PERFORMANCE AND AUDIT COMMITTEE held at COUNCIL OFFICES LONDON ROAD SAFFRON WALDEN at 7.30 pm on 15 MAY 2014

Present: Councillor S Howell – Chairman.
Councillors K Eden, M Felton, D Jones, A Ketteridge and E Oliver.

Officers in attendance: J Mitchell (Chief Executive), R Auty (Assistant Director Corporate Services), S Bronson (Internal Audit Manager), M Cox (Democratic Services Officer), S Joyce (Assistant Chief Executive – Finance), C Oakey (Procurement Manager) and A Webb (Director of Corporate Services).

Also present from Ernst & Young LLP – Debbie Hanson (Audit Director).

PA1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillor J Parry.

PA2 MINUTES

The minutes of the meeting held on 13 February 2014 were signed by the Chairman as a correct record.

PA3 BUSINESS ARISING

i) Minute PA29 (i) – Annual Audit Letter

The Audit Director reported that a provisional view had been reached on the objection to the council's accounts and the objector had been given an opportunity to comment on these findings. A further response had been received from the objector but as there was no new evidence, the final statement of reasons was being prepared.

The Chairman said he accepted the public's right to raise an objection but commented that it was now 9 -10 months since this objection had been received and the audit certificate had still not been issued. The Audit Director said she understood the frustration but there was a statutory legal framework for dealing with objections. The Audit Commission had a target to deal with the objection within 9 months. It was confirmed that the objection had been found to have no merit and the certificate would be issued shortly.

PA4 **PROTECTING THE PUBLIC PURSE – FRAUD BREIFING**

The committee received a fraud briefing presentation from the Audit Director. She explained the areas of fraud that were relevant to local authorities and showed comparative statistics of detection rates with other authorities in the East of England.

A copy of the presentation would be circulated to members of the committee.

PA5 **ANNUAL AUDIT AND CERTIFICATION FEES 2014/15**

The Audit Director reported the proposed audit fees for 2014/15. It was noted that two areas were still being finalised. These related to the objection to the council's accounts and the final fee for certification of claims and returns in respect of the 2012/13 housing benefit claim which had yet to be concluded.

Regarding the housing benefit claim the Assistant Chief Executive – Finance reported that the claim had been completed on 9 April 2014. The qualification letter had now been received and had been sent to the DWP and the council was waiting for a response on what further action, if any was required.

The main issues had been in relation to assessing the income of the self-employed and miscategorising whether the overpayments were the claimant's or the council's error.

The Assistant Chief Executive – Finance said that improvements in quality control were needed and action was being taken to address these matters. The council was also seeking external advice.

The Chairman understood that this was a complex area but it appeared that lessons had been learnt and improved processes were being put in place.

PA6 **FINANCIAL REGULATION REVIEW**

The committee received the draft revised Financial Regulations. These had been last formally approved in 2011 and set out the rules by which the Council's financial resources and systems should be managed and operated. The regulations had been reviewed by the Assistant Chief Executive – Finance in consultation with CMT and Internal Audit.

Although most of the clauses were still relevant, the report highlighted the changes required to reflect the current working practices of the council.

Members raised the following issues.

The Chairman asked about the internal controls that were in place for approving transactions and asked whether there was a schedule of authority underpinning the regulations. It was explained that there was a proper scheme of delegation, which identified the staff that were authorised to place orders and make payments and set out the limits of their authority.

Members asked if there was consistency across the organisation and were advised that the Procurement Manager had an oversight of this process and made sure that level of authority in terms of staff responsibility and pay scales was broadly similar across all departments.

Members asked about the treatment of year end balances. The Assistant Chief Executive - Finance advised that there had been only a handful of slippages over the last year and the budget outturn report would be considered by Cabinet on 25 June 2014.

Referring to the treatment of the council's assets the committee agreed that £10k was a sensible lower limit for the inclusion of fixed assets in the asset register. Members were reassured about how items below this limit were recorded.

In relation to the write off of stocks and stores, Councillor Jones questioned whether the wording of the regulations was tight enough to prevent desegregation for write off purposes. It was AGREED that a new clause would be included to prevent desegregation for the purpose of write-off limits.

In relation to intellectual property it was suggested that there should be a clause in the UDC employment contract to state that the council would own anything developed by the employee when employed by the council.

It was confirmed the council no longer dealt with petty cash. Small purchases were made with the council's credit card. It was confirmed that there were about 20 cards in use; it was a transparent and well controlled process.

> RECOMMENDED that the revised Financial Regulations including the additional clause in relation to stocks and stores, as set out above, be recommended to Full Council for approval.

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PA7 **CONTRACT PROCEDURAL RULES – REVIEW**

The Committee received the revised Contract Procedural Rules which governed the procurement of goods, services and work. The review had identified the following amendments.

- To clarify that some services could be commissioned from Essex County Council without the requirement for a competitive tender, if there were no other suppliers of the service in question.
- The purchasing officers should give consideration to contract exit strategy arrangements.
- The Procurement Manager to be able to nominate a substitute to participate in tender opening procedures.

The committee agreed that these were sensible amendments and

RECOMMENDED that Full Council approve the revised Contract Procedure Rules

PA8 **PERFORMANCE AND AUDIT SELF ASSESSMENT 2013/14**

The Audit Manager reported the results of the committee self-assessment exercise carried out in line with CIPFA new guidance to evaluate the effectiveness of audit committees. It replaced the self- assessment checklist that had been used in previous years and all members had been invited to take part in the exercise. The first part was the self- assessment of good practice. The report summarised the responses to the questions.

The second area was the evaluation of effectiveness which required consideration of 9 areas where the audit committee could add value by supporting improvement.

It was concluded that in 2013/14 the Performance and Audit Committee had fulfilled its duties in accordance with the guidance.

Through the consideration of areas that had been partly met, it became clear that it would be helpful to identify whether members had the appropriate skills and knowledge to operate as an audit committee and to develop a training programme appropriate to this development.

The Assistant Director Corporate Services said that the committee operated in 3 areas. The first was to monitor the performance of council services, which members appeared to be very comfortable with. The second was to approve the statement of accounts, which required an understanding of the council's finances.

The third area was the audit function which he suggested was an area where members would benefit from further training. The Audit Manager said it would be possible to arrange a bespoke training session on this subject. Members agreed that training for the committee would be useful, and asked officers to arrange the first session on audit matters at a date in July.

It was RESOLVED to

1 Note the outcome of the Committee Self-Assessment 2013/14.

2 Develop a programme of training for the committee over the next 12 months.

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PA9 **INTERNAL AUDIT PROGRESS REPORT**

The Committee received a report on the work undertaken by Internal Audit since the last meeting and an update on the implemented and outstanding audit recommendations.

In answer to a question from Councillor Oliver, the Audit Manager explained the informal joint arrangements with Epping Forest DC for sharing staff resources within the Internal Audit section.

PA10 **QUARTER 4 PERFORMANCE 2013/14**

The Committee considered the report which set out the key performance indicators and performance indicators for Q4 of 2013/14. It also showed the result for each indicator measured against the annual target. The Chairman said the figures were generally encouraging.

<u>KPI07 (Average number of sickness days per employee).</u>

It was noted that this had been a red indicator for the last 2 quarters. The Director of Corporate Services explained that the figures had been affected by a number of staff currently on long term sick leave. He confirmed that the Management Team was committed to actively managing staff back to work and external occupational health was involved at an early stage.

KPI08 (Average re-let time in days)

The Chairman was pleased to see that this indicator had shown a significant improvement over the year.

KPI 09 (Number of accidents that are reportable under RIDDOR)

The Chairman was said that this year there had been 12 reported accidents whilst over the previously two years this figure had been zero. He asked for an explanation of this increase and said that saying ‘accidents happen’ was not good enough.

The Director of Corporate Services said the council operated in many areas but there were no obvious trends to the reported accidents. This issue was treated very seriously within the authority. The situation was monitored by monthly Health and Safety meetings, procedures had been reviewed and a programme of training had been put in place. So far this quarter there had been no reported accidents.

KPI 11 (processing of planning applications (major))

The committee was pleased to note the continued progress within the Planning area.

KPI 15 (number of return visits to collect bins that have been missed on the first visit)

The Q4 indicator and the annual figure were still below target but it was an improved picture from 2012/13. One of the issues was the quality of the reporting of the missed bins but it was expected that the recent installation of in-cab technology lead to an improvement in this area.

KPI 16 (rent collected as a percentage of rent owed)

This new indicator was agreed at the last meeting, and showed positive results for rent collection performance.

PI 12 (Housing Benefit recovered as a percentage of the total amount recoverable HB overpayments)

The Chairman commended the improved performance from the 2012/13 figure.

PI 21 (% of minutes from meetings made available to the public within 10 working days)

The Chairman commented that the publication of the minutes should not be delayed by Lead Officer's failing to comment within the required period of time.

PA11 **QUARTER 4 CORPORATE RISK REGISTER 2013/14**

The Committee noted the Corporate Risk Register as at the end of Q4 2013/14.

PA12 **URGENT BUSINESS**

The Chairman asked that as some council meetings were now being recorded, should this practise be extended to this committee, particularly to the meeting which approved the statement of accounts. He was advised that the effectiveness of the system was still being evaluated but this could be borne in mind for the future.

The Chairman announced that Stephen Joyce, the Assistant Chief Executive – Finance would be leaving the council on 30 June. He expressed his thanks for the significant contribution he had made to the council and particularly to this committee where he had offered enormous comfort and reassurance. He registered the committee's thanks for his hard work and effort and wished him well in his new position.

It was noted that the Director of Corporate Services would be acting as the S151 Officer until the new appointment was made.

The meeting ended at 9.30pm.

ACTION POINTS

Minute PA4	The Fraud Briefing presentation to be circulated to members of the committee.
Minute PA6	The draft Financial Regulations with the updated clause to be forwarded to Full Council for approval.
Minute PA7	The draft Contract Procedural Rules to be forwarded to Full Council for approval.
Minute PA8	Officers to develop a programme of training for the committee over the next 12 months and to consider a date in July for the Audit training.

Committee:	**Performance and Audit Committee**	**Agenda Item**
Date:	**22 July 2014**	4
Title:	**Audit Committee Briefing**	
Author:	**Ernst & Young**	Item for information

Summary

1. The following document is the latest Audit Committee Briefing from Ernst & Young.

Recommendations

2. That the committee notes the report.

June 2014

Local Government Audit Committee Briefing

Contents at a glance

Introduction

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving. It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation. Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.

Building a better working world

Economic and sector issues

Economic Outlook

The ITEM Club, one of the UK's foremost independent economic forecasting groups, sponsored by EY, has published its Spring Forecast. With GDP projected to grow 2.9% this year and 2.3% in 2015, and interest rates unlikely to rise until late 2015, the outlook is for a period of 'steady as she goes', with sustained if unspectacular growth underpinned by relatively low inflation. Whilst the report highlights the concern that risks remain, it considers that the UK's economic recovery is on an increasingly firm footing.

The scenario outlined above is seen by the group to be dependent on several things, notably that consumer spending is supplemented by a rebound in business investment and exports — which official figures suggest is starting to happen. The report indicates that this would help the economy to register steady growth in output over the next few years whilst avoiding excessive rises in credit.

The ITEM Club highlights that a key challenge will be maintaining a balance between different areas of the economy, preventing each from expanding too fast or too far e.g. growing workforce keeping wage inflation under control, and the policing of mortgage lending by the FCA limiting house price rises.

DWP Single Fraud Investigation Service

The formation of a Single Fraud Investigation Service (SFIS) was announced in the Chancellor's Autumn Statement. SFIS will exist as a single organisation within DWP, and will be an element of DWP's new Fraud and Error Service. Its role will be to investigate and prosecute Social Security welfare benefits and Tax Credit fraud, bringing together investigations which are currently the remit of DWP, local authorities and HMRC, with prosecutions conducted by the Crown Prosecution Service in England and Wales. DWP has said that it will continue to work with local authorities to ensure that data is shared where permissible.

The main objectives of the scheme as cited by the DWP are:

- To operate under a single policy and set of procedures for investigating all welfare benefit fraud.
- To conduct single investigations covering all welfare benefit fraud.
- To rationalise existing investigations and prosecution policies, improving efficiency, consistency and fairness.
- To enhance closer working between DWP, HMRC and local authorities.
- To bring together the combined expertise of all three services.
- To support the fraud and error integrated strategy of preventing fraud and error in the benefit system by detecting and correcting fraud and punishing and deterring those who have committed fraud.

Economic and sector issues

Some concerns have been raised by Local Authorities and trade unions about the proposals:

UNISON has raised concerns about the proposals to transfer current local authority investigations staff into the Department – a change from the original proposal to remain employed by Local Authorities but work under DWP policies and procedures. This could affect around 790 staff.

The LGA has questioned the need to establish SFIS due to what is in their view the successful record of local authorities on addressing benefit fraud. It has also challenged whether or not SFIS would be able to achieve its stated aim of conducting single investigations covering all welfare benefit fraud, since some elements of fraud against local authority services (such as fraud against localised Council Tax Support scheme, social housing tenancies and Blue Badge disabled parking) would be considered out of scope. This is linked to the concern that by centralising housing benefit fraud investigations, local expertise will be lost.

Implementation is planned to start from October 2014, continuing until March 2016, although the Department is considering a small number of test sites beforehand. Pilots have been running since early 2013 in four local authority areas (Corby Borough Council; Glasgow City Council; London Borough of Hillingdon; Wrexham Council), with an additional pilot in Oldham covering Universal Credit which began in April 2013.

Council service sharing saves taxpayers £350mn

According to the LGA there are now 337 councils engaged in 383 shared service agreements, resulting in £357mn of efficiency savings. The total saved has increased by £83mn since last year, with the biggest increases seen in adult services and culture, leisure and tourism.

At least 95% of all English councils now share services with other local authorities and public sector bodies. Information about shared services is contained in an interactive map on the LGA's website; this map also records external collaboration for the first time. Councils can use this map to develop shared services in their own organisations.

Contracting out public services to the private sector

> "Government is clearly failing to manage performance across the board, and to achieve the best for citizens out of the contracts into which they have entered."

This is a conclusion reached by the House of Commons Committee of Public Accounts (the 'PAC') in March 2014 after the PAC took evidence from the National Audit Office and central government bodies such as the Cabinet Office and Department of Health.

Although aimed at central government, the PAC's report is a timely reminder that for many Local Government bodies, the delivery of public services is increasingly dependent on the interaction between the private and public sectors. However, as pointed out by the PAC, in order for this relationship to result in the efficient delivery of public services, the public sector needs to demonstrate its commitment to effective contract management.

Economic and sector issues

The PAC made a range of recommendations in four key areas. In this briefing we consider contract management and delivery. We will consider Capability, Transparency and Ethical Standards in our next quarterly briefing.

Contract management and delivery

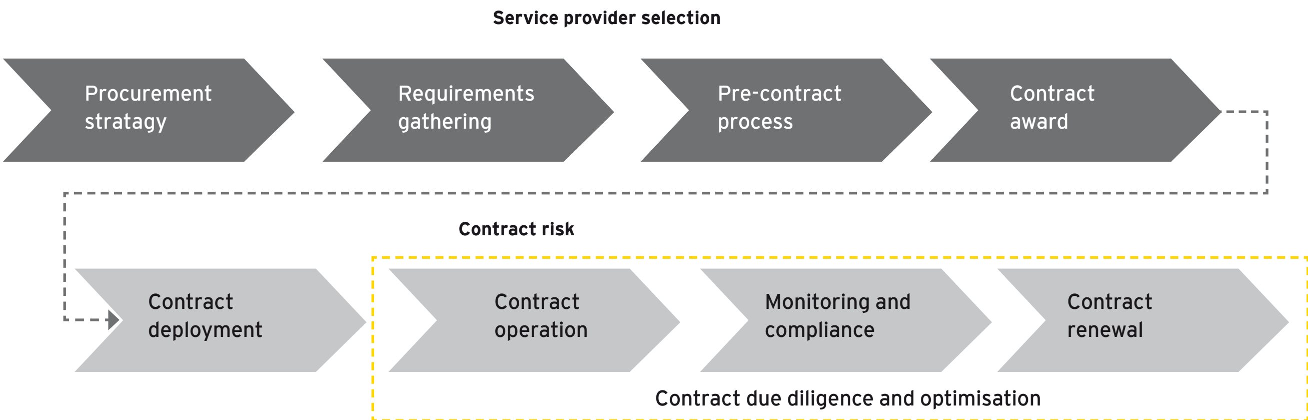
Our own experience suggests that both central and local government invest large amounts of time in selecting service providers, but relatively little time thereafter ensuring that contracts are managed effectively to deliver the intended benefits, and to manage contract risk. The diagram below illustrates the relevant phases of the overall contract process.

Critically, we often find that performance indicators are not considered in detail or agreed until after contracts have been awarded. Accordingly, there is a risk that these indicators:

- Are not effectively targeted towards the required performance objectives and/or
- Are not subject to audit because of a lack of access rights.

Furthermore, as identified by the PAC, penalties for non-performance are not always enforced even where they are available and identified. The failure to enforce penalties only increases the likelihood of continued under-performance in the delivery of public services and the sense that the public sector does not take contract management seriously.

The PAC report therefore highlights an opportunity for Local Government bodies to both save money and increase public confidence in the use of public funds, through effective contract management.



Accounting, Auditing and Governance

Accounting for schools in local authorities

CIPFA has recently held a single issue consultation on Accounting for Schools in Local Authorities in England and Wales relating to the 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom. The 2014/15 Code will apply to accounting periods starting on or after 1 April 2014. The consultation focuses largely on the application of the 2014/15 Code's provisions on primarily the Group Accounting Standards, and sets out CIPFA/LASAAC's proposals for developing an addendum for the 2014/15 Code. The Working Group has concluded that for local authority maintained schools (including community schools, voluntarily controlled, voluntary aided and foundation schools), the balance of control is with the local authority, and their transactions should therefore be included in the local authority financial statements. The Working Group has considered the practical implications and recommends that consideration is given to schools being included in the local authority single entity financial statements. The consultation closed on 4 April 2014.

Accounting for infrastructure projects within enterprise zones and tax increment financing funded programmes

The Local Authority Accounting Panel (LAAP) has issued a discussion paper on this topic to assist local authorities who are considering such schemes. There are a number of initiatives involving local authorities investing in infrastructure or other development projects on the basis that the investment will result in increased business rates yields which can be used to finance the cost. However, there is a risk that projections of incremental income may not be wholly reliable, and there are also accounting issues which may determine whether a project is viable. The local authority will need to consider the extent to which they are a principal or an agent, the accounting implications for the various vehicles in which they may acquire an interest, and the potential for a revenue deficit in the early part of the programme as costs are incurred in advance of income being receivable. The potential revenue deficit is the issue which is most likely to threaten a project's viability, as costs may be incurred in advance of new income being receivable, and councils are obliged to budget to break even each financial year.

A framework for Audit Quality

The International Auditing and Assurance Standards Board (IAASB) published a report on 18 February 2014 on audit quality with the aim of generating positive discussions within organisations to improve audit quality. 'A Framework for Audit Quality – Key elements that create an environment for audit quality' sets out three key objectives:

- Raising awareness of the key elements of audit quality.
- Encouraging key stakeholders to explore ways to improve audit quality.
- Facilitating greater dialogue between key stakeholders on the topic.

The Framework recognises that there is no universally accepted definition of audit quality and has set out various factors which they consider contribute to audit quality at the engagement, audit firm and national levels. It highlights the importance of a range of contextual factors, including laws and regulations, the litigation environment, corporate governance, and the financial reporting framework, which together can impact the nature and quality of financial reporting and, directly or indirectly, audit quality.

The IAASB will maintain a focus in 2014 to encourage dialogue on audit quality.

Future of local audit

Following the receipt of Royal Assent by the Local Audit and Accountability Act 2014 in January 2014, approval of secondary legislation will be required in order to give effect to many of the

Accounting, Auditing and Governance

provisions of this Act. Following a consultation on this secondary legislation, which closed in December 2013, the Government has now published its response. The consultation paper covered the following areas:

- **Smaller authorities' regulations**, including draft regulations for a specified person to appoint auditors to smaller authorities. The Government does not intend to allow smaller bodies to opt out of this regime during a contract period, nor to allow the specified person to forcibly opt out a body; authorities which exceed the £6.5mn threshold, or choose to undergo a full code audit will automatically be opted out. The Government proposes to specify a maximum contract period of five years. The consultation also set out the Government's policy intention for smaller bodies with turnover not exceeding £25,000 per annum to be exempt from routine audit. There are several circumstances where the exemption will not apply, including during the first three years after the authority is established, and authorities which qualify for the exemption may still choose to have an audit.
- **Auditor panel and auditor independence regulations**; the draft regulations extend the definition of an independent panel member, set out the minimum membership of an auditor panel, and apply several existing local authority enactments to panels. An audit committee can already act as an auditor panel provided it has an independent chair and majority. Several authorities may share an audit panel, and where authorities have opted in to national procurement arrangements, the Government intends that the requirement to appoint an auditor panel will not apply. This section of the consultation also covers auditor resignation and removal; which the Government expects to be a rare occurrence.
- **Eligibility and regulations of auditors**; a local audit register will be published containing the names of those deemed competent to take primary responsibility for a local audit. An appropriate qualification will be considered necessary, but not sufficient — individuals will also need an appropriate level of competence. The draft regulations also contain thresholds defining which bodies' audits will be considered a 'major local audit' and hence subject to quality monitoring from the Financial Reporting Council's Audit Quality Review team. The Government is considering how to clarify some of the definitions in these regulations.
- **Conduct of local audit**: the Government intends to modify the requirement for some bodies (including Port Health Authorities and Internal Drainage Boards) to consider a public interest report or recommendation within one month, to 'as soon as is practicable'.
- **Accounts and Audit Regulations**: this section of the consultation covered the provisions for financial management, internal control and internal audit, as well as the process for preparing and approving the statement of accounts. Comments were also invited on bringing forward the timetable for local government audit, and on changes to the framework for the exercise of public rights of inspection and objection. The Government intends to keep public inspection rights, but to address the issues surrounding low take-up of these rights in the draft regulations proposed for consultation in May 2014.

The Government plans to amend the draft regulations in line with the responses noted above and to issue a further consultation in May 2014 covering further regulations associated with smaller authorities, regulations to allow for the establishment of a sector-led body to procure and appoint local auditors, and Accounts and Audit regulations. The intention is that these regulations will be laid before Parliament later this year.

Regulation News

Role of the chief finance officer in the local government pension scheme

CIPFA has issued a consultation draft on the role of the CFO in the Local Government Pension Scheme (LGPS), as a supplement to the statement on the role of the CFO in Local Government. The statement sets out five principles, including a summary, shown below. The supplement on the LGPS sets each of these principles in the context of the financial management of the LGPS, which highlight the importance of the role of the CFO in relation to the LGPS.

The CFO in a public service organisation:

- Is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.
- Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy.
- Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

- Must lead and direct a finance function that is resourced to be fit for purpose.
- Must be professionally qualified and suitably experienced.

Future of NFI and counter fraud following the closure of the Audit Commission

The Audit Commission's National Fraud Initiative matches data from 1,300 public sector and 77 private sector organisations. The outcomes since 1996 include the prevention and detection of pension overpayments, council tax single person discounts incorrectly awarded, and housing benefit overpayments, together worth over £860mn. Following the closure of the Audit Commission in March 2015, the NFI will transfer to the Cabinet Office.

The Chartered Institute of Public Finance and Accountancy (CIPFA) will also take on some of the Audit Commission's counter fraud roles. The counter-fraud function currently undertaken by the Commission will transfer to a new public sector 'Counter Fraud Centre', which will be established by CIPFA. Existing counter-fraud work undertaken by the Commission includes the annual 'Protecting the Public Purse' report, tailored fraud briefings for local authorities, and the survey of fraud and corruption in England. The new Centre will build on this existing work and introduce new practical guidance for tackling fraud and corruption. Although CIPFA will not have the same statutory powers as the Commission, it intends to continue the annual comprehensive survey of fraud and corruption, as well as expanding the Counter Fraud Centre's reach beyond local government.

Regulation news

Government consultation on flexibility in the use of capital receipts

Between July and September 2013, the Government ran a consultation on allowing capital receipts from new asset sales to be used for one-off revenue purposes. The results of this consultation have now been published. The aims of the proposal were to encourage good asset management planning, and to enable additional resources from asset sales to give flexibility for reforming, integrating or restructuring services. The response to the consultation was clearly positive, so as part of the Autumn Statement the Government announced that they will allow some flexibility for local authorities to use £200mn of receipts from asset sales across 2015/16 and 2016/17 to fund one-off costs of service reforms. Authorities will have to bid for a share of this allowance, and permission for flexible use of capital receipts will be through a capitalisation direction from the Secretary of State under section 16(2)(b) of the Local Government Act. Capital receipts obtained prior to the issue of this consultation will not be allowed to be used for this purpose as one aim of the policy is to encourage new asset sales. As part of the bid process, local authorities will need to assess the extent to which the asset sales are additional to sales which would have occurred anyway.

Consultation on the process for setting up a new town/parish council

The Government ran a consultation ending in May 2014 on a proposal to make it easier to set up a new town or parish council. The proposed new measures are intended ease the process by reducing the burden from the current Community Governance Review process. The current process requires either the Local Authority to carry out a review, or the local community petitioning the Local Authority to create a new parish council, as part of which process the petitioner must also propose the boundaries of the new parish. A minimum number of signatories to the petition are required, depending on the size of the neighbourhood area in question, and the high number required can be a barrier to local campaigns. The current process is also relatively slow, as the required twelve month timescale does not include time for the Local Authority to carry out preparatory work. The proposed new measures include lowering the thresholds of signatures required, shortening the amount of time the Local Authority can take to carry out a Community Governance Review, and allow Neighbourhood Forums to trigger a Community Governance Review.

Regulation news

Audits in 2014/15: work programme and scale fees

Following consultation, the Audit Commission has confirmed the work programme and fee scales for the audit of the accounts for 2014/15 for local government, fire, police and health bodies (including CCGs). The scale fee for individual Local Government bodies is available on the Audit Commission website.

The Audit Commission expects to close on 31 March 2015, as a result of the provisions of the Local Audit and Accountability Act 2014. It will set the fees and work programme for 2015/16, which will be the first year of audit following their closure. The responsibility for overseeing the audit contracts of nearly 11,000 public organisations, spanning local authorities, police, health, fire bodies and rescue services, and for setting fees under them, will pass to a transitional body from April 2015. Ministers have announced that this body will be an independent private company to be set up by the Local Government Association. It will also have responsibility for the Value for Money Profiles tool. The Commission's current contracts with audit suppliers will run until 2016/17, with a possibility of extension up to 2020. Following this, audited bodies will be able to appoint their own auditors.

Award of Audit Contracts

Prior to the decision to abolish the Audit Commission's audit practice, approximately 30% of local public audits were carried out by private sector audit firms. In April 2013 the Audit Commission announced that it would be retendering these contracts which had been awarded in 2006 and 2007.

Following a competitive tendering process, the audit commission confirmed the award of two year contracts to:

- BDO LLP, to the value of £4.6mn a year, covering audits in the South.
- EY LLP, to the value of £9.6mn a year, covering audits in the North and the South.
- KPMG LLP, to the value of £9.6mn a year, covering audits in the North and the South.

There will now be a consultation with the audited bodies concerned on the appointment of auditors, prior to putting the appointments to the Audit Commission Board for approval in December 2014.

Find out more

Economic Outlook

For the full analysis go to:

http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/Economic-Outlook

Dwp single fraud investigation service

Read more about the proposals at:

https://www.gov.uk/government/collections/single-fraud-investigation-service

Council service sharing saves taxpayers £350mn

Find out more at http://www.local.gov.uk/shared-services-map

Contracting out public services to the private sector

Read the NAO report at:

http://www.nao.org.uk/wp-content/uploads/2013/11/10296-001-BOOK-ES.pdf

To find out how EY can help with contract management, contact a member of your engagement team.

Accounting for schools in local authorities

The consultation has now closed, however, you can view the details at

http://www.cipfa.org/SingleIssueITCAccountingforSchoolsinLocalAuthorities

Accounting for infrastructure projects within enterprise zones and tax increment financing funded programmes

Read more at:

http://www.cipfa.org/-/media/files/policy%20and%20guidance/panels/local%20authority%20accounting%20panel/accountingforenterprisezones.pdf

A framework for audit quality

The publication can be found in the 'Focus on Audit Quality' section of the IAASB's website:
https://www.ifac.org/auditing-assurance/focus-audit-quality

Future of local audit

Find out more at:

https://www.gov.uk/government/consultations/future-of-local-audit-consultation-on-secondary-legislation

Find out more

Role of the chief finance officer in the local government pension scheme

Find out more at:

http://www.cipfa.org/-/media/files/policy%20and%20guidance/consultations/140211role%20of%20the%20chief%20finance%20officer%20in%20the%20lgpsconsultation%20draft.pdf

Future of NFI and counter fraud following the closure of the Audit Commission

Further information is available at:

http://www.audit-commission.gov.uk/2014/03/commissions-national-counter-fraud-function-will-go-to-safe-hands/

Government consultation on flexibility in the use of capital receipts

Details of the response to the Government's consultation are available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/300060/Proposals_for_the_use_of_capital_receipts_from_asset_sales_to_invest_in_reforming_services_-_response_to_consultation.pdf

Consultation on the process for setting up a new town/parish council

Details of the consultation are available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/297813/Consultation_on_a_proposal_to_use_a_Legislative_Reform_Order_for_making_it_easier_to_set_up_a_town_and_parish_council.pdf

Audits in 2014/15: work programme and scale fees

The scale fees are published at:

http://www.audit-commission.gov.uk/audit-regime/audit-fees/201415-work-programme-and-scales-of-fees/

Award of Audit Contracts

Read the Audit Commission press release at:

http://www.audit-commission.gov.uk/2014/03/the-audit-commissions-legacy-includes-a-further-25-per-cent-reduction-in-annual-audit-fees/

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ED None

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Committee:	**Performance & Audit Committee**	**Agenda Item**
Date:	**22 July 2014**	**5**
Title:	**Annual Governance statement 2013/14**	
Author:	**Sheila Bronson, Audit Manager** **01799 510610**	Item for decision

Summary

1. The purpose of this report is to seek approval for the Annual Governance Statement published to complement the Council's financial accounts 2013/14

Recommendations

2. That Members approve the draft Annual Governance Statement 2013/14

Financial Implications

3. None. There are no costs associated with this report.

Background Papers

4. None

Impact

5.

Communication/Consultation	The draft Annual Governance Statement 2013/14 has been approved by the Corporate Management Team
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none
Sustainability	none
Ward-specific impacts	none
Workforce/Workplace	none

Situation

6. Under the Council's constitution this committee is responsible for overseeing the Council's work around corporate governance. In 2012 the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) reviewed and revised the approach to corporate governance and in November 2012 published a new framework for good governance. The new guidance builds on the previous assurance gathering process requiring authorities to review the effectiveness of its governance arrangements against the key elements of the systems and processes that compromise an authority's governance.

   The Annual Governance Statement is required to be published to complement the published statement of accounts. One of the previous good practice recommendations is that this Statement should be considered separately to the published accounts.

   The Annual Governance Statement 2013/14 (appendix A) has been prepared in consultation with senior offices and using information from the 2012/13 Annual Governance Statement which has been reviewed and updated to reflect the operation of the Council during 2013/14. A copy of the CIPFA Guidance 2012 and the draft Annual Governance Statement 2013/14 showing changes from the 2012/13 statement is available to Members on request.

   The statement has been agreed by the Corporate Management Team at its meeting on 01 May 2013.

   Evidence in support of the Annual Governance Statement is being prepared in accordance with the CIPFA for examination by the External Auditors as part of their 2013/14 Audit and will be available to members on request.

Risk Analysis

7.

Risk	Likelihood	Impact	Mitigating actions
No Annual Governance Statement is produced for inclusion in the Financial Accounts	1 = Little or no likelihood Timetable and Framework to be established for the review, monitoring and preparation of the Annual Governance Statement	3 = Significant impact – action required Statutory requirement, adverse External Auditor Report	The Annual governance Statement is reviewed by the External Auditor and by the Performance & Audit Committee

1 = Little or no risk or impact
2 = Some risk or impact – action may be necessary.
3 = Significant risk or impact – action required
4 = Near certainty of risk occurring, catastrophic effect or failure of project.

1	**SCOPE OF RESPONSIBILITY**
1.1	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.
1.2	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.
1.3	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**
2.1	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.
2.2	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.
2.3	The governance framework has been in place at Uttlesford District Council for the year ended 31 March 2014 and up to the date of approval of the annual statement of accounts.
3	**THE GOVERNANCE FRAMEWORK**
3.1	Some of the key features of the governance framework are set out in the following paragraphs.
3.2	The Uttlesford District Council Corporate Plan 2013 to 2018 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 2014-2019 was approved by members at the Council Meeting held in February 2014
3.3	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.
3.4	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'.
3.5	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.
3.6	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 2013/14.
3.7	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 complied with the CIPFA statement in 2013/14
3.8	The primary counterbalances to our Cabinet are the Scrutiny and the Performance & Audit Committees. The role of these committees is to provide a robust challenge to the Executive.
3.9	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.
3.10	The Council has formal complaints procedures which allows the public or other stakeholders to make a complaint regarding the service received from the Council or on the conduct of Members. The Standards Committee has responsibility for overseeing the investigation of complaints against members. For the period 01/04/13 to 31/03/14, there were 6 allegations received of a breach of the Code of Conduct. 2 were against parish councillors, 4 against district councillors. 1 complaint against a parish councillor and 1 complaint against a district councillor were made by members of the public. The other 4 complaints were made by district councillors. 1 complaint against a parish councillor and 2 complaints against district councillors were passed for investigation. In 1 case a district councillor was found to have breached the council's code of conduct but the committee decided that no action was necessary. In the other 2 cases no breach was found.
3.11	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 being reviewed in May 2014.
3.12	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
3.13	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 2013/14 the Performance & Audit Committee were particularly concerned about performance in three areas of work and sought additional assurance, including regular written and verbal updates, from the relevant senior managers and portfolio holders.
3.14	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.
3.15	The 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.
3.16	During 2013/14 pre-meeting training concerning Planning has been carried out. Training has also been provided to Members on the new Scrap Metal Dealers Act. The Members Bulletins provide regular updates to Members on relevant corporate matters, service specific items, legislative changes etc.
3.17	The Council continues to ensure it is open and accessible to the community. In 2013/14 it has: • Continued to regularly survey the view of residents through its Citizens Panel • Published further information on the transparency section of the website to meet new guidelines • Held further consultation exercises around the draft Local Plan. • Trialled audio streaming and recording of meetings of the Planning Committee, Full Council and Cabinet 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.
3.18	During 2013/14 the Council's Scrutiny Committee has looked at various areas of council decision making and service delivery, including car parks, dog fouling, the Local Plan, Housing scrutiny, septic tank collection and planning performance. It has also scrutinised

	the work of external organisations, including the East of England Ambulance Service in relation to response times, GP accessibility in growth areas and changes to NHS England and the West Essex CCG. A summary of the year's work can be found at Item 12 of the 29 April 2014 Scrutiny Committee.
3.19	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 shared provision of , insurance, energy efficiency, health and safety and communications. The Council is actively involved in the Essex Partnerships programme and has set aside £50,000 to invest on a needs basis.
3.20	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.
4	**REVIEW OF EFFECTIVENESS**
4.1	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.
4.2	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.
4.3	The Council's Section 151 Officer 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 thes151 Officer to ensure compliance with financial requirements.
4.4	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 2013/14 concluded on balance that our audit opinion on the control environment for 2013/14 is that risks material to the achievement of the objectives for the audited areas identified by Internal Audit are, on balance, substantially managed and controlled.
4.5	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.

4.5	With effect from 1 April 2013, the work of Uttlesford District Council's (UDC) Internal Audit has been governed by the UK Public Sector Internal Audit Standards (PSIAS) which have replaced the CIPFA Code of Practice for Internal Audit in the UK. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF, additional requirements and interpretations for the UK public sector have been inserted in such a way as to preserve the integrity of the text of the mandatory elements of the IPPF. The PSIAS are mandatory for all internal auditors working in the UK public sector. An internal assessment of the performance of Internal Audit and and its conformance with the PSIAS has been 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. An essential element of this assessment is to ensure that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance.
4.7	In April 2014, 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 in all material respects.
4.8	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.
4.9	EY were appointed as the Council's External Auditor from 01 September 2012 and are responsible from reviewing the Council's Statements of Accounts. In addition to reviewing the 2012/13 Statement of Accounts, EY issued a formal opinion on the Council's arrangements for securing Value for Money concluding that the council had made appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.
5	**SIGNIFICANT GOVERNANCE ISSUES**
5.1	**Significant Issues from 2012/13** There were three significant governance issues identified in the 2012/13 Annual Governance Statement, all of which have been resolved. 1. A formal system of annual appraisal to review the performance of the Chief Executive has been introduced. 2. Directorate and Service plans have been made available to the Internal Audit Manager. 3. Each member of CMT and the Community Partnerships, ICT and Street Services Managers are required to report quarterly to CMT specifically on their own service area developments.
5.2	**Significant Control and Governance issues identified 2013/14**
	1. Since 1 April 2011 parking in Uttlesford has been run by the North Essex Parking Partnership and is a major source of income and expenditure for the Council, but at present the Council's Internal Audit is unable to provide assurance on the systems and controls within the NEPP. Under the terms of the partnership agreement Colchester Borough Council, in their role as lead authority for the NEPP, is responsible for the internal audit arrangements for NEPP. However, Internal Audit at Colchester BC is outsourced to Deloittes who have also been given responsibility for the internal auditing of the NEPP by Colchester BC. As a consequence of this, the NEPP internal auditors have no direct accountability to the

	partnership and access to internal audit work and reports to the other partners in the NEPP is restricted. It has only been through working in conjunction with the other NEPP partner Internal Audit Managers, and only after two different Hold Harmless letters per partner authority were submitted to Colchester BC, that access to Deloittes audit information was agreed and copies of the Deloittes Internal Audit Reports for the NEPP finally distributed (for 2012/13 in September 2013 and for 2011/12 in May 2014). For the first time for 2013/14, and only following a specific request from the other NEPP partner Internal Audit Managers, were these Internal Audit Managers consulted on the objectives and scope of the Internal Audit work to be undertaken by Deloittes. Unfortunately the report has not yet been finalised and therefore unavailable for consideration at this time. Draft protocols between NEPP partner Internal Audits are under discussion, access to the NEPP computer systems has now been given to the Council's Internal Audit section. It is anticipated that the Council's Internal Audit will be able to complete its audit work during 2014/15 and as a result be able to provide assurance on the systems and controls within the NEPP.
5.3	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. Signed: _ ____ Leader and Chief Executive on behalf of Uttlesford District Council.

Committee:	**Performance & Audit**	**Agenda Item**
Date:	**22 July 2014**	**6**
Title:	**2013/14 Draft Statement of Accounts**	
Author:	**Adrian Webb** **Director of Corporate Services** **Angela Knight** **Assistant Director of Finance**	Item for information

Summary

1. At its meeting on 25 September 2014, the Committee will be requested to approve the audited Statement of Accounts for 2013/14, along with the External Auditor's Audit Results Report.

2. To familiarise Members with the issues, the draft Statement of Accounts is presented to tonight's meeting. The draft Statement was published on 30 June and is consistent with the outturn results approved by Cabinet on 25 June.

3. At the meeting officers will draw Members' attention to the key issues in the accounts, and Members have an opportunity to ask questions. Officers shall also be pleased to meet with individual Members separately to discuss the accounts.

4. There are no significant changes to the format and content of the accounts this year. Members' attention is drawn to the 'Significant Matters' and 'Key Results' sections of the Explanatory Foreword (pp iii - xv).

5. At the time of writing the report the external audit of the accounts had only just commenced. An update will be verbally provided at the meeting.

6. The final audited accounts, together with the external audit report of confirmed issues arising, will be presented to the Committee on 25 September.

7. All Members have completed and returned their Related Party Declaration forms.

Recommendations

8. The Committee is recommended to:

    a. review the draft Statement of Accounts for 2013/14.

    b. identify any additional information or assurance that would assist with the Committee's approval of the Accounts at the September meeting.

Financial Implications

9. No direct financial implications.

Background Papers

None.

Impact

Communication/Consultation	No direct implications
Community Safety	No direct implications
Equalities	No direct implications
Health and Safety	No direct implications
Human Rights/Legal Implications	No direct implications
Sustainability	No direct implications
Ward-specific impacts	No direct implications
Workforce/Workplace	No direct implications

General Fund

10. After allowing for planned transfers to earmarked reserves the final outturn shows a net favourable variance of £476,000 which has been added to the Change Management Reserve. Within this overall position some overs and unders occurred.

11. There are three adverse variances exceeding £100,000, all of which had been forecasted and were included in the Budget Monitoring Report approved by the Cabinet in February.

    - Revenues Administration (£118,000). One off variance. The service has experienced a significant increase in the volume and complexity of work mainly associated with managing the introduction of welfare reforms (housing benefit reductions and LCTS). At the same time there was staff turnover in the early part of 2013/14 with three experienced benefits officers leaving. And in the final quarter of the year a significant amount of benefits staff and management resource was required to support the external audit of the 2012/13 DWP grant claim. These issues have necessitated the use of temporary staff to stay on top of the benefits workload.

    - Financial Services (£110,000). Mostly one off variance. The outcome of the tender for the new insurance contract was a 15% increase in the premium, giving rise to unbudgeted costs of £25,000 in 2013/14. There is a “below the line” one off saving of £100,000 as the planned establishment of a new Insurance Reserve did not go ahead. The main overspend in Financial Services were one off staffing and consultancy costs incurred in the Spring and Summer of 2013 in order to support the accounts production and external audit process during a period of volatility and staff turnover in the Finance team.

    - Capital Financing Costs (£524,000). A one off additional cost relating to a revenue contribution to the financing of the capital programme in lieu of borrowing, in order to save money over the longer term.

12. There are five favourable variances above £100,000. All of these items were forecasted and reported to Cabinet in February although in some cases the amounts have increased.

- Development Management (£412,000). One off variance. A significant amount of planning fees income has been received relating to major planning applications. The additional income over and above the budget is £570,000. This is partly offset by additional costs (including consultants) incurred in the handling of applications. £412,000 has been earmarked in the Planning Development Reserve, along with the budgeted top up of the Reserve, to ensure that monies are available to carry out work on major planning issues, and to provide contingency against appeals related costs.

- Housing Benefits (£342,000). One off variance. The service is responsible for administering approximately £17.2 million of benefits payments with a similar amount being reclaimed via DWP grant. The service has reported a high level of processing accuracy such that the amount of DWP grant claimed is £277,000 better than the amount prudently assumed in the budget. In addition there is a favourable variance of £89,000 arising from an improved performance in relation to recovery of overpaid housing benefit. Arising from the 2012/13 DWP grant claim audit is a possible liability risk in the range of £131,000 to £211,000 which may have to be repaid to DWP. Their decision on this is awaited. £211,000 has been put into the Local Government Resource Review (LGRR) Reserve as a contingency against this risk.

- Local Council Tax Support (£212,000). One off variance. The cost of LCTS discounts granted was lower than the budgeted amount due to reductions in the number of people claiming discounts. Because of its relatively generous LCTS scheme, the Council had committed to compensating ECC, Police and Fire to ensure that their loss of Council Tax income arising from LCTS discounts was no greater than the Government funding they received. When the budget was prepared in early 2013 the estimated value of this subsidy was £212,000. In fact the discounts levels were fractionally below the Government funding, so no subsidy is needed. £212,000 has been put into the LGRR Reserve to bolster the contingency against the ongoing volatility in the local government finance system.

- Council Tax Benefit (£179,000). One off variance. Council Tax Benefit was abolished at the end of 2012/13. During 2013/14, the Council continued to recover overpayments of Council Tax Benefit. As this is expenditure that was funded by central government, it was assumed that the money collected would be repaid to DWP. However, in liaison with other councils and upon careful review of the relevant statutory regulations, it has been determined that the money can be retained by UDC.

- Public Health (£108,000) – ongoing variance. Additional net income arising from the transfer of substantial vegetables inspection activity to Stansted Airport.

Localisation of Business Rates

13. 2013/14 was the first year of the new localised business rates system (LBR).

14. Under the previous system, 100% of all business rates income collected was handed over to central government. There was no interaction with the Council's General Fund and the accounting was straightforward. Under the new LBR system, 40% of the business rates income collected is retained by the district council. A complex array of adjustments is applied to the retained sum which is designed to prevent both unjust enrichment of councils, and unmanageable shocks.

15. For UDC, from the early 2013 estimated gross business rates collected of £40 million, the 40% retained share is around £16 million. A tariff is payable to central government such that the baseline LBR funding for UDC is £1.36 million and this is the amount that was budgeted for in the General Fund.

16. During 2013/14 it was identified that the Council is exposed to significant liabilities arising from the backlog of appeals lodged by businesses against their rateable values. Appeals are determined by the Valuation Office and are outside of the Council's control. Measuring the size of the appeals refund risk is a complex task and will be subject to detailed external audit.

17. The Council therefore commissioned an independent rating valuations expert (Wilks Head & Eve) to audit its appeals list and advise on the level of refund liability risk. This advice was that the Council should provide for liabilities totalling £6.8 million of which the 40% share impacting on UDC would be £2.7 million.

18. Under established accounting principles, the £2.7 million would ordinarily be charged as a cost against the General Fund. The LBR safety net mechanism would kick in such that UDC would retain a minimum of £1.25 million from business rates (92.5% of the baseline figure of £1.36 million). Budget forecasting was done on this basis.

19. It was not until the end of the financial year, when Government regulations and CIPFA accounting guidance were issued, when it was determined that established accounting principles would not be followed in relation to LBR. Instead, the General Fund would be credited with the early 2013 estimated business rates figure (not the year end actual figure), and accounting for the Council's share of the liability provision would actually be deferred into future years. At the same time, the safety net payment due from Government is treated as income in the General Fund.

20. The situation causes a timing mismatch between the cost of the appeal refund liability, and the income from the safety net; in addition notional numbers are used rather than real numbers.

21. The effect of this unsatisfactory failure of regulations and accounting guidance to follow established principles, actual results and common sense, is that there is an artificial, temporary surplus in the Council's 2013/14 General Fund of approx. £2.5 million. This is counter-intuitive, because of the appeals liability risk which means that the Council has not in reality earned a surplus. Other councils are experiencing similar outcomes

although in the case of UDC the situation is magnified by the disproportionate effect of Stansted Airport.

22. In due course, assuming estimates about the appeals liability risk are reasonably accurate, this money will be paid out to businesses who win their appeals and this will be a cost to the Council's General Fund in later years. It is therefore absolutely essential that the temporary artificial surplus of £2.5 million is held in a ringfenced reserve so that it is available to cushion the impact of the appeals refunds when they are required to be accounted for in later years.

23. The accounting treatment of the £2.5 million is the same as any other earmarked reserve however it is very important that the £2.5 million is not considered to be a usable reserve available to spend. Although this means that the total level of earmarked reserves as at 31 March 2014 is boosted from approx. £8 million to approx. £10.5 million, this is an artificial situation and it is more appropriate to regard the Council's usable reserves total to be the £8 million figure.

Housing Revenue Account (HRA)

24. This was the second year of the self-financing HRA business plan. As expected, an operating surplus of around £3 million was earned, which has been spent or committed on housing improvement schemes.

25. There was an in year net favourable variance of £318,000 which has been allocated to the Sheltered Housing Reserve to fund future improvements. Within this overall position some overs and unders occurred.

26. There is one significant adverse variance within the operating surplus of £81,000. This relates to an historic debtor balance for supporting people funding from Essex County Council which was written off in 2013/14.

27. There are two favourable variances above £50,000. An increase in rental income of £183,000 and a reduction in the bad debt provision of £162,000. Both of these variances relate to better rent collection due to investment in the service by offering extra support and advice to tenants. In addition the bad debt provision was increased in 2012/13 with the expectation of the 'bedroom tax' increasing rent arrears, this has not been the case and the bad debt provision has now been re calculated to reflect the current rental income position.

Capital Programme

28. The capital programme budget, including adjustments approved by Cabinet, was £9.943 million. At the end of the year a number of projects were carried forward to 2014/15, these totalled £1.903 million. Of the remaining £8.040 million budget total capital expenditure was £8.042 million.

29. The £2,000 adverse variance comprises an £85,000 favourable variance on completed general fund projects and an £87,000 adverse variance on the completed HRA capital projects.

S106 Balances

30. As at 31 March 2014 a total of £4.138 million was held as S106 funds. This differs from the £3.8 million reported to Cabinet on 25 June as the S106 agreement for Sampford Road (£354,000) was identified whilst compiling the final figures for the statement of accounts.

Usable Reserve - (S106 Contributions without conditions)	31 March 2013 £'000	Income £'000	Interest £'000	Drawn Down £'000	31 March 2014 £'000
S106 Unapplied					
Stansted Housing Partnership	2,343		6	(722)	1,627
Dunmow Eastern Sector	18				18
Section 106 - Woodlands Park	44			(3)	41
Section 106 - Friends School	29				29
Section 106 - The Pastures	30			(30)	-
Section 106 - Priors Green	9			(1)	8
Section 106 - Rochford Nurseries	24				24
Section 106 - Lt Walden Road/Ashdon Road	-	98			98
Section 106 - Oakwood Park	-	5			5
SUB TOTAL	**2,497**	**103**	**6**	**(756)**	**1,850**

Creditor - (S106 Contributions with conditions)	31 March 2013 £'000	Income £'000	Drawn Down £'000	31 March 2014 £'000
S106 Receipts in Advance				
Section 106 - Priors Green	222	1	(122)	101
Section 106 - Felsted	10	-	-	10
Section 106 - Oakwood Park	10	-	-	10
Section 106 - Rochford Nurseries	444	346	(6)	784
Section 106 - Bell College	-	6	-	6
Section 106 - Manuden Village Hall and Sports Facilities	1,583	-	(1,308)	275
Section 106 - The Orchard, Elsenham	-	42	-	42
Section 106 - Wedow Road, Thaxted	-	64	-	64
SUB TOTAL	**2,269**	**459**	**(1,436)**	**1,292**

Creditor - (S106 Contributions due to other bodies)	31 March 2013 £'000	Income £'000	Drawn Down £'000	31 March 2014 £'000
S106 Receipts in Advance				
Section 106 - Sector 4 Woodlands Park (Helena Romane School)	225	-	(60)	165
Section 106 - Priors Green	8	-	(7)	1
Section 106 - Wedow Road, Thaxted	-	187	-	187
Section 106 - Barnetson Court, Dunmow	-	66	(66)	-
Section 106 - Broomfields, Hatfield Heath	-	155	(155)	-
Section 106 - Rochford Nurseries	-	289	-	289
Section 106 - Sampford Road	-	354	-	354
TOTAL	**233**	**1,051**	**(288)**	**996**

Landsbanki

31. The Landsbanki issue was finally resolved on 30 January 2014, consistent with the confidential part 2 decisions taken by the Council on 1 July 2013.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
The auditor is unable to issue an unqualified opinion on the accounts due to unresolved errors and delays completing the audit.	1 – all working papers checked and supplied on time	4 – a qualified opinion would impact on the reputation of the council	Continuous liaison with the External Auditors to identify areas of concern early and remedy the issues effectively.

Statement of Accounts 2013/14

Uttlesford District Council

Contents **Page**

EXPLANATORY FOREWORD

1. INTRODUCTION

1.1. 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 80,000.

1.2. 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.

1.3. This Statement of Accounts presents the financial results of the Council's activities for the year ended 31 March 2014, and summarises the overall financial position of the Council as at 31 March 2014. This foreword provides a guide to the significant matters reported in these accounts.

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2. THE ACCOUNTING STATEMENTS

2.1 The Council is required by law to complete its accounts in line with the CIPFA Code of Practice on Local Authority Accounting – a Statement of Recommended Practice (the 'Code').

2.2 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.

2.3 This Explanatory Foreword sets out the key issues and is intended to give the reader an insight into the Council's financial performance during 2013/14.

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

Movement in Reserves Statement (page 1)

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 3)

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 4)

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 6)

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

Notes to the Core Financial Statements (pages 7 to 66)

These provide additional information.

Housing Revenue Account (HRA) Comprehensive Income and Expenditure Account (page 67)

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

Collection Fund (page 73)

This shows the transactions of the Council as a billing authority relating to Council Tax and Business Rates, and shows how these have been distributed between precepting local authorities and Central Government.

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 increased by £8.2 million during the year, from £145.1 million to £153.3 million. The key movements are summarised below.

£m	31 March 2013	31 March 2014	Increase / (Decrease) in Net Assets	See Note Below
Fixed Assets	261.4	261.6	0.2	a
Long Term Assets	1.9	0.8	(1.1)	b
Current Assets	16.2	28.3	12.1	c
Current Liabilities	(6.3)	(15.1)	(8.8)	d
Long Term Liabilities	(128.1)	(122.3)	5.8	e
Net Assets	**145.1**	**153.3**	**8.2**	

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.

During 2013/14, the value of the Council's fixed assets increased by £0.2 million. This small change comprises a number of larger movements. The value of existing property increased by £1 million. Expenditure on new or enhanced fixed assets totalled £6.9 million; most of this related to new or enhanced council housing. Disposals of fixed assets reduced the value by £3.9 million (including £1.9 million of vehicles, plant and equipment, £0.8 million of Council House sales and £0.8 million of other land and buildings disposals), and the net depreciation charge was £3.9 million. Along with other smaller changes in asset values, the overall net effect was increase of £0.2 million. Full details are set out in table 7.1 on page 23.

b) Long Term Assets

The reason for the reduction in this balance sheet category is that during the year the Council sold its deposit with Landsbanki to Deutsche Bank. Accordingly the Landsbanki balance sheet value of approx. £1 million has been removed. The monies received from Deutsche Bank form part of the short term investments included within Current Assets.

c) Current Assets

Current assets are item 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 £12.1 million is due to the following:

- An increase of £5.6 million in Debtors (amounts owed to the Council). This comprises: £1.6 million of Safety Net funding payable by Central Government to the Council to offset losses sustained in the level of business rates retained, arising from the requirement to make provision for expected refunds to businesses; £3.8 million which reflects the share of the accounting deficit on the business rates account that is attributable to Central Government, Essex County Council and Essex Fire Authority; £0.5 million of money owed to the Council from Central Government relating to the funding of Housing Benefits, and a net reduction in other, smaller balances of £0.1 million

- An increase of £6.5 million in short term investments and cash & bank balances, due to a healthier cashflow position. This comprises: the Council selling its remaining Landsbanki deposit (approximately £1 million), which converts a long term investment into monies invested short term; increased collection of Council Tax income (£1.5 million); increased collection of business rates income (£2.6 million) and a net increase in the net debtors/creditors position of £1 million (net increase in creditors, therefore there is a cash increase). 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) Current Liabilities

Current Liabilities represent monies that the Council owes to other parties that are due for payment within one year. During 2013/14 the current liabilities balance has increased by £8.8 million. This comprises: £2.5 million increase in provisions for known liabilities, mostly relating to the Council's contribution towards refunds the Council expects to make to business ratepayers upon determination of their appeals against Rateable Values by the Valuation Office; £4.8 million which reflects the contribution to the business rates refunds which will be met by Central Government, Essex County Council and Essex Fire Authority; £1.5 million of business rates income paid by Stansted Airport received in advance of when the payment was due; Council Tax monies collected owed to Essex County Council, Essex Police and Essex Fire Authority of £0.6 million; various small movements with a net effect of minus £0.2 million.

e) Long Term Liabilities

Long Term Liabilities decreased by £5.8 million which is due to two significant movements during the year. Firstly that the Council's share of the Essex Pension Fund deficit reduced by £5.4 million, from £31.7 million to £26.3 million.

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 actuarial estimates of the Fund's assets and long term liabilities.

During 2013/14 the actuarial estimate of the Fund's asset values increased by £2.3 million, and the actuarial estimate of the Fund's liabilities reduced by £3.1 million. The combined effect of these changes is to reduce the deficit by £5.4 million. In general, continued strong performance of investment markets, and measures taken to reduce future liabilities on the Fund, combined with the Council making the required deficit repayments, have achieved an improvement in the reported funding position as at 31 March.

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. Pension scheme reforms to reduce liabilities continued to be 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 decreased by £0.6 million, from £2.6 million to £2.0 million. This relates to the Council's holding of funds relating to the Stansted Area Housing Partnership, which are ringfenced funds for the provision of housing in the vicinity of Stansted Airport, and "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 pay out the money to achieve the required outcomes. During the year the Council disbursed £0.7 million from the Stansted Area Housing Partnership Fund. The Council received £0.1 million of new contributions into S106 funds such that the net reduction in this total balance was £0.6 million. Further details are set out in note 11.3.

The bulk of the Long Term Liabilities figure, £88.4 million out of £121.9 million, represents money that the Council was obliged to borrow from Government in 2011/12 as part of council housing finance reforms. The first £2 million out of the £88.4 million becomes due for repayment in 2017/18.

4. KEY RESULTS OF THE FINANCIAL YEAR

The following is a summary of the key operational financial results for 2013/14. 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 25 June 2014. (website link)

4.1 GENERAL FUND

Total General Fund reserves available to spend increased by £1.844 million, from £6.119 million to £7.963 million. In addition, £2.538 million of business rates income has been placed in a ring fenced reserve, to meet expected appeals refund liabilities that will arise during the next few years. The ring fenced reserve is solely for the purpose of meeting these liabilities, and is not available to spend on other Council services.

	31 March 2013	31 March 2014	Net increase
	£m	£m	£m
Working Balance	1.214	1.214	-
Earmarked Reserves	4.905	6.749	1.844
Sub total – Reserves available to spend	**6.119**	**7.963**	**1.844**
Business Rates Ring fenced Reserve	-	2.538	2.538
Total General Fund Reserves	**6.119**	**10.501**	**4.382**

Net Operating Expenditure was £2.803 million, which was £1.472 million below the budget, as summarised in the table below.

General Fund	**Budget**	**Outturn**	**Variance from revised budget**
	£m	£m	£m
Service & corporate budgets	9.832	8.277	-1.555
Government funding	-4.201	-4.220	-0.019
Local share of business rates	-1.356	-3.792	-2.436
Set up new Business Rates Ring fenced Reserve	-	2.538	2.538
Net Operating Expenditure	4.275	2.803	-1.472
Increase in General Fund Reserves	0.372	1.368	0.996
Net Budget Requirement	**4.647**	**4.171**	**-0.476**

After allowing for transfers to earmarked reserves, the bottom line represented a net underspend of £0.476 million. The underspend of £0.476 million is added to reserves. This figure, along with the £1.368 million of transfers during the year, amount to an increase in General Fund earmarked reserves of £1.844 million.

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

	Variance favourable(-) / adverse
	£m
Planning fees income net of consultancy costs	-0.412
Housing Benefits grant income from DWP and overpayments recovery	-0.342
Local Council Tax Support subsidy not required due to reducing demand	-0.212
Council Tax Benefit overpayment recovery	-0.179
Public Health – additional income from vegetables inspection at Stansted Airport	-0.108
Street Services management post not filled & staffing savings	-0.090
Legal Services costs recovery higher than budget	-0.081
Landsbanki accounting adjustment	-0.079
Corporate Team staffing costs underspend	-0.064
Street Cleansing staffing costs saving	-0.057
Additional dividend from Collection Fund due to good Council Tax collection	-0.054
Contribution to Essex Community Budgets initiative not required	-0.050
Leisure PFI contract underspend	-0.049
Car Parking income above budget	-0.047
Capital Financing costs – revenue contributions in lieu of borrowing	0.524
Revenues & Benefits services – use of agency staff	0.118
Financial Services – increase in insurance costs and use of agency staff	0.110
Total of minor variances and underspends (net)	-0.400
Net favourable variance	**-1.472**

4.2 HOUSING REVENUE ACCOUNT (HRA)

2013/14 was the second 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, 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 2013/14, total HRA reserves increased by £0.409 million, from £2.963 million to £3.372 million:

	31 March 2013	31 March 2014	Net increase
	£m	£m	£m
HRA Working Balance	0.680	0.680	-
Capital projects (committed)	1.223	1.223	-
Potential development projects	0.800	0.800	-
Major Repairs	-	0.091	0.091
Sheltered Housing	-	0.318	0.318
Change Management	0.200	0.200	-
Revenue projects	0.060	0.060	-
Total HRA Reserves	**2.963**	**3.372**	**0.409**

The Operating Surplus was £3.180 million, which was £0.316 million higher than the budgeted surplus of £2.864 million. From the Operating Surplus of £3.180 million, £2.862 million was used to finance capital projects, leaving a bottom line surplus of £0.318 million. This was added to the Sheltered Housing Reserve, to fund future sheltered housing improvements.

Housing Revenue Account	Budget	Outturn	Variance from Revised Budget
	£m	£m	£m
Income	-14.504	-14.704	-0.200
Expenditure	11.640	11.524	-0.116
Operating Surplus	**-2.864**	**-3.180**	**-0.316**
Funding of capital projects	3.382	2.862	-0.520
Transfers from reserves	-0.663	-	0.663
Surplus for year	**-0.145**	**-0.318**	**-0.173**

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

	Variance Favourable (-) / adverse
	£m
Rent Collection better than budgeted	-0.183
Reduction in bad debt provision	-0.162
Supporting People funding not received	0.081
Total of minor variances and underspends (net)	-0.052
Net favourable variance	**-0.316**

4.3 CAPITAL PROGRAMME

Total capital expenditure was £8.042 million, which was £0.002 million above the revised budget after allowing for slippages.

Capital Programme	Budget	Slippage	Revised Budget	Outturn	Variance from Revised Budget
	£m	£m	£m	£m	£m
General Fund schemes	2.908	-0.507	2.401	2.316	-0.085
Housing Revenue Account schemes	7.035	-1.396	5.639	5.726	0.087
Total Capital Expenditure	**9.943**	**-1.903**	**8.040**	**8.042**	**0.002**

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

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5. MAJOR INFLUENCES ON THE COUNCIL'S INCOME, EXPENDITURE AND CASH FLOW

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

- Government funding through the Local Government Finance Settlement (Revenue Support Grant and distribution from the National Non-Domestic Rates Pool) is determined by central government. The annual change in funding is a major factor affecting the financial health of the Council. 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 26% of this funding, and the Government has indicated overall cuts in the local government budget of a further 11% 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.

- Local Business Rates (LBR) Income. Under the previous system, 100% of all business rates income collected was handed over to central government. There was no interaction with the Council's General Fund.
  Under the new LBR system, 40% of the business rates income collected are retained by the district council, this income is now included in the base budget.
  In addition the government has set a level of business rates funding deemed to be applicable to each area and every Council receives a top-up (if business rates collected are below this deemed level of funding) or pays a tariff (if business rates collected are above this deemed level of funding).

During 2013/14 it was identified that the Council is exposed to significant liabilities arising from the backlog of appeals lodged by businesses against their rateable values. Appeals are determined by the Valuation Office and are outside of the Council's control. Measuring the size of the appeals refund risk is a complex task and will be subject to detailed external audit.
The Council therefore commissioned an independent rating valuations expert (Wilks Head & Eve) to audit its appeals list and advise on the level of refund liability risk. This advice was that the Council should provide for liabilities totalling £6.8 million of which the 40% share impacting on UDC would be £2.7 million detailed in table 10.2 page 32.

- 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.

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6. THE FINANCIAL NEEDS AND RESOURCES OF THE COUNCIL

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

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7. AUDIT OF ACCOUNTS

7.1 These accounts are published following completion of the audit by the External Auditor, EY (see Auditor’s Report on page107).

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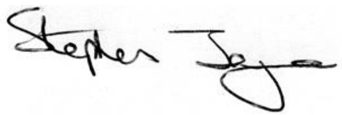
8. FURTHER INFORMATION

8.1 The Council produces a detailed Budget Book, which sets out the financial plans for the following financial year. A copy of this may be obtained by contacting Angela Knight, Acting Assistant Director (Finance), at Uttlesford District Council, Council Offices, London Road, Saffron Walden, CB11 4ER. Email: aknight@uttlesford.gov.uk

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



Stephen Joyce
Assistant Chief Executive - Finance

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

Stephen Joyce
Assistant Chief Executive - Finance

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

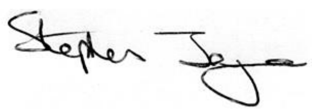
The Assistant Chief Executive - Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code').

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 2014 and its Income and Expenditure for the year ended 31 March 2014.

Signature:



Stephen Joyce
Assistant Chief Executive - Finance

Date: 30th June 2014

APPROVAL OF THE ACCOUNTS

I confirm that the Statement of Accounts was approved by a resolution of the Performance & Audit Committee on 25th September 2014.

Signature:

Councillor Simon Howell
Chairman Performance & Audit Committee
Uttlesford District Council

Date: 25th September 2014

CORE FINANCIAL STATEMENTS

Movement in Reserves 2013/14

	General Fund Balance £'000	Earmarked GF Reserves £'000	HRA Balance £'000	Earmarked HRA Reserves £'000	Major Repairs Reserve £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2013	**(1,214)**	**(4,905)**	**(680)**	**(2,283)**	**-**	**(885)**	**(2,517)**	**(12,484)**	**(132,586)**	**(145,070)**
(Surplus) or deficit on provision of services (accounting basis)	1,719	-	(1,971)	-	-	-	-	(252)		**(252)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(8,026)	**(8,026)**
Total Comprehensive Income and Expenditure	**1,719**	**-**	**(1,971)**	**-**	**-**	**-**	**-**	**(252)**	**(8,026)**	**(8,278)**
Adjustments between accounting basis & funding basis under regulations (Note 2)	(6,178)	-	1,653	-	(91)	(374)	665	(4,325)	4,325	**-**
Net Increase / Decrease before Transfers to Earmarked Reserves	**(4,459)**	**-**	**(318)**	**-**	**(91)**	**(374)**	**665**	**(4,577)**	**(3,701)**	**(8,278)**
Transfers to / (from) Reserves	4,459	(4,382)	318	(318)	-	-	(77)	-		**-**
(Increase) / Decrease in Year	**-**	**(4,382)**	**-**	**(318)**	**(91)**	**(374)**	**588**	**(4,577)**	**(3,701)**	**(8,278)**
Balance at 31 March 2014	**(1,214)**	**(9,287)**	**(680)**	**(2,601)**	**(91)**	**(1,259)**	**(1,929)**	**(17,061)**	**(136,287)**	**(153,348)**

Movement in Reserves 2012/13

	General Fund Balance	Earmarked GF Reserves	HRA Balance	Earmarked HRA Reserves	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)	2,406	-	(1,293)	-	-	-	-	1,113	-	**1,113**
Other Comprehensive Income and Expenditure	1	-	(1)	-	-	-	-	-	(414)	**(414)**
Total Comprehensive Income and Expenditure	**2,407**	**-**	**(1,294)**	**-**	**-**	**-**	**-**	**1,113**	**(414)**	**699**
Adjustments between accounting basis & funding basis under regulations (Note 2)	(2,819)	-	(1,021)	-	-	(811)	-	(4,651)	4,651	-
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)**

Comprehensive Income and Expenditure Statement

Gross Expenditure (Restated) 2012/13 £'000	Gross Income (Restated) 2012/13 £'000	Net Expenditure (Restated) 2012/13 £'000		Note Reference	Gross Expenditure 2013/14 £'000	Gross Income 2013/14 £'000	Net Expenditure 2013/14 £'000
6,592	(4,641)	1,951	Central Services to the Public		2,337	(900)	1,437
3,061	(746)	2,315	Cultural and Related Services		2,851	(846)	2,005
5,573	(2,753)	2,820	Environmental & Regulatory Services		5,975	(2,899)	3,076
2,937	(1,228)	1,709	Planning Services		2,775	(1,748)	1,027
496	(972)	(476)	Highways, Roads & Transport Services		408	(1,020)	(612)
9,814	(14,095)	(4,281)	Housing Revenue Account		9,284	(14,683)	(5,399)
17,981	(17,293)	688	Other Housing Services		19,608	(17,775)	1,833
109	(10)	99	Adult Social Care		106	-	106
1,712	(16)	1,696	Corporate and Democratic Core		1,878	(2)	1,876
3	-	3	Non-Distributed Costs		110	-	110
48,278	**(41,754)**	**6,524**	**Cost of Services**		**45,332**	**(39,873)**	**5,459**
		2,973	Other Operating Expenditure	5.1			7,040
		4,258	Financing & Investment Income and Expenditure	5.2			4,243
		(12,642)	Taxation and Non-Specific Grant Income	5.3			(16,994)
		(5,411)	**Corporate Amounts**				**(5,711)**
		1,113	**(Surplus)/Deficit on Provision of Services**				**(252)**
		(1,480)	Surplus on Revaluation of Non-Current Assets				(1,029)
		1,066	Actuarial (Gains)/Losses on Pension Assets /Liabilities				(6,962)
		-	Other Movements in Usable/Unusable Reserves				(35)
		699	**Total Comprehensive Income and Expenditure**				**(8,278)**

Balance Sheet

31 March 2013 £'000		Notes	31 March 2014 £'000	£'000
511	**Intangible Non-Current Assets**	6.1		**418**
	Property, Plant and Equipment - Operational Assets			
228,721	Council Dwellings	7.1	230,393	
21,942	Other Land and Buildings	7.1	22,090	
7,710	Vehicles, Plant and Equipment	7.1	6,372	
449	Infrastructure Assets	7.1	495	
791	Community Assets	7.1	790	
259,613				**260,140**
	Property, Plant and Equipment - Non Operational			
1,037	Assets Under Construction	7.1	812	
233	Heritage Assets	7.3	278	
261,394	**Total Non-Current Assets**			**261,648**
931	Long Term Investments	20.1	-	
945	Long Term Debtors	20.5	847	
263,270	**Total Long Term Assets**			**262,495**
112	Inventories	9.1	94	
3,811	Debtors	9.2/9.3	9,465	
8,232	Short Term Investments	20.1	18,000	
-	Assets Held for Sale	9.4	-	
4,052	Cash and Cash Equivalents	9.5	764	
16,207	**Total Current Assets**			**28,323**
(5,744)	Short Term Creditors	10.1	(12,041)	
(580)	Short Term Provisions	10.2	(3,119)	
(6,324)	**Current Liabilities**			**(15,160)**
273,153	**Total Assets Less Current Liabilities**			**275,658**
(88,407)	Long Term Borrowing	20.1	(88,407)	
(5,304)	Deferred Liabilities	11.2	(5,169)	
(2,626)	Capital Grants and Donations in Advance	11.3/11.4	(2,381)	
(31,746)	Pensions Liability	3.5	(26,353)	
(128,083)	**Total Long Term Liabilities**			**(122,310)**
145,070	**TOTAL NET ASSETS**			**153,348**

31 March 2013		Notes	31 March 2014	
£'000			**£'000**	**£'000**
	Usable Reserves			
1,214	Revenue Balance - General Fund	2.1	1,214	
4,905	General Fund Earmarked Reserves	2.1	9,287	
680	Revenue Balance - Housing Revenue Account	2.2	680	
2,283	HRA Earmarked Reserves	2.2	2,692	
885	Usable Capital Receipts Reserve	2.3	1,259	
2,517	Capital Grants and Contributions Unapplied	2.4	1,929	
12,484	**Total Usable Reserves**			**17,061**
	Unusable Reserves			
6,307	Revaluation Reserve	3.1	49,762	
156,977	Capital Adjustment Account	3.2	114,377	
945	Deferred Capital Receipts	3.3	847	
(127)	Accumulated Compensated Absences Adjustment Account	3.4	(132)	
(31,746)	Pensions Reserve	3.5	(26,353)	
230	Collection Fund Adjustment Account	3.6	(2,214)	
132,586	**Total - Unusable Reserves**			**136,287**
145,070	**TOTAL - TAXPAYER EQUITY**			**153,348**

Stephen Joyce
Assistant Chief Executive – Finance
Section 151 Officer
30.06.2014

Cash Flow Statement

2012/13 £'000		2013/14 £'000	Notes
(1,113)	Net surplus/(deficit) on the provision of services	252	
10,217	Adjustments to net surplus/(deficit) on the provision of services - non cash movements	13,182	
(1,720)	Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	(2,876)	
7,384	**Net Cash flows from operating activities**	**10,558**	13.1
(8,542)	Net Cash flows from investing activities	(13,138)	13.2
(267)	Net Cash flows from financing activities	(708)	13.3
(1,425)	**Net (decrease) in cash and cash equivalents**	**(3,288)**	
5,477	Cash and cash equivalents at the beginning of the reporting period	4,052	13.4
(1,425)	**(Decrease) in cash and cash equivalent in year**	**(3,288)**	13.4
4,052	**Cash and cash equivalents at the end of the reporting period**	**764**	**13.4**

SECTION A – NOTES TO THE CORE FINANCIAL STATEMENTS

1.0 – Movement in Reserves

1.1 – Movement in Reserves Statement – Adjusting between Accounting and Funding Basis under Regulations

2013/14	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	(1,207)	(3,809)	-	-	-	5,016
Amortisation of Intangible Assets	(119)	(17)	-	-	-	136
Revenue expenditure funded from capital under statute	(2,770)	(42)	-	-	-	2,812
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	(1,855)	(918)	-	-	-	2,773
Application of grants to capital financing	-	-	-	-	2,605	(2,605)
Capital grants and contributions that have been credited to the unapplied account	1,873	67	-	-	(1,940)	-
Statutory provision for financing capital investment	1,313	-	-	-	-	(1,313)
Capital expenditure charges against the General Fund and HRA balances	328	2,862	-	-	-	(3,190)
Transfer of sale proceeds credited as part of gains/losses on disposal to the CI&E	19	857	(876)	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	135	-	-	(135)
Contribution from Capital Receipts Reserve towards administrative costs of non-current asset disposal	-	(34)	34	-	-	-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	-	(346)	346	-	-	-
Additions to Major Repairs Reserve to finance new capital expenditure	-	3,291	-	(3,291)	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	3,200	-	(3,200)
Reversal of items relating to post-employment benefits debited or credited to the surplus or deficit on the provision of services in the CIES	(2,615)	(505)	-	-	-	3,120
Employers pension contributions and direct payments to pensioners payable in year	1,303	248	-	-	-	(1,551)
Amount by which collection fund income credited/debited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	(2,444)	-	-	-	-	2,444
Adjustments in relation to short term compensated absences	(4)	(1)	-	-	-	5
Other Adjustments	-	-	(13)			13
Total Adjustments	**(6,178)**	**1,653**	**(374)**	**(91)**	**665**	**4,325**

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	637	1,068	-	-	-	(1,705)
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	-	-	-
Additions to the Major Repairs Reserve to finance new capital expenditure	-	2,999	-	(2,894)	-	(105)
Use of Major Repairs Reserve to finance new capital expenditure	-		-	2,894	-	(2,894)
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)	(2,351)	(450)	-	-	-	2,801
Employers pension contributions and direct payments to pensioners payable in year	1,299	220	-	-	-	(1,519)
Difference between Council Tax credited to CIES and required to be charged by statute	165					(165)
Other Adjustments	(195)	-	-	-	-	195
Total Adjustments	**(2,819)**	**(1,021)**	**(811)**	**-**	**-**	**4,651**

2.0 – Usable Reserves

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

2.1 – General Fund - Revenue Balances

General Fund	31 March 2013 £'000	Transfer In £'000	Transfer Out £'000	31 March 2014 £'000	Purpose of Reserve
Working Balance	1,214	-	-	1,214	
Working Balance Sub Total	**1,214**	**-**	**-**	**1,214**	
Budget Equalization	1,251	165	-	1,416	Usable resources set aside for equalization of pressures within the budget for the next 5 years.
Budget Slippage Reserve	-	28	-	28	Resources for programmed items requiring funding to be c/fwd to a future year.
Business Rates Reserve	-	2,538	-	2,538	Ring fenced for Business rates appeals refunds.
Change Management	587	508	(172)	923	Finances the costs of special and one-off projects.
Council Tax Freeze Reserve	124	50	-	174	Monies to enable minimisation or deferment of future council tax increases.
Economic Development	117	103	-	220	Reserve to assist economic development and businesses in the district
Elections	47	20	-	67	Contributions toward future election costs.
Emergency Response	90	50	-	140	To cover costs falling on the Council as a result of a response to civil emergency.
Hardship Fund	100	-	-	100	To fund accommodation for homeless people and to support voluntary organisations.
Homelessness	81	20	-	101	Set up to cover unbudgeted additional demand within the Homelessness service.
Landsbanki contingency	165	-	(165)	-	To cover losses against the Landsbanki investment.
Licensing	63	-	(16)	47	Reserve to absorb excess of costs over income in relation to taxi licensing services.
Local Government Resource Review	962	423	-	1,385	Contingency against funding fluctuations and cost pressures arising from the Government's review of local government funding.
Municipal Mutual Reserve	51	-	-	51	Estimated possible liabilities relating to the insolvency of Municipal Mutual Insurance.
Neighbourhood Front Runners	66	-	(9)	57	Funding for ring fenced planning expenditure.
New Homes Bonus - Community Projects	26	-	(11)	15	Monies earmarked for communities projects.
New Homes Bonus - Contingency	830	-	(40)	790	Monies that may be made available for community projects, subject to greater certainty over future Local Government funding.
Planning Development	266	678	(9)	935	Usable resources set aside for planning development issues.
Waste Management	79	221	-	300	Waste management contingency provision against unforeseen costs and to enable a managed reduction in the base budget.
Earmarked Reserves Sub Total	**4,905**	**4,804**	**(422)**	**9,287**	
Usable Reserves Total	**6,119**	**4,804**	**(422)**	**10,501**	

2.2 – Housing Revenue - Account Revenue Balances

Housing Revenue Account	31 March 2013 £'000	Transfer In £'000	Transfer Out £'000	31 March 2014 £'000	Purpose of Reserve
Working Balance	680	-	-	680	
Working Balance Sub Total	**680**	**-**	**-**	**680**	
Change Management	200	-	-	200	To fund HRA operational service improvements.
Capital Projects	1,223	-	-	1,223	Funding allocated to capital projects.
Potential Development Projects	800	-	-	800	Funding for new build schemes.
Revenue Projects	60	-	-	60	To finance outstanding revenue business plan actions.
Sheltered Housing Reserve	-	318	-	318	To finance capital redevelopment of sheltered housing in future years.
Earmarked Reserves Total	**2,283**	**318**	**-**	**2,601**	
Major Repairs Reserve	-	91	-	91	Funding for future capital expenditure.
Reserves Total	**2,283**	**409**	**-**	**2,692**	
Housing Revenue Balances Total	**2,963**	**409**	**-**	**3,372**	

2.3 – Capital Receipts Reserve

The Capital Receipts Reserve identifies capital receipts which are available to finance capital expenditure in future years.

2012/13 £'000		£'000	2013/14 £'000
74	**Balance as at 1 April**		**885**
	Receipts		
371	Capital Receipts - General Fund	20	
981	Capital Receipts - Housing Revenue Account	856	
	Applied		
(299)	Paid to Government housing receipts pool	(345)	
-	Capital Receipts used for financing	(135)	
(12)	Expenses from sales of Capital Assets	(22)	
(230)	Repayment of Compulsory Purchase Order funding	-	
811	**Movements in Year**		**374**
885	**Balance as at 31 March**		**1,259**

2.4 – Capital Grants and Contributions without Conditions (unapplied)

	31 March 2013 £'000	Income £'000	Interest £'000	Drawn Down £'000	31 March 2014 £'000
S106 Unapplied					
Stansted Housing Partnership	2,343		6	(722)	1,627
Dunmow Eastern Sector	18				18
Section 106 - Woodlands Park	44			(3)	41
Section 106 - Friends School	29				29
Section 106 - The Pastures	30			(30)	-
Section 106 - Priors Green	9			(1)	8
Section 106 - Rochford Nurseries	24				24
Section 106 - Lt Walden Road/Ashdon Road	-	98			98
Section 106 - Oakwood Park	-	5			5
SUB TOTAL	**2,497**	**103**	**6**	**(756)**	**1,850**
Capital Grants Unapplied					
ECC Waste Grants	8	-	-	-	8
Free Swimming Capital Grant	12	-	-	(10)	2
Energy Efficiency Grant	-	67	-	-	69
Bellwin Flood Grant	-	17	-	(17)	-
SUB TOTAL	**20**	**84**	**-**	**(27)**	**79**
Capital Grants and Contributions Unapplied Total	**2,517**	**187**	**6**	**(783)**	**1,929**

3.0 – Unusable Reserves

3.1– Revaluation Reserve

2012/13 £'000		£'000	2013/14 £'000
48,062	**Balance as at 1 April**		**6,307**
43,258	**Housing Revenue Account**	-	**626**
(42,728)	Adjustment between the Revaluation Reserve and Capital Adjustment Account	41,930	
99	Nat Gain/(Loss) in Valuation of Assets	98	
(3)	Revaluation Depreciation to Capital Adjustment Account	(1)	
-	Disposals of Assets	(79)	
(42,632)	**Movement in year**		41,948
626	**Housing Revenue Account Balance 31 March**		**42,574**
4,804	**General Fund**		**5,681**
(366)	Adjustment between the Revaluation Reserve and Capital Adjustment Account	657	
1,381	Nat Gain/(Loss) in Valuation of Assets	931	
(138)	Revaluation Depreciation to capital Adjustment Account	(81)	
-	Disposals of Assets	-	
877	**Movement in year**		1,507
5,681	**General Fund Balance 31 March**		**7,188**
6,307	**Balance at 31 March**		**49,762**

With effect from the 1st April 2007 the Council is required to record unrealised gains and losses arising from holding fixed assets in a designated account 'Revaluation Reserve'. The reserve is matched by the fixed assets held on the balance sheet and is therefore not available to fund future capital expenditure.

An adjustment was required between the Capital Adjustment Account and the Revaluation Reserve in the 2013/14 accounts that reflects an assessment carried out determining each asset held at its revalued cost and the value in the revaluation reserve for the asset using the depreciated historic cost method, this review was undertaken due to the previous year's adjustment that netted off land and building values and dwelling beacon groups.

The review has resulted in an adjustment totalling £42.6 million between the two unusable reserves, Capital Adjustment Account and Revaluation Reserve, illustrating that in 2012/13 the revaluation reserve was understated by this amount and the corresponding overstatement was in the Capital Adjustment Account.

The asset groups affected and the value of the adjustment is as below:

- HRA Dwellings £41.977m
- HRA Other Land & Buildings £47.5k
- General Fund Land & Buildings £607k
- Infrastructure Assets previously revalued but not recognised in the Revaluation Reserve £49k

Under IAS – 8 Accounting Policies, Changes in Accounting Estimates and Errors there is a requirement for a prior period adjustment unless the difference has no material impact on the ability of the users of financial statement to form decisions and assessments from the financial statements. Although the adjustment is material the impact on the users of the accounts is immaterial as the reserves being effected are unusable and do not have an impact on the user of the financial statements for decision making or assessment therefore it has been actioned as an in year adjustment.

3.2 – 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 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.

2012/13 £'000		£'000	2013/14 £'000
117,450	**Balance as at 1st April**		**156,977**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(4,708)	Charges for depreciation and impairment of non-current assets	(5,527)	
(1,868)	Revaluation losses on Property, Plant and Equipment	616	
(142)	Amortisation of Intangible Assets	(137)	
(1,134)	Revenue expenditure funded from capital under statute	(2,812)	
(1,818)	Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,600)	
(9,670)			**(10,460)**
141	Revaluation Depreciation from the Revaluation Reserve	81	
-	Adjust in respect of Compulsory Purchase Order	(242)	
43,094	Adjusting amounts written out of Revaluation Reserve	(42,586)	
33,565	**Net written out amount of the cost of non-current assets consumed in the year**		**(53,207)**
	Capital financing applied in the year		
-	Use of Capital receipts Reserve to finance new capital expenditure	135	
2,894	Use of Major Repairs Reserve to finance new capital expenditure	3,095	
912	Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,690	
238	Application of grants to capital financing from the Capital Grants Unapplied Account	158	
213	Statutory provision for the financing of capital investment charged against the General fund and HRA balances	1,301	
1,705	Capital expenditure charged against the General Fund and HRA balances	3,228	
5,962	**Sub Total - Adjustments**		**10,607**
156,977	**Balance as at 31 March**		**114,377**

3.3 – Deferred Capital Receipts

Deferred Capital Receipts relate to rent to mortgage arrangements for council dwellings. The balance of the receipt held reflects the redemption of the remaining proportion of the property at the discounted value (as per the Wilks Head and Eve market valuations).

2012/13 £'000		2013/14 £'000
983	Rent to Mortgage opening balance	945
(38)	Redemption of Rent to Mortgage Loan	(98)
945	**Rent to mortgage closing balance**	**847**
945	**Balance as at 31 March**	**847**

3.4 – Accumulated Compensated Absences Adjustment Account

The Accumulated Compensated Absences Adjustment 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 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised to or from the account.

2012/13 £'000		2013/14 £'000
(127)	**Balance as at 1 April**	**(127)**
-	In year adjustment	(5)
(127)	**Balance as at 31 March**	**(132)**

3.5 – 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 recognised as the Council makes employers’ contributions to pension funds or when any other obligations are settled. 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.

The pension reserve can be seen in detail in Section E, reference 19.9.

2012/13 £'000		**Notes**	**2013/14 £'000**
(29,398)	**Balance as at 1 April**		**(31,746)**
(1,282)	Surplus/(Deficit) on Provision of Services in CI&E	19.2	(1,569)
(1,066)	Actuarial Gain/(Loss)	19.5	6,962
(31,746)	**Balance as at 31 March**	11.5	**(26,353)**

3.6 – Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates 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.

2012/13 £'000		2013/14 £'000
(64)	(Surplus) as at 1 April	(230)
(166)	Council Tax in Year Surplus	(94)
-	Business Rates in Year Deficit	2,538
(230)	**(Surplus)/Deficit as at 31 March**	**2,214**

SECTION B – COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

4.0 – Compliance with Regulations

4.1– Service Reporting Code of Practice

The Comprehensive Income and Expenditure Statement reports and illustrates the net cost of the Council's financial activities for the year and demonstrates how that cost has been financed from the 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.

5.0 – Notes to the Comprehensive Income and Expenditure Statement

5.1– Total Operating Expenditure

2012/13 (restated) £'000		2013/14 £'000
2,298	Parish Council Precepts	2,327
299	Payments to the Government Housing Capital Receipts Pool	345
511	Loss/(Gains) on the Disposal of Non-Current Assets	1,976
(155)	Collection Fund (Surplus)/Deficit	2,384
20	Other Non-Service Specific Expenditure	8
2,973	**Total Other Operating Expenditure**	**7,040**

5.2 – Total Financing and Investment Income and Expenditure

2012/13 (restated) £'000		2013/14 £'000
3,074	Interest Payable and Similar Charges	3,065
(43)	Impairment & Loss/(Gains) on Financial Assets	(79)
1,318	Pensions - Net Interest on the Defined Benefit Liability (Asset)	1,336
(91)	Interest Receivable & Similar Income	(79)
-	Vehicle Lease Early Termination	-
4,258	**Total Financing and Investment Income and Expenditure**	**4,243**

5.3 – Total Taxation and Non Specific Government Grants

2012/13 (restated) £'000		2013/14 £'000
	Council Tax Income	
(4,973)	- District Council element	(4,647)
(2,298)	- Town/Parish Councils element	(2,327)
	Business Rates Retention	
-	- UDC Share of Budgeted Income in Year	(1,857)
-	- Safety Net Reimbursement Funding	(1,611)
	Non Ring fenced Government Grants	
(1,208)	- New Homes Bonus	(2,042)
(124)	- Supplementary Grants	(464)
	Other	
(2,889)	- Formula Funding from Central Government	(2,038)
(1,150)	- Capital Grants and Contributions	(2,008)
(12,642)	**Total Taxation and Non-Specific Grants Income**	**(16,994)**

5.4 - Subjective Analysis of surplus/deficit on the Net Cost of Services

This reconciliation shows the portfolio income and expenditure surplus/deficit analysed by subjective on the Net Cost of Services line included in the Comprehensive Income and Expenditure Statement.

2013/14	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	(7,234)	(14,682)	(104)	-	(22,020)	(2,008)	(24,028)
Interest & Miscellaneous Income	-	(22)	22	-	-	(80)	(80)
Income from Council Tax	-	-	-	-	-	(6,974)	(6,974)
Government Grants, Funding & Contributions	(17,852)	-	-	-	(17,852)	(8,012)	(25,864)
Total Income	**(25,086)**	**(14,704)**	**(82)**	**-**	**(39,872)**	**(17,074)**	**(56,946)**
Employee Expenses	8,774	1,883	677	-	11,334	1,344	12,678
Other Service Expenses	23,555	2,517	(198)	-	25,874	-	25,874
Support Services Recharges - Charged	-	2,483	-	10,913	13,396	-	13,396
Support Services Recharges - Allocated	-	(1,170)	-	(12,226)	(13,396)	-	(13,396)
Capital Charges	-	-	8,101	-	8,101	-	8,101
HRA Self-Financing Interest	-	2,626	(2,626)	-	-	2,626	2,626
Other Interest Payable & Capital Financing	-	2,862	(2,862)	-	-	439	439
Transfer to Reserves & Balances	-	3,185	(3,185)	-	-	-	-
Precepts & Levies	-	-	-	-	-	2,327	2,327
Share of Collection Fund	-	-	-	-	-	2,385	2,385
Impairment & Gain/Loss on Disposal of Financial Assets	-	-	-	-	-	(79)	(79)
Gain/Loss on Disposal of Non-Current Assets	-	-	22	-	22	1,976	1,998
Payment to the Housing Capital Receipts Pool	-	-	-	-	-	345	345
Total Expenditure	**32,329**	**14,386**	**(71)**	**(1,313)**	**45,331**	**11,363**	**56,694**
(Surplus) / Deficit on the Provision of Services	**7,243**	**(318)**	**(153)**	**(1,313)**	**5,459**	**(5,711)**	**(252)**

2012/13 (Restated)	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	(6,142)	(14,055)	(37)	-	(20,234)	(1,150)	(21,384)
Interest & Miscellaneous Income	-	(32)	32	-	-	(91)	(91)
Income from Council Tax	-	-	-	-	-	(7,271)	(7,271)
Government Grants, Funding & Contributions	(21,481)	(40)	-	-	(21,521)	(4,221)	(25,742)
Total Income	**(27,623)**	**(14,127)**	**(5)**	**-**	**(41,755)**	**(12,733)**	**(54,488)**
Employee Expenses	8,430	1,671	535	-	10,636	1,329	11,965
Other Service Expenses	27,256	2,348	(974)	-	28,630	9	28,639
Support Services Recharges - Charged	-	2,000	-	9,629	11,629	-	11,629
Support Services Recharges - Allocated		(899)		(10,730)	(11,629)	-	(11,629)
Capital Charges	-	-	4,946	-	4,946	-	4,946
HRA Self-Financing Interest	-	2,625	(2,625)	-	-	2,625	2,625
Other Interest Payable & Capital Financing	-	3,352	(2,284)	-	1,068	449	1,517
Transfer to Reserves & Balances	-	2,999	-	-	2,999	-	2,999
Precepts & Levies	-	-	-	-	-	2,298	2,298
Share of Collection Fund	-	-	-	-	-	(155)	(155)
Impairment & Gain/Loss on Disposal of Financial Assets	-	-	-	-	-	(43)	(43)
Gain/Loss on Disposal of Non-Current Assets	-	-	-	-	-	511	511
Payment to the Housing Capital Receipts Pool	-	-	-	-	-	299	299
Total Expenditure	**35,686**	**14,096**	**(402)**	**(1,101)**	**48,279**	**7,322**	**55,601**
(Surplus) / Deficit on the Provision of Services	**8,063**	**(31)**	**(407)**	**(1,101)**	**6,524**	**(5,411)**	**1,113**

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

SECTION C – BALANCE SHEET

6.0 – 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 2013/14 are detailed below.

6.1– Intangible Assets

2012/13 £'000		2013/14 £'000
1,572	**Gross Balance at 1 April**	**1,662**
103	Additions	44
(13)	Impairment	-
1,662	**Gross Balance carried forward at 31 March**	**1,706**
(997)	Amortisation as at 1 April	(1,151)
(154)	Amortisation In Year	(137)
(1,151)	**Amortisation Balance carried forward 31 March**	**(1,288)**
511	**Net Value At 31 March**	**418**

7.0 – Property, Plant and Equipment

7.1 - Analysis of Fixed Assets

2013/14	**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 2013	**233,609**	**23,839**	**11,837**	**469**	**813**	**1,037**	**271,604**
Revaluation Gain recognised in the Revaluation Reserve	513	924	-	-	-	-	**1,437**
Revaluation Loss recognised in the Revaluation Reserve	(261)	(160)	-	-	-	-	**(421)**
Revaluation gain/(losses) recognised in the surplus/deficit on the Provision of Service	85	531	-	-	-	-	**616**
Additions	4,766	251	870	222	-	754	**6,863**
Adjustment	-	-	-	-	13	-	**13**
Donations	-	-	-	-	-	-	**-**
Disposals	(846)	(794)	(1,930)	(293)	(3)	-	**(3,866)**
Asset write out	(407)	(30)	-	-	-	-	**(437)**
Reclassification	872	2	-	106	-	(980)	**-**
Gross Balance as at 31 March 2014	**238,331**	**24,563**	**10,777**	**504**	**823**	**811**	**275,809**
Accumulated Depreciation at 1 April 2013	(4,888)	(1,897)	(4,127)	(20)	(22)	-	**(10,954)**
Depreciation In Year	(3,081)	(652)	(1,335)	(19)	(11)	-	**(5,098)**
Depreciation Write Outs	31	76	1,057	30	-	-	**1,194**
Depreciation Balance as at 31 March 2014	**(7,938)**	**(2,473)**	**(4,405)**	**(9)**	**(33)**	**-**	**(14,858)**
Net Value as at 31 March 2014	**230,393**	**22,090**	**6,372**	**495**	**790**	**811**	**260,951**
Net Value as at 31 March 2013	228,721	21,942	7,710	449	791	1,037	**260,650**
Assets owned outright	230,393	10,279	4,152	495	363	811	**246,493**
Donated Assets	-	1,117	144	-	-	-	**1,261**
Finance lease on assets	-	51	28	-	427	-	**506**
Assets used under contractual PFI agreement	-	10,643	2,048	-	-	-	**12,691**
Total	**230,393**	**22,090**	**6,372**	**495**	**790**	**811**	**260,951**

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)**
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**

7.2 – Quantitative Analysis of Fixed Assets

31 March 2013 Number	31 March 2013 Value £'000		31 March 2014 Number	31 March 2014 Value £'000
		Housing Revenue Account		
2,844	228,721	Dwellings	2,843	230,392
555	2,003	Garages	545	1,569
n/a	154	Vehicles, Plant and Equipment	n/a	380
n/a	930	Assets Under Construction	1	604
3	256	Other Land and Buildings	3	383
3,402	**232,064**	**Total HRA**	**3,392**	**233,328**
		General Fund		
1	3,371	Offices- Saffron Walden	1	3,278
2	773	Depot Premises	2	521
8	3,219	Car Parks	9	3,403
4	931	Day Centres	4	1,010
1	126	Public Conveniences	1	137
10	295	Amenity Land	11	305
2	461	Community Land & Buildings	2	450
2	42	Coach Parks Infrastructures	2	42
n/a	337	Other Infrastructure	8	453
n/a	4,067	Vehicles, Plant and Equipment	n/a	2,994
7	102	Leased Assets	4	28
3	12,309	Assets Under Contractual PFI	3	12,690
n/a	361	Information Technology	n/a	359
1	310	Turpin's Bowls Hall	1	309
2	1,599	Community Halls	1	1,262
1	51	Land Leased to Town Council	1	51
1	107	Assets Under Construction	1	208
4	125	Other Assets	2	123
49	**28,586**	**Total General Fund**	**53**	**27,623**
3,451	**260,650**	**Total Fixed Assets**	**3,445**	**260,951**

7.3 – Heritage Assets

The Council has the following assets that meet the definition of ‘Heritage Assets’ under the Financial Reporting Standard (FRS) 20.

- Saffron Walden Motte and Bailey Castle
- Saffron Walden Museum Artefacts

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.
For proposals of works to the Castle please refer to our website www.uttlesford.gov.uk

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. 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.

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

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

The collection is on the whole of significant local providence with a small proportion of high value items. The valuations undertaken were not commissioned in line with accounting requirements and therefore the Council is unable to place reliance on the valuations for the accounts.

In 2013/14 the North-West Essex ring was acquired using grant-aid from various organisations through the Museum Society. As per FRS 30 it is considered that the cost of seeking valuations of these items would be disproportionate to the benefit gained from their recognition on the balance sheet, therefore we are only holding the fine art collection on the balance sheet.
For further information please visit our website www.uttlesford.gov.uk

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

2012/13 £'000		**2013/14 £'000**
78	Saffron Walden Motte and Bailey	123
155	Museum Artefacts	155
233	**Net Value At 31 March**	**278**

7.4 – Capital Expenditure and Financing

The total amount of capital expenditure (including finance leases) incurred in the year and the sources of financing this expenditure are detailed in the table below. Where the capital expenditure is to be financed in future years for assets which are used by the council to provide services is charged to the revenue budget over the expected life of the asset. These charges result in an increase to the Capital Financing Requirement (CFR) and this represents a measure of the expenditure incurred but not yet financed.

2012/13 £ '000		**2013/14 £ '000**
94,798	**Opening Capital Financing Requirement**	**98,232**
	Capital Expenditure	
8,159	Property Plant and Equipment	6,908
103	Intangible Assets	44
1,134	Revenue Expenditure Funded from Capital Under Statute	2,812
9,396	**Total Capital Expenditure:**	**9,764**
	Sources of Finance	
-	Capital Receipts	135
1,150	Government Grants and Other Contributions	2,605
1,705	Capital Expenditure Financed from Revenue Contributions	3,191
2,894	Major Repairs Reserve	3,200
213	Minimum Revenue Provision	885
5,962	**Total Capital Financing**	**10,016**
98,232	**Closing Capital Financing Requirement**	**97,980**
2012/13		**2013/14**
£'000		**£'000**
	Explanation of Movements	
3,647	Increase in underlying need to borrow (unsupported by government financial assistance)	633
(213)	Minimum Revenue Provision	(885)
3,434	**Increase / (decrease) in Capital Financing Requirement**	**(252)**

8.0 – Other Long Term Assets

8.1 – Long Term Debtors

The council has long term debtors relating to the Rent to Mortgages, which is shown in Financial Instruments – 20.5 under collateral.

9.0 – Current Assets

9.1 – Inventories (Stock)

31 March 2013 £'000		31 March 2014 £'000
45	Housing Stores	41
44	Building Maintenance	43
10	Vehicle Fuel	-
13	Trading Stock	10
112	**TOTAL**	**94**

9.2 – Debtors

2012/13 £'000		2013/14 £'000
776	Central Government Bodies*	6,031
582	Other Local Authorities	1,077
5,117	Other Entities and Individuals	3,877
6,475	**Total**	**10,985**

*The movement in the Central Government Bodies figure relates to balances held in respect of NNDR (including £3.1m central government share of NNDR3 deficit and £1.6m safety net funding accrual).

9.3 – Provision for Bad Debts

2012/13 £'000		2013/14 £'000
1,545	Non Domestic Rates	386
143	Council Tax	190
376	Housing Rents	344
544	Overpaid Benefit	514
30	Court costs	74
26	Sundry Debtors	12
2,664	**Total Provision for Bad Debt**	**1,520**

9.4 – Assets Held for Sale

2012/13 £'000		2013/14 £'000
231	Balance Brought Forward	-
-	Reclassification of Assets Held for Sale	-
(231)	Disposal of Asset	-
-	**Net Value At 31 March**	**-**

9.5 – Cash and Cash Equivalents

2012/13 £'000		2013/14 £'000
3,721	Net Cash Equivalent as per Financial Instruments	486
353	Cash in Transit	312
(22)	Unpresented Cheques	(34)
4,052	**Cash & Cash Equivalents 31 March**	**764**

10.0 – *Current Liabilities*

10.1 – Creditors

2012/13 £'000		2013/14 £'000
271	Central Government Bodies*	4,211
1,822	Other Local Authorities	2,865
3,651	Other Entities and Individuals	4,965
5,744	**Total**	**12,041**

*The movement in the Central Government Bodies figure mainly relates to balances held in respect of NNDR (£4.1m provisions and prepayments).

10.2 – Provisions

Balance as at 31 March 2013 £'000		In year Provision £'000	Provision Applied £'000	Balance as at 31 March 2014 £'000
27	Legal Claims	-	-	27
210	Land Charges - Legal Claims on Charging Policy	8	-	218
	Expenditure commitments for New Homes Bonus			
204	*- 2011/12 Parish Councils*	-	(120)	84
106	*- 2012/13 Ward Members / Jubilee Fund*	-	(90)	16
-	*- 2013/14 Ward Members*	26	-	26
24	Community Halls	-	-	24
9	Municipal Mutual Insurance (MMI)	-	(9)	-
-	NNDR Appeals	2,724	-	2,724
	In year movements			
580	**Balance as at 31 March**	**2,758**	**(219)**	**3,119**

The total provision applied for NNDR based on appeals lodged as at 31st March 2014 is £6.8 million. The above table only reflects the council's share of the provision at the value of £2.724 million.

11.0 – Long Term Liabilities

11.1 – Long Term Borrowing

The long term borrowing relates to the Housing Revenue Account Self Financing Loan which is detailed in Financial Instruments, reference 20.2

11.2 – Deferred Liabilities

2012/13 £'000		2013/14 £'000	1 Year £'000	2 - 5 years £'000	6 - 10 years £'000	11 - 15 years £'000	16 - 20 years £'000	21 - 25 years £'000
	Central Services							
83	Finance leases Opening balance	82	28	10	-	-	-	-
(27)	Principal Payments	(28)	(18)	(10)	-	-	-	-
26	Adjustment to Liability	(26)	-	-	-	-	-	-
82	**Closing balance**	**28**	**10**	**-**	**-**	**-**	**-**	**-**
	Leisure							
5,296	PFI – Opening balance	5,222	5,141	5,053	4,621	3,845	2,690	969
(74)	Principal repayment	(81)	(88)	(432)	(776)	(1,155)	(1,721)	(969)
5,222	**Closing balance**	**5,141**	**5,053**	**4,621**	**3,845**	**2,690**	**969**	**-**
5,304	**Deferred Liabilities at 31 March**	**5,169**	**5,063**	**4,621**	**3,845**	**2,690**	**969**	**-**

11.3 – Creditor – Capital Grants and Contributions with Conditions

	31 March 2013 £'000	Income £'000	Drawn Down £'000	31 March 2014 £'000
S106 Receipts in Advance				
Section 106 - Priors Green	222	1	(122)	101
Section 106 - Felsted	10	-	-	10
Section 106 - Oakwood Park	10	-	-	10
Section 106 - Rochford Nurseries	444	346	(6)	784
Section 106 - Bell College	-	6	-	6
Section 106 - Manuden Village Hall and Sports Facilities	1,583	-	(1,308)	275
Section 106 - The Orchard, Elsenham	-	42	-	42
Section 106 - Wedow Road, Thaxted	-	64	-	64
SUB TOTAL	**2,269**	**459**	**(1,436)**	**1,292**
Capital Grants Receipts in Advance				
Heritage Quest Centre Grants	82	-	-	82
Disabled Facilities Grant	42	70	(112)	-
English Heritage Grant	-	20	(20)	-
Capital Hardware Grant	-	11	-	11
SUB TOTAL	**124**	**101**	**(132)**	**93**
Capital Grants and Contributions	**2,393**	**560**	**(1,568)**	**1,385**

11.4 – Creditor – Capital Grants and Contributions to other bodies

	31 March 2013 £'000	Income £'000	Drawn Down £'000	31 March 2014 £'000
S106 Receipts in Advance				
Section 106 - Sector 4 Woodlands Park (Helena Romane School)	225	-	(60)	165
Section 106 - Priors Green	8	-	(7)	1
Section 106 - Wedow Road, Thaxted	-	187	-	187
Section 106 - Barnetson Court, Dunmow	-	66	(66)	-
Section 106 - Broomfields, Hatfield Heath	-	155	(155)	-
Section 106 - Rochford Nurseries	-	289	-	289
Section 106 - Sampford Road	-	354	-	354
SUB TOTAL	**233**	**1,051**	**(288)**	**996**

11.5 – Pension Liability

The pension liability is the current obligation of the future retirement benefits the council has to its members, this is calculated as a net of the fair value of assets less the current obligation, details of which can be found in table 19.5.

12.0 – Tax Payers Equity

12.1 – Usable Reserves

The usable reserves are monies that are set aside and can be used by the council to fund future projects and initiatives as directed by Members and the senior management team, that are not part of the normal running of the council services. For details please refer to section 2.

12.2 – Unusable Reserves

The unusable reserves are unrealised gains and losses of the council that relate to the financing of capital expenditure as well as timing differences between recognition of assets and liabilities under accounting rules and statutory regulations. For details please refer to section 3.

SECTION D – CASH FLOW STATEMENT

13.0 – Cash Flow Activities

13.1 – Cash Flow Statement – Operating Activities

2012/13 £'000		2013/14 £'000
(564)	**Net surplus/(deficit) on the provision of services**	**252**
	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	
4,778	Depreciation	5,527
1,868	Impairment and downward valuations	-
154	Amortisation	137
(24)	Material impairment losses/(gains) on investment debited to surplus/(deficit) on the provision of services in year	-
732	Increase in Creditors	1,165
(66)	Decrease in interest and dividend Debtors	-
599	(Increase)/decrease in Debtors	74
(13)	(Increase)/Decrease in Inventories	18
733	Pension Liability	1,569
(379)	Contribution to provisions	2,037
-	Unwinding the discount on Deferred Receipts	55
1,835	Carrying amount of non-current assets sold	2,600
10,217	**Total**	**13,182**
(2,269)	Adjustments for items included in the net (deficit) on the provision of services that are investing or financing activities	(2,876)
7,384	**Net cash flows from operating activities**	**10,558**

13.2 – Cash Flow Statement – Investing Activities

2012/13 £'000		2013/14 £'000
(8,264)	Purchase of Property, Plant and Equipment	(6,976)
(4,195)	Purchase of net short term investments	(9,767)
26	Add back new Finance Leases	-
1,120	Proceeds from sale of Property, Plant and equipment	856
421	Proceeds from long term investments	931
2,350	Capital grants received	1,818
(8,542)	**Total Cash Flows from Investing Activities**	**(13,138)**

13.3 – Cash Flow Statement – Financing Activities

2012/13 £'000		2013/14 £'000
-	Cash Receipts from long term borrowing	-
-	Billing Authorities - Council Tax & NNDR Adjustment	(573)
(166)	Appropriation to/from Collection Fund Adjustment Account	-
(101)	Cash Payments for the Reduction of the outstanding Liabilities	(135)
(267)	**Total Cash Flows from Financing Activities**	**(708)**

13.4 – Cash Flow Statement – Cash and Cash Equivalents

2012/13 £'000		2013/14 £'000	Movement in year £'000
853	Cash and Bank Balances	764	(89)
3,199	Cash Investments - Cash Equivalents	-	(3,199)
4,052	**Total Cash and Cash Equivalents**	**764**	**(3,288)**

13.5 – Cash Flow Statement – Interest on Balances

2012/13 £'000		2013/14 £'000
3,074	Interest paid	3,065
(91)	Interest received	(88)
2,983	**Net Interest Paid**	**2,977**

SECTION E – SUPPLEMENTARY NOTES TO THE CORE FINANCIAL STATEMENTS

14.0 – Supplementary Comprehensive Income and Expenditure Notes

14.1 – General Fund Income and Expenditure Segmental Breakdown

Portfolio Income and Expenditure for 2013/14

	Community Safety	**Community Partnerships & Engagement**	**Environmental Services**	**Finance & Administration**	**Housing**	**TOTAL**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, Charges & Other Income	(338)	(324)	(4,958)	(806)	(808)	(7,234)
Government Grants	-	(450)	-	(17,402)	-	(17,852)
Total Income	**(338)**	**(774)**	**(4,958)**	**(18,208)**	**(808)**	**(25,086)**
Employee expenses	463	971	3,659	3,150	531	8,774
Other service expenses	161	1,622	2,086	19,472	214	23,555
Total Expenditure	**624**	**2,593**	**5,745**	**22,622**	**745**	**32,329**
Net Expenditure/(Income)	**286**	**1,819**	**787**	**4,414**	**(63)**	**7,243**

Portfolio Income and Expenditure Restated 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)	(4,150)	(571)	(744)	(6,142)
Government Grants	-	(550)	(10)	(20,836)	(85)	(21,481)
Total Income	**(330)**	**(897)**	**(4,160)**	**(21,407)**	**(829)**	**(27,623)**
Employee expenses	433	929	3,728	2,854	486	8,430
Other service expenses	186	1,963	2,082	22,663	362	27,256
Total Expenditure	**619**	**2,892**	**5,810**	**25,517**	**848**	**35,686**
Net Expenditure	**289**	**1,995**	**1,650**	**4,110**	**19**	**8,063**

14.2 – Grant Income – Revenue

The council receives a number of grants and donations which are credited to the service lines of the Comprehensive Income and Expenditure Statement. These are analysed below. Please note this table excludes government grants which are credited to the taxation and non-specific grant income line in the Comprehensive Income and Expenditure Statement (including new homes bonus funding).

2012/13 £'000		**2013/14 £'000**
(9,698)	Housing Benefits Allowance Subsidy	(9,986)
(6,674)	Housing Benefits Rent Rebate Subsidy	(6,786)
(450)	Private Finance Initiative	(450)
(328)	Benefits Administration	(293)
(138)	Non Domestic Rates Cost of Collection	(138)
(37)	S106 Contributions	(103)
(46)	Discretionary Housing Payments	(100)
(46)	Pig Market Charity	(44)
-	Local Council Tax Scheme Admin Subsidy	(36)
-	Improvement East Use of Resources	(31)
-	Gypsy and Traveller Study	(30)
(19)	Benefits Fund	(26)
(29)	Other Miscellaneous (under £10,000)	(22)
(3,966)	Council Tax Benefits Subsidy	-
(100)	Town Centre Initiative	-
(86)	Homelessness	-
(84)	Council Tax Reform	-
(40)	Community Covenant	-
(10)	Neighbourhood Planning	-
(21,751)	**Total Revenue Grants**	**(18,045)**

2012/13 Figures have been restated to remove New Homes Bonus and include Non Domestic Rates Cost of Collection.

15.0 – Supplementary Balance Sheet Notes

15.1 – Post Balance Sheet Events

Curators House

The Curators house was held on the Councils balance sheet as at 31st March on a peppercorn lease, the carrying value being £53k.

A decision was made by the Museum Society on the 25th March 2014 to sell the Curators house, the house was marketed for Sale on the 24th April 2014 and an offer was accepted subject to contract on the 6th May. Although this asset was held on the council balance sheet the council makes no financial gain from this sale and all proceeds go to the Museum Society fund.

15.2 – Contingent Liabilities

Business Rates Appeals

Uttlesford District Council on behalf of Essex County Council, Essex Fire Authority and Central Government is required to refund ratepayers who have successful appeals against the rateable value of their properties on the rating list.

In relation to outstanding business rates appeals recorded as at 31 March 2014 with the Valuation Agency Office (VOA) the Council is able to estimate the expenditure required to settle present obligation. It has determined a provision of £6.8m of which £2.7m relates to UDC.

However, local businesses can also appeal against the Rateable Value on the 2010 Rating list until 31 March 2017. Therefore, if appeals are submitted to VOA in the future and successful, it could impact on the Council's Financial Statements.

It is difficult to estimate the likelihood of businesses lodging an appeal in the future and being successful. The Council has made no provision in the accounts relating to these appeals as it is not possible to produce a reliable estimate of the possible financial liabilities that may arise from any such future appeals.

Planning Appeals

Uttlesford District Council is expecting appeals to be lodged against previous planning decisions which were made in 2013/14. Whilst the outcome and exact financial implications of these appeals is not yet known it is estimated that the council may incur potential liabilities (if these appeals are upheld) which could be in the region of £250,000 to £400,000.

15.3 – Net Assets Employed

31 March 2013 £'000		**31 March 2014 £'000**
276	General Fund	7,508
144,794	Housing Revenue Account	145,840
145,070	**Total**	**153,348**

16.0 – Leasing Arrangements and Private Finance Initiative

16.1 – Operating Leases

The Council has no significant operating lease commitments as at 31st March 2014.

16.2 – Operating Leases Income

	2012/13 £'000	**2013/14 £'000**	**Within 1 Year £'000**	**Within 2–5 Years £'000**	**6-10 Years £'000**	**11-15 Years £'000**
Turpins Bowling Hall	21	21	21	84	63	-

16.3 – Finance Leases Rental

	2012/13 £'000	**2013/14 £'000**	**1 Year £'000**	**2 - 5 years £'000**
Finance lease - amount payable	**32**	**32**	**32**	**-**
Principal repayment	26	28	28	-
Interest payable	6	4	4	-

16.4 – Private Finance Initiative

The Council's Private Finance Initiative (PFI) Scheme provided two new Leisure Centres in Great Dunmow and Stansted Mountfitchet and the refurbishment of the Lord Butler Fitness and Leisure Centre in Saffron Walden. The PFI contract is with Leisure Connection Limited who manages the 3 Leisure Centres on the Council's behalf.

The contract was operational from the financial year 2003/4 and runs for a period of 32 years (ending 2035/36) leaving 22 years outstanding. The total contract payments estimated at the time of entering into the contract were estimated at £39.9 million. Actual payments are dependent on the service provided. The remaining capital liability for 2013/14 is £5.141 million.

2012/13 (Restated)		**2013/14**	**1 Year**	**2 - 5 years**	**6 - 10 years**	**11 - 15 years**	**16 - 20 years**	**21 - 25 years**
£'000		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
1,018	**Leisure PFI - Unitary charge**	**1,012**	**1,082**	**4,550**	**6,219**	**6,867**	**7,581**	**3,291**
75	Capital Repayment	81	88	432	776	1,155	1,721	969
439	Interest Expense	433	426	1,626	1,797	1,418	852	102
148	Contingent Rent	158	172	875	1,393	1,899	2,515	1,519
356	Services*	340	396	1,617	2,253	2,395	2,493	701
1,018	**Total Unitary Charge**	**1,012**	**1,082**	**4,550**	**6,219**	**6,867**	**7,581**	**3,291**

*The Services charge has been restated to reflect the actual cost of the service provided.

17.0 – Members, Officers and Related Parties

17.1 – Members Allowances

Members of the Council have direct control over the Council's financial and operating activities. Any contracts entered into by the Council are in full compliance with the Council's constitution and any decisions made take full consideration of any declarations of interest. A register of Members Interests is held and records all transactions and declarations and this is available for public inspection during office opening times.

The Local Government Act 2000 and the Local Government (Members Allowances) Regulation 2003 requires the Council to appoint an independent remuneration panel to review its scheme for Members Allowances. The panel will make recommendations to the Council regarding the scheme to be operated in 2013/14.
The total Members allowances paid in 2013/14 was £304,238 (£308,575 for 2012/13), these are detailed below.

2012/13 £'000		2013/14 £'000
	Allowance:	
220	Basic Allowance	218
6	Group Leaders Allowances	5
56	Special Responsibility Allowances	63
18	Travel and Subsistence	12
2	Broadband	-
7	Employers Pension Contribution	6
309	**Total**	**304**

17.2 – 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.

There are no disclosures from Members of any material related party transactions.

17.2.1 - Members of the Council

Members of the Council have direct control over the Council's financial and operating activities. Any contracts entered into by the Council are in full compliance with the Council's constitution and any decisions made take full consideration of any declarations of interest. A register of Members Interests is held and records all transactions and declarations and this is available for public inspection during office opening times.

17.2.2 - Senior Officers of the Council

Senior Officers of the Council have control over the day to day management of the Council, the Chief Executive and Directors are required to declare any related party transactions. All transactions are recorded in the register of Officers Interest, Gifts and Hospitality and this is available for public inspection during office opening hours

17.2.3 – Companies and Organisations

- Turpin's Indoor Bowling Club Limited
  Under the terms of a 25 year lease Turpin's Indoor Bowling Club Limited leases property owned by the Council. The asset is leased to the company for a market rent; taking account of the covenant within the terms of the lease of 40% of the facility is for the use of community residents. To protect the Council's interest two Uttlesford Councillors have a seat on the organisation board. The financial implications of the lease are detailed in the note at 16.2.

- Stansted Area Housing Partnership
  The Partnership is comprised of four local authorities, two housing associations, the housing corporation and the BAA Stansted, its aim is to provide a significant number of new affordable homes in the Stansted area over the next ten years. BAA is funding £2.34 million approximately through a planning obligation payment under the S106 arrangements held and monitored by the Council.

- 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 their 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 it share of the net income on the basis of 66/303 split.
The Charity distributes the income it receives by way of grants to charities that work in the Saffron Walden area.
Citizens Advice Bureau – 2013/14 - £43,857
2012/13 - £45,543

- Saffron Walden Museum Charity Limited
  The Council rents the Saffron Walden Museum and Museum artefacts under the terms of a 99 year lease from the Museum charity at a nominal annual rent. The asset is classified as a donated asset under the International accounting rules, on the basis that the Council receives all the rewards and benefits of the asset used to provide a service. The Museum service is fully funded by the Council and all staff are associated with this service are employed by the Council. A nominated council member has a seat on the Museum Charity board.
  The net costs of running the Museum are;
  2013/14 - £284,336
  2012/13 - £284,332

17.2.4 – Partnership Schemes

- Local Strategic Partnership (LSP) – Uttlesford Futures
  Uttlesford Futures Management Board work together in relation to the Strategic needs of the district.

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

  In 2013/14 the gross income of the partnership was £27,836 and expenditure £11,185 (£31,402 and £8,556 respectively for 2012/13). The Council’s contribution for 2013/14 was £5,000 (£5,000 for 2012/13).

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

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

In 2013/14 the gross income of the partnership was £57,229 and expenditure £12,078 (£53,101 and £22,872 respectively for 2012/13). The unspent income of £45,151 has been carried forward and will contribute towards the costs of the partnership's strategic vision. The Council's contribution for 2013/14 was £5,000 (£5,000 for 2012/13).

17.2.5 – Parking Partnership

- The Council is a member of the North Essex Parking Partnership which was formed with Colchester Borough Council, Braintree District Council, Epping Forest District Council, Harlow District Council and Tendring with effect from the 1st April 2011. The Partnership operates the Councils' off street pay and display car parks, and administers the on street parking services on behalf of Essex County Council. The lead authority is Colchester Borough Council and they provide the support services and accommodation for the Partnership.

  The Partnership is governed by a Joint Committee, on which each partner Council has a representative. The Joint Committee produces its own accounts which are summarised below.

  The Partnership is funded by previously agreed contributions by each Council partner; these are expected to remain constant. In the event that the Partnership falls into deficit (costs exceed income) then an increase in the contributions may be required. The Partnership's cumulative reserves will be used as a contingency to ensure financial stability. If deemed appropriate by the Joint Committee a proportion of the reserves may be returned to the partners.

2012/13 (Restated) £'000		**2013/14 £'000**
2,231	Staffing Costs	2,388
715	Other running costs	640
525	Support services	557
3,471	**Total expenditure**	**3,585**
(2,173)	Income	(2,434)
1,298	**Net expenditure**	**1,151**
(145)	Partner contribution - UDC	(148)
(977)	Other partner contributions	(1,097)
(183)	Contribution from Reserves	(67)
(7)	**Surplus for the year**	**(161)**
(446)	Reserves as at 1 April	(270)
183	Use of reserves	67
(7)	Surplus for the year	(161)
(270)	**Reserves as at 31 March**	**(364)**

17.3 – Officers Remuneration

Senior Officers remuneration is detailed below

		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	**2012/13**	102,151	-	445	235	-	**102,831**	13,280	**116,111**
	2013/14	102,151	-	490	-	-	**102,641**	13,280	**115,921**
Assistant Chief Executive - Legal	**2012/13**	69,387	-	800	-	-	**70,187**	9,020	**79,207**
	2013/14	70,841	-	490	-	-	**71,331**	9,209	**80,540**
Assistant Chief Executive - Finance	**2012/13**	69,387	-	-	1,602	-	**70,989**	9,020	**80,009**
	2013/14	70,841	-	94	1,428	-	**72,363**	9,209	**81,572**
Director of Public Services	**2012/13**	77,811	-	585	-	-	**78,396**	10,115	**88,511**
	2013/14	79,408	-	490	-	-	**79,898**	10,315	**90,213**
Director of Corporate Services	**2012/13**	77,811	-	-	3,203	-	**81,014**	10,115	**91,129**
	2013/14	79,345	-	375	329	-	**80,049**	10,315	**90,364**
Assistant Director - Corporate Services	**2012/13**	50,919	-	-	1,927	-	**52,846**	6,619	**59,465**
	2013/14	52,178	-	324	468	-	**52,970**	6,783	**59,753**
Assistant Director - Housing and Environmental Services	**2012/13**	50,919	-	800	-	-	**51,719**	6,619	**58,338**
	2013/14	52,241	-	490	-	-	**52,731**	6,783	**59,514**
Assistant Director - Planning and Building Control	**2012/13**	50,919	-	800	-	-	**51,719**	6,619	**58,338**
	2013/14	52,214	-	490	-	-	**52,704**	6,783	**59,487**

17.4 – Employees Salary over £50k

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 2012/13	**Remuneration Band**	**No. of Employees 2013/14**
6	£50,000 - £54,999	6
-	£55,000 - £59,999	-
-	£60,000 - £64,999	-
-	£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	-
1	£100,000 - £104,999	1
11	**Total**	**11**

17.5 – Termination Benefits

The Council terminated the contracts of 6 employees in 2013/14 (zero in 2012/13) incurring liabilities of £170,073 (zero in 2012/13). The table below identifies the number of exit packages in bands of £20,000.

	2012/13		Exit Package Cost Band		2013/14	
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**
-	-	-	£0 - £20,000	1	1	2
-	-	-	£20,001 - £40,000	-	3	3
-	-	-	£40,001 - £60,000	1	-	1
-	**-**	**-**	**Total Number of Packages**	**2**	**4**	**6**
-	**-**	**-**	**Total Cost (£)**	**61,526**	**108,547**	**170,073**

18.0 – Fees Payable

18.1 – External Audit Fees Payable

In 2013/14 external audit and inspection costs incurred by the Council are detailed in the following table.

2012/13 (Restated) £'000		**2013/14 £'000**
40	Fees payable in relation to External Audit Services carried out by the appointed Auditor	62
43	Fees payable in relation to Certification of Grant Claims and Returns	55
83	**Total**	**117**

The 2012/13 restated figures include transitional arrangements for external audit services in year as well as grant claims and returns costs in respect of 2011/12.

19.0 – Pension Scheme

19.1 – Pension Scheme Disclosure

The Council offers membership to a Pension Scheme with defined benefits as part of their employment terms and conditions to all employees. The benefits of the scheme are not payable until the employees retire, but 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 both the Council and employee pay contributions into the fund, the contributions are calculated at a level intended to balance pension liabilities with investment assets over the long term.

The contributions are based on rates determined by the fund's professionally qualified actuaries and these are reviewed every 3 years. The last review was carried out in 2013 and formally reported in January 2014 to be effective from 2014/15 until 2016/17.

The Pension Scheme has been restated based on the revised IAS19 standard. The disclosures for 2012/13 have been restated to reflect this and will enable the user to look at comparative figures. The main changes are related to the CIES, as detailed below;

- Removal of the expected return on assets, to be replaced by a 'net interest cost' comprising of income interest on the asset and interest expense on the liabilities.
- Re-presentation in the CIES; 'Service Cost' now includes what was previously described as 'Current Service Cost' plus 'Past Service Cost' plus any Curtailments and Settlements.
- Administration costs are now accounted for in the CIES where previously a deduction was made to the actual and expected return on assets.

The Council currently has 879 members enrolled in the pension scheme, of which an assumption has been made that 60% of members will exchange their commutable pension for cash at retirement.

19.2 – Transactions Relating to the Pension Scheme

The Council is required to recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are actually paid. The real cost of retirement benefits are reversed out of the Comprehensive Income and Expenditure Statement via the movement in reserves, the actual charge the Council is required to make against the Council Tax is based on the cash payable in the year. The following transactions reflect these accounting entries.

With effect from the 1st April 2011 public service pensions have been up-rated in line with Consumer Price Index (CPI) rather than Retail Price Index (RPI).

2012/13 (Restated) £'000		2013/14 £'000
1,472	Current Service Cost	1,776
1,318	Net interest on the defined liability/asset	1,336
11	Administration cost	8
2,801	**Net Charge to Comprehensive Income and Expenditure Statement**	**3,120**
1,282	**Reversal of Net Charge made for retirement benefits in accordance with IAS19**	**1,569**
	Actual amount charged against Council Tax for Pensions in the year:	
855	Employer Contributions to the Pension Fund	909
438	Deficit Contribution Payments	457
115	Contributions to the Pension Fund in respect of Early Retirement	67
111	Added Years Discretionary Payments	118
1,519	**Payments to the Pension Fund During the Year**	**1,551**
2,801	**Total**	**3,120**

19.3 – Pension Liabilities

The liabilities show the underlying commitments the Council has in the long term to pay future retirement benefits. The deficit on the scheme will be decreased by increased contributions over the remaining working life of the employees, as assessed by the scheme actuary.

A reconciliation of the opening and closing balances of the present value of the scheme liabilities for retirement benefits attributable to the Council as at 31st March 2014 are as follows:

2012/13 (Restated) £'000		2013/14 £'000
73,075	**Present Value of Scheme Obligation at 1 April 2013**	**80,339**
1,469	Current Cost of Service	1,666
3,316	Interest Cost	3,414
434	Contributions by Scheme participants	452
-	Past Service Cost/(Gain)	-
4,506	Change in financial assumptions	834
-	Change in demographic assumptions	(4,513)
(18)	Experience gain on defined benefit obligation	(2,544)
3	Past Service Cost and Curtailments	110
(2,446)	Benefits/Transfers paid	(2,529)
7,264		**(3,110)**
80,339	**Present Value of Scheme Obligation as at 31 March**	**77,229**

19.4 – Pension Assets

A reconciliation of the opening and closing balances of the present value of the scheme assets for retirement benefits attributable to the Council as at 31st March 2014 are as follows:

2012/13 (Restated) £'000		2013/14 £'000
43,678	**Fair Value of Scheme Assets as at 1 April**	**48,594**
1,998	Interest on assets	2,078
3,422	Return on assets less interest	1,925
-	Other actuarial losses	(1,186)
(11)	Administration expenses	(8)
1,519	Contributions by employer including unfunded	1,551
434	Contributions by Scheme participants	452
(2,446)	Estimated benefits paid plus unfunded net of transfers in	(2,529)
4,916		**2,283**
48,594	**Fair Value of Scheme Assets as at 31 March**	**50,877**

19.5 – Pension Scheme History

The liabilities show the underlying commitments that the Council has in the long term to pay employment retirement benefits. The total liability of £26.3 million (£31.7 in 2012/13) has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements are in place for funding the deficit to maintain a healthy financial position of the Council, by the following;

- Increased contributions over the remaining working life of employees (before payments fall due), as assessed by the actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 (Restated) £'000	2013/14 £'000
Estimated Liabilities in the Scheme	(65,840)	(61,763)	(73,075)	(80,339)	(77,229)
Estimated Assets in the Scheme	43,162	42,603	43,678	48,593	50,877
Net (Deficiency) in the Fund	(22,678)	(19,160)	(29,398)	(31,746)	(26,353)
Actuarial Gains/(Losses)	(5,983)	429	(10,078)	(1,066)	6,962
Total Pension Cost Recognised in the Movement in Reserves Statement	**(5,983)**	**429**	**(10,078)**	**(1,066)**	**6,962**

19.6 – Basis for Estimating the Pension Scheme Assets and Liabilities

The assets and liabilities of the fund attributable to Uttlesford District Council have been derived by Barnett Waddingham Public Sector Consulting from a full actuarial valuation of the fund undertaken by Mercer Ltd as at 31st March 2010.

The expected rate of return effectively set by the net interest cost is assumed at the current time to be 8%. The other financial assumptions used within the report are detailed below;

2012/13		2013/14
	Mortality Assumptions:	
	Longevity at 65 for future pensioners (Years)	
24.2	Men	24.9
26.9	Women	27.4
	Financial Assumptions:	
3.30%	Rate of Inflation - RPI	3.50%
2.50%	Rate of Inflation - CPI	2.70%
4.30%	Rate of Increase in Salaries (reflects long term salary growth assumptions)	4.50%
2.50%	Rate of increase in Pensions	2.70%
4.30%	Rate of Discounting Scheme Liabilities	4.40%
50%	Take Up option to convert annual pension into retirement	60%

19.7 – Analysis of Assets Held

The assets held by the fund attributable to Uttlesford District Council as at 31st March 2014 are detailed below;

2012/13 £'000			2013/14 £'000	
31,100	64%	Equity Investments	34,088	67%
3,402	7%	Gilts	4,070	8%
3,887	8%	Other Bonds	4,070	8%
5,831	12%	Property	5,596	11%
1,944	4%	Cash	1,018	2%
2,430	5%	Other Assets	2,035	4%
48,594	**100%**	**Total**	**50,877**	**100%**

19.8 – History of Experience of Gains and Losses

	2009/10		2010/11		2011/12		2012/13 (Restated)		2013/14	
	£'000	% change	£'000	% change	£'000	% change	£'000	% change	£'000	% change
Return on plan assets in excess of interest	-	0.0%	-	0.0%	-	0.0%	3,422	n/a	1,925	n/a
Asset Gain/(Loss)	9,124	21.1%	3,523	7.3%	(2,409)	5.5%	-	0.0%	(1,186)	n/a
Liability Gain/(Loss)	(15,107)	22.9%	(3,094)	5.7%	(126)	-20.0%	18	0.02%	2,544	3.2%
Change in Demographic Assumptions	n/a	n/a	n/a	n/a	n/a	n/a	-	n/a	4,513	n/a
Change in Assumptions	n/a	n/a	n/a	n/a	(7,543)	n/a	(4,506)	n/a	(834)	n/a
Net Gain/(Loss)	**(5,983)**		**429**		**(10,078)**		**(1,066)**		**6,962**	

19.9 – Pension Reserve

The Pension Reserve has been set up as part of the requirements to comply with IAS19 – Employee Benefits. This reserve represents the actuarially calculated deficit between the value of all pension liabilities and the assets held by the Pension Fund as at 31st March 2014. 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 CIES.
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.

20.0 – Financial Instruments

Financial Classifications
A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.
The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board
- finance leases detailed
- Private Finance Initiative contracts detailed

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following two classifications. Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- cash in hand
- bank current and deposit accounts with Barclays Bank Plc

- fixed term deposits with banks and building societies
- loans to other local authorities
- lease receivables detailed
- trade receivables for goods and services delivered

20.1 - Financial Instruments – Balances

Long Term Financial Instruments			Short Term Financial instruments	
As at 31 March 2013 Book Value £'000	As at 31 March 2014 Book Value £'000		As at 31 March 2013 Book Value £'000	As at 31 March 2014 Book Value £'000
		Financial Assets, Loans and Receivables:		
945	902	Debtors (Contractual)	1,130	1,112
931	-	Investments (Note 1)	8,232	18,000
-	-	Cash and Cash Equivalents (Note 2)	3,721	486
1,876	**902**	**Total**	**13,083**	**19,598**
		Financial Liabilities at Amortised Cost:		
-	-	Creditors (Contractual)	(2,859)	(3,959)
(88,407)	(88,407)	Borrowing	-	-
(5,304)	(5,169)	Deferred Liabilities	-	-
(93,711)	**(93,576)**	**Total**	**(2,859)**	**(3,959)**
(91,835)	**(92,674)**	**Net Total**	**10,224**	**15,639**

Note 1: All £18m is invested with Debt Management Office (UK Treasury) as at 31 March 2014 for up to 1 month. Furthermore all relevant credit criteria ratings were met when investments were placed with relevant counterparties during the year.
Note 2: Reconciliation is shown in 9.6, which details the Cash and Cash Equivalents movements from the balance sheet values to the financial instrument book values.

Landsbanki

Landsbanki Islands HF was an Icelandic bank that became insolvent in October 2008, shortly before the Council's deposit of £2.2 million was due to be repaid.

From October 2008 to January 2014, uncertainty existed about the prospects for full recovery of the unpaid deposit. Throughout this period a legal insolvency process was being run in Iceland, in which the Local Government Association acted on behalf of local authority creditors, including the Council. As funds became available, interim payments were made to Landsbanki creditors. During this period, there were uncertainties about the prospects for recovering the remaining unpaid sums, and uncertainties over the timing of any payments. These uncertainties affected the deposit's balance sheet value. As at 31 March 2013 the balance sheet value of the remaining unpaid deposit was £0.948m.

In September 2013, the Council received a further repayment of £0.116 million from the authorities in Iceland.

In early 2014, an opportunity arose to sell the residual unpaid sum to a third party Deutsche Bank. A favourable price was negotiated on behalf of local authority creditors by the Local Government Association's legal advisers. The Council decided to accept the offer and the balance was sold to Deutsche Bank on 3 February 2014. The Council is bound by a strict confidentiality agreement and is unable to publicly disclose the sale price; however, this was greater than the remaining balance sheet value and the transaction represented a good deal for the Council. As at 31 March 2014 there is no longer any item on the Council's balance sheet, and all remaining risks and uncertainties are removed from the Council.

The Council had established an earmarked reserve for the purpose of financing any future adverse accounting losses that may have arisen. Since this risk no longer exists, the earmarked reserve has been closed and the balance in the reserve transferred to another reserve.

20.2 - 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 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 Housing Revenue account incurred interest payments on the loan portfolio of £2.6 million in 2013/14. Please refer to 20.5 which details the repayment schedule.

20.3 - Financial Instruments – Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

2012/13 £'000		2013/14 Financial Assets £'000	2013/14 Financial Liabilities £'000	2013/14 £'000
3,074	Interest Expenses	-	3,065	3,065
(44)	Impairment on Long Term Investment	-	-	-
3,030	**Interest Payable and Similar Charges**	**-**	**3,065**	**3,065**
(10)	Gain on redemption of Long Term Debtor	(79)	-	(79)
(59)	Interest and Investment Income	(88)	-	(88)
(69)	**Interest Receivable and Similar Income**	**(167)**	**-**	**(167)**
2,961	**Net (gains)/loss for the Year**	**(167)**	**3,065**	**2,898**

20.4 - Financial Instruments – Fair Values

	Balance Sheet 31 March 2013 £'000	Fair Value 31 March 2014 £'000
Financial Liabilities:		
Long-term loans borrowed	(88,407)	(79,617)
Finance lease payables	(29)	(29)
PFI scheme liabilities	(5,140)	(7,394)
Trade payables	(53)	(53)
Total	**(93,629)**	**(87,093)**
Financial Assets:		
Trade receivables	509	509
Total	**509**	**509**

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2014, using the following methods and assumptions:

- The fair values of loans from the PWLB have been discounted at the published interest rates for new PWLB certainty rate loans with an identical remaining term to maturity arranged on 31st March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying amount.

The fair value of the HRA long term liability (£88.407m) is lower than the carrying amount because the authority’s portfolio of loans includes a number of loans where the interest rate payable is lower than the current rates available for similar loans as at the Balance sheet date.

20.5 - Financial Instruments - Risks

The Council has adopted CIPFA’s Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments.

The main risks covered are:

- *Credit Risk:* The possibility that one party to a financial instrument will fail to meet its contractual obligations, causing a loss for the other party.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Investments

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures when selecting commercial entities for investment.

A limit of £1m of the total portfolio is placed on the amount of money that can be invested with a single counterparty or same banking group (other than the UK government).

Credit Risk: Receivables
Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to Council’s customers.

Council’s customers
Payments for services are either required in advance or due at the time of the service is provided. As at 31 March 2014 £0.945m is due to the Council from its customers, the total being past its due date and categorised as follows:

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 £0.356m (Housing Rent and Sundry Debtors) as at 31 March 2014 (£0.4m as at 31/3/13) is deemed sufficient. In order to recover all debts effectively the Council it will concentrate on debt management and ensure efficient use of debt management information.

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 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.

Collateral
The council holds collateral in relation to the following loans

Debt Outstanding 31 March 2013 £'000		**Debt Outstanding 31 March 2014 £'000**
945	Rents to Mortgages	847
945	**Total**	**847**

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates.

The maturity analysis of the principal sums borrowed is as follows:

	Maturity	31 March 2014 £'000	% of total debt portfolio
Long Term Borrowing			
	1 to 5 years	4,000	4.52%
	6 to 10 years	11,000	12.44%
	11 to 15 years	15,000	16.97%
	16 to 20 years	20,000	22.62%
	21 to 25 years	23,000	26.02%
	26 to 30 years	15,407	17.43%
Total Long Term Borrowing		**88,407**	**100.00%**

Market Risks: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments.

Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:-

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2014, £60.41m (£78.41m less £18m) of net principal borrowed (i.e. debt net of investments) was exposed to fixed rates and £10m to variable rates.

Market Risks: 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.

Market Risks: Foreign Exchange Risk
The Council has no foreign financial instruments denominated in foreign currencies.

SECTION F – SUPPLEMENTARY FINANCIAL STATEMENTS – HOUSING REVENUE ACCOUNT (HRA)

21.0 – Income and Expenditure Account and Supporting Tables

21.1 – Comprehensive Income and Expenditure Statement

2012/13 £'000		2013/14 £'000
	Income	
(13,069)	Dwelling Rents	(13,703)
(214)	Non-Dwelling Rents	(204)
(771)	Charges for Services and Facilities	(772)
(49)	Contributions towards Expenditure	(3)
(14,103)	**Total Income**	**(14,682)**
	Expenditure	
2,220	Repairs and Maintenance	2,680
2,375	Supervision and Management	2,341
289	Rents, Rates, Taxes and other Charges	533
	Depreciation of Non-Current Assets	
2,894	- Dwellings	3,081
105	- Other Non-Current Assets	104
1,878	Impairment of Non-Current Assets	536
52	Movement in Bad Debt Provision	(32)
11	Revenue Expenditure Funded from Capital Under Statute (REFFCUS)	42
9,824	**Total Expenditure**	**9,285**
(4,279)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**	**(5,397)**
200	HRA Services Share of Corporate and Democratic Core	245
-	HRA Share of other amounts included in the Whole Authority Net Cost of Services but not allocated to Specific Services	2
(4,079)	**HRA share of the operating income and expenditure in the Comprehensive Income and Expenditure Statement**	**(5,150)**
218	Loss/(gain) on Sale of HRA Fixed Assets	461
2,625	Interest payable and similar charges	2,626
(32)	Interest and Investment Income	(22)
213	IAS 19 Pensions - Net Interest on Defined Assets/Liabilities	224
(238)	Capital Grants and Contributions Receivable	(111)
(1,293)	**Deficit/(Surplus) for the year on HRA Services**	**(1,972)**

21.2 – Movement in HRA Reserves

2012/13 £'000		2013/14 £'000
649	**Balance on HRA working balance at the end of the previous year**	**680**
1,293	Surplus for the year on the HRA Comprehensive Income and Expenditure Account	1,972
1,021	Adjustments between accounting basis and funding basis under statute	(1,654)
2,314	**Net increase or (decrease) in year on the HRA**	**318**
(2,283)	Transfers to Earmarked Reserves	(318)
31	**Increase or (decrease) in year on the HRA Working Balance**	**-**
680	**Balance on the HRA at the end of the current year**	**680**

21.3 – HRA – Adjustments between Accounting Basis and Funding Basis under Statute

2012/13 £'000		2013/14 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the Year	
(218)	Gain/(loss) on Sale of HRA Non-Current Assets and Right to Buy Pooling	(461)
(1,878)	Impairment of Non-Current Assets	(536)
10	Insurance settlement	-
(11)	Amounts treated as revenue expenditure in accordance with the 'Code' but which are classified as capital expenditure by statute	(42)
238	Reversal of Non Specific Grants	111
(230)	Net Charges made for Retirement Benefits in accordance with IAS 19	(257)
	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the Year	
1,068	Capital Expenditure funded by the HRA	2,862
-	Right to Buy Administration Costs Allowance	(23)
(1,021)	**Adjustments between accounting basis and funding basis under statute**	**1,654**

22.0 – Notes to the HRA

22.1 – Introduction

The Housing Revenue Account (HRA) is a record of revenue income and expenditure relating to the Council's housing stock. The items to be charged to the HRA are prescribed by statute and our funded by rent collection. The HRA is ring-fenced from the Council's General Fund, the Council has no general discretion to transfer sums between the HRA and General Fund accounts. Other housing services (e.g. homelessness, lifeline) are charged to the General Fund account and through the HRA.The items to be charged to the HRA are prescribed by Statute.

22.2 – Gross Rental Income

Gross Rental Income is the total rent income due after allowance is made for void properties. At the end of 2013/14 an average of 1.49% of properties were vacant (1.2% in 2012/13). The actual average rent for all stock was £90.91 per week in 2013/14 (£88.12 in 2012/13) leading to an actual gross rental income for dwelling rents of £13.7 million for 2013/14 (£13.06 million in 2012/13).

22.3 – Housing Revenue Account Self-Financing Transactions

With effect from April 2012 Housing Subsidy arrangements ceased for Uttlesford District Council and replaced by a self -financing system giving local authorities greater autonomy and flexibility with its finances for the provision of council housing. At the outset of self-financing the council took on a loan of £88.407 million, for which the 2013/14 accounts reflect related interest costs payable of £2.625 million.

22.4 – Housing Stock

2012/13 No. of Properties		**2013/14 No. of Properties**
738	Flats	736
745	Bungalows	753
1,361	Houses	1,354
2,844	**Total Properties**	**2,843**

22.5 – Rent Arrears

2012/13 £'000		2013/14 £'000
	Arrears due from:	
462	- Current Tenants	423
41	- Former Tenants	26
503	**Total Rent Arrears**	**449**
3.6%	Total as a % of Gross Debt	3.2%

22.6 – Balance Sheet Value of Housing Revenue Assets

2012/13 £'000		2013/14 £'000
	Operational Assets comprising	
228,721	Dwellings	230,392
2,003	Garages	1,569
154	Vehicles, Plant and Equipment	398
930	Assets Under Construction	604
256	Other Land and Buildings	383
232,064	**Total HRA Asset Value**	**233,346**

The vacant possession value of dwellings within the HRA as at 1st April 2013 was £590.7 million (£589.6 million as at 1 April 2011). The difference of £360 million between the vacant possession value and the balance sheet value of the dwellings within the HRA represents the economic cost of providing council housing at less than open market value.

22.7 – Depreciation and Impairment of Non-Current Assets charged to the Comprehensive Income and Expenditure Account

2012/13 £'000		2013/14 £'000
2,894	Dwellings	3,081
105	Other Assets	104
2,999	**Total Depreciation**	**3,185**
10	Impairment of Fixed Assets	522
3,009	**Total Depreciation and Impairment**	**3,707**

22.8 – Major Repairs Reserve

2012/13 £'000		2013/14 £'000
-	**Opening Balance**	-
(2,995)	Depreciation on Fixed Assets	(3,291)
101	Transfers to HRA	-
2,894	Capital expenditure funded from the MRR	3,200
-	**Closing Balance**	**(91)**

22.9 – Capital Financing

2012/13 £'000		2013/14 £'000
4,201	**Total HRA Capital Expenditure**	**6,598**
	Financed by:	
(1,069)	Revenue Contributions	(2,862)
(2,894)	Contribution from Repairs Reserve	(3,200)
-	Capital Receipts	-
(238)	Capital Grants	-
(11)	Internal Borrowing	
(4,212)	**Total Financing**	**(6,062)**

Details of HRA capital receipts received in year can be found in table 2.3.

22.10 – HRA Contribution to Pension Fund

Under IAS19, the cost of retirement benefits is 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. In addition the HRA has been charged with its share of the net interest on the defined benefit liability/asset and related administration cost. All of these costs together have been matched by a transfer to the pension reserve so that the net outturn on the HRA is not altered by these IAS19 adjustments.

SECTION G – SUPPLEMENTARY FINANCIAL STATEMENTS – COLLECTION FUND

23.0 – Collection Fund Summary

Uttlesford District Council is the authority responsible for the billing, collection and recovery of council tax and business rates. The Council is required to maintain a separate income and expenditure account to reflect the transactions relating to the Collection Fund.

The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme which enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the business rates came into effect on 1 April 2013.

23.1 – Collection Fund Income and Expenditure Account

2012/13 Business Rates £'000	2012/13 Council Tax £'000	2012/13 Total £'000	Collection Fund	2013/14 Business Rates £'000	2013/14 Council Tax £'000	2013/14 Total £'000
-	47,689	47,689	Council Tax Payers	-	48,886	48,886
-	-	-	Historic Balance Adjustment	-	375	375
-	3,879	3,879	Council Tax Benefit	-	-	-
38,319		38,319	Business Rate Payers	40,576	-	40,576
38,319	**51,568**	**89,887**	**Total Income**	**40,576**	**49,261**	**89,837**
-	36,658	36,658	Precepts and Demands: - Essex County Council	3,598	34,601	38,199
-	4,612	4,612	Precepts and Demands: - Essex Police Authority	-	4,505	4,505
-	2,240	2,240	Precepts and Demands: - Essex Fire Authority	400	2,115	2,515
-	7,271	7,271	Precepts and Demands: - Uttlesford District Council	15,991	6,974	22,965
-	-	-	Precepts and Demands: - Central Government	19,988	-	19,988
-	**50,781**	**50,781**	**Total Precept and Demand**	**39,977**	**48,195**	**88,172**
-	(51)	(51)	Distributions of Previous Years' Surplus/(Deficit): - Essex County Council	-	300	300
-	(6)	(6)	Distributions of Previous Years' Surplus/(Deficit): - Essex Police Authority	-	38	38
-	(3)	(3)	Distributions of Previous Years' Surplus/(Deficit): - Essex Fire Authority	-	18	18
-	(10)	(10)	Distributions of Previous Years' Surplus/(Deficit): - Uttlesford District Council	-	60	60
-	**(70)**	**(70)**	**Total Distributions of Previous Years Surplus/(Deficit)**	**-**	**416**	**416**
-	(99)	(99)	Provision for Doubtful Debts	(4)	(9)	(13)
38,181	-	38,181	Business Rates: - Payments to the National Pool	-	-	-
138	-	138	Business Rates: - Cost of Collection Allowance to General Fund	138	-	138
.	-	-	Business Rates: - Provision for Appeals	6,810	-	6,810
38,319	**(99)**	**38,220**	**Total Other Expenditure**	**6,944**	**-**	**6,944**
38,319	**50,612**	**88,931**	**Total Expenditure**	**46,921**	**48,602**	**95,523**
-	(631)	(631)	(Surplus)/Deficit as at 1 April	-	(1,587)	(1,587)
-	(956)	(956)	(Surplus)/Deficit for the Year	6,345	(659)	5,686
-	**(1,587)**	**(1,587)**	**(Surplus)/Deficit as at 31 March**	**6,345**	**(2,246)**	**4,099**

24.0 - Notes to the Collection Fund

24.1 – Council Tax Introduction

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, Essex Fire Authority and the Council.

The average amount for a Band D property in 2013/14 was £1,440.62 (2012/13 £1,437.30), 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 in 2013/14 was £1,513.71 (2012/13 £1,505.42).

24.2 – Council Tax Base

2012/13	Council Tax Base	2013/14
32,941	Total Dwellings	33,454
29,748	Net Chargeable Dwellings	30,217
33,816	Band D Equivalents	34,362
230	Additions (Net of Discounts/Exemptions)	293
34,046	Total Band D Equivalents	34,655
33,535	Collection Rate for 2012/13 - 98.5%	-
-	Collection Rate for 2013/14 - 98.64%	34,184
-	LCTS Discounts	(2,550)
196	M.O.D Properties	205
33,731	**COUNCIL TAX BASE**	**31,839**

24.3 – Council Tax Income Analysis

2012/13 £'000		2013/14 £'000
57,045	Gross Council Tax Collectable	58,008
(1,584)	Less: - Exemptions	(1,081)
(3,537)	Less: - Discounts	(4,509)
(3,879)	Less: Council Tax Benefit	-
-	Less: - LCTS	(3,491)
2	Transitional Relief	2
(358)	Write-offs	(43)
47,689	**Income from Council Tax Payers**	**48,886**

24.4 – Council Tax Fund Balance

2012/13 £'000		2013/14 £'000
(1,139)	Essex County Council	(1,612)
(148)	Essex Police Authority	(214)
(70)	Essex Fire Authority	(99)
(230)	Uttlesford District Council	(321)
(1,587)	**Total Surplus Apportioned**	**(2,246)**

24.5 - National Non Domestic Rates Income Analysis

2013/14 £'000		2013/14 £'000
45,030	Gross Business Rate Collectable	46,914
(1,584)	Small Business Rate Relief	(1,717)
(1,748)	Mandatory Relief	(1,838)
(1,908)	Property Relief	(2,190)
(158)	Discretionary Relief	(265)
(1,313)	Bad debt	(328)
38,319	**Income from Business Rates Payers**	**40,576**

24.6 - National Non Domestic Rates Funds Balance

2012/13 £'000		2013/14 £'000
-	Central Government	3,173
-	Essex County Council	571
-	Essex Fire Authority	63
-	Uttlesford District Council	2,538
-	**Total Deficit Apportioned**	**6,345**

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 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 has a high probability of a settlement being required 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 agreement 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 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 from the General Fund Balance into 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 held 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 conditions remain to be met, the monies are credited to Capital Grants Receipts in Advance Account (Creditor), and reviewed annually to determine whether the Grant or Contribution should be repaid. Where the Grant/Contribution can be applied, it is posted to the Capital Adjustment Account. Grants and Contributions in the Capital Grants Unapplied Account should eventually be transferred to the Capital Adjustment Account.

P6. RETIREMENT BENEFITS

Employees 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 4.4% (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 as 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 The Service Reporting Code of Practice and are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

P10. INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the appropriate revenue account over a seven year period, which reflects the assets consumption.

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

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

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

P11. 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 are expected to be used during more than one financial year; are classified as Property, Plant and Equipment.

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

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

A de-minimis amount of £10,000 is applied to all property, plant and equipment.

Measurement
Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The Council does not capitalise borrowing costs.

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

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

- Dwellings- fair value, determined using the basis of existing use value for social housing (EUV/ SH).
- Infrastructure assets and community assets at depreciated historical cost.
- Assets under construction are held at historic cost.
- All other property assets – fair value, determined by the amount that would be paid for the asset in its 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 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 2013 by Wilks, Head and Eve LLP.

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

Where the impairment is permanent the treatment is the same as disposal of asset at nil value.

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.
- 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 received in excess of £10,000 are categorised as capital receipts.

A proportion of receipts relating to dwelling disposals (75%), net of statutory deductions and allowances and up to a cap set by Central Government, the balance of these receipts are required to be credited to the capital receipts reserve and can only be used for capital investment in new social housing to a maximum of 30% of total capital costs.

All other housing receipts are appropriated to the capital receipts reserve within the Movement in Reserves Statement and are ring fenced to the Housing Revenue Account.

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.
- Provide an economic or service benefit to the Council's services, which is materially different to the rest of the asset.

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

- A de-minimis value of £150,000, or 25% or more of the value of the parent building component.
- Componentisation must take place at the valuation, acquisition and enhancement of the parent asset.

Under the 'Code' componentisation is not retrospective and effective from 1 April 2010. The application of componentisation will result in a change in the 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.
- Oaks Wood Park.

Each asset has been split into at least 2 material components.

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.

P12. 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.

P13. 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.

P14. 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 of 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 accurate accounting valuations for the purpose of including these 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.

P15. 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 a 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 where no risks or rewards are transferred to the Council 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

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.

P16. 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.

P17. FINANCIAL INSTRUMENTS

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.

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 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.

P18. INVENTORIES

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

- Vehicle fuel: valued at average cost.
- Housing stores: valued at the latest purchase price paid.

Whilst this is a departure from IAS 2 which requires stocks to be shown at the lower of cost and net realisable value, the effect of the different treatment is not material.
Work in Progress is valued at cost, which includes an element of the Council's cost of supervision and management.

P19. INTERESTS IN COMPANIES AND OTHER ENTITIES

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

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

The Council has no arrangements which would result in Group accounting and reporting for 2013/14.

The Council does however participate in a joint operation which is not performed through a separate entity. The Parking Partnership is a joint committee arrangement (Refer to Note 17.2) where The Council records its share of the joint committee arrangement’s income and expenditure, gains and losses, assets and liabilities and cash flows within its statutory accounts.

P20. PRIVATE FINANCE INITIATIVE (PFI)

The Council has a sports PFI scheme, which falls under the arrangements of the 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 cash flow 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 for Central Government in the collection of NNDR. 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 are 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 2013/14 financial statements.

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

P26. EVENTS AFTER THE REPORTING PERIOD

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 are not adjusted in the Accounts for. A disclosure is made detailing the nature of the event and the estimated financial impact.

P27. 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. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1st January of the financial year in question. Disclosure requirements are expected to be included in in the Code of Practice issued for 2014/15

- IFRS 13 – Fair Value Measurement (May 2011) (adopted in part)
- IFRS 10 – Consolidated Financial Statements (May 2011)
- IFRS 11 – Joint Arrangements (May 2011)
- IFRS12 – Disclosure of Interests in Other Entities (May 2011)
- IAS 27 – Separate Financial Statements (as amended in May 2011)
- IAS 28 – Investments in Associates and Joint Ventures (as amended in May 2011)
- IAS 32 – Financial Instruments; Presentation – Offsetting Financial Assets and Financial Liabilities (as amended in December 2011)
- IAS1 – Presentation of Financial Statements – (as amended in May 2011)
- Annual Improvements to IFRSs 2009-2011 Cycle

P28. 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 2014 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

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.

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 judgment based on independent external advice is used to determine the useful economic lives of the Council's Property.	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the assets falls. No material changes are expected to depreciation levels in the short term.
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. 8.5% of the Council's operational Property, Plant & Equipment are valued at fair (market) value. This excludes the HRA housing stock which is valued at social usage value. Of the market valued assets a valuation impairment would equate to a 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. An increase in member life expectancy would result in an increase in pension liability. An increase in salaries would result in an increase in pension liability. An increase in the pension rate would result in an increase in pension liability.
Arrears	At 31 March 2014, the Council had a balance of £11m for debtors. A review of balances suggested that an impairment of doubtful debts of £1.5m 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.

NNDR Appeals	At 31 March 2014, the Council recognised a provision of £2.7m representing its share of expected liabilities in respect of business rates appeals lodged at the balance sheet date.	The value of appeals recognised in the provision is based on a calculation provided by our external consultants Wilks, Head & Eve LLP. This determines the likely effect of appeals in terms of effect on rateable value (RV), the timing of the losses expected and the overall percentage reduction in RV. Whilst the figure provided in the accounts is expected to be materially accurate a small variance in actual appeal costs incurred may arise. Furthermore, for appeals not lodged at the balance sheet date it is expected that the contingent liability disclosure (in section 15 of the notes to the core financial statements) should provide an accurate assessment of the additional uncertainties which the authority has determined as at the balance sheet date.

1. SCOPE OF RESPONSIBILITY

1.1. 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.

1.2. 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.

1.3. 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

2.1. 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.

2.2. 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.

2.3. The governance framework has been in place at Uttlesford District Council for the year ended 31 March 2014 and up to the date of approval of the annual statement of accounts.

3. THE GOVERNANCE FRAMEWORK

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

3.2. The Uttlesford District Council Corporate Plan 2013 to 2018 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 2014-2019 was approved by members at the Council Meeting held in February 2014

3.3. 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.

3.4. 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'.

3.5. 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.

3.6. 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 2013/14.

3.7. 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 complied with the CIPFA statement in 2013/14

3.8. The primary counterbalances to our Cabinet are the Scrutiny and the Performance & Audit Committees. The role of these committees is to provide a robust challenge to the Executive.

3.9. 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.

3.10. The Council has formal complaints procedures which allows the public or other stakeholders to make a complaint regarding the service received from the Council or on the conduct of Members. The Standards Committee has responsibility for overseeing the investigation of complaints against members. For the period 01/04/13 to 31/03/14, there were 6 allegations received of a breach of the Code of Conduct. 2 were against parish councillors, 4 against district councillors. 1 complaint against a parish councillor and 1 complaint against a district councillor were made by members of the public. The other 4 complaints were made by district councillors. 1 complaint against a parish councillor and 2 complaints against district councillors were passed for investigation. In 1 case a district councillor was found to have breached the council's code of conduct but the committee decided that no action was necessary. In the other 2 cases no breach was found.

3.11. 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 being reviewed in May 2014.

3.12. 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

3.13. 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 2013/14 the Performance & Audit Committee were particularly concerned about performance in three areas of work and sought additional assurance, including regular written and verbal updates, from the relevant senior managers and portfolio holders.

3.14. In order to monitor and improve the Council's Housing Department's performance in terms of meeting National Standards and Local Offers, agreed with tenants, the Council has introduced a system of co-regulation in Uttlesford. Co-regulation enables our tenants to work with us to effectively "audit" our performance. In order to co-regulate the Housing Service, we have set up a Tenant Regulatory Panel (TRP) which includes Tenant Inspectors. The TRP have a number of tools at their disposal in order to investigate our performance and make recommendations for improvements. The TRP reports directly to the Tenant Panel which is the umbrella organisation representing council tenants in Uttlesford. It also reports to our Housing Board. Tenants Inspectors report back directly to the TRP.

3.15. 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.

3.16. The 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.

3.17. During 2013/14 training before Planning meetings has been carried out. Training has also been provided to Members on the new Scrap Metal Dealers Act. The Members Bulletins provide regular updates to Members on relevant corporate matters, service specific items, legislative changes etc.

3.18. The Council continues to ensure it is open and accessible to the community. In 2013/14 it has:

- Continued to regularly survey the view of residents through its Citizens Panel
- Published further information on the transparency section of the website to meet new guidelines

- Held further consultation exercises around the draft Local Plan.
- Trialled audio streaming and recording of meetings of the Planning Committee, Full Council and Cabinet

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.

3.19 During 2013/14 the Council's Scrutiny Committee has looked at various areas of council decision making and service delivery, including car parks, dog fouling, the Local Plan, Housing scrutiny, septic tank collection and planning performance. It has also scrutinised the work of external organisations, including the East of England Ambulance Service in relation to response times, GP accessibility in growth areas and changes to NHS England and the West Essex CCG. A summary of the year's work can be found at Item 12 of the 29 April 2014 Scrutiny Committee.

3.20 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 shared provision of , insurance, energy efficiency, health and safety and communications. The Council is actively involved in the Essex Partnerships programme and has set aside £50,000 to invest on a needs basis..

3.21 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.

4 REVIEW OF EFFECTIVENESS

4.1 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.

4.2 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.

4.3 The Council's Section 151 Officer 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 thes151 Officer to ensure compliance with financial requirements.

4.4 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 2013/14 concluded on balance that our audit opinion on the control environment for 2013/14 is that risks material to the achievement of the objectives for the audited areas identified by Internal Audit are, on balance, substantially managed and controlled.

4.5 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.

4.6 With effect from 1 April 2013, the work of Uttlesford District Council's (UDC) Internal Audit has been governed by the UK Public Sector Internal Audit Standards (PSIAS) which have replaced the CIPFA Code of Practice for Internal Audit in the UK. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF, additional requirements and interpretations for the UK public sector have been inserted in such a way as to preserve the integrity of the text of the mandatory elements of the IPPF. The PSIAS are mandatory for all internal auditors working in the UK public sector. An internal assessment of the performance of Internal Audit and its conformance with the PSIAS has been 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. An essential element of this assessment is to ensure that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance.

4.7 In April 2014, 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 in all material respects.

4.8 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.

4.9 EY were appointed as the Council's External Auditor from 01 September 2012 and are responsible from reviewing the Council's Statements of Accounts. In addition to reviewing the 2012/13 Statement of Accounts, EY issued a formal opinion on the Council's arrangements for securing Value for Money concluding that the council had made appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

5 SIGNIFICANT GOVERNANCE ISSUES

5.1 Significant Issues from 2012/13

There were three significant governance issues identified in the 2012/13 Annual Governance Statement, all of which have been resolved.

1. A formal system of annual appraisal to review the performance of the Chief Executive has been introduced.

2. Directorate and Service plans have been made available to the Internal Audit Manager.

3. Each member of CMT and the Community Partnerships, ICT and Street Services Managers are required to report quarterly to CMT specifically on their own service area developments.

5.2 Significant Control and Governance issues identified 2013/14

1. Since 1 April 2011 parking in Uttlesford has been run by the North Essex Parking Partnership and is a major source of income and expenditure for the Council, but at present the Council's Internal Audit is unable to provide assurance on the systems and controls within the NEPP. Under the terms of the partnership agreement Colchester Borough Council, in their role as lead authority for the NEPP, is responsible for the internal audit arrangements for NEPP.

However, Internal Audit at Colchester BC is outsourced to Deloittes who have also been given responsibility for the internal auditing of the NEPP by Colchester BC. As a consequence of this, the NEPP internal auditors have no direct accountability to the partnership and access to internal audit work and reports to the other partners in the NEPP is restricted. It has only been through working in conjunction with the other NEPP partner Internal Audit Managers, and only after two different Hold Harmless letters per partner authority were submitted to Colchester

BC, that access to Deloittes audit information was agreed and copies of the Deloittes Internal Audit Reports for the NEPP finally distributed (for 2012/13 in September 2013 and for 2011/12 in May 2014).

For the first time for 2013/14, and only following a specific request from the other NEPP partner Internal Audit Managers, were these Internal Audit Managers consulted on the objectives and scope of the Internal Audit work to be undertaken by Deloittes. Unfortunately the report has not yet been finalised and therefore unavailable for consideration at this time.

Draft protocols between NEPP partner Internal Audits are under discussion, access to the NEPP computer systems has now been given to the Council's Internal Audit section. It is anticipated that the Council's Internal Audit will be able to complete its audit work during 2014/15 and as a result be able to provide assurance on the systems and controls within the NEPP.

5.3 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.

Signed: _ ____

Leader and Chief Executive on behalf of Uttlesford District Council.

Performance and Audit Committee
22 July 2014 Item 7
Performance and Audit Reports Timetable 2014-15

22 July	**25 September**	**20 November**	**12 February**	**May 2015**
EY – Audit Committee Briefing	EY – Audit Committee Briefing	EY – Audit Committee Briefing	EY - Certificate of Claims and Returns	EY – Audit Committee Briefing
Draft Annual Governance Statement	EY - Audit Results (replaces Annual Governance Report)	EY - Annual Audit Letter	EY - External Audit Plan	EY - Annual Fee Letter
Draft Statement of Accounts	Statement of Accounts (including Annual Governance Statement)	Internal Audit Anti-Fraud and Corruption	Internal Audit Progress Report	Internal Audit Progress Report
Committee reports timetable 2014/15	Internal Audit Progress Report	Internal Audit Progress Report	Internal Audit Work Programme	Committee Self-Assessment
Internal Audit Annual Report and Opinion	Q1 Performance	Q2 Performance	Internal Audit Charter	Q4 Performance
Internal Audit Strategy 2014	Q1 Corporate Risk Register	Q2 Corporate Risk Register	Q3 performance	Q4 Corporate Risk Register
Internal Audit Progress Report			Q3 Corporate Risk Register	

Committee:	**PERFORMANCE & AUDIT COMMITTEE**	**Agenda Item**
Date:	**22 July 2014**	**8**
Title:	**Internal Audit Annual Report and Opinion 2013/14**	
Author:	**Sheila Bronson, Internal Audit Manager 01799 510610**	Item for Information

Summary

1. The purpose of this report is to advise on the work carried out by Internal Audit during 2013/14 and provide an overall opinion on the Council's control environment for 2013/14. The report also shows the state of compliance with the Public Sector Internal Audit Standards (PSIAS) which came into effect 01 April 2013.

Recommendations

2. That Internal Audit coverage, the Internal Audit opinion and compliance with The Code are noted.

Financial Implications

3. None. There are no costs associated with the recommendations.

Background Papers

4. None.

Impact

5.

Communication/Consultation	The Internal Audit Reports referred to in this report have been circulated to Members This report has been discussed with the Corporate Management Team at its meeting 18 June 2014
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	This report partly informs the Annual Governance Statement. The Statement is

	published to complement the Council's Statement of Accounts. This is a requirement set out in the Accounts and Audit Regulations 2011, regulation 4(3), that all relevant bodies prepare an annual governance statement.
Sustainability	none
Ward-specific impacts	none
Workforce/Workplace	none

Situation

6. Internal Audit is statutory service that forms part of the Council's corporate governance framework. The service is an assurance function that primarily provides an independent and objective opinion on the management of operational risk, control and governance.

7. The Internal Audit coverage for 2013/14 was delivered by the Council's in-house Internal Audit Team, which comprised of the following full-time officers:

   1 x Internal Audit Manager (full-time)
   1 x Internal Auditor (full-time)
   1 x Internal Auditor (part-time 0.7 FTE)

8. Internal Audit work partly informs the Annual Governance Statement which is published to complement the Council's Statement of Accounts.

9. Throughout 2013/14 the Internal Audit Manager reported to Members of the Performance & Audit Committee on details of work undertaken by Internal Audit and on implemented and outstanding Internal Audit recommendations.

10. The Internal Audit Work Programme 2013/14 was a rolling programme of planned audit work subjected to regular reviews and updating at strategic points throughout the year to take into consideration changes in priority, auditor resource and additional unplanned time requirement.

    - The first review was undertaken in June 2013 to bring in additional operational audits from the Audit Strategic Programme to ensure sufficient audit work in quarter 2;

    - The second review was undertaken in October 2013 to allocate initial time to preliminary key financial work for 2013/14;

    - The third review was undertaken in January 2014 to decide key financial work and other 2013/14 audit work to be undertaken by the audit resource available in quarter 4.

11. The initial Internal Work Programme for 2013/14 was drawn up in January 2013 and implemented from 01 April 2013 on the basis of a resource of 2 full-time auditors and 1 part-time (0.7 FTE) auditor. The allocation of audit days are calculated as follows:

	Original Apr 13 days	*1st revision Jun 13 days*	*2nd revision Oct 13 days*	**3rd revision Jan 14 days**	**actual days taken**	***diff between 3rd revision & actual***
total days available	694	*694*	*694*	**694**	**694**	***0***
less leave provisions and non-audit time	(253)	*(253)*	*(253)*	**(253)**	**(235)**	***-18***
total audit days available	441	*441*	*441*	**441**	**459**	
programmed 2013/14 audit work	310	*310*	*295*	**295**	**309**	***14***
productive Non-specific audit work	156	*156*	*156*	**156**	**150**	***-6***
total audit days allocated	466			**451**	**459**	

2013/14 Leave Provisions & Non-Audit Time

12. At 31 March 2014, Leave Provisions (bank holidays; annual, statutory, study & sick leave) accounted for 105 days against the allocated 116 days (-11).

13. At 31 March 2014, Non-Audit Time (training; CPD; planning & management; administration; appraisals; team meetings etc.) accounted for 130 days against the allocated 137 days (-7).

2013/14 Productive Non-Specific Audit Work

14. At 31 March 2014, Productive Non-Specific Audit Work accounted for 150 days against the allocated 156 days (-6).

	allocated days	**actual days taken**	**diff**
residual 2012/13 audit work	**5**	**17**	**12**
Follow-up work	**10**	**9**	**-1**
Irregularity Provision	**25**	**25**	**0**
Consultancy & General Advice	**34**	**14**	**-20**
Committee & Member Related work	**36**	**25**	**-11**

Contribution to Corporate Management	**24**	**19**	**-5**
NFI Key Contact & other fraud related work	**15**	**32**	**17**
Other- e.g External Auditor liaison	**7**	**9**	**2**
	156	**150**	**-6**

2013/14 Planned Audit Work – Revised Internal Audit Programme

15. There were a total of 31 audits on the initial Internal Audit Programme 2013/14 which were reviewed and revised:

    - June 2013 – overall total of audits remained at 31
    - October 2013 – overall total of audits remained at 31
    - January 2014 – final revision to 27 audits to be completed in 2013/14 with 4 audits carried forward to the 2014/15 Audit Programme (Equality & Diversity; Training; Street Services; Car Parking Partnership).

16. The decision to reduce the total of audits to 27 was taken to ensure adequate coverage of all Key Financial Audits with the audit resources available.

17. The audits of Corporate ICT and Corporate Asset Management were carried out by auditors from Epping Forest District Council's (EFDC) Internal Audit Team as part of an informal audit swap arrangement. The part-time UDC auditor is also employed in Internal Audit at EFDC and the audit swap arrangement was proposed for 2013/14 to give flexibility to both roles. As a result additional days required at either council were repaid with compensating additional days at the other and by using a recently qualified IT Auditor from EFDC for the UDC ICT audit and a EFDC Auditor for the UDC Asset Management audit, this ensured a zero balance of days owed at 31 March 2014.

18. The success of the informal audit swap will be built upon during 2014/15 with further exchanges of staff as skills, expertise and resources dictate.

19. Of the revised 27 audits to be completed in 2013/1:

    - 16 were Key Financial Audits (Sundry Debtors being incorporated as part of the Recovery Team Audit);
    - 5 were Corporate Audits and
    - 7 were Operational audits.

20. The final revised 295 days were allocated to these audits as:

    - Key Financial Audits - 150 days (51%) of available Audit time was of which

  - 60 days were for the 4 audits initially identified for specific control testing on which the External Auditor can base reliance for their 2013/14 audit and
  - 90 days were for the remaining 13 key financial audits on which audit work included reviewing and updating systems documentation for use by the External Auditor.

- Corporate Audits – 60 days (20%)

- Operational Audits - 85 days (29%)

21. At 31 March 2014, planned audit work accounted for 309 days against the allocated 295 days (+14).

22. The Internal Audit target was for 90% of planned audits to be completed to draft stage by 31 March 2014. Of the revised 27 planned audits, 26 (96%) were completed to draft report stage by 31 March 2014, (3 of which were awaiting final completion).

23. By 14 May 2014, final Reports had been issued for all 2013/14 audits.

Annual Audit Opinion

24. Our audit opinions are formed on the basis of the number and level of risk associated with the recommendations made.

25. The table reproduced at appendix 1 shows the audit work undertaken; the planned audit days from the 2013/14 Revised Internal Audit programme; the actual audit days taken including any residual audit work in 2014/15 to date; the number of recommendations made as a result of our audit work and the audit opinions formed for the 25 of the 27 Audits completed to final stage.

26. There is no opinion given for the Corporate Governance Audit 2013/14 as all audit work was specifically on production of the Council's Annual Governance Statement.

27. There is no opinion given for the Housing Benefits Audit 2013/14 as no control testing was undertaken during this audit.

28. For the 25 completed audits in the 2013/14 audit programme on which an opinion has been given, 56 recommendations have been made to improve the Council's control environment. This is in comparison with the 60 recommendations made in the 33 audits completed in the 2012/13 audit programme and the 40 recommendations made in the 23 audits completed in the 2011/12 audit programme.

29. The 56 recommendations arising from our 2013/14 audit work were assessed as follows:

- 1 recommendation was assessed as level 4
  (fundamental and requiring immediate attention and priority action)

- 9 recommendations were assessed as level 3
  (significant that should be addressed within six months)

- 36 recommendations were assessed as level 2
  (important that should be addressed within twelve months);

- 10 recommendations were assessed as level 1
  (*merit attention and would improve overall control).*

30. For the 25 audits on which an opinion on the level of assurance that risks material to the achievement of the objectives for the audited areas were managed and controlled has been given:

    - the opinions for 2 audits were ‘limited assurance’;
    - the opinions for 8 audits were ‘adequate assurance’ and
    - the opinions for 15 audits were ‘substantial assurance’.

31. For the 15 Key Financial Audits on which an opinion has been given on the level of assurance that risks material to the achievement of the objectives for the audited areas were managed and controlled:

    - the opinion for 3 audit was ‘adequate assurance’ and
    - the opinions for 12 audits were ‘substantial assurance’; however these 12 audits include 6 key financial audits where the scope of the audit was for testing to be carried out on a limited number of routine risk areas.

32. In determining the overall audit opinion for the year, the factors in paragraphs 29 to 31 have been taken into consideration and weighted accordingly.

33. **Therefore, our audit opinion on the control environment for 2013/14 is that risks material to the achievement of the objectives for the audited areas identified by Internal Audit are, on balance, substantially managed and controlled.**

Implementation of Internal Audit Recommendations

34. To stimulate improvement and reduce the likelihood of error or loss, management have a responsibility for ensuring the recommendations contained within Internal Audit reports are implemented. To encourage the timely implantation of agreed recommendations all management action and timetable for implementation is agreed prior to the issue of the final report.

35. All recommendations, agreed management action and timetable for implementation are input into Covalent for Internal Audit management purposes.

36. Internal Audit manages the follow-up of implementation of recommendations through a combination of updates from responsible officers following automatic trigger notifications sent out by Covalent; regular reporting to meetings of this Committee and a rolling follow up programme at six months after the latest implantation date of the agreed management action or as part of the next audit of an area.

37. All Corporate audit reports are copied to the Corporate Management Team (CMT), all Operational audit reports are addressed to the member of CMT responsible for the audited area and copied to the Chief Executive, Section 151 Officer and the Monitoring Officer.

38. Members of the Performance & Audit Committee receive copies of all audit reports and Terms of Reference. All new level 3 and 4 recommendations were reported in detail at each meeting of the Committee.

39. Of the 56 recommendations made in Audits from the 2013/14 audit programme to date:
    - 31 have been implemented
    - 24 have a due date after 31 March 2014 and will continue to be monitored through Covalent with progress reported to this Committee during 2014/15
    - 1 has been cancelled as changes within the service made it no longer necessary.

External Auditors

40. Quarterly liaison meetings and informal ad hoc meetings were held between the Audit Managers of Internal Audit and the External Auditor to discuss current work being undertaken and future work plans.

Conformance with the Public Sector Internal Audit Standards (PSIAS) and Other Quality Assurance Results

41. The PSIAS require that an internal or external review of the Internal Audit Service is conducted annually. During 2013/14 a self-assessment was undertaken to review conformance with the PSIAS

42. This review confirmed conformance with the four elements of the PSIAS Code of Ethics:

    - 1 Integrity
    - 2 Objectivity
    - 3 Confidentiality
    - 4 Competency

    Conformance with the following Standards:

    - 1000 Purpose, Authority and Responsibility
    - 1100 Independence and Objectivity

- 1200 Proficiency and Due Professional Care
- 2000 Managing the Internal Audit Activity
- 2100 Nature of Work
- 2200 Engagement Planning
- 2300 Performing the Engagement
- 2400 Communicating Results
- 2500 Monitoring Progress
- 2600 Communicating the Acceptance of Risks

And partial or non-conformance with the following Standards:

- 1300 Quality Assurance and Improvement Programme

43. This review confirmed that there were no significant areas of non-conformance and a Quality Assurance & Improvement Programme (QAIP) is being developed to address the minor issues arising. Progress against the QAIP will be reported to the Performance & Audit Committee during 2014/15 and in the 2014/15 Internal Audit Annual Report and Opinion.

44. It can also be confirmed that the internal audit activity is organisationally independent. Internal audit reports to the Assistant Chief Executive – Legal but has a direct and unrestricted access to all senior management and the Performance & Audit Committee.

45. Quality control procedures have been established within the Internal Audit Services as follows:

    - Individual Audit Reviews – Working papers and reports are all subject to independent review to ensure that the audit tests undertaken are appropriate, evidenced and the correct conclusions drawn. All reports are reviewed to ensure that they are consistent with working papers and in layout. Whilst these reviews invariably identify issues for clarification, the overall conclusion of the quality assurance checks is that work is being completed and documented thoroughly.

    - Customer Satisfaction – A Post Audit Questionnaire form is issued to the main auditees on completion of an audit. This form seeks the views of the recipient on how the audit was conducted, the report, recommendations made and overall opinion of the audit. Based on the Post Audit Questionnaire forms returned, the average score was 82% for customer satisfaction during 2013/14.

    - All staff have been provided with a copy of the Public Sector Internal Audit Standards and the Internal Audit manual has been updated to reflect the requirements of the standards.

46. The above quality control procedures have ensured conformance with the PSIAS. Audits have been conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

Review of Performance of the Internal Audit Service Against the Current Internal Audit charter

47. The Audit Charter was reported to and approved by the Performance & Audit Committee on 21 November 2013.

48. Based on the information provided in this report on the completion of the 2013/14 Internal Audit Programme, it is considered that the requirements of the Charter were met during the year.

Risk Analysis

49.

Risk	Likelihood	Impact	Mitigating actions
No internal audit assurance is provided to those charged with governance.	1 Internal Audit work programme for 2013/14	3 Failure to provide internal audit assurance could lead to inability to meet corporate and operational objectives and Adverse External Auditor report and damage to the Authority's reputation	The External Auditor review the outcome of Internal Audit work. The performance of the Internal Audit Section is monitored by senior management and Members.
Those charged with governance do not respond to Internal Audit recommendations.	2 Reports can contain re-iterations of recommendations made during previous audit that have not been implemented.	3 There would be varying levels of impact from any non-implementation of the recommendations given the high significance of the majority of control risks identified.	There is an escalation procedure. Internal audit reports are followed up to ensure compliance. The outcome of Internal Audit work is reviewed by the External Auditor and by the Performance & Audit Committee.

1 = Little or no risk or impact
2 = Some risk or impact – action may be necessary.
3 = Significant risk or impact – action required
4 = Near certainty of risk occurring, catastrophic effect or failure of project.

Internal Audit Programme 2013/14

ref	Audit	Risk 13/14	revised potential days	Actual Days Taken 2013/14	Audit Opinion	No of Recs	4	3	2	1
KF01 C	General Ledger	4	2	2	Substantial	0	0	0	0	0
KF02 C	Cash & Bank	2	3	5	Substantial	0	0	0	0	0
KF03 C	Corporate Asset Management	2	5	5	Substantial	0	0	0	0	0
KF04 C	Corporate Budgets	2	5	9	Substantial	0	0	0	0	0
KF05 C	Corporate Contracts & Procurement	2	15	17	Substantial	4	0	0	2	2
KF06 C	Corporate Income	2	10	13	Adequate	3	0	0	3	0
KF07 O	Council Tax	4	15	16	Substantial	1	0	0	1	0
KF08 O	Creditors	4	10	14	Substantial	1	0	0	0	1
KF09 O	Housing Benefits	4	5	3	n/a	n/a				
KF10 O	Housing Rents	4	5	7	Substantial	0	0	0	0	0
KF11 O	Housing Repairs	4	15	18	Adequate	3	0	0	3	0
KF12 O	NNDR	4	15	16	Substantial	3	0	0	0	3
KF13 O	Payroll & HR	4	15	13	Adequate	2	0	1	1	0
KF14 O	Recovery Team (includes KF15 O Sundry DR)	3	15	17	Substantial	1	0	0	1	0
KF16 O	Taxation	3	10	9	Substantial	0	0	0	0	0
KF17 O	Treasury Management	2	5	8	Substantial	2	0	0	2	0
			150	172						
COR18	Corporate Governance & AGS	3	10	8	n/a	n/a				
COR19	Corporate Access to Services	3	15	15	Substantial	3	0	0	2	1
COR20	Corporate Partnerships - LSP	3	10	9	Substantial	0	0	0	0	0
COR21	Corporate ICT	3	15	11	Substantial	3	0	0	0	3
COR22	Corporate Equality & Diversity	3	0	0	c/f to 2014/15	n/a				
COR23	Corporate Training	2	0	0	c/f to 2014/15	n/a				
COR24	Corporate Performance Management	2	10	13	Adequate	5	0	0	5	0
			60	56						
OP25	Housing Rent Deposit Scheme	4	5	8	Limited	4	0	3	1	0
OP26	Street Services	4	5	5	c/f to 2014/15	n/a				
OP27	Emergency Planning	3	10	8	Adequate	3	0	0	3	0
OP28	Environmental Health	3	15	16	Adequate	4	0	0	4	0
OP29	Facilities Management	3	10	12	Adequate	3	0	1	2	0
OP30	House Sales	3	15	18	Limited	6	1	3	2	0
OP31	Local Land Charges	2	10	8	Adequate	5	0	1	4	0
OP32	Car Parking Partnership	3	15	6	c/f to 2014/15	n/a				
			85	81						
			295	309		56	1	9	36	10

Committee:	**Performance & Audit Committee**	**Agenda Item**
Date:	**22 July 2014**	**9**
Title:	**Internal Audit Strategy 2014/15**	
Author:	**Sheila Bronson, Internal Audit Manager** **01799 510610**	Item for approval

Summary

1. The Council has arrangements in place to ensure risks to the Council achieving its objectives are identified and managed. This report informs Members of the review and updating of the Internal Audit Strategy 2014/15

Recommendations

2. That members approve the revised Internal Audit Strategy 2014/15

Financial Implications

3. None. There are no costs associated with the recommendations in this report.

Background Papers

4. None.

Impact

5.

Communication/Consultation	The Internal Audit Strategy 2014/15 has been circulated to the Council's Corporate Management Team
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none
Sustainability	none
Ward-specific impacts	none
Workforce/Workplace	none

Situation

6. With effect from 1 April 2013, the work of Uttlesford District Council's (UDC) Internal Audit is governed by the UK Public Sector Internal Audit Standards. The PSIAS comprise a revised definition of internal auditing, a Code of Ethics for internal auditors working in the public sector and the Standards themselves. The PSIAS are mandatory for all internal auditors working in the UK public sector

7. The PSIAS require that there must be a risk-based internal audit plan that takes into account the requirement to produce an annual internal audit opinion and assurance framework. It must be incorporated in or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities

8. The Internal Audit Strategy 2014/15 details the production of the Internal Audit Strategic and Work Programmes for current year.

Risk Analysis

9.

Risk	Likelihood	Impact	Mitigating actions
Adverse External comment if the Internal Audit Charter and Strategy do not comply with the PSIAS.	1 Internal Audit function is an integral part of the Council	2 Statutory requirement, adverse External Auditor Report	Annual review of Charter and Strategy

1 = Little or no risk or impact
2 = Some risk or impact – action may be necessary.
3 = Significant risk or impact – action required
4 = Near certainty of risk occurring, catastrophic effect or failure of project.

Internal Audit STRATEGY 2014/15

July 2014

INTERNAL AUDIT STRATEGY 2014/15

CONTENTS

1 Introduction

Background

1.1 With effect from 1 April 2013, the work of Uttlesford District Council's (UDC) Internal Audit is governed by the UK Public Sector Internal Audit Standards (PSIAS) which have replaced the CIPFA Code of Practice for Internal Audit in the UK. The PSIAS comprise a revised definition of internal auditing, a Code of Ethics for internal auditors working in the public sector and the Standards themselves. The PSIAS are mandatory for all internal auditors working in the UK public sector.

1.2 Internal Audit is defined in the PSIAS as follows:

> "Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

1.3 The PSIAS require that there must be a risk-based internal audit plan that takes into account the requirement to produce an annual internal audit opinion and assurance framework. It must incorporate in or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.

1.4 The annual Internal Audit Strategy provides details on the production of the Internal Audit Strategic and Work Programmes for current year.

2. Internal Audit Strategic Programme 2014/15

2.1 The Internal Audit Strategic Programme details all potential audit areas at both corporate and service area levels within UDC and forms the starting point for the annual audit planning process.

2.2 In January 2014, the Internal Audit Strategic Programme was reviewed in conjunction with CMT to ensure that it remained up to date and continues to take account of emerging risks and service developments ensuring the focus of Internal Audit work remains relevant to the Council's vision and current priorities. The Internal Audit Strategic Programme was presented to the Performance & Audit Committee at its February 2014 meeting.

Risk Assessment

2.3 Each potential audit area identified in the Internal Audit Strategic Programme is subject to an audit needs risk assessment taking into consideration:

- The Council's Corporate Plan objectives;
- Significant risk identified on a risk register above the Corporate Risk Appetite of 6;

- Interest to Internal Audit – e.g. the level of past audit opinions; recommendations made; recommendations implemented; fraud risks etc.;

- Interest to management/members and External Auditors – e.g. as a business priority; as part of the risk register; because of potential political sensitivity; as a Key Performance Indicator; a Project etc.;

- Volume, value and complexities of transactions;

- Span of control or level of devolvement;

- The date of the last audit;

- New system or business activity.

2.4 Risk levels are determined according to the Council's corporate method of risk scoring, assessing the potential risks to the Council if audit is not carried out:

- Risk Level **4** - Matters that are considered **fundamental** that require immediate attention and priority action;

- Risk Level **3 -** Matters that are considered **significant** that should be addressed within six months;

- Risk Level **2** - Matters that are considered **important** that should be addressed within twelve months;

- Risk Level **1** - Matters that merit attention and would improve overall control.

2.5 The audit needs risk assessment will influence the frequency of audit review and the estimated resource requirements to meet the expectation that all potential audit areas will be audited at least once over a five year period.

3. Internal Audit Work Programme 2014/15

Planning

3.1 The Internal Audit Work Programme for 2014/15 sets out the audit work programme for the financial year. It is a rolling programme of planned audit work expected to be undertaken during 2014/15 and is subject to regular review and updating at strategic points throughout the year:

- early April 2014 to determine the proposed audit work for quarters 1 & 2 of the new financial year;

- at the end of June 2014 to determine proposed audit work for quarters 2 and 3 of the financial year;

- at the end of September 2014 to determine proposed audit work for quarters 3 and 4 of the financial year;

- once External Audit are able to provide guidance on the control areas that they are expecting to review in their and

- at any other relevant point during the year

3.2 In order to preserve the independence of Internal Audit the final risk assessment and inclusion in the Internal Audit Work Programme rests with the Internal Audit Manager.

3.3 Agreement was given by CMT and Members of the Performance & Audit Committee in February 2014 to the initial Internal Audit Work Programme for 2014/15. The Internal Audit Work Programme defines the area and approximate duration of each audit based on risk assessment, time spent in previous audits, previous problems encountered and the level and skill of staff involved.

3.4 Audit resources are matched to the areas to be audited and any audits that will not be covered will be brought to the attention of the Assistant Chief Executive – Legal, the Section 151 Officer, CMT and Members.

3.5 The 2014/15 Internal Audit Work Programme is risk based as far as is possible, our auditing priorities for 2014/15 are:

1. Corporate & Divisional Plans / Risk Registers – highest risks.

2. Key Financials Audit – Corporate and Operational to meet the Accounts and Audit (England) Regulations 2011 and to provide specific testing on systems controls on which External Audit can place reliance.

3. Other areas considered high risk by the Internal Audit Manager.

4. Specifically requested Directorate & Divisional High risk areas or services following consultation with the Corporate Management Team.

5. Audits carried forward from the 2013/14 plan and any overdue audits from the 2014/15 Strategic Programme.

3.6 The Accounts and Audit Regulations require that Internal Audit provide independent assurance on the control framework for inclusion in the Annual Governance Statement. Therefore the priority for the Audit Service must be to carry out and achieve the planned work as contained in the Audit Programme.

Key Financial Audits

3.7 The Key Financial Audits are afforded highest priority in terms of time and resources.

3.8 Following the April 2014 review of the Internal Audit Work Programme for 2014/15, there are 12 Key Financial Audits:

Corporate

Asset Management
Budgets
Cash & Bank
Main Accounting System

Operational

Council Tax
Creditors
Housing Benefits
Housing Rents
Housing Repairs
NNDR
Payroll & HR
Recovery
Housing Repairs

3.9 The Section 151 Officer will be consulted on Terms of Reference for Key Financial Audits.

3.10 The 2014/15 Audit Programme has 80 audit days provisionally set aside for Key Financial Audits; bulk of this work to be carried out in quarters 3 & 4 of 2014/15.

Other Audits

3.11 Following the June 2013 review of the Internal Audit Work Programme for 2014/15, there are 23 Other Audits:

Corporate

Corporate Governance & AGS
Equality & Diversity
Health & Safety
Information Management
Training

Operational

Building Control Service and Fees
Car Parking Partnership
Community Health & Leisure including PFI
Community Safety - including anti-social behaviour
Disabled Facilities Grants
Economic Development Service
Elections
House Sales
Housing Contract Systems
Housing Rent Deposit Scheme
Members' Allowances & Expenses
Planning – Housing Strategy Local Plan

Planning - Development Management (control)
Planning - Support & Advice (planning fees)
Services for Older People
Street Services – Waste & Recycling
Street Services – Street Cleaning
Street Services – Highway Ranger Services

3.12 The 2014/15 Audit Programme has 231 audit days provisionally set aside for Non-key Financial Audits; this work will be carried out throughout 2014/15.

3.13 A further 4 Other Operational Audit areas have been identified for potential audit work in 2014/15:

Street Services – Grounds Maintenance
Street Services – Trade Waste
Street Services – Transport & Plant Utilisation & Maintenance
Street Services - Income Generating Services (Bulky Household Goods; Garden Waste)

Productive Non-Audit Days

3.14 Productive audit time is also taken up by various non-specific audit work which includes:

- ***Residual Audit Work*** – to ensure timely completion of any residual 13/14 audits;

- ***Follow-up Work*** – to ensure that critical and important recommendations have been implemented;

- ***Irregularity Provision*** – to include the provision of an independent investigation service on internal matters that require investigative and evidence gathering skills. Also to review controls post investigation as part of the core audit function;

- ***Consultancy and General Advice*** - to allow for changes in priorities and issues that arise during the year; extensions to reviews where further testing may be required because of control weaknesses, advice on general control issues and Financial Regulation requests etc.;

- ***Committee and Member related work*** – to include Committee Report preparation, liaison meetings with Performance & Audit Committee Chair and other Members and dealing with Members' queries;

- ***Contribution to Corporate Management*** – to include the Internal Auditor time spent on corporate projects and working groups;

- ***Fraud Related work*** – to include the Internal Audit Manager's National Fraud Initiative Key Contact responsibilities, fraud risk assessments and anti-fraud and corruption awareness work, internal data matching exercises.

Unplanned Work

3.15 Unplanned work will be assessed and if considered high priority, carried out in preference to items in the Internal Audit Work Programme in accordance with the following criteria:

- The risks if the work is not carried out and
- The impact on the Internal Audit Work Programme.

3.16 If considered medium to low priority it will be included in the next Internal Audit Work Programme review.

4. Resources 2014/15

4.1 Internal Audit is provided at UDC by its in-house Internal Audit team, comprising of:

- Internal Audit Manager – full-time
- 1 Internal Auditor - full-time
- 1 Internal Auditor - part-time, 0.7 FTE

4.2 The biggest impact on Audit resources are special investigations and unplanned work. Priority will be given to Risk Level 4 and 3 work over any other work on the Internal Audit Work Programme if the potential audit or productive non-audit days are exceeded.

4.3 Giving one-off advice to departments on a range of control issues and allowing further time on audits where further testing is required also adds to the pressure on resources. If extended unplanned work is deemed to be necessary, then resource levels and the impact on the Audit Programme and the Strategic Programme will be taken into consideration.

5. Types of Audits

Lean Auditing

5.1. We will continue using the lean internal auditing methods we introduced in 2011/12 to provide a high quality of assurance to Directors and Members in an effective, efficient and economical way with the resources available to us.

5.2 The audit needs risk assessment gives an indication of the level of risk. The Internal Audit Manager uses her judgement to assess the approximate amount of time to allocate to each area on the audit plan based on previous time spent, resources available etc. Although potential days have been given against audits, lean auditing methodology helps us to reduce the actual time taken on an audit by focussing where possible on the highest risk areas and controls.

5.3. At the start of each audit assignment, we will undertake a planning, evaluation and assessment process to decide the level or type of audit fieldwork that needs to be undertaken. Prior to Terms of Reference being issued for the audit, we will evaluate all of the information gathered through the planning stage and at that point we will decide on the type of audit to be undertaken:

- ***In depth audit*** - traditional audit practice, now likely to only be used for specific audits e.g. Key Financials;

- ***Standard Audit*** - concentrating on the specific areas identified at the pre-audit engagement planning stage, can be escalated to full audit if further testing is deemed necessary;

- ***Audit Review*** - to be the first option where it's known no major changes have occurred. This can be tailored to specific areas of concern or offered if limited ad hoc audit work is requested. May incorporate some method of self-assessment and include a level of direct Auditee involvement;

- ***High Level Review*** - to be offered initially at any request for ad hoc audit work to determine what level audit is necessary, may include desk review of risk registers / Performance Indicators / Directorate and service plans and a level of direct Auditee involvement.

5.4 Regular review and assessment is an integral part of lean auditing methodology.

5.5 Where field work identifies further testing is required an audit type can be amended. If additional work leads to the time allocated being exceeded and the Internal Audit Manager considers that this work is required, extended time may be taken out of consultancy and general advice unplanned time.

6. Audit Reports & Recommendations

6.1. Reporting protocols will be as described in the Internal Audit Charter

Recommendations

6.2 All Internal Audit recommendations have a risk level given to them. This is determined according to the Council's corporate method of risk scoring, assessing the potential risks to the service and/or the Council if the recommendation is not implemented within the agreed timescale. Risk levels definitions are presented in Appendix A.

6.3 It is Internal Audit's expectation to reach agreement at the draft report stage with auditees on recommendations, management actions and implementation dates. However, it is for management to determine whether or not to accept the Internal Audit recommendations and to recognise and accept the implications of not taking action. Management must formally respond giving reasons for their decisions which will be recorded on the Final Report.

6.4 Final Reports will record the Internal Audit opinion and overall comment on the effectiveness of the service area audited. The Internal Audit opinion criteria are presented in Appendix A.

6.5 All Final Reports are copied to Members of the Performance & Audit Committee and posted on the intranet.

6.6 Implementation of all recommendations is monitored by Internal Audit through Covalent which automatically generates reminder e-mail to managers as a recommendation approaches its agreed implementation date.

6.7 Follow-up action will be as described in the Audit Charter

7. Reporting to CMT and Members

Internal Audit Progress Reports to Members

7.1 During 2014/15 the Internal Audit Manager will present regular Progress Reports to CMT and the Performance & Audit Committee which will include:

- Progress against the Internal Audit Work Audit Programme 2014/15 since the previous report;
- Risk Level 3 or 4 recommendations made since the previous report and
- The implementation of all Internal Audit Recommendations since the previous report.

The Internal Audit Annual Report and Opinion

7.2 The Internal Audit Manager will report in July 2015 to CMT and the Performance & Audit Committee on the audit opinions of all audits completed during 2014/15 and an give an overall audit opinion on the Council’s control environment for the year in the Internal Audit Annual Report and Opinion.

7.3 The Internal Audit Annual Report and Opinion will be used by the Council to inform its Annual Governance Statement 2014/15 which will accompany the 2014/15 Annual Statement of Accounts.

INTERNAL AUDIT ASSURANCE OPINION CRITERIA

Opinion	Definition	Maximum recommendations overall	Maximum number of level 4 PLUS level 3 recommendations	Maximum number of level 2 recommendations
Substantial	Good effective management of risk; no significant recommendations arising.	4	**0**	**2**
Adequate	Sound satisfactory management of risk; identification of some elements of the control framework that merit attention; Marginal identification of deficiencies in the control framework that result in some risks not being managed effectively and must be addressed.	8	**2**	**6**
Limited	Unsatisfactory identification of deficiencies in the control framework compromising the overall management of risks demanding immediate attention.	12	**4**	**8**
Little	Major controls have failed and/or major errors have been detected	Over 12	**Over 4**	**Over 8**

INTERNAL AUDIT RISK LEVEL DEFINITIONS

Risk Level	Action timescale	Description
4	**Immediate**	Matters that are considered **fundamental** that require immediate attention and priority action
3	Within **6 months**	Matters that are considered **significant** that should be addressed within six months.
2	Within **12 months**	Matters that are considered **important** that should be addressed within twelve months.
1	None defined	Matters that merit attention and would improve overall control

Committee:	**PERFORMANCE & AUDIT COMMITTEE**	**Agenda Item**
Date:	**22 July 2014**	**10**
Title:	**Internal Audit Progress Report,** **03 May - 11 July 2014**	
Author:	**Sheila Bronson, Internal Audit Manager** **01799 510610**	Item for Information

Summary

1. To report to the Performance & Audit Committee details of work undertaken by Internal Audit since the last report to the Performance & Audit Committee on 15 May 2014 and to provide an update on implemented and outstanding internal audit recommendations.

Recommendations

2. That the Internal Audit Progress Report (03 May - 11 July 2014) be noted

Financial Implications

3. None. There are no costs associated with the recommendations.

Background Papers

4. None

Impact

5.

Communication/Consultation	The Internal Audit Work Programme 2014/15 referred to in this report has been have been approved by the Corporate Management Team and endorsed by the Performance & Audit Committee.
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none
Sustainability	none

Ward-specific impacts	none
Workforce/Workplace	none

Situation

6. The purpose of this report is to provide management and members with:

   i) Details of the work completed by Internal Audit since the last report to the Performance and Audit Committee at its meeting 15 May 2014;

   ii) A summary of the risk level 3 and 4 highest priority recommendations made and agreed;

   iii) Performance against the Internal Audit Work Programme 2014/15;

   iv) Details of risk level 3 and 4 highest priority recommendations implemented since the last report to Members;

   v) Details of any recommendations not implemented within the agreed timescale.

Work Undertaken by Internal Audit 03 May - 11 July 2014

7. Since the last report to the Committee:

   i) The remaining audit from the 2013/14 Internal Audit Work Programme was completed and the final report issued on 14 May 2014 with one recommendation made.

   ii) Between 03 May - 11 July 2014, 5 audits from the 2014/15 Internal Audit Work Programme were completed and final reports issued with a total of 3 recommendations made. All final audit reports have been copied to Performance & Audit Committee members and are available on the Council's Intranet. A summary of final reports issued is presented at Appendix A(i);

   iii) Between 03 May - 11 July 2014 work has started on a further 4 audits from the 2014/15 Audit Programme; progress on the 2014/15 programme is presented at Appendix A(ii).

Audit Work Programme 2014/15

8. As of 11 July 2014 work against the audit programme is:
   i) 5 audits have been completed or Final Reports Issued
   ii) 4 audits are currently work in progress

Recommendations Implemented 03 May - 11 July 2014

9. There are 5 risk level 4 & 3 recommendations which have been implemented; a summary is presented at Appendix A (iii).

Recommendations Not Implemented by due date at 11 July 2014

10. At 11 July 2014 there were 4 recommendations reported in Covalent as not being implemented in accordance with their agreed due dates, a summary is presented at Appendix A (iv).

Risk Analysis

11.

Risk	Likelihood	Impact	Mitigating actions
The issues highlighted in the internal audit reports are not acted upon	1 Action is already being taken towards the implementation of the recommendations contained in the reports.	2 There would be varying levels of impact from non-implementation of recommendations given the significance of the control risks identified.	Internal audit reports are followed up to ensure compliance. There are escalation procedures in the event of non compliance

1 = Little or no risk or impact
2 = Some risk or impact – action may be necessary.
3 = Significant risk or impact – action required
4 = Near certainty of risk occurring, catastrophic effect or failure of project.

FINAL REPORTS ISSUED 03 May - 11 July 2014

ref	Audit (2013/14)	Risk	Revised potential days	Final Report Issued	Days Taken	Recommendations Made No.	Risk Level				Audit Opinion
						total	4	3	2	1	
KF08 O	Creditors	4	15	14/05/14	14	1				1	Substantial
ref	**Audit (2014/15)**	**Risk**	**Revised potential days**	**Final Report Issued**	**Days Taken**	**Recommendations Made No.**	**Risk Level**				**Audit Opinion**
						total	4	3	2	1	
OP18	Building Control Service and Fees	3	10	16/06/14	11	0					Substantial
OP22	Disabled Facilities Grants	3	10	29/05/14	10	1			1		Substantial
OP23	Economic Development Service	3	10	26/06/14	9	1			1		Substantial
OP25	House Sales	4	3	20/06/14	3	1			1		Substantial
OP27	Housing Rent Deposit Scheme	4	3	21/05/14	4	0					Substantial

PROGRESS on the 2014/15 AUDIT PROGRAMME — 03 May - 11 July 2014

ref	Audit	2014/15 potential days	qtr	IA Risk 2014/15	Started	Draft	Final	Days Taken	Status	Comment
	Key Financial - Corporate									
KF01 C	Cash & Bank	5	3	3						
KF02 C	Main Accounting System (formerly General Ledger)	5	3	3						
KF03 C	Asset Management	0		2						
KF04 C	Budgets	0		2						
	Key Financial - Operational									
KF05 O	Council Tax	10	3	3						
KF06 O	Creditors	10	3	3						
KF07 O	Housing Benefits	10	2	3						
KF08 O	Housing Rents	10	3	3						
KF09 O	NNDR	10	3	3						
KF10 O	Payroll & HR	10	2	3						
KF11 O	Recovery	10	4	3						
KF12 O	Housing Repairs	0		3						
	Other - Corporate									
COR13	**Corporate Governance & AGS**	**10**	**1**	**3**	**20/05/14**			**4**	**draft**	
COR14	Equality & Diversity	10	2	3						
COR15	**Health & Safety**	**15**	**1**	**3**	**08/05/14**			**6**	**testing**	
COR16	Information Management	15	4	3						
COR17	Training	10	2	3						
	Other - Operational									
OP18	**Building Control Service and Fees**	**10**	**1**	3	**14/03/14**	**16/06/14**	**16/06/14**	**11**	**final**	
OP19	Car Parking Partnership (NEPP)	10	2	3						
OP20	Community Health & Leisure including PFI	10	3	3						
OP21	Community Safety - including anti-social behaviour	10	3	3						
OP22	**Disabled Facilities Grants**	**10**	**1**	3	**25/03/14**	**16/05/14**	**29/05/14**	**10**	**final**	
OP23	**Economic Development Service**	**10**	**1**	3	**14/04/14**	**12/06/14**	**26/06/14**	**9**	**final**	
OP24	Elections	10	2	3						
OP25	**House Sales**	**3**	**1**	**4**	**20/05/14**	**12/06/14**	**20/06/14**	**3**	**final**	

PROGRESS on the 2014/15 AUDIT PROGRAMME — 03 May - 11 July 2014

OP26	Housing Contract Systems	15	4	3						
OP27	**Housing Rent Deposit Scheme**	**3**	**1**	4	**25/03/14**	**14/05/14**	**21/05/14**	**4**	**final**	
OP28	Planning - Housing Strategy Local Plan	15	4	4						
OP29	Members' Allowances & Expenses	10	4	3						
OP30	**Planning - Development Management (control)**	**20**	**2**	**4**	**27/05/14**			**11**	**testing**	
OP31	***Planning - Support & Advice (planning fees)***				***included in audit op30***					
OP32	Services for Older People	10	3	3						
OP33	**Street Services - Waste & Recycling**	**15**	**1**	4	**26/03/14**			**12**	**testing**	
OP34	Street Services - Street Cleaning	5	4	3						
OP35	Street Services - Highway Ranger Services	5	4	3						
OP36	Street Services - Grounds Maintenance	0		3						
OP37	Street Services - Trade Waste	0		3						
OP38	Street Services - Transport & Plant Utilisation & Maintenance	0		3						
OP39	Street Services - Income Generating Services (Bulky Household Goods; Garden Waste)	0		3						
	TOTAL AUDIT DAYS	**311**						**70**		

LEVEL 4 & 3 RECOMMENDATIONS IMPLEMENTED	03 May – 11 July 2014

Code & Title	Description	Risk Level	Assigned To	Due Date	Completed
1213 OP-03 01 BUSINESS CONTINUITY	The Finance BC Plan has not been completed and should be formulated as soon as possible.	3	ACE - Legal	10/07/14	30/06/14
1213 OP-05-01 HOMELESSNESS	It is recommended that in conjunction with the Council's ICT team, Northgate (Housing Management System software provider) and Locata software provider; action plans are agreed for the purpose of managing risk in accordance to the Data Protection Act 1998; in relation to tenancy data kept longer than required by law.	3	Assistant Director Housing	30/06/14	30/06/14
1314 OP30 - 02 HOUSE SALES	It is recommended that any changes to the calculation on discount formula in the Northgate System are checked and verified by a Second Officer in Housing.	3	Housing Business Manager	31/05/14	19/05/14
1314 OP30 - 03 HOUSE SALES	It is recommended that:- a)Target date reports held in Northgate are used to allow for a complete audit trail and to monitor the RTBs. b)Circumstances to the delay on timescales should be noted on the Northgate System.	3	Housing Business Manager	31/05/14	19/05/14
1314 OP30 - 04 HOUSE SALES	It is recommended that RTB applications are processed within timescales to prevent delay notice being served and to ensure the timely deposit of funds into the Council's bank account.	3	Housing Business Manager	06/05/14	18/06/14

RECOMMENDATIONS NOT IMPLEMENTED 03 May – 11 July 2014

Code & Title	Description	Risk Level	Managed By	Due Date	Note
1213 OP-02 01 ELECTORAL REGISTRATION	It is recommended that Service EqIAS should be carried out to support the Council's equality duty.	2	Chief Executive	20-Jun-14	Awaiting Management update
1213 OP-03 03 BUSINESS CONTINUITY	CMT should drive forward a program of review and updating of all BC Plans. Departments should be responsible for their own BC plans and the Emergency Planning Officer should co-ordinate and work with departments to test and validate the resulting plans.	2	Assistant Chief Executive - Legal	31-Mar-14	Awaiting Management update
1314 COR19 - 01 CORPORATE ACCESS to SERVICES	It is recommended that an Access Strategy is in place with a corporate direction to join up existing processes amongst various services in relation to the communication of "public information".	2	Chief Executive	30-Jun-14	Awaiting Management update
1314 COR19 - 03 CORPORATE ACCESS to SERVICES	It is recommended that, to avoid any duplication of effort where there is reliable external data readily available to officers, officers involved in corporate demographic and community intelligence data gathering and analysis consider adopting a more reactive system of work on specific officer requests for data.	1	Chief Executive	30-Jun-14	Awaiting Management update