transitional Balance Sheet as at 31 March 2009 £'000
<b>Fixed Assets:</b>								
<b>Tangible fixed assets</b>								
<b>Operational assets:</b>								
Other land and buildings	22,810	341	15	-	-	-	-	23,166
<b>Non-operational assets:</b>								
Investment properties	429	(429)	-	-	-	-	-	-
<b>Total Fixed Assets</b>	<b>239,617</b>	<b>(52)</b>	<b>628</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240,193</b>
<b>Total Long-Term Assets</b>	<b>241,851</b>	<b>(52)</b>	<b>628</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>242,427</b>
<b>Current assets:</b>								
Short Term Investments	5,506	-	-	(2,500)	-	-	-	3,006
Cash and Bank	3,677	-	-	2,500	-	-	-	6,177
<b>Total Assets</b>	<b>253,843</b>	<b>(52)</b>	<b>628</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>254,419</b>
<b>Current liabilities:</b>								
Creditors	(2,831)	-	-	-	(133)	-	-	(2,964)
Capital grants & contributions unapplied	(3,556)	-	-	-	-	3,556	-	-
Provisions	-	-	-	-	-	-	(117)	(117)
<b>Total Assets less Current Liabilities</b>	<b>245,840</b>	<b>(52)</b>	<b>628</b>	<b>-</b>	<b>(133)</b>	<b>3,556</b>	<b>(117)</b>	<b>249,722</b>
<b>Long Term Liabilities:</b>								
Provisions	(117)	-	-	-	-	-	117	-
Government grants-deferred	(269)	-	-	-	-	269	-	-
Capital Grants Receipts in Advance	-	-	-	-	-	(141)	-	(141)
<b>Total Net Assets less Liabilities</b>	<b>222,479</b>	<b>(52)</b>	<b>628</b>	<b>-</b>	<b>(133)</b>	<b>3,684</b>	<b>-</b>	<b>226,606</b>
<b>Financed by:</b>								
Capital Adjustment Account	(231,528)	52	(628)	-	-	(269)	-	(232,373)
Capital Grants Unapplied	-	-	-	-	-	(3,415)	-	(3,415)
Accumulated Compensated Absences Adjustment Account	-	-	-	-	133	-	-	133
<b>Total Net Worth</b>	<b>(222,479)</b>	<b>52</b>	<b>(628)</b>	<b>-</b>	<b>133</b>	<b>(3,684)</b>	<b>-</b>	<b>(226,606)</b>

	Balance Sheet as at 31 March 2010 as per Published Statements of Accounts for 2009/10 £'000	Adjustments to Balance Sheet 31 March 2009 £'000	Changes in Property, Plant and Equipment Accounting Policies £'000	Accrued Leave Provision £'000	Changes to Accounting Arrangements for Capital Grants and Contributions £'000	Revised Transitional Balance Sheet as at 31 March 2010 £'000
<b>Fixed Assets:</b>						
<b>Tangible fixed assets</b>						
<b>Operational assets:</b>						
- Other land and buildings	21,757	356	(12)	-	-	22,101
<b>Non-operational assets:</b>						
- Investment properties	377	(429)	52	-	-	-
<b>Total Fixed Assets</b>	<b>236,996</b>	<b>576</b>	<b>40</b>	<b>-</b>	<b>-</b>	<b>237,612</b>
<b>Total Long-Term Assets</b>	<b>239,196</b>	<b>576</b>	<b>40</b>	<b>-</b>	<b>-</b>	<b>239,812</b>
<b>Current assets:</b>						
Short Term Investments	2,005	(2,500)	-	-	-	(495)
Cash and Bank	5,446	2,500	-	-	-	7,946
<b>Total Assets</b>	<b>250,641</b>	<b>576</b>	<b>40</b>	<b>-</b>	<b>-</b>	<b>251,257</b>
<b>Current liabilities:</b>						
Creditors	(1,285)	(133)	-	5	-	(1,413)
Capital grants & contributions unapplied	(3,608)	3,556	-	-	52	-
<b>Total Assets less Current Liabilities</b>	<b>244,335</b>	<b>3,932</b>	<b>40</b>	<b>5</b>	<b>52</b>	<b>248,364</b>
<b>Long Term Liabilities:</b>						
Government grants-deferred	(1,201)	269	-	-	935	-
Capital Grants Receipts in Advance	-	(141)	-	-	(81)	(222)
<b>Total Net Assets less Liabilities</b>	<b>213,953</b>	<b>4,127</b>	<b>40</b>	<b>5</b>	<b>906</b>	<b>219,031</b>
<b>Financed by:</b>						
Capital Adjustment Account	(228,913)	(845)	(40)	-	(906)	(230,704)
Accumulated Compensated Absences Adjustment Account	-	133	-	(5)	-	128
<b>Total Net Worth</b>	<b>(213,953)</b>	<b>(4,127)</b>	<b>(40)</b>	<b>(5)</b>	<b>(906)</b>	<b>(219,031)</b>

The implementation of the required accounting policies under IFRS has had no financial impact on the Council's General Fund/Housing Revenue Account and Capital Usable reserves; as a result of the use of all relevant Statutory overrides.

The net impact of the transitional work has resulted in an increase in the Council's Net Worth as at 31 March 2010 of 2.4%.

A detailed Prior Period Adjustment Reconciliation is detailed at Appendix 1.0 - 1.3, at page 125.

**2.4. MOVEMENT IN RESERVES STATEMENT - ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

2010/11	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Account £'000	Movement Unusable Reserves £'000
Charges for depreciation and impairment on non current assets	(3,283)	(26,812)	-	-	-	30,095
Amortisation of Intangible Assets	(158)	(20)	-	-	-	178
Capital grants and contributions that have been applied to capital financing		204	-	-	-	(204)
Movement in donated assets	1,134		-	-	-	(1,134)
Revenue expenditure funded from capital under statute	(115)	(5)	-	-	-	120
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E		321	-	-	-	(321)
Statutory provision for financing capital investment	363		-	-	-	(363)
Capital expenditure charges against the general fund and HRA balances	162	400	-	-	-	(562)
Transfer of sale proceeds credited as part of the gains/losses on disposal to the CI&E	-	-	(1,517)	-	-	1,517
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	1,698	-	-	(1,698)
Contribution from Capital Receipts Reserve towards administrative costs of non current asset disposal	-	-	35	-	-	(35)
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(529)	-	529	-	-	-
Reversal of Major Repairs Reserve to finance new capital expenditure	-	2,010	-	(2,010)	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	(54)	-	2,010	-	(1,956)
Application of grants to capital financing	-	-	-	-	534	(534)
Amount by which finance costs charged to the CI&E are different from finance costs chargeable in the year in accordance with statutory requirements	547	-	-	-	-	(547)
Reversal of items relating to post employment benefits debited or credited to the surplus or deficit on the provision of services in the CI&E (page 20)	1,282	226	-	-	-	(1,508)
Unwinding of pension deferred liability	(134)	(12)	-	-	-	146
Employers pension contributions and direct payments to pensioners payable in year	1,343	237	-	-	-	(1,580)
Other Adjustments	(35)	-	-	-	-	35
<b>Total Adjustments</b>	<b>577</b>	<b>(23,505)</b>	<b>745</b>	<b>-</b>	<b>534</b>	<b>21,649</b>

2009/10	General Fund Balance	HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Charges for depreciation and impairment on non current assets	(1,169)	-	-	-	-	1,169
Revaluation losses on Property, Plant and Equipment		(1,467)	-	-	-	1,467
Amortisation of Intangible Assets	(167)	-	-	-	-	167
Capital grants and contributions that have been applied to capital financing	828	-	-	-	-	(828)
Movement in donated assets	628	-	-	-	-	(628)
Revenue expenditure funded from capital under statute	(419)	(36)	-	-	-	455
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	(478)	306	-	-	-	172
Statutory provision for financing capital investment	325	-	-	-	-	(325)
Capital expenditure charges against the general fund and HRA balances	29	217	-	-	-	(246)
Transfer of sale proceeds credited as part of the gains/losses on disposal to the CI&E	(171)	-	171	-	-	-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(415)	-	415	-	-	-
Reversal of Major Repairs Reserve to finance new capital expenditure	-	1,925	-	-	-	(1,925)
Use of Major Repairs Reserve to finance new capital expenditure	-	(2,136)	-	-	-	2,136
Reversal of unapplied grants and contributions credited to the CI&E	282	-	-	-	(282)	-
Application of grants to capital financing	(298)	-	-	-	311	(13)
Amount by which finance costs charged to the CI&E are different from finance costs chargeable in the year in accordance with statutory requirements	(33)	-	-	-	-	33
Reversal of items relating to post employment benefits debited or credited to the surplus or deficit on the provision of services in the CI&E (page 20)	(1,821)	(249)	-	-	-	2,070
Unwinding of pension deferred liability	(146)	-	-	-	-	146
Employers pension contributions and direct payments to pensioners payable in year	1,261	172	-	-	-	(1,433)
Other Adjustments	41	-	-	-	-	(41)
<b>Total Adjustments</b>	<b>(1,723)</b>	<b>(1,268)</b>	<b>586</b>	<b>0</b>	<b>29</b>	<b>2,376</b>

## 2.5 Notes to Comprehensive Income and Expenditure Statement

2009/10 £'000	Other Operating Expenditure	2010/11 £'000
1,819	Parish Council Precepts	2,047
414	Payments to the Government Housing Capital Receipts Pool	528
308	(Gains)/Losses on the Disposal of Non Current Assets	(322)
(16)	Collection Fund Surplus	(34)
<b>2,525</b>	<b>Total</b>	<b>2,219</b>

2009/10 £'000	Financing and Investment Income	2010/11 £'000
499	Interest Payable and similar charges	460
177	Impairment on Long Term Investment	66
1,305	Pensions interest cost and expected return on Pension Assets	1,015
(235)	Interest receivable and similar income	(251)
57	Losses on Trading Operations	-
<b>1,803</b>	<b>Total</b>	<b>1,290</b>

2009/10 £'000	Taxation and Non-Specific Government Grants	2010/11 £'000
(6,504)	Council Tax Income	(6,877)
(3,320)	Non Domestic Rates	(3,585)
(831)	Non Ring fenced Government Grants	(560)
(281)	Capital Grants and Contributions	(204)
<b>(10,936)</b>	<b>Total</b>	<b>(11,226)</b>

**3. MOVEMENT IN RESERVES – Usable reserves**

The following 'Usable Reserves', as identified in the Movement in Reserves Statement; can be used to fund future expenditure or reduce future local taxation demands.

**3.1. Revenue Balances**

<b>Revenue Reserves</b>	<b>Balance 31 March 2010 £'000</b>	<b>Transfer In £'000</b>	<b>Transfer Out £'000</b>	<b>Balance 31 March 2011 £'000</b>
General Fund Balance	1,096	85	-	1,181
HRA Balance	723	73	-	796
<b>Total</b>	<b>1,819</b>	<b>158</b>	<b>-</b>	<b>1,977</b>



### 3.2. Earmarked Reserves

Detailed below are the amounts set aside from the General Fund balance in earmarked reserves to provide finance for future expenditure plans or reduce local taxation burden. The application of earmarked reserves to fund 2010/11 expenditure is also detailed below:

<b>Reserve</b>	<b>Balance 31 March 2010</b>	<b>Transfer In</b>	<b>Transfer Out</b>	<b>Balance 31 March 2011</b>	<b>Purpose of Reserve</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Change Management	547	755	(489)	813	Finances the costs of special and one-off projects.
Budget Equalization	1,499	-	-	1,499	Usable resources set aside for equalization of pressures within the budget for the next 5 years.
Planning Development	770	-	(422)	348	Usable resources set aside for planning development issues
Landsbanki contingency	1,162	-	(460)	702	To cover losses against the Landsbanki investment
Waste Management	282	-	(60)	222	Waste management contingency provision against unforeseen costs and to enable a managed reduction in the base budget.
Elections	32	30	-	62	Contributions toward future election costs.
Licensing	138	1	-	139	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	55	-	155	Reserve to allow investment in the Benefits service, and to provide contingency against claw back of grant.
Energy Efficiency	92	-	(83)	9	Usable resources established to finance future investment in energy efficiency measures in Council properties
Homelessness	-	25	-	25	Set up to cover unbudgeted additional demand within the Homelessness service
<b>Total</b>	<b>4,664</b>	<b>866</b>	<b>(1,514)</b>	<b>4,016</b>	

**3.3. Usable Capital Receipts Reserve**

The usable capital receipts reserve represents capital receipts which are available to finance capital expenditure in future years.

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
<b>1,331</b>	<b>Balance as at 1 April</b>	<b>745</b>
	<b>Receipts:</b>	
673	Capital Receipts	1,517
	<b>Applied:</b>	
(415)	Paid to Government housing receipts pool	(529)
42	Historic accrual write off	-
(865)	Capital Receipts used for Financing	(1,698)
(21)	Expenses from sales of Capital Assets	(35)
<b>(586)</b>	<b>Movements in Year</b>	<b>(745)</b>
<b>745</b>	<b>Balance as at 31 March</b>	<b>-</b>

**4. MOVEMENT IN RESERVES STATEMENT - UNUSABLE RESERVES****4.1. Revaluation Reserve**

With effect from 1 April 2007, the Council is required to record unrealised gains and losses arising from holding fixed assets in a designated Revaluation Reserve. The reserve is matched by fixed assets within the balance sheet and therefore not available to fund future capital expenditure. The in year movements on the reserve are detailed below:

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
<b>524</b>	<b>Balance as at 1 April</b>	<b>442</b>
284	Gain in Valuation of Assets	49,929
(350)	Impairment	(1,008)
3	Write Back of Depreciation	(1,000)
(19)	Disposals of Assets	(174)
<b>(82)</b>	<b>Movements in Year</b>	<b>47,747</b>
<b>442</b>	<b>Balance as at 31 March</b>	<b>48,189</b>

The £49.9m revaluation gain comprises:

- £43.9m gain on HRA buildings, majority of which are dwellings
- £6m gain in General Fund buildings

**4.2. Deferred Capital Receipts**

Deferred Capital receipts relate to advances for capital purposes which are received in instalments over agreed periods of time. It should be noted that the Rent to Mortgage receipts reflect the value of the Council's disposal. The timing and future value of the receipts' value associated with each property is uncertain.

<b>2009/10</b>		<b>2010/11</b>
<b>Restated</b>		
<b>£'000</b>		<b>£'000</b>
4	Loan on sale of Council Houses - Opening Balance	3
(1)	Loans Repaid	(2)
3	Loan on sale of Council Houses - Closing Balance	1
536	Rent to Mortgage	536
8	Provincial HQ	-
<b>547</b>	<b>Balance as at 31 March</b>	<b>537</b>

**4.3. Capital Adjustment Account**

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated in accordance with the proper accounting policies and financed in accordance with the statutory capital finance regime. As with the Revaluation Reserve, the reserve is matched by fixed assets within the balance sheet and therefore not available to finance capital expenditure. The reserve movements are detailed below:

2009/10 Restated £'000		£'000	2010/11 £'000
<b>231,528</b>	<b>Balance as at 1st April</b>	-	
269	Write out of Deferred Government Grants - IFRS	-	
628	Donated Assets	-	
(52)	Asset Write Out	-	
<b>232,373</b>	<b>Restated as at 1 April</b>		<b>230,733</b>
865	Usable Capital Receipts	1,698	
170	Capital Grants Unapplied Reserve	738	
1,925	Major Repairs Reserve	1,955	
246	Revenue Contributions	562	
29	Application of Government Grants		
<b>3,235</b>	<b>Sub Total - Capital Financing:</b>		<b>4,953</b>
-	Write out of deferred credit (Provincial Council Headquarters)	8	
52	Reversal of Asset Write Out	-	
-	Additional community amenity land	242	
(165)	Intangible Amortisation	(178)	
(1,158)	Depreciation of fixed assets	(1,594)	
(1,469)	Impairment of fixed assets	(26,452)	
-	Donated asset received in year	1,134	
(803)	Disposal of fixed assets	(978)	
2	Revaluation Reserve depreciation written out	1,000	
(455)	Written down of revenue expenditure funded from capital under statute	(120)	
325	Minimum Revenue Provision	363	
(2,136)	Major Repairs – HRA - Write down	(1,990)	
932	Write Out to CAA of Deferred Government Grant Transactions	-	
<b>(4,875)</b>	<b>Sub Total - Adjustments:</b>		<b>(28,565)</b>
<b>230,733</b>	<b>Balance as at 31 March</b>		<b>207,121</b>

**4.4. Financial Instruments Adjustment Account**

The reserve provides a balancing mechanism between the statutory regulations, which enabled Councils to delay the impact of the Landsbanki impairment to the financial period 2010/11 and the accounting requirements.

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
<b>513</b>	<b>Balance as at 1 April</b>	<b>547</b>
	Landsbanki Adjustments	
178	Impairments	-
(144)	Interest	-
-	Write off to Revenue	
	(547)	
34	Sub Total - Adjustments	(547)
<b>547</b>	<b>Balance as at 31 March</b>	<b>-</b>

**4.5. Accumulated Compensated Absences Adjustment Account**

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

<b>2009/10</b>		<b>2010/11</b>
<b>Restated</b>		
<b>£'000</b>		<b>£'000</b>
133	Balance as at 1 April	128
(5)	In year adjustment	(1)
<b>128</b>	<b>Balance as at 31 March</b>	<b>127</b>

**4.6. Pension Reserve**

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

<b>2009/10</b>			<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
(16,058)	Balance as at 1 April		(22,678)
(636)	(Deficit)/Surplus on Provision of Services in CI&E page 20	3,089	
(5,984)	Actuarial Gains/(Loss)	429	
<b>(22,678)</b>	<b>Balance as at 31 March</b>		<b>(19,160)</b>

**4.7. Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<b>2009/10</b>	<b>Fund Balance</b>	<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
(78)	(Surplus) as at 1 April	(48)
30	Adjustments within year	(34)
<b>(48)</b>	<b>(Surplus) as at 31 March</b>	<b>(82)</b>

## 5. CASH FLOW STATEMENT – OPERATING ACTIVITIES

2009/10 £'000		2010/11 £'000	£'000
(1,670)	<b>Net (deficit) on the provision of services</b>		<b>(23,368)</b>
	<b>Adjustments to net (deficit) on the provision of services for non cash movements</b>		
2,767	Depreciation	3,587	
-	Impairment and downward valuations	26,452	
165	Amortisation	178	
-	Impairment losses on loans and advances debited to deficit on the provision of services in year	8	
177	Material impairment losses on investment debited to deficit on the provision of services in year	66	
(847)	(Increase)/decrease in Creditors	439	
(144)	Decrease in interest and dividend Debtors	(170)	
(516)	(Increase) Decrease in Debtors	259	
(15)	Decrease in Inventories	(7)	
637	Pension Liability	(3,234)	
(50)	Contribution to/(from) provisions	326	
803	Carrying amount of non-current assets sold	604	
3,005	Carrying amount of short or long term investment sold	-	
<b>5,982</b>	<b>Total</b>		<b>28,508</b>
(3,708)	Adjustments for items included in the net (deficit) on the provision of services that are investing or financing activities		(1,927)
<b>604</b>	<b>Net cash flows from operating activities</b>		<b>3,213</b>



**5.1. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
(2,922)	Purchase of Property, Plant and Equipment	(5,109)
(2,005)	Purchase of Short Term Investments	-
674	Proceeds from Sale of Property, Plant and Equipment	1,517
3,005	Proceeds from Sale of Short Term Investments	-
111	Capital Grants Received	889
<b>(1,137)</b>	<b>Total Cash Flows from Investing Activities</b>	<b>(2,703)</b>

**5.2. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
(477)	Cash Payments for the Reduction of the outstanding Liabilities	(509)
279	Other Financing Activities - Cash Transactions	34
<b>(198)</b>	<b>Total Cash Flows from Financing Activities</b>	<b>(475)</b>

**5.3. CASH FLOW STATEMENT – CASH AND CASH EQUIVALENTS**

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
1,337	Cash and Bank Balances	1,468
4,109	Cash Investments - Cash Equivalents	4,013
<b>5,446</b>	<b>Total</b>	<b>5,481</b>

**6. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS - SEGMENTAL REPORTING**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Committee on the basis of budget reports analysed across Committee portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payments of employer's pensions contributions) rather than current service cost of benefits accrued in the year

**6.1. The income and expenditure of the Council's principal portfolios recorded in the budget reports for the year is as follows:****Committee Income and Expenditure for 2010/11**

	<b>Community &amp; Housing £'000</b>	<b>Development Control £'000</b>	<b>Environment £'000</b>	<b>Finance &amp; Administration £'000</b>	<b>Licensing £'000</b>	<b>TOTAL £'000</b>
Fees, Charges & Other Income	(626)	(631)	(3,350)	(937)	(245)	(5,789)
Government Grants	(581)	-	(156)	(18,781)	-	(19,518)
<b>Total Income</b>	<b>(1,207)</b>	<b>(631)</b>	<b>(3,506)</b>	<b>(19,718)</b>	<b>(245)</b>	<b>(25,307)</b>
Employee expenses	1,021	834	2,628	4,180	93	8,756
Other service expenses	1,805	227	2,687	20,814	41	25,574
<b>Total Expenditure</b>	<b>2,826</b>	<b>1,061</b>	<b>5,315</b>	<b>24,994</b>	<b>134</b>	<b>34,330</b>
<b>Net Expenditure</b>	<b>1,619</b>	<b>430</b>	<b>1,809</b>	<b>5,276</b>	<b>(111)</b>	<b>9,023</b>

## Committee Income and Expenditure for 2009/10

	Community & Housing £'000	Development Control £'000	Environment £'000	Finance & Administration £'000	Licensing £'000	TOTAL £'000
Fees, Charges & Other Income	(680)	(662)	(3,417)	(794)	(299)	(5,852)
Government Grants	(655)	(429)	(151)	(16,935)	-	(18,170)
<b>Total Income</b>	<b>(1,335)</b>	<b>(1,091)</b>	<b>(3,568)</b>	<b>(17,729)</b>	<b>(299)</b>	<b>(24,022)</b>
Employee expenses	1,189	743	2,476	3,500	91	7,999
Other service expenses	1,480	192	2,518	19,404	18	23,612
<b>Total Expenditure</b>	<b>2,669</b>	<b>935</b>	<b>4,994</b>	<b>22,904</b>	<b>109</b>	<b>31,611</b>
<b>Net Expenditure</b>	<b>1,334</b>	<b>(156)</b>	<b>1,426</b>	<b>5,175</b>	<b>(190)</b>	<b>7,589</b>

**6.2. RECONCILIATION TO SUBJECTIVE ANALYSIS**

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the '(Surplus) / Deficit on the Net Cost of Services' line included in the Comprehensive Income and Expenditure Statement.

2010/11	GF Portfolio Analysis	HRA Portfolio Analysis	Amounts not Reported to Management *	Allocation of Recharges	Net cost of service	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Income	(5,789)	(12,132)	(1,444)	(11,733)	<b>(31,098)</b>	-	<b>(31,098)</b>
Interest & Miscellaneous Income	-	(3)	-	-	-	(573)	<b>(573)</b>
Income from Council Tax	-	-	-	-	-	(6,877)	<b>(6,877)</b>
Government Grants & Contributions	(19,518)	(18)	-	-	<b>(19,536)</b>	(4,349)	<b>(23,885)</b>
<b>Total Income</b>	<b>(25,307)</b>	<b>(12,153)</b>	<b>(1,444)</b>	<b>(11,733)</b>	<b>(50,634)</b>	<b>(11,799)</b>	<b>(62,433)</b>
Employee Expenses	8,756	1,524	(3,622)	-	<b>6,658</b>	-	<b>6,658</b>
Other Service Expenses	25,574	7,347	-	-	<b>32,921</b>	(77)	<b>32,844</b>
Support Services Recharges	-	1,199	-	10,534	<b>11,733</b>	-	<b>11,733</b>
Capital Charges	-	2,010	28,474	-	<b>30,484</b>	-	<b>30,484</b>
Interest payable & Capital Financing	-	-	-	-	-	1,508	<b>1,508</b>
Precepts & Levies	-	-	-	-	-	2,046	<b>2,046</b>
Payment to the Housing Capital Receipts Pool	-	-	-	-	-	528	<b>528</b>
<b>Total Expenditure</b>	<b>34,330</b>	<b>12,080</b>	<b>24,852</b>	<b>10,534</b>	<b>81,796</b>	<b>4,005</b>	<b>85,801</b>
<b>(Surplus) / Deficit on the Provision of Services</b>	<b>9,023</b>	<b>(73)</b>	<b>23,408</b>	<b>(1,199)</b>	<b>31,162</b>	<b>(7,794)</b>	<b>23,368</b>

\* Amounts not reported to Management are accounting entries over which the Management have no control e.g. compensated absences adjustment

2009/10	GF Portfolio Analysis £'000	HRA Portfolio Analysis £'000	Amounts not Reported to Management £'000	Allocation of Recharges £'000	Net cost of service £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Income	(5,852)	(11,975)	(968)	(10,194)	(28,989)	-	(28,989)
Interest & Miscellaneous Income	-	-	-	-	-	(235)	(235)
Income from Council Tax	-	-	-	-	-	(6,569)	(6,569)
Government Grants & Contributions	(18,170)	-	-	-	(18,170)	(4,432)	(22,602)
<b>Total Income</b>	<b>(24,022)</b>	<b>(11,975)</b>	<b>(968)</b>	<b>(10,194)</b>	<b>(47,159)</b>	<b>(11,236)</b>	<b>(58,395)</b>
Employee Expenses	7,999	1,412	-	-	9,411	-	9,411
Other Service Expenses	23,612	5,798	-	-	29,410	133	29,543
Support Services Recharges	-	1,223	-	8,971	10,194	-	10,194
Capital Charges	-	3,604	2,821	-	6,425	-	6,425
Interest payable & Capital financing	-	-	-	-	-	2,259	2,259
Precepts & Levies	-	-	-	-	-	1,819	1,819
Payment to the Housing Capital Receipts Pool	-	-	-	-	-	414	414
<b>Total Expenditure</b>	<b>31,611</b>	<b>12,037</b>	<b>2,821</b>	<b>8,971</b>	<b>55,440</b>	<b>4,625</b>	<b>60,065</b>
<b>(Surplus) / Deficit on the Provision of Services</b>	<b>7,589</b>	<b>62</b>	<b>1,853</b>	<b>(1,223)</b>	<b>8,281</b>	<b>(6,611)</b>	<b>1,670</b>

## 7. TRADING OPERATIONS

The Council has no material trading operations.

## 8. PROVISION OF AGENCY SERVICES

For 2010/11 there are no material Agency Agreements in operation.

**9. LEASE ARRANGEMENTS****9.1. Operating Leases**

The Council has the use of cars and Supaloos (2 in Saffron Walden, 1 in Stansted) under the terms of operating leases. The amount paid under these arrangements in 2010/11 was £185,000 (2009/10 £213,000). The Council was committed at 31 March 2011 to making payments of £201,406 under operating leases, comprising the following elements:

	<b>2009/10</b>	<b>2010/11</b>	<b>Within 1 Year</b>	<b>Within 2 – 3 Years</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Car leases	141	110	92	50
Public Conveniences	72	75	60*	-

Note 1: Under a rationalisation of services in line with the Medium Term Financial Strategy, the Supaloos provision has been terminated and other arrangements made for the service. As a result the Council terminated the lease and has made provision of £170,000 in line with the contract agreement for early cessation of the contract.

**9.2. Operating Leases Income**

Turpin's Bowling Hall is owned by the council and leased under a 25 year operating lease to Turpin's Indoor Bowling Club Limited. The annual rental which takes into account the public use of 40% of the facility is £26,000 per annum.

<b>2009/10</b>	<b>2010/11</b>	<b>Within 1 Year</b>	<b>Within 2–5 Years</b>	<b>6-10 Years</b>	<b>11-15 Years</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
26	26	26	104	130	26

**9.3. Finance Leases Rental & Long Term Borrowing**

The Council has 3 finance leases for vehicle and printing equipment. The rentals payable under these arrangements can be broken-down between interest payable and principal sum repayment as follows:

	<b>2009/10</b>	<b>2010/11</b>	<b>1 Year</b>	<b>2 - 5 years</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Finance lease - amount payable</b>	<b>310</b>	<b>319</b>	<b>327</b>	<b>557</b>
Principal repayment	266	299	310	540
Interest payable	44	20	17	17

**10. MEMBERS ALLOWANCES**

The Local Government Act 2000 and the Local Authorities (Members' Allowances) Regulation 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 2010/11.

For 2010/11 the total Members' Allowances and expenses paid was £289,909 (£296,225 for 2009/10). Information regarding Members' allowances is published in the local press and on the Council's website.

**10.1. OFFICERS REMUNERATION - The remuneration paid to the Council's senior employees is as follows:**

		Salary, Fees and Allowances	Bonuses	Car Allowances	Benefits in Kind	Redundancy	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
		£	£	£	£	£	£	£	£
<b>Chief Executive</b>	<b>2009/10</b>	102,442	-	488	1,894	-	<b>104,824</b>	11,986	<b>116,810</b>
	<b>2010/11</b>	102,151	-	-	2,738	-	<b>104,889</b>	12,769	<b>117,658</b>
<b>Assistant Chief Executive - Legal</b>	<b>2009/10</b>	67,584	-	1,164	-	-	<b>68,748</b>	7,907	<b>76,655</b>
	<b>2010/11</b>	68,387	-	1,233	-	-	<b>69,620</b>	8,548	<b>78,168</b>
<b>Assistant Chief Executive - Finance</b>	<b>2009/10</b>	67,470	-	-	-	-	<b>67,470</b>	7,894	<b>75,364</b>
	<b>2010/11</b>	68,387	-	1,041	44	-	<b>69,472</b>	8,548	<b>78,020</b>
<b>Director of Public Services</b>	<b>2009/10</b>	76,010	-	-	1,906	-	<b>77,916</b>	8,893	<b>86,809</b>
	<b>2010/11</b>	76,811	-	201	1,795	-	<b>78,807</b>	9,601	<b>88,408</b>
<b>Director of Corporate Services</b>	<b>2009/10</b>	76,032	-	-	3,483	-	<b>79,515</b>	8,896	<b>88,411</b>
	<b>2010/11</b>	76,811	-	540	2,789	-	<b>80,140</b>	9,601	<b>89,741</b>
<b>Director of Operations</b>	<b>2009/10</b>	76,032	-	1,164	-	-	<b>77,196</b>	8,896	<b>86,092</b>
	<b>2010/11</b>	47,940	-	881	751	40,095	<b>89,667</b>	5,988	<b>95,655</b>
<b>Divisional Head of Customer Support</b>	<b>2009/10</b>	50,362	-	1,164	-	-	<b>51,526</b>	5,892	<b>57,418</b>

**10.2 Senior Employees with salary more than £50,000 per year.**

The Council's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

<b>No. of Employees 2009/10</b>	<b>Remuneration Band</b>	<b>No. of Employees 2010/11</b>
9	£50,000 - £54,999	7
-	£55,000 - £59,999	-
-	£60,000 - £64,999	-
2	£65,000 - £69,999	2
-	£70,000 - £74,999	-
3	£75,000 - £79,999	1
-	£80,000 - £84,999	1
-	£85,000 - £89,999	1
-	£90,000 - £94,999	-
-	£95,000 - £99,999	-
1	£100,000 - £104,999	1
-	£105,000 - £109,999	-
-	£110,000 - £114,999	-
-	£115,000 - £120,000	-
<b>15</b>	<b>Total</b>	<b>13</b>



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

In 2010/11 the Council incurred the following cost in relation to external audit and inspection:

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
124	Fees payable to the Audit Commission in relation to External Audit Services carried out by the appointed Auditor	122
9	Fees Payable to the Audit Commission in respect of Statutory inspection *	29
65	Fees payable to the Audit Commission for Certification of Grant Claims and Returns	62
<b>198</b>	<b>Total</b>	<b>213</b>

\* the Statutory Inspection Fees for 2010/11 includes the cost of the Strategic Housing follow up Inspection - £20,138.

**12. TERMINATION BENEFITS**

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £200,243 (£8,566 in 2009/10). Of this total, £50,095 was payable to the Director of Operations, in the form of compensation for loss of office in addition to enhanced pension benefits of £76,779. The remaining £73,369 was payable to 2 officers, the contracts being terminated as part of the Council's rationalisation of services.

**13. PENSION SCHEME DISCLOSURE**

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 which need 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, in the long term.

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 2010.

**13.1 Transactions relating to Pension Scheme**

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 Comprehensive Income and Expenditure Statement, via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund/Housing Revenue Account Balance via the Movement in Reserves Statement during the year:

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

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
753	Current Service Cost	1,248
-	Past Service Loss/(Gain)	(3,857)
10	Loss due to Curtailment	86
3,381	Interest Cost	3,674
(2,075)	Expected Return on Assets	(2,659)
<b>2,069</b>	<b>Net Charge to Comprehensive Income and expenditure Statement</b>	<b>(1,508)</b>
<b>636</b>	<b>Reversal of Net Charge made for retirement benefits in accordance with IAS19</b>	<b>(3,089)</b>
	<b>Actual amount charged against Council Tax for Pensions in the year:</b>	
867	Employer Contributions to the Pension Fund	938
420	Deficit Contribution Payments	420
-	Contributions to the Pension Fund in respect of Early Retirement	77
146	Added Years Discretionary Payments	146
<b>1,433</b>	<b>Payments to the Pension Fund During the Year</b>	<b>1,581</b>
<b>2,069</b>	<b>Total</b>	<b>(1,508)</b>

In the UK Budget Statement on 22 June 2010, the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

This has had the effect of reducing the Council's liabilities in the Pension Fund by £3.9 million approximately and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund or Housing Revenue Account Balances.

**Assets and Liabilities in relation to the Pension Scheme****13.2.1 Liabilities**

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 2011 are as follows:

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
<b>47,900</b>	<b>Present Value of Scheme Liabilities as at 1 April</b>	<b>65,840</b>
753	Current Cost of Service	1,248
3,381	Interest Cost	3,674
439	Contributions by Scheme participants	452
-	Past Service Cost/(Gain)	(3,857)
15,107	Actuarial (Gains)/Losses on Liabilities	(3,523)
10	Loss due to Curtailments	86
(1,750)	Benefits/Transfers paid	(2,157)
		(4,077)
<b>65,840</b>	<b>Present Value of Scheme Liabilities as at 31 March</b>	<b>61,763</b>

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.

**13.2.2. Pension Scheme Assets**

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 2011 are as follows:

2009/10 £'000		£'000	2010/11 £'000
<b>31,842</b>	<b>Fair Value of Scheme Assets as at 1 April</b>		<b>43,162</b>
2,074	Expected Return on Scheme Assets	2,659	
9,124	Actuarial Gains/(Losses)	(3,094)	
1,433	Employers Contributions	1,581	
439	Member Contributions	452	
(1,750)	Benefits/Transfers paid	(2,157)	
<b>11,320</b>			<b>(559)</b>
<b>43,162</b>	<b>Fair Value of Scheme Assets as at 31 March</b>		<b>42,603</b>

**13.3 Scheme History**

Summary information for the year to 31 March 2011 is as follows:

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Estimated Liabilities in the Scheme	(48,242)	(56,864)	(47,900)	(65,840)	(61,763)
Estimated Assets in the Scheme	42,272	41,011	31,842	43,162	42,603
Net Liability/Deficiency in the Fund	(5,970)	(15,853)	(16,058)	(22,678)	(19,160)
Actuarial Gains/(Losses)	2,817	(9,311)	(400)	(5,983)	429
<b>Total Pension Cost Recognised in the Movement in Reserves Statement</b>	<b>2,817</b>	<b>(9,311)</b>	<b>(400)</b>	<b>(5,983)</b>	<b>429</b>

The liabilities show the underlying commitments that the Council has in the long run to pay employment (retirement) benefits. The total liability of £19.2 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

An estimate of contributions payable on the scheme for 2011/12 is £1.87 million approximately.

#### Basis for estimating the Assets and Liabilities of the Scheme

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 2010.

#### 13.4. The main assumptions used in their calculations have been:

2009/10		2010/11
	<b>Long Term expected rate of return on assets in the scheme:</b>	
7.50%	Equity Investments	7.50%
4.50%	Bonds	4.40%
5.20%	Other Bonds	5.10%
6.50%	Property	6.50%
0.50%	Cash	0.50%
	<b>Mortality Assumptions:</b>	
	Longevity at 65 for future pensioners	
23.1	Men	24
25.9	Women	26.8
	<b>Other Assumptions:</b>	
3.30%	Rate of Inflation - RPI	3.40%
2.80%	Rate of Inflation - CPI	2.90%
4.80%	Rate of Increase in Salaries (reflects long term salary growth assumptions)	4.40%
3.30%	Rate of increase in Pensions	2.90%
5.60%	Rate of Discounting Scheme Liabilities	5.50%
50%	Take Up option to convert annual pension into retirement – re April 2008 Service	50%
50%	Take Up option to convert annual pension into retirement – re Past April 2008 Service	50%

**13.5. Assets Held**

The split of assets held by the Fund attributable to Uttlesford District Council as at 31 March 2011 is set out in the following table:

<b>2009/10 £'000</b>	<b>2009/10</b>		<b>2010/11 £'000</b>	<b>2010/11</b>
29,134	67.50%	Equity Investments	29,609	69.50%
3,410	7.90%	Government Bonds	2,854	6.70%
4,316	10%	Other Bonds	4,047	9.50%
4,014	9.30%	Property	4,772	11.20%
2,288	5.30%	Cash/Liquidity	1,321	3.10%

Notes: The figures provided by Mercers in the table above demonstrate the split of assets and the market value of the whole fund as at 31 March 2011.

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

<b>2009/10</b>		<b>2010/11</b>
7.50%	Equity Investments	7.50%
4.50%	Government Bonds	4.40%
5.20%	Other Bonds	5.10%
6.50%	Property	6.50%
0.50%	Cash/Liquidity	0.50%

**13.6. History of experience Gains and Losses**

	<b>2006/07</b>		<b>2007/08</b>		<b>2008/09</b>		<b>2009/10</b>		<b>2010/11</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
Asset Gain/(Loss)	468	1.1	(4,531)	(11.0)	(11,398)	(35.8)	9,124	21.1	3,523	5.7
Liability Gain/(Loss)	-	-	(1,216)	(2.1)	11,798	24.8	(15,107)	(22.9)	(3,094)	(7.3)
Change in Assumptions	2,349	(4.9)	(3,564)	(6.3)	n/a	n/a	n/a	n/a	-	-
<b>Net Gain/(Loss)</b>	<b>2,817</b>	<b>(5.80)</b>	<b>(9,311)</b>	<b>(16.40)</b>	<b>(400)</b>	<b>0.80</b>	<b>(5,983)</b>	<b>9.10</b>	<b>429</b>	<b>0.70</b>

**13.7. Pension Reserve**

The Pension Reserve has been set up as part of the requirements to comply with IAS 19 - Employee Benefits. It represents the actuarially calculated deficit between the value of all pension liabilities and the assets held by the Pension Fund as at 31 March 2011. The deficit also includes the difference between the cost of statutorily required payments to the Pension Fund and the IAS19 accounting cost charged to the Comprehensive Income and Expenditure Statement.

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.

#### **14. POST BALANCE SHEET EVENTS**

As at 30 June 2011 the Council has no post balance sheet events.

#### **15. RELATED PARTY TRANSACTIONS**

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

##### **15.1. Members of the Council, Officers or Co – opted members**

Members of the Council have direct control over the Council's financial and operating policies. However, any contracts entered into by the Council are in full compliance with the Council's constitution, and any decisions are made with the proper consideration of declarations of interest. From the Members interest replies received, there are no material related party transactions. Details of all transactions are recorded in the register of Members' Interest, and open to public inspection during Council office hours.

The total members allowances paid in 2010/11 are shown at note 10.

##### **15.2. Officers of the Council**

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 received there are no material related party transactions. Details of all transactions are recorded in the register of Officers' Interest/Gifts and Hospitality, and open to public inspection during Council office hours.

##### **15.3. Companies and Organisations**

###### **15.3.1. Saffron Walden Town Council**

During 2010/11 the position of Town Clerk for Saffron Walden Town Council became vacant and a recruitment process commenced in late 2010. The Director of Community Services provided temporary cover for the position; with no financial payment either to the Council or the Director personally. The Council Officer declared the appropriate vested interest where Town Council business related to the District Council.

###### **15.3.2. Turpin's Indoor Bowling Club Limited**

Under the terms of a 25 year lease, Turpin's Indoor Bowling Club Limited leases the Council's property. The asset is leased to the company for a market rent, taking into account the covenant within the terms of the lease that 40% of the use of the facility is for community residents. In order to protect the council's interests' two councillors sit on the organisations board. Details of the financial implications are identified at note 9.2.



**15.3.3. Stansted Area Housing Partnership**

The Partnership is comprised of four local authorities, two housing associations, the Housing Corporation and BAA Stansted and its aim is to provide a significant number of new affordable homes in the Stansted area over the next ten years. Funding is provided through a planning obligation payment from BAA of £2.2 million approximately; which the Council holds under S106 arrangements. The Council monitors the S106 funding for the Partnership in line with any other S106 funding arrangement.

**15.3.4. 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 delivered from this asset.

The car park is maintained and run by the District Council and the Charity receives 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. For 2010/11 £38,592 was given to the Citizens Advice Bureau (£39,218 for 2009/10).

**15.3.5. Saffron Walden Museum Charity Limited**

Under the terms of a 999 year lease, the council rents the Saffron Walden Museum and its associated artefacts from the Museum charity at a nominal annual rent. Under the international accounting rules, officers have classified the arrangement as a donated asset, since the Council is in receipt of all the rewards and benefits of providing a service by utilising the charity's assets. The staff associated with the museum are Council employees and the service funding is solely the responsibility of the Council. A Council member is nominated to the Charity's board. The cost of running the service in 2010/11 was £285,659 (£310,775 for 2009/10).

**15.4. Partnership Schemes****Local Strategic Partnership (LSP) – Uttlesford Futures**

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

In 2010/11 the gross income of the partnership was £177,081 and expenditure £120,449 (£247,903 and £108,506 respectively for 2009/10). The unspent income of £56,632 has been carried forward and will be spent by the Board during 2011/12.

The Council's contribution for 2010/11 was £5,000 (£5,000 for 2009/10).

The above includes grant of £26,684 was received from Essex County Council in the form of Area Based Grant (£131,835 for 2009/10).

#### 15.4.1. Community Safety Partnership

Uttlesford District Council is a member of the district wide Community Safety Partnership. The partnership comprises of statutory, private and voluntary organisations working together to tackle crime and disorder.

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

In 2010/11 the gross income of the partnership was £167,533 and expenditure £107,831 (£164,467 and £103,587 respectively for 2009/10). The unspent income of £59,702 has been carried forward and will contribute towards the costs of the partnership's strategic vision.

The Council's contribution for 2010/11 was £4,000 (£2,500 for 2009/10).

The above includes grant of £74,070 was received from Essex County Council in the form of Performance Reward Grant (£89,824 for 2009/10).

#### 15.4.2. 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<sup>st</sup> April 2009. Under 'The 'Code'', the Joint Committee is considered to be a 'Joint Arrangement which is not an Entity' (JANE).

The Joint Committee was established under sections 101 and 102 of the Local Government Act 1972 and has responsibility for the delivery of Off Street Parking Enforcement, on behalf of the Council. The Joint Committee is required to produce and have audited separate Accounts annually. The lead body for the Partnership is Colchester Borough Council.

Summary details of the Joint Committees transactions for 2010/11 and comparatives for 2009/10 are detailed below:

<b>2009/10 Restated £'000</b>		<b>2010/11 £'000</b>
2,084	Gross Expenditure	2,298
(105)	Gross Income	(137)
1,979	<b>Net Cost of Service</b>	2,161

Uttlesford District Council's contribution to the Partnership was £272,040 for 2010/11 (£264,120 for 2009/10).

### **15.4.3. Revenues and Benefits Partnership**

In October/November 2010, the Council along with Harlow District Council agreed to enter into a partnership to fully integrate each Council's Revenue and Benefits Service, over a two year period.

As a result a Joint Committee has been setup, with representatives from each council; to strategically manage the implementation of the joint service arrangements.

### **15.4.4. Central Government**

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of the transactions that the Council has with other parties (e.g. Housing Benefit Payments). Precepting authorities' details are disclosed at Note C2.

**16. HERITAGE ASSETS**

The carrying value of heritage assets currently held on the Council's Balance Sheet, at cost; as at 31 March 2010 is £154,600. The value for insurance purposes is £9.5 million as at 1 October 2010. Under recently issued FRS 30 – 'Heritage Assets' standard, the Council will have to review its accounting arrangements with regards to Heritage Assets with effect from 1 April 2011.

**17. INTANGIBLE 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 2010/11 is set out in the table below.

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
<b>1,004</b>	<b>Gross Balance at 1 April</b>	<b>1,296</b>
292	Additions	187
-	Reclassification	21
<b>1,296</b>	<b>Gross Balance carried forward at 31 March</b>	<b>1,504</b>
(439)	Amortisation as at 1 April	<b>(605)</b>
(166)	Amortisation In Year	<b>(179)</b>
<b>(605)</b>	<b>Amortisation balance carried forward 31 March</b>	<b>(784)</b>
<b>691</b>	<b>Net Value At 31 March</b>	<b>720</b>

## 18. TANGIBLE PROPERTY, PLANT AND EQUIPMENT ASSETS

	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Restated Balance as at 31 March 2010</b>	<b>210,218</b>	<b>23,350</b>	<b>5,959</b>	<b>364</b>	<b>703</b>	<b>115</b>	<b>240,709</b>
Revaluation gain as at 1 April 2010	55,133	5,355	-	50	-	-	<b>60,538</b>
Additions	3,058	198	1,249	50	13	38	<b>4,606</b>
Adjustment	-	-	52	-	243	-	<b>295</b>
Donations	-	1,134	-	-	-	-	<b>1,134</b>
Disposals	(513)	-	(91)	-	-	-	<b>(604)</b>
Asset write out	-	(9)	-	-	-	-	<b>(9)</b>
Impairment	(39,175)	(2,098)	-	(13)	-	-	<b>(41,286)</b>
Reclassification	-	(4,226)	4,226	-	48	(69)	<b>(21)</b>
<b>Gross Balance as at 31 March 2011</b>	<b>228,721</b>	<b>23,704</b>	<b>11,395</b>	<b>451</b>	<b>1,007</b>	<b>84</b>	<b>265,362</b>
Restated Depreciation as at 31 March 2010	-	(1,260)	(2,525)	-	-	-	<b>(3,785)</b>
Depreciation In Year	(1,955)	(557)	(1,055)	-	-	-	<b>(3,567)</b>
Depreciation Write Outs	1,955	1,260	88	-	-	-	<b>3,303</b>
<b>Depreciation Balance as at 31 March 2011</b>	<b>-</b>	<b>(557)</b>	<b>(3,492)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,049)</b>
<b>Net Value as at 31 March 2011</b>	<b>228,721</b>	<b>23,147</b>	<b>7,903</b>	<b>451</b>	<b>1,007</b>	<b>84</b>	<b>261,313</b>
Net Value as at 31 March 2010	210,218	22,090	3,434	364	703	115	236,924
Assets owned outright	228,721	12,366	3,904	451	318	84	<b>245,844</b>
Donated Assets	-	-	-	-	689	-	<b>689</b>
Finance lease on assets	-	-	929	-	-	-	<b>929</b>
Assets used under contractual PFI agreement	-	10,781	3,070	-	-	-	<b>13,851</b>
<b>Total</b>	<b>228,721</b>	<b>23,147</b>	<b>7,903</b>	<b>451</b>	<b>1,007</b>	<b>84</b>	<b>261,313</b>

## 18.1. ANALYSIS OF FIXED ASSETS

31 March 2010			31 March 2011	
Number	Restated value £'000		Number	Value £'000
<b>Housing Revenue Account</b>				
2,872	210,218	Dwellings	2,872	228,721
560	1,596	Garages	555	1,932
2	321	Other	9	468
<b>3,434</b>	<b>212,135</b>	<b>Total HRA</b>	<b>3,436</b>	<b>231,121</b>
<b>General Fund</b>				
n/a	626	Software Licences	n/a	675
1	3,028	Offices- Saffron Walden	1	2,589
2	342	Depot Premises	2	270
9	3,013	Car Parks	9	3,369
4	1,048	Day Centres	4	922
3	226	Public Conveniences	3	370
1	40	Amenity Land	9	282
3	628	Community Land & Buildings	3	689
3	36	Public Conveniences Sites	3	69
2	38	Coach Parks Infrastructures	2	42
n/a	290	Other Infrastructure	n/a	340
n/a	2,926	Vehicles, Plant and Equipment	n/a	7,376
3	10,267	Leased Assets & PFI	3	10,781
n/a	482	Information Technology	n/a	403
1	291	Turpin Bowls Hall	1	307
1	790	Community Halls	2	1,613
2	1,294	Land at Lord Butler Sport Centre	2	731
4	115	Assets Under Construction	3	84
<b>39</b>	<b>25,480</b>	<b>Total General Fund</b>	<b>47</b>	<b>30,912</b>
<b>3,473</b>	<b>237,615</b>	<b>Total Fixed Assets</b>	<b>3,483</b>	<b>262,033</b>

**19. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
	<b>Capital Expenditure:</b>	
292	Intangible Assets	208
2,630	Fixed Assets	4,616
455	Revenue Expenditure Funded from Capital Under Statute	337
<b>3,377</b>	<b>Total Capital Expenditure:</b>	<b>5,161</b>
	<b>Financed By:</b>	
(865)	Usable Capital Receipts	(1,698)
(29)	Revenue Contributions - GF	(162)
(217)	Revenue Contributions - HRA	(400)
(1,925)	Major Repairs Reserves	(1,955)
(80)	Section 106	(191)
(261)	Capital Grants	(755)
<b>(3,377)</b>	<b>Total Capital Financing</b>	<b>(5,161)</b>

Reconciliation of assets under construction

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
5	Capital expenditure differed from previous year	115
3,527	Actual capital expenditure in year	5,129
-155	Capital expenditure differed to following year	-83
<b>3,377</b>	<b>Capital expenditure in year</b>	<b>5,161</b>

**20. SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS**

As at 31 March 2011, the Council has no significant future contracts for capital investment. It does however have various rolling contracts for maintenance of the HRA housing stock.

**21. 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 Connections Limited 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 25 years outstanding. The total contract payments estimated at the time of the contract was signed were estimated to be £39.9 million. Actual payments depend on the service provided. At the end of 2010/11 the Council's remaining capital liability on this PFI contract was £5.366m.

Unitary charge breakdown

2009/10		2010/11	1 Year	2 - 5 years	6 - 10 years	11 - 15 years	16 - 20 years	21 - 25 years
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>938</b>	<b>Leisure PFI - Unitary charge</b>	<b>991</b>	<b>1,020</b>	<b>4,289</b>	<b>5,861</b>	<b>6,471</b>	<b>7,144</b>	<b>7,887</b>
59	Capital Repayment	64	69	341	611	910	1,355	2,040
455	Interest Expense	450	445	1,718	1,962	1,663	1,218	533
125	Contingent Rent	154	147	672	1,204	1,559	2,157	3,087
299	Services	323	359	1,558	2,084	2,339	2,414	2,227
<b>938</b>	<b>Total Unitary Charge</b>	<b>991</b>	<b>1,020</b>	<b>4,289</b>	<b>5,861</b>	<b>6,471</b>	<b>7,144</b>	<b>7,887</b>

These contractual commitments will be met from council tax income.

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

The deferred liability note 27 identifies the annual PFI liability and associated principal repayment write down for the term of the contract.



**22. STOCK**

<b>31 March 2010</b>		<b>31 March 2011</b>
<b>£'000</b>		<b>£'000</b>
43	Housing Stores	48
11	Building Maintenance	4
14	Vehicle Fuel	31
31	Trading Stock	23
4	Stationery	4
<b>103</b>	<b>TOTAL</b>	<b>110</b>

**23. DEBTORS**

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
746	Central Government Bodies	2,343
331	Other Local Authorities	760
-	NHS Bodies	35
3,616	Other Entities and Individuals	1,290
<b>4,693</b>		<b>4,428</b>

**23.1. PROVISION FOR BAD DEBTS**

<b>2009/10</b>	<b>Provision for Bad Debts</b>	<b>2010/11</b>
<b>Restated</b>		
<b>£'000</b>		<b>£'000</b>
545	Non Domestic Rates	522
166	Council Tax	152
280	Housing Rents	308
391	Overpaid Benefit	391
64	Sundry Debtors	64
<b>1,446</b>	<b>Total</b>	<b>1,437</b>

**24. CREDITORS**

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
212	Central Government Bodies	195
461	Other Local Authorities	1,251
-	NHS Bodies	4
1,668	Other Entities and Individuals	1,330
<b>2,341</b>		<b>2,780</b>

## **25. CAPITAL GRANTS AND CONTRIBUTIONS**

As detailed in the Council's accounting policies at page 96, the accounting arrangements for Capital Grants and Contributions differs depending on whether there are conditions attached to the income. Grants and Contributions with conditions are held as creditors until the condition is satisfied. Other grants and contributions are passed through the Comprehensive Income and Expenditure Statement to a usable reserve – Capital Grants and Contributions Unapplied.

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.

**25.1. Creditor – (Capital Grants and Contributions with Conditions) – Capital Grants and Contributions Receipts in Advance**

	31 March 2010	Income	Drawn Down	31 March 2011
	£'000	£'000	£'000	£'000
<b>S106 Receipts in Advance</b>				
Section 106 - Little Canfield	13	-	-	13
Section 106 - Laurels Yard Site/ Priors Green	88	115	-	203
Section 106 - Felsted	10	-	-	10
Section 106 - Oakwood Park	-	10	-	10
Section 106 - Rochford Nurseries	-	430	-	430
Section 106 - George Wimpey	-	26	-	26
<b>SUB TOTAL</b>	<b>111</b>	<b>581</b>	<b>-</b>	<b>692</b>
<b>Capital Grants Receipts in Advance</b>				
Heritage Quest Centre Grants	111	-	-	111
Disabled Facilities Grant	-	64	(64)	-
Regional Housing Pot	-	29	(29)	-
Housing Grant	-	95	(203)	(108)
Uttlesford Play Spaces Project 2010/11	-	26	(26)	-
Flood Defence (Environment Agency)	-	50	(50)	-
Play Builders Grant 2010/11	-	48	(48)	-
Essex County Council - Waste Grants	-	56	(60)	(4)
<b>SUB TOTAL</b>	<b>111</b>	<b>368</b>	<b>(480)</b>	<b>(1)</b>
<b>Capital Grants and Contributions</b>	<b>222</b>	<b>949</b>	<b>(480)</b>	<b>691</b>

**25.2. Usable Reserve – (Capital Grants and Contributions without Conditions) - Capital Grants Unapplied**

	31 March 2010	Income	Interest	Drawn Down	31 March 2010
	£'000	£'000	£'000	£'000	£'000
<b>S106 Unapplied</b>					
Stansted Housing Partnership	2,674	-	10	-	2,684
Dunmow Eastern Sector	18	-	-	-	18
Section 106 - Woodlands Park	107	-	-	(70)	37
Section 106 - Holmes & Hills	41	-	-	(41)	-
Section 106 - Bellrope Meadows	150	-	-	(150)	-
Section 106 - Bell College	32	-	-	-	32
<b>SUB TOTAL</b>	<b>3,022</b>	<b>-</b>	<b>10</b>	<b>(261)</b>	<b>2,771</b>
<b>Capital Grants Unapplied</b>					
ECC Waste Grants	8	-	-	-	8
Play Builders Grant 0910	25	-	-	(25)	-
Planning Projects (PDG)	309	-	-	(309)	-
Free Swimming Capital Grant	22	-	-	(10)	12
<b>SUB TOTAL</b>	<b>364</b>	<b>-</b>	<b>-</b>	<b>(344)</b>	<b>20</b>
<b>Capital Grants and Contributions Unapplied Total</b>	<b>3,386</b>	<b>-</b>	<b>10</b>	<b>(605)</b>	<b>2,791</b>

**26. PROVISIONS**

The following table details the provisions the Council has established to meet known future liabilities, however the amount and timing of the liability is unknown:

<b>Balance as at</b>	<b>31</b>		<b>In year</b>	<b>Provision</b>	<b>Balance as at</b>
<b>March 2010</b>			<b>Provision</b>	<b>Applied</b>	<b>31 March 2011</b>
<b>£'000</b>			<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
		<b>Balance as at 1 April</b>			<b>67</b>
37		Legal Claims	-	(9)	
30		Other	-	(31)	
-		Termination of Supaloos Contract	230	-	
-		Land Charges - Legal Claims on Changing Policy	90	-	
-		Termination of Employee Contracts	46	-	
<b>67</b>		<b>In Year Movements</b>	<b>366</b>	<b>(40)</b>	<b>326</b>
<b>67</b>		<b>Balance as at 31 March</b>			<b>393</b>

**27. DEFERRED LIABILITIES**

The following contractual arrangements result in the Council holding a deferred liability on the balance sheet, which will reduce as the relevant contractors deliver their agreed contractual services.

<b>2009/10</b>		<b>2010/11</b>	<b>1 Year</b>	<b>2 - 5</b>	<b>6 - 10</b>	<b>11 - 15</b>	<b>16 - 20</b>	<b>21 - 25</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>years</b>	<b>years</b>	<b>years</b>	<b>years</b>	<b>years</b>
				<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
1,363	Finance lease - Waste vehicles - Opening balance	1,097	804	506	-	-	-	-
-	Adjustment to principal balance held	-	-	-	-	-	-	-
(266)	Principal repayment	(293)	(298)	(506)	-	-	-	-
<b>1,097</b>	<b>Closing balance</b>	<b>804</b>	<b>506</b>	-	-	-	-	-
-	Finance lease – Canon - Opening balance	-	20	14	-	-	-	-
-	Addition in year	26	-	-	-	-	-	-
-	Principal repayment	(6)	(6)	(14)	-	-	-	-
-	<b>Closing balance</b>	<b>20</b>	<b>14</b>	-	-	-	-	-
-	Finance lease – Canon - Opening balance	-	26	20	-	-	-	-
-	Addition in year	26	-	-	-	-	-	-
-	Principal repayment	-	(6)	(20)	-	-	-	-
-	<b>Closing balance</b>	<b>26</b>	<b>20</b>	-	-	-	-	-
5,489	Leisure PFI – Opening balance	5,430	5,366	5,297	4,956	4,345	3,435	2,080
(59)	Principal repayment	(64)	(69)	(341)	(611)	(910)	(1,355)	(2,044)
<b>5,430</b>	<b>Closing balance</b>	<b>5,366</b>	<b>5,297</b>	<b>4,956</b>	<b>4,345</b>	<b>3,435</b>	<b>2,080</b>	-
540	Pensions Liabilities – Opening balance	394	248	102	-	-	-	-
(146)	Payment to Pension Fund	(146)	(146)	(102)	-	-	-	-
<b>394</b>	<b>Closing balance</b>	<b>248</b>	<b>102</b>	-	-	-	-	-
<b>6,921</b>	<b>Deferred Liabilities at 31 March 2011</b>	<b>6,464</b>	<b>5,939</b>	<b>4,956</b>	<b>4,345</b>	<b>3,435</b>	<b>2,080</b>	-

Waste Collection Finance Leases in 2006 the authority acquired 16 waste collection vehicles under a finance lease. The rentals payable under these arrangements in 2010/11 were £310,310 (£310,310 in 2009/10) charged to the Comprehensive Income and Expenditure Statement as £17,327 finance costs (£44,089 for 2009/10) (debited to Financing and Investment Income and Expenditure) and £297,606 (£266,221 for 2009/10) relating to the write-down of obligations to the lessor (debited as part of the appropriation to Capital Adjustment Account in the Movement in Reserves).

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 25 years outstanding. At the end of 2010/11 the Council's remaining capital liability on this PFI contract was £5.366 million (£5.430 million as at 31 March 2010). Further details are provided at Note 21 to the Accounts.

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.

## **28. CONTINGENT ASSETS**

### **VAT Fleming Claims**

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 under the '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 of the outcome is still unknown and therefore, the Council is disclosing a Contingent Asset of £100,000.

## **29. CONTINGENT LIABILITIES**

### **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 and a contingent Scheme of Arrangement became effective in 1994.

The Council is a Scheme Creditor under the Scheme. 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 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 the 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 2011, the maximum possible liability for the Council under the Scheme is £60,477 (£60,477 as at 31 March 2010). It is considered unlikely that the Council will be required to honour this liability so the amount has not been recognised in the Accounts. This potential liability could increase in the event that new claims arise relating to incidents that occurred prior to September 1992.

Details of the Scheme are viewable on the MMI website: [www.mmiinsurance.co.uk](http://www.mmiinsurance.co.uk).



**30. NET ASSETS EMPLOYED**

The table below shows the proportions of total net assets that belong to either the General Fund Account or to the Housing Revenue Account.

<b>31 March 2010</b>		<b>31 March 2011</b>	
<b>Restated</b>			
<b>£'000</b>		<b>£'000</b>	
6,288	General Fund	13,400	
212,743	Housing Revenue Account	232,027	
<b>219,031</b>	<b>Total</b>	<b>245,427</b>	

**31. GRANT INCOME – CAPITAL AND REVENUE****31.1. Revenue Grants and Contributions Received in 2010/11**

The Council receives a number of grants and donations which are credited to the service lines of the CI&E

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
(7,317)	Housing Benefit Allowance Subsidy	(8,466)
(5,658)	Housing Benefits Rebate Subsidy	(5,866)
(3,780)	Council Tax Benefits Subsidy	(3,975)
(450)	Private Finance Initiative	(450)
(429)	Planning Delivery Grant	-
(250)	Benefits Admin	(378)
(96)	Homelessness	(61)
(37)	Use of Resources	(84)
-	Future Jobs Fund	(48)
-	Joint Waste Services	(39)
-	Personal Search Fee Grant	(34)
(63)	Free Swimming Grant	(33)
(29)	Mortgage Rescue	-
-	Neighbourhood Planning Front Runners	(20)
(17)	Play Programme	(17)
(15)	Port Health	-
(10)	Smoke Free Grant	-
(36)	Other Miscellaneous (under £10,000)	(28)
<b>(18,187)</b>	<b>Total Revenue Grants</b>	<b>(19,499)</b>

**32. FINANCIAL INSTRUMENTS****32.1 Financial Instruments – Balances**

The Investments shown in the Balance Sheet are made up of the following categories of Financial Instrument:

Long Term Financial Instruments			Short Term Financial instruments	
As at 31 March 2010 (Restated) Book Value	As at 31 March 2011 Book Value		As at 31 March 2010 (Restated) Book Value	As at 31 March 2011 Book Value
£'000	£'000		£'000	£'000
		<b>Financial Assets, Loans and Receivables:</b>		
547	538	Debtors	3,247	3,382
1,653	1,740	Investments	2,005	2,022
-	-	Cash and Cash Equivalents	5,446	5,169
<b>2,200</b>	<b>2,278</b>	<b>Total</b>	<b>10,698</b>	<b>10,573</b>
		<b>Financial Liabilities at Amortised Cost:</b>		
(222)	(691)	Creditors	(2,341)	(3,171)
(6,921)	(6,464)	Deferred Liabilities	-	-
<b>(7,143)</b>	<b>(7,155)</b>	<b>Total</b>	<b>(2,341)</b>	<b>(3,171)</b>
<b>(4,943)</b>	<b>(4,877)</b>	<b>Net Total</b>	<b>8,357</b>	<b>7,402</b>

Note: the cash and cash equivalents balance excludes petty cash balances and disbursement account.

The carrying value of financial instruments reported on the Balance Sheet includes accrued interest on loans and investments. Financial Liabilities and Financial Assets are recorded in the Balance Sheet at the carrying amount, plus interest paid or received.

**32.2. Financial Instruments – Gains and Losses**

The gains and losses recognized in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement in relation to financial instruments are made up as follows:

2009/10		2010/11	2010/11	2010/11
£'000		Financial Assets £'000	Financial Liabilities £'000	Total £'000
499	Interest Expenses	-	460	460
177	Impairment on Long Term Investment	66	-	66
<b>676</b>	<b>Interest Payable and Similar Charges</b>	<b>66</b>	<b>460</b>	<b>526</b>
-	Interest Income	-	-	-
-	Discount Receivable	-	-	-
(235)	Interest and Investment Income	(251)	-	(251)
<b>441</b>	<b>Net (gains)/loss for the Year</b>	<b>(185)</b>	<b>460</b>	<b>275</b>

Note: the above figures exclude Pensions interest costs and expected return on Pensions Assets.

**32.3. Financial Instruments – Fair Values of Assets and Liabilities**

Due to the short term nature of the Council's Investments as at 31 March 2010 and 31 March 2011, the Fair Value of such financial assets will not vary from the book value detailed at note 32.1.

The Landsbanki investment has been recorded in the Accounts at Fair Value based on the appropriate impairment assumptions as detailed at note 32.8.

**32.4 Loans at less than Market Rates (Soft Loans)**

The Council has no material soft loans.

**32.5. Collateral**

The Council holds collateral in relation to the following loans:

<b>Debt Outstanding 31 March 2010</b>		<b>Debt Outstanding 31 March 2011</b>	
<b>£'000</b>		<b>£'000</b>	
3	Mortgages	1	
536	Rents to Mortgages	536	
8	Provincial Head Quarters	-	
<b>547</b>	<b>Total</b>	<b>537</b>	

The Council has pledged no collateral in respect of repayment of any loan to another entity.

As at 31 March 2011, the Council had not entered into any financial guarantees.

**32.6. Financial Instruments – nature and extent of risks arising**

The council's activities can be exposed to a variety of financial risks in respect of Financial Instruments.

- **Credit Risk** – the possibility that other parties might fail to pay amounts due to the Council.
- **Liquidity Risk** – the possibility that the Council may not have the funds available to meet its commitments to make payment.
- **Re-Financing Risk** – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates of terms.
- **Market Risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Sector Code of Practice and investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of The 'Code' of Practice.
- By approving annually in advance Prudential Indicators for the following three years limiting:
  - the Council's borrowing limit;
  - maximum and minimum exposure to fixed and variable interest rates;
  - maximum and minimum debt repayment profile;
  - maximum annual exposure to investments maturity beyond a year.

- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with government guidance. The strategy's objective is to prioritise the security and liquidity of the council's investments over the investment yield. Prior to being approved, the strategy is scrutinised by the Council's Finance and Administration Committee. The strategy is required to be approved by the Council before the start of the year to which it relates.
- Actual performance is also reported bi-annually to Members of the Finance and Administration Committee. An annual report is also required.
- The Treasury Officer implements these policies in the strategy. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the Investment of surplus cash through Treasury Management Practice (TMP's). These TMP's are a requirement of The 'Code' of Practice and are reviewed periodically.

### 32.7. Credit Risk

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

#### Credit risk in relation to payments due from the Council's customers (debtors)

Credit Risk can arise from the Council's exposure to customers. Payments for services are either required in advance or due at the time the service is provided. As at 31 March 2011 £3.4 million (£3.2 million as at 31 March 2010) is due to the council from its customers, the total being past its due date. The past due date debt can be analysed by age as follows:

	<b>31 March 2011</b>
Under 1 Year	555
1-2 Years	43

Note 1 – the aged debtor analysis detailed above excludes payments in advance as these are technically not debts. Government grants due are also excluded as they will be received in full. In line with 'The 'Code'' statutory debt (Council Tax and NNDR arrears) are excluded from the analysis.

The Council's provision for bad debt totalling £1.4 million as at 31 March 2011 (£1.4 million as at 31 March 2010) is deemed sufficient. The Council has put in place the following arrangements in order to recover all monies due effectively:

- the allocation of focussed staff responsibility to operate effective debt management
- improved debt management information to focus debt collection throughout the organisation

#### Credit Risk arising from deposits with Banks and Financial Instruments

The annual investment strategy (details of which are available on the Council's website) requires the Council to maintain a counterparty list that follows the criteria set out in the Treasury Management Practices. Creditworthiness is assessed by the use of credit ratings provided by Fitch ratings, Moody's and Standard and Poor's to assess an institutions long and short term financial strength along with its individual and support ratings. Other information provided

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by brokers, advisers and financial and economic reports are also collated and assessed and then used to produce a matrix to monitor each individual institution against the Council's criteria.

Any counterparty whose ratings fall to the extent that they no longer meet the credit criteria are immediately removed from the lending list. Only highly rated counterparties are included on the lending list.

The following analysis summarises the Council's maximum exposure to credit risk:

<b>Deposits with Banks and Financial Institutions</b>	<b>Amount as at 31 March 2011</b>	<b>Historical Experience of default</b>	<b>Adjustments for market conditions at 31 March 2011</b>	<b>Estimated maximum exposure to default</b>
	<b>£'000</b>	<b>%</b>	<b>%</b>	<b>£'000</b>
AAA Rated Counterparties	-	-	-	-
AA Rated Counterparties	2,968	0.04	-	1
A Rated Counterparties	4,534	0.09	-	4
Other Counterparties	-	1.3	-	-

Note: the above figure excludes the Landsbanki investment of £1.7 million approximately

In addition, the diversification of Investments also provides additional security. The Investment profile for investments held as at 31 March 2011 are detailed below:

<b>Type of Asset</b>	<b>Asset Class Percentages Total Investment as at 31 March 2011</b>
	<b>%</b>
Banks Specified	86
Building Societies - Specified	14

Note: The above arrangements exclude the estimated carrying value of the Council's Icelandic investment of £1.7 million.

### 32.8 Landsbanki

Landsbanki Islands hf is an Icelandic entity that became insolvent in October 2008, a few days before the Council's deposit of £2.2 million (plus interest of £135,000) was due to be repaid. Following steps taken by the Icelandic Government, the bank's assets and liabilities were transferred to a new bank (New Landsbanki) with the management of the affairs of Old Landsbanki being placed under the stewardship of a resolution committee.

The resolution committee has determined that UK local authorities' deposits enjoy preferential status, a ruling that was confirmed by the Icelandic courts in April 2011. However, non-preferential creditors are appealing the court ruling, with appeals likely to be heard in autumn 2011.

On the basis of recovery estimates published by the resolution committee, including default interest up to 22 April 2009 and compensation to be provided through a series of interest-bearing bonds, CIPFA has calculated that priority creditors will receive a payment estimated at 94.85% of the outstanding claims, with dividends estimated to take place from December 2011 to December 2018. CIPFA has recommended that the Statement of Accounts is based on this estimate, and the Council has decided to follow CIPFA's advice.

However, significant uncertainties remain that could affect the amount and timing of any dividends received:

- the outcome of the appeal against the court ruling which determines the preferential status of UK local authorities. Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. If the decision is over-turned and the Council is deemed to be a non-preferential creditor, the estimated recovery level is 38.21%.
- 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.
- no information has been provided by the resolution committee about the timing of any payments to creditors. Impairment adjustments ensure that estimated recoveries are discounted according to the principle that money in the future is worth less than money now. If the actual timing differs from that used in the CIPFA guidance, additional adjustments may be necessary in the 2011/12 accounts.

The Council has established a General Fund Earmarked Reserve to absorb the revenue impact of any impairment adjustments that have to be charged to revenue in accordance with accounting rules. In 2008/09 and 2009/10 the Council made use of a special Government direction that deferred the impact until 2010/11. This required the establishment of a new "Financial Instruments Adjustment Account" to enable the reversing of impairment charges in 2008/09 and 2009/10 so that there was no impact on revenue. The directive has not been extended and accordingly an impairment charge has been applied to revenue in 2010/11, with the balance on the Financial Instruments Adjustment Account written out of the accounts.

### **32.9 Liquidity Risk**

The Council manages its liquidity position through the risk management procedures above (by setting and approving Prudential Code Indicators and the approval of treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by The 'Code' of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to Public Works Loans Board (PWLB); which acts as a provider of longer term funds and lender of last resort to Local Authorities and other prescribed authorities. Therefore there is no significant risk that the council will not be able to raise finance to meet its commitments.

As at 31 March 2011, the Council had no borrowing arrangements in place.

Through the Local Government Finance Act 1992, the council is required to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. Therefore there is no significant risk that the Council will be unable to meet its commitments.

Day to day liquidity is managed through:

- The setting of Prudential Indicators;
- The Cash flow management procedures; and
- The use of deposits and call funds.

### **32.10 Refinancing and Maturity**

The Council's approved Treasury and Investment strategies are set to avoid the risk of refinancing on unfavourable terms. The treasury officer addresses the operational risks within appropriate parameters. These include:

- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs;
- On a short term basis internal balances are available to call on should market interest rates be unfavourable at the time of refinancing.

### **32.11 Market Risk**

The Council can be exposed to interest rate movements on its borrowings and investments. Movements on interest rates can have a complex impact on the Council; depending on how variable and fixed interest rates move for differing financial instruments and periods. In view that the Council has no external borrowing, the impact of a rise in variable and fixed rates on the Council's Investments would have the following impact:

- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure account will increase;
- Investments at fixed rates – the amortised cost of assets will fall, in the Comprehensive Income and Expenditure Account.

As at 31 March 2011, the council had 72% of its investments in variable rate instruments; thus limiting the Council's exposure to material reduction in investment income in the short term.



The Treasury Management Officer has an active strategy for assessing interest rate exposure, which feeds into the annual budget and Medium Term Financial Plan; which is used to monitor performance throughout the year. This enables any adverse changes to be responded to and accommodate both in the short and long term.

Based on the Councils investment portfolio as at 31 March 2011; the financial impact of a 1% increase in interest rates would have £40k positive impact on the Comprehensive Income and Expenditure Account.

**32.12. Price Risk**

The Council has no investments in equity shares and therefore is not exposed to losses arising from movements in the price of shares.

**32.13. Foreign Exchange Risk**

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

## HOUSING REVENUE ACCOUNT

## COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

2009/10 Restated £'000		2010/11 £'000
	<b>Income</b>	
(11,150)	Dwelling Rents	(11,377)
(201)	Non-Dwelling Rents	(193)
(518)	Charges for Services and Facilities	(494)
(106)	Contributions towards Expenditure	(82)
<b>(11,975)</b>	<b>Total Income</b>	<b>(12,146)</b>
	<b>Expenditure</b>	
2,083	Repairs and Maintenance	2,233
2,253	Supervision and Management	2,241
41	Rents, Rates, Taxes and other Charges	60
5,136	Negative Housing Subsidy Payable	4,898
	Depreciation and Impairment of Fixed Assets	
1,926	- Dwellings	1,955
211	- Other Fixed Assets	55
1,467	Fixed Asset Impairment	24,822
82	Increase in Bad Debt Provision	29
<b>13,199</b>	<b>Total Expenditure</b>	<b>36,293</b>
<b>1,224</b>	<b>Net Cost of Service</b>	<b>24,147</b>
261	HRA Services Share of Corporate and Democratic Core	232
(2)	HRA Share of other amounts included in the Whole Authority Net Cost of Services but not	(656)
<b>1,483</b>	<b>Net Cost of HRA Services</b>	<b>23,723</b>
(306)	(Gain) on Sale of HRA Fixed Assets	(321)
(4)	Interest and Investment Income	(3)
157	Pension Interest Cost and Expected Return on Pensions Assets	237
-	Capital Grants and Contributions Receivable	(204)
<b>1,330</b>	<b>Deficit for the year on HRA Services</b>	<b>23,432</b>

**MOVEMENT IN HRA RESERVES**

<b>2009/10</b>		<b>2010/11</b>
<b>Restated</b>		<b>£'000</b>
<b>£'000</b>		<b>£'000</b>
<b>785</b>	<b>Balance on HRA at the end of the previous year</b>	<b>723</b>
(1,330)	(Deficit) for the year on the HRA Comprehensive Income and Expenditure Account	(23,432)
1,057	Adjustments between accounting basis and funding basis under statute (Note A)	23,450
<b>(273)</b>	<b>Net increase or (decrease) in year on the HRA</b>	<b>18</b>
211	Transfers from the Major Repairs Reserve	55
<b>(62)</b>	<b>Increase or (decrease) in year on the HRA</b>	<b>73</b>
<b>723</b>	<b>Balance on the HRA at the end of the current year</b>	<b>796</b>

**HRA – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE**

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the Year</b>	
306	Gain or Loss on Sale of HRA Fixed Assets	321
(1,467)	Fixed Asset Impairment	(24,822)
(36)	Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute	(5)
-	Reversal of Non Specific Grants	204
(77)	Net Charges made for Retirement Benefits in accordance with FRS 17	452
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the Year</b>	
217	Capital Expenditure funded by the HRA	400
<b>(1,057)</b>	<b>Adjustments between accounting basis and funding basis under statute</b>	<b>(23,450)</b>

**NOTES TO THE HOUSING REVENUE ACCOUNT****H1. 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.

**H2. Gross Rental Income**

Gross rent Income is the total rent income due after allowance is made for void properties. At the end of 2010/11 an average of 2.89% of properties were vacant (2.58% 2009/10). The average rent for all stock was £78.39 per week in 2010/11 and £76.39 in 2009/10.

**H3. Housing Subsidy**

HRA Subsidy is a grant payable to the CLG towards the costs of local authority housing. It represents the difference between notional rent and other income, and notional expenditure deemed by the CLG to have been incurred for management and maintenance and charges for capital.

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
(1,210)	Allowance for Management	(1,263)
(2,804)	Allowance for Maintenance	(2,847)
(1,930)	Allowance for Major Repairs	(1,955)
(38)	Charges for Capital	(78)
11,118	Rent	11,041
<b>5,136</b>	<b>Total Payable</b>	<b>4,898</b>

**H4. Housing Stock**

The housing stock managed by the Council was as follows:

2009/10		2010/11	
	General Needs		
747	Flats	747	
746	Bungalows	751	
1,379	Houses	1,374	
<b>2,872</b>	<b>Total</b>	<b>2,872</b>	

**H5. Rent Arrears**

The provision for bad debts against arrears was £0.308 million at 31 March 2011 (£0.280 million as at 31 March 2010)

2009/10 £'000		2010/11 £'000
364	Arrears due from:	380
10	- Current Tenants	22
	- Former Tenants	
<b>374</b>	<b>Total</b>	<b>402</b>
3.36%	Total as a % of Gross Debt	3.64%

**H6. Balance Sheet value of HRA Assets**

2009/10 £'000		2010/11 £'000
	<b>Operational Assets comprising-</b>	
210,218	Dwellings	228,720
1,813	Other Land and Buildings	2,197
3	Vehicles and Plant	123
65	Intangible Assets	46
35	Community Assets	35
<b>212,134</b>	<b>Total</b>	<b>231,121</b>

The vacant possession value of dwellings within the HRA as at 1 April 2010 was £586.5 million (£457.7 million as at 1 April 2009). The difference of £357.8 million between the vacant possession value and the Balance Sheet value of dwellings within the HRA represents the economic cost of providing council housing at less than open market value.

**H7. Depreciation and Impairment of Fixed Assets charged to the HRA comprehensive Income and Expenditure account**

2009/10 £'000		2010/11 £'000
1,925	Dwellings	1,955
211	Other Assets	55
<b>2,136</b>	<b>Total Depreciation</b>	<b>2,010</b>
1,467	Impairment of Fixed Assets*	24,821
<b>3,603</b>	<b>Total Depreciation and Impairment</b>	<b>26,831</b>

\* The impairment of fixed assets, £24,821k, represents the downwards revaluation of HRA assets (mostly dwelling land assets) that was charged to the HRA comprehensive Income and Expenditure account during 2010/11. The valuation of HRA assets was carried out as at 1/4/2010 and then reviewed for further impairment as at the 31/3/2011.

**H8. Major Repairs Reserve**

2009/10 £'000		2010/11 £'000
-	<b>Opening Balance</b>	-
(2,136)	Depreciation on Fixed Assets	(2,010)
211	Transfers to HRA	55
1,925	Capital expenditure funded from the MRA	1,955
-	<b>Closing Balance</b>	-

**H9. HRA Capital Financing**

2009/10 £'000		2010/11 £'000
<b>2,143</b>	<b>HRA Capital Expenditure</b>	<b>3,272</b>
	Financed by:	
(218)	Revenue Contributions	(400)
(1,925)	Contribution from Repairs Reserve	(1,955)
-	Capital Receipts	(522)
-	S106	(191)
-	Capital Grants	(204)
<b>(2,143)</b>	<b>Total</b>	<b>(3,272)</b>

**H10. Capital Receipts**

2009/10 £'000		2010/11 £'000
138	Properties	183
3	Land and Garages	137
<b>141</b>	<b>Total</b>	<b>320</b>

**H11. HRA Contribution to the Pension Reserve**

Under IAS 19, the cost of retirement benefits are recognised in the net cost of service when employees earn them rather than when the benefits are eventually paid. This principle is applied to the HRA. The HRA has been charged with its share of the pension interest cost and return on pension assets, and these together with the change in service costs have been matched by a transfer to the Pension Reserve so that the net outturn on the HRA is not altered by these IAS 19 adjustments.



**THE COLLECTION FUND 2010/11**

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.

2009/10		INCOME AND EXPENDITURE ACCOUNT		2010/11	
£'000				£'000	
<b>Income</b>					
44,157	Council Tax Payers	45,832			
18	Council Tax Payers (adjustment relating to prior years)	-			
3,655	Council Tax Benefit	3,940			
47,830	<b>Total Council Tax</b>			49,772	
34,576	Business Rate Payers			34,310	
<b>82,406</b>	<b>Total Income</b>			<b>84,082</b>	
<b>Expenditure</b>					
34,526	Precepts and Demands: - Essex County Council	35,778			
4,152	Precepts and Demands: - Essex Police Authority	4,349			
2,092	Precepts and Demands: - Essex Fire Authority	2,187			
6,458	Precepts and Demands: - Uttlesford District Council	6,900			
<b>47,228</b>	<b>Total Precept and Demand</b>			<b>49,214</b>	
216	Distributions of Previous Years' Surplus: - Essex County Council	141			
25	Distributions of Previous Years' Surplus: - Essex Police Authority	18			
12	Distributions of Previous Years' Surplus: - Essex Fire Authority	6			
30	Distributions of Previous Years' Surplus: - Uttlesford District Council	23			
<b>283</b>	<b>Total Distributions of Previous Years Surplus</b>			<b>188</b>	
233	Provision for Doubtful Debts			243	
34,440	Business Rates: - Payments to the National Pool			34,174	
136	Business Rates: - Cost of Collection Allowance to General Fund			136	
<b>82,320</b>	<b>Total Expenditure</b>			<b>83,955</b>	
(583)	(Surplus) as at 1 April			(669)	
(86)	(Surplus) for the Year			(127)	
<b>(669)</b>	<b>(Surplus) as at 31 March</b>			<b>(796)</b>	

**NOTES TO THE COLLECTION FUND****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 average amount for a 2010/11 Band D property, being £1,494.78 (2009/10, £1,402.65), is multiplied by the proportion specified for the particular band to give an individual amount due, to which must be added any Parish precept.

**C1. COUNCIL TAX BASE**

When setting the 2010/11 Council Tax a gross tax base of 32,922 Band D equivalents was estimated (2009/10, 32,373). An allowance of 1.1% to cover losses on collection and adjustments was applied, thus reducing the tax base to 32,736 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 2010/11 - Analysis of Properties**

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>Total</b>
Total no. Properties (after adjusting for discounts)	756	2,839	6,851	5,673	5,093	3,577	3,773	359	28,921
Ratio to Band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	504	2,208	6,090	5,673	6,225	5,166	6,288	717	32,871
Additions (Net of Discounts / Exemptions)									229
Total Band D Equivalents									33,100
Estimated Collection Rate for 2010/11 – 98.9%									32,736
Add M.O.D Properties									186
<b>COUNCIL TAX BASE</b>									<b>32,922</b>

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

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
52,631	Gross Council Tax Collectable	54,702
18	Council Tax Payers (adjustment relating to prior years)	-
(1,492)	Less: - Exemptions	(1,549)
5	Transitional Relief	5
(30)	Write-offs	(81)
(3,302)	Less: - Discounts	(3,305)
<b>47,830</b>	<b>Net Collectable before Benefits and Allowances</b>	<b>49,772</b>
(3,655)	Benefits	(3,940)
<b>44,175</b>	<b>Income from Council Tax Payers</b>	<b>45,832</b>

## C2. PRECEPTS

The following authorities made precepts on the Collection Fund:

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
34,526	Essex County Council	35,778
4,152	Essex Police Authority	4,349
2,092	Essex Fire Authority	2,187
6,458	Uttlesford District Council (including Town/Parish Councils)	6,900
<b>47,228</b>	<b>Total</b>	<b>49,214</b>

**C3. 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 2010 was £99,674,260 (£79,293,022 at 1 April 2009) and the multipliers, which were specified by the Government, were 40.7p excluding small business relief (2009/10 48.1p) and 41.4 including small business relief (2009/10 48.5p). Based on the lower rate this produced an approximate yield of £35.783 million. The actual income from ratepayers was £34.310 million and the difference of £1.473 million is explained as follows:

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
(481)	Transitional Relief	(157)
(1,540)	Charitable Relief	(892)
(1,709)	Void Properties	(358)
(145)	(Increase) in Bad Debt Provision	(6)
311	Other Adjustments during the Year	(60)
<b>(3,564)</b>		<b>(1,473)</b>

**C4. FUND BALANCE**

The Collection Fund surpluses have been apportioned as follows:

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
(528)	Essex County Council	(604)
(61)	Essex Police Authority	(73)
(32)	Essex Fire Authority	(37)
<b>(621)</b>	Other major preceptors	<b>(714)</b>
(48)	Uttlesford District Council	(82)
<b>(669)</b>		<b>(796)</b>

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

## **STATEMENT OF ACCOUNTING POLICIES**

### **P1. GENERAL PRINCIPLES**

The general principles adopted in compiling the Accounts are consistent with The 'Code' of Practice on Local Authority Accounting in the United Kingdom 2010/11 ('The 'Code') and the Best Value Accounting Code of Practice 2010/11; issued by CIPFA and supported by International Financial Reporting Standards (IFRS).

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

### **P2. 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.
- Salaries, wages and employment related payments are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the financial year is recognised in the Accounts to the extent that employees are permitted to carry forward the leave entitlement.
- Goods and Services 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 £1,000 has been applied in determining whether to accrue for income and expenditure in line with the first and third bullet points above.
- Capital works are charged as expenditure when they are completed, before which they are carried as Assets Under Construction 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.

Where the council is acting as an agent for another party (for example collection of NNDR and Council Tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services or the Council incurs expenses directly on its own behalf in rendering the service.

**P3. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS****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 Council 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.

**Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation which will only be confirmed by the occurrence of an uncertain future event/s which is not wholly in the control of the Council. Contingent liabilities also arise where the amount of the obligation cannot be reliably measured.

Contingent liabilities are not recognised in the Balance Sheet, but disclosed in a note to the Accounts.

**Contingent Assets**

A contingent asset arises where an event has taken place, which gives the Council a possible asset; which will only be confirmed by the occurrence of a future event/s not wholly within the Council's control.

Contingent Assets are not recognised in the Balance Sheet, but disclosed in a note to the Accounts.

**P4. RESERVES**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. 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 (Unusable Reserves) are kept to manage the accounting processes for non current assets, financial instruments, collection fund and retirement benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies below.

## **P5. GOVERNMENT GRANTS AND CONTRIBUTIONS**

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, and 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.

Conditions specify the future use of the asset. For example Disabled Facilities Grant is given to the Council to finance disabled adaptations within the community and if the grant is not spent on these items it has to be returned.

### **Government Grants and Contributions (Revenue)**

Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Revenue Grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. Where conditions are satisfied, the grants or contributions are credited to the Service line of the Comprehensive Income and Expenditure Statement.

Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Comprehensive Income and Expenditure Statement after the Net Cost of Services.

### **Government Grants and Contributions (Capital)**

Capital grants and contributions without conditions; are credited to the Comprehensive Income and Expenditure Statement, and reversed out of the General Fund/Housing Revenue Account in the Movement in Reserves Statement. Where grants and contributions expenditure remains to be incurred the monies are credited to the Capital Grants Unapplied Account (usable reserve) in the Balance Sheet. For Capital Grants and Contributions with conditions, if the condition remains to be met, the monies are credited to Capital Grants Receipts in Advance Account (Creditor), and reviewed annually to determine whether the Grant or Contribution should be repaid. Where the Grant/Contribution can be applied, it is posted to the Capital Adjustment Account. Grants and Contributions in the Capital Grants Unapplied Account should eventually be transferred to the Capital Adjustment Account.



**P6. 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 of the scheme (retirement lump sums and pensions), earned as employees work 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 earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (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 as follows
  - quoted securities – current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - 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 to the service line of the Comprehensive Income and Expenditure Statement.
- 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 Surplus/Deficit on provision of services in the Comprehensive Income and Expenditure Statement 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 Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- 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 Surplus/Deficit on Provision of Services line in the Comprehensive Income and Expenditure Statement.

- 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 Comprehensive Income and Expenditure Statement 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 Pension Reserve.
- Contributions paid to the Essex County Council Pension Fund – the cash paid by the Council as employer's contributions to the pension fund; which is not treated as an expense in the Council's Accounts.

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 Movement in Reserves Statement, 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.

The negative balance that arises on the Pension Reserve at the end of the relevant accounting period reflects the beneficial impact to the General Fund of being required to account for retirements on a cash basis rather than as benefits is earned by the employee.

#### **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 used in 2010/11.

#### **P7. VALUE ADDED TAX**

Income and expenditure within the Comprehensive Income and Expenditure Statement 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.

#### **P8. 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 Best Value Accounting Code of Practice (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 Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

## **P9. 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 appropriate revenue account over a seven year period, which reflects the assets consumption.

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

Internally generated assets are capitalised where it is demonstrated that the project is technically feasible and is intended to be completed, the costs are directly attributable to bringing the asset into operation and the costs can be reliably measured.

Since Intangible assets have short useful lives and low in value, the council has elected to adopt a depreciated historic cost valuation for these assets.

## **P10. PROPERTY, PLANT AND EQUIPMENT**

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental or administration purposes and that are expected to be used during more than one financial year; are classified as Property, Plant and Equipment.

Plant and Equipment includes all vehicles but excludes all miscellaneous furniture and equipment with an individual value of less than £10,000.

### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment 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. The Council does not capitalise borrowing costs.

Donated assets are measured at fair value. Any difference between the fair value and the consideration paid is credited to the Taxation and Non Specific Grants line of the Comprehensive Income and Expenditure Statement, unless there is a condition on the donation. Should there be a condition, the gain is held in the Donated Assets Account until the condition is met or the asset is returned. Gains credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund Balance to the Capital Adjustment account in the Movement in Reserves Statement.

Assets are then carried in the balance sheet using the following measurement basis:

- dwellings- fair value, determined using the basis of existing use value for social housing(EUV –SH)
- Infrastructure assets, community assets and assets under construction depreciated historical cost.
- All other property assets – fair value, determined by the amount that would be paid for the asset in its existing use.(Existing Use Value – EUV)
- The council has elected to use the depreciated historic cost, as a proxy to fair value, for non property assets with low value and short useful lives; for example furniture and equipment assets.
- It is assumed all assets are fully expended at the end of their useful life and therefore it is assumed there is no residual 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 Comprehensive Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Where there is a decrease in valuation, which is due to a price decrease and is not directly attributable to one particular asset; the revaluation loss is accounted for as follows:

- where there is a revaluation gain balance for the asset in the Revaluation Reserve, the loss is written against the balance up to the amount of the accumulated gain;
- where there is no revaluation gain against the asset in the Revaluation Reserve or insufficient balance; the loss is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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.

### **Valuation**

Asset valuations were carried out as at 1<sup>st</sup> April 2010 by Wilks Eve LLP. The Valuation letter was dated 26th May 2011.

Valuations of General Fund Land and Buildings are carried out on an annual basis, as at the 1<sup>st</sup> April. 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. These properties are valued and the assessed value is applied to all properties of a similar size and type. This is the accepted method of valuation for Council dwellings under 'The 'Code''.

### **Impairment**

Assets are assessed at each year end as to whether there is an indication of impairment. Where impairment exists and differences in value are estimated to be material, an impairment loss is recognised.

Impairment losses are accounted for as follows:

- where there is a balance on the Revaluation Reserve against the asset, the loss is written down against the balance up to the amount of the accumulated gains;
- where there is no balance in the Revaluation Reserve or insufficient balance, the loss is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

**Disposals – Assets Held for Sale** When it becomes probable that an asset will be disposed of or decommissioned, the asset is reclassified as an Asset Held for Sale – a current asset within the Balance Sheet. In order to be classified as an Asset Held for Sale, the following conditions need to be met:

- the asset must be available for immediate sale and the sale must be highly probable;
- an active marketing plan is being followed and supported by management;
- the asset should be marketed for sale at a price that is reasonable, relative to its fair value; and
- the sale is expected to be concluded within 12 months.

If these conditions are not fulfilled the asset should be classified as a Surplus Assets.

The asset is revalued before reclassification and carried at fair value less the cost of disposal. On disposal, any loss is recorded in the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement.

Assets which are abandoned or scrapped are not reclassified as Assets Held for Sale. The book value of such assets is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement; with receipts from the asset, if any, being credited to the same line. Any accumulated gains held 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 within the Movement in Reserves Statement.

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 within the Movement in Reserves Statement.

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 Property, Plant and Equipment with a determinable finite life 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.

Assets that are not yet available for operational use, e.g. Assets under Construction, are not depreciated.

Depreciation is calculated on the following basis:

- Dwellings - the Major Repairs Allowance is used as a proxy for depreciation in the Housing Revenue Account.
- 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 20 years.

Where an item of Property, Plant and Equipment has major components with different estimated useful lives, these are depreciated separately (refer to policy on Componentisation).

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.

### **Componentisation**

A component is a part of an asset, which has to be separately identified for the purposes of assisting more accurate financial reporting and asset management.

A component must have the following factors:

- a significantly different useful life from the parent asset;
- a significantly different cost to the parent asset; and
- provide an economic or service benefit to the Council's services, which is materially different to the rest of the asset.

Taking into account the above, the following guidelines have been applied in order to implement the accounting requirements efficiently and effectively:

- a de minimis value of £150,000, or 25% or more of the value of the parent building component.

Componentisation must take place at the valuation, acquisition and enhancement of the parent asset.

Under 'The 'Code'' componentisation is not retrospective and effective from 1<sup>st</sup> April 2010. The application of componentisation will result in a change in accounting estimate under 'The 'Code''.

In line with the above policy, the following assets have been componentised as a result of the full revaluation of the Council's asset base:

- Dunmow Sports Centre,
- Lord Butler Sports Centre,
- London Road Offices Saffron Walden

Each asset has been split into at least 2 additional material components; as well as land and buildings elements.

**Investment Properties:** the definition of an Investment Property has been tightened under the application of IFRS. To be classified as an Investment Property, the asset needs to be held solely for the purpose of generating income or capital appreciation. As a result of this tighter definition it is deemed that the Council has no Investment Properties.

## **P11. 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 Property, Plant and Equipment 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 General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**P12. 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 for the Council (for example Disabled Facilities Grants) 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 from the General Fund Balance, within the Movement in Reserves Statement, then reverses out the amounts charged so there is no impact on the level of council tax.

**P13. LEASES**

**Council as lessee**

**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. Where the lease covers land and buildings, each element is considered separately. 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 Property, Plant or Equipment, valued at fair value-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)

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to these assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise Council Tax to cover depreciation, revaluation or impairment losses on leased assets. These charges are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

**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 line within the Comprehensive Income and Expenditure Statement on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

**The Council as Lessor**

**Finance Leases**

The Council has no Finance Leases, where it is Lessor.



**Operating Leases**

Where the Council grants an operating lease over Property, Plant and Equipment (for example the lease of Turpin's Bowling Hall), the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. These credits are based on a straight line basis over the life of the lease, even if this does not match the pattern of payments.

**P14. CASH AND CASH EQUIVALENTS**

Cash and bank balances are recorded at the current value of these balances in the Council's cash book. Cash equivalents are investments, excluding Fixed Term Deposits; that can be converted to cash in a short time frame, for known amounts, with insignificant risk of a change in value. Fixed Term Deposits have been classified as Short Term Investments, as by their very nature they cannot be called in earlier than the date of their maturity.

**P15. FINANCIAL LIABILITIES**

Financial Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement 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 2010/11.

**P16. 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

**The Council's deposit with the failed Icelandic bank, Landsbanki**

Under LAAP 82, the Council is required to include in the Accounts, an estimate of the fair value of the investment to be recovered from the banks administrators. The calculation is based on a discounted cashflow model. Prior to 2010/11 the Council has taken advantage of the Capital Finance

Regulations, to defer the impact of the impairment in the financial assets on the Comprehensive Income and Expenditure Statement; as detailed at Note 32.8. No deferment is permissible in 2010/11 and so impairment has been written off against revenue balances.

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

The Council has no Available-for-sale Assets.

#### **P17. 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 IAS 2 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.

#### **P18. INTERESTS IN COMPANIES AND OTHER ENTITIES**

Material entities over which the Council has the power to exercise control/significant influence, or joint influence, to obtain economic or other benefit, are classified as a subsidiary/associate or Joint Venture relationship. Where material, such transactions will result in the preparation of Group Accounts and particular disclosures.

The Council has no arrangements which would result in Group accounting arrangements.

The Council does however participate in joint operations which are not performed through a separate entity. The Parking Partnership is a joint committee arrangement (Refer to Note 15) The Council records its share of the arrangement's income and expenditure, gains and losses, assets and liabilities and cashflows within its statutory accounts.

#### **P19. PRIVATE FINANCE INITIATIVE (PFI)**

The Council has a sports PFI scheme, which falls under the arrangements of International reporting Standard – IFRIC 12 'Service Concession Arrangements'.

PFI and similar contracts are agreements to receive services, where the responsibility for making available Property, Plant and Equipment 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 assets will pass to the Council at the end of the contract period for no additional charge, the Council carries the assets used under the contract on the Balance Sheet.

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

Non Current 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 line in the Comprehensive Income and Expenditure Statement.
- finance cost – an interest charge of 8.29% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and expenditure line in the Comprehensive Income and Expenditure Statement.
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Comprehensive income and Expenditure Statement.
- payment towards liability – applied to write down the Balance sheet liability towards the PFI operator.

#### **P20. LONG-TERM DEBTORS**

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

#### **P21. COUNCIL TAX**

The Council as 'billing' authority acts as agent with regards to the collection and distribution of Council Tax on behalf of itself and Essex County Council, Essex Police Authority, Essex Fire Service and the various town and parish councils. In line with these agency arrangements, in order to reflect the risks and rewards accurately within the Council's accounts, the following transactions need to be reported:

1. A debtor/creditor to reflect the difference between the various preceptors share of the cash collected in the year and the cash paid to the preceptors on account in line with the appropriate regulations will be included in the Council's balance sheet;
2. The council's cashflow statement only includes the council's share of council tax, net of cash collected and precepts paid to itself.

#### **P22. NATIONAL NON DOMESTIC RATES (NNDR)**

The accounting treatment for NNDR is based on the principle that the Council is the 'billing' authority, and acting as the agent of Central Government in the collection of NNDR. Thus the following accounting arrangements have been put in place:

- NNDR income is not included in the Council's Comprehensive Income and Expenditure Statement, as it is not part of the council's operating activities.
- The cost of collection received by the Council is reported as Income in the Comprehensive Income and Expenditure Statement.

- NNDR debtors and creditors and impairment losses are not the assets or liabilities of the Council and therefore excluded from the balance sheet.
- Any amounts charged to NNDR taxpayers over and above those to be passed to Central Government (for example costs of pursuing unpaid NNDR debts) are accounted for as income in the Council's Comprehensive Income and Expenditure Statement.

### **P23. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

The Statement of Accounts for 201/11 is the first to be prepared on an IFRS basis. Adoption of 'The 'Code'' has resulted in the restatement of various balances and transactions with the result that some figures presented in the financial statements are different from the equivalent figures in the Statement of accounts for 2009/10. The restated figures for each key financial statement are detailed within the notes to the Core Financial Statements (page 24) and aligned with the relevant accounting policy change.

The 'Code' places greater emphasis on accounting for component parts of individual assets. For assets that have been revalued during 2010/11, where the asset value is material, components have been separately identified and depreciation charged accordingly.

The change in methodology has resulted in an additional depreciation charge of £338k. The impact of this change will carry forward into future years.

The Council has not identified any material errors in preparing the 2010/11 financial statements.

### **P24. STANDARDS ISSUED BUT NOT ADOPTED**

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by The 'Code' of a new standard that has been issued, but not yet required to be adopted by the Council, in this case, Heritage Assets. The full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require a new class of asset, Heritage Assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets held by the council for their contribution to knowledge and culture. The Heritage Assets held by the Council are the collections of assets and artefacts either exhibited or stored in the Saffron Walden Museum. There are six principal collections of heritage assets held in the museum:

- the archaeological collection
- the fine art collection
- the decorative collection
- a collection of costumes and textiles
- the natural sciences collection, and

- the world cultures collection.

Part of the collection is currently accounted for at historic cost and classified in the 2010/11 financial statements as Community Assets. The remainder of the collection is not recognised in the financial statements as no information is available on the cost of these assets.

The new standard will require Heritage Assets to be measured at valuation in the 2011/12 financial statements. 'The 'Code'' will however permit some relaxation in the valuation requirements.

The Council is unlikely to be able to recognise the following heritage assets in the balance sheet, the archaeological collection the natural sciences collection, and the world cultures collection; as it is of the view that a disproportionate cost of obtaining the information in comparison to the benefits to the users of the financial statements. This exemption is permitted by the 2011/12 Code.

There is no depreciation charged on Heritage Assets that are currently classified as community assets, since the council considers that the Heritage Assets will have indeterminate lives and in some cases a high residual value; hence it is not appropriate to charge depreciation.

#### **P.25 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance sheet at 31 March 2011 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Statement of Accounts 2010/11

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Depreciation and amortisation are provided for Property, Plant and Equipment and Intangible Assets respectively. This enables the assets to be written down over their estimated useful lives and show an appropriate cost of the asset in the Comprehensive Income and Expenditure Statement. Management judgement based on independent external advice is used to determine the useful economic lives of the Council's Property	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.1m for every year that the useful life is reduced.
Property, Plant and Equipment	Property, Plant and Equipment are reviewed for both economic and price impairment on an annual basis. As at 1 April each year the Council's valuers carry out a valuation review of the council's assets. In addition a year end impairment review is also undertaken. The recoverable amount is then estimated having regard to the application of the concept of materiality.	If an asset is impaired the carrying amount of the asset is reduced.  9.3% of the Council assets are valued at Market value (Excluding the HRA Housing stock which is valued at Social usage value)  Of the market valued assets, a valuation impairment would equate to reduction in the Council's net worth.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase in the long term, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are completed by the Essex County Council Fund Actuaries.	The effect on net pensions of changes in individual assumptions can be measured. For instance: A decrease in the discount rate assumption would result in an increase in pension liability. A 1 year increase in member life expectancy would result in an increase in pension liability. An increase in the salary increase would result in an increase in pension liability. An increase in the pension increase rate would result in an increase in pension liability.

Arrears	At 31 March 2011, the Council had a balance of £4.8m for debtors. A review of balances suggested that an impairment of doubtful debts of £1.4m was appropriate.	If collection rates were to deteriorate and sundry debt increased with the same debt profile, an additional contribution would be required to be set aside as an allowance. This is deemed non material for the Councils Accounts
Icelandic investments	The investment has been impaired to reflect the recovery rates expected as at April 2011. The final repayments are not anticipated until December 2018. The final cost therefore could be greater or lower depending on the final recoverable amounts and the timings of payments.	If the expected dividend was increased the carrying value of the investment would increase. If the final dividend was received a year earlier than currently anticipated, the carrying value of the asset would increase

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**Independent Auditor's report to Members of Uttlesford District Council**







## **ANNUAL GOVERNANCE STATEMENT 2010/11**

### **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.

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.

The Council has approved and adopted a Code of Corporate Governance. The 'Code' is contained in the Council's Constitution, which can be found on the Council Website [www.uttlesford.gov.uk](http://www.uttlesford.gov.uk). Hard copies are available on request.

### **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.

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 designed to identify and prioritise the risks to the achievement of the Council's objectives, to evaluate their likelihood and impact, and to manage them effectively.

The governance framework has been in place at Uttlesford District Council for the year ended 31 March 2011.

### **3. The Governance Framework**

Uttlesford District Council's governance framework derives from six core principles:

- 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 it is complemented by the Medium-Term Financial Strategy and together these represent the key planning documents for the Council. They are informed by public consultation, carried out via a Citizens Panel.

The objectives outlined are translated into more specific aims and objectives in service delivery plans. Performance was monitored by individual services and formally reviewed by the Strategic Management Board and Performance Select Committee.

Satisfaction surveys and a formal complaints procedure allow the Council to gauge customer satisfaction.

The Local Strategic Partnership (LSP) - Uttlesford Futures membership comprises of a wide range of public, private, voluntary and community sector organisations committed to sustaining the high quality of life in the district.

**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.

In 2010/11 the main decision making Committees were the Policy Committees, namely Finance and Administration, Community and Housing and Environment which were responsible for all matters defined by law and operated within the budget and policy framework approved annually by full Council. In addition there was the Licensing Committee which also had certain policy functions. The role of the Policy Committees was to develop policies and services within the framework of the Corporate Strategy and policies. Meetings were open to the public except where personal or confidential matters were being discussed. Policy committees took decisions under delegated powers and those decisions therefore have effect as if decisions of Full Council, they did not need to be and were not ratified.

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

The Council met in public at six times during the year. There were five cycles of meetings for Committees of the Council in 2010/11. The Licensing and Standards Committees also met on an ad hoc basis to deal with individual cases. This, together with an appropriate level of delegation to senior managers, enabled 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. 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. The Council complied with the CIPFA statement in 2010/11.

**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 'Code's' to specific areas of Council activity.

The Council has a Standards Committee responsible for performing the functions under s.54 and s.55 Local Government Act 2000.

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

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

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

**Contracts Procedure Rules** – These set out guidance on procurement of supplies and service, ensuring that relevant legislation is followed and value for money obtained.

**Medium Term Financial Strategy** – The Council approved the latest version of the Medium Term Financial Strategy (MTFS) in February 2011. 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 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 recommendations as appropriate and may receive public petitions.

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

There are also 2 regulatory committees. The Development Control Committee performs the role of the Council as local planning authority in determining planning applications and dealing with enforcement issues. The Licensing Committee takes decisions in connection with licensing people, premises and vehicles required to be licensed by the Council

The Council has resolved to commence a cabinet style administration from May 2011

The Council has embedded Risk Management throughout its activities.

The council's approach to corporate and divisional risk management has been substantially revised and the new system started at the beginning of 2010/11 following training sessions and the approval of the new Risk Management Strategy and Corporate and Divisional Risk Registers at the end of 2009/10.

The Corporate Risk Register is closely linked to the Corporate Plan, with the key risks associated with each Corporate Plan action identified, scored and then monitored.

The Corporate Risk Register is reviewed quarterly by the Strategic Management Board. Each risk holder updates their risks and, if appropriate, adds new and emerging risks, and then SMB colleagues provide challenge.

Corporate Risks at or above the threshold identified in the Strategy are reported to Performance Select Committee on a quarterly basis.

Divisional Risk Registers are closely linked to Divisional Plans, with the key risks associated with each Divisional Plan action identified, scored and monitored.

Each Divisional Head provides an update to SMB on a quarterly basis, via a report collating service area developments, performance data and risk register updates. This means that the links between performance, risks and actions are clearly set out and closely monitored.

The Voluntary Improvement Board established in 2008 completed its work plan during 2010/11 following the demonstrable improvements in all areas throughout the Council.

**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 are in place for all posts to ensure that the best candidates are appointed into each position.

All officers receive an annual performance review and regular reviews throughout the year at which performance is measured against set objectives. Training needs are also identified and addressed.

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 and to allow Members to ask pertinent questions to inform the decision making process.

#### **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 continues to ensure it is open and accessible to the community. In 2010/11 it has:

- Run its first Citizens Panel surveys and used the results to inform policy and decision-making in areas including budget and corporate priority setting
- Further improved other areas of consultation ensuring a more consistent joined up approach
- Became one of the first local authorities in the country to publish its spending over £500 via a new Transparency section on the website, winning praise from the Department for Communities and Local Government during a fact-finding visit from senior civil servants

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.

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 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.

There is a Local Strategic Partnership - 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. Funding streams were withdrawn in the financial year 2010/11. The LSP will be comprehensively reviewed in 2011/12

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 have been implemented over a 2 year period. By way of introducing partnership risk assessments these were applied initially to the PRG projects and then rolled out across all of the thematic groups' actions plans and partners. PRG projects developed 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 has been succeeded by the North Essex Parking Partnership.

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

The review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Strategic Management Board 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

##### **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 on the robustness of the Council's internal control environment.

The Internal Audit 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 Chartered Institute of Internal Auditors – UK and Ireland

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 and an opinion of the overall internal control environment for each audit.

All recommendations are regularly followed up to ensure they are implemented within agreed timescales

The Internal Audit Team reported directly to the Performance Select Committee at each of its meetings. The committee approved the Audit Plan and monitored progress against the audit plan and on the implementation of audit recommendations.

It is best practice that a 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. 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 divisional heads 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 were set and agreed for 2010/11 and monitored on a quarterly basis by Divisional Heads 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 2010/11 has identified that 64 per cent of all indicators collected performed on or above target (86 per cent of National Indicators, 59 per cent of Corporate Indicators and 64 per cent of Service Indicators). The Audit Commission will be completing checks of the data submitted but it is not yet known when feedback on these will be available. The under-performing Performance Indicator review process continues to be applied to indicators that have under-performed for two or more quarters.

In May 2008 an Audit Commission inspection of Community Housing services assessed the service as Fair service/Poor prospects for improvement. A re-inspection in 2010 acknowledged the significant progress that had been made and scored the service as Fair/Promising prospects for improvement. An action plan has been drawn up to ensure continuing improvements and is being delivered. Reports on progress are made to the appropriate Committee.

The Audit Commission, in addition to reviewing the Statement of Accounts, issues a formal opinion on the Council's arrangements for securing Value for Money. In 2009/10, one area was qualified (see below). No qualification is expected for 2010/11 (subject to confirmation)

**5 Significant Control and Governance Issues**

**Outstanding issues from 2009/10**

**Asset Management**

In 2009/10 the Council received a qualified assessment from the Audit Commission in regard to its asset management as its corporate arrangements for Asset Management were underdeveloped. In 2010/11 a new Asset Register and Asset Management Plan have been developed and support for their implementation is being provided by Braintree District Council

**Significant Control and Governance issues identified 2010/11**

No significant issues have been identified. The Council considers its Corporate Governance and Internal Control arrangements to be fundamentally sound.

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:

## Appendix 1.0

	Balance Sheet as at 31 March 2009 as per Published Statement of Accounts for 2009/10	Changes in Property, Plant and Equipment Accounting Policies	Changes to Accounting Arrangements for grants and Contributions - Donated assets	Changes to Accounting Policies for Cash and Cash Equivalents	Accrued Leave Provision	Changes to Accounting Arrangements for Capital Grants and Contributions	Reclassification of Provisions	Revised Transitional Balance Sheet as at 31 March 2009
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Fixed Assets:</b>								
Intangible assets	565	-	-	-	-	-	-	565
<b>Tangible fixed assets</b>								
<b>Operational assets:</b>								
Council dwellings	211,841	-	-	-	-	-	-	211,841
Other land and buildings	22,810	341	15	-	-	-	-	23,166
Vehicles, plant, furniture and equipment	3,612	-	-	-	-	-	-	3,612
Infrastructure assets	315	-	-	-	-	-	-	315
Community assets	40	36	613	-	-	-	-	689
	<b>239,183</b>	<b>377</b>	<b>628</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240,188</b>
<b>Non-operational assets:</b>								
Investment properties	429	(429)	-	-	-	-	-	-
Assets under construction	5	-	-	-	-	-	-	5
<b>Total Fixed Assets</b>	<b>239,617</b>	<b>(52)</b>	<b>628</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240,193</b>
Long-term investments	1,686	-	-	-	-	-	-	1,686
Long-term debtors	548	-	-	-	-	-	-	548
<b>Total Long-Term Assets</b>	<b>241,851</b>	<b>(52)</b>	<b>628</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>242,427</b>
<b>Current assets:</b>								
Stocks and work in progress	88	-	-	-	-	-	-	88
Debtors	2,721	-	-	-	-	-	-	2,721
Payments in Advance	-	-	-	-	-	-	-	-
Short Term Investments	5,506	-	-	(2,500)	-	-	-	3,006
Assets Held for Sale	-	-	-	-	-	-	-	-
Cash and Bank	3,677	-	-	2,500	-	-	-	6,177
<b>Total Assets</b>	<b>253,843</b>	<b>(52)</b>	<b>628</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>254,419</b>

Statement of Accounts 2010/11

Appendix 1.1

	Balance Sheet as at 31 March 2009 as per Published Statement of Accounts for 2009/10 £'000	Changes in Property, Plant and Equipment Accounting Policies £'000	Changes to Accounting Arrangements for grants and Contributions - Donated assets £'000	Changes to Accounting Policies for Cash and Cash Equivalents £'000	Accrued Leave Provision £'000	Changes to Accounting Arrangements for Capital Grants and Contributions £'000	Reclassification of Provisions £'000	Revised Transitional Balance Sheet as at 31 March 2009 £'000
<b>Current liabilities:</b>								
Borrowing repayable on demand or within 12 months	-	-	-	-	-	-	-	-
Creditors	(2,831)	-	-	-	(133)	-	-	(2,964)
Receipts in Advance	-	-	-	-	-	-	-	-
Capital grants & contributions unapplied	(3,556)	-	-	-	-	3,556	-	-
Other Accruals	(1,616)	-	-	-	-	-	-	(1,616)
Provisions	-	-	-	-	-	-	(117)	(117)
<b>Total Assets less Current Liabilities</b>	<b>245,840</b>	<b>(52)</b>	<b>628</b>	<b>-</b>	<b>(133)</b>	<b>3,556</b>	<b>(117)</b>	<b>249,722</b>
<b>Long Term Liabilities:</b>								
Borrowing repayable within a period in excess of 12 months	-	-	-	-	-	-	-	-
Provisions	(117)	-	-	-	-	-	117	-
Government grants-deferred	(269)	-	-	-	-	269	-	-
Deferred Liabilities	(6,917)	-	-	-	-	-	-	(6,917)
Capital Grants Receipts in Advance	-	-	-	-	-	(141)	-	(141)
Liability related to defined benefit pension schemes	(16,058)	-	-	-	-	-	-	(16,058)
<b>Total Assets less Liabilities</b>	<b>222,479</b>	<b>(52)</b>	<b>628</b>	<b>-</b>	<b>(133)</b>	<b>3,684</b>	<b>-</b>	<b>226,606</b>
<b>Financed by:</b>								
Revaluation Reserve	(524)	-	-	-	-	-	-	(524)
Available for Sale Reserve	-	-	-	-	-	-	-	-
Capital Adjustment Account	(231,528)	52	(628)	-	-	(269)	-	(232,373)
Account	513	-	-	-	-	-	-	513
Usable Capital Receipts Reserve	(1,331)	-	-	-	-	-	-	(1,331)
Capital Grants Unapplied	-	-	-	-	-	(3,415)	-	(3,415)
Deferred Capital Receipts	(548)	-	-	-	-	-	-	(548)
Pensions Reserve	16,058	-	-	-	-	-	-	16,058
Unequal Pay Back Pay Account	-	-	-	-	-	-	-	-
Accumulated Compensated Absences Adjustment Account	-	-	-	-	133	-	-	133
Earmarked Reserves	(3,160)	-	-	-	-	-	-	(3,160)
General Fund Balances	(1,096)	-	-	-	-	-	-	(1,096)
HRA Balances	(785)	-	-	-	-	-	-	(785)
Collection Fund	(78)	-	-	-	-	-	-	(78)
<b>Total Net Worth</b>	<b>(222,479)</b>	<b>52</b>	<b>(628)</b>	<b>-</b>	<b>133</b>	<b>(3,684)</b>	<b>-</b>	<b>(226,606)</b>

## Appendix 1.2

	Balance Sheet as at 31 March 2010 as per Published Statement of Accounts for 2009/10	Adjustments to Balance Sheet 31 March 2009	Changes in Property, Plant and Equipment Accounting Policies	Accrued Leave Provision	Changes to Accounting Arrangements for Capital Grants and Contributions	Revised Transition al Balance Sheet as at 31 March 2010
	£'000		£'000	£'000	£'000	£'000
<b>Fixed Assets:</b>						
Intangible assets	691	-	-	-	-	691
<b>Tangible fixed assets</b>						-
<b>Operational assets:</b>						-
Council dwellings	210,218	-	-	-	-	210,218
Other land and buildings	21,757	356	(9)	-	-	22,104
Vehicles, plant, furniture and equipment	3,434	-	-	-	-	3,434
Infrastructure assets	364	-	-	-	-	364
Community assets	40	649	-	-	-	689
	<b>236,504</b>	<b>1,005</b>	<b>(9)</b>	-	-	<b>237,500</b>
<b>Non-operational assets:</b>						
Investment properties	377	(429)	52	-	-	-
Assets under construction	115	-	-	-	-	115
<b>Total Fixed Assets</b>	<b>236,996</b>	<b>576</b>	<b>43</b>	-	-	<b>237,615</b>
Long-term investments	1,653	-	-	-	-	1,653
Long-term debtors	547	-	-	-	-	547
<b>Total Long-Term Assets</b>	<b>239,196</b>	<b>576</b>	<b>43</b>	-	-	<b>239,815</b>
<b>Current assets:</b>						
Stocks and work in progress	103	-	-	-	-	103
Debtors	3,247	-	-	-	-	3,247
Payments in Advance	-	-	-	-	-	-
Short Term Investments	2,005	(2,500)	-	-	-	(495)
Assets Held for Sale	644	-	-	-	-	644
Cash and Bank	5,446	2,500	-	-	-	7,946
<b>Total Assets</b>	<b>250,641</b>	<b>576</b>	<b>43</b>	-	-	<b>251,260</b>

## Statement of Accounts 2010/11

## Appendix 1.3

	Balance Sheet as at 31 March 2010 as per Published Statement of Accounts for £'000	Adjustments to Balance Sheet 31 March 2009	Changes in Property, Plant and Equipment Accounting Policies £'000	Accrued Leave Provision £'000	Changes to Accounting Arrangements for Capital Grants and Contributions £'000	Revised Transition al Balance Sheet as at 31 March 2010 £'000
<b>Current liabilities:</b>						
Borrowing repayable on demand or within 12 months	-	-	-	-	-	-
Creditors	(1,285)	352	-	5	-	(928)
Receipts in Advance	-	-	-	-	-	-
Capital grants & contributions unapplied	(3,608)	3,556	-	-	52	-
Other Accruals	(1,413)	-	-	-	-	(1,413)
Provisions	-	(67)	-	-	-	(67)
<b>Total Assets less Current Liabilities</b>	<b>244,335</b>	<b>4,417</b>	<b>43</b>	<b>5</b>	<b>52</b>	<b>248,852</b>
<b>Long Term Liabilities:</b>						
Borrowing repayable within a period in excess of 12 months	-	-	-	-	-	-
Provisions	(67)	67	-	-	-	-
Government grants-deferred	(1,201)	269	-	-	932	-
Deferred Liabilities	(6,436)	(485)	-	-	-	(6,921)
Capital Grants Receipts in Advance	-	(141)	-	-	(81)	(222)
Liability related to defined benefit pension schemes	(22,678)	-	-	-	-	(22,678)
<b>Total Assets less Liabilities</b>	<b>213,953</b>	<b>4,127</b>	<b>43</b>	<b>5</b>	<b>903</b>	<b>219,031</b>
<b>Financed by:</b>						
Revaluation Reserve	(442)	-	-	-	-	(442)
Available for Sale Reserve	-	-	-	-	-	-
Capital Adjustment Account	(228,913)	(845)	(43)	-	(903)	(230,704)
Financial Instruments Adjustment Account	547	-	-	-	-	547
Usable Capital Receipts Reserve	(745)	-	-	-	-	(745)
Capital Grants Unapplied	-	(3,415)	-	-	-	(3,415)
Deferred Capital Receipts	(547)	-	-	-	-	(547)
Pensions Reserve	22,678	-	-	-	-	22,678
Unequal Pay Back Pay Account	-	-	-	-	-	-
Accumulated Compensated Absences Adjustment Account	-	133	-	(5)	-	128
Earmarked Reserves	(4,664)	-	-	-	-	(4,664)
General Fund Balances	(1,096)	-	-	-	-	(1,096)
HRA Balances	(723)	-	-	-	-	(723)
Collection Fund	(48)	-	-	-	-	(48)
<b>Total Net Worth</b>	<b>(213,953)</b>	<b>(4,127)</b>	<b>(43)</b>	<b>(5)</b>	<b>(903)</b>	<b>(219,031)</b>

