Uttlesford District Council

Draft Statement of Accounts 2012/13

CONTENTS **Page**

EXPLANATORY FOREWORD

1. INTRODUCTION

Uttlesford District Council is a local authority providing services within the administrative district of Uttlesford, north-west Essex. The district is highly ruralised and comprises the main towns of Saffron Walden, Great Dunmow, Stansted Mountfitchet and Thaxted, with 57 parishes. It is geographically the largest district in Essex, and has a population of about 72,000.

The key services and activities of the Council are the provision of council housing, refuse collection & recycling, litter picking, planning, building control, environmental health, housing and council tax benefits, council tax and business rates collection, off street car parking, communities and voluntary sector support, leisure centres, museum and licensing. Other key local authority services such as schools and roads are provided by Essex County Council. For more information about Uttlesford District Council please visit the Council's website at www.uttlesford.gov.uk.

This Statement of Accounts presents the financial results of the Council's activities for the year ended 31 March 2013, and summarises the overall financial position of the Council as at 31 March 2013. 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').

The Code is based upon International Financial Reporting Standards (IFRS). 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 2012/13.

The following are summary definitions of the core financial statements:

Movement in Reserves Statement (page 17)

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 19)

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 20)

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). During the year, the Council has reanalysed the balances on two Unusable Reserves in line with best practice accounting guidance. This is a notional adjustment only and has no effect on the Council’s budget, usable resources or the council tax payer.

Cash Flow Statement (page 21)

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 Statement (pages 22 to 84)

These provide additional information.

Housing Revenue Account (HRA) Comprehensive Income and Expenditure Account (page 85)

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 Statement.

Collection Fund (page 91)

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 £0.9 million during the year, from £1460 million to £145.1 million. The key movements are summarised below.

£m	31 March 2012	31 March 2013	Increase / (Decrease) in Net Assets	See Note Below
Fixed Assets	260.1	261.4	1.3	a
Long Term Assets	2.3	1.9	(0.4)	b
Current Assets	14.0	16.2	2.2	c
Current Liabilities	(6.0)	(6.3)	(0.3)	
Long Term Liabilities	(124.4)	(128.1)	(3.7)	d
Net Assets	**146.0**	**145.1**	**(0.9)**	

a) Fixed Assets

Fixed Assets are items that the Council uses over a long period to provide services, such as land and buildings, plant, vehicles and equipment, and computer software. Also included is the value of uncompleted building projects, for example, new council houses.

Each asset is recorded on balance sheet according to an estimate of its value. Because of variable factors like property prices or the condition of an asset, values can fluctuate. However, there have been no significant fluctuations during 2012/13. The most significant factor accounting for the increase of £1.3 million in the total assets value is approximately £1 million of "assets under construction", specifically, the building of new council houses, and the construction of a new refuse collection vehicle workshop. These projects will be completed during 2013/14.

b) Long Term Assets

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.

During the year, the Council received repayments totalling £0.4 million, which is why the Long Term Assets figure in the balance sheet has reduced by this amount.

c) Current Assets

Current assets are items that can be converted to cash or used to pay current liabilities within 12 months, and comprise bank balances, stock, debtors (money owed to the Council) and short term investments. The increase of £2.2 million is due primarily to a temporary short term fluctuation in the Council's bank balances, naturally arising as a result of the vast number of transactions that go through the Council's accounts. Monies are invested with secure UK financial institutions in order to minimise the risk of holding bank balances and to generate a modest amount of investment income.

d) Long Term Liabilities

Long Term Liabilities increased by £3.7 million which is due to two significant movements during the year.

Firstly in the year to 31 March 2013 the Council's share of the Essex **Pension Fund deficit** has increased by £2.3 million, from £29.4 million to £31.7 million. The deficit is shown as a liability on the balance sheet.

The Pension Fund is administered by Essex County Council in accordance with the national local government pension scheme rules, working with an independent actuarial adviser. Uttlesford District Council has no control over the administration of the Fund.

The Pension Fund deficit comprises estimates of the Fund's assets and long term liabilities.

Investment markets performed strongly during the year, and the Fund's return was 12%. This boosted the level of assets.

However, a larger increase was seen in the level of liabilities. Based on the principle that money in the future is worth less than money now, figures are discounted to present day prices. The key influence on the level of liabilities is the discount rate, and when the discount rate reduces, liabilities increase. The discount rate in 2012/13 fell from 4.6% to 4.3%. International accounting rules require the Actuary to base the discount rate on the yields of high quality bonds. In recent years, the trend has been for yields to reduce. This trend continued in 2012/13 with further reductions in yields.

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 late 2013, with the results to take effect from 2014/15.

Pension scheme reforms to alleviate these pressures are being implemented including higher employee contributions, later retirement ages and lower pensions.

The second significant movement is the balance entitled "Capital Grants and Donations in Advance", which has increased by £1.4 million, from £1.2 million to £2.6 million. This relates chiefly to the Council's holding of "**Section 106**" funds, which are 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 provision (for example, landscaping, building a community centre, etc.) These are treated as a liability on the balance sheet because one day the Council will be obliged to use the money to achieve the required outcomes. During 2012/13, the Council received £2.3 million of new Section 106 contributions, and £0.9 million of existing funds were used, giving rise to the net increase of £1.4 million. Details are shown in note 26 to the accounts.

The bulk of the Long Term Liabilities figure, £88.4 million out of £128.1 million, represents money that the Council was obliged to borrow from Government in 2011/12 as part of council housing finance reforms.

3.3 Revenue Transactions

During the year there were two unusual one off transactions of a relatively large nature.

Loan interest	The Comprehensive Income & Expenditure Statement includes loan interest of £2.6 million which is a new transaction for 2012/13, and is the main reason why the "Financing and Investment Income and Expenditure" line on the Statement has increased from £0.4 million to £3.7 million. The loan interest was payable on loans totalling £88.4 million that the Council was required to take out in 2011/12 as a consequence of the Government's council housing finance reforms. The loans are due to be repaid during the years 2018 to 2042. Although a significant cost, the amount is substantially less than the sum the Council was obliged to pay to the Government under the previous Negative Housing Subsidy system, which was abolished at the end of 2011/12. The saving that results from this change enables the Council to invest in council housing improvements, including building new houses.
Business rates bad debt write off	The Collection Fund shows that the Council collected £38 million of business rates during the year, and paid this over to the Central Government National Pool. Excluded from this figure is a bad debt write off totalling £1.15 million, which related to the ratepayer of the second largest rating assessment in the district defaulting on its business rates bill. A write off of this size is unprecedented for the Council, and was caused in part by an inability to take enforcement action while the ratepayer was appealing its rating assessment to the Valuation Office Agency, a process over which the Council has no control. As a 2012/13 transaction, the write off represents a loss to the public purse that is wholly borne by Central Government, with no direct financial implications for the Council.

4. KEY RESULTS OF THE FINANCIAL YEAR

The following is a summary of the key operational financial results for 2012/13. 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 20 June 2013. (website link)

4.1 GENERAL FUND

Total General Fund reserves increased by £0.378 million, from £5.741 million to £6.119 million:

	31 March 2012	31 March 2013	Net increase
	£000	£000	£000
General Fund Working Balance	1,181	1,214	33
General Fund Earmarked Reserves	4,560	4,905	345
Total General Fund Reserves	**5,741**	**6,119**	**378**

Net Operating Expenditure was £4.569 million, which was £0.333 million below the revised budget:

General Fund	Original Budget	Revised Budget	Outturn	Variance from revised budget
	£000	£000	£000	£000
Net Operating Expenditure	4,814	4,902	4,569	(333)
Increase in General Fund Reserves	159	71	378	307
Net addition to Section 106 funds	-	-	26	26
Net Budget Requirement	**4,973**	**4,973**	**4,973**	**-**

Key variances from budgeted Net Operating Expenditure are set out below:

	Variance (favourable) / adverse
	£000
Revenues & Benefits partnership implementation costs cancelled	(250)
Economic Development – use of Government funds deferred	(100)
Corporate Management savings – lower audit fees and no staff pay award	(136)
Refuse & recycling savings and additional income	(113)
Housing Benefits – additional Government subsidy	(225)
Reduction in overheads recharge to Housing Revenue Account	177
Land charges – increase in provision to meet possible liabilities	120
Contribution to capital programme in lieu of borrowing	349
Planning – compensation payments and legal fees	124
Total of minor variances and underspends (net)	(279)
Net favourable variance	**(333)**

4.2 HOUSING REVENUE ACCOUNT (HRA)

2012/13 was the first year of the new HRA self financing arrangements, following a major reform that took place at the end of 2011/12. Under the new arrangements, the Council has a large operating surplus available to repay a share of national housing debt it was required to take on, and to make investments in new council housing, and improvements to existing stock.

The HRA is governed by a Business Plan, approved and overseen by the Council’s Housing Board. The Business Plan sets out priorities for improving existing housing stock, and identifies sites for redevelopment and new housing build.

During 2012/13, total HRA reserves increased by £2.314 million, from £0.649 million to £2.963 million:

	31 March 2012	**31 March 2013**	**Net increase**
	£000	£000	£000
HRA Working Balance	649	680	31
Capital projects (committed)	-	1,123	1,123
Potential development projects	-	800	800
Other reserves	-	360	360
Total General Fund Reserves	**649**	**2,963**	**2,314**

The Operating Surplus was £3.182 million, which was £0.716 million higher than the budgeted surplus of £2.466 million.

Housing Revenue Account	Original Budget	Revised Budget	Outturn	Variance from Revised Budget
	£000	£000	£000	£000
Income	(13,770)	(13,810)	(14,126)	(316)
Expenditure	11,304	11,344	10,944	(400)
Operating Surplus	(2,466)	(2,466)	(3,182)	(716)
Expenditure on council housing improvements	1,020	1,020	868	(152)
Funds committed for specified council housing improvements (transferred to reserves)	-	-	1,123	1,123
Other funds to be used on developments and improvements (transferred to reserves)	1,432	1,432	1,160	(272)
Surplus for year	**(14)**	**(14)**	**(31)**	**(17)**
Working Balance				
Opening Balance	649	649	649	-
Surplus for year	14	14	31	17
Closing Balance	**663**	**663**	**680**	**17**

Key variances from the budgeted Operating Surplus are set out below:

	Variance (favourable) / adverse
	£000
Housing repairs unbudgeted costs – boiler/tank cleaning, asbestos & legionella surveys	133
Non-dwelling depreciation charge higher due to asset revaluation	105
Rental income higher than expected due to reduced void levels	(127)
Housing repairs painting contract lower cost than expected	(104)
Charges for services and facilities – income higher than budget	(143)
Housing repairs – saving arising from works previously let to contractors brought in house	(300)
Reduction in the overheads recharge from the General Fund	(177)
Total of minor variances and underspends (net)	(103)
Net favourable variance	**(716)**

4.3 CAPITAL PROGRAMME

Total capital expenditure was £9.395 million, which was £0.165 million above the revised budget.

Capital Programme	Original Budget	Revised Budget	Outturn	Variance from Revised Budget	Comment
	£000	£000	£000	£000	
General Fund schemes	5,996	4,329	4,330	1	Comprises: £166,000 unbudgeted items Less: £165,000 savings and underspends
Housing Revenue Account schemes	4,637	4,901	5,065	164	Overspend in planned capital repairs programme
Total Capital Expenditure	**10,633**	**9,230**	**9,395**	**165**	

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

The Revised Budget excludes sums totalling £1.079 million relating to schemes originally scheduled for 2012/13, subsequently rearranged to 2013/14.

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. Major reforms to this system were implemented on 1 April 2013, which involve the Council taking a greater share of the risks and opportunities arising from changes in the amount of business rates collected. The Council's share of the Local Government Finance Settlement has reduced sharply in recent years, in line with cuts in Government spending. For the four financial years from 2011/12 to 2014/15, the Council will lose approximately 40% of this funding, and the Government has indicated overall cuts in the local government budget of a further 10% will be made in 2015/16. The Council maintains a Medium Term Financial Strategy and contingency reserves so that it can adjust to the lower funding levels without significant disruption to its key services. There are no risks to the Council's financial stability in the short to medium term, but the longer term outlook is more challenging.

- Government funding through other non-specific grant regimes, such as New Homes Bonus and Council Tax Freeze Grant, has potential to improve the Council's financial position. There is no continuity of such funding from year to year. Accordingly such income is difficult to predict and therefore prudent assumptions are used in the medium term financial strategy.

- Council Tax. The annual precept is determined by the Council but constrained by central government referendum limits 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, garden waste income, 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 guidelines issued by central government. The amount of income depends on the number of dwellings, performance in re-letting empty properties and collectability of debt.

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

- Employee costs including salaries, national insurance and pensions costs – the level of expenditure depends on the staffing establishment, annual pay increase (determined at a national level) and the Council's employer pension contribution, determined by Essex County Council as administering pensions authority.

- Premises costs including energy costs, rates and building maintenance – the level of expenditure depends on the condition of property, maintenance programmes, energy consumption and price variability.

- Transport costs including fuel and vehicle maintenance – the level of expenditure varies according to the level of service activity, condition of vehicles and price variability.

- Supplies & services expenditure varies according to contractual indexation, level of service activity, price variability and effectiveness of procurement procedures.

- Transfer payments such as Housing Benefit and Council Tax Benefit – the level of expenditure varies according to the number of people entitled to receive benefit and levels of housing benefit and council tax benefit due under government rules. Wider economic factors such as recessionary pressures have a direct effect on the number of people receiving benefit.

- Capital financing costs – the amount depends on the size of the capital programme and the methods of financing, in particular the amount of borrowing and use of finance leases.

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

- Timing of payments including length of time taken to pay suppliers' invoices.

- Receipt of income including effectiveness of debt recovery.

- Schedule of payment dates relating to amounts payable to precepting authorities and central government.

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 External Auditor, Ernst & Young LLP (see Auditor's Report on page 114).

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
June 2013

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 2013 and its Income and Expenditure for the year ended 31 March 2013.

Signature:

Stephen Joyce, CPFA
Assistant Chief Executive - Finance

Date: 28 June 2013

APPROVAL OF THE ACCOUNTS

I confirm that the Statement of Accounts was approved by a resolution of the Performance & Audit Committee on 26 September 2013.

Signature:

Councillor Simon Howell
Chairman Performance & Audit Committee
Uttlesford District Council

Date: 26 September 2013

MOVEMENT IN RESERVES STATEMENT

2012/13 Movement in Reserves

	General Fund Balance	Earmarked GF Reserves	HRA Balance	Earmarked HRA Resrves	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2012	**(1,181)**	**(4,560)**	**(649)**	**-**	**-**	**(74)**	**(2,483)**	**(8,947)**	**(137,034)**	**(145,981)**
(Surplus) or deficit on provision of services (accounting basis)	1,946	-	(1,382)	-	-	-	-	564	-	**564**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	135	**135**
Total Comprehensive Income and Expenditure	1,946	-	(1,382)	-	-	-	-	564	135	699
Adjustments between accounting basis & funding basis under regulations (Note 2)	(2,358)	-	(933)		-	(811)	-	(4,102)	4,102	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(412)	-	(2,315)	-	-	(811)	-	(3,538)	4,237	699
Transfers to / (from) Reserves	379	(345)	2,284	(2,283)	-	-	(34)	1	211	212
(Increase) / Decrease in Year	(33)	(345)	(31)	(2,283)	-	(811)	(34)	(3,537)	4,448	**911**
Balance at 31 March 2013	**(1,214)**	**(4,905)**	**(680)**	**(2,283)**	**-**	**(885)**	**(2,517)**	**(12,484)**	**(132,586)**	**(145,070)**

2011/12 Movement in Reserves

	General Fund Balance	Earmarked GF Reserves	HRA Balance	Earmarked HRA Resrves	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'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)	(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)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Net Expenditure 2011/12 £'000		Gross Expenditure 2012/13 £'000	Income 2012/13 £'000	Net Expenditure 2012/13 £'000
1,318	Central Services to the Public	5,986	(4,641)	1,345
1,979	Cultural and Related Services	3,667	(746)	2,921
2,741	Environmental & Regulatory Services	5,547	(2,753)	2,794
1,728	Planning Services	2,963	(1,228)	1,735
(359)	Highways, Roads & Transport Services	496	(972)	(476)
(216)	Housing Revenue Account	9,814	(14,095)	(4,281)
88,407	Settlement Payment for HRA Self Financing	-	-	-
465	Other Housing Services	17,981	(17,293)	688
99	Adult Social Care	109	(10)	99
1,600	Corporate and Democratic Core	1,712	(16)	1,695
777	Non-Distributed Costs	3	-	3
98,539	**Cost of Services**	**48,278**	**(41,755)**	**6,523**
2,236	Other Operating Expenditure			2,953
370	Financing & Investment Income and Expenditure			3,720
(11,114)	Tax and Non-Specific Grant Income			(12,632)
90,031	**Deficit on Provision of Services**			**564**
(305)	(Surplus) on Revaluation of Fixed Assets			(1,480)
10,078	Actuarial Losses on Pension Assets /Liabilities			1,615
99,804	**Total Comprehensive Income and Expenditure**			**699**

BALANCE SHEET

31 March 2012		Notes	31 March 2013	
£'000			£'000	£'000
575	**Intangible Fixed Assets**	18		**511**
	Property, Plant and Equipment - Operational Assets			
229,898	Council Dwellings	19	228,721	
21,037	Other Land and Buildings	19	21,942	
7,024	Vehicles, Plant and Equipment	19	7,710	
443	Infrastructure Assets	19	449	
793	Community Assets	19	791	
259,195				**259,613**
	Property, Plant and Equipment - Non Operational			
233	Heritage Assets	17	233	
76	Assets Under Construction	19.1	1,037	
260,079	**Total Fixed Assets**			**261,394**
1,310	Long Term Investments	33.1	931	
983	Long Term Debtors	4.2	945	
262,373	**Total Long Term Assets**			**263,270**
99	Stocks and Work in Progress	23	112	
4,106	Debtors	24	3,811	
4,037	Short Term Investments	33.1	8,232	
231	Assets Held for Sale	19.3	-	
5,477	Cash and Cash Equivalents	33.1	4,052	
13,950	**Total Current assets**			**16,207**
(5,012)	Short Term Creditors	25	(5,744)	
(959)	Short Term Provisions	27	(580)	
(5,971)	**Current Liabilities**			**(6,324)**
270,352	**Total Assets Less Current Liabilities**			**273,153**
(88,407)	Long Term Borrowing	33.1	(88,407)	
(5,379)	Deferred Liabilities	28	(5,304)	
(1,187)	Capital Grants and Donations in Advance	26.1	(2,626)	
(29,398)	Pensions Liability	14	(31,746)	
(124,371)	**Total Long Term Liabilities**			**(128,083)**
145,981	**TOTAL NET ASSETS**			**145,070**

31 March 2012			31 March 2013	
£'000			**£'000**	**£'000**
	Usable Reserves			
1,181	Revenue Balance - General Fund	3.1	1,214	
4,560	General Fund Earmarked reserves	3.2	4,905	
649	Revenue Balance - Housing Revenue Account	3.1	680	
-	HRA Earmarked reserves	3.2	2,283	
74	Usable Capital Receipts Reserve	3.3	885	
2,483	Capital Grants and Contributions Unapplied	26.3	2,517	
8,947	**Total Usable reserves**			**12,484**
	Unusable Reserves			
48,062	Revaluation Reserve	4.1	6,129	
117,450	Capital Adjustment Account	4.3	157,155	
(29,398)	Pensions Reserve	4.5	(31,746)	
983	Deferred Capital Receipts	4.2	945	
(127)	Accumulated Compensated Absences Adjustment Account	4.4	(127)	
64	Collection Fund Adjustment Account	4.6	230	
137,034	**Total - Unusable Reserves**			**132,586**
145,981	**TOTAL - TAXPAYER EQUITY**			**145,070**

Signature: Stephen Joyce, CPFA
Assistant Chief Executive – Finance
Date: 28 June 2013

CASH FLOW STATEMENT

2011/12 £'000		2012/13 £'000	Notes
(90,031)	Net (deficit) on the provision of services	(699)	
6,836	Adjustments to Net (deficit) on the provision of services - non cash movements	9,687	
(925)	Adjust for items included in the net (deficit) on the provision of services that are investing and financing activities	(2,251)	
(84,120)	**Net Cash flows from operating activities**	**6,737**	5.0
(3,824)	Net Cash flows from investing activities	(10,964)	5.1
87,940	Net Cash flows from financing activities	2,802	5.2
(4)	**Net (decrease) in cash and cash equivalents**	**(1,425)**	
5,481	Cash and cash equivalents at the beginning of the reporting period	5,477	
(4)	**(decrease) in cash and cash equivalent in year**	**(1,425)**	
5,477	**Cash and cash equivalents at the end of the reporting period Note 5.3**	**4,052**	

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Service Reporting Code of Practice 2012/13

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

2012/13	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	(1,791)	(2,994)	-	-	-	4,785
Revaluation Losses on Property, Plant and Equipment	(393)	(1,878)	-	-	-	2,271
Amortisation of Intangible Assets	(142)	-	-	-	-	142
Capital grants and contributions that have been applied to capital financing	912	238	-	-	(238)	(912)
Revenue expenditure funded from capital under statute	(1,122)	(11)	-	-	-	1,133
Amount of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	(452)	(961)	230	-	-	1,183
Statutory provision for financing capital investment	292	-	-	-	-	(292)
Capital expenditure charges against the General Fund and HRA balances	442	1,068	-	-	-	(1,510)
Transfer of sale proceeds credited as part of the gains/losses on disposal to the CI&E	322	1,047	(1,352)	-	-	(17)
Contribution from Capital Receipts Reserve towards administrative costs of non current asset disposal	-	-	12	-	-	(12)
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	-	(299)	299	-	-	-
Reversal of Major Repairs Reserve to finance new capital expenditure	-	-	-	2,894	-	(2,894)
Use of Major Repairs Reserve to finance new capital expenditure	-	2,999	-	(2,894)	-	(105)
Application of grants to capital financing	-	-	-	-	238	(238)
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)	(1,890)	(362)	-	-	-	2,252
Employers pension contributions and direct payments to pensioners payable in year	1,299	220	-	-	-	(1,519)
Other Adjustments	165	-	-	-	-	(165)
Total Adjustments	**(2,358)**	**(933)**	**(811)**	**-**	**-**	**4,102**

2011/12	General Fund Balance	HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Charges for depreciation and impairment on non current assets	(1,328)	(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 to finance the payment the 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**

2.1 Notes to Comprehensive Income and Expenditure Statement

2011/12 £'000		2012/13 £'000
2,108	Parish Council Precepts	2,298
372	Payments to the Government Housing Capital Receipts Pool	299
(262)	Loss/(Gains) on the Disposal of Non Current Assets	512
18	Collection Fund (Surplus)/Deficit	(165)
-	Creation of non-specific provisions	9
2,236	**Total Other Operating Expenditure**	**2,953**

2011/12 £'000		2012/13 £'000
462	Interest Payable and similar charges	3,074
(268)	Reduced Impairment on Long Term Investment	(43)
516	Pensions interest cost and expected return on Pension Assets	780
(95)	Interest receivable and similar income	(91)
(245)	Vehicle Lease early termination	-
370	**Total Financing and Investment Income and Expenditure**	**3,720**

2011/12 £'000		2012/13 £'000
	Council Tax Income	
(4,963)	- District Council element	(4,973)
(2,108)	- Town/Parish Councils element	(2,298)
(3,206)	Formula funding from Central Government	(2,889)
(837)	Non Ring fenced Government Grants	(1,332)
-	Capital Grants and Contributions	(1,140)
(11,115)	**Total Taxation and Non-Specific Government Grants Income**	**(12,632)**

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 2012	Transfer In	Transfer Out	Balance 31 March 2013
	£'000	£'000	£'000	£'000
General Fund Balance	1,181	33	-	1,214
HRA Balance	649	31	-	680
Total Revenue Reserves	**1,830**	**64**	**-**	**1,894**

3.2 Earmarked Reserves

Detailed below are the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide finance for future expenditure plans or reduce local taxation burden. The application of earmarked reserves to fund 2012/13 expenditure is also detailed below:

General Fund	Balance 31 March 2012 £'000	Transfer In £'000	Transfer Out £'000	Balance 31 March 2013 £'000	Purpose of Reserve
Change Management	698	-	(111)	587	Finances the costs of special and one-off projects.
Budget Equalization	1,430	-	(179)	1,251	Usable resources set aside for equalization of pressures within the budget for the next 5 years.
Planning Development	500	10	(178)	332	Usable resources set aside for planning development issues
Local Government Resource Review	867	95	-	962	Contingency against funding fluctuations and cost pressures arising from the Government's review of local government funding.
Landsbanki contingency	121	44	-	165	To cover losses against the Landsbanki investment
Waste Management	200	-	(121)	79	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	-	(83)	26	Monies earmarked for communities projects
New Homes Bonus - Contingency	214	641	(25)	830	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	27	20	-	47	Contributions toward future election costs.
Licensing	102	-	(39)	63	Reserve to absorb excess of costs over income in relation to taxi licensing services
Economic Development	17	100	-	117	Reserve to assist economic development and businesses in the district
Homelessness	75	20	(14)	81	Set up to cover unbudgeted additional demand within the Homelessness service
Council Tax Freeze Reserve	-	124	-	124	Monies to enable minimisation or deferment of future council tax increases
Voluntary Sector Grants	10	-	(10)	-	Earmarked Grant to provide financial assistance to 'Support 4 Sight'.
Municipal Mutual Reserve	-	51	-	51	Estimated possible liabilities relating to the insolvency of Municipal Mutual Insurance
Total Earmarked Reserves	**4,560**	**1,105**	**(760)**	**4,905**	

Housing Revenue	Balance 31 March 2012 £'000	Transfer In £'000	Transfer Out £'000	Balance 31 March 2013 £'000	Purpose of Reserve
Change Management	-	200	-	200	Available to fund HRA operational service improvements
Contractual Commitments	-	1,123	-	1,123	Committed funds allocated to 2012/13 contractually committed schemes.
Revenue Projects	-	60	-	60	To finance oustanding 2012/13 revenue business plan actions.
Potential Development Projects	-	800	-	800	For future development schemes
Capital Projects Slippage	-	100	-	100	2012/13 Business plan capital scheme funding
Total Earmarked Reserves	**-**	**2,283**	**-**	**2,283**	

3.3. Usable Capital Receipts Reserve

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

2011/12 £'000		£'000	2012/13 £'000
-	**Balance as at 1 April**		**74**
	Receipts:		
578	Capital Receipts	1,122	
	Applied:		
(372)	Paid to Government housing receipts pool	(299)	
(127)	Capital Receipts used for Financing	-	
(5)	Expenses from sales of Capital Assets	(12)	
74	**Movements in Year**		**811**
74	**Balance as at 31 March**		**885**

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:

2011/12 £'000		£'000	2012/13 £'000
48,610	**Balance as at 1 April**		**48,062**
2,347	Gain in Valuation of Assets	1,480	
(2,578)	Revlaution Loss written out to Revlaution Reserve	-	
(121)	Impairment	-	
(117)	Write Back of Depreciation	-	
(79)	Disposals of Assets	-	
-	Amount written off to the Capital Adjustment Account	(43,413)	
(548)	**Movements in Year**		**(41,933)**
48,062	**Balance as at 31 March**		**6,129**

A reinterpretation of accounting arrangements for revaluation and impairment of Council Dwelling assets has been carried out during the closure of the 2012/13 Accounts. This relates to the financial period 2010/11.

The valuation for Council Dwellings in 2010/11 identified a net price revaluation of £16.9 million reflected in the 2010/11 Accounts as follows:

- Council Dwellings Buildings price gain - £53.4 million, and
- Council Dwellings Land price impairment - £36.5 million
- Council Dwelling Buildings cumulative gain carried forward £41.9 million (to recover previous price impairment of £11.5 million in 2009/10)
- Council Dwellings Land impairment written off to CI&E - £36.5 million.

The accounting did not reflect the valuer’s assumption that the land element of the asset was lower than previously accounted for and that any price impairment on one element of the asset should be set off against the remaining revaluation value for the asset. That is the overall net price revaluation gain of £16.5 million should have been reported against the building element of Council House Dwellings and applied through the CI&E to set the previous year’s price impairment of £23 million.

Leaving a price impairment of £6.1 million to be recovered by future price revaluations.

This has resulted in a £41.9 million overstatement of the Revaluation Reserve and a £41.9 million understatement of the Capital Adjustment Account (CAA).
The accounting treatment for the reinterpretation is covered by IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. This requires a prior period adjustment as if the difference had not occurred where the transaction is material (either in value or nature), unless the difference has no material impact on the ability of the users of the financial statements to form decisions and assessments from the financial statements.

The reinterpretation has been effected in 2012/13 by transferring £41.9 million from the Revaluation Reserve to the CAA.

No prior period restatement has been undertaken as although the value of the adjustment is material, the disclosure has been evaluated as immaterial due to the nature of the unusable reserves impacted. Both reserves record the difference between the Council's accounting arrangements/policies for non current assets and the statutory arrangements for capital financing. The unusable reserves adjustment has had no impact on the user of the financial statements decision making or assessment.

The review exercise has been extended to all of the Council's land and building assets and the Revaluation Reserve reflects the proper accounting interpretation for each asset.

4.2. Deferred Capital Receipts

Deferred Capital receipts relate to advances for capital purposes which are received in instalments over agreed periods of time. The Rent to Mortgage receipts reflect the disposal of Council Dwellings where a proportion of the disposal receipt is delayed to a future date. The timing and future value of the receipts' value associated with each property is uncertain.

2011/12 £'000		2012/13 £'000
2	Loan on sale of Council Houses - Opening Balance	-
(2)	Loans Repaid	-
-	Loan on sale of Council Houses - Closing Balance	-
983	Rent to Mortgage	945
983	**Balance as at 31 March**	**945**

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:

2011/12			2012/13
£'000		£'000	£'000
207,058	**Balance as at 1st April**		**117,450**
127	Usable Capital Receipts	-	
920	Capital Grants Unapplied Reserve	1,150	
2,011	Major Repairs Reserve	2,894	
1,064	Revenue Contributions	1,510	
4,122	**Sub Total - Capital Financing**		**5,554**
(88,407)	HRA Self Financing Payment	-	
-	Additional community amenity land	-	
(213)	Intangible Amortisation	(105)	
(3,945)	Depreciation of fixed assets	(4,528)	
-	Impairment of fixed assets	(1,868)	
(304)	Revaluation Impairment	-	
(520)	Economic Impairment	(17)	
(229)	Disposal of fixed assets	(1,818)	
117	Revaluation Reserve depreciation written out	(5)	
(881)	Written down of revenue expenditure funded from capital under statute	(1,134)	
652	Minimum Revenue Provision	213	
-	Amount written out of Revaluation Reserve	43,413	
(93,730)	**Sub Total - Adjustments**		**34,151**
117,450	**Balance as at 31 March**		**157,155**

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. There was no material movement during the year.

2011/12 £'000		2012/13 £'000
(127)	**Balance as at 1 April**	**(127)**
-	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.

2011/12 £'000		£'000	2012/13 £'000
(19,160)	**Balance as at 1 April**		**(29,398)**
(159)	(Deficit) on Provision of Services in CI&E (Note 14.1)	(733)	
(10,079)	Actuarial (Loss) (Note 14.3)	(1,615)	
(29,398)	**Balance as at 31 March**		**(31,746)**

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.

2011/12 £'000		2012/13 £'000
(82)	(Surplus) as at 1 April	(64)
18	Adjustments within year	(166)
(64)	**(Surplus) as at 31 March**	**(230)**

5. CASH FLOW STATEMENT – OPERATING ACTIVITIES

2011/12 £'000		2012/13 £'000	2012/13 £'000
(90,031)	**Net (deficit) on the provision of services**		**(699)**
	Adjustments to net (deficit) on the provision of services for non cash movements		
3,945	Depreciation	4,789	
825	Impairment and downward valuations	1,868	
213	Amortisation	105	
(169)	Material impairment losses/(gains) on investment debited to surplus/(deficit) on the provision of services in year	(24)	
-	Adjustments for the movements in fair value of investments	(169)	
781	Increase in Creditors	195	
(100)	Decrease in interest and dividend Debtors	(66)	
232	Decrease in Debtors	813	
11	(Increase)/Decrease in Inventories	(13)	
305	Pension Liability	733	
566	Contribution to provisions	(379)	
229	Carrying amount of non-current assets sold	1,835	
6,838	**Total**		**9,687**
(926)	Adjustments for items included in the net (deficit) on the provision of services that are investing or financing activities		(2,251)
(84,119)	**Net cash flows from operating activities**		**6,737**

5.1. CASH FLOW STATEMENT – Investing Activities

2011/12 £'000		2012/13 £'000
(3,917)	Purchase of Property, Plant and Equipment	(8,262)
(1,999)	Purchase of short term investments	(4,195)
-	Internal borrowing	(2,844)
-	Other capital cash receipts	38
1,011	Proceeds from sale of Property, Plant and equipment	1,543
-	Other receipts from Investing Activities	168
1,081	Capital grants received	2,588
(3,824)	**Total Cash Flows from Investing Activities**	**(10,964)**

5.2. CASH FLOW STATEMENT – Financing Activities

2011/12 £'000		2012/13 £'000
88,407	Cash Receipts from long term borrowing	2,832
	Appropriation to/from Collection Fund Adjustment Account	147
(485)	Cash Payments for the Reduction of the outstanding Liabilities	(177)
18	Other Financing Activities - Cash Transactions	-
87,940	**Total Cash Flows from Financing Activities**	**2,802**

5.3. CASH FLOW STATEMENT – Cash and Cash Equivalents

18	Other Financing Activities - Cash Transactions	-
87,940	**Total Cash Flows from Financing Activities**	**2,802**

2011/12 £'000		2012/13 £'000

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 General Fund 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 2012/13

	Community Safety £'000	Community Partnerships & Engagement £'000	Environmental Services £'000	Finance & Administration £'000	Housing £'000	TOTAL £'000
Fees, Charges & Other Income	(330)	(347)	(4,186)	(571)	(744)	(6,178)
Government Grants	-	(1,758)	(10)	(20,836)	(85)	(22,689)
Total Income	**(330)**	**(2,105)**	**(4,196)**	**(21,407)**	**(829)**	**(28,867)**
						-
Employee expenses	433	929	3,728	2,854	486	8,430
Other service expenses	186	1,963	2,092	22,663	362	27,266
Total Expenditure	**619**	**2,892**	**5,820**	**25,517**	**848**	**35,696**
Net Expenditure	**289**	**787**	**1,624**	**4,110**	**19**	**6,829**

Portfolio Income and Expenditure for 2011/12 (restated)

	Community Safety £'000	Community Partnerships & Engagement £'000	Environmental Services £'000	Finance & Administration £'000	Housing £'000	TOTAL £'000
Fees, Charges & Other Income	(310)	(369)	(3,757)	(751)	(748)	(5,935)
Government Grants	(1)	(459)	(85)	(19,691)	(115)	(20,351)
Total Income	**(311)**	**(828)**	**(3,842)**	**(20,442)**	**(863)**	**(26,286)**
						-
Employee expenses	373	896	3,729	2,844	697	8,539
Other service expenses	166	1,365	2,579	21,571	244	25,925
Total Expenditure	**539**	**2,261**	**6,308**	**24,415**	**941**	**34,464**
Net Expenditure	**228**	**1,433**	**2,466**	**3,973**	**78**	**8,178**

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.

2012/13	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	(6,179)	(14,055)	1,208	-	(19,026)	(1,315)	(20,341)
Interest & Miscellaneous Income	-	(41)	-	-	(41)	(91)	(132)
Income from Council Tax	-	-	-	-	-	(7,261)	(7,261)
Government Grants & Contributions	(22,689)	(40)	-	-	(22,729)	(4,222)	(26,951)
Support Services Recharges	-	(899)	-	(10,730)	(11,629)	-	(11,629)
Total Income	**(28,868)**	**(15,035)**	**1,208**	**(10,730)**	**(53,425)**	**(12,889)**	**(66,314)**
Employee Expenses	8,430	1,671	616	-	10,717	780	11,497
Other Service Expenses	27,267	2,347	(985)	-	28,629	9	28,638
Support Services Recharges	-	2,000	-	9,629	11,629	-	11,629
Capital Charges	-	3,009	4,946	-	7,955	514	8,469
HRA Self-Financing	-	64	-	-	64	-	64
Other Interest Payable & Capital Financing	-	5,975	(5,021)	-	954	3,030	3,984
Precepts & Levies	-	-	-	-	-	2,298	2,298
Payment to the Housing Capital Receipts Pool	-	-	-	-	-	299	299
Total Expenditure	**35,697**	**15,066**	**(444)**	**9,629**	**59,948**	**6,930**	**66,878**
(Surplus) / Deficit on the Provision of Services	**6,829**	**31**	**764**	**(1,101)**	**6,523**	**(5,959)**	**564**

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

Reconciliation to Subjective Analysis.

2011/12	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	(5,935)	(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**

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

7. TRADING OPERATIONS

The Council has no material trading operations.

8. PROVISION OF AGENCY SERVICES

For 2012/13 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 2012/13 was £44,000 (2011/12 £160,294). The Council was committed at 31 March 2013 to making payments of £14,000 under operating leases, comprising the following elements:

	2011/12 £'000	2012/13 £'000	Within 1 Year £'000	Within 2 – 3 Years £'000
Car leases	99	44	11	3
Public Conveniences	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 £21,000 per annum, subject to regular rent review.

2011/12 £'000	2012/13 £'000	Within 1 Year £'000	Within 2–5 Years £'000	6-10 Years £'000	11-15 Years £'000
20	21	21	84	84	-

9.3. Finance Leases Rental

The Council has 5 finance leases for printing equipment (5 in 2011/12). The rentals payable under these arrangements can be broken-down between interest payable and principal sum repayment as follows:

	2011/12 £'000	2012/13 £'000	1 Year £'000	2 - 5 years £'000
Finance lease - amount payable	**323**	**32**	**32**	**32**
Principal repayment	290	26	28	28
Interest payable	33	6	4	4

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 2012/13.
For 2012/13 the total Members' Allowances and expenses paid was £308,575 (£296,897 for 2011/12). Information regarding Members' allowances is published in the local press and on the Council's website.

The amount of allowances paid by the Council are detailed below:

2011/12 £'000		2012/13 £'000
	Allowance:	
221	Basic Allowance	220
6	Group Leaders Allowances	6
50	Special Responsibility Allowances	56
13	Travel and Subsistence	18
2	Broadband	2
5	Employers Pension Contribution	7
297	**Total**	**309**

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	**2011/12**	102,151	-	-	2,931	-	**105,082**	13,280	**118,362**
	2012/13	102,151	-	445	235	-	**102,831**	13,280	**116,111**
Assistant Chief Executive - Legal	**2011/12**	69,387	-	1,110	-	-	**70,497**	9,020	**79,517**
	2012/13	69,387	-	800	-	-	**70,187**	9,020	**79,207**
Assistant Chief Executive - Finance	**2011/12**	69,387	-	-	1,623	-	**71,010**	9,020	**80,030**
	2012/13	69,387	-	-	1,602	-	**70,989**	9,020	**80,009**
Director of Public Services	**2011/12**	77,811	-	-	1,962	-	**79,773**	10,115	**89,888**
	2012/13	77,811	-	585	-	-	**78,396**	10,115	**88,511**
Director of Corporate Services	**2011/12**	78,061	-	-	3,215	-	**81,276**	10,115	**91,391**
	2012/13	77,811	-	-	3,203	-	**81,014**	10,115	**91,129**
Assistant Director - Corporate Services	**2011/12**	50,975	-	-	1,932	-	**52,907**	6,619	**59,526**
	2012/13	50,919	-	-	1,927	-	**52,846**	6,619	**59,465**
Assistant Director - Housing and Environmental Services	**2011/12**	50,932	-	1,110	-	-	**52,042**	6,619	**58,661**
	2012/13	50,919	-	800	-	-	**51,719**	6,619	**58,338**
Assistant Director - Planning and Building Control	**2011/12**	50,586	-	1,116	-	-	**51,702**	6,576	**58,278**
	2012/13	50,919	-	800	-	-	**51,719**	6,619	**58,338**

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 2011/12	Remuneration Band	No. of Employees 2012/13
7	£50,000 - £54,999	6
1	£55,000 - £59,999	-
1	£60,000 - £64,999	-
1	£65,000 - £69,999	-
2	£70,000 - £74,999	2
1	£75,000 - £79,999	1
1	£80,000 - £84,999	1
-	£85,000 - £89,999	-
-	£90,000 - £94,999	-
-	£95,000 - £99,999	-
-	£100,000 - £104,999	1
1	£105,000 - £109,999	-
-	£110,000 - £114,999	-
-	£115,000 - £120,000	-
15	**Total**	**11**

Note: The number of employees shown above includes the senior officers shown in the preceding senior employees' note (11.1)

12. FEES PAYABLE TO THE EXTERNAL AUDITORS

In 2012/13 the Council incurred the following cost in relation to external audit and inspection:

2011/12 £'000		2012/13 £'000
107	Fees payable to Ernst & Young LLP (Audit Commission 2011/12) in relation to External Audit Services carried out by the appointed Auditor	70
-	Fees payable to Ernst & Young LLP (Audit Commission 2011/12) in respect of statutory inspection	-
37	Fees payable to Ernst & Young LLP (the Audit Commission in 2011/12) for Certification of Grant Claims and Returns	20
144	**Total**	**90**

13 TERMINATION BENEFITS

In 2012/13 no employee contracts were terminated by the Council where termination liabilities would be incurred (15 in 2011/12).

2011/12			Exit Package Cost Band	2012/13		
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**
4	4	8	£0 - £20,000	-	-	-
4	-	4	£20,001 - £40,000	-	-	-
2	1	3	£40,001 - £60,000	-	-	-
-	-	-	£60,001 - £80,000	-	-	-
-	-	-	£80,001 - £100,000	-	-	-
-	-	-	£100,001 - £120,000	-	-	-
-	-	-	£120,001 - £140,000	-	-	-
10	**5**	**15**	**Total Number of Packages**	**-**	**-**	**-**
242,013	**77,610**	**319,623**	**Total Cost £**	**-**	**-**	**-**

.

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 2013. The next revaluation is due to be undertaken in the autumn of 2013 the results being formally reported in January 2014. The outcome of the revaluation will impact on the Council’s budgets for the financial years 2014/15 to 2016/17.

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:

2011/12 £'000			**2012/13 £'000**
1,151	Current Service Cost		1,469
-	Past Service Loss/(Gain)		-
136	Loss due to Curtailment		3
3,405	Interest Cost		3,316
(2,889)	Expected Return on Assets		(2,536)
1,803	**Net Charge to Comprehensive Income and Expenditure Statement**		**2,252**
159	**Reversal of Net Charge made for retirement benefits in accordance with IAS19**		**733**
	Actual amount charged against Council Tax for Pensions in the year:		
991	Employer Contributions to the Pension Fund	855	
420	Deficit Contribution Payments	438	
87	Contributions to the Pension Fund in respect of Early Retirement	115	
146	Added Years Discretionary Payments	111	
1,644	**Payments to the Pension Fund During the Year**		**1,519**
1,803	**Total**		**2,252**

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 have been up-rated in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

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 2013 are as follows:

2011/12 £'000		£'000	2012/13 £'000
61,763	**Present Value of Scheme Liabilities as at 1 April**		**73,075**
1,151	Current Cost of Service	1,469	
3,405	Interest Cost	3,316	
441	Contributions by Scheme participants	434	
-	Past Service Cost/(Gain)	-	
7,669	Actuarial Losses on Liabilities	4,488	
136	Loss due to Curtailments	3	
(1,490)	Benefits/Transfers paid	(2,446)	
11,312			**7,264**
73,075	**Present Value of Scheme Liabilities as at 31 March**		**80,339**

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 2013 are as follows:

2011/12 £'000		£'000	2012/13 £'000
42,603	**Fair Value of Scheme Assets as at 1 April**		**43,678**
2,889	Expected Return on Scheme Assets	2,536	
(2,409)	Actuarial Gains/(Losses)	2,873	
1,644	Employers Contributions	1,519	
441	Member Contributions	433	
(1,490)	Benefits/Transfers paid	(2,446)	
1,075			**4,915**
43,678	**Fair Value of Scheme Assets as at 31 March**		**48,593**

14.3 Scheme History

Summary information for the year to 31 March 2013 is as follows:

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Estimated Liabilities in the Scheme	(47,900)	(65,840)	(61,763)	(73,075)	(80,339)
Estimated Assets in the Scheme	31,842	43,162	42,603	43,678	48,593
Net (Deficiency) in the Fund	(16,058)	(22,678)	(19,160)	(29,397)	(31,746)
Actuarial Gains/(Losses)	(400)	(5,983)	429	(10,078)	(1,615)
Total Pension Cost Recognised in the Movement in Reserves Statement	**(400)**	**(5,983)**	**429**	**(10,078)**	**(1,615)**

The liabilities show the underlying commitments that the Council has in the long run to pay employment (retirement) benefits. The total liability of £31.7 million (£29.4 million for 31st March 2012) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. 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 2013/14 is £1.316 million.

14.4. 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 LLP from a full actuarial valuation of the fund undertaken by Mercer Ltd as at 31 March 2010.

The main assumptions used in their calculations have been:

2011/12		2012/13
	Long Term expected rate of return on assets in the scheme:	
6.40%	Equity Investments	6.10%
3.30%	Bonds	3.00%
4.60%	Other Bonds	4.10%
5.40%	Property	5.10%
0.50%	Cash	0.50%
N/A	Other Assets(Note)	6.10%
	Mortality Assumptions:	
	Longevity at 65 for future pensioners (Years)	
24.1	Men	24.2
26.8	Women	26.9
	Other Assumptions:	
3.30%	Rate of Inflation - RPI	3.30%
2.50%	Rate of Inflation - CPI	2.50%
4.30%	Rate of Increase in Salaries (reflects long term salary growth assumptions)	4.30%
2.50%	Rate of increase in Pensions	2.50%
4.60%	Rate of Discounting Scheme Liabilities	4.30%
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%

Note: Other Assets represent Timber/Infrastructure investments and currency

14.5 Assets Held

The split of assets held by the Fund attributable to Uttlesford District Council as at 31 March 2013 is set out in the following table:

2011/12 £'000	2011/12 %		2012/13 £'000	2012/13 %
30,574	70%	Equity Investments	31,100	64%
1,747	4%	Government Bonds	3,402	7%
4,368	10%	Other Bonds	3,887	8%
6,115	14%	Property	5,831	12%
874	2%	Cash/Liquidity	1,944	4%
-	-	Other Assets	2,430	5%

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 2013.

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

2011/12		2012/13
6.40%	Equity Investments	6.10%
3.30%	Government Bonds	3.00%
4.60%	Other Bonds	4.10%
5.40%	Property	5.10%
0.50%	Cash/Liquidity	0.50%
-	Other Assets	6.10%

14.6 History of experience Gains and Losses

	2008/09		2009/10		2010/11		2011/12		2012/13	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Asset Gain/(Loss)	(11,398)	(35.8)	9,124	21.1	3,523	7.3	(2,409)	(5.5)	2,873	5.9
Liability Gain/(Loss)	11,798	(24.8)	(15,107)	(22.9)	(3,094)	(5.7)	(126)	(0.2)	18	0.0
Change in Assumptions	n/a	n/a	n/a	n/a	n/a	n/a	(7,543)	10.3	(4,506)	5.6
Net Gain/(Loss)	**400**	**0.80**	**(5,983)**	**9.10**	**429**	**0.70**	**(10,078)**	**13.80**	**(1,615)**	**2.01**

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 2013. 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 Non Domestic Rates

From 1 April 2013 the Local Government Finance Act 2012 provides for a revised business rate financing model whereby local authorities retain a proportion of business rates collected as an incentive to encourage economic development within the district.

The Council will in future retain 40% of business rate income collected. This replaces the previous arrangement where the council acted as agent on behalf of central government and all monies collected was repaid to central government and redistributed through a grant mechanism.

A liability of £2.3 million has been estimated for refunding commercial ratepayers who successfully appeal against the rateable value of their properties on the rating list.
The Council’s liability is estimated to be £0.9 million and the Council will make allowance for these refunds within the Collection Fund for 2013/14. This will reduce the amount of income that is distributed from the Collection Fund to the Council’s General Fund. The council has budgeted for this liability as part of the implementation of the business rates retention scheme. The remaining element of the liability will be distributed between Essex County Council, Essex Fire and Central Government.

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 2012/13 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. 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

16.3.2. 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 £2.34 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.

16.3.3. 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 2012/13 £45,543 was given to the Citizens Advice Bureau (£39,331 for 2011/12).

16.3.4. Saffron Walden Museum Charity Limited

Under the terms of a 99 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 net cost of running the service in 2012/13 was £284,332 (£353,270 for 2011/12). 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 2012/13 the gross income of the partnership was £31,402 and expenditure £8,566 (£67,124 and £41,732 respectively for 2011/12).

The Council's contribution for 2012/13 was £5,000 (£5,000 for 2011/12).

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 2012/13 the gross income of the partnership was £53,101 and expenditure £22,872 (£107,059 and £77,083 respectively for 2011/12). The unspent income of £30,229 has been carried forward and will contribute towards the costs of the partnership's strategic vision.

The Council's contribution for 2012/13 was £5,000 (£5,000 for 2011/12).

The Council received no Performance Reward Grant for 2012/13 from Essex County Council (£30,357 for 2011/12).

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 Committee's transactions for 2012/13 and comparatives for 2011/12 are detailed below:

2011/12 £'000		2012/13 £'000
2,783	Gross Expenditure	3,471
(2,399)	Gross Income	(2,172)
384	**Net Cost of Service**	1,299

Uttlesford District Council's contribution to the Partnership was £145,000 for 2012/13 (£142,000 for 2011/12).

16.4.3. 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). Grants received from government departments are set out in the subjective analysis in Note 6.2. 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:

2011/12 £'000		2012/13 £'000
78	Saffron Walden Motte and Bailey	78
155	Museum Artefacts	155
233	**Net Value At 31 March**	**233**

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 2013 for the asset (31 March 2012 £78,184).

A proposal is currently being put together with English Heritage to prop up the Castle footings at an estimated cost of £400,000 approximately with fifty percent being funded by English Heritage. 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.

In 2012/13 three items were purchased totalling £8,110. The items were valued prior to acquisition. There were no donations or disposals which were valued above the council's fixed asset deminimus of £10,000. 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 (September 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

Note: 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 currently being undertaken.. 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 2012/13 is set out in the table below.

2011/12 £'000		2012/13 £'000
1,504	**Gross Balance at 1 April**	**1,572**
37	Additions	103
31	Reclassification	-
-	Impairment	(13)
1,572	**Gross Balance carried forward at 31 March**	**1,662**
(784)	Amortisation as at 1 April	(997)
(213)	Amortisation In Year	(154)
(997)	**Amortisation Balance carried forward 31 March**	**(1,151)**
575	**Net Value At 31 March**	**511**

19. TANGIBLE PROPERTY, PLANT AND EQUIPMENT ASSETS

19.1. ANALYSIS OF FIXED ASSETS 2012/13

	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
Balance as at 31 March 2012	**231,909**	**22,256**	**11,765**	**453**	**804**	**76**	**267,263**
Revaluation Gain recognised in the Revaluation Reserve	325	477	-	-	-	-	**802**
Revaluation Loss recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**
Revaluation gain/(losses) recognised in the surplus/deficit on the Provision of Service	(1,868)	622	-	-	-	-	**(1,246)**
Additions	4,184	661	2,328	16	9	961	**8,159**
Adjustment	-	56	-	-	-	-	**56**
Donations	-	-	-	-	-	-	**-**
Disposals	(941)	(233)	(2,218)	-	-	-	**(3,392)**
Asset write out	-	-	(38)	-	-	-	**(38)**
Reclassification	-	-	-	-	-	-	**-**
Gross Balance as at 31 March 2013	**233,609**	**23,839**	**11,837**	**469**	**813**	**1,037**	**271,604**
Accumulated Depreciation at 1 April 2012	(2,011)	(1,219)	(4,741)	(10)	(11)	-	**(7,992)**
Depreciation In Year	(2,894)	(688)	(1,174)	(10)	(11)	-	**(4,777)**
Depreciation Write Outs	17	10	1,788	-	-	-	**1,815**
Depreciation Balance as at 31 March 2013	**(4,888)**	**(1,897)**	**(4,127)**	**(20)**	**(22)**	**-**	**(10,954)**
Net Book Value as at 31 March 2013	**228,721**	**21,942**	**7,710**	**449**	**791**	**1,037**	**260,650**
Net Value as at 31 March 2012	229,898	21,037	7,024	443	793	76	**259,271**
Assets owned outright	228,721	10,588	5,054	449	330	1,037	246,179
Donated Assets	-	1,434	165	-	-	-	1,599
Finance lease on assets	-	-	102	-	461	-	563
Assets used under contractual PFI agreement	-	9,921	2,388	-	-	-	12,309
Total	**228,721**	**21,943**	**7,709**	**449**	**791**	**1,037**	**260,650**

Analysis of Fixed Assets 2011/12

	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 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 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	-	-	-	**1,622**
Finance lease on assets	-	-	609	-	463	-	**1,072**
Assets used under contractual PFI agreement	-	9,728	2,730	-	-	-	**12,458**
Total	**229,898**	**21,037**	**7,024**	**443**	**793**	**76**	**259,271**

Breakdown of Fixed Assets

31 March 2012 Number	Asset value £'000		31 March 2013 Number	Value £'000
		Housing Revenue Account		
2,852	229,897	Dwellings	2,844	228,721
555	1,893	Garages	555	2,003
n/a	142	Vehicles, Plant and Equipment	n/a	154
1	75	Assets Under Construction	n/a	256
16	279	Other	3	930
3,424	**232,286**	**Total HRA**	**3,402**	**232,064**
		General Fund		
1	3,110	Offices- Saffron Walden	1	3,371
2	306	Depot Premises	2	773
9	3,355	Car Parks	8	3,219
4	899	Day Centres	4	931
2	268	Public Conveniences	1	126
10	295	Amenity Land	10	295
2	463	Community Land & Buildings	2	461
2	42	Coach Parks Infrastructures	2	42
n/a	332	Other Infrastructure	n/a	337
n/a	2,523	Vehicles, Plant and Equipment	n/a	4,067
20	609	Leased Assets	7	102
3	12,406	Assets Under Contractual PFI	3	12,309
n/a	324	Information Technology	n/a	361
1	309	Turpin's Bowls Hall	1	310
2	1,622	Community Halls	2	1,599
1	52	Land Leased to Town Council	1	51
1	1	Assets Under Construction	1	107
1	69	Other land	4	125
61	**26,985**	**Total General Fund**	**49**	**28,586**
3,485	**259,271**	**Total Fixed Assets**	**3,451**	**260,650**

19.2. Reconciliation of Capital Expenditure

2011/12 £'000		2012/13 £'000
83	Capital Expenditure deferred from 2011/12	76
4,428	Actual Capital Expenditure in Year	9,395
(46)	Heritage Quest Centre abortive cost write off	-
(76)	Capital Expenditure deferred to 2013/14	(1,036)
4,389	**Capital Expenditure in year**	**8,435**

19.3. Assets Held for Sale

2011/12 £'000		2012/13 £'000
-	Balance Brought Forward	231
231	Reclassification of Assets Held for Sale	-
-	Disposal of Asset	(231)
231	**Net Value At 31 March**	**-**

20. CAPITAL EXPENDITURE AND CAPITAL FINANCING

2011/12 £'000		2012/13 £'000
	Capital Expenditure:	
68	Intangible Assets	104
3,440	Fixed Assets	7,198
881	Revenue Expenditure Funded from Capital Under Statute	1,133
4,389	**Total Capital Expenditure:**	**8,435**
	Financed By:	
(127)	Usable Capital Receipts	-
(286)	Revenue Contributions - GF	(479)
(778)	Revenue Contributions - HRA	(1,069)
(2,011)	Major Repairs Reserve	(2,894)
(608)	Section 106	(855)
(312)	Capital Grants	(294)
(267)	Internal Borrowing	(2,844)
(4,389)	**Total Capital Financing**	**(8,435)**

21. SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

As at 31 March 2013, the Council has the following significant future contracts for capital investment:-

	Work in Progress from 2012/13	Total Commitment	Duration of Commitment
	£'000	£'000	Years
Capital Scheme			
Housing			
Holloway Crescent Housing Development	872	950	1
Mead Court/Canon's Mead Development	57	3,800	3
General Fund Land & Buildings			
Vehicle Workshop	107	350	2
Heritage Assets			
Motte and Bailey Castle Refurbishment	-	400	2
Total	**1,036**	**5,500**	

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 23 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 2012/13 the Council's remaining capital liability on this PFI contract was £5.221m.

<u>Unitary charge breakdown</u>

2011/12 £'000		2012/13 £'000	1 Year £'000	2 - 5 years £'000	6 - 10 years £'000	11 - 15 years £'000	16 - 20 years £'000	21 - 25 years £'000
1,019	**Leisure PFI - Unitary charge**	**1,040**	**4,959**	**4,461**	**6,097**	**6,732**	**7,434**	**4,826**
69	Capital Repayment	75	81	399	716	1,067	1,589	1,369
445	Interest Expense	439	4,331	1,659	1,857	1,506	984	216
147	Contingent Rent	148	158	812	1,320	1,770	2,419	2,011
358	Services	378	389	1,591	2,204	2,389	2,441	1,230
1,019	**Total Unitary Charge**	**1,040**	**4,959**	**4,461**	**6,097**	**6,732**	**7,434**	**4,826**

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 28 identifies the annual PFI liability and associated principal repayment write down for the term of the contract**.**

23. STOCK

31 March 2012 £'000		31 March 2013 £'000
47	Housing Stores	45
24	Building Maintenance	44
18	Vehicle Fuel	10
10	Trading Stock	13
99	**TOTAL**	**112**

24. DEBTORS

2011/12 £'000		2012/13 £'000
1,573	Central Government Bodies	776
33	Other Local Authorities	582
31	NHS Bodies	-
3,895	Other Entities and Individuals	5,117
5,532	**Total**	**6,475**

24.1. PROVISION FOR BAD DEBTS

2011/12 £'000		2012/13 £'000
456	Non Domestic Rates	1,545
188	Council Tax	143
324	Housing Rents	376
421	Overpaid Benefit	574
37	Sundry Debtors	26
1,426	**Total Provision for Bad Debt**	**2,664**

24.2

The 2012/13 balance sheet reports the balance net of provision of bad debts for Debtors of £3.8 million (£4.1 million for 2011/12)

25. CREDITORS

2011/12 £'000		2012/13 £'000
1,035	Central Government Bodies	271
965	Other Local Authorities	1,822
3	NHS Bodies	-
3,009	Other Entities and Individuals	3,651
5,012	**Total**	**5,744**

26. CAPITAL GRANTS AND CONTRIBUTIONS

As detailed in the Council's accounting policies at page 96 (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 2012	Income	Drawn Down	31 March 2013
	£'000	£'000	£'000	£'000
S106 Receipts in Advance				
Section 106 - Priors Green	218	4	-	222
Section 106 - Felsted	10	-	-	10
Section 106 - Oakwood Park	10	-	-	10
Section 106 - Rochford Nurseries	551	245	(352)	444
Section 106 - Bell College	316	-	(316)	-
Section 106 - Manuden Village Hall and Sports Facilities	-	1,770	(187)	1,583
SUB TOTAL	**1,105**	**2,019**	**(855)**	**2,269**
Capital Grants Receipts in Advance				
Heritage Quest Centre Grants	82	-	-	82
Disabled Facilities Grant	-	98	(56)	42
Housing Grant	-	-	-	-
Essex County Council - Waste Grants	-	-	-	-
SUB TOTAL	**82**	**98**	**(56)**	**124**
Capital Grants and Contributions	**1,187**	**2,117**	**(911)**	**2,393**

26.2. Creditor – (Capital Grants and Contributions due to Other Bodies)

	31 March 2012 £'000	Income £'000	Drawn Down £'000	31 March 2013 £'000
S106 Receipts in Advance				
Section 106 - Sector 4 Woodlands Park (Helena Romane School)	-	225	-	225
Section 106 - Priors Green (Essex County Council)	-	8		8
SUB TOTAL	**-**	**233**	**-**	**233**

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

	31 March 2012 £'000	Income £'000	Interest £'000	Drawn Down £'000	31 March 2013 £'000
S106 Unapplied					
Stansted Housing Partnership	2,335	-	9	-	2,344
Dunmow Eastern Sector	18	-	-	-	18
Section 106 - Woodlands Park	52	-	-	(8)	44
Section 106 - Friends School	-	28	-	-	28
Section 106 - The Pastures	34	-	-	(4)	30
Section 106 - Priors Green	-	9			9
Section 106 - Rochford Nurseries	24	-	-	-	24
SUB TOTAL	**2,463**	**37**	**9**	**(12)**	**2,497**
Capital Grants Unapplied					
ECC Waste Grants	8	-	-	-	8
Free Swimming Capital Grant	12	-	-	-	12
Energy Efficiency Grant	-	238	-	(238)	-
SUB TOTAL	**20**	**238**	**-**	**(238)**	**20**
Capital Grants and Contributions Unapplied Total	**2,483**	**275**	**9**	**(250)**	**2,517**

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 2012 £'000		In year Provision £'000	Provision Applied £'000	Balance as at 31 March 2013 £'000
27	Legal Claims	-	-	27
177	Termination of Supaloos Contract	-	(177)	-
90	Land Charges - Legal Claims on Charging Policy	120	-	210
97	Termination of Employee Contracts	-	(97)	-
299	Expenditure commitments for New Homes Bonus	11	-	310
269	Termination of Vehicle Finance Lease	-	(269)	-
-	Community Halls	24	-	24
-	Muncipal Mutual Insurance (MMI)	9	-	9
	In Year Movements	**164**	**(543)**	
959	**Balance as at 31 March**			**580**

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.

2011/12 £'000		2012/13 £'000	1 Year £'000	2 - 5 years £'000	6 - 10 years £'000	11 - 15 years £'000	16 - 20 years £'000	21 - 25 years £'000
	Waste Vehicles							
804	Finance lease Opening balance	-	-	-	-	-	-	-
-	Adjustment to principal balance held	-	-	-	-	-	-	-
(290)	Principal repayment	-	-	-	-	-	-	-
(514)	Final payment for termination of lease	-	-	-	-	-	-	-
-	**Closing balance**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Central Services							
46	Finance leases Opening balance	83	82	54	-	-	-	-
60	Additions	-	-	-	-	-	-	-
(23)	Principal Payments	(27)	(28)	(28)	-	-	-	-
-	Adjustment to Liability	26	-	-	-	-	-	-
83	**Closing balance**	**82**	**54**	**26**	**-**	**-**	**-**	**-**
	Leisure							
5,366	PFI – Opening balance	5,296	5,222	5,141	4,742	4,026	2,959	1,370
(70)	Principal repayment	(74)	(81)	(399)	(716)	(1,067)	(1,589)	(1,370)
5,296	**Closing balance**	**5,222**	**5,141**	**4,742**	**4,026**	**2,959**	**1,370**	**-**
	Pensions Liabilities - Current Liability							
248	Opening balance	-	-	-	-	-	-	-
(146)	Payment to Pension Fund	-	-	-	-	-	-	-
(102)	Transfer to Short Term Creditor	-	-	-	-	-	-	-
-	**Closing balance**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5,379	Deferred Liabilities at 31 March	5,304	5,195	4,768	4,026	2,959	1,370	-

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 23 years outstanding. At the end of 2012/13 the Council's remaining capital liability on this PFI contract was £5.222 million (£5.297 million as at 31 March 2012). Further details are provided at Note 22 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.

29. CONTINGENT ASSETS

The Council has no material contingent assets

30. CONTINGENT LIABILITIES

Previously the Council recognised a Contingent Liability in respect of Municipal Mutual Insurance (MMI). On September 1992, the Council's then insurer, MMI announced that it had ceased taking on new business or issuing renewals and placed a moratorium on claim payments. On 6 October 1992 MMI resumed the full payment of claims. MMI is now under the control of administrators who will advise in due course of the full amount owed by the Council.

Based on advice provided to date by MMI's administrators a provision of £9,000 has been made in the 2012/13 accounts, details of this are provided in Note 27. In addition, to be prudent, the Council has set aside a further £51,000 as a General Fund earmarked reserve to potential liabilities under the scheme of the arrangement.

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 2012 £'000		**31 March 2013 £'000**
1,036	General Fund	276
144,945	Housing Revenue Account	144,794
145,981	**Total**	**145,070**

32. GRANT INCOME – REVENUE

32.1 Revenue Grants and Contributions Received in 2012/13

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

2011/12 £'000		2012/13 £'000
(9,085)	Housing Benefits Allowance Subsidy	(9,698)
(6,170)	Housing Benefits Rent Rebate Subsidy	(6,674)
(4,028)	Council Tax Benefits Subsidy	(3,966)
(714)	New Homes Bonus	(1,248)
(450)	Private Finance Initiative	(450)
(338)	Benefits Admin	(328)
(115)	Homelessness	(86)
(110)	S106 contributions	(37)
(29)	Improvement East Money	-
(31)	Future Jobs Fund	-
-	Town Centre Initiative	(100)
-	Council Tax reform	(84)
(40)	Neighbourhood Planning Front Runners	(10)
(39)	Pig Market Charity	(46)
-	Community Covenant	(40)
(22)	Discretionary Housing Payments	(46)
(16)	Benefits ATLAS Project	-
	Benefits Fund	(19)
(10)	Licensing CCTV	-
(51)	Other Miscellaneous (under £10,000)	(29)
(21,248)	**Total Revenue Grants**	**(22,861)**

33. FINANCIAL INSTRUMENTS

33.1 Financial Instruments – Balances

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

Long Term Financial Instruments			Short Term Financial instruments	
As at 31 March 2012 (Restated) Book Value	**As at 31 March 2013 Book Value**		**As at 31 March 2012 (Restated) Book Value**	**As at 31 March 2013 Book Value**
£'000	**£'000**		**£'000**	**£'000**
		Financial Assets, Loans and Receivables:		
983	945	Debtors (Contractual)	1,103	1,130
1,310	931	Investments	4,037	8,232
-	-	Cash and Cash Equivalents	5,294	3,721
2,293	**1,876**	**Total**	**10,434**	**13,083**
		Financial Liabilities at Amortised Cost:		
-	-	Creditors (Contractual)	(2,283)	(2,859)
(88,407)	(88,407)	Borrowing	-	-
(5,379)	(5,304)	Deferred Liabilities	-	-
(93,786)	**(93,711)**	**Total**	**(2,283)**	**(2,859)**
(91,493)	**(91,835)**	**Net Total**	**8,151**	**10,224**

Note: the cash and cash equivalents balance excludes petty cash balances and cash in transit and disbursement account. Debtors and Creditors have been restated for 11/12 to reflect the value relating to financial instruments.

Debtors and Creditors have been restated for 11/12 to reflect the financial instruments element.

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 33.9. The Housing Revenue Account maintains a 30 year rolling business plan as part of the council’s financial planning, and gives details of income, expenditure, financing and repayments. The plan shows that the HRA is able to repay its debt under the profile given in table 33.9.

The Housing Revenue account incurred interest payments on the loan portfolio of £2.6 million in 2012/13.

33.2. Financial Instruments – Gains and Losses

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

2011/12 £'000		2012/13 Financial Assets £'000	2012/13 Financial Liabilities £'000	2012/13 Total £'000
462	Interest Expenses	-	3,074	3,074
(268)	Impairment on Long Term Investment	(44)	-	(44)
194	**Interest Payable and Similar Charges**	**(44)**	**3,074**	**3,030**
-	Gain on redemption of Long Term Debtor	(10)	**-**	(10)
(95)	Interest and Investment Income	(59)	-	(59)
-	**Interest Receivable and Similar Income**	**(69)**	-	**(69)**
99	**Net (gains)/loss for the Year**	**(113)**	**3,074**	**2,961**

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 (excluding Landsbanki investments) as at 31 March 2012 and 31 March 2013, the Fair Value of such financial assets will not vary from the book value detailed at note 33.1.
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 2013. Therefore the fair value of the loan portfolio is estimated to be £95.7 million (£91.6 million as at 31 March 2012).
The fair value of the debt portfolio is higher than the carrying amount reported in the balance sheet due to the portfolio including a substantial amount of fixed rate loans where the interest rate is higher than the prevailing interest rate as at 31 March 2013.

The Landsbanki investment has been recorded in the Accounts at Fair Value based on the appropriate impairment assumptions as detailed at note 33.8.

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 2012 £'000		Debt Outstanding 31 March 2013 £'000
983	Rents to Mortgages	945
983	**Total**	**945**

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

As at 31 March 2013, 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 Council's overall risk management procedures focus on the unpredictability of the financial market and are structured to implement suitable controls to minimise this risk.

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 2013 £1.154 million (£1.118 million as at 31 March 2012) 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 2013
Under 1 Year	1,103
1-2 Years	51

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, NNDR arrears and Housing Benefit Overpayment Arrears) are excluded from the analysis.

The Council's provision for bad debt totalling £0.4 million as at 31 March 2013 (£0.4 million as at 31 March 2012) 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 Institutions

Credit risk is minimised through the annual investment strategy (details of which are available on the Council's website) which 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, 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	Credit rating criteria met on 31/03/2013	Balance invested as at 31 March 2013 £'000					
	YES / NO	YES / NO	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	-	2,011	-	-	2,011	17.6%
Banks - Non UK								
Landsbanki Escrow Short Term Investment	n/a	n/a	-	-	-	18	18	0.2%
Total banks			**-**	**2,011**	**-**	**18**	**2,029**	
Debt Mgt Office (UK Treasury)	n/a	n/a	4,201	-	-	-	4,201	36.8%
Building Societies - UK	YES	YES	-	1,002	1,000	-	2,002	17.5%
Total Short term Investments			**4,201**	**3,013**	**1,000**	**18**	**8,232**	
Call accounts								
Barclays	YES	YES	1,200	-	-	-	1,200	
Royal Bank of Scotland	YES	YES	1,999	-	-	-	1,999	
Total Cash and Cash equivalents			**3,199**	**-**	**-**	**-**	**3,199**	28.0%
Total			**7,400**	**3,013**	**1,000**	**18**	**11,431**	100.0%

Note: Includes accrued interest to 31 March 2013. The Landsbanki Escrow Short term investment has been classified in line with the CIPFA LAAP Bulletin 82 (Update 7 May 2013). 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.

The Council's maximum exposure to credit risk in relation to its investments with banks and building societies (excluding Landsbanki and Debt Mgt Office) of £7.212 million cannot be assessed generally as the risk of any institution failing to meet interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of being unable to recover applies to all deposits of the Authority, but there is no evidence at the 31 March 2013 that this was likely to materialise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non performance by any of its counterparties in relation to its deposits.

Credit Risk arising from loans with Banks and Financial Institutions

The council has not entered into any loan arrangements with banks or other financial institutions other than the HRA self financing debt portfolio. The Council relies on internal borrowings to reduce any credit risk by the use of surplus funds. This also has the advantage of saving the council any loan interest payable.

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. Further repayments have followed, in May and October 2012. Excluding the Krona element, the total amount received by the Council, after conversion to Sterling, is £1.104 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 2013 is £18,000.

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 2013; accordingly a figure of £0.948 million is included within the Balance Sheet.

Thus the original deposit, £2.2 million, less the amounts repaid to date, £1.104 million, gives an outstanding sum of £1.096 million; the accounting value, after discounting, is £0.948 million, which gives rise to an accounting loss as at 31 March 2012 of £0.148 million. The accounting loss as at 31 March 2012 was larger, at £0.192 million, so there has been an improvement during 2012/13 of £0.044 million. This is chiefly due to the improved recovery outlook, as almost half of the money has been repaid already, and the remainder is anticipated to be repaid in due course. The 31 March 2012 loss of £0.191 million was the cumulative amount charged as a revenue expense through the Comprehensive Income & Expenditure Statement in 2010/11 and 2011/12. The 2012/13 in year improvement of £0.044 million has been credited to the Comprehensive Income & Expenditure Statement in 2012/13, such that the cumulative accounting loss as at 31 March 2013 has been recognised as £0.148 million.

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 developing market in the trading of 'distressed debt' claims which gives rise to possible opportunities to sell the unpaid balance at a discounted price in order to obviate longer term risks.

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 2013 is as follows:

	Profile	31 March 2013 £'000	% of total debt portfolio
Long Term Borrowing			
	> 1 and < 5 years	2,000	2.26%
	> 5 and < 10 years	10,000	11.31%
	> 10 and < 15 years	15,000	16.97%
	> 15 and < 20 years	19,000	21.49%
	> 20 and < 25 years	22,000	24.88%
	> 25 and < 30 years	20,407	23.08%
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. For instance, the impact of a rise in variable and fixed interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure account will increase;
- Investments at fixed rates – the fair value of the assets will fall,
- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure account will increase
- Borrowings at fixed rates – the fair value of the borrowing will fall.

As at 31 March 2013, the Council had all of its investments in fixed rate instruments, all of which were less than 3 months maturity. 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 Council 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 Council's debt portfolio as at 31 March 2013; a 1% increase in interest rates would increase the interest payable on variable rate borrowings by £100,000. The impact of a 1% fall in interest rates would decrease the interest payable by the same amount.

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 £17,940 in Icelandic Krona (ISK) remaining in escrow in Iceland. The Council is currently working with the Local Government Association, Bevan Brittan and other affected authorities to research ways of converting the ISK element of the impaired Icelandic deposit into Sterling.

HOUSING REVENUE ACCOUNT

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

2011/12 £'000		2012/13 £'000
	Income	
(12,043)	Dwelling Rents	(13,069)
(203)	Non-Dwelling Rents	(214)
(490)	Charges for Services and Facilities	(771)
(74)	Contributions towards Expenditure	(49)
(12,810)	**Total Income**	**(14,103)**
	Expenditure	
2,094	Repairs and Maintenance	2,220
2,216	Supervision and Management	2,375
162	Rents, Rates, Taxes and other Charges	289
5,201	Negative Housing Subsidy Payable	-
88,407	Settlement payment to Government for HRA Self-financing	-
64	Debt Management Costs	2,625
	Depreciation and Impairment of Fixed Assets	
2,011	- Dwellings	2,894
94	- Other Fixed Assets	105
696	Fixed Asset Impairment	1,878
46	Increase in Bad Debt Provision	52
10	Revenue Expenditure Funded from Capital Under Statute (REFFCUS)	11
101,001	**Total Expenditure**	**12,449**
88,191	**Net Cost of Service**	**(1,654)**
233	HRA Services Share of Corporate and Democratic Core	200
110	HRA Share of other amounts included in the Whole Authority Net Cost of Services but not allocated to Specific Services	-
88,534	**Net Cost of HRA Services**	**(1,454)**
185	Loss on Sale of HRA Fixed Assets	218
(11)	Interest and Investment Income	(32)
77	Pension Interest Cost and Expected Return on Pensions Assets	125
-	Capital Grants and Contributions Receivable	(238)
88,785	**Deficit/(Surplus) for the year on HRA Services**	**(1,381)**

MOVEMENT IN HRA RESERVES

2011/12 £'000		2012/13 £'000
796	**Balance on HRA at the end of the previous year**	**649**
(88,785)	(Deficit)/Surplus for the year on the HRA Comprehensive Income and Expenditure Account	1,381
88,537	Adjustments between accounting basis and funding basis under statute	933
(248)	**Net increase or (decrease) in year on the HRA**	**2,314**
101	Transfers from the Major Repairs Reserve	-
-	Transfers to Earmarked Reserves	(2,283)
(147)	**Increase or (decrease) in year on the HRA Working Balance**	**31**
649	**Balance on the HRA at the end of the current year**	**680**

HRA – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER STATUTE

2011/12 £'000		2012/13 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the Year	
(185)	Gain or Loss on Sale of HRA Fixed Assets	(218)
(688)	Fixed Asset Impairment	(1,868)
(88,407)	Settlement Payment to Government for HRA Self-financing	-
(10)	Amounts treated as revenue expenditure in accordance with the 'Code' but which are classified as capital expenditure by statute	(11)
-	Reversal of Non Specific Grants	238
(25)	Net Charges made for Retirement Benefits in accordance with IAS 19	(142)
	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the Year	
778	Capital Expenditure funded by the HRA	1,068
(88,537)	**Adjustments between accounting basis and funding basis under statute**	**(933)**

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 2012/13 an average of 1.9% of properties were vacant (1.72%% 2011/12). The average rent for all stock was £89.15 per week in 2012/13 and £82.71 in 2011/12.

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.

2011/12 £'000		2012/13 £'000
1,376	Allowance for Management	-
2,957	Allowance for Maintenance	-
2,011	Allowance for Major Repairs	-
44	Charges for Capital	-
(11,583)	Rent	-
(39)	Adjustment in respect of 10/11 negative housing subsidy	-
33	Rebate in respect of interest on Self-Financing Loan	-
(5,201)	**Total Payable**	**-**

The HRA subsidy arrangement have been replaced with HRA 'self financing' arrangements with the effect from 1 April 2012.

H4. Transactions in respect of HRA Self-Financing

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

H5. Housing Stock

The housing stock managed by the Council was as follows:

2011/12 No. of Properties		2012/13 No. of Properties
736	Flats	738
746	Bungalows	745
1,370	Houses	1,361
2,852	**Total Properties**	**2,844**

H6. Rent Arrears

The provision for bad debts against arrears was £0.376 million at 31 March 2013 (£0.324 million as at 31 March 2012)

2011/12 £'000		2012/13 £'000
	Arrears due from:	
415	- Current Tenants	462
21	- Former Tenants	41
436	**Total Rent Arrears**	**503**
3.4%	Total as a % of Gross Debt	3.6%

H7. Balance Sheet value of HRA Assets

2011/12 £'000		2012/13 £'000
	Operational Assets comprising	
229,897	Dwellings	228,716
2,113	Other Land and Buildings	2,224
163	Vehicles and Plant	154
35	Intangible Assets	49
35	Community Assets	35
232,243	**Total HRA Asset Value**	**231,178**

The vacant possession value of dwellings within the HRA as at 1 April 2012 was £589.1 million (£591.6 million as at 1 April 2011). The difference of £362.9 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

2011/12 £'000		2012/13 £'000
2,011	Dwellings	2,894
94	Other Assets	105
2,105	**Total Depreciation**	**2,999**
696	Impairment of Fixed Assets	10
2,801	**Total Depreciation and Impairment**	**3,009**

H9. Major Repairs Reserve

2011/12 £'000		2012/13 £'000
-	**Opening Balance**	-
(2,113)	Depreciation on Fixed Assets	(2,995)
102	Transfers to HRA	101
2,011	Capital expenditure funded from the MRA	2,894
-	**Closing Balance**	**-**

H10. HRA Capital Financing

2011/12 £'000		2012/13 £'000
2,916	**Total HRA Capital Expenditure**	**4,201**
	Financed by:	
(778)	Revenue Contributions	(1,069)
(2,011)	Contribution from Repairs Reserve	(2,894)
(127)	Capital Receipts	-
-	Capital Grants	(238)
-	Internal Borrowing	(11)
(2,916)	**Total Financing**	**(4,212)**

H11. HRA Contribution to the Pension Reserve

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

THE COLLECTION FUND 2012/13

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.

2011/12 £'000		£'000	2012/13 £'000
	Income		
46,599	Council Tax Payers	47,689	
3,999	Council Tax Benefit	3,879	
50,598	Total Council Tax		51,568
36,768	Business Rate Payers		38,319
87,366	**Total Income**		**89,887**
	Expenditure		
36,277	Precepts and Demands: - Essex County Council	36,658	
4,410	Precepts and Demands: - Essex Police Authority	4,612	
2,217	Precepts and Demands: - Essex Fire Authority	2,240	
7,029	Precepts and Demands: - Uttlesford District Council	7,271	
49,933	**Total Precept and Demand**		**50,781**
234	Distributions of Previous Years' Surplus/(Deficit): - Essex County Council	(51)	
29	Distributions of Previous Years' Surplus/(Deficit): - Essex Police Authority	(6)	
12	Distributions of Previous Years' Surplus/(Deficit): - Essex Fire Authority	(3)	
42	Distributions of Previous Years' Surplus/(Deficit): - Uttlesford District Council	(10)	
317	**Total Distributions of Previous Years Surplus/(Deficit)**		**(70)**
513	Provision for Doubtful Debts		(99)
36,632	Business Rates: - Payments to the National Pool		38,181
136	Business Rates: - Cost of Collection Allowance to General Fund		138
87,531	**Total Expenditure**		**88,931**
(796)	(Surplus) as at 1 April		(631)
165	(Surplus)/Deficit for the Year		(956)
(631)	**(Surplus) as at 31 March**		**(1,587)**

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 2012/13 Band D property, being £1,437.30 (2011/12, £1,432.71), 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 £1,505.42 in 2012/13 (2011/12, £1,495.85).

C1. COUNCIL TAX BASE

When setting the 2012/13 Council Tax a gross tax base of 34,047 Band D equivalents was estimated (2011/12, 33,546). An allowance of 1.5% to cover losses on collection and adjustments was applied, thus reducing the tax base to 33,536 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 33,732 Band D equivalent properties (2011/12 33,382).

Estimated Council Tax Base 2012/13 - Analysis of Properties

	A	B	C	D	E	F	G	H	Total
Total no. Properties (after adjusting for discounts)	801	2,901	6,961	5,849	5,309	3,769	3,776	382	29,748
Ratio to Band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	534	2,256	6,188	5,849	6,489	5,444	6,293	764	33,817
Additions (Net of Discounts / Exemptions)									230
Total Band D Equivalents									34,047
Estimated Collection Rate for 2011/12 –98.5%									33,536
Add M.O.D Properties									196
COUNCIL TAX BASE									**33,732**

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

2011/12 £'000		2012/13 £'000
55,616	Gross Council Tax Collectable	57,044
(1,409)	Less: - Exemptions	(1,636)
3	Transitional Relief	2
(142)	Write-offs	(358)
(3,470)	Less: - Discounts	(3,484)
50,598	**Net Collectable before Benefits and Allowances**	**51,568**
(3,999)	Benefits	(3,879)
46,599	**Income from Council Tax Payers**	**47,689**

C2. PRECEPTS

The following authorities made precepts on the Collection Fund:

2011/12 £'000		2012/13 £'000
36,277	Essex County Council	36,658
4,410	Essex Police Authority	4,612
2,217	Essex Fire Authority	2,240
7,029	Uttlesford District Council (including Town/Parish Councils)	7,271
49,933	**Total Precepts**	**50,781**

C3. NATIONAL NON-DOMESTIC RATES

The National Non-Domestic rateable value in the Council's area at 1 April 2012 was £100,216,636 (£100,137,195 at 1 April 2011) and the multipliers, which were specified by the Government, were 45.0p excluding small business surcharge (2011/12 42.6p) and 45.8p including small business surcharge (2011/12 43.3p). Based on the lower rate this produced an approximate yield of £45.097 million (2011/12 £42.658 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:

2011/12 £'000		2012/13 £'000
(480)	Essex County Council	(1,139)
(58)	Essex Police Authority	(148)
(29)	Essex Fire Authority	(70)
(64)	Uttlesford District Council	(230)
(631)	**Total Surplus Apportioned**	**(1,587)**

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 (‘The ‘Code’’) and the Service Reporting Code of Practice; 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 not 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.

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 whither 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 4.3% (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 not used in 2012/13.

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 deminimis 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 deminimis 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:

,

- 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 2012 by Wilks Head and Eve LLP. The Valuation letter was dated May 2013.
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 and up to a cap set by Central Government as part of the HRA Self-Financing, 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 deminimis 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 Lessee.

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 7: May 2013), 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 2011/12 and the 2012/13 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 deminimis 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 2012/13.

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 16) 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 it.

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 2012/13 financial statements.

The Council has made no material changes to the accounting policies apart from those required under the' Code'.

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.

- Amendments to IAS19 – Employee Benefits – becomes applicable on 1 January 2013. the changes relate to the creation of some new classes of components for defined benefit costs and the measurement of the net defined liability. The Council's actuary has estimated the likely impact of the change for the 2012/13 Accounts. The expenses recognised for funded benefits would increase under the Standard from £2.252 million to £2.790 million, an increase of £538,000 approximately. As this expense is notional and is reversed out via the movement in reserves statement it would have no impact on the reported Deficit or surplus for the General Fund or the HRA.
- Amendments to IAS1 - Presentation of Financial Statements. The changes are presentational only.
- IPSAS32 – Service Concession Arrangements – provides clarification on the recognition criteria for assets under construction or Intangible assets. There is no impact on the statements of account.
- IFRS7 – Financial Instruments: Disclosure - requires a change in accounting in respect of offsetting financial assets and liabilities. The standard has no impact on the statement of accounts.
- IAS12 – Income Taxes –This change in the accounting policy particularly affects investment properties. Since none of the Council's assets are classified as Investment properties it is not considered that the standard will have an impact on the statement of accounts.

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 2013 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 2013, the Council had a balance of £6.5m for debtors. A review of balances suggested that an impairment of doubtful debts of £2.7m 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 2013.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

Intentionally left blank

Intentionally left blank

Intentionally left blank

ANNUAL GOVERNANCE STATEMENT 2012/13

1. SCOPE OF RESPONSIBILITY

Uttlesford District Council is responsible for ensuring that 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. Uttlesford District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Uttlesford District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's code is on our website at www.uttlesford.gov.uk or can be obtained from the Council Offices, London Road, Saffron Walden, Essex, CB11 4ER. This statement explains how Uttlesford District Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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

The governance framework has been in place at Uttlesford District Council for the year ended 31 March 2013 and up to the date of approval of the annual statement of accounts.

3. THE GOVERNANCE FRAMEWORK

Some of the key features of the governance framework are set out in the following paragraphs.

The Uttlesford District Council Corporate Plan 2012 to 2017 outlined 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. The Corporate Plan is reviewed annually and takes account of feedback from public consultation carried out via a Citizens Panel. The Corporate Plan 2013 to 2018 was approved by members at the Council Meeting held in February 2013.

Delivery of the Council's Corporate Plan is supported by directorate and service plans in which the corporate objectives are translated into more specific aims and objectives. These are then fed down into individual performance development reviews through the council's U-Perform system. These all include targets and, where appropriate, service standards against which service quality and improvement can be judged. Performance is monitored by individual services and formally reviewed quarterly by the Corporate Management Team (CMT) and the Council's Performance & Audit Committee. Satisfaction surveys and a formal complaints procedure allow the Council to gauge customer satisfaction.
Uttlesford District Council has adopted a Constitution which establishes the roles and responsibilities for members of the executive (the Cabinet), Performance & Audit, Scrutiny, and Standards Committees, together with officer functions. It includes details of delegation arrangements, the Members' Codes of Conduct and protocols for member/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose. The Council has adopted a new regime pursuant to the Localism Act 2011 and appointed a new Standards Committee from 01 July 2013. Conduct of officers is directed by Personnel Policy Notes and through the values and behaviours which are part of the Council's individual performance review system known as 'U-Perform'
.
The Constitution contains procedure rules, standing orders and financial regulations that clearly define how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by the post-holders' membership of the Corporate Management Team. The Constitution also contains a Statutory Officers Protocol.

In 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 2012/13.
In 2010 CIPFA published a CIPFA Statement on the Role of the Head of Internal Audit, setting out core principles and standards relating to the role of the Head of Internal Audit and how it fits into the organisation's governance arrangements. The Council was substantially compliant with the CIPFA statement in 2012/13, however does not fully comply with Principle 1 of the CIPFA Statement which includes the requirement that the Internal Audit Manager be consulted on all proposed major projects, programmes and policy initiatives and given the opportunity to give advice to the Leadership Team and others on the control arrangements and risks relating to any proposed policies, programmes and projects.

The primary counterbalances to our Cabinet are the Scrutiny and the Performance & Audit Committees. The Scrutiny Committee provides a robust challenge to the Executive, calling it to account where it considers it necessary.

The Performance & Audit Committee monitors the performance of the Council, fulfilling the Council's Audit Committee core functions in respect of External Audit, Internal Audit and Risk Management and Performance Management. The Committee can, and does, request assurance from the relevant Cabinet member when there is consistent underperformance in a particular service area/indicator.
The Council has formal complaints procedures which allow the public or other stakeholders to make a complaint regarding the service received from the Council or on the conduct of Members. The Standards Committee has responsibility for overseeing the investigation of complaints against members. For the period 01/04/13 to 31/03/13, 3 complaints were received against district councillors and 1 against a parish councillor. Under our procedures these were examined by the Monitoring Officer in conjunction with an independent member of the Standards Committee. None of the complaints were considered to justify an investigation by the Standards Committee.

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 due to be reviewed during 2013/14.

The Council has embedded Risk Management throughout its activities with the Corporate Risk Register directly linking to the aims set out in the Council's Corporate Plan. Each member of CMT and the Community Partnerships, ICT and Street Services Managers provide updates to CMT, via a report collating service area developments, performance data and risk register updates thus the links between performance, risk and actions are clearly set out and closely monitored. The Corporate Risk Register is reviewed quarterly by the Performance & Audit Committee. The Council's Corporate Risk Strategy was revised during 2012/13 and approved by the Performance and Audit Committee at its meeting on 16 August 2012.

Performance Management is monitored through quarterly reporting to CMT and the Performance & Audit Committee on 16 Key Performance Indicators along with more than 30 other Performance Indicators. In 2012/13 the Performance & Audit Committee were particularly concerned about underperformance in two areas of work and sought additional assurance, including regular written and verbal updates, from the relevant senior managers and portfolio holders.

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. Training needs are identified through the U-Perform appraisal system.

A new individual performance review system known as 'U-Perform' was introduced for all officers for 2012/13, in which staff are measured against operational objectives that are linked through to the Corporate Plan via service and directorate objectives. U-Perform also identifies developmental and training needs to ensure that appropriate training is made available to staff to ensure that individuals are able to undertake their present role effectively and that they have the opportunity to develop to meet their and the Council's needs.

During 2012/13 workshops have been held for Members on Finance, Boundary Changes and several concerning Planning. Training has also been provided to Members on the new Standards regime including the new Code of Conduct. The Members Bulletins provide fortnightly updates to Members on relevant corporate matters, service specific items, legislative changes etc.
The Council continues to ensure it is open and accessible to the community. In 2012/13 it has:

- Continued to regularly survey the view of residents through its Citizens Panel
- Continued to maintain the transparency section of the website
- Held several large scale consultation exercises around the draft Local Plan.

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.

During 2012/13 the Council's Scrutiny Committee has looked at various areas of council decision making and service delivery, including waste collection arrangements, Homelessness, the Local Development Framework and the allocation of the Jubilee Fund. It has also scrutinised the work of external organisations, including the East of England Ambulance Service in relation to response times, Essex Police in relation to police station closures and GP provision in the district. A summary of the year's work can be found at Item 10 of the 18 April 2013 Scrutiny Committee.

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. The Council is actively involved in the Essex Community Budgets programme and has set aside £50,000 to invest on a needs basis.

The Council has a dedicated team responsible for change and transformation. The team use Prince2 methodology on all major projects. In addition, as necessary, specialist project teams are established for the big system changes we undertake.

3. REVIEW OF EFFECTIVENESS

Uttlesford District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council's Monitoring Officer (the Assistant Chief Executive – Legal) has responsibility for overseeing the implementation and monitoring the operation of the Code of Corporate Governance, maintaining and updating the Code in the light of latest guidance on best practice, considering any changes that may be necessary to maintain it and ensure its effectiveness in practice. All reports to Cabinet, Committees and Council are seen by the Assistant Chief Executive – Legal to ensure compliance with legal requirements.

The Council's Section 151 Officer (the Assistant Chief Executive – Finance) has responsibility for the proper administration of the Council's financial affairs. This includes responsibility for maintaining and reviewing Financial Regulations to ensure they remain fit for purpose, and submitting any additions or changes necessary to the full Council for approval. The Section 151 Officer is also responsible for reporting, where appropriate, breaches of the Regulations to the Cabinet and/or the Council. All reports to Cabinet, Committees and Council are seen by the Assistant Chief Executive – Finance to ensure compliance with financial requirements.

Uttlesford District Council's Internal Audit Service, via a specific responsibility assigned to the Internal Audit Manager, is required to provide an annual independent and objective opinion to the Authority on its risk management, governance and control environment. The Internal Audit Manager's Annual Report and Opinion for 2012/13 concluded on balance that our audit opinion on the control environment for 2012/13 is that risks material to the achievement of the objectives for the audited areas identified by Internal Audit are, on balance, adequately managed and controlled.

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.
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 was 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.

In April 2013, the Performance and Audit Committee carried out the annual review of its effectiveness as an audit committee using the CIPFA self-assessment checklist and was considered to be substantially compliant.

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.

The Audit Commission, in addition to reviewing the 2011/12 Statement of Accounts, issued a formal opinion on the Council's arrangements for securing Value for Money giving an unqualified opinion. Ernst & Young were appointed as the Council's External Auditors from 01 September 2012 and are responsible for reviewing the Council's 2012/13 Statement of Accounts.

4. SIGNIFICANT GOVERNANCE ISSUES

Outstanding Issues from 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.

Significant Control and Governance issues identified 2012/13

The new U-Perform process introduced in 2012/13 requires all members of staff to have objectives set against which their performance is measured in their annual appraisal. The Chief Executive's objectives are set in the Council's Corporate Plan which is reviewed and agreed annually with the Leader and Members; however there is no formal mechanism currently in place for an annual appraisal to review the performance of the Chief Executive against the Corporate Plan objectives.

To address this, a formal system of annual appraisal to review the performance of the Chief Executive will be introduced.
Internal Audit Manager is not consulted on all major projects, programmes and policy initiatives in line with CIPFAs 'the Role of the Head of Internal Audit'.

To address this copies of all draft Directorate and Service plans will be forwarded to the Internal Audit Manager to give prior notice of proposed major projects, programmes or policy initiatives expected during the coming year.

In previous years, each member of CMT and the Community Partnerships, ICT and Street Services Managers provided quarterly updates to CMT via a report collating the service area developments performance data and risk register updates. During 2012/13 reports on Performance and Risk Management have continued to be reviewed quarterly; however service area updates were only given on a six-monthly rather than quarterly basis.
To ensure that all members of CMT are more frequently informed of any service area developments that may impact on their own areas of responsibility, each member of CMT and the Community Partnerships, ICT and Street Services Managers will be required to report quarterly to CMT specifically on their own service area developments.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. 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.

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

Signed

John Mitchell
Chief Executive
Date:

Councillor Jim Ketteridge
Leader of the Council
Date: