UTTLESFORD DISTRICT COUNCIL

It's Our Community

Uttlesford District Council

Statement of Accounts 2011/12

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EXPLANATORY FOREWORD

1. INTRODUCTION

This Statement of Accounts presents the financial results of the Council's activities for the year ended 31 March 2012, and summarises the overall financial position of the Council as at 31 March 2012. This foreword provides a guide to the significant matters reported in these accounts.

2. THE ACCOUNTING STATEMENTS

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').

With effect from 2010/11, the Code has been based upon International Financial Reporting Standards (IFRS). Substantial changes in the format and content of the accounts were adopted for the first time in last year's accounts. This has continued for 2011/12 with only minor changes being implemented this year.

The Code reconciles IFRS with the statutory local government finance framework. This is necessary because there are material differences between what IFRS states 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 and Expenditure Statement", which are included as notional items for presentational purposes, and then "reversed out" via the "Statement of Movement in Reserves" so that the bottom line financial performance is consistent with statutory requirements.

This Explanatory Foreword sets out the key issues and is intended to give the reader an insight into the Council's financial performance during 2011/12.

The following are summary definitions of the core financial statements:

Movement in Reserves Statement (page 15)

This statement shows the movement in the year on the different reserves held by the Council, analysed into “usable reserves” (those that can be used to fund expenditure) and “unusable reserves” (those kept to manage the accounting process).

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).

Adjustments between the accounting basis of measuring cost and the statutory basis are shown, to derive a net increase/decrease in usable and unusable reserves.

Comprehensive Income and Expenditure Statement (page 17)

This statement shows the cost of providing services in accordance with accounting rules, rather than the statutory amounts to be funded from taxation. Expenditure is categorised under standard headings that differ from the actual operational structure of the Council.

Balance Sheet (page 18)

This statement is fundamental to the understanding of the 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, analysed between Usable Reserves (available to spend) and Unusable Reserves (accounting items, not available to spend).

Cash Flow Statement (page 20)

This statement shows the changes in the cashflow position of the Council during the financial year, and sets out the sources of funds and what they are spent on.

Notes to the Core Financial Statements (pages 21 to 79)

These provide additional information.

Housing Revenue Account (HRA) Comprehensive Income and Expenditure Account (page 80)

The HRA fulfils the statutory requirement to maintain a separate revenue account for local authority social housing provision. This statement shows in more detail the income and expenditure on HRA services included as a one line summary in the Comprehensive Income and Expenditure Account.

Collection Fund (page 87)

This shows the transactions of the Council as a billing authority relating to Council Tax and National Non-Domestic Rates (NNDR), and shows how these have been distributed between precepting local authorities and the NNDR Pool.

3. SIGNIFICANT MATTERS IN THE ACCOUNTS

3.1 The Council's financial position as at 31 March

As shown on the Balance Sheet, the Council's net assets decreased by £96.6 million during the year, from £245.8 million to £149.2 million. The key movements are summarised below.

	31 March 2011 £m	31 March 2012 £m	Increase / (Decrease) in Net Assets £m	See Note Below
Fixed Assets	262.4	260.1	(2.3)	
Long Term Assets	2.3	2.3	-	c
Current Assets	11.9	14.0	2.1	
Current Liabilities	(4.5)	(6.0)	(1.5)	
Long Term Liabilities	(26.3)	(124.4)	(98.1)	a, b
Net Assets	**245.8**	**146.0**	**(99.8)**	

a) HRA Self Financing

The most significant change in the Council's balance sheet position arose from the Government's Housing Revenue Account (HRA) Self Financing reform.

Under this reform, the Council was required to make a one off payment of £88.4 million to the Government, with the annual negative housing subsidy payments of over £5 million a year being abolished. The Council funded this payment by borrowing £88.4 million from the Public Works Loans Board.

This transaction took place on 28 March 2012 and the loans are shown as liabilities on the Council's balance sheet, reducing the Net Assets position by £88.4 million.

The loans taken out are due to be repaid between 2018 and 2042. The interest payable on the loans per annum is substantially less than the negative housing subsidy payments. The effect is that the Council will make substantial revenue savings that will be reinvested in council housing improvements and new council housing supply.

b) Pension Fund Deficit

In the year to 31 March 2012 the Council's share of the Essex Pension Fund deficit has increased by £10.2 million, from £19.2 million to £29.4 million. The deficit is shown as a liability on the balance sheet. The Council is not required to set aside funds to meet this liability, instead the Council will make annual payments into the Pension Fund at a rate determined by the Fund's independent actuarial adviser. This is subject to a triennial revaluation which is next due in 2013, with the results to take effect from 2014/15.

The Pension Fund deficit comprises estimates of the Fund's assets and long term liabilities. Based on the principle that money in the future is worth less than money now, figures are discounted to present day prices. The discount rate used by the Fund Actuary is based upon published indices of corporate bond market yields. The relevant discount rate has reduced from 5.5% as at 31 March 2011 to 4.6% as at 31 March 2012. A smaller discount rate means that the present day value of the liabilities is greater, resulting in a larger deficit.

This issue is not unique to Uttlesford District Council: all employers who belong to the Essex Pension Fund have experienced a similar significant increase in their share of the Fund deficit. The increase in the deficit reflects an underlying concern that pension fund liabilities are increasing as living expectancy increases.

Proposals to alleviate these pressures are being actively pursued at a national level including higher employee contributions, later retirement ages and lower pensions.

c) Landsbanki

Included within the Long Term Assets figure is the accounting value of 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.

After a period of legal wrangling, in 2011 the Icelandic Courts ruled that UK local authorities, including Uttlesford District Council, would be treated as priority creditors. Repayments began in February 2012 and it is estimated that 100% recovery will be achieved within the next few years.

Meanwhile, it is necessary for the Balance Sheet to state the accounting value of the outstanding sum. This is based upon CIPFA guidance and uses the principle that money in the future is worth less than money now, so estimated future repayments are discounted to present day values. The difference between the original deposit and the accounting value is charged as a loss to the General Fund.

The situation as at 31 March 2012 is more positive than as at 31 March 2011; the legal process has been concluded in the Council's favour, and repayments have begun. The accounting loss is now smaller than last year. The table below shows the movement in the accounting value of the deposit, and of the loss charged to the General Fund.

	31 March 2011	31 March 2012
Original deposit	2.2	2.2
Amount repaid during the year	-	(0.7)
Balance unpaid as at 31 March	2.2	1.5
Accounting value of deposit as at 31 March (included in the Balance Sheet as a Long Term Asset)	1.7	1.3
Accounting loss charged to the General Fund	0.5	0.2
Reduction in the accounting loss charged to the General Fund	-	0.3

3.2 Heritage Assets

New accounting rules have come into force this year which require information to be published about heritage assets. The relevant items for the Council are the Saffron Walden Castle and its surrounding wall, which are owned by the Council, and the artefacts held by the Saffron Walden Museum Society, which are leased to the Council.

Obtaining reliable valuations of such items, which are large in number and are mostly unique and specialist in nature, is not straightforward and it would be disproportionately expensive to obtain robust accounting valuations for the purpose of including asset values on the Council's balance sheet.

In consultation with the Council's auditors, the Council has decided that a narrative disclosure of the nature of its heritage assets and estimated values, where available, will be sufficient to satisfy the requirements of the new accounting rules. The disclosure can be found at note 16 on page 54.

3.3 Revenue Transactions

During the year there was a small number of unusual one off transactions of a relatively large in nature. All figures referred to below are included within the Comprehensive Income and Expenditure Account

New Homes Bonus	In 2011/12 the Council received £714,000 from the Government under the New Homes Bonus scheme. This scheme "rewards" councils for each new home that come into active use. The Bonus is paid for six years and although it has no conditions attached, it is intended to benefit communities that have experienced high levels of housing growth. The Council allocated £500,000 to spend on community projects in the district. By 31 March 2012, £391,000 had been spent or committed. The balance of £109,000 had not been committed, but remains earmarked for community projects and is held in a reserve. The remaining £214,000 is also held in reserve pending more certainty about the future of local government funding.

Waste Vehicle Finance Lease	During 2011/12, the Council decided to replace its refuse collection vehicles with a new fleet capable of operating more efficiently. The existing fleet was being funded by means of a finance lease. The Council gave notice to terminate the lease earlier than its scheduled finish date. The effect was to incur a contractual commitment to a termination payment equivalent to the payments due for the remaining lease period. The commitment has been recognised as a cost in the 2011/12 accounts.
Balance Sheet correction	During the financial year it was identified that the amounts owed to the Council for repayment of benefits as stated on the Balance Sheet has not been kept in sync with the actual amounts that are the subject of recovery action. A difference of £254,000 as at 31 March 2012 had accumulated. This has been corrected in the 2011/12 accounts, the effect of which is to increase the debtors figure by £254,000 and to make a one off credit of the same amount to the Comprehensive Income and Expenditure Account. This corrects an historical discrepancy (transactions dating back to 2001) and does not signify any unusual activity in 2011/12.

4. KEY RESULTS OF THE FINANCIAL YEAR

The following is a summary of the key operational financial results for 2011/12. Results are compared with the Council's budget. The figures shown are direct costs and income only, rather than the accounting basis used to produce figures for the Core Financial Statements. However the "bottom line" results are consistent with the movement in usable reserves shown in the accounts.

For further information, please see the detailed outturn report approved by the Cabinet on 21 June 2012. (website link)

4.1 GENERAL FUND

Total General Fund reserves increased by £0.544 million, from £5.197 million to £5.741 million:

	31 March 2011 £000	**31 March 2012 £000**	**Net increase £000**
General Fund Working Balance	1,181	1,181	-
General Fund Earmarked Reserves	4,016	4,560	544
Total General Fund Reserves	**5,197**	**5,741**	**544**

Net Operating Expenditure was £7.625 million, which was £1.237 million below the revised budget:

General Fund	**Original Budget £000**	**Revised Budget £000**	**Outturn £000**	**Variance from Revised Budget £000**
Net Operating Expenditure	8,321	8,862	7,625	(1,237)
Increase / (decrease) in Working Balance	-	-	-	-
Increase / (decrease) in Earmarked Reserves	(152)	(693)	544	1,237
Net Budget Requirement	**8,169**	**8,169**	**8,169**	**-**

Key variances from the budget are set out below:

	Variance (favourable) /adverse £'000	**£'000**
One off savings & adjustments		
Reduction in accounting value of Landsbanki loss	(269)	
Balance sheet debtors correction	(254)	
Revenues & Benefits partnership implementation costs deferred	(250)	
New Homes Bonus community projects funding balance deferred	(109)	
Contribution to capital programme in lieu of borrowing	276	
Other one off items (net)	(24)	
Total one off items		**(630)**
Ongoing efficiency savings		
Improved benefits subsidy position	(244)	
Waste recyclables income	(156)	
ICT efficiency savings	(97)	
Other ongoing items (net)	(6)	
Total ongoing items		**(503)**
Minor variances (net)		(104)
Net favourable variance		**(1,237)**

4.2 HOUSING REVENUE ACCOUNT

An in year deficit of £147,000 arose, which was £46,000 higher than the budgeted deficit of £101,000. The HRA Working Balance ends the year with a balance of £649,000.

Housing Revenue Account	Original Budget £000	Revised Budget £000	Outturn £000	Variance from Revised Budget £000
Income	(12,874)	(12,874)	(12,821)	53
Expenditure	12,675	12,675	12,968	293
Transfers to Reserves	300	300	-	(300)
Deficit for year	**101**	**101**	**147**	**46**
Working Balance				
Opening Balance	796	796	796	-
Deficit for year	101	101	147	46
Closing Balance	**695**	**695**	**649**	**46**

The only significant issue arising was the need to provide additional contributions to the capital repairs programme, because of an overspend that arose in that area. The effect was that the planned transfer to reserves of £300,000 did not take place.

4.3 CAPITAL PROGRAMME

Total capital expenditure was £4.428 million, which was £0.833 million above the budget. There were two large unbudgeted items totalling £0.479 million that were fully funded from external sources. The Housing Capital Repairs Programme overspent by £0.387 million.

Capital Programme	**Original Budget** £000	**Revised Budget** £000	**Outturn** £000	**Variance from Revised Budget** £000	**Comment**
General Fund schemes	2,411	988	1,437	449	£249,000 S106 payments £230,000 Compulsory Purchase Order Scheme
Housing Revenue Account schemes	2,511	2,607	2,991	384	£387,000 Repairs programme overspend
Total Capital Expenditure	**4,922**	**3,595**	**4,428**	**833**	

Capital Expenditure was financed by external grants and contributions, the HRA Major Repairs Allowance, revenue contributions, capital receipts and internal borrowing.

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. The Council employed a total of 296.04 full time equivalent staff as at 31 March 2012 (296.75 as at 31 March 2011). In line with the Financial strategy the staffing complement to deliver efficient service is constantly under review.
- 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.

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.

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 110).

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

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

Stephen Joyce
Assistant Chief Executive - Finance
27 September 2012

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 2012 and its Income and Expenditure for the year ended 31 March 2012.

Signature:

Stephen Joyce, CPFA
Assistant Chief Executive - Finance

Date: 27 September 2012

APPROVAL OF THE ACCOUNTS

I confirm that the Statement of Accounts was approved by a resolution of the Performance & Audit Committee on 27 September 2012.

Signature:

Councillor Simon Howell
Chairman Performance & Audit Committee
Uttlesford District Council

Date: 27 September 2012

MOVEMENT IN RESERVES STATEMENT

2011/12 Movement in Reserves

	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
Balance at 31 March 2011	**(1,181)**	**(4,016)**	**(796)**	**-**	**(2,791)**	**(8,784)**	**(237,001)**	**(245,785)**
(Surplus) or deficit on provision of services (accounting basis)	1,246	-	88,785	-	-	90,031		**90,031**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	9,773	**9,773**
Total Comprehensive Income and Expenditure	1,246	-	88,785	-	-	90,031	9,773	99,804
Adjustments between accounting basis & funding basis under regulations (Note 2.4)	(1,790)	-	(88,638)	(74)	308	(90,194)	90,194	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(544)	-	147	(74)	308	(163)	99,967	99,804
Transfers to / (from) Reserves	544	(544)	-	-	-	-	-	**-**
(Increase) / Decrease in Year	-	(544)	147	(74)	308	(163)	99,967	**99,804**
Balance at 31 March 2012	**(1,181)**	**(4,560)**	**(649)**	**(74)**	**(2,483)**	**(8,947)**	**(137,034)**	**(145,981)**

2010/11 Movement in Reserves

	General Fund Balance £'000	Earmarked GF Reserves £'000	HRA Balance £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2010	**(1,096)**	**(4,664)**	**(723)**	**(745)**	**(3,386)**	**(10,614)**	**(208,417)**	**(219,031)**
(Surplus) or deficit on provision of services (accounting basis)	109	-	23,432	-	-	23,541	(111)	**23,430**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(50,184)	**(50,184)**
Total Comprehensive Income and Expenditure	109	-	23,432	-	-	23,541	(50,295)	**(26,754)**
Adjustments between accounting basis & funding basis under regulations (Note 2.4)	515	-	(23,505)	745	534	(21,711)	21,711	**-**
Net Increase / Decrease before Transfers to Earmarked Reserves	624	-	(73)	745	534	1,830	(28,584)	**(26,754)**
Transfers to / (from) Reserves	(709)	648	-	-	61	-	-	**-**
(Increase) / Decrease in Year	(85)	648	(73)	745	595	1,830	(28,584)	**(26,754)**
Balance at 31 March 2011	**(1,181)**	**(4,016)**	**(796)**	**-**	**(2,791)**	**(8,784)**	**(237,001)**	**(245,785)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Net Total 2010/11 £'000		Notes	Gross Expenditure 2011/12 £'000	Income 2011/12 £'000	Net Expenditure 2011/12 £'000
1,163	Central Services to the Public		6,380	(4,671)	1,709
920	Cultural and Related Services		2,789	(1,201)	1,588
3,271	Environmental & Regulatory Services		5,538	(2,797)	2,741
1,979	Planning Services		2,841	(1,113)	1,728
53	Highways, Roads & Transport Services		434	(793)	(359)
24,049	Housing Revenue Account		12,606	(12,822)	(216)
-	Local Authority Housing - Settlement Payment for HRA Self Financing		88,407	-	88,407
272	Other Housing Services		16,830	(16,365)	465
347	Adult Social Care		122	(23)	99
2,052	Corporate and Democratic Core		1,610	(10)	1,600
836	Non-Distributed Costs		777	-	777
(3,857)	Non-Distributed Costs - Reduction in Pension Liability	14.1	-	-	-
31,085	**Cost of Services**		**138,334**	**(39,795)**	**98,539**
2,281	Other Operating Expenditure	2.1			2,236
1,290	Financing & Investment Income and Expenditure	2.1			370
(11,226)	Tax and Non-Specific Grant Income	2.1			(11,114)
23,430	**Deficit on Provision of Services**				**90,031**
(49,755)	(Surplus) on Revaluation of Fixed Assets				(305)
(429)	Actuarial (Gains) and Losses on Pension Assets /Liabilities				10,078
(26,754)	**Total Comprehensive Income and Expenditure**				**99,804**

BALANCE SHEET

31 March 2011 £'000		Notes	31 March 2012 £'000	£'000
720	**Intangible Fixed Assets**	18		**575**
	Property, Plant and Equipment - Operational Assets			
228,721	Council Dwellings	19	229,898	
23,505	Other Land and Buildings	19	21,037	
7,903	Vehicles, Plant and Equipment	19	7,024	
451	Infrastructure Assets	19	443	
1,007	Community Assets	19	793	
261,587				**259,195**
	Property, Plant and Equipment - Non Operational			
-	Heritage Assets	17	233	
84	Assets Under Construction	19.3	76	
262,391	**Total Fixed Assets**			**260,079**
1,740	Long Term Investments	33.8	1,310	
538	Long Term Debtors	33.5	983	
264,669	**Total Long Term Assets**			**262,373**
110	Stocks and Work in Progress	23	99	
4,340	Debtors	24	4,106	
2,022	Short Term Investments	33.7	4,037	
-	Assets Held for Sale	19.4	231	
5,481	Cash and Cash Equivalents	33.7	5,477	
11,953	**Total Current assets**			**13,950**
(4,129)	Short Term Creditors	25	(5,012)	
(393)	Short Term Provisions	27	(959)	
(4,522)	**Current Liabilities**			**(5,971)**
272,100	**Total Assets Less Current Liabilities**			**270,352**
-	Long Term Borrowing		(88,407)	
(6,464)	Deferred Liabilities	26	(5,379)	
(691)	Capital Grants and Donations in Advance	26.1	(1,187)	
(19,160)	Pensions Liability	14	(29,398)	
(26,315)	**Total Long Term Liabilities**			**(124,371)**
245,785	**TOTAL NET ASSETS**			**145,981**

31 March 2,011 £'000			31 March 2012 £'000	£'000
	Usable Reserves			
1,181	Revenue Balance - General Fund	3.1	1,181	
4,016	General Fund Earmarked reserves	3.2	4,560	
796	Revenue Balance - Housing Revenue Account	3.1	649	
-	Usable Capital Receipts reserve	3.3	74	
2,791	Capital Grants and Contributions Unapplied	26.2	2,483	
8,784	**Total Usable reserves**			**8,947**
	Unusable Reserves			
48,610	Revaluation Reserve	4.1	48,062	
207,058	Capital Adjustment Account	4.3	117,450	
(19,160)	Pensions Reserve	4.5	(29,398)	
538	Deferred Capital Receipts	4.2	983	
(127)	Accumulated Compensated Absences Adjustment Account	4.4	(127)	
82	Collection Fund Adjustment Account	4.6	64	
237,001	**Total - Unusable Reserves**			**137,034**
245,785	**TOTAL - TAXPAYER EQUITY**			**145,981**

Signature: Stephen Joyce, CPFA
Assistant Chief Executive – Finance
Date: 27 September 2012

CASH FLOW STATEMENT

2010/11 £'000		2011/12 £'000	Notes
(23,430)	Net (deficit) on the provision of services	(90,031)	
28,571	Adjustments to Net (deficit) on the provision of services - non cash movements	6,836	
(1,928)	Adjust for items included in the net (deficit) on the provision of services that are investing and financing activities	(925)	
3,213	**Net Cash flows from operating activities**	**(84,120)**	5.0
(2,703)	Net Cash flows from investing activities	(3,824)	5.1
(475)	Net Cash flows from financing activities	87,940	5.2
35	**Net increase or (decrease) in cash and cash equivalents**	**(4)**	
5,446	Cash and cash equivalents at the beginning of the reporting period	5,481	
35	**Increase/(decrease) in cash and cash equivalent in year**	**(4)**	
5,481	**Cash and cash equivalents at the end of the reporting period**	**5,477**	

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Service Reporting Code of Practice 2011/12

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 Service Reporting 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.

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

2011/12	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	(1,328)	(2,726)				4,054
Revaluation Losses on Property, Plant and Equipment	(258)	(56)				314
Amortisation of Intangible Assets	(193)	(20)				213
Capital grants and contributions that have been applied to capital financing	920					(920)
Revenue expenditure funded from capital under statute	(871)	(10)				881
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	-	(308)				308
Settlement to Government for HRA Self Financing		(88,407)				88,407
Capital expenditure charges against the General Fund and HRA balances	286	779				(1,065)
Transfer of sale proceeds credited as part of the gains/losses on disposal to the CI&E	74	500	(578)			4
Use of Capital Receipts Reserve to finance new capital expenditure			127			(127)
Contribution from Capital Receipts Reserve towards administrative costs of non current asset disposal		(5)	5			-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool		(372)	372			-
Reversal of Major Repairs Reserve to finance new capital expenditure				2,011		(2,011)
Use of Major Repairs Reserve to finance new capital expenditure		2,011		(2,011)		-
Application of grants to capital financing	(308)				308	-
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 17)	(1,533)	(270)				1,803
Unwinding of pension deferred liability	124	22				(146)
Employers pension contributions and direct payments to pensioners payable in year	1,273	225				(1,498)
Other Adjustments	23	(1)				(22)
Total Adjustments	**(1,791)**	**(88,638)**	**(74)**	**-**	**308**	**90,195**

2010/11	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	(3,283)	(26,812)				30,095
Revaluation losses on Property, Plant and Equipment						-
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	(62)	321				(259)
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 to finance the payment the 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 17)	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
Total Adjustments	**515**	**(23,505)**	**745**	**-**	**534**	**21,711**

2.1 Notes to Comprehensive Income and Expenditure Statement

2010/11 £'000		**2011/12 £'000**
2,047	Parish Council Precepts	2,108
528	Payments to the Government Housing Capital Receipts Pool	372
(260)	(Gains) on the Disposal of Non Current Assets	(262)
(34)	Collection Fund (Surplus)/Deficit	18
2,281	**Total Other Operating Expenditure**	**2,236**

2010/11 £'000		**2011/12 £'000**
460	Interest Payable and similar charges	462
66	Impairment on Long Term Investment	(268)
1,015	Pensions interest cost and expected return on Pension Assets	516
(251)	Interest receivable and similar income	(95)
-	Vehicle Lease early termination	(245)
1,290	**Total Financing and Investment Income and Expenditure**	**370**

2010/11 £'000		**2011/12 £'000**
(6,877)	Council Tax Income	(7,071)
(3,585)	Non Domestic Rates	(3,206)
(560)	Non Ring fenced Government Grants	(837)
(204)	Capital Grants and Contributions	-
(11,226)	**Total Taxation and Non-Specific Government Grants Income**	**(11,114)**

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

	Balance 31 March 2011 £'000	Transfer In £'000	Transfer Out £'000	Balance 31 March 2012 £'000
General Fund Balance	1,181	-	-	1,181
HRA Balance	796	-	(147)	649
Total Revenue Reserves	**1,977**	**-**	**(147)**	**1,830**

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 2011/12 expenditure is also detailed below:

	Balance 31 March 2011 £'000	Transfer In £'000	Transfer Out £'000	Balance 31 March 2012 £'000	Purpose of Reserve
Change Management	813	316	(431)	698	Finances the costs of special and one-off projects.
Budget Equalization	1,499	-	(69)	1,430	Usable resources set aside for equalization of pressures within the budget for the next 5 years.
Planning Development	348	322	(170)	500	Usable resources set aside for planning development issues
Local Government Resource Review	-	867	-	867	Contingency against funding fluctuations and cost pressures arising from the Government's review of local government funding.
Landsbanki contingency	702	121	(702)	121	To cover losses against the Landsbanki investment
Waste Management	222	118	(140)	200	Waste management contingency provision against unforeseen costs and to enable a managed reduction in the base budget.
Emergency Response	-	90	-	90	To cover costs falling on the Council as a result of a response to civil emergency.
New Homes Bonus - Community Projects	-	109	-	109	Monies earmarked for communities projects
New Homes Bonus - Contingency	-	214	-	214	Monies that may be made available for community projects, subject to greater certainty over future Local Government funding
Hardship Fund	-	100	-	100	To fund accommodation for homeless people and to support voluntary organisations.
Elections	62	-	(35)	27	Contributions toward future election costs.
Licensing	139	-	(37)	102	Reserve to absorb excess of costs over income in relation to taxi licensing services
Business Development	42	-	(25)	17	Reserve to assist economic development and businesses in the district
Housing Benefits	155	564	(719)	-	Reserve to allow investment in the Benefits service, and to provide contingency against claw back of grant.
Energy Efficiency	9	-	(9)	-	Usable resources established to finance future investment in energy efficiency measures in Council properties
Homelessness	25	50	-	75	Set up to cover unbudgeted additional demand within the Homelessness service
Voluntary Sector Grants	-	10	-	10	Earmarked Grant to provide financial assistance to 'Support 4 Sight'.
Total Earmarked Reserves	**4,016**	**2,881**	**(2,337)**	**4,560**	

3.3. Usable Capital Receipts Reserve

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

2010/11 £'000		**£'000**	**2011/12 £'000**
745	**Balance as at 1 April**		**-**
	Receipts:		
1,517	Capital Receipts	578	
	Applied:		
(529)	Paid to Government housing receipts pool	(372)	
(1,698)	Capital Receipts used for Financing	(127)	
(35)	Expenses from sales of Capital Assets	(5)	
(745)	**Movements in Year**		**74**
-	**Balance as at 31 March**		**74**

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:

2010/11 £'000		£'000	2011/12 £'000
442	**Balance as at 1 April**		**48,610**
50,350	Gain in Valuation of Assets	2,347	
-	Revlaution Loss written out to Revlaution Reserve	(2,578)	
(1,008)	Impairment	(121)	
(1,000)	Write Back of Depreciation	(117)	
(174)	Disposals of Assets	(79)	
48,168	**Movements in Year**		**(548)**
48,610	**Balance as at 31 March**		**48,062**

The revaluation gain of £1.3 million for 2011/12 represents a valuation gain on Council Dwellings.

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.

2010/11 £'000		2011/12 £'000
3	Loan on sale of Council Houses - Opening Balance	2
(1)	Loans Repaid	(2)
2	Loan on sale of Council Houses - Closing Balance	-
536	Rent to Mortgage	983
538	**Balance as at 31 March**	**983**

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:

2010/11 £'000		£'000	2011/12 £'000
230,733	**Balance as at 1st April**		**207,058**
1,698	Usable Capital Receipts	127	
738	Capital Grants Unapplied Reserve	920	
1,955	Major Repairs Reserve	2,011	
562	Revenue Contributions	1,064	
4,953	**Sub Total - Capital Financing**		**4,122**
8	Write out of deferred credit (Provincial Council Headquarters)	-	
-	HRA Self Financing Payment	(88,407)	
242	Additional community amenity land	-	
(178)	Intangible Amortisation	(213)	
(1,591)	Depreciation of fixed assets	(3,945)	
(26,456)	Impairment of fixed assets		
-	Revaluation Impairment	(304)	
-	Economic Impairment	(520)	
1,134	Donated asset received in year	-	
(1,040)	Disposal of fixed assets	(229)	
1,000	Revaluation Reserve depreciation written out	117	
(120)	Written down of revenue expenditure funded from capital under statute	(881)	
363	Minimum Revenue Provision	652	
(1,990)	Major Repairs – HRA - Write down	-	
(28,628)	**Sub Total - Adjustments**		**(93,730)**
207,058	**Balance as at 31 March**		**117,450**

4.4 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.

2010/11 £'000		**2011/12 £'000**
(128)	**Balance as at 1 April**	**(127)**
1	In year adjustment	-
(127)	**Balance as at 31 March**	**(127)**

4.5. 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.

2010/11 £'000		**£'000**	**2011/12 £'000**
(22,678)	**Balance as at 1 April**		**(19,160)**
3,089	(Deficit)/Surplus on Provision of Services in CI&E page 17	(159)	
429	Actuarial Gains/(Loss)	(10,079)	
(19,160)	**Balance as at 31 March**		**(29,398)**

4.6 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.

2010/11 £'000		**2011/12 £'000**
(48)	(Surplus) as at 1 April	(82)
(34)	Adjustments within year	18
(82)	**(Surplus) as at 31 March**	**(64)**

5. CASH FLOW STATEMENT – OPERATING ACTIVITIES

2010/11 £'000		2011/12 £'000	£'000
(23,430)	**Net (deficit) on the provision of services**		**(90,031)**
	Adjustments to net (deficit) on the provision of services for non cash movements		
3,587	Depreciation	3,945	
26,452	Impairment and downward valuations	825	
178	Amortisation	213	
8	Impairment losses on loans and advances debited to (deficit) on the provision of services in year	-	
66	Material impairment losses/(gains) on investment debited to surplus/(deficit) on the provision of services in year	(169)	
439	Increase in Creditors	781	
(170)	Decrease in interest and dividend Debtors	(100)	
259	Decrease/(Increase) in Debtors	232	
(7)	(Increase)/Decrease in Inventories	11	
(3,234)	Pension Liability	305	
326	Contribution to provisions	566	
667	Carrying amount of non-current assets sold	229	
28,571	**Total**		**6,838**
(1,928)	Adjustments for items included in the net (deficit) on the provision of services that are investing or financing activities		(926)
3,213	**Net cash flows from operating activities**		**(84,119)**

5.1. CASH FLOW STATEMENT – INVESTING ACTIVITIES

2010/11 £'000		2011/12 £'000
(5,109)	Purchase of Property, Plant and Equipment	(3,917)
-	Purchase of Short term investments	(1,999)
1,517	Proceeds from Sale of Property, Plant and equipment	1,011
-	Proceeds from Sale of Short Term Investments	-
889	Capital grants received	1,081
(2,703)	**Total Cash Flows from Investing Activities**	**(3,824)**

5.2. CASH FLOW STATEMENT – FINANCING ACTIVITIES

2010/11 £'000		2011/12 £'000
	Cash Receipts from long term borrowing	88,407
(509)	Cash Payments for the Reduction of the outstanding Liabilities	(485)
34	Other Financing Activities - Cash Transactions	18
(475)	**Total Cash Flows from Financing Activities**	**87,940**

5.3. CASH FLOW STATEMENT – CASH AND CASH EQUIVALENTS

2010/11 £'000		2011/12 £'000
1,468	Cash and Bank Balances	470
4,013	Cash Investments - Cash Equivalents	5,007
5,481	**Total Cash and Cash Equivalents**	**5,477**

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:

Portfolio Income and Expenditure for 2011/12

	Community Partnerships & Engagement £'000	Environmental Services £'000	Finance & Administration £'000	Housing £'000	TOTAL £'000
Fees, Charges & Other Income	(435)	(3,757)	(995)	(748)	(5,935)
Government Grants	(460)	(85)	(19,691)	(115)	(20,351)
Total Income	**(895)**	**(3,842)**	**(20,686)**	**(863)**	**(26,286)**
Employee expenses	1,011	3,971	3,102	697	8,781
Other service expenses	1,442	2,366	21,631	244	25,683
Total Expenditure	**2,453**	**6,337**	**24,733**	**941**	**34,464**
Net Expenditure	**1,558**	**2,495**	**4,047**	**78**	**8,178**

Portfolio Income and Expenditure for 2010/11 (restated for new Cabinet structure with effect from 2011/12).

	Community Partnerships & Engagement £'000	Environmental Services £'000	Finance & Administration £'000	Housing £'000	TOTAL £'000
Fees, Charges & Other Income	(391)	(3,478)	(1,108)	(772)	(5,749)
Government Grants	(572)	(84)	(18,808)	(95)	(19,559)
Total Income	**(963)**	**(3,562)**	**(19,916)**	**(867)**	**(25,308)**
Employee expenses	966	3,765	3,378	655	8,764
Other service expenses	1,642	2,089	21,316	520	25,567
Total Expenditure	**2,608**	**5,854**	**24,694**	**1,175**	**34,331**
Net Expenditure	**1,645**	**2,292**	**4,778**	**308**	**9,023**

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.

2011/12	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	(5,935)	(12,811)	(688)		(19,434)	-	(19,434)
Interest & Miscellaneous Income	-	(43)	11		(32)	(355)	(387)
Income from Council Tax	-	-			-	(7,053)	(7,053)
Government Grants & Contributions	(20,351)	-			(20,351)	(4,043)	(24,394)
Support Services Recharges	-	(274)		(10,590)	(10,864)	-	(10,864)
Total Income	**(26,286)**	**(13,128)**	**(677)**	**(10,590)**	**(50,681)**	**(11,451)**	**(62,132)**
Employee Expenses	8,781	1,602	220	-	10,603	516	11,119
Other Service Expenses	25,683	7,222	391	-	33,296	-	33,296
Support Services Recharges	-	1,598	-	9,266	10,864	-	10,864
Capital Charges	-	2,011	3,975	-	5,986	-	5,986
HRA Self-Financing	-	64	88,407	-	88,471	-	88,471
Other Interest Payable & Capital Financing	-	778	(778)	-	-	(52)	(52)
Precepts & Levies	-	-	-	-	-	2,108	2,108
Payment to the Housing Capital Receipts Pool	-	-	-	-	-	371	371
Total Expenditure	**34,464**	**13,275**	**92,215**	**9,266**	**149,220**	**2,943**	**152,163**
(Surplus) / Deficit on the Provision of Services	**8,178**	**147**	**91,538**	**(1,324)**	**98,539**	**(8,508)**	**90,031**

* Amounts not reported to Management are accounting entries over which the Management have no control e.g. capital charges

Reconciliation to Subjective Analysis (restated for new structure with effect from 2011/12)

2010/11	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	(5,749)	(12,132)	(1,444)	(11,733)	(31,058)	-	(31,058)
Interest & Miscellaneous Income	-	(3)	-	-	(3)	(511)	(514)
Income from Council Tax	-	-	-	-	-	(6,877)	(6,877)
Government Grants & Contributions	(19,559)	(18)	-	-	(19,577)	(4,349)	(23,926)
Support Services Recharges	-	(392)	-	-	(392)	-	(392)
Total Income	**(25,308)**	**(12,545)**	**(1,444)**	**(11,733)**	**(51,030)**	**(11,737)**	**(62,767)**
Employee Expenses	8,764	1,524	(3,647)	-	6,641	-	6,641
Other Service Expenses	25,567	7,347	-	-	32,914	-	32,914
Support Services Recharges	-	1,591	-	10,534	12,125	-	12,125
Capital Charges	-	2,010	28,422	-	30,432	-	30,432
HRA Self-Financing	-	-	-	-	-	-	-
Other Interest Payable & Capital Financing	-	-	-	-	-	1,508	1,508
Precepts & Levies	-	-	-	-	-	2,046	2,046
Payment to the Housing Capital Receipts Pool	-	-	-	-	-	528	528
Total Expenditure	**34,331**	**12,472**	**24,775**	**10,534**	**82,112**	**4,082**	**86,194**
(Surplus) / Deficit on the Provision of Services	**9,023**	**(73)**	**23,331**	**(1,199)**	**31,082**	**(7,655)**	**23,427**

7. TRADING OPERATIONS

The Council has no material trading operations.

8. PROVISION OF AGENCY SERVICES

For 2011/12 there are no material Agency Agreements in operation.

9. LEASE ARRANGMENTS

9.1. Operating Leases

The Council has the use of cars under the terms of an operating lease. The amount paid under these arrangements in 2011/12 was £160,294 (2010/11 £185,000). The Council was committed at 31 March 2012 to making payments of £63,000 under operating leases, comprising the following elements:

	2010/11 £'000	2011/12 £'000	Within 1 Year £'000	Within 2 – 3 Years £'000
Car leases	110	99	45	18
Public Conveniences	75	61	-	-

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 £19,800 per annum, subject to regular rent review.

2010/11 £'000	2011/12 £'000	Within 1 Year £'000	Within 2–5 Years £'000	6-10 Years £'000	11-15 Years £'000
26	20	20	80	100	-

9.3. Finance Leases Rental & Long Term Borrowing

The Council has 5 finance leases for vehicle and printing equipment (3 in 2010/11). The rentals payable under these arrangements can be broken-down between interest payable and principal sum repayment as follows:

	2010/11 £'000	2011/12 £'000	1 Year £'000	2 - 5 years £'000
Finance lease - amount payable	**319**	**323**	**561**	**57**
Principal repayment	299	290	555	42
Interest payable	20	33	6	15

There are no finance lease payments due for year 6 onwards.

10. MEMBERS ALLOWANCES

The Local Government Act 2000 and the Local Authorities (Members' Allowances) Regulation 2003, 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 2011/12.

For 2011/12 the total Members' Allowances and expenses paid was £296,897 (£291,206 for 2010/11). Information regarding Members' allowances is published in the local press and on the Council's website.

11 OFFICERS REMUNERATION

11.1 Senior Employees - 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
		£	£	£	£	£	£	£	£
Chief Executive	**2010/11**	102,151	-	-	2,738	-	**104,889**	12,769	**117,658**
	2011/12	102,151	-	-	2,931	-	**105,082**	13,280	**118,362**
Assistant Chief Executive - Legal	**2010/11**	68,387	-	1,233	-	-	**69,620**	8,548	**78,168**
	2011/12	69,387	-	1,110	-	-	**70,497**	9,020	**79,517**
Assistant Chief Executive - Finance	**2010/11**	68,387	-	1,041	44	-	**69,472**	8,548	**78,020**
	2011/12	69,387	-	-	1,623	-	**71,010**	9,020	**80,030**
Director of Public Services	**2010/11**	76,811	-	201	1,795	-	**78,807**	9,601	**88,408**
	2011/12	77,811	-	-	1,962	-	**79,773**	10,115	**89,888**
Director of Corporate Services	**2010/11**	76,811	-	540	2,789	-	**80,140**	9,601	**89,741**
	2011/12	78,061	-	-	3,215	-	**81,276**	10,115	**91,391**
Divisional Head of Customer Support and Revenue Services	**2010/11**	51,612	-	1,361	-	-	**52,973**	6,420	**59,393**
	2011/12	37,928	-	1,005	-	21,592	**60,525**	3,177	**63,702**
Assistant Director - Corporate Services	**2010/11**	50,060	-	-	1,897	-	**51,957**	6,240	**58,197**
	2011/12	50,975	-	-	1,932	-	**52,907**	6,619	**59,526**
Assistant Director - Housing and Environmental Services	**2010/11**	49,918	-	1,357	-	-	**51,275**	6,240	**57,515**
	2011/12	50,932	-	1,110	-	-	**52,042**	6,619	**58,661**
Assistant Director - Planning and Building Control	**2010/11**	8,285	-	107	-	-	**8,392**	1,036	**9,428**
	2011/12	50,586	-	1,116	-	-	**51,702**	6,576	**58,278**

Note: Divisional Head of Customer Support and Revenue Services – Post redundant, contract terminated 18 September 2011
Assistant Director – Planning and Building Control – New post, contract commenced 31 January 2011, annualised salary 2010/11 £48,919

11.2 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:

No. of Employees 2010/11	Remuneration Band	No. of Employees 2011/12
7	£50,000 - £54,999	7
-	£55,000 - £59,999	1
-	£60,000 - £64,999	1
2	£65,000 - £69,999	1
-	£70,000 - £74,999	2
1	£75,000 - £79,999	1
1	£80,000 - £84,999	1
1	£85,000 - £89,999	-
-	£90,000 - £94,999	-
-	£95,000 - £99,999	-
1	£100,000 - £104,999	-
-	£105,000 - £109,999	1
-	£110,000 - £114,999	-
-	£115,000 - £120,000	-
13	**Total**	**15**

12. FEES PAYABLE TO THE AUDIT COMMISSION

In 2011/12 the Council incurred the following cost in relation to external audit and inspection:

2010/11 £'000		2011/12 £'000
122	Fees payable to the Audit Commission in relation to External Audit Services carried out by the appointed Auditor	107
29	Fees Payable to the Audit Commission in respect of Statutory inspection	-
62	Fees payable to the Audit Commission for Certification of Grant Claims and Returns	37
213	**Total**	**144**

13 TERMINATION BENEFITS

The Council terminated the contracts of 15 employees in 2011/12(5 in 2010/11) incurring liabilities of £319,623 (£207,272 in 2010/11). The table detailed below identifies the number of exit packages in bands of £20,000.

