



Uttlesford District Council

Chief Executive: John Mitchell

Performance and Audit

Date: Thursday, 30 July 2015
Time: 19:30
Venue: Council Chamber
Address: Council Offices, London Road, Saffron Walden, CB11 4ER

Members: Councillors G Barker, M Foley, J Freeman, J Gordon, D Jones, N Hargreaves, T Knight, B Light, J Loughlin and E Oliver (Chairman).

Public Speaking

At the start of the meeting there will be an opportunity of up to 15 minutes for members of the public to ask questions and make statements subject to having given two working days prior notice.

AGENDA PART 1

Open to Public and Press

- | | | |
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MEETINGS AND THE PUBLIC

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The agenda is split into two parts. Most of the business is dealt with in Part 1 which is open to the public. Part II includes items which may be discussed in the absence of the press or public, as they deal with information which is personal or sensitive for some other reason. You will be asked to leave the meeting before Part II items are discussed.

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**PERFORMANCE AND AUDIT COMMITTEE held at COUNCIL OFFICES
LONDON ROAD SAFFRON WALDEN at 7.30 pm on 12 FEBRUARY
2015**

Present: Councillor S Howell – Chairman.
Councillors K Artus, A Dean, M Felton, M Foley, D Jones, E
Oliver and J Parry.

Also present: Councillor H Rolfe (Leader)

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

Also present from EY – Jo Wardle (Audit Manager).

PA39 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors K Eden and D
Sadler.

The Chairman declared a non-pecuniary interest in that his wife had
purchased a sheep from the Audit Manager's husband.

PA40 MINUTES

The minutes of the meeting held on 20 November 2014 were signed by
the Chairman as a correct record.

PA41 AUDIT COMMITTEE BRIEFING

The External Audit Manager presented the Audit Committee briefing which
set out areas of interest that might have an impact on local authorities.

She highlighted a major change in relation to the audit deadline, which
from the 2017/18 accounts would be brought forward to 31 July, which
would be more in line with other public bodies. As a result the deadline for
officers to submit the accounts to the external auditors would be 31 May.
The Assistant Director said this was a major change and would require
early planning to identify pinch points and manage the tighter timescale.

Councillor Dean asked if the committee was intending to carry out the Self-Assessment of Good Practice exercise before the end of the council year. It was agreed that the Audit Manager would circulate possible dates for this meeting to all members of the committee.

The committee noted the report.

PA42

CERTIFICATION OF CLAIMS AND ANNUAL REPORT 2013/14

The External Audit Manager presented the report which summarised the results of the council's 2013/14 claims and returns and set out the fees for the work undertaken. The certification involved undertaking prescribed tests which were designed to give assurance that the claims and returns had been fairly stated. The Committee was advised that the Auditors had issued a qualification letter for Housing Benefits which detailed a number of issues.

A number of recommendations had been made after last year's audit. However, due to the late completion of the audit the council had little time to address these before the 2013/14 benefit year was complete. Work to address the improvements had commenced in January 2014. Members were informed that the assessment of benefit claims was a large complicated area, with considerable amount of checking was required by council staff. This year the work had commenced earlier, had been completed on time and the results were much improved from the previous year.

The Assistant Director Finance outlined the controls that had been put in place for improvements going forward, which included a new team structure, and increased training. There was a change in focus of work to quality control and accuracy checking. An external consultant, had been engaged for the pre audit work.

Councillor Dean said that two years ago the refund to DWP had been £212k. The latest figure was £175k, which was an improvement but there was still some way to go. He questioned the employment of someone to check the work of other staff, when he thought the council should be striving for 'get it right first time'. The Chairman replied that in this case it was important to have a peer review due to the massively complex calculations involved.

The Director of Finance and Corporate Services explained that benefits claims were becoming more complicated, with a significant number of claimants now working or self-employed. In addition the Government was

regularly changing the rules. He said the purpose of peer review was to help to find errors at an early stage in the process.

In answer to a question, members were informed that other councils were in a similar position and it was very unusual to get an unqualified claim for benefits. The Assistant Director Finance confirmed that regular progress reports would be presented to the committee.

The Chairman said that the council appeared to be moving in the right direction in a systematic way and he hoped to see improvements in the autumn.

The report was noted.

PA43 INTERNAL AUDIT PROGRESS REPORT

The committee considered the report on work undertaken by Internal Audit since the last report to the committee on 20 November 2014, and an update on implemented and outstanding internal audit recommendations.

PA44 INTERNAL AUDIT WORK PROGRAMME 2015/16

The Audit Manager outlined the proposed internal audit work areas for 2015/16. The programme was based on a methodology adopted in 2011/12 of a rolling programme of risk based internal audit work to meet requirements and resources during the year.

Councillor Oliver hoped that potential new audits that fell outside the rolling programme would not be missed. The Chairman said he was happy with the approach taken and was satisfied that this was an appropriate list.

In answer to a question, it was confirmed that an audit on the Parking Partnership would be completed shortly. Members asked for audits of two areas of current interest, S106 obligations and electoral registration, to be brought forward in the programme. The Audit Manager said she would look to see how this might be accommodated.

RESOLVED that the proposed Internal Audit Work areas for 2015/16 be approved and the Internal Audit Manager consider adding the additional areas of electoral registration and section 106 obligations.

PA45

INTERNAL AUDIT CHARTER

The committee received the revised Internal Audit Charter. The production and regular update of this document was one of the requirements of the UK Public Sector Internal Audit Standards (PSIAS) which governed the work of internal audit.

The report set out the main revisions which were now required to be presented to the senior management team and this committee (acting as the Board). Councillor Dean said this was an important area for the committee to understand and suggested that the Charter should be an early agenda item for the new committee after May 2015.

PA46

QUARTER 3 PERFORMANCE 2014-15

The committee considered a report on the 2014/15 Quarter 3 results for the key performance indicators and performance indicators. The committee made comments in the following areas:

- i) KPI 07 – Average number of sickness days per employee per annum

Members were disappointed that this target had not been met for the last 4 quarters. Councillor Dean asked whether it was sensible to retain this target if it wasn't likely to be achieved. Also, as the figures were skewed by a number of long term sickness cases, he asked whether there was a case for excluding these from the figures.

The Assistant Director Corporate Services said this was a challenging target, but it had been achieved in the past and was something the council should aspire to. This issue had been considered by CMT and new procedures were being put place and it would continue to be reviewed.

- ii) KPI09 – Number of accidents reportable under RIDDOR

The Chairman said he was disappointed that there had been another reportable case.

- iii) KP11 – Processing of major Planning applications

It was noted that the target had not been achieved this quarter. The Chief Executive said it had been a very busy period with some staff sickness, but currently the district was under huge pressure for development and there were a large number of major applications coming forward. This area would need to be kept under review.

- iv) KPI 14 – Percentage of household waste sent for reuse recycling and composting

The Chairman reiterated his concern raised at the previous meeting, that the amount of recycled material collected was not a higher percentage. Members of the committee said that their personal experience was that they only sent a small amount of waste to landfill but this was clearly not the case throughout the district.

Councillor Rolfe said the council should try to address this area with education and initiatives. The Assistant Director Corporate Services said he had already held an initial discussion with the Street Services Operations Manager and a communications plan was being developed.

PA47

QUARTER 2 CORPORATE RISK REGISTER 2014/15

The committee considered a report on the Corporate Risk Register as at the end of the third quarter of 2014/15.

- i) 14-CR 04 Local Plan

Councillor Dean had expected that following the Inspector's decision this risk traffic light should be shown as a red given that there was not likely to be a Local Plan in place for the next 2 years. He was advised that the indicator was a measure of the action taken to mitigate the risk and that the councils had set out a programme for moving forward for the preparation of the new plan.

PA48

LAST MEETING

The Chairman said this was the last meeting of the committee for this council term. He thanked all the officers involved for their help and assistance over the last 4 years. He said he had enjoyed chairing the committee and thanked members for the robust and interesting exchanges. In turn, Councillor Dean thanked Councillor Howell for all his work as Chairman of the Committee.

The External Audit Manager advised that the new Audit Plan would be prepared before the committee was next likely to meet. It was agreed that the Assistant Director Corporate Services would circulate the Plan to committee members and collate any comments.

The meeting ended at 8.55 pm.

ACTION POINTS

Minute PA41	The Audit Manager to circulate dates for the audit self-assessment meeting
Minute PA44	The Audit Manager to consider adding 106 agreements and electoral registration to the 2015/16 audit programme
Minute PA45	The Assistant Director Corporate Services arrange for the Audit Charter to be included on the agenda for the first meeting of the new committee.
Minute PA46	When prepared, the Assistant Director Corporate Services to circulate to committee members plans for recycling promotion.
Minute PA48	The Assistant Director Corporate Services to circulate the new Audit Plan to members and collate member's comments.

Committee: Performance & Audit Committee

Agenda Item

Date: 30 July 2015

4

Title: Annual Governance statement 2014/15

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 Statement of Accounts 2014/15

Recommendations

2. That Members approve the draft Annual Governance Statement 2014/15

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 2014/15 has been approved by the Corporate Management Team and published with the draft Statement of Accounts in June 2015
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 2014/15 (appendix A) has been prepared in consultation with senior officers and using information from the 2013/14 Annual Governance Statement, which has been reviewed and updated to reflect the operation of the Council during 2014/15. A copy of the CIPFA Guidance 2012 and the draft Annual Governance Statement 2014/15 showing changes from the 2013/14 statement is available to Members on request.

The statement has been agreed by the Corporate Management Team at its meeting on 17 June 2015.

Evidence in support of the Annual Governance Statement has being prepared in accordance with the CIPFA Guidance for examination by the External Auditors as part of their 2014/15 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.

ANNUAL GOVERNANCE STATEMENT

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 2015 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 2014 to 2019 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 2015-2020 was approved by members at the Council Meeting held in February 2015
- 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 2012. Conduct of officers is directed by Human Resource Policies ("HRP") 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 2014/15.

- 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 2014/15
- 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 a formal complaints procedure 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 01/04/14 to 31/03/15, there were 30 allegations received of a breach of the Code of Conduct concerning 15 councillors. 10 were against parish councillors, 20 against district councillors. 6 complaints against parish councillors and 14 complaints against district councillors were made by members of the public. 3 complaints against parish councillors were made by parish councillors and 1 complaint was received from a town clerk. 4 complaints against district councillors were made by district councillors, 1 by a parish councillor and 1 by an officer of the council. . 3 complaints against parish councillors and 4 complaints against district councillors were passed for investigation. In all 3 cases involving parish councillors there was a finding of a breach of the Code of Conduct although in 1 case that finding is awaiting verification by the Standards Committee. In 1 of those cases the subject member was recommended to undergo training. In the other decided case the Standards Committee considered that no further action was required. 4 allegations against district councillors were passed for investigation. 1 investigation is ongoing. In the other 3 cases there was a finding that the Code of Conduct had not been breached.
- 3.11 The Council has policies to safeguard both itself and its staff when making decisions. A Counter Fraud and Corruption Strategy and Policies, including the Council's Fraud Response Plan, Whistleblowing and Bribery Act 2010 Policies have been developed and communicated to all staff via the internet and as part of the Induction process. This Strategy and Policies provide clear reporting channels and were reviewed during 2014/15 and published in April 2015.
- 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 and the Street Services Operations 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 Corporate Risk Register was comprehensively rewritten at the end of 2014/15.

- 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 2014/15 the Performance & Audit Committee sought additional assurance, including benchmarking data, regarding the council's level of missed bins and also discussed staff sickness levels and recycling rates.
- 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' has been operated in the council for three years. 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 2014/15 the Planning Committee has benefited from training sessions before meetings. The Performance and Audit Committee was given training during the year, focusing particularly on the audit side of the committee's work. 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 2014/15 it has:
- Continued to regularly survey the view of residents through its Citizens Panel and refreshed the membership of the panel to improve further demographic representation
 - Published further information on the transparency section of the website to meet new guidelines
 - Continued audio streaming and recording of meetings of the Planning Committee, Full Council and Cabinet and the sign-off of the Statement of Accounts at Performance and Audit Committee
- 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 2014/15 the Council's Scrutiny Committee has looked at various areas of council decision making and service delivery, including day centres, Saffron Walden Museum and Castle, rural broadband provision, the Local Plan, the 2015/16 budget proposals and sports facility provision. A summary of the year's work can be found at Item 9 of the 24 March 2015 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 constantly 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, and elements of Building Control.
- 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 the Section 151 Officer to ensure compliance with financial requirements.
- 4.4 The 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 2014/15 concluded on balance that the audit opinion on the control environment for 2014/15 is that risks material to the achievement of the objectives for the audited areas identified by Internal Audit were, 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 the Council's 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 2015, the Performance and Audit Committee carried out the annual review of its effectiveness as an audit committee during 2014/15 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. Most indicators are monitored on a quarterly basis; some are bi-annual or annual. All are discussed by the Corporate Management Team and the top two of three layers of indicators are reported to Committee.
- 4.9 EY were appointed as the Council's External Auditor from 01 September 2012 and are responsible for reviewing the Council's Statements of Accounts. In addition to reviewing the 2013/14 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 Issue from 2014/15

There was one significant governance issue relating to the working relationship between the North Essex Parking Partnership (NEPP) partner Internal Audit sections identified in the 2013/14 Annual Governance Statement. This issue has been favourably resolved and the Council's Internal Audit section has been able to undertake detailed audit work and provide assurance on systems and controls relating to the monitoring and management of the car parking services provided by the NEPP.

5.2 Significant Control and Governance issue identified 2014/15

In the 2012/13 Annual Governance Statement we identified as a Significant Governance Issue that there was no formal mechanism currently in place for an annual appraisal to review the performance of the Chief Executive against the Corporate Plan objectives. It was expected that this would be addressed by the introduction of a formal system of annual appraisal to review the performance of the Chief Executive during 2013/14.

The council's U-Perform process requires all members of staff to have objectives set against which their performance is measured in their annual appraisal.

The Chief Executive's objectives continue to be set in the council's Corporate Plan and reviewed and agreed annually with the Leader and Members; however there remains no formal mechanism in place for an annual appraisal akin to the U-Perform process to provide a written appraisal of the Chief Executive's performance against the his objectives.

5.3 We propose over the coming year to take steps to address the above matter 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: _____

John Mitchell
Chief Executive

Signed: _____

Howard Rolfe
Leader of the Council

Committee: Performance & Audit

Agenda Item

Date: 30 July 2015

5

Title: 2014/15 Draft Statement of Accounts

**Author: Angela Knight
Assistant Director – Finance**

Item for information

Summary

1. At its meeting on 24 September 2015, the Committee will be requested to approve the audited Statement of Accounts for 2014/15, along with the External Auditor's Annual Governance Report.
2. To familiarise Members with the document, the draft Statement of Accounts is presented to tonight's meeting. The draft Statement of Accounts was published on 16 June and is consistent with the outturn results approved by Cabinet on 18 June.
3. At the meeting officers will draw Members' attention to the key items 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 (i-xiii).
5. The external audit of the accounts is in progress.
6. The final audited accounts, together with the external audit report of confirmed issues arising, will be presented to the Committee on 24 September 2015.
7. At time of writing, 2 Members had not completed their Related Party Declaration forms.

Recommendations

8. The Committee is recommended to:
- review the draft Statement of Accounts for 2014/15
 - identify any additional information or assurance that would assist with the Committee's approval of the Accounts at the September meeting.

Key items in the Accounts

9. Long term assets increased in value by £36.7m, of this £36.6m relates to the revaluation of our Housing Stock and other Land and Buildings. The revaluation is carried out by an independent valuation Company; Wilkes, Head and Eve and is due to consistent growth in market values within the local area.
10. Long term liabilities have increased by £5.1m; this is a net movement of which an increase of £5.2m relates to the movement in our pension deficit liability. This is the net effect of an increase in the return on the assets invested by the actuary and the reduced yield on high quality bonds. The decrease of £0.1m is made up of various minor reductions in grants and deferred liabilities.
11. Debtors have reduced by £4.1m meaning we are owed less money. This is due to a combination of factors; the majority relates to movements and changes to accounting procedures relating to the collection fund, including the settlement of the business rates safety net payment.
12. Creditors have reduced by £7.6m meaning we owe less money to external bodies e.g. suppliers. This again is due to mainly to the movements and changes to accounting procedures in the collection fund. This movement also includes the business rates appeals provision reduction of £1m, due to clearer guidance and new legislation regarding the period in which an appeal can be backdated.

Background Papers

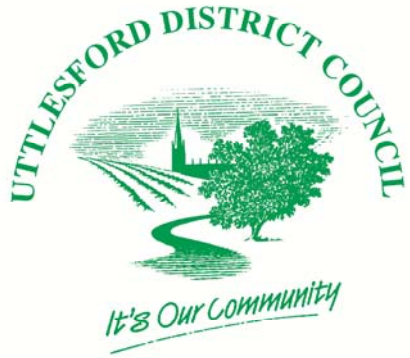
None.

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

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 - extensive checks and references to CIPFA code and practitioner guides on all areas of the accounts.	4 – failure of audit and lack of confidence in the financial management of the council.	Continuous liaison with the External Auditors to identify areas of concern early and remedy the issues effectively.



Draft Statement of Accounts 2014/15

Uttlesford District Council



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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 mainly rural and comprises the main towns of Saffron Walden, Great Dunmow, Stansted Mountfitchet and Thaxted, with 60 parishes. It is geographically the largest district in Essex, and has a population of approximately 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 2015, and summarises the overall financial position of the Council as at 31 March 2015. This foreword provides a guide to the significant matters reported in these accounts.
-

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 and constitutes a 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.
- 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 2014/15.
- 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 next page).

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).

Cash Flow Statement (page 5)

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.

Prior Period Adjustments

There are no prior period adjustments for 2014/15

Notes to the Core Financial Statements (page 6 – 63)

These provide additional supporting information to the figures included within the core financial statements.

Housing Revenue Account (HRA) Comprehensive Income and Expenditure Account (page 64)

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 70)

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 £35.1 million during the year, from £153.3 million to £188.4 million. The key movements are summarised below.

£m	31 March 2014	31 March 2015	Increase / (Decrease) in Net Assets	See Note Below
Long Term Assets	262.4	299.1	36.7	a
Current Assets	33.0	28.9	(4.1)	b
Current Liabilities	(19.9)	(12.3)	7.6	c
Long Term Liabilities	(122.3)	(127.4)	(5.1)	d
Net Assets	153.3	188.4	35.1	

a) Long Term Assets

Long Term Assets are items that the Council uses to provide economic benefits over a long period, with associated costs expensed to the Comprehensive Income and Expenditure Statement over the economic life of the asset concerned. These assets 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 housing.

Each asset is recorded on the balance sheet according to an estimate of its value; assets are valued at their fair market value. Because of variable factors like property prices or the condition of an asset, values can fluctuate.

During 2014/15, the value of the Council's Long Term assets increased (£36.7m). The main factor attributed to this is the re-valuation of the Housing Stock and Land & Other Buildings, giving an overall increase in the balance sheet asset values (£36.6m). There were also additions to the housing stock (£4.8m), disposals of assets (£4.3m) and a net charge to depreciation (£4.2m). Assets under Construction have increased by £2.7 million of which an element is in the Housing Revenue Account (£1.8m) and is directly linked to the housing investment strategy as part of the continuing self-financing action plan. The remaining movement relates to various smaller projects within the General Fund Budget. Full details are set in Table 7.1 on page 26.

A transfer of assets has taken place in 2014/15 which relates to eight units of dedicated Temporary Accommodation from the Housing Revenue Account to the General Fund. Four of the units are assets under construction from the Mead Court site in Stansted and four units into Other Land and Buildings from Burnt House Villas in Takeley.

b) Current Assets

Current assets are items that can be converted to cash or used to pay current liabilities within 12 months, and comprise bank balances, stock, debtors (money owed to the Council) and short term investments. The net decrease of £4.1 million is due to the following:

- Debtors in 2013/14 included collection fund balances (£10.6m) primarily relating to the safety net payment from Central Government (£3.4m), and Collection Fund agency (Central Government, Essex CC, Essex FA) balances (£7.2m), these balances are made up of the agency share of NNDR arrears, the cumulative deficit (£6.6m) and Council Tax arrears (£0.6m). In 2014/15 this Collection Fund element (£10.6m) itemised above has been extinguished with the Safety Net debtor (£3.4m) settled by Central Government, and the remaining balance (£7.2m) reclassified within Creditors in accordance with correct accounting practice to net off Collection Fund agency balances for debtors/creditors.
- The debtors balance relating to accruals/prepayments has also decreased by £0.5m (mainly due to the Housing Benefit subsidy debtor being substantially lower for 2014/15) with the balance of minor items (including other Collection Fund) totalling a further £0.3m.
- An increase of £7.5 million in short term investments is due to a healthier cash flow position. The material movements were an increase in Council Tax income (£1.5m), increase in the collection of NNDR income (£0.5m), increase in rental income (£0.4m), increase in New Homes Bonus (£0.7m) and the Safety Net payment related to 13/14 but received in 14/15 (£3.4m).
- The balance of the movement is made up of various minor items totalling £1.1m, including a reduction in the Housing Benefit Subsidy debtor (£0.5m) and a decrease in cash in the Council's bank account at year end (£0.3m).

c) Current Liabilities

Current Liabilities represent monies the Council owes to other parties that are due for payment within one year. During 2014/15 the current liabilities has a net decrease of £7.6 million and the key movements are detailed below:

- A decrease of £5.5m relates to the Collection Fund, of which the largest element relates to the NNDR including the agency share of creditors decrease (£4.1m), and a £1m levy payment increase which is offset by a substantial reduction in the appeals provision share giving an overall net reduction (£0.7m). A decrease relating to the Council Tax arrears (£0.6m) has been netted off this balance for 14/15 in accordance with correct accounting practice for Collection Fund agency accounting. For Council Tax the agency share of the cumulative surplus owing has also reduced (£0.8m) due to precept payments made in the year.
- A net decrease of relating to non-specific creditor liabilities (£1.0m) reflects timings of income receipted, accruals and prepayments, and is due to processing dates and tighter deadlines.
- A decrease in short term provisions (£1.0m) is the reduction in the Council's contribution towards refunds to business ratepayers upon determination of their appeals against rateable values by the Valuation Office.

d) Long Term Liabilities

Long Term Liabilities increased by £5.1 million, the main area of the increase relates to the Council's share of the Essex Pension Fund deficit (£5.2m), with other minor decreases in Deferred Liabilities and Grants Receipts in Advance of (£0.1m).

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 2014/15 the actuarial estimate of the Fund's asset values increased (£7.3m), with the actuarial estimate of the Fund's liabilities also increasing in year (£12.5m). The combined effect of these changes has increased the deficit by £5.2 million. The continued strong performance of the investment markets has continued with an increase of 5% on the Funds return on assets from 9% to 14%. This combined with the Council making a 3 year deficit payment in advance, have achieved a positive outcome on the increased value of the Councils share of the fund's assets.

The key influence on the increase of the level of the fund's liabilities is the discount rate applied which has fallen from 4.4% to 3.2%. This has been a consistent theme in recent years as IAS 19 requires the Actuary to base the discount rate on the yields of high quality bonds, the effect of this is as discount rates fall our liabilities increase.

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 bulk of the Long Term Liabilities figure, £88.4 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 2014/15. 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 18 June 2015. www.uttlesford.gov.uk

4.1 GENERAL FUND

Total General Fund reserves available to spend have decreased by £0.151 million, from £7.963 million to £7.812 million.

	31 March 2014	31 March 2015	Net increase/ (Decrease)
	£m	£m	£m
Working Balance	1.214	1.282	0.068
Earmarked Reserves	6.749	6.530	(0.219)
Subtotal – Reserves available to spend	7.963	7.812	(0.151)
Business Rates Ring fenced Reserve	4.423	3.670	(0.753)
Total General Fund Reserves	12.386	11.484	(0.904)

Net Operating Expenditure was £4.845million, which was £0.153 million below the budget, as summarised in the table below.

	Budget	Outturn	Variance from revised budget
	£m	£m	£m
Service & corporate budgets	11.148	10.483	(0.665)
Government funding	(4.871)	(4.726)	0.145
Local share of business rates	(1.279)	(0.912)	0.367
Net Operating Expenditure	4.998	4.845	(0.153)
Decrease in General Fund Reserves	(0.303)	(0.170)	0.133
Net Budget Requirement	4.695	4.675	(0.020)

After allowing for transfers to earmarked reserves, the bottom line represented a net underspend of £0.020 million, which is added to reserves. This figure, along with the £0.238 million of transfers from reserves during the year, amount to a decrease in General Fund earmarked reserves of £0.218 million.

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

Details of Variances	Variance favourable (-) / adverse
Public Health net of additional food inspection income and associated costs	(0.217)
Local Tax Collection, reduction in bad debt requirement and increase in court costs recovered	(0.143)
Community Safety PCSO's not funded for 2014/15 and ASBO post transferred to Housing Revenue Account	(0.122)
Economic Development reduction in consultancy carried forward to 2015/16	(0.074)
Street Services Management - Staffing restructure savings	(0.114)
Legal Services - increased income relating to S106 work and court costs	(0.105)
Revenue contributions to capital financing	0.361
Net impact of market changes relating to recyclable contract and income	0.227
IT investment in disaster recovery and communications	0.113
Net of minor changes	(0.079)
Net Favourable Variance	(0.153)

4.2 HOUSING REVENUE ACCOUNT (HRA)

2014/15 was the third 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 build council housing.

During 2014/15, total HRA reserves increased by £2.117 million, from £3.372 million to £5.489 million:

	31 March 2014	31 March 2015	Net increase /(decrease)
	£m	£m	£m
HRA Working Balance	0.680	0.463	(0.217)
Capital projects (committed)	1.223	3.537	2.314
Potential development projects	0.800	0.800	-
Major Repairs	0.091	0.131	0.040
Sheltered Housing	0.318	0.318	-
Change Management	0.200	0	(0.200)
Transformation Reserve	0	0.180	0.180
Revenue projects	0.060	0.060	-
Total HRA Reserves	3.372	5.489	2.117

The Operating Surplus was £3.374 million, which was £0.014 million higher than the budgeted surplus of £3.360 million. From the Operating Surplus of £3.374 million, £1.297 million was used to finance capital projects, leaving a bottom line surplus of £2.314 million. This was added to the Capital Projects Reserve, to fund future housing projects and improvements.

Housing Revenue Account	Budget	Outturn	Variance from Revised Budget
	£m	£m	£m
Income	(15.390)	(15.562)	(0.172)
Expenditure	12.030	12.188	0.159
Operating Surplus	(3.360)	(3.374)	(0.014)
Funding of capital projects	3.244	1.297	(1.947)
Transfers (to)/from reserves	0.116	(0.237)	(0.353)
Surplus for year	0.00	(2.314)	(2.314)

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

	Variance Favourable (-) / adverse
	£m
Capital Programme Slippage from 14/15 to 15/16	(1.947)
Capital Projects Reserve drawdown not required	(0.353)
Impairment Accounting adjustment to housing stock	(0.297)
Rent Collection better than budgeted	(0.172)
Bad Debt provision reduced (decrease in rent arrears)	(0.104)
Increased requirement for repairs to housing stock	0.675
Net of minor variances	(0.116)
Net favourable variance	(2.314)

4.3 CAPITAL PROGRAMME

Total capital expenditure was £8.480 million, which was £0.116 million below 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	2.419	(1.169)	1.250	1.740	0.490
Housing Revenue Account schemes	9.797	(2.451)	7.346	6.740	(0.606)
Total Capital Expenditure	12.216	(3.620)	8.596	8.480	(0.116)

Capital Expenditure was financed by external grants and contributions, the HRA Major Repairs Allowance, revenue contributions, capital receipts and internal borrowing. No external borrowing was required in the year.

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 the Business Rates Retention Scheme) 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 has lost approximately 26% of this funding, and the Government has indicated further cuts will be made from 2015/16 and continuing into future years. 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/levy (if business rates collected are above this deemed level of funding).

It was identified in 2013/14 that the Council was exposed to significant liabilities arising from the backlog of appeals lodged by businesses against their rateable values. Although the risk continues in 2014/15, there has been guidance and changes in legislation which have reduced this risk. 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 is subject to detailed external audit.

The Council commissioned an independent rating valuations expert (Analyse Local) 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 £9.2 million in 2014/15, a reduction from 2013/14 of £2.3 million. The UDC share of the liability, at 40% would be £3.7 million, a reduction of £0.9 million from 2013/14; this is detailed in table 10.2 page 33.

- Government funding through other non-specific grant regimes, such as New Homes Bonus and Council Tax Freeze Grant, has the potential to improve the Council's financial position. Accordingly such income is difficult to predict and therefore prudent assumptions are used in the medium term financial strategy.
- In respect of 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 a 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 increases (determined at a national level) and the Council's employer pension contribution, determined by Essex County Council as administering pensions authority. The council employed a total of 344 employees which equated to 303.95 full time equivalents as at the 31 March 2015 (357 employees, 315.83 fte as at 31 March 2014). This decrease in employees is due in the main to efficiencies within Street Services with a reduction of 8 employees and the remainder is efficiencies across the whole organisation.
- 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 Local Council Tax Support – the level of expenditure varies according to the number of people entitled to receive benefit and levels of housing benefit and council tax benefit due under government rules. Wider economic factors such as recessionary pressures have a direct effect on the number of people receiving benefit.
- Capital financing costs – the amount depends on the size of the capital programme and the methods of financing, in particular the amount of borrowing and use of finance leases.

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

- Timing of payments including length of time taken to pay suppliers' invoices.
- Receipt of income including effectiveness of debt recovery.
- Schedule of payment dates relating to amounts payable to precepting authorities and central government.

6. THE FINANCIAL NEEDS AND RESOURCES OF THE COUNCIL

6.1 The Council requires financial resources to deliver its corporate priorities, statutory obligations and discretionary services. For a detailed explanation of how the Council's budget is aligned to its priorities, and a forecast of the resources required over the next few years, please refer to the Council's Medium Term Financial Strategy, available on the Council's website and from the contact details given in Section 8 of this document.

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 page 101).

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, 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>



Adrian Webb
Director of Finance and Corporate Services
Section 151 Officer

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 ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance and Corporate Services.
- 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 DIRECTOR OF FINANCE AND CORPORATE SERVICES – FINANCE'S RESPONSIBILITIES

The Director of Finance and Corporate Services 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 Director of Finance and Corporate Services 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 2015 and its Income and Expenditure for the year ended 31 March 2015.

Signature:



Adrian Webb
Director of Finance and Corporate Services

Date: 12th June 2015

APPROVAL OF THE ACCOUNTS

I confirm that the Statement of Accounts was approved by a resolution of the Performance & Audit Committee on 25th September 2015.

Signature:

Councillor Edward Oliver
Chairman Performance & Audit Committee
Uttlesford District Council

Date: 25th September 2015

CORE FINANCIAL STATEMENTS**Movement in Reserves 2014/15**

	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 2014	(1,214)	(11,172)	(680)	(2,601)	(91)	(1,259)	(1,929)	(18,946)	(134,402)	(153,348)
(Surplus) or Deficit on provision of services (accounting basis)	(1,209)	-	(13,619)	-	-	-	-	(14,828)	-	(14,828)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(20,198)	(20,198)
Total Comprehensive Income and Expenditure	(1,209)	-	(13,619)	-	-	-	-	(14,828)	(20,198)	(35,026)
Adjustments between accounting basis & funding basis under regulations (Note 1.1)	2,114	-	11,542	-	(41)	(603)	1,475	14,487	(14,487)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	905	-	(2,077)	-	(41)	(603)	1,475	(341)	(34,685)	(35,026)
Transfers to / (from) Reserves	(973)	973	2,294	(2,294)	-	-	-	-	-	-
(Increase) / Decrease in Year	(68)	973	217	(2,294)	(41)	(603)	1,475	(341)	(34,685)	(35,026)
Balance at 31 March 2015	(1,282)	(10,199)	(463)	(4,895)	(132)	(1,862)	(454)	(19,287)	(169,087)	(188,374)

Movement in Reserves 2013/14

	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 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 1.1)	(8,063)	-	1,653	-	(91)	(374)	665	(6,210)	6,210	-
Net Increase / Decrease before Transfers to Earmarked Reserves	(6,344)	-	(318)	-	(91)	(374)	665	(6,462)	(1,816)	(8,278)
Transfers to / (from) Reserves	6,344	(6,267)	318	(318)	-	-	(77)	-	-	-
(Increase) / Decrease in Year	-	(6,267)	-	(318)	(91)	(374)	588	(6,462)	(1,816)	(8,278)
Balance at 31 March 2014	(1,214)	(11,172)	(680)	(2,601)	(91)	(1,259)	(1,929)	(18,946)	(134,402)	(153,348)

Comprehensive Income and Expenditure Statement

Gross Expenditure	Gross Income	Net Expenditure (restated)		Note Reference	Gross Expenditure	Gross Income	Net Expenditure
2013/14 £'000	2013/14 £'000	2013/14 £'000			2014/15 £'000	2014/15 £'000	2014/15 £'000
2,337	(900)	1,437	Central Services to the Public		2,520	(1,111)	1,409
2,851	(846)	2,005	Cultural and Related Services		3,295	(841)	2,454
5,975	(2,899)	3,076	Environmental & Regulatory Services		5,977	(3,109)	2,868
2,775	(1,748)	1,027	Planning Services		3,160	(1,587)	1,573
408	(1,020)	(612)	Highways, Roads & Transport Services		1,044	(1,018)	26
9,286	(14,683)	(5,397)	Housing Revenue Account		(958)	(16,101)	(17,059)
19,310	(17,635)	1,675	Other Housing Services		18,668	(17,520)	1,148
402	(140)	262	Adult Social Care		390	(134)	256
1,878	(2)	1,876	Corporate and Democratic Core		1,937	-	1,937
110	-	110	Non-Distributed Costs		209	-	209
45,332	(39,873)	5,459	Cost of Services		36,242	(41,421)	(5,179)
		4,657	Other Operating Expenditure	5.1			2,589
		4,243	Financing & Investment Income and Expenditure	5.2			4,113
		(14,611)	Taxation and Non-Specific Grant Income	5.3			(16,351)
		(5,711)	Corporate Amounts				(9,649)
		(252)	(Surplus)/Deficit on Provision of Services				(14,828)
		(1,029)	Surplus on Revaluation of Non-Current Assets				(24,929)
		(6,962)	Actuarial (Gains)/Losses on Pension Assets /Liabilities				4,731
		(35)	Other Movements in Usable/Unusable Reserves				-
		(8,278)	Total Comprehensive Income and Expenditure				(35,026)

Balance Sheet

31 March 2014 (restated) £'000		Notes	31 March 2015 £'000
260,952	Property, Plant and Equipment	7.1	297,629
278	Heritage Assets	7.3	386
418	Intangible Assets	6.1	237
847	Long Term Debtors	18.6	898
262,495	Total Long Term Assets		299,150
18,000	Short Term Investments	18.1	25,500
94	Inventories	9.1	53
14,179	Short Term Debtors	9.2 - 9.3	2,874
764	Cash and Cash Equivalents	9.5	478
33,037	Total Current Assets		28,905
(14,870)	Short Term Creditors	10.1	(8,277)
(5,004)	Short Term Provisions	10.2	(4,041)
(19,874)	Total Current Liabilities		(12,318)
(88,407)	Long Term Borrowing	18.2	(88,407)
(5,169)	Deferred Liabilities	11.2	(5,063)
(2,381)	Grants Receipts in Advance	11.3 - 11.4	(2,359)
(26,353)	Pension Scheme Liability	3.5	(31,534)
(122,310)	Total Long Term Liabilities		(127,363)
153,348	Total Net Assets		188,374
	Represented by:-		
18,946	Usable Reserves	2.1 - 2.4	19,287
134,402	Unusable Reserves	3.1 - 3.6	169,087
153,348	Total Reserves		188,374



Adrian Webb
 Director of Finance and Corporate Services
 Section 151 Officer
 12th June 2015

Cash Flow Statement

2013/14 £'000		2014/15 £'000	Notes
252	Net surplus/(deficit) on the provision of services	14,828	Page 3
14,716	Adjustments to net surplus/(deficit) on the provision of services - non cash movements	(2,625)	
(2,843)	Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	(4,020)	
12,125	Net cash flows from operating activities	8,183	13.1
(12,820)	Net cash flows from investing activities	(12,076)	13.2
(2,593)	Net cash flows from financing activities	3,607	13.3
(3,288)	Net (decrease) in cash and cash equivalents	(286)	
4,052	Cash and cash equivalents at the beginning of the reporting period	764	13.4
764	Cash and cash equivalents at the end of the reporting period	478	13.4

The Cash Flow Statement has been prepared using the indirect method in accordance with IAS 7.

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 2014/15

2014/15	General Fund Balance	HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Reserve	Movement Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adjustments involving the CAA</u>						
Charges for depreciation and impairment on non-current assets	(2,352)	7,349	-	-	-	(4,997)
Amortisation of Intangible Assets	(128)	(8)	-	-	-	136
Revenue expenditure funded from capital under statute	(1,724)	(34)	-	-	-	1,758
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	(124)	(1,404)	-	-	-	1,528
Statutory provision for financing capital investment	467	-	-	-	-	(467)
Capital expenditure charges against the General Fund and HRA balances	1,652	1,297	-	-	-	(2,949)
<u>Adjustments involving the Capital Grants Unapplied Account</u>						
Application of grants to capital financing from unapplied reserves	-	-	-	-	2,356	(2,356)
Capital grants and contributions that have been credited to the CI&E	2,292	-	-	-	(881)	(1,411)
<u>Adjustments involving the Capital Receipts Reserve</u>						
Transfer of sale proceeds credited as part of the gains/losses on disposal to the CI&E	176	1,551	(1,727)	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	730	-	-	(730)
Contribution from Capital Receipts Reserve towards administrative costs of non-current asset disposal	-	(16)	16	-	-	-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	-	(378)	378	-	-	-

Movement in Reserves Statement – Adjusting between Accounting and Funding Basis under Regulations 2014/15 (continued)

2014/15	General Fund Balance	HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Reserve	Movement Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adjustments involving the Major Repairs Reserve</u>						
Additions to Major Repairs Reserve to finance new capital expenditure	-	3,268	-	(3,268)	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	3,227	-	(3,227)
<u>Adjustments involving the Pension Reserve</u>						
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	(2,424)	(523)	-	-	-	2,947
Employers pension contributions and direct payments to pensioners payable in year	2,055	441	-	-	-	(2,496)
<u>Adjustments involving the Collection Fund Adjustment Account</u>						
Amount by which net collection fund income debited/credited to the comprehensive income and expenditure statement is different from c/tax income calculated for the year in accordance with statutory requirements	2,229	-	-	-	-	(2,229)
<u>Adjustments involving the Accumulated Absences Account</u>						
Adjustments in relation to short term compensated absences	(5)	(1)	-	-	-	6
Other Adjustments	-	-	-	-	-	-
Total Adjustments	2,114	11,542	(603)	(41)	1,475	(14,487)

Movement in Reserves Statement – Adjusting between Accounting and Funding Basis under Regulations 2013/14

2013/14	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Reserve £'000	Movement Unusable Reserves £'000
<u>Adjustments involving the CAA</u>						
Charges for depreciation and impairment on non-current assets	(1,207)	(3,809)	-	-	-	5,016
Amortisation of Intangible Assets	(119)	(17)	-	-	-	137
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
Statutory provision for financing capital investment	1,313	-	-	-	-	(1,313)
Capital expenditure charges against the General Fund and HRA balances	328	2,862	-	-	-	(3,191)
<u>Adjustments involving the Capital Grants Unapplied Account</u>						
Application of grants to capital financing from unapplied res	-	-	-	-	2,605	(2,605)
Capital grants and contributions that have been credited to the CI&E	1,873	67	-	-	(1,940)	-
<u>Adjustments involving the Capital Receipts Reserve</u>						
Transfer of sale proceeds credited as part of the 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	-	-	-

Movement in Reserves Statement – Adjusting between Accounting and Funding Basis under Regulations 2013/14 (continued)

2013/14	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Reserve £'000	Movement Unusable Reserves £'000
<u>Adjustments involving the Major Repairs Reserve</u>						
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)
<u>Adjustments involving the Pension Reserve</u>						
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	(2,615)	(505)	-	-	-	3,120
Employers pension contributions and direct payments to pensioners payable in year	1,303	248	-	-	-	(1,551)
<u>Adjustments involving the Collection Fund Adjustment Account</u>						
Amount by which net collection fund income debited/credited to the comprehensive income and expenditure statement is different from c/tax income calculated for the year in accordance with statutory requirements	(4,329)	-	-	-	-	4,329
<u>Adjustments involving the Accumulated Absences Account</u>						
Adjustments in relation to short term compensated absences	(4)	(1)	-	-	-	5
Other Adjustments	-	-	(13)	-	-	13
Total Adjustments	(8,063)	1,653	(374)	(91)	665	6,210

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 2014 £'000	Transfer In £'000	Transfer Out £'000	31 March 2015 £'000	Purpose of Reserve
Working Balance	1,214	68	-	1,282	Maintained to protect the Council's budget from unexpected risks.
Working Balance Sub Total	1,214	68	-	1,282	
Business Rates	4,423	522	(1,275)	3,670	To manage the NNDR element of the collection fund deficit.
DWP	-	259	-	259	Relates to the value of benefit subsidy expected to be required to be paid back.
Licensing	47	-	(16)	31	Reserve to absorb excess of costs over income in relation to taxi licensing services.
MTFS	-	1,000	-	1,000	To offset the predicted shortfall in budgets over the life of the MTFS plan.
Transformation	-	1,000	-	1,000	To enable the Council to change the way it operates.
Emergency Response	140	-	(100)	40	To cover costs falling on the Council as a result of a response to civil emergency.
Access	-	200	-	200	Set up to finance the provision of cycle paths in the district.
Economic Development	220	74	(50)	244	Reserve to assist economic development and businesses in the district.
Elections	67	28	-	95	Contributions toward future election costs.
Homelessness	101	-	(61)	40	Set up to cover unbudgeted additional demand within the Homelessness service.
Planning Development	935	206	-	1,141	Usable resources set aside for planning development issues.
Strategic Initiatives	-	2,048	(1,448)	600	To support initiatives in accordance with the stated purpose of the fund / key criteria.
Waste Depot Relocation	-	1,500	-	1,500	Relates to the proposed relocation of the Dunmow waste depot.
Waste Management	300	183	(104)	379	Waste management contingency provision for unforeseen costs.
Net other reserves	4,939	51	(4,990)	-	Reclassified as per Reserves Strategy agreed at 17/2/15 cabinet.
Other GF Usable Sub Total	11,172	7,071	(8,044)	10,199	
GF Usable Reserves Total	12,386	7,139	(8,044)	11,481	

2.2 – Housing Revenue Account - Reserve Balances

Housing Revenue Account	31 March 2014 £'000	Transfer In £'000	Transfer Out £'000	31 March 2015 £'000	Purpose of Reserve
Working Balance	680	-	(217)	463	Maintained to protect the Council's housing budget from unexpected risks.
Working Balance Sub Total	680	-	(217)	463	
Change Management	200	-	(200)	-	To fund HRA operational service improvements.
Revenue Projects	60	-	-	60	To finance outstanding revenue business plan actions.
Transformation	-	180	-	180	To enable the Council to change the way its Housing Revenue Account operates in order to meet financial challenges ahead.
Revenue Reserves Sub Total	260	180	(200)	240	
Capital Projects	1,223	2,968	(653)	3,538	Funding allocated to capital projects.
Potential Development Projects	800	-	-	800	Funding for new build schemes.
Sheltered Housing	318	-	-	318	To finance capital redevelopment of sheltered housing in future years.
Earmarked Reserves Total	2,341	2,968	(653)	4,656	
Major Repairs	91	3,267	(3,227)	131	Funding for future capital expenditure.
Other Capital Reserves Total	91	3,267	(3,227)	131	
Capital Reserves Sub Total	2,432	6,235	(3,880)	4,787	
Housing Revenue Balances Total	3,372	6,415	(4,297)	5,490	

2.3 – Capital Receipts Reserve

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

2013/14		2014/15
£'000		£'000
885	Balance as at 1 April	1,259
	<u>Receipts</u>	
20	Capital receipts - General Fund	176
856	Capital receipts - Housing Revenue Account	1,551
	<u>Applied</u>	
(345)	Paid to government housing receipts pool	(378)
(135)	Capital receipts used for financing	(730)
(22)	Expenses from sales of capital assets	(16)
374	Movements in Year	603
1,259	Balance as at 31 March	1,862

2.4 – Grants and Contributions without Conditions (Unapplied)

	31 March 2014 £'000	Income £'000	Interest £'000	Drawn Down £'000	31 March 2015 £'000
S106 Unapplied					
Stansted Housing Partnership	1,627	-	4	(1,631)	-
Dunmow Eastern Sector	18	-	-	-	18
Woodlands Park, Gt Dunmow	41	47	-	(2)	86
Friends School, Saffron Walden	29	-	-	-	29
Bell College, Saffron Walden	-	80	-	-	80
Priors Green, Takeley	8	-	-	-	8
Foresthall Park, Elsenham	24	6	-	-	30
Lt Walden Road/Ashdon Road, Saffron Walden	98	-	-	-	98
Oakwood Park, Takeley	5	-	-	-	5
Debden Road, Saffron Walden	-	100	-	-	100
SUB TOTAL	1,850	233	4	(1,633)	454
Capital Grants Unapplied					
ECC Waste Grants	12	-	-	(12)	-
ECC Highways Grant	-	50	-	(50)	-
Flood Repair and Renew	-	88	-	(88)	-
Disabled Facility Grant	-	74	-	(74)	-
Museum Society Grant	-	431	-	(431)	-
Energy Efficiency Grant	67	-	-	(67)	-
SUB TOTAL	79	643	-	(722)	-
Grants and Contributions Unapplied Total	1,929	876	4	(2,355)	454

3.0 – Unusable Reserves

3.1– Revaluation Reserve

2013/14			2014/15	
General Fund	HRA		General Fund	HRA
£'000	£'000		£'000	£'000
3,749	41,800	Balance as at 1 April	4,661	42,228
62	410	Adjustment between the Revaluation Reserve and Capital Adjustment Account	-	-
931	98	Net Gain/(Loss) in Valuation of Assets	647	24,946
(81)	(1)	Revaluation Depreciation to Capital Adjustment Account	(165)	-
-	(79)	Disposals of Assets	(763)	(821)
912	428	Movement in year	(281)	24,125
4,661	42,228	Balance as at 31 March	4,380	66,353

With effect from the 1st April 2007 the Council is required to record unrealised gains and losses arising from holding non-current 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.

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 non-current assets within the Balance Sheet and therefore is not available to finance capital expenditure in general terms.

2013/14 £'000		£'000	2014/15 £'000
117,735	Balance as at 1st April		117,250
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u>		
(5,527)	Charges for depreciation and impairment of non-current assets	(6,511)	
616	Revaluation gains on Property, Plant and Equipment	10,793	
(137)	Amortisation of Intangible Assets	(137)	
(2,812)	Revenue expenditure funded from capital under statute	(1,759)	
(2,600)	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	(1,529)	
81	Revaluation Depreciation from the Revaluation Reserve	165	
(241)	Adjustments in respect of capital transactions	(425)	
(472)	Adjusting amounts written out of Revaluation Reserve	1,585	
(11,092)			2,182
	<u>Capital financing applied in the year</u>		
135	Use of Capital receipts Reserve to finance new capital expenditure	730	
3,095	Use of Major Repairs Reserve to finance new capital expenditure	3,227	
2,848	Capital Grants and Contributions applied to capital financing	3,768	
1,301	Statutory provision for the financing of capital investment charged against the General fund and HRA balances	467	
3,228	Capital expenditure charged against the General Fund and HRA balances	3,374	
10,607			11,566
117,250	Balance as at 31 March		130,998

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).

2013/14		2014/15
£'000		£'000
945	Balance at 1 April	847
-	Increase in value	51
(98)	Redemption of Rent to Mortgage Loan	-
847	Balance at 31 March	898
847	Balance as at 31 March	898

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.

2013/14		2014/15
£'000		£'000
(132)	Balance as at 1 April	(132)
-	In year adjustment	(6)
(132)	Balance as at 31 March	(138)

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 movement on the pension reserve can be seen in detail in Section 17.

2013/14		Notes	2014/15
£'000			£'000
(31,746)	Balance as at 1 April		(26,353)
(1,569)	Surplus/(Deficit) on Provision of Services in CI&E	17.2	(451)
6,962	Actuarial Gain/(Loss)	17.9	(4,731)
(26,353)	Balance as at 31 March		(31,535)

3.6 – Collection Fund Adjustment Account

Collection Fund Adjustment Account (CFAA) – this is a specific accounting mechanism used to reconcile the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement to those amounts required to be charged by statute to the General Fund. For example, a credit balance on the CFAA would show that more tax has been collected than an authority is permitted to transfer out of the Collection Fund by 31st March.

2013/14		2014/15
£'000		£'000
230	Deficit / (Surplus) as at 1 April	(4,099)
94	Council Tax in Year Deficit / (Surplus)	(130)
(4,423)	Business Rates in Year Deficit / (Surplus)	2,360
(4,099)	(Surplus)/Deficit as at 31 March	(1,869)

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

2013/14 (restated)		2014/15
£'000		£'000
2,327	Parish Council Precepts	2,409
345	Payments to the Government Housing Capital Receipts Pool	378
1,976	(Gain)/Loss on the Disposal of Non-Current Assets	(198)
9	Other Non-Service Specific Expenditure	-
4,657	Total Other Operating Expenditure	2,589

5.2 – Total Financing and Investment Income and Expenditure

2013/14		2014/15
£'000		£'000
3,065	Interest Payable and Similar Charges	3,065
(79)	Impairment & Loss/(Gains) on Financial Assets	-
1,336	Pensions - Net Interest on the Defined Benefit Liability (Asset)	1,129
(79)	Interest Receivable & Similar Income	(81)
4,243	Total Financing and Investment Income and Expenditure	4,113

5.3 – Total Taxation and Non Specific Grants

2013/14 (restated)		2014/15
£'000		£'000
	<i>Council Tax Income</i>	
(4,647)	- District Council element	(4,695)
(2,327)	- Town/Parish Councils element	(2,409)
	<i>Business Rates Retention</i>	
(1,857)	- District Council element of NNDR income in year	(1,990)
(3,497)	- Safety Net reimbursement / Levy payment due	1,093
(324)	- Section 31 funding from Central Government	(538)
	<i>Collection Fund</i>	
(154)	- Council Tax - Net value of estimated/actual income recognised in CI&E	(126)
4,423	- NNDR - Net value of estimated/actual income recognised in CI&E	(1,084)
	<i>Non Ring fenced Government Grants</i>	
(2,042)	- New Homes Bonus	(2,877)
(140)	- Supplementary Grants	(86)
	<i>Other</i>	
(2,038)	- Formula Funding from Central Government	(1,643)
(2,008)	- Capital Grants and Contributions	(1,996)
(14,611)	Total Taxation and Non-Specific Grants Income	(16,351)

5.4 – General Fund Income and Expenditure Segmental Breakdown

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is shown as specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across service portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements.

- No charges are made in relation to capital expenditure (whereas depreciation, impairment and amortisation are charges to services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits are based on cash flows (payments of employer's pension contributions) rather than the current service cost of benefits accrued in the year.

Portfolio Income and Expenditure for 2014/15

2014/15	Community Safety	Community Partnerships & Engagement	Environmental Services	Finance & Administration	Housing	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Income	(344)	(295)	(5,068)	(1,008)	(804)	(7,519)
Government Grants	-	(453)	(5)	(17,332)	(11)	(17,801)
Total Income	(344)	(748)	(5,073)	(18,340)	(815)	(25,320)
Employee expenses	389	1,117	3,983	3,057	578	9,124
Other service expenses	94	1,599	2,722	19,735	253	24,403
Total Expenditure	483	2,716	6,705	22,792	831	33,527
Net Expenditure/(Income)	139	1,968	1,632	4,452	16	8,207

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

5.5 - 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.

2014/15	GF Portfolio Analysis	HRA Portfolio Analysis	GF Amounts Not Reported to Management*	HRA Amounts Not Reported to Management*	Net Cost of Service	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Income	(7,519)	(15,539)	-	-	(23,058)	-	(23,058)
Interest & Miscellaneous Income	-	-	-	-	-	(81)	(81)
Income from Council Tax	-	-	-	-	-	(7,230)	(7,230)
Income from Business Rates	-	-	-	-	-	(2,519)	(2,519)
Government Grants, Funding & Contributions	(17,801)	-	(162)	-	(17,963)	(6,602)	(24,565)
Total Income	(25,320)	(15,539)	(162)	-	(41,021)	(16,432)	(57,453)
Employee Expenses	9,124	1,855	650	142	11,771	-	11,771
Other Service Expenses	24,403	3,025	1,745	82	29,255	-	29,255
Support Services Recharges - Charged	-	-	10,436	2,846	13,282	-	13,282
Support Services Recharges - Allocated	-	-	(11,878)	(1,424)	(13,302)	-	(13,302)
Depreciation, Amortisation & Impairment	-	-	2,481	(7,645)	(5,164)	-	(5,164)
HRA Self-Financing Interest	-	-	-	-	-	2,636	2,636
Other Interest Payable & Capital Financing	-	-	-	-	-	1,558	1,558
Precepts & Levies	-	-	-	-	-	2,409	2,409
Impairment & Gain/Loss on Disposal of Financial Assets	-	-	-	-	-	-	-
Gain/Loss on Disposal of Non-Current Assets	-	-	-	-	-	(198)	(198)
Payment to the Housing Capital Receipts Pool	-	-	-	-	-	378	378
Total Expenditure	33,527	4,880	3,434	(5,999)	35,842	6,783	42,625
(Surplus) / Deficit on the Provision of Services	8,207	(10,659)	3,272	(5,999)	(5,179)	(9,649)	(14,828)

2013/14 (restated)	GF Portfolio Analysis	HRA Portfolio Analysis	GF Amounts Not Reported to Management*	HRA Amounts Not Reported to Management*	Net Cost of Service	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Income	(7,234)	(14,683)	-	-	(21,917)	-	(21,917)
Interest & Miscellaneous Income	-	-	-	-	-	(79)	(79)
Income from Council Tax	-	-	-	-	-	(7,128)	(7,128)
Income from Business Rates	-	-	-	-	-	(1,255)	(1,255)
Government Grants, Funding & Contributions	(17,852)	-	(312)	-	(18,164)	(6,228)	(24,392)
Total Income	(25,086)	(14,704)	(82)	-	(39,872)	(18,960)	(54,771)
Employee Expenses	8,774	1,786	671	129	11,360	-	11,360
Other Service Expenses	23,555	2,572	3,027	11	29,165	9	29,174
Support Services Recharges - Charged	-	-	10,876	2,483	13,359	-	13,359
Support Services Recharges - Allocated	-	-	(12,221)	(1,170)	(13,391)	-	(13,391)
Depreciation, Amortisation & Impairment	-	-	1,326	3,721	5,047	-	5,047
HRA Self-Financing Interest	-	-	-	-	-	2,626	2,626
Other Interest Payable & Capital Financing	-	-	-	-	-	1,775	1,775
Precepts & Levies	-	-	-	-	-	2,327	2,327
Impairment & Gain/Loss on Disposal of Financial Assets	-	-	-	-	-	(79)	(79)
Gain/Loss on Disposal of Non-Current Assets	-	-	-	-	-	1,976	1,976
Payment to the Housing Capital Receipts Pool	-	-	-	-	-	345	345
Total Expenditure	32,329	14,386	(71)	(1,313)	45,331	13,249	54,519
(Surplus) / Deficit on the Provision of Services	7,243	(318)	(153)	(1,313)	5,459	(5,711)	(252)

*Amounts not reported to management are accounting entries 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 2014/15 are detailed below.

6.1– Intangible Assets

2013/14		2014/15
£'000		£'000
1,662	Gross Balance at 1 April	1,706
44	Additions	79
-	Reclassification	8
-	Asset write out	(1,170)
1,706	Gross Balance carried forward at 31 March	623
(1,151)	Amortisation as at 1 April	(1,288)
(137)	Amortisation In Year	(137)
-	Amortisation write out	1,039
(1,288)	Amortisation Balance carried forward 31 March	(386)
418	Net Value At 31 March	237

7.0 – Property, Plant and Equipment

7.1 - Analysis of Property, Plant and Equipment

2014/15	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2014	238,331	24,563	10,777	504	823	811	275,809
Revaluation recognised in the Revaluation Reserve	23,320	2,273	-	-	-	-	25,593
Revaluation recognised in the CIES	10,611	486	-	-	-	-	11,097
Additions	4,828	664	298	8	-	2,528	8,326
Adjustment	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-
Disposals	(1,457)	(516)	(187)	-	-	-	(2,160)
Asset write out	-	(1,448)	(482)	-	-	-	(1,930)
Reclassification	(1,051)	779	1	-	-	265	(6)
Gross Balance as at 31 March 2014	274,582	26,801	10,407	512	823	3,604	316,729
Accumulated Depreciation at 1 April 2013	(7,938)	(2,473)	(4,405)	(9)	(33)	-	(14,858)
Depreciation In Year	(3,136)	(664)	(1,200)	(23)	(11)	-	(5,034)
Depreciation Write Out	108	126	558	-	-	-	792
Depreciation Balance as at 31 March 2014	(10,966)	(3,011)	(5,047)	(32)	(44)	-	(19,100)
Net Book Value as at 31 March 2015	263,616	23,790	5,360	480	779	3,604	297,629
Net Value as at 31 March 2014	230,392	22,091	6,373	495	790	811	260,952
Assets owned outright	263,616	11,774	3,526	480	363	3,126	282,885
Donated Assets	-	1,026	124	-	-	-	1,150
Finance lease on assets	-	52	4	-	416	478	950
Assets used under contractual PFI agreement	-	10,938	1,706	-	-	-	12,644
Total	263,616	23,790	5,360	480	779	3,604	297,629

2013/14 (restated)	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2013	233,609	23,839	11,837	469	813	1,037	271,604
Revaluation recognised in the Revaluation Reserve	252	765	-	-	-	-	1,016
Revaluation recognised in the CIES	85	531	-	-	-	-	616
Additions	4,766	251	870	222	-	754	6,862
Adjustment	-	-	-	-	13	-	13
Donations	-	-	-	-	-	-	-
Disposals	(846)	(794)	(1,930)	(293)	(3)	-	(3,866)
Asset write out	(407)	(30)	-	-	-	-	(437)
Reclassification	872	2	-	106	-	(980)	(1)
Gross Balance as at 31 March 2014	238,330	24,564	10,777	504	823	811	275,808
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 Out	31	76	1,058	30	-	-	1,194
Depreciation Balance as at 31 March 2014	(7,938)	(2,473)	(4,404)	(9)	(33)	-	(14,857)
Net Book Value as at 31 March 2014	230,392	22,091	6,373	495	790	811	260,952
Net Value as at 31 March 2013	228,721	21,942	7,710	449	791	1,037	260,650
Assets owned outright	230,392	10,280	4,153	495	363	811	246,495
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	230,392	22,091	6,373	495	790	811	260,952

7.2 – Capital Expenditure and Financing

The total amount of capital expenditure, including finance leases, incurred in the year and the sources of financing are detailed in the table below.

Where the capital expenditure is not financed in the year of purchase, the Council will apply a capital charge over the life of the asset to revenue budgets. This method of financing creates an initial increase in the Capital Financing Requirement (CFR), which is subsequently reduced by the yearly capital charge.

2013/14		2014/15
Restated		
£ '000		£ '000
98,232	Opening Capital Financing Requirement at 1 April	97,509
	<u>Capital Expenditure</u>	
6,908	Property Plant and Equipment	8,011
44	Intangible Assets	79
2,812	Revenue Expenditure Funded from Capital Under Statute	1,759
9,764	Total Capital Expenditure	9,849
-	Increase in non-dwelling HRA assets not reversed to unusable reserves	304
-	Adjustment in respect of asset transfer	424
-	Total Other Adjustments	728
	<u>Sources of Finance</u>	
135	Capital Receipts	730
2,605	Government Grants and Other Contributions	3,768
3,191	Capital Expenditure Financed from Revenue Contributions	3,374
3,200	Major Repairs Reserve	3,227
1,356	Minimum Revenue Provision	467
10,487	Total Capital Financing	11,566
97,509	Closing Capital Financing Requirement at 31 March	96,520
2013/14		2014/15
£'000		£'000
	<u>Explanation of Movements</u>	
633	Increase in underlying need to borrow	(522)
(1,356)	Minimum Revenue Provision	(467)
(723)	Increase / (decrease) in Capital Financing Requirement	(989)

7.3 – Heritage Assets

The following Council assets meet the definition of ‘Heritage Assets’ under Financial Reporting Standard (FRS) 30 and are held on the balance sheet as:

31 March 2014		31 March 2015
£'000		£'000
123	Saffron Walden Motte and Bailey	231
155	Museum Artefacts - Fine Arts Collection	155
278	Balance	386

Saffron Walden Motte and Bailey Castle:

The structure and retaining wall is a Grade 1 scheduled monument which was passed to the Council’s ownership in 1979.

The castle is Norman dating from the 12th century. The wall surrounding the castle is also listed. To date there has been no excavations on the site of notable interest. The movement in Heritage Assets on the balance sheet is expenditure incurred on the Motte and Bailey Castle.

For proposals of future 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 are held by the Council and therefore the Fine Arts Collection is included in the 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 is, on the whole, of significant local worth, with a small proportion of high value. Valuations were carried out for the following collections; Natural Sciences undertaken by G Lucy – Geologist (2001) derived a value of £510k and Decorative Collection undertaken by J Dutton – Ceramics specialist (2011) these resulted in a value of £1.3million.

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

*As per FRS 30 it is considered that the cost of seeking valuations for the remaining artefacts would be disproportionate to the benefit gained from their recognition on the balance sheet, therefore we are only holding the Fine Arts Collection on the Balance Sheet.

7.4 – Significant Commitments under Capital Contracts

As at 31st March 2015, the Council has the following contractual obligations for capital expenditure:

	WIP 31 March 2015 £'000	Total remaining commitment £'000	Duration of commitment Years
Capital Scheme			
<u>Housing</u>			
Mead Court/Canon's Mead Development	2,152	1,768	1
<u>General Fund</u>			
Canons Mead Temporary Accommodation	624	21	1
Total	2,776	1,789	

8.0 – Other Long Term Assets

8.1 – Long Term Investments

The council has no long term investments.

8.2 – Long Term Debtors

The council has long term debtors relating to 'Rent to Mortgages' which is shown in Financial Instruments – 18.1 and 18.6.

9.0 – Current Assets

9.1 – Inventories (Stock)

31 March 2014		31 March 2015	
£'000		£'000	
41	Housing Stores	52	
43	Building Maintenance	1	
10	Trading Stock	-	
94	TOTAL	53	

9.2 – Debtors

31 March 2014		31 March 2015	
£'000		£'000	
10,273	Central Government Bodies	486	
1,549	Other Local Authorities	482	
3,877	Other Entities and Individuals	3,317	
15,699	Total	4,285	

For details of the movement in the debtors, please refer to section 3 of the explanatory foreword.

9.3 – Impairment Allowances (for Non-Collection)

31 March 2014 £'000		31 March 2015 £'000
(386)	Non Domestic Rates	(173)
(190)	Council Tax	(188)
(344)	Housing Rents	(389)
(514)	Overpaid Benefit	(643)
(74)	Court costs	-
(12)	Sundry Debtors	(18)
(1,520)	Total Impairment Allowances	(1,411)

The Debtors figure in the Balance Sheet is the total of tables 9.2 & 9.3 (e.g. presented net of impairment allowances).

9.4 – Short-term Investments

The Council has £25.5million in short term investments which is detailed in section 18.1.

9.5 – Cash and Cash Equivalents

31 March 2014 £'000		31 March 2015 £'000
486	Net Cash Equivalent as per Financial Instruments	834
312	Cash in Transit	(328)
(34)	Unpresented Cheques	(28)
764	Cash & Cash Equivalents 31 March	478

10.0 – Current Liabilities

10.1 – Creditors

31 March 2014		31 March 2015
£'000		£'000
6,925	Central Government Bodies	3,807
3,337	Other Local Authorities	1,770
4,608	Other Entities and Individuals	2,700
14,870	Total	8,277

For details of the movement in the creditors, please refer to section 3 of the explanatory foreword.

10.2 – Provisions

31 March 2014		In year	Provision	31 March 2015
£'000		Provision	Applied	£'000
		£'000	£'000	
27	Legal Claims			27
218	Land Charges - Legal Claims on Charging Policy			218
	Expenditure commitments for New Homes Bonus			
84	- 2011/12 Parish Councils		(5)	79
16	- 2012/13 Ward Members / Jubilee Fund		(16)	-
26	- 2013/14 Ward Members		(26)	-
-	- 2014/15 Ward Members	9		9
24	Community Halls			24
4,609	NNDR Appeals	832	(1,757)	3,684
5,004	Balance as at 31 March	841	(1,804)	4,041

The total provision applied for NNDR appeals as at 31st March 2015 is £9.2million; the above table reflects the Council's share of the provision at a value of £3.68million.

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 18.2.

11.2 – Deferred Liabilities

2013/14		2014/15	1 Year	2 - 5	6 - 10	11 - 15	16 - 20	21 - 25
£'000		£'000	£'000	years	years	years	years	years
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<u>Central Services</u>							
82	Finance leases Opening balance	28	11	-	-	-	-	-
(28)	Principal Payments	(18)	(11)	-	-	-	-	-
(26)	Adjustment to Liability	1	-	-	-	-	-	-
28	Closing balance	11	-	-	-	-	-	-
	<u>Leisure</u>							
5,222	PFI – Opening balance	5,141	5,052	4,956	4,488	3,648	2,397	533
(81)	Principal repayment	(89)	(96)	(468)	(840)	(1,251)	(1,864)	(533)
5,141	Closing balance	5,052	4,956	4,488	3,648	2,397	533	-
5,169	Deferred Liabilities at 31 March	5,063	4,956	4,488	3,648	2,397	533	-

11.3 – Creditor – Capital Grants and Contributions with Conditions

	31 March 2014	Income	Repaid	Drawn Down	31 March 2015
	£'000	£'000	£'000	£'000	£'000
S106 Receipts in Advance					
Priors Green, Takeley	101	54	-	-	155
Felsted	10	-	-	-	10
Oakwood Park Community Hall, Takeley	10	-	-	-	10
Rochford Nurseries/Foresthall Park, Elsenham	784	-	-	(104)	680
Bell College, Saffron Walden	6	-	-	(6)	-
Manuden Village Hall and Sports Facilities	275	-	(161)	(87)	27
The Orchard, Elsenham	42	-	-	-	42
Wedow Road, Thaxted	64	-	-	(10)	54
Sector 4 Woodlands Park, Gt Dunmow	-	10	-	-	10
Keers Green Nurseries, Aythorpe Roding	-	120	-	-	120
SUB TOTAL	1,292	184	(161)	(207)	1,108
Capital Grants Receipts in Advance					
Heritage Quest Centre Grants	82	-	-	(35)	47
Capital Hardware Grant	11	-	-	(11)	-
SUB TOTAL	93	-	-	(46)	47
Capital Grants and Contributions with Conditions	1,385	184	(161)	(253)	1,155

11.4 – Creditor – Capital Grants and Contributions to Other Bodies

	31 March 2014	Income	Repaid	Drawn Down	31 March 2015
	£'000	£'000	£'000	£'000	£'000
S106 Receipts in Advance					
Sector 4 Woodlands Park (Helena Romanes School)	165	-	-	-	165
Priors Green, Takeley	1	-	-	(1)	-
Wedow Road, Thaxted	187	-	-	(187)	-
Rochford Nurseries/Foresthall Park, Elsenham	289	-	-	-	289
Land to south of Sampford Road, Thaxted	354	-	-	(354)	-
2 Lower St, Stansted	-	23	-	-	23
Goddards Yard, Saffron Walden	-	38	-	(38)	-
Brick Kiln Farm, Gt Dunmow	-	352	-	-	352
Land west of B184, Gt Chesterford	-	229	-	(229)	-
Brewers End, Takeley	-	128	-	(128)	-
North View and 3 The Warren, Little Canfield	-	276	-	-	276
Land north of 4 Hamilton Road, Little Canfield	-	46	-	-	46
Land north west of Chickney Road, Henham	-	51	-	(51)	-
Land to rear of Oxley Close, Clavering	-	47	-	(47)	-
Land adj Warwick Road, Priors Green	-	49	-	(46)	3
Land at Fritch Green, Felsted	-	50	-	-	50
Jubilee Works, Stickling Green, Clavering	-	59	-	(59)	-
Stansted Motel and 2 Hamilton	-	40	-	(40)	-
Capital Grants and Contributions to Other Bodies	996	1,388	-	(1,180)	1,204

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 tables 17.3 and 17.5.

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 A notes 2.1-2.4.

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 A notes 3.1-3.6.

SECTION D – CASH FLOW STATEMENT**13.0 – Cash Flow Activities**

13.1 – Cash Flow Statement – Operating Activities

2013/14		2014/15
£'000		£'000
252	Net surplus/(deficit) on the provision of services	14,828
	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	
5,527	Depreciation	5,037
(616)	Impairment and downward valuations	(9,622)
137	Amortisation	137
1,164	Increase in creditors	(4,001)
(163)	(Increase)/decrease in debtors	4,818
18	(Increase)/decrease in inventories	41
1,569	Pension liability	451
4,425	Contribution to provisions	(964)
55	Unwinding the discount on deferred receipts	(51)
2,600	Carrying amount of non-current assets sold	1,529
14,716	Total	(2,625)
(2,843)	Adjustments for items included in the net (deficit) on the provision of services that are investing or financing activities	(4,020)
12,125	Net cash flows from operating activities	8,183

13.2 – Cash Flow Statement – Investing Activities

2013/14		2014/15
£'000		£'000
(6,975)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(8,448)
(9,767)	Purchase of net short term investments	(7,500)
-	Capital Grants Repaid	(161)
876	Proceeds from sale of Property, Plant and equipment	1,727
1,010	Proceeds from long term investments	-
2,036	Capital grants received	2,306
(12,820)	Total Cash Flows from Investing Activities	(12,076)

13.3 – Cash Flow Statement – Financing Activities

2013/14		2014/15
£'000		£'000
(2,458)	Billing Authorities - Council Tax & NNDR Adjustment	3,712
(135)	Cash Payments for the Reduction of the outstanding Liabilities	(105)
(2,593)	Total Cash Flows from Financing Activities	3,607

13.4 – Cash Flow Statement – Cash and Cash Equivalents

2013/14 £'000		2014/15 £'000	Movement in year £'000
764	Cash and Bank Balances	478	(286)
764	Total Cash and Cash Equivalents	478	(286)

13.5 – Cash Flow Statement – Interest on Balances

2013/14 £'000		2014/15 £'000
3,065	Interest paid	3,065
(79)	Interest received	(81)
2,986	Net Interest Paid	2,984

SECTION E – SUPPLEMENTARY NOTES TO THE CORE FINANCIAL STATEMENTS**14.0 – Leasing Arrangements and Private Finance Initiative**

14.1 – 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 2003/04 and runs for a period of 32 years (ending 2035/36) leaving 21 years outstanding. The total contract payments estimated at the time of entering into the contract were estimated at £39.9million. Actual payments are dependent on the service provided. The remaining capital liability for 2014/15 is £5.053million.

2013/14 £'000		2014/15 £'000	1 Year £'000	2 - 5 years £'000	6 - 10 years £'000	11 - 15 years £'000	16 - 20 years £'000	21 - 25 years £'000
1,012	Leisure PFI - Unitary charge	1,014	1,104	4,641	6,344	7,004	7,733	1,682
81	Capital Repayment	89	96	468	840	1,251	1,864	533
433	Interest Expense	426	419	1,590	1,733	1,322	709	22
158	Contingent Rent	172	193	934	1,471	2,038	2,658	906
340	Services	327	396	1,649	2,300	2,393	2,502	221
1,012	Total Unitary Charge	1,014	1,104	4,641	6,344	7,004	7,733	1,682

15.0 – Members, Officers and Related Parties

15.1 – Members Allowances

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 make recommendations to the Council regarding the scheme to be operated in 2014/15.

The total Members allowances paid in 2014/15 was £314,554 (£304,238 for 2013/14), these are detailed below.

2013/14		2014/15
£'000		£'000
	Allowance:	
218	Basic Allowance	220
5	Group Leaders Allowances	4
63	Special Responsibility Allowances	69
12	Travel and Subsistence	15
6	Employers Pension Contribution	6
304	Total	314

15.2 – 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.

15.2.1 - 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.

15.2.2 - Senior Officers of the Council

Senior Officers have control over the day to day management of the Council. The Chief Executive, Directors and Assistant 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.

15.2.3 – Central Government

Central Government has significant influence over the general operations of the authority – it is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (e.g. Council Tax bills, Housing Benefits).

Further information on significant funding streams from Central Government is included within section 5 of the explanatory foreword.

15.2.4 – 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.
- 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 has funded approximately £2.34million through a planning obligation

payment under the S106 arrangements held and monitored by the Council. During 2014/15, the remaining fund (UDC share) has been applied to Housing Development in the HRA capital programme.

- 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 its 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 – 2014/15 - £32,038
 2013/14 - £43,857

- Saffron Walden Museum Society 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 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;

2014/15 - £268,232
 2013/14 - £284,336

15.2.5 – 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, West Essex Clinical Commissioning Group, Uttlesford Council for Voluntary Services, Federation of Small Businesses, Sustainable Uttlesford, Uttlesford Association of Local Councils and Learning Skills Council.

In 2014/15 the gross income of the partnership was £16,651 and expenditure £7,597 (£27,836 and £11,185 respectively for 2013/14). The Council's contribution for 2014/15 was £5,000 (£5,000 for 2013/14).

- 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, West Essex Clinical Commissioning Group and Uttlesford Council for Voluntary Services. The Partnership reports into the Local Strategic Partnership

In 2014/15 the gross income of the partnership was £66,601 and expenditure £9,637 (£57,229 and £12,078 respectively for 2013/14). The unspent income of £56,964 has been carried forward and will contribute towards the costs of the partnership's strategic vision. The Council's contribution for 2014/15 was £5,000 (£5,000 for 2013/14).

15.2.6 – 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.

2013/14 (Restated) £'000		2014/15 £'000
2,388	Staffing costs	2,248
640	Other running costs	783
557	Support services	601
3,585	Total expenditure	3,632
(2,434)	Income	(2,343)
1,151	Net expenditure	1,289
(148)	Partner contribution - UDC	(152)
(1,097)	Other partner contributions	(1,142)
85	Contribution from Reserves	(61)
(9)	Surplus for the year	(66)
(270)	Reserves as at 1 April	(364)
(85)	Use of reserves	113
(9)	Surplus for the year	(66)
(364)	Reserves as at 31 March	(317)

15.3 – 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	2013/14	102,151	-	490	-	-	102,641	13,280	115,921
	2014/15	102,151	-	181	-	-	102,332	14,199	116,531
Assistant Chief Executive - Legal	2013/14	70,841	-	490	-	-	71,331	9,209	80,540
	2014/15	74,188	-	181	-	-	74,369	10,312	84,681
Assistant Chief Executive - Finance	2013/14	70,841	-	94	1,428	-	72,363	9,209	81,572
	2014/15	19,040	-	106	-	-	19,146	2,647	21,793
Director of Public Services	2013/14	79,408	-	490	-	-	79,898	10,315	90,213
	2014/15	82,057	-	181	-	-	82,238	11,406	93,644
Director of Finance and Corporate Services	2013/14	79,345	-	375	329	-	80,049	10,315	90,364
	2014/15	82,057	-	181	-	-	82,238	11,406	93,644
Assistant Director - Corporate Services	2013/14	52,178	-	324	468	-	52,970	6,783	59,753
	2014/15	54,727	-	181	-	-	54,908	7,607	62,515
Assistant Director - Housing and Environmental Services	2013/14	52,241	-	490	-	-	52,731	6,783	59,514
	2014/15	54,727	-	181	-	-	54,908	7,607	62,515
Assistant Director - Planning and Building Control	2013/14	52,214	-	490	-	-	52,704	6,783	59,487
	2014/15	54,763	-	181	-	-	54,944	7,607	62,551
Assistant Director - Finance	2013/14	-	-	-	-	-	-	-	-
	2014/15	41,120	-	-	-	-	41,120	5,716	46,836
Assistant Director - ICT and Facilities	2013/14	-	-	-	-	-	-	-	-
	2014/15	41,437	-	-	-	-	41,437	5,760	47,197

- Assistant Chief Executive – Finance post vacant from 3 July 2014, annualised salary £74,188 (as reflected in the Salary, Fees and Allowances column)

- The two Assistant Director posts commenced 1 July 2014, annualised salary for each post £54,727 (as reflected in the Salary, Fees and Allowances column)

15.4 – Employees Salary over £50,000

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 2013/14	Remuneration Band	No. of Employees 2014/15
6	£50,000 - £54,999	5
-	£55,000 - £59,999	1
-	£60,000 - £64,999	1
2	£70,000 - £74,999	1
1	£75,000 - £79,999	-
1	£80,000 - £84,999	2
1	£100,000 - £104,999	1
11	Total	11

The number of employees shown above includes the senior officers shown in the preceding senior officers' note (15.3)

15.5 – Termination Benefits

The Council terminated the contracts of 7 employees in 2014/15 (6 in 2013/14) incurring liabilities of £82,588 (£170,073 in 2013/14). The table below identifies the number of exit packages in bands of £20,000.

Number of Compulsory Redundancies	2013/14		Exit Package Cost Band	2014/15		
	Number of other Departures Agreed	Total Number of Exit Packages		Number of other Departures Agreed	Total Number of Exit Packages	
1	1	2	£0 - £20,000	4	3	7
-	3	3	£20,001 - £40,000	-	-	-
1	-	1	£40,001 - £60,000	-	-	-
2	4	6	Total Number of Packages	4	3	7
61,526	108,547	170,073	Total Cost (£)	43,181	39,407	82,588

16.0 – Fees Payable

16.1 – External Audit Fees Payable

In 2014/15 external audit and inspection costs incurred by the Council are detailed in the following table.

2013/14		2014/15
£'000		£'000
62	Fees payable in relation to External Audit Services carried out by the appointed Auditor	109
55	Fees payable in relation to Certification of Grant Claims and Returns	41
117	Total	150

The 2014/15 accounts include six quarters of fees in relation to external audit services. This has been done as a catch up exercise to match the periods of EY's invoicing to the relevant financial year.

17.0 – Pension Scheme

17.1 – 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 calculated based on the revised IAS19 standard.

The Council currently has 877 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.

17.2 – 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).

2013/14		2014/15
£'000		£'000
1,776	Current Service Cost	1,818
1,336	Net Interest on the Defined Liability/Asset	1,106
8	Administration cost	23
3,120	Net Charge to Comprehensive Income and Expenditure Statement	2,947
1,569	Reversal of Net Charge made for retirement benefits in accordance with IAS19	451
	Actual amount charged against Council Tax for Pensions in the year:	
909	Employer Contributions to the Pension Fund	1,026
457	Deficit Contribution Payments	1,358
67	Contributions to the Pension Fund in respect of Early Retirement	-
118	Added Years Discretionary Payments	112
1,551	Payments to the Pension Fund During the Year	2,496
3,120	Total	2,947

17.3 – Pension Liabilities - Summary

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 2015 are as follows:

2013/14		2014/15
£'000		£'000
80,339	Present Value of Scheme Obligation at 1 April	77,229
1,666	Current Cost of Service	1,805
3,414	Interest Cost	3,345
452	Contributions by Scheme participants	499
-	Past Service Cost/(Gain)	
834	Change in financial Assumptions	9,729
(4,513)	Change in demographic assumptions	-
(2,544)	Experience gain on defined benefit obligation	44
110	Past Service Cost and Curtailments	13
(2,529)	Benefits/Transfers paid	(2,956)
(3,110)		12,479
77,229	Present Value of Scheme Obligation as at 31 March	89,708

17.4 – Pension Liabilities - Sensitivity Analysis

Additional information in respect of how potential fluctuations would affect the scheme obligation value is provided below:

Adjustments made to:-	+ 1 year / + 0.1% change £'000	No change £'000	- 1 year / - 0.1% change £'000
Mortality age rating (increase/decrease by 1 year)	86,577	89,708	92,867
Rate of increase in salaries (increase/decrease by 0.1%)	89,839	89,708	89,577
Rate of increase in pensions (increase/decrease by 0.1%)	91,090	89,708	88,348
Rate for discounting scheme liabilities (increase/decrease by 0.1%)	88,233	89,708	91,208

17.5 – 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 2015 are as follows:

2013/14 £'000		2014/15 £'000
48,594	Fair Value of Scheme Assets as at 1 April	50,877
2,078	Interest on assets	2,239
1,925	Return on assets less interest	4,823
(1,186)	Other actuarial losses	219
(8)	Administration expenses	(23)
1,551	Contributions by employer including unfunded	2,496
452	Contributions by Scheme participants	499
(2,529)	Estimated benefits paid plus unfunded net of transfers in	(2,956)
2,283		7,297
50,877	Fair Value of Scheme Assets as at 31 March	58,174

17.6 – 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 for 2014/15 of £31.5million (£26.3million in 2013/14) 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.

	2010/11	2011/12	2012/13 (Restated)	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
Estimated Liabilities in the Scheme	(61,763)	(73,075)	(80,339)	(77,229)	(89,708)
Estimated Assets in the Scheme	42,603	43,678	48,593	50,877	58,174
Net (Deficiency) in the Fund	(19,160)	(29,398)	(31,746)	(26,353)	(31,535)

17.7 – 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 14%. The other financial assumptions used within the report are detailed below;

2013/14		2014/15
	Mortality Assumptions:	
	Longevity at 65 for future pensioners (Years)	
24.9	Men	25.1
27.4	Women	27.6
	Financial Assumptions:	
3.50%	Rate of Inflation - RPI	3.10%
2.70%	Rate of Inflation - CPI	2.20%
4.50%	Rate of Increase in Salaries (reflects long term salary growth assumptions)	4.00%
2.70%	Rate of increase in Pensions	2.20%
4.40%	Rate of Discounting Scheme Liabilities	3.20%
60%	Take Up option to convert annual pension into retirement	50%

17.8 – Analysis of Assets Held

The assets held by the fund attributable to Uttlesford District Council as at 31st March 2015 are detailed below;

31 March 2014			31 March 2015	
£'000			£'000	
34,088	67%	Equity Investments	39,134	67%
4,070	8%	Gilts	2,556	4%
4,070	8%	Other Bonds	5,568	10%
5,596	11%	Property	6,319	11%
1,018	2%	Cash	1,275	2%
2,035	4%	Other Assets	3,322	6%
50,877	100%	Total	58,174	100%

17.9 – History of Actuarial Gains and Losses

	2010/11		2011/12		2012/13 (Restated)		2013/14		2014/15	
	£'000	% change	£'000	% change	£'000	% change	£'000	% change	£'000	% change
Return on plan assets in excess of interest	-	0.0%	-	0.0%	3,422	n/a	1,925	n/a	4,823	n/a
Asset Gain/(Loss)	3,523	7.3%	(2,409)	5.5%	-	0.0%	(1,186)	n/a	219	0.38%
Liability Gain/(Loss)	(3,094)	5.7%	(126)	-20.0%	18	0.02%	2,544	3.2%	(44)	-0.05%
Change in Demographic Assumptions	n/a	n/a	n/a	n/a	-	n/a	4,513	n/a	-	n/a
Change in Assumptions	n/a	n/a	(7,543)	n/a	(4,506)	n/a	(834)	n/a	(9,729)	n/a
Net Actuarial Gain/(Loss)*	429		(10,078)		(1,066)		6,962		(4,731)	

*This is the total pension cost as recognised in the Movement in Reserves Statement.

17.10 – 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 2015. 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.

18.0 – 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 comprising:

- 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

18.1 - Financial Instruments – Balances

Long Term Financial Instruments		Short Term Financial Instruments		
As at 31 March 2014 Book Value	As at 31 March 2015 Book Value		As at 31 March 2014 Book Value	As at 31 March 2015 Book Value
£'000	£'000		£'000	£'000
Financial Assets, Loans and Receivables:				
847	898	Debtors (Contractual)	1,112	642
-	-	Investments *	18,000	25,500
-	-	Cash and Cash Equivalents **	486	834
847	898	Total	19,598	26,976
Financial Liabilities at Amortised Cost:				
-	-	Creditors (Contractual)	(3,666)	(498)
(88,407)	(88,407)	Borrowing	-	-
(5,063)	(4,956)	Deferred Liabilities	(106)	(107)
(93,470)	(93,363)	Total	(3,772)	(605)
(92,623)	(92,465)	Net Total	15,826	26,371

* £23.5million is invested with Debt Management Office (UK Treasury) as at 31st March 2015 for up to 1 month. £1million with CCLA Money Market Fund and another £1million with Barclays Bank call account. Furthermore all relevant credit criteria ratings were met when investments were placed with relevant counterparties during the year.

** Reconciliation is shown in table 9.5, which details the Cash and Cash Equivalents movements from the Balance Sheet values to the Financial Instrument book values.

18.2 - 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 £88.407million on 28th 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 £2.6million in 2014/15. Please refer to table 18.7 which detail the repayment schedule.

18.3 - 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:

2013/14		2014/15		2014/15		2014/15	
£'000		Financial Assets £'000		Financial Liabilities £'000		£'000	
3,065	Interest Expenses	-		3,065		3,065	
-	Impairment on Long Term Investment	-		-		-	
3,065	Interest Payable and Similar Charges	-		3,065		3,065	
(79)	Gain on redemption of Long Term Debtor	-		-		-	
(79)	Interest and Investment Income	(81)		-		(81)	
(158)	Interest Receivable and Similar Income	(81)		-		(81)	
2,907	Net (Gains)/Loss for the Year	(81)		3,065		2,984	

18.4 - Financial Instruments – Fair Values

	Balance Sheet	Fair Value
	31 March 2015	31 March
	£'000	2015
	£'000	£'000
Financial Liabilities:		
Creditors (contractual)	(498)	(498)
Finance lease payables	(11)	(11)
Long-term loans borrowed	(88,407)	(92,697)
PFI scheme liabilities	(5,052)	(8,236)
Total	(93,968)	(101,442)
Financial Assets:		
Cash & cash equivalents	834	834
Debtors (contractual)	642	642
Investments	25,500	25,500
Total	26,976	26,976

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 2015, 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 (£88.407million) 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. The fair value of the HRA loan would have been £104.38million if the Premature Repayment Rate had been adopted instead of the New Loan Rate.

18.5 - 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 BBB+, 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.

The amount of money that can be invested with a single counterparty or same counterparty group is bound by the Council's Treasury Management Strategy, reviewed annually.

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. Please see table 18.4, Debtors (Contractual), for the total amount due to the Council from its customers as at 31st March 2015.

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, and Housing Benefit Overpayment arrears) are excluded from the analysis. The Council’s provision for bad debt totalling £0.407million (Housing Rent and Sundry Debtors) as at 31st March 2015 (£0.356million as at 31 March 2014) is deemed sufficient. In order to recover all debts effectively the Council 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.

18.6 – Financial Instruments – Collateral

The council holds collateral in relation to the following loans

Debt Outstanding 31 March 2014		Debt Outstanding 31 March 2015	
£'000		£'000	
847	Rents to Mortgages	898	
847	Total	898	

18.7 – Financial Instruments - 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 2015 £'000	% of total debt portfolio
Long Term Borrowing			
	1 to 5 years	6,000	6.79%
	6 to 10 years	12,000	13.57%
	11 to 15 years	16,000	18.10%
	16 to 20 years	20,000	22.62%
	21 to 25 years	24,000	27.15%
	26 to 30 years	10,407	11.77%
Total Long Term Borrowing		88,407	100.00%

18.8 – Financial Instruments - Market Risks

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 31st March 2015, £52.907million (£78.407million less £25.5million) of net principal borrowed (i.e. debt net of investments) was exposed to fixed rates and £10million 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.

19.0 – Supplementary Notes

19.1 – Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director of Finance and Corporate Services on 12th June 2015. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31st March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

19.2 – Contingent Liabilities

Uttlesford District Council is expecting appeals to be lodged against previous planning decisions which were made in 2013/14 as well as expecting the outcome of appeals which have already been heard. Whilst the outcome and exact financial implications of these appeals is not yet known it is estimated that the council may incur potential liabilities.

19.3 – 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. In 2014/15 the Council received £18.031million of grants and donations (2013/14 restated comparative £18.037million) made up of £9.685million relating to Housing Benefits Allowance Subsidy, £6.923million Housing Benefits Rent Rebates Subsidy and a remaining balance of other items totalling £1.423million (all of which were individually below £0.500million in value).

It should be noted that the above analysis excludes government funding which is credited to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement.

SECTION F – SUPPLEMENTARY FINANCIAL STATEMENTS – HOUSING REVENUE ACCOUNT (HRA)**20.0 – Income and Expenditure Account and Supporting Tables**

20.1 – Comprehensive Income and Expenditure Statement

2013/14		2014/15
£'000		£'000
	Income	
(13,703)	Dwelling Rents	(14,522)
(204)	Non-Dwelling Rents	(210)
(772)	Charges for Services and Facilities	(806)
(3)	Contributions towards Expenditure	(1)
(14,682)	Total Income	(15,539)
	Expenditure	
2,680	Repairs and Maintenance	3,155
2,341	Supervision and Management	2,379
533	Rents, Rates, Taxes and other Charges	511
	Depreciation of Non-Current Assets	
3,081	- Dwellings	3,136
104	- Other Non-Current Assets	131
536	Impairment of Non-Current Assets	(10,912)
(32)	Movement in Bad Debt Provision	46
42	Revenue Expenditure Funded from Capital Under Statute (REFFCUS)	34
9,285	Total Expenditure	(1,520)
(5,397)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(17,059)
245	HRA Services Share of Corporate and Democratic Core	352
2	HRA Share of other amounts included in the Whole Authority Net Cost of Services but not allocated to Specific Services	48
(5,150)	Net Expenditure on HRA Services	(16,659)
461	Loss/(gain) on Sale of HRA Non-Current Assets	231
2,626	Interest payable and similar charges	2,636
(22)	Interest and Investment Income	(23)
224	IAS 19 Pensions - Net Interest on Defined Assets/Liabilities	196
(111)	Capital Grants and Contributions Receivable	-
(1,972)	(Surplus)/Deficit for the year on HRA Services	(13,619)

20.2 – Movement in HRA Reserves

2013/14 £'000		2014/15 £'000
680	Balance on HRA working balance at the end of the previous year	680
1,972	Surplus for the year on the HRA Comprehensive Income and Expenditure Account	13,619
(1,654)	Adjustments between accounting basis and funding basis under statute	(11,542)
318	Net increase or (decrease) in year on the HRA	2,077
(318)	Transfers to Earmarked Reserves	(2,294)
-	Increase or (decrease) in year on the HRA Working Balance	(217)
680	Balance on the HRA at the end of the current year	463

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

2013/14 £'000		2014/15 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the Year	
(450)	Gain/(loss) on Sale of HRA Non-Current Assets and Right to Buy Pooling	(231)
(536)	Impairment of Non-Current Assets	10,608
(42)	Amounts treated as revenue expenditure in accordance with the 'Code' but which are classified as capital expenditure by statute	(34)
111	Reversal of Non Specific Grants	-
(257)	Net Charges made for Retirement Benefits in accordance with IAS 19	(82)
	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the Year	
2,862	Capital Expenditure funded by the HRA	1,297
(34)	Right to Buy Administration Costs Allowance	(16)
1,654	Adjustments between accounting basis and funding basis under statute	11,542

21.0 – Notes to the HRA

21.1 – Introduction

The Housing Revenue Account (HRA) is a record of revenue income and expenditure relating the Council's housing stock.

The items charged to the HRA are prescribed by statute and are funded by the rent collected. The HRA is ring fenced from the General Fund, the Council has no general discretion to transfer sums between the Housing Revenue and General Fund accounts. Selected housing services (e.g. homelessness) are charged to the General Fund account under direction from Government.

21.2 – Gross Rental Income

Gross rent Income is the total rent income due after allowance is made for void properties. At the end of 2014/15 an average of 2.22% of properties were vacant (1.49% 2013/14) an increase over the year due to decanting of and ceasing re-lets for development sites. The actual average rent for all stock was £98.33 per week in 2014/15 (£90.91 in 2013/14) leading to an actual gross rental income for dwelling rents of £14.5million for 2014/15 (£13.7million in 2013/14).

21.3 – Housing Revenue Account Self-Financing Transactions

With effect from April 2012 Housing Subsidy arrangements ceased for Uttlesford District Council and were 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 £88.407million, for which the 2014/15 accounts reflect related interest costs payable of £2.636million (£2.625million in 2013/14).

21.4 – Housing Stock

The dwellings held on the balance sheet can be broken down into the categories below:

31 March 2014		31 March 2015
No. of Properties		No. of Properties
736	Flats	721
753	Bungalows	753
1,354	Houses	1,341
2,843	Total Properties	2,815

The movement between 2013/14 and 2014/15 housing stock comprises of the following:

- 14 Flats moved to HRA Other L&B for short-term temporary accommodation, 4 of these are subsequently moved to the general fund
- 1 Sale of flat under Right to Buy
- 2 Houses moving to short-term temporary accommodation and converted into flats
- 11 Sale of Houses under Right to Buy

21.5 – Rent Arrears

2013/14		2014/15
£'000		£'000
	Arrears due from:	
423	- Current Tenants	469
26	- Former Tenants	47
449	Total Rent Arrears	516
3.2%	Total as a % of Gross Debt	3.6%

21.6 – Balance Sheet Value of Housing Revenue Assets

31 March 2014		31 March 2015
£'000		£'000
	Operational Assets comprising	
230,392	Dwellings	263,616
1,569	Garages	1,953
-	Temporary Accommodation	1,940
398	Vehicles, Plant, Equipment and Intangibles	410
383	Other Land and Buildings	240
604	Assets Under Construction	2,409
233,346	Total HRA Asset Value	270,568

The vacant possession value of dwellings within the HRA as at 1st April 2014 was £620.7million (£590.7million as at 1st April 2013). The difference of £378.6million between the vacant possession value and the balance sheet value of the dwellings represents the economic cost of providing council housing at less than open market value.

21.7 – Major Repairs Reserve

The major repairs reserve receives a credit transfer from the Housing Revenue Account (HRA) under the item 8 determination; this is an accounting adjustment in relation to capital charges on assets held within the HRA. The reserve can be used to finance capital expenditure.

2013/14		2014/15
£'000		£'000
-	Opening Balance 1 April	(91)
(3,291)	Transfer in	(3,267)
3,200	Capital Expenditure funded from reserve	3,227
(91)	Closing Balance 31 March	(131)

21.8 – Capital Financing

2013/14		2014/15
£'000		£'000
5,724	Total HRA Capital Expenditure	7,345
	Financed by:	
(1,977)	Revenue Contributions	(1,722)
(3,200)	Contribution from Major Repairs Reserve	(3,227)
-	Capital Receipts	(697)
-	Capital Grants	(1,699)
(5,177)	Total Financing	(7,345)

21.9 – 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

22.0 – 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.

22.1 - Collection Fund Income and Expenditure Account

2013/14				2014/15		
Business Rates £'000	Council Tax £'000	Total £'000	Collection Fund	Business Rates £'000	Council Tax £'000	Total £'000
-	(48,886)	(48,886)	Council Tax Payers	-	(50,541)	(50,541)
-	(375)	(375)	Historic Balance Adjustment	-	-	-
-	-	-	Council Tax Benefit	-	-	-
(40,576)	-	(40,576)	Business Rate Payers	(41,531)	-	(41,531)
(40,576)	(49,261)	(89,837)	Total Income	(41,531)	(50,541)	(92,072)
3,598	34,601	38,199	Essex County Council	3,690	35,673	39,363
-	4,505	4,505	Essex Police Authority	-	4,736	4,736
400	2,115	2,515	Essex Fire Authority	410	2,180	2,590
15,991	6,974	22,965	Uttlesford District Council	16,399	7,105	23,504
19,988	-	19,988	Central Government	20,499	-	20,499
39,977	48,195	88,172	Total Precept and Demand	40,998	49,694	90,692
-	300	300	Essex County Council	(287)	1,273	986
-	38	38	Essex Police Authority	-	166	166
-	18	18	Essex Fire Authority	(32)	78	46
-	60	60	Uttlesford District Council	(1,275)	255	(1,020)
-	-	-	Central Government	(1,594)	-	(1,594)
-	416	416	Total Distributions of Previous Years Surplus/(Deficit)	(3,188)	1,772	(1,416)
(4)	(9)	(13)	Provision for Doubtful Debts Adjustment	-	-	-
-	-	-	Business Rates: - Payments to the National Pool	-	-	-
138	-	138	Business Rates: - Cost of Collection Allowance to General Fund	139	-	139
11,524	-	11,524	Business Rates: - Provision created in year	2,079	-	2,079
-	-	-	Business Rates: - Provision released into Collection Fund	(4,395)	-	(4,395)
11,658	(9)	11,649	Total Other Expenditure	(2,177)	-	(2,177)
51,635	48,602	100,237	Total Expenditure	35,633	51,466	87,099
-	(1,587)	(1,587)	(Surplus)/Deficit as at 1 April	11,059	(2,246)	8,813
11,059	(659)	10,400	(Surplus)/Deficit for the Year	(5,898)	925	(4,973)
11,059	(2,246)	8,813	(Surplus)/Deficit as at 31 March	5,161	(1,321)	3,840

23.0 - Notes to the Collection Fund

23.1 – 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 2014/15 was £1,440.47 (2013/14 was £1,440.62), is multiplied by the proportion specified for the particular band to give an individual amount due, to which must be added any parish precept.

The average Band D Council Tax bill including Parish Precepts in 2014/15 was £1,513.87 (2013/14 was £1,513.71).

23.2 – Council Tax Base

2013/14	Council Tax Base	2014/15
33,454	Total Dwellings	33,998
30,217	Net Chargeable Dwellings	30,914
34,362	Band D Equivalents	35,156
(2,550)	LCTS Discounts	(2,398)
293	Additions (Net of Discounts/Exemptions)	393
34,655	Total Band D Equivalents	33,151
34,184	Collection Rate 98.64% / 98.4%	32,620
205	M.O.D Properties	205
31,839	COUNCIL TAX BASE	32,826

23.3 – Council Tax Income Analysis

2013/14		2014/15
£'000		£'000
58,008	Gross Council Tax Collectable	58,878
(1,081)	Less: - Exemptions	(890)
(4,509)	Less: - Discounts	(3,979)
179	Less: - Council Tax Benefit	30
(3,670)	Less: - LCTS	(3,394)
2	Transitional Relief	1
(43)	Write-offs	(105)
48,886	Income from Council Tax Payers	50,541

23.4 – Council Tax Collection Fund Balance

31 March 2014		31 March 2015
£'000		£'000
(1,612)	Essex County Council	(948)
(211)	Essex Police Authority	(121)
(99)	Essex Fire Authority	(58)
(324)	Uttlesford District Council	(194)
(2,246)	Total Surplus Apportioned	(1,321)

23.5 – National Non Domestic Rates Introduction

Business Rates are derived from rates due for business premises. The rateable value payable by businesses is set by the valuation office and is outside the control of the council. The council acts as a billing agent for central government and its preceptors (Essex County Council, Fire Authority and the Police Authority).

The National Non Domestic Rateable value in the council's area as at 1st April 2014 was £102,029,762 (1st April 2013 was £101,804,977) and the multipliers, as specified by Central Government were 47.1p excluding small business surcharge (46.2p 2013/14) and 48.2p including small business surcharge (47.1p 2013/14). Based on the lower

rate this produced an approximate yield of £47.154million (£47.034million 2013/14). The difference between the approximate yield and the actual value of rate payers' income (as reported in the collection fund summary) is explained by the application of reliefs, discounts, void properties and movement on the bad debt provision.

23.6 – National Non Domestic Rates Income Analysis

2013/14		2014/15
£'000		£'000
46,914	Gross Business Rate Collectable	47,154
(1,717)	Small Business Rate Relief	(1,972)
(1,838)	Mandatory Relief	(2,000)
(2,190)	Property Relief	(962)
(265)	Discretionary Relief	(643)
(328)	Bad debt	(46)
40,576	Income from Business Rates Payers	41,531

23.7 - National Non Domestic Rates Fund Balance

31 March 2014		31 March 2015
£'000		£'000
5,530	Central Government	2,580
996	Essex County Council	464
110	Essex Fire Authority	52
4,423	Uttlesford District Council	2,065
11,059	Total Deficit Apportioned	5,161

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 for the Council's share of the income and as well as any administration costs that the Council is entitled to recover for the agency services performed.

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. NB – as no items in the SoA no need for policy (still retain in event of having some though?)

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 long-term 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 Corporate Items section 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 3.2% (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 the following 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.
- Net Interest on the defined benefit liability – this is the net interest expense for the Council. It represents the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income & Expenditure line of the

Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the financial period whilst taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Remeasurements comprising:-
- Return on Plan Assets – excluding the amounts included in net interest on the net defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses - changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- 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 2014/15.

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 either a five or seven year period, to reflect 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 2014 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.
- Oakwood Park.

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

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 Asset 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 (P101, 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 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:

- Housing stores: valued at the latest purchase price paid*.

- Building Maintenance: work in progress is valued at cost, which includes an element of the Council's cost of supervision and management.

*Whilst this is a departure from IAS2 which requires stocks to be shown at the lower of cost and net realisable value, the effect of the different treatment is not material.

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.

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 15.2) 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 details of how the related Long Term Assets are recognised and valued on the Balance Sheet, please refer to section P11.

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 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:

- The agency share of Council Tax income is not included in the Council's Comprehensive Income and Expenditure Statement, as it is not part of the council's operating activities.
- 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, acting as the agent for Central Government and its Preceptors in the collection of NNDR. The following accounting arrangements have been put in place:

- The agency share of 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.
- The agency share of NNDR debtors, creditors and impairment losses are not the assets or liabilities of the Council and are replaced in the balance sheet by a net debtor/creditor for Central Government and each of the Preceptors.

P24. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Where a change is made to an accounting policy it is applied retrospectively by adjusting opening and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

P25. 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.

P26. STANDARDS ISSUED BUT NOT ADOPTED

The 2014/15 code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the 'Code'. The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the 'Code' for the relevant financial year. The standards introduced in the 2015/16 code that are relevant to these requirements are listed as follows:

- IFRS 13 – Fair Value Measurement (May 2011) (adopted in part)
- IFRIC 21 - Levies
- Annual Improvements to IFRSs 2011-2013 Cycle

P27. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

The preparation of the Statement of Accounts requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

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 life 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 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. 8.1% 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.

Item	Uncertainties	Effect if actual results differ from assumptions
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 2015, the Council had a balance of £4.3m for debtors. A review of balances suggested that an impairment of doubtful debts of £1.4m was appropriate.	If collection rates were to deteriorate and sundry debt increased with the same debt profile, an additional contribution would be required to be set aside as an allowance. This is deemed non material for the Council's accounts.
NNDR Appeals	At 31 March 2015, the Council recognised a provision of £3.7m 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 are based on a calculation provided by our external valuers Analyse Local. 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.

ANNUAL GOVERNANCE STATEMENT

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 2015 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 2014 to 2019 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 2015-2020 was approved by members at the Council Meeting held in February 2015.
- 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 2012. Conduct of officers is directed by Human Resource Policies ("HRP") 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 2014/15.
- 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 2014/15.
- 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 a formal complaints procedure 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 01/04/14 to 31/03/15, there were 30 allegations received of a breach of the Code of Conduct concerning 15 councillors. 10 were against parish councillors, 20 against district councillors. 6 complaints against parish councillors and 14 complaints against district councillors were made by members of the public. 3 complaints against parish councillors were made by parish councillors and 1 complaint was received from a town clerk. 4 complaints against district councillors were made by district councillors, 1 by a parish councillor and 1 by an officer of the council. 3 complaints against parish councillors and 4 complaints against district councillors were passed for investigation. In all 3 cases involving parish councillors there was a finding of a breach of the Code of Conduct although in 1 case that finding is awaiting verification by the Standards Committee. In 1 of those cases the subject member was recommended to undergo training. In the other decided case the Standards Committee considered that no further action was required. 4 allegations against

district councillors were passed for investigation. 1 investigation is ongoing. In the other 3 cases there was a finding that the Code of Conduct had not been breached.

- 3.11 The Council has policies to safeguard both itself and its staff when making decisions. A Counter Fraud and Corruption Strategy and Policies, including the Council's Fraud Response Plan, Whistleblowing and Bribery Act 2010 Policies have been developed and communicated to all staff via the internet and as part of the Induction process. This Strategy and Policies provide clear reporting channels and were reviewed during 2014/15 and published in April 2015.
- 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 and the Street Services Operations 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 Corporate Risk Register was comprehensively rewritten at the end of 2014/15.
- 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 2014/15 the Performance & Audit Committee