2010/11			Exit Package Cost Band	2011/12		
Number of Compulsory Redundancies	**Number of other Departures Agreed**	**Total Number of Exit Packages**		**Number of Compulsory Redundancies**	**Number of other Departures Agreed**	**Total Number of Exit Packages**
2	-	2	£0 - £20,000	4	4	8
1	-	1	£20,001 - £40,000	4	-	4
1	-	1	£40,001 - £60,000	2	1	3
-	-	-	£60,001 - £80,000	-	-	-
-	-	-	£80,001 - £100,000	-	-	-
-	-	-	£100,001 - £120,000	-	-	-
1	-	1	£120,001 - £140,000	-	-	-
5	**-**	**5**	**Total Number of Packages**	**10**	**5**	**15**
207,272	**-**	**207,272**	**Total Cost £**	**242,013**	**77,610**	**319,623**

14. 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.

14.1 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:

2010/11 £'000			**2011/12 £'000**
1,248	Current Service Cost		1,151
(3,857)	Past Service Loss/(Gain)(Note 1)		-
86	Loss due to Curtailment		136
3,674	Interest Cost		3,405
(2,659)	Expected Return on Assets		(2,889)
(1,508)	**Net Charge to Comprehensive Income and Expenditure Statement**		**1,803**
(3,089)	**Reversal of Net Charge made for retirement benefits in accordance with IAS19**		**159**
	Actual amount charged against Council Tax for Pensions in the year:		
938	Employer Contributions to the Pension Fund	1,411	
420	Deficit Contribution Payments		
77	Contributions to the Pension Fund in respect of Early Retirement	87	
146	Added Years Discretionary Payments	146	
1,581	**Payments to the Pension Fund During the Year**		**1,644**
(1,508)	**Total**		**1,803**

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

With effect from 1 April 2011 public service pensions will be up-rated in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This change in regulation resulted in a one off Past service benefit of £3.8 million for 2010/11.

14.2 Assets and Liabilities in relation to the Pension Scheme

14.2.1 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 2012 are as follows:

2010/11 £'000		**£'000**	**2011/12 £'000**
65,840	**Present Value of Scheme Liabilities as at 1 April**		**61,763**
1,248	Current Cost of Service	1,151	
3,674	Interest Cost	3,405	
452	Contributions by Scheme participants	441	
(3,857)	Past Service Cost/(Gain)	-	
(3,523)	Actuarial (Gains)/Losses on Liabilities	7,669	
86	Loss due to Curtailments	136	
(2,157)	Benefits/Transfers paid	(1,490)	
			11,312
61,763	**Present Value of Scheme Liabilities as at 31 March**		**73,075**

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.

14.2.2. 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 2012 are as follows:

2010/11 £'000		£'000	2011/12 £'000
43,162	**Fair Value of Scheme Assets as at 1 April**		**42,603**
2,659	Expected Return on Scheme Assets	2,889	
(3,094)	Actuarial Gains/(Losses)	(2,409)	
1,581	Employers Contributions	1,644	
452	Member Contributions	441	
(2,157)	Benefits/Transfers paid	(1,490)	
(559)			**1,075**
42,603	**Fair Value of Scheme Assets as at 31 March**		**43,678**

14.3 Scheme History

Summary information for the year to 31 March 2012 is as follows:

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Estimated Liabilities in the Scheme	(56,864)	(47,900)	(65,840)	(61,763)	(73,075)
Estimated Assets in the Scheme	41,011	31,842	43,162	42,603	43,678
Net (Deficiency) in the Fund	(15,853)	(16,058)	(22,678)	(19,160)	(29,397)
Actuarial Gains/(Losses)	(9,311)	(400)	(5,983)	429	(10,078)
Total Pension Cost Recognised in the Movement in Reserves Statement	**(9,311)**	**(400)**	**(5,983)**	**429**	**(10,078)**

The liabilities show the underlying commitments that the Council has in the long run to pay employment (retirement) benefits. The total liability of £29.4 million (£19.2 million for 31st March 2011) 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 2012/13 is £1.294 million.

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 Barnett Waddingham Public Sector Consulting Ltd from a full actuarial valuation of the fund undertaken by Mercer Human Resources Consulting Ltd as at 31 March 2010.

14.4. The main assumptions used in their calculations have been:

2010/11		2011/12
	Long Term expected rate of return on assets in the scheme:	
7.50%	Equity Investments	6.40%
4.40%	Bonds	3.30%
5.10%	Other Bonds	4.60%
6.50%	Property	5.40%
0.50%	Cash	0.50%
	Mortality Assumptions:	
	Longevity at 65 for future pensioners (Years)	
24	Men	24.1
26.8	Women	26.8
	Other Assumptions:	
3.40%	Rate of Inflation - RPI	3.30%
2.90%	Rate of Inflation - CPI	2.50%
4.40%	Rate of Increase in Salaries (reflects long term salary growth assumptions)	4.30%
2.90%	Rate of increase in Pensions	2.50%
5.50%	Rate of Discounting Scheme Liabilities	4.60%
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%

14.5 Assets Held

The split of assets held by the Fund attributable to Uttlesford District Council as at 31 March 2012 is set out in the following table:

2010/11 £'000			2011/12 £'000	
29,609	70%	Equity Investments	30,574	70%
2,854	7%	Government Bonds	1,747	4%
4,047	10%	Other Bonds	4,368	10%
4,772	11%	Property	6,115	14%
1,321	3%	Cash/Liquidity	874	2%

Note: The figures provided by Barnett Waddingham in the table above demonstrate the split of assets and the market value of the whole fund as at 31 March 2012.

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

2010/11		2011/12
7.50%	Equity Investments	6.40%
4.40%	Government Bonds	3.30%
5.10%	Other Bonds	4.60%
6.50%	Property	5.40%
0.50%	Cash/Liquidity	0.50%

14.6 History of experience Gains and Losses

	2007/08		2008/09		2009/10		2010/11		2011/12	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Asset Gain/(Loss)	(4,531)	(11.0)	(11,398)	(35.8)	9,124	21.1	3,523	7.3	(2,409)	(5.5)
Liability Gain/(Loss)	(1,216)	(2.1)	11,798	24.8	(15,107)	(22.9)	(3,094)	(5.7)	(126)	(0.2)
Change in Assumptions	(3,564)	(6.3)	n/a	n/a	n/a	n/a	n/a	n/a	(7,543)	10.3
Net Gain/(Loss)	**(9,311)**	**(16.40)**	**400**	**0.80**	**(5,983)**	**9.10**	**429**	**0.70**	**(10,078)**	**13.80**

14.7 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 2012. 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.

15. POST BALANCE SHEET EVENTS

15.1 Landsbanki Islands hf Investment

Subsequent to the 31 March 2012, a second distribution was received in relation to the Council’s Landsbanki investment of £285,661 (pounds sterling only). In undertaking an impairment review for the Landsbanki investment in line with the discounting principle, the second distribution has been taken into account. Therefore there has been no further impact on the 2011/12 Accounts as a result of the second distribution.

16. 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.

16.1. 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’ Interests, and open to public inspection during Council office hours.

The total members allowances paid in 2011/12 are shown at note 10.

16.2. 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.

16.3. Companies and Organisations

16.3.1. 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. The arrangement ceased with effect from 4 April 2011.

16.3.2. 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 interest's two councillors sit on the organisations board. Details of the financial implications are identified at note 9.2

16.3.3. 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.

16.3.4. 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 derived from this asset.
The car park is maintained and run by the North Essex Parking Partnership on behalf of 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 2011/12 £39,331 was given to the Citizens Advice Bureau (£38,592 for 2010/11).

16.3.5. 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 2011/12 was £353,270 (£285,659 for 2010/11). The costs for 2011/12 included £45,245 Heritage Quest Centre abortive costs for professional fees.

16.4. 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 2011/12 the gross income of the partnership was £67,124 and expenditure £41,732 (£177,081 and £120,449 respectively for 2010/11).

The Council's contribution for 2011/12 was £5,000 (£5,000 for 2010/11).

16.4.1. 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 2011/12 the gross income of the partnership was £107,059 and expenditure £77,083 (£167,533 and £107,831 respectively for 2010/11). The unspent income of £29,976 has been carried forward and will contribute towards the costs of the partnership's strategic vision.

The Council's contribution for 2010/11 was £5,000 (£4,000 for 2010/11).

The above includes grant of £30,357 received from Essex County Council in the form of Performance Reward Grant (£74,070 for 2010/11).

16.4.2. Parking Partnership

The Council is a member of the North Essex Parking Partnership that was formed with Colchester Borough Council, Braintree District Council, Epping Forest District Council, Harlow District Council and Tendring District Council with effect from 1 April 2011. 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 2011/12 and comparatives for 2010/11 are detailed below:

2010/11 £'000		2011/12 £'000
2,298	Gross Expenditure	2,783
(137)	Gross Income	(2,399)
2,161	**Net Cost of Service**	384

Uttlesford District Council's contribution to the Partnership was £142,000 for 2011/12 (£272,040 for 2010/11).

16.4.3. 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 formed, with representatives from each council; to strategically manage the implementation of the joint service arrangements.

16.4.4. 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.

17. HERITAGE ASSETS

The following Council assets meet the definition of 'Heritage Assets' under Financial Reporting Standard (FRS) 30:

- Saffron Walden Mote and Bailey Castle.
- Saffron Walden Museum Artefacts.

The carrying value reported in the balance sheet for Heritage assets is detailed below:

2010/11 £'000	**Catergory of Heritage Asset**	**2011/12 £'000**
61	Saffron Walden Motte and Bailey(Note 1)	78
155	Museum Artefacts(Note 1)	155
216	**Net Value At 31 March**	**233**

Note1: In line with the 2010/11 Statement of Recommended Practice the museum artefacts and the historic cost of the Castle wall were classified as Community Assets in the Council's balance sheet. The assets were reclassified as Heritage Assets for the 2011/12 Accounts in line with FRS 30.

Saffron Walden Motte and Bailey Castle:

The structure and retaining wall is a Grade 1 scheduled monument which was passed to the Council's ownership in 1979.
The castle is Norman dating from the 12th century. The wall surrounding the castle is also listed. To date there has been no excavations on the site of notable interest.

The Council is responsible for the upkeep and repairs of the Castle. The structure is in a deteriorating condition and included on the Monuments at risk register. In the past the historic cost of repairs to the surrounding walls has been recorded in the Accounts since April 2007.
The Council's balance sheet reports a historic cost value of £78,184 as at 31st March 2012 for the asset (31 March 2011 £60,173).

A proposal is currently being put together with English Heritage to prop up the Castle footings at an estimated cost of £20,000 approximately. No further repair work is planned in the near future.

Public access to the Castle is restricted for safety reasons and there is currently no intention to facilitate public access.

Saffron Walden Museum Artefacts

Under the terms of a 99 year lease with Saffron Walden Museum Society Limited, the Council is responsible for operating and managing the saffron Walden Museum and associated artefacts. It has been established that the risks and rewards associated with the arrangement and therefore the artefacts are included in the Council's accounts. The collection originates from the establishment of the Museum in 1835. Under the terms of the lease the Council is responsible for the repair and restoration of the museum artefacts and the nature of the displays, acquisitions and disposals. Governance arrangements are also conducted through the Museum Board of the Society and the Council's Museum Management Working Group.

Sales and purchases of artefacts are rare. There is no medium to long term programme of restoration for the collection.

Only a small percentage of the collection is displayed at the Museum which is open to the public. The remainder of the collection is held in storage, where access is restricted and prior appointments are required for viewings. Certain items of low value and duplicate exhibits are taken off site for temporary exhibitions and to assist local schools in the provision of the education curriculum.

The collection of an estimated 11,000 artefacts can be categorised as follows:

- 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.
- A collection of Intangible artefacts covering photographs, documents, etc of local interest.

The collection is on the whole of significant local providence, with a small proportion of high value.

Key elements of each collection are summarised in the table below:-

Collections	Of Particular Importance	Last professional valuation	Valuation Details	Estimated Value £'000
Archaeological	Small number of Egyptian and classical artefacts.	Not undertaken to date.	N/A	N/A
Fine Art	Oil paintings and prints of local significance.	2006	A Bowyer and Co. Banbury. Fine Arts Valuer.	155
Decorative Collection	Small number of Ceramics and Glass of high value.	N/A	J Dutton – Ceramics specialist (Septe4mber 2011). Note 1.	1,300
Costumes and Textiles	Small selection of important /high value items.	Not undertaken to date.	N/A	N/A
Natural Sciences	Specified rare and high value taxidermy and osteology specimens	N/A	G Lucy - Geologist. (2001). Note 1.	510
World Cultures	Small number of rare objects.	Not undertaken to date.	N/A	N/A
Social History Collection	Small number of high value items.	Not undertaken to date.	N/A	N/A
Intangible Heritage Assets	Accounts for 10% of the total collection	Not undertaken to date.	N/A	N/A

Note1: the valuations undertaken were not commissioned valuations in line with accounting requirements and therefore the Council is unable to place reliance on the valuations for the Accounts.

The original cost information for the collection is not available for much of the collection. The insurance valuation for the collection cannot be utilised as the valuation is significantly out of date and covers all risks which is not appropriate for a material part of the collection. A value for money review of the museum's insurance arrangements for the artefacts is being undertaken in 2012/13. The Council has applied the exemption allowed within 'Financial reporting Standards 30 Heritage assets' to the collection. FRS 30 states that 'Where the cost information is not available, and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets will not be recognised in the balance sheet and the disclosures required by this standard should be made'. As such the Council has recognised only the Fine Art valuation in the Accounts.

18. 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 2011/12 is set out in the table below.

2010/11 £'000		2011/12 £'000
1,296	**Gross Balance at 1 April**	**1,504**
187	Additions	37
21	Reclassification	31
1,504	**Gross Balance carried forward at 31 March**	**1,572**
(605)	Amortisation as at 1 April	(784)
(179)	Amortisation In Year	(213)
(784)	**Amortisation Balance carried forward 31 March**	**(997)**
720	**Net Value At 31 March**	**575**

19. TANGIBLE PROPERTY, PLANT AND EQUIPMENT ASSETS

19.1. ANALYSIS OF FIXED ASSETS 2011/12

	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
Balance as at 31 March 2011	**228,721**	**24,060**	**11,395**	**451**	**1,007**	**84**	**265,718**
Revaluation Gain recognised in the Revaluation Reserve	2,140	191	-	-	-	-	**2,331**
Revaluation Loss recognised in the Revaluation Reserve	(882)	(1,696)	-	-	-	-	**(2,578)**
Revaluation gain/(losses) recognised in the surplus/deficit on the Provision of Service		(374)	-	-	-	-	**(374)**
Additions	2,870	78	296	2	-	76	**3,322**
Adjustment	-	-	74	-	13	-	**87**
Donations	-	-	-	-	-	-	**-**
Disposals	(308)	-	-	-	-	-	**(308)**
Asset write out	(632)	(9)	-	-	-	(47)	**(688)**
Reclassification	-	6	-	-	(216)	(37)	**(247)**
Gross Balance as at 31 March 2012	**231,909**	**22,256**	**11,765**	**453**	**804**	**76**	**267,263**
Accumulated Depreciation at 1 April 2011	-	(554)	(3,492)	-	-	-	**(4,046)**
Depreciation In Year	(2,011)	(665)	(1,249)	(10)	(11)	-	**(3,946)**
Depreciation Write Outs	-	-	-	-	-	-	**-**
Depreciation Balance as at 31 March 2012	**(2,011)**	**(1,219)**	**(4,741)**	**(10)**	**(11)**	**-**	**(7,992)**
Net Book Value as at 31 March 2012	**229,898**	**21,037**	**7,024**	**443**	**793**	**76**	**259,271**
Net Value as at 31 March 2011	228,721	23,505	7,903	451	1,007	84	**261,671**
Assets owned outright	229,898	9,873	3,499	443	330	76	244,119
Donated Assets	-	1,436	186	-	463	-	2,085
Finance lease on assets	-	-	609	-	-	-	609
Assets used under contractual PFI agreement	-	9,728	2,730	-	-	-	12,458
Total	**229,898**	**21,037**	**7,024**	**443**	**793**	**76**	**259,271**

Analysis of Fixed Assets 2010/11

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	TOTAL £'000
Restated Balance as at 31 March 2010	**210,218**	**23,350**	**5,959**	**364**	**703**	**115**	**240,709**
Revaluation Gain recognised in the Revaluation Reserve	40,748	5,324	-	50	-	-	**46,122**
Revaluation Loss recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**
Revaluation gain/(losses) recognised in the surplus/deficit on the Provision of Service	(24,790)	(1,650)	-	(13)	-	-	**(26,453)**
Additions	3,058	198	1,249	50	13	38	**4,606**
Adjustment	-	-	52	-	243	-	**295**
Donations	-	1,134	-	-	-	-	**1,134**
Disposals	(513)	(62)	(91)	-	-	-	**(666)**
Asset write out	-	(9)	-	-	-	-	**(9)**
Reclassification	-	(4,226)	4,226	-	48	(69)	**(21)**
Gross Balance as at 31 March 2011	**228,721**	**24,059**	**11,395**	**451**	**1,007**	**84**	**265,717**
Accumulated Depreciation at 1 April 2011	-	(1,260)	(2,525)	-	-	-	**(3,785)**
Depreciation In Year	(1,955)	(554)	(1,055)	-	-	-	**(3,564)**
Depreciation Write Outs	1,955	1,260	88	-	-	-	**3,303**
Depreciation Balance as at 31 March 2011	**-**	**(554)**	**(3,492)**	**-**	**-**	**-**	**(4,046)**
Net Value as at 31 March 2011	**228,721**	**23,505**	**7,903**	**451**	**1,007**	**84**	**261,671**
Net Value as at 31 March 2010	210,218	22,090	3,434	364	703	115	**236,924**
Assets owned outright	228,721	11,111	3,776	451	318	84	**244,461**
Donated Assets	-	1,613	206	-	689	-	**2,508**
Finance lease on assets	-	-	851	-	-	-	**851**
Assets used under contractual PFI agreement	-	10,781	3,070	-	-	-	**13,851**
Total	**228,721**	**23,505**	**7,903**	**451**	**1,007**	**84**	**261,671**

Breakdown of Fixed Assets

31 March 2011			31 March 2012	
Number	Asset value £'000		Number	Value £'000
		Housing Revenue Account		
2,872	228,721	Dwellings	2,852	229,897
555	1,932	Garages	555	1,893
-	-	Assets Under Construction	1	75
9	422	Other	16	421
3,436	**231,075**	**Total HRA**	**3,424**	**232,286**
		General Fund		
1	3,205	Offices- Saffron Walden	1	3,110
2	277	Depot Premises	2	306
9	3,413	Car Parks	9	3,355
4	949	Day Centres	4	899
3	267	Public Conveniences	2	268
11	343	Amenity Land	10	295
3	628	Community Land & Buildings	2	463
3	69	Public Conveniences Sites	3	69
2	42	Coach Parks Infrastructures	2	42
n/a	342	Other Infrastructure	n/a	332
n/a	2,711	Vehicles, Plant and Equipment	n/a	2,523
18	838	Leased Assets	20	609
3	14,845	Assets Under Contractual PFI	3	12,406
n/a	403	Information Technology	n/a	324
1	307	Turpin's Bowls Hall	1	309
2	1,821	Community Halls	2	1,622
2	52	Land Leased to Town Council	1	52
3	84	Assets Under Construction	1	1
67	**30,596**	**Total General Fund**	**63**	**26,985**
3,503	**261,671**	**Total Fixed Assets**	**3,487**	**259,271**

Note: The analysis of Fixed Assets currently includes Margaret Street car park and Toilets, Thaxted which Cabinet agreed in March 2012 would transfer to Thaxted Parish Council. The transfer has been agreed for August 2012.

19.2 Transfer of Margaret Street, Thaxted car park and public conveniences to the Parish Council.

Transfer of Margaret Street, Thaxted car park and public conveniences to the Parish Council. In March 2012 cabinet agreed to transfer the Margaret Street Thaxted car park and public conveniences at nil cost to Thaxted Parish Council. The value of the assets to be transferred as at 31 March 2012 is £228,574. The transfer is scheduled for August 2012.

19.3. Reconciliation of Capital Expenditure

2010/11 £000		2011/12 £000
115	Capital Expenditure deferred from 2010/11	83
5,129	Actual Capital Expenditure in Year	4,428
-	Heritage Quest Centre abortive cost write off	(46)
(83)	Capital Expenditure deferred to 2012/13	(76)
5,161	**Capital Expenditure in year**	**4,389**

19.4. Assets Held for Sale

2010/11 £'000		2011/12 £'000
-	**Balance Brought Forward at 1 April**	**-**
-	Reclassification to Assets Held for Sale	231
-	**Balance as at 31 March**	**231**

20. CAPITAL EXPENDITURE AND CAPITAL FINANCING

2010/11 £'000		2011/12 £'000
	Capital Expenditure:	
208	Intangible Assets	68
4,616	Fixed Assets	3,440
337	Revenue Expenditure Funded from Capital Under Statute	881
5,161	**Total Capital Expenditure:**	**4,389**
	Financed By:	
(1,698)	Usable Capital Receipts	(127)
(162)	Revenue Contributions - GF	(286)
(400)	Revenue Contributions - HRA	(778)
(1,955)	Major Repairs Reserves	(2,011)
(191)	Section 106	(608)
(755)	Capital Grants	(312)
-	Internal Borrowing	(267)
(5,161)	**Total Capital Financing**	**(4,389)**

21. SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

As at 31 March 2012, the Council has the following significant future contracts for capital investment:-

	Work in Progress from 2011/12	Total Commitment	Duration of Commitment
	£'000	**£'000**	**Years**
Capital Scheme			
Housing			
Holloway Crescent Housing Development	75	878	2
Land & Buildings			
Vehicle Workshop	-	353	1
Vehicle, Plant and Equipment			
New Fleet - Waste Strategy	-	1,995	1
Total	**75**	**3,226**	

Note: the financial information reported above represents the estimated completion cost for each scheme

22. 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 Connection 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 24 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 2011/12 the Council's remaining capital liability on this PFI contract was £5.297m

Unitary charge breakdown

2010/11 £'000		**2011/12 £'000**	**1 Year £'000**	**2 - 5 years £'000**	**6 - 10 years £'000**	**11 - 15 years £'000**	**16 - 20 years £'000**	**21 - 25 years £'000**
991	**Leisure PFI - Unitary charge**	**1,019**	**1,040**	**4,374**	**5,978**	**6,598**	**7,286**	**6,371**
64	Capital Repayment	69	75	369	661	985	1,467	1,698
450	Interest Expense	445	439	1,689	1,911	1,587	1,105	360
154	Contingent Rent	147	148	740	1,264	1,659	2,289	2,579
323	Services	358	378	1,576	2,142	2,367	2,425	1,734
991	**Total Unitary Charge**	**1,019**	**1,040**	**4,374**	**5,978**	**6,598**	**7,286**	**6,371**

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.

23. STOCK

31 March 2011 £'000		31 March 2012 £'000
48	Housing Stores	47
4	Building Maintenance	24
31	Vehicle Fuel	18
23	Trading Stock	10
4	Stationery(Note1)	-
110	**TOTAL**	**99**

Note: In line with the revised accounting policy from 2011/12 for stock a de minimis level of £10,000 has been applied to the accounting for stock.

24. DEBTORS

2010/11 £'000		2011/12 £'000
2,666	Central Government Bodies	1,573
760	Other Local Authorities	33
35	NHS Bodies	31
2,316	Other Entities and Individuals	3,895
5,777	**Total**	**5,532**

24.1. PROVISION FOR BAD DEBTS

2010/11 £'000		2011/12 £'000
522	Non Domestic Rates	456
152	Council Tax	188
308	Housing Rents	324
391	Overpaid Benefit	421
64	Sundry Debtors	37
1,437	**Total Provision for Bad Debt**	**1,426**

24.2
The balance sheet reports the balance net of provision of bad debts for Debtors of £4.11 million (£2.991 million for 2010/11)

25. CREDITORS

2010/11 £'000		2011/12 £'000
195	Central Government Bodies	1,035
1,251	Other Local Authorities	965
4	NHS Bodies	3
2,679	Other Entities and Individuals	3,009
4,129	**Total**	**5,012**

26. CAPITAL GRANTS AND CONTRIBUTIONS

As detailed in the Council's accounting policies at page 93 (note P5), 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.

26.1 Creditor – (Capital Grants and Contributions with Conditions) – Capital Grants and Contributions Receipts in Advance

	31 March 2011	Income	Drawn Down	31 March 2012
	£'000	£'000	£'000	£'000
S106 Receipts in Advance				
Section 106 - Little Canfield	13	-	-	13
Section 106 - Laurels Yard Site/ Priors Green	203	-	-	203
Section 106 - West view Cottages/ Priors Green	-	2	-	2
Section 106 - Felsted	10	-	-	10
Section 106 - Oakwood Park	10	-	-	10
Section 106 - Rochford Nurseries	456	344	(249)	551
Section 106 - Bell College	-	316		316
SUB TOTAL	**692**	**662**	**(249)**	**1,105**
Capital Grants Receipts in Advance				
Heritage Quest Centre Grants	111	-	(29)	82
Disabled Facilities Grant	-	86	(86)	-
Housing Grant	(108)	108	-	-
Essex County Council - Waste Grants	(4)	4	-	-
SUB TOTAL	**(1)**	**198**	**(115)**	**82**
Capital Grants and Contributions	**691**	**860**	**(364)**	**1,187**

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

	31 March 2011 £'000	Income £'000	Interest £'000	Drawn Down £'000	31 March 2012 £'000
S106 Unapplied					
Stansted Housing Partnership	2,684	-	9	(358)	2,335
Dunmow Eastern Sector	18	-	-	-	18
Section 106 - Woodlands Park	37	51	-	(36)	52
Section 106 - Bell College	32	-	-	(32)	-
Section 106 - Prioir Green	-	34	-	-	34
Rochford Nurseries	-	24	-	-	24
SUB TOTAL	**2,771**	**109**	**9**	**(426)**	**2,463**
Capital Grants Unapplied					
ECC Waste Grants	8	-	-	-	8
Free Swimming Capital Grant	12	-	-	-	12
SUB TOTAL	**20**	**-**	**-**	**-**	**20**
Capital Grants and Contributions Unapplied Total	**2,791**	**109**	**9**	**(426)**	**2,483**

27. 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:

Balance as at 31 March 2011 £'000		In year Provision £'000	Provision Applied £'000	Balance as at 31 March 2012 £'000
27	Legal Claims	-	-	27
230	Termination of Supaloos Contract	6	(59)	177
90	Land Charges - Legal Claims on Charging Policy	-	-	90
46	Termination of Employee Contracts	97	(46)	97
-	Expenditure commitments for New Homes Bonus	299	-	299
-	Termination of Vehicle Finance Lease	269	-	269
	In Year Movements	**671**	**(105)**	
393	**Balance as at 31 March**			**959**

28. 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.

2010/11		2011/12 Year 0	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
	Waste Vehicles							
1,097	Finance lease Opening balance	804	-	-	-	-	-	-
-	Adjustment to principal balance held							
(293)	Principal repayment	(290)						
-	Final payment for termination of lease	(514)						
804	**Closing balance**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Central Services							
-	Finance leases Opening balance	46	83	58	-	-	-	-
52	Additions	60	-	-				
(6)	Principal Payments	(23)	(25)	(58)				
46	**Closing balance**	**83**	**58**	**-**	**-**	**-**	**-**	**-**
	Leisure							
5,430	PFI – Opening balance	5,366	5,296	5,221	4,852	4,191	3,206	1,739
(64)	Principal repayment	(70)	(75)	(369)	(661)	(985)	(1,467)	(1,740)
5,366	**Closing balance**	**5,296**	**5,221**	**4,852**	**4,191**	**3,206**	**1,739**	**(1)**
	Pensions Liabilities - Current Liability							
394	Opening balance	248	-	-	-	-	-	-
(146)	Payment to Pension Fund	(146)	-					
-	Transfer to Short Term Creditor	(102)	-	-	-	-	-	-
248	**Closing balance**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
6,464	Deferred Liabilities at 31 March	5,379	5,279	4,852	4,191	3,206	1,739	(1)

Waste Collection Finance Leases - in 2006 the authority acquired 16 waste collection vehicles under a finance lease. The rentals payable under these arrangements in 2011/12 were £271,224 (£310,310 in 2010/11).These payments were charged to the Comprehensive Income and Expenditure Statement as £23,913 finance costs (£17,327 for 2010/11) (debited to Financing and Investment Income and Expenditure) and £779,741 (£292,970 for 2010/11) 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 2011/12 the Council's remaining capital liability on this PFI contract was £5.297 million (£5.366 million as at 31 March 2011). 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.

29. 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.

30. 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.
As at 31 March 2012, the estimated possible liability for the Council under the Scheme is £60,477 (£60,477 as at 31 March 2011).

A forecast re evaluation of claims losses by MMI's actuaries for the year ended 30th June 2011, indicated that should there be litigation against MMI, there would be insufficient resources to fulfil the schemes liabilities in full and therefore the Scheme of Arrangement would be called on. Thus the Council will be required to honour this liability.
Since the liability is currently defined as being 'possibly' incurred rather than 'probably' incurred; a liability has not been recorded in the Council's Accounts. Details of the Scheme are viewable on the MMI website: www.mminsurance.co.uk.

31. 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.

31 March 2011 £'000		31 March 2012 £'000
13,758	General Fund	1,036
232,027	Housing Revenue Account	144,945
245,785	**Total**	**145,981**

32. GRANT INCOME – REVENUE

32.1 Revenue Grants and Contributions Received in 2011/12

The Council receives a number of grants and donations which are credited to the service lines of the Comprehensive Income and Expenditure Statement

2010/11 £'000		2011/12 £'000
(8,466)	Housing Benefit Allowance Subsidy	(9,085)
(5,866)	Housing Benefits Rebate Subsidy	(6,170)
(3,975)	Council Tax Benefits Subsidy	(4,028)
(450)	Private Finance Initiative	(450)
(378)	Benefits Admin	(338)
(61)	Homelessness	(115)
-	S106 contributions	(110)
(84)	Improvement East Money	(29)
(48)	Future Jobs Fund	(31)
(39)	Joint Waste Services	-
(34)	Personal Search Fee Grant	-
(33)	Free Swimming Grant	-
(20)	Neighbourhood Planning Front Runners	(40)
(39)	Pig Market Charity	(39)
(17)	Play Programme	-
(24)	Discretionary Housing Payments	(22)
-	Benefits ATLAS Project	(16)
-	Licensing CCTV	(10)
(28)	Other Miscellaneous (under £10,000)	(51)
(19,562)	**Total Revenue Grants**	**(20,534)**

33. FINANCIAL INSTRUMENTS

33.1 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 2011 (Restated) Book Value	**As at 31 March 2012 Book Value**		**As at 31 March 2011 (Restated) Book Value**	**As at 31 March 2012 Book Value**
£'000	**£'000**		**£'000**	**£'000**
		Financial Assets, Loans and Receivables:		
538	983	Debtors	4,340	4,108
1,740	1,310	Investments	2,022	4,037
-		Cash and Cash Equivalents	5,169	5,294
2,278	**2,293**	**Total**	**11,531**	**13,439**
		Financial Liabilities at Amortised Cost:		
(691)	(88,407)	Creditors	(4,129)	(5,012)
(6,464)	(5,379)	Deferred Liabilities	-	-
(7,155)	**(93,786)**	**Total**	**(4,129)**	**(5,012)**
(4,877)	**(91,493)**	**Net Total**	**7,402**	**8,427**

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

The carrying value of financial instruments reported on the Balance Sheet includes accrued interest on loans and investments.

33.1.2 Housing revenue Account – Self financing reforms

The Department for Communities and Local Government (DCLG) abolished the HRA subsidy system in March 2012, under the Localism Act, with Local Authorities taking control of the housing expenditure and income. This will enable the effective long term planning of housing stock at a local level.

The Council was required to borrow £88.407 million on 28 March 2012 to buy itself out of the subsidy regime. The debt repayment profile for the payment is detailed at paragraph 32.9

33.2. Financial Instruments – Gains and Losses

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

2010/11 £'000		2011/12 Financial Assets £'000	2011/12 Financial Liabilities £'000	2011/12 Total £'000
460	Interest Expenses	-	462	462
66	Impairment on Long Term Investment	(268)	-	(268)
526	**Interest Payable and Similar Charges**	**(268)**	**462**	**194**
(251)	Interest and Investment Income	(95)	-	(95)
275	**Net (gains)/loss for the Year**	**(363)**	**462**	**99**

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

33.3. Financial Instruments – Fair Values of Assets and Liabilities

Due to the short term nature of the Council's Investments as at 31 March 2011 and 31 March 2012, the Fair Value of such financial assets will not vary from the book value detailed at note 32.1. The PWLB has provided the Council with the fair value amounts in relation to the Council's debt portfolio. The fair value is calculated by estimating the amount the Council would have to pay to extinguish the loan portfolio on the 31 March 2012. Therefore the fair value of the loan portfolio is estimated to be £91.6 million.

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

33.4 Loans at less than Market Rates (Soft Loans)

The Council has no material soft loans.

33.5. Collateral

The Council holds collateral in relation to the following loans:

Debt Outstanding 31 March 2011 £'000		Debt Outstanding 31 March 2012 £'000
1	Mortgages	-
537	Rents to Mortgages	983
538	**Total**	**983**

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

As at 31 March 2012, the Council had not entered into any financial guarantees.

33.6. 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.

33.7. 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 2012 £1.653 million (£1.7 million as at 31 March 2011) 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:

	31 March 2012
Under 1 Year	1,220
1-2 Years	433

Note: 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 £0.8 million as at 31 March 2012 (£0.8 million as at 31 March 2011) 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. Credit worthiness 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 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:

Counterparty	Credit rating criteria met when investment placed YES / NO	Credit rating criteria met on 31/03/2012 YES / NO	Balance invested as at 31 March 2012 £'000 Up to 1 month	≥ 1 and < 3 months	≥ 3 and < 6 months	≥ 6 and < 12 months	Total	% of Total
Short Term Investments:								
Banks - UK								
Bank of Scotland	YES	YES	2,021	0	0	0	2,021	21.7%
Banks - Non UK								
Landsbanki Escrow Short Term Investment	n/a	n/a	0	0	0	16	16	0.2%
Total banks			**2,021**	**0**	**0**	**16**	**2,037**	
Debt Mgt Office (UK Treasury)	n/a	n/a	1,000	0	0	0	1,000	10.7%
Building Societies - UK	YES	YES	0	1,000	0	0	1,000	10.7%
Total Short term Investments			**3,021**	**1,000**	**0**	**16**	**4,037**	
Call accounts								
Barclays	YES	YES	1,287	0	0	0	1,287	
Santander UK	YES	YES	2,014	0	0	0	2,014	
Royal Bank of Scotland	YES	YES	1,993	0	0	0	1,993	
Total Cash and Cash equivalents			**5,294**	**0**	**0**	**0**	**5,294**	56.7%
Total			**8,315**	**1,000**	**0**	**16**	**9,331**	100.0%

Note: Includes accrued interest to 31 March 2012. The Landsbanki Escrow Short term investment has been classified in line with the CIPFA LAAP Bulletin 82 (Update 6 May 2012) The actual maturity date can not be established as a result of controls imposed by the Central Bank of Iceland and through Icelandic parliament legislation restricting the movement of ISK.

33.8. Landsbanki

Landsbanki Islands HF was an Icelandic bank that became insolvent in October 2008, a few days before the Council's deposit of £2.2 million 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 determined that UK local authorities' deposits were priority claims, a ruling that was confirmed by the Icelandic Court in April 2011 and upheld following appeal by the non-priority creditors.

The first repayment was made to priority creditors in February 2012 and was made in a combination of Sterling, US Dollars, Euros and Icelandic Krona. Excluding the Krona element, the amount received by the Council, after conversion to Sterling, was £0.683 million. The Krona element is held in an escrow account in Iceland due to legal restrictions on the movement of Icelandic currency. The sterling value of this sum as at 31 March 2012 is £16,000.

On the basis of recovery estimates published by the resolution committee, including default interest and compensation, CIPFA has issued accounting guidance to the effect that 100% of priority claims will be paid by December 2019. The guidance requires the value of the outstanding sum to be discounted, using the principle that money in the future is worth less than money now. The Council has applied the CIPFA guidance in determining the deposit's value as at 31 March 2012; accordingly a figure of £1.326 million is included within the Balance Sheet.

Thus the original deposit, £2.2 million, less the amount repaid in the year, £0.683 million, gives an outstanding sum of £1.517 million; the accounting value, after discounting, is £1.326 million, which gives rise to an accounting loss as at 31 March 2012 of £0.191 million. The accounting loss as at 31 March 2011 was larger, at £0.460 million, so there has been an improvement during 2011/12 of £0.269 million. This is chiefly due to the improved recovery outlook, as the legal issues have been resolved and repayments have commenced. The 31 March 2011 loss of £0.460 million was charged as a revenue expense through the Comprehensive Income & Expenditure Account in 2010/11. The 2011/12 in year improvement of £0.269 million has been credited to the Comprehensive Income & Expenditure Account in 2011/12, such that the cumulative accounting loss as at 31 March 2012 has been recognised as £0.191 million.

In May 2012 a further repayment of £0.286 million was received; this sum has not been reflected in the accounts, as it was received after the balance sheet date.

Uncertainties remain that could affect the amount and timing of repayments:

- The impact of exchange rate fluctuations on repayments made in US Dollars, Euros and Icelandic Krona
- The resolution of legal difficulties relating to the movement of Icelandic currency
- Lack of firm information about the timing of future payments; if the actual timing differs from that estimated within the CIPFA guidance, additional adjustments to the accounting loss may be required in future years' accounts.

The Council maintains an earmarked General Fund reserve ("Landsbanki Contingency") to enable any adverse accounting losses to be financed without adversely affecting budgets for council services.

33.9 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.

The Council also has to manage the risk that it will not be exposed to replacing a significant proportion of its borrowing at a time of unfavourable interest rates.

The maturity analysis of the Councils debt as at 31 March 2012 is as follows:

	Profile	31-Mar-12 £'000	% of total debt portfolio
Long Term Borrowing			
	> 5 and < 10 years	10,000	11.31%
	> 10 and < 15 years	14,000	15.84%
	> 15 and < 20 years	18,000	20.36%
	> 20 and < 25 years	21,000	23.75%
	> 25 and < 30 years	25,407	28.74%
Total Long term Borrowing		**88,407**	**100.00%**

The debt profile is periodically reviewed with the Council’s treasury advisors to consider opportunities for debt rescheduling

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.

33.10. 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.

33.11 .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 Councils 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 2012, the Council had 55% of its investments in variable rate instruments, all of which are less then 3 months maturity; thus limiting the Council's exposure to material reduction in investment income in the short term. In terms of the Council's debt portfolio 89% of the portfolio is on a fixed rate basis, thus reducing the Council's risk to variances in interest rates.

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 2012; the financial impact of a 1% increase in interest rates would have £44,000 positive impact on the Comprehensive Income and Expenditure Account.

33.12. 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.

33.13. Foreign Exchange Risk

The Council currently has approximately £16,051 in Icelandic Krona (ISK) remaining in escrow in Iceland. The Council is currently working with the Local Government Association, Bevan Brittan and other effected authorities to research ways of converting the ISK element of the impaired Icelandic deposit into Sterling.

HOUSING REVENUE ACCOUNT

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

2010/11 £'000		2011/12 £'000
	Income	
(11,377)	Dwelling Rents	(12,043)
(193)	Non-Dwelling Rents	(203)
(494)	Charges for Services and Facilities	(490)
(82)	Contributions towards Expenditure	(74)
(12,146)	**Total Income**	**(12,810)**
	Expenditure	
2,233	Repairs and Maintenance	2,094
2,241	Supervision and Management	2,216
60	Rents, Rates, Taxes and other Charges	162
4,898	Negative Housing Subsidy Payable	5,201
-	Settlement payment to Government for HRA Self-financing	88,407
-	Debt Management Costs	64
	Depreciation and Impairment of Fixed Assets	
1,955	- Dwellings	2,011
55	- Other Fixed Assets	94
24,822	Fixed Asset Impairment	696
29	Increase in Bad Debt Provision	46
-	Revenue Expenditure Funded from Capital Under Statute (REFFCUS)	10
36,293	**Total Expenditure**	**101,001**
24,147	**Net Cost of Service**	**88,191**
232	HRA Services Share of Corporate and Democratic Core	233
(656)	HRA Share of other amounts included in the Whole Authority Net Cost of Services but not allocated to Specific Services	110
23,723	**Net Cost of HRA Services**	**88,534**
(321)	Loss/(Gain) on Sale of HRA Fixed Assets	185
(3)	Interest and Investment Income	(11)
237	Pension Interest Cost and Expected Return on Pensions Assets	77
(204)	Capital Grants and Contributions Receivable	-
23,432	**Deficit for the year on HRA Services**	**88,785**

MOVEMENT IN HRA RESERVES

2010/11 £'000		2011/12 £'000
723	**Balance on HRA at the end of the previous year**	**796**
(23,432)	(Deficit) for the year on the HRA Comprehensive Income and Expenditure Account	(88,785)
23,450	Adjustments between accounting basis and funding basis under statute	88,537
18	**Net increase or (decrease) in year on the HRA**	**(248)**
55	Transfers from the Major Repairs Reserve	101
73	**Increase or (decrease) in year on the HRA Working Balance**	**(147)**
796	**Balance on the HRA at the end of the current year**	**649**

HRA – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

2010/11 £'000		2011/12 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the Year	
321	Gain or Loss on Sale of HRA Fixed Assets	(185)
(24,822)	Fixed Asset Impairment	(688)
-	Settlement Payment to Government for HRA Self-financing	(88,407)
(5)	Amounts treated as revenue expenditure in accordance with the 'Code' but which are classified as capital expenditure by statute	(10)
204	Reversal of Non Specific Grants	-
452	Net Charges made for Retirement Benefits in accordance with IAS 19	(25)
	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the Year	
400	Capital Expenditure funded by the HRA	778
(23,450)	**Adjustments between accounting basis and funding basis under statute**	**(88,537)**

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 2011/12 an average of 1.72% of properties were vacant (2.89% 2010/11). The average rent for all stock was £89.15 per week in 2011/12 and £82.71 in 2010/11.

H3. Housing Subsidy

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

2010/11 £'000		**2011/12 £'000**
1,263	Allowance for Management	1,376
2,847	Allowance for Maintenance	2,957
1,955	Allowance for Major Repairs	2,011
78	Charges for Capital	44
(11,041)	Rent	(11,583)
-	Adjustment in respect of 10/11 negative housing subsidy	(39)
-	Rebate in respect of interest on Self-Financing Loan	33
(4,898)	**Total Payable**	**(5,201)**

H4. Transactions in respect of HRA Self-Financing

With effect from April 2012 the housing subsidy system will be abolished and replaced by a new self-financing system giving authorities greater autonomy and flexibility with its finances in the provision of Council Housing. As a result of this change, the 2011/12 accounts reflect material transactions in relation to the Council buying itself out of the Housing subsidy regime, funded by borrowing.

The Housing Revenue Account Comprehensive Income and Expenditure Account includes a payment of £88.407m. This expenditure is financed from a 30 year loan with the Public Works Loans Board (PWLB), the details of which are outlined at note 33.9.

These costs have been offset by a rebate in HRA subsidy, thus there being no impact from the cost of borrowing £88.407m prior to 1 April 2012. The Housing Revenue Account has however borne the £32k for arranging the loan portfolio to fund the payment to Central Government.

Costs relating to the arrangement of the self-financing loan are also included in the Housing Revenue Comprehensive Income and Expenditure Account, and total £64k, of which £32k represents interest costs for the period 28 March 2012 to 31 March 2012

Under Statute the payment is deemed Capital Expenditure and therefore an adjustment has been undertaken to exclude the payment from the funding of the Housing Revenue Account by the rent payer.

H5. Housing Stock

The housing stock managed by the Council was as follows:

2010/11 No. of Properties		**2011/12 No. of Properties**
	General Needs	
747	Flats	736
751	Bungalows	746
1,374	Houses	1,370
2,872	**Total Properties**	**2,852**

H6. Rent Arrears

The provision for bad debts against arrears was £0.324 million at 31 March 2012 (£0.308 million as at 31 March 2011)

2010/11 £'000		**2011/12 £'000**
	Arrears due from:	
380	- Current Tenants	415
22	- Former Tenants	21
402	**Total Rent Arrears**	**436**
3.64%	Total as a % of Gross Debt	3.4%

H7. Balance Sheet value of HRA Assets

2010/11 £'000		2011/12 £'000
	Operational Assets comprising	
228,720	Dwellings	229,897
2,197	Other Land and Buildings	2,113
123	Vehicles and Plant	163
46	Intangible Assets	35
35	Community Assets	35
231,121	**Total HRA Asset Value**	**232,243**

The vacant possession value of dwellings within the HRA as at 1 April 2011 was £591.6 million (£586.5 million as at 1 April 2010). The difference of £361.7 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.

H8. Depreciation and Impairment of Fixed Assets charged to the HRA Comprehensive Income and Expenditure Account

2010/11 £'000		2011/12 £'000
1,955	Dwellings	2,011
55	Other Assets	94
2,010	**Total Depreciation**	**2,105**
24,821	Impairment of Fixed Assets	696
26,831	**Total Depreciation and Impairment**	**2,801**

H9. Major Repairs Reserve

2010/11 £'000		2011/12 £'000
-	**Opening Balance**	-
(2,010)	Depreciation on Fixed Assets	(2,113)
55	Transfers to HRA	102
1,955	Capital expenditure funded from the MRA	2,011
-	**Closing Balance**	**-**

H10. HRA Capital Financing

2010/11 £'000		2011/12 £'000
3,272	**Total HRA Capital Expenditure**	**2,916**
	Financed by:	
(400)	Revenue Contributions	(778)
(1,955)	Contribution from Repairs Reserve	(2,011)
(522)	Capital Receipts	(127)
(191)	S106	-
(204)	Capital Grants	-
(3,272)	**Total Financing**	**(2,916)**

H11. Capital Receipts

2010/11 £'000		2011/12 £'000
183	Properties	127
137	Land and Garages	-
320	**Total Receipts**	**127**

H12. 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 2011/12

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.

2010/11 £'000		£'000	2011/12 £'000
	Income		
45,832	Council Tax Payers	46,599	
3,940	Council Tax Benefit	3,999	
49,772	Total Council Tax		50,598
34,310	Business Rate Payers		36,768
84,082	**Total Income**		**87,366**
	Expenditure		
35,778	Precepts and Demands: - Essex County Council	36,277	
4,349	Precepts and Demands: - Essex Police Authority	4,410	
2,187	Precepts and Demands: - Essex Fire Authority	2,217	
6,900	Precepts and Demands: - Uttlesford District Council	7,029	
49,214	**Total Precept and Demand**		**49,933**
141	Distributions of Previous Years' Surplus: - Essex County Council	234	
18	Distributions of Previous Years' Surplus: - Essex Police Authority	29	
6	Distributions of Previous Years' Surplus: - Essex Fire Authority	12	
23	Distributions of Previous Years' Surplus: - Uttlesford District Council	42	
188	**Total Distributions of Previous Years Surplus**		**317**
243	Provision for Doubtful Debts		513
34,174	Business Rates: - Payments to the National Pool		36,632
136	Business Rates: - Cost of Collection Allowance to General Fund		136
83,955	**Total Expenditure**		**87,531**
(669)	(Surplus) as at 1 April		(796)
(127)	(Surplus)/Deficit for the Year		165
(796)	**(Surplus) as at 31 March**		**(631)**

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 2011/12 Band D property, being £1,432.71 (2010/11, £1,432.62), is multiplied by the proportion specified for the particular band to give an individual amount due, to which must be added any Parish precept. The average Band D Council Tax bill including Parish Precepts was £1,495.85 in 2011/12 (2010/11, £1,494.78).

C1. COUNCIL TAX BASE

When setting the 2011/12 Council Tax a gross tax base of 33,546 Band D equivalents was estimated (2010/11, 33,100). An allowance of 1.1% to cover losses on collection and adjustments was applied, thus reducing the tax base to 33,177 Band D equivalent properties. To this figure were added M.O.D. properties which are exempt, but contributions in lieu are received. The final council tax base was therefore calculated at 33,381 Band D equivalent properties (2010/11 32,922).

Estimated Council Tax Base 2011/12 - Analysis of Properties

	A	B	C	D	E	F	G	H	Total
Total no. Properties (after adjusting for discounts)	762	2,855	6,923	5,768	5,213	3,691	3,756	369	29,337
Ratio to Band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	508	2,220	6,154	5,768	6,371	5,331	6,260	738	33,350
Additions (Net of Discounts / Exemptions)									193
Total Band D Equivalents									33,543
Estimated Collection Rate for 2010/11 – 98.9%									33,177
Add M.O.D Properties									205
COUNCIL TAX BASE									**33,382**

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

2010/11 £'000		2011/12 £'000
54,702	Gross Council Tax Collectable	55,616
(1,549)	Less: - Exemptions	(1,409)
5	Transitional Relief	3
(81)	Write-offs	(142)
(3,305)	Less: - Discounts	(3,470)
49,772	**Net Collectable before Benefits and Allowances**	**50,598**
(3,940)	Benefits	(3,999)
45,832	**Income from Council Tax Payers**	**46,599**

C2. PRECEPTS

The following authorities made precepts on the Collection Fund:

2010/11 £'000		2011/12 £'000
35,778	Essex County Council	36,277
4,349	Essex Police Authority	4,410
2,187	Essex Fire Authority	2,217
6,900	Uttlesford District Council (including Town/Parish Councils)	7,029
49,214	**Total Precepts**	**49,933**

C3. NATIONAL NON-DOMESTIC RATES

The National non-Domestic rateable value in the Council's area at 1 April 2011 was £100,137,195 (£99,674,260 at 1 April 2010) and the multipliers, which were specified by the Government, were 42.6p excluding small business surcharge (2010/11 40.7p) and 43.3p including small business surcharge (2010/11 41.4p). Based on the lower rate this produced an approximate yield of £42.658 million (2010/11 £40.567 million). The difference between the approximate yield and the actual value of ratepayers income in the year (as reported in the Collection Fund summary) is explained by the application of relief's, discounts, void properties and movement on the bad debt provision.

C4. FUND BALANCE

The Collection Fund surpluses have been apportioned as follows:

2010/11 £'000		2011/12 £'000
(604)	Essex County Council	(480)
(73)	Essex Police Authority	(58)
(37)	Essex Fire Authority	(29)
(82)	Uttlesford District Council	(64)
(796)	**Total Surplus Apportioned**	**(631)**

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 2011/12(‘The ‘Code’’) and the Service Reporting Code of Practice 2011/12; 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.

IAS 1 ‘Presentation of Financial Statements’ specifies the information to be included in the financial statements but no the format. In addition the standard specifies the information to be disclosed within the financial statements on the face of the statements or in the associated notes. One of the key requirements of the standard is that assets and liabilities or income and expenditure should not be offset against each other.

To comply with the requirements the Council’s debtors and creditors balances for 2010/11 notes 24 to 25 have been restated in line with the requirements. This ensures full compliance with the accounting rule and provides transparency for year on year comparison of performance.

The council has been unable to reclassify comparative amounts to the 31 March 2010 and disclose a third balance sheet within these Accounts since it would be an uneconomic use of resources to undertake the work in order to provide the user of the Accounts with minimal benefit.

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 where the stock category value is more than £10,000.
- 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 wither 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 and Councillors 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/councillors 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 4.6% (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Essex County Council Pension Fund attributable to the Council are included in the balance sheet at their fair value 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 are 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 2011/12.

P7. TERMINATION PAYMENTS

Termination payments are amounts payable as a result of the Council's decision to terminate an employee's employment before the normal contractual (fixed term contract) or retirement date or an employee's decision to accept voluntary redundancy.

Termination payments are charged to the Comprehensive Income and Expenditure Statement on an accruals basis, on demonstration of the commitment to the termination arrangements.
For termination payments' involving enhanced pension payments, statutory legislation requires that the General Fund balances are charged with the amount payable by the Council to the Pension Fund, not the amount calculated according to relevant accounting standards. In line with the Pension Fund accounting policy, arrangements are made through the Movement in Reserves Statement to replace the accounting arrangements with regulatory requirements.

P8. 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.

P9. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Service Reporting Code of Practice. 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 Service Reporting Code of Practice and are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

P10. 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 property, plant and equipment.

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 is 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:

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- 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.
- Where there is no market-based evidence of fair value because of the specialist nature (for example Leisure Centre, Day Centre's etc) depreciated replacement cost (DRC) is used as a proxy for fair 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 1st April 2011 by Wilks Head and Eve LLP. The Valuation letter was dated November 2011.
Valuations of General Fund Land and Buildings are carried out on an annual basis, as at the 1st 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 Asset.

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 no longer than 35 years.
- Vehicles, Plant and Equipment – straight line allocation over the life of the asset of between 5 and 7 years.
- Infrastructure – straight line allocation over a minimum of 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 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 Fitness and Leisure 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. HERITAGE ASSETS

The Council's Heritage Assets are held for the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. Under the SORP, Heritage Assets are to be recognised and measured in accordance with the Council's accounting policies on property, plant and equipment (P10, above) However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council's collections of heritage assets are accounted for as follows:

Property Heritage Assets: Saffron Walden Motte and Bailey Castle

This asset is held on the balance sheet at historic cost incurred since April 2007 as the Council considers that the cost of obtaining a robust valuation would be disproportionate to the benefit for the user of the financial statements. The carrying value of the property assets will be reviewed annually for evidence of impairment in relation to physical damage.

Heritage Assets not held on Balance Sheet: Saffron Walden Museum Artefacts

The remaining heritage assets are not included on the balance sheet because the Council considers that obtaining reliable valuations of such items, which are large in number and are mostly unique and specialist in nature, is not straightforward and it would be disproportionately expensive to obtain robust accounting valuations for the purpose of including asset values on the Council's balance sheet. The collection of heritage assets will be annually reviewed for impairment as a result of damage or doubts over authenticity and be accounted for in line with the Council's impairment arrangements.
The collection of artefacts is relatively static, acquisitions and disposals are rare. Donations to the collection where material will be valued and accounted for accordingly.

In general, heritage assets are deemed to have indeterminate lives and a high residual value, hence the Council does not consider it appropriate to charge depreciation.

P14. LEASES

The 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 Leasee.

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.

P15. 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.

P16. 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.

P17 . 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(Update 6:1st June 2012), 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. No deferment is permissible for the 2010/11 and the 2011/12 Accounts and so impairment has been written off against revenue balances.

The investment settlement undertaken on 7th December 2011 resulted in the Council being involved in foreign currency transactions. As a result the following accounting arrangements have been made:

- the settlement received in foreign currency has been recorded in pounds sterling in the Accounts at the time of the cash inflow.
- any foreign currency transactions remaining on the council's balance sheet at the end of the financial period have been revalued in pounds sterling based on the prevailing exchange rate as at 31 March.
- any exchange rate differences between the date of the transaction and the end of the financial year are recorded as a loss or gain in the Comprehensive income and Expenditure Statement.

Soft Loans

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

Available for Sale Assets

The Council has no Available-for-sale Assets.

P18. STOCKS AND WORK IN PROGRESS

A de minimis level of £10,000 has been set for the recognition of stock in the Council's balance sheet. The various stock categories are valued as follows:

- Vehicle fuel: valued at average cost.
- Housing stores: 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.

P19. 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.
An annual review of the council's relationships with other entities is undertaken each year to evaluate wither there are any group arrangements.

The Council has no arrangements which would result in Group accounting and reporting for 2011/12.

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.

P20. 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.

P21. LONG-TERM DEBTORS

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

P22. 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:

- 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;
- The council’s cashflow statement only includes the council’s share of council tax, net of cash collected and precepts paid to itself.

P23. 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 form 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.

P24. CARBON REDUCTION COMMITMENT SCHEME

The Council does not participate in Central Government’s Carbon reduction Commitment Scheme as the Council’s utility consumption was below the scheme’s threshold.

P25. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

The Council has not identified any material errors in preparing the 2011/12 financial statements.

The Council has made no material changes to the accounting policies apart from those required under the’ Code’ (Heritage Assets).

P27. POST BALANCE SHEET EVENTS

Such events can be both favourable and unfavourable, occurring between the end of the reporting period and the date when the Statement of Accounts are authorised for issue.

Where the event is material to the content of the Accounts and there is evidence that the event existed at the end of the reporting period, the Statement of Accounts is adjusted to reflect the impact of the event.

Events arising after the reporting period the Accounts are not adjusted for the event. A disclosure is made detailing the nature of the event and the estimated financial impact.

P26. 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.

IFRS 7 – 'Financial Instruments Disclosures' which relates to accounting and reporting of Investments, loans and other such financial arrangements was issued in July 2011. The full adoption of the standard will be required with effect from April 2012. However, the Council is required to disclose the impact of the new standard in these (2011/12) statements.

IFRS 7 will require Council's to make prescribed disclosures for financial assets which it has transferred but retains risks and rewards associated with the asset.

As at 31 March 2012 the Council held no such Financial Assets. The standard has therefore no impact for the Council.

P27. 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 2012 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

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 2012, the Council had a balance of £5.5m 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 Council's Accounts
Icelandic investments	The investment has been impaired to reflect the recovery rates expected as at June 2012.The final repayments are not anticipated until December 2019. 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

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

Opinion on the Authority's financial statements

I have audited the financial statements of Uttlesford District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Uttlesford District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Assistant Chief Executive – Finance

As explained more fully in the Statement of the Assistant Chief Executive – Finance Responsibilities, the Assistant Chief Executive - Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Chief Executive - Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Uttlesford District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters
In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources
Respective responsibilities of the Authority and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Uttlesford District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Debbie Hanson

District Auditor

3rd Floor, Eastbrook, Shaftesbury Road, Cambridge, CB2 8BF

27 September 2012

ANNUAL GOVERNANCE STATEMENT 2011/12

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. 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 2012.

3. The Governance Framework

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

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officers to be effective; and
6. 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 (01/04/1 –31/10/11) or the Corporate Management Team (01/11/11–31/03/12) and the Performance Select Committee (01/04/11-15/05/11) or the Performance & Audit Committee (16/05/11-31/03/12).

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 2011/12 the Council changed its governance arrangements under the Local Government Act 2000 from alternative arrangements (committee system) to executive arrangements (executive leader and cabinet). The cabinet therefore became the council's main decision making body for all executive functions. As defined by law and in accordance with the budget and policy framework approved by Full Council. Although there is power for executive functions to be delegated to individual members of the cabinet this was not done and all executive decisions were taken by the cabinet collectively. All meetings of the cabinet were held in public unless items containing confidential or exempt information were being discussed

Policy and decision making was facilitated by a clear framework of delegation. The delegation scheme is in two parts. The first relates to those functions of the Council which are not executive functions. Delegation of these functions flows from Full Council. Executive functions can only be delegated by the Leader of the Council. The Leader has granted delegated authority to officers to carry out certain executive functions. The schemes of delegation are published on the Council's website. In addition the Leader delegated power to expend up to £1000 on the performance of any executive function relating to their ward pursuant to s.236 Local Government Act 2000 subject to consultation with the Assistant Chief Executive – Finance to ensure legality of the proposed expenditure.

The Council met seven times during the year. The Cabinet met on thirteen occasions. The Scrutiny Committee met on eight occasions. The Performance and Audit Committee met on five occasions. The Licensing and Environmental Health Committee met on four occasions. The Standards Committee met on five occasions. 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
.

From 01/04/11-31/10/11 the Strategic Management Board (SMB) of the Council met on a weekly basis; from 01/11/11 the Corporate Management Team (CMT) meet on a fortnightly basis and provide the strategic direction of the Council in delivering the requirements of the Corporate Plans. They 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 2011/12.

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

The behaviour of Members is regulated through a Code of Conduct which has been formally approved and adopted. This Code is supported by protocols that apply the principles of the codes to specific areas of Council activity.

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, Bribery Act 2010 Policy and the Council's Whistle Blowing Policy have been developed and communicated to all staff via the internet and as part of the Induction process. These 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 2012. 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 CMT and Cabinet. 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 decisions of the Cabinet, as well as scrutinising the performance of outside bodies and making recommendations as appropriate and may receive public petitions.

The Performance & Audit 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 change to a Cabinet style administration from May 2011

The Council has embedded Risk Management throughout its activities.

Following extensive revision of the Council's approach to corporate and divisional risk management in 2009/10 and 2010/11, the process was further streamlined in 2011/12, with the Corporate Risk Register directly linking to the aims set out in the Council's new Corporate Plan.

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.

All Corporate Risks are reported to the Performance and Audit Committee, irrespective of their score.
Divisional Risk Registers are closely linked to Divisional Plans, with the key risks associated with the each Divisional Plan action identified, scored and monitored.

Each member of CMT and the Community Partnerships and ICT Managers provide an update to CMT 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.

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.

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. Following the May 2011 District Elections, induction training was provided for all Members.

There are regular meetings between Senior Members and Officers. These include regular Cabinet and Directors meetings and Committee Chairmen briefing meetings. These meetings allow Members to be briefed on reports going through to Cabinet and Committee and to allow Members to ask questions to inform the decision making process.

Engaging with local people and other stakeholders to ensure robust public accountability
The Council continues to ensure it is open and accessible to the community. In 2011/12 it has:

- Continued to regularly survey the view of residents through its Citizens Panel
- Refreshed the membership of that panel to ensure it reflects even more closely the make-up of the community
- Added further information to the Transparency section on its website, including its new Pay Policy.

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 radically restructured its Board and the thematic groups. The roles of partners have been enhanced. The thematic groups have been structured around the priorities for whole place community budgeting, and none will be chaired by Members of the District Council. A realistic new vision has been adopted

There is no longer a statutory requirement to produce a sustainable community strategy. Uttlesford Futures retains a strong emphasis on sustainability

Projects under the performance reward grant have been completed. The Council can support the partnership with administrative and limited professional assistance but its role will become one of encouraging/facilitating rather than delivery by direct funding

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 Public Law Partnership and the North Essex Parking Partnership. We also work closely with Braintree, Harlow and Epping Forest for joint provision of environmental, recycling, asset management, economic development and communications

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 Corporate Management Team 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 linked to a strategic work plan, which ensures that all of the Council's services are subject to review 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 previous performance and being reconciled to available audit resource. Senior officers and Members are consulted about the proposed work plan.

A separate Annual Audit Programme 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, Assistant Director and Head of Service. 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 Manager reports to the Performance & Audit Committee at each of its meetings. The committee agree the Audit Programme and monitored progress against it 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 the Internal Audit Manager's 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. The Internal Audit Annual Report and Opinion stated that 'the audit opinion on the control environment for 2011/12 is that risks material to the achievement of the objectives for the audited areas identified by Internal Audit are, on balance, substantially managed and controlled'.

Other Assurance Mechanisms
In addition to the above, the Council has conducted a formal review of its internal control environment and collated evidence and assurance from a variety of sources. This has included the collation of assurances from all CMT members 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 the quality of service can be measured by performance indicators. Targets are monitored on a quarterly basis, discussed by the Corporate Management Team and reported to Committee.

With the establishment of a new Performance and Audit Committee, a review of the indicators being reported to the Committee was undertaken. The Committee now receives 15 Key Indicators plus a further 34 Performance Indicators. In addition, the Committee can, and does, request assurance from the relevant Cabinet member when there is consistent underperformance in a particular service area/indicator.

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 2010/11 an unqualified opinion was given

5 Significant Control and Governance Issues

Outstanding issues from 2010/11
There were no significant issues identified for 2010/11

Significant Control and Governance issues identified 2011/12
During 2011/12 the staff appraisal scheme underwent a review to ensure that it continues to meet the Council's business needs. During the review, the scheme was temporarily suspended, such that some staff will not have had their performance formally appraised, although in practice informal arrangements applied. As a result, the Performance Management Framework will have operated inconsistently during 2011/12. The redesigned scheme was re-launched in April 2012.

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	Councillor Jim Ketteridge
Chief Executive	Leader of the Council
Date:	Date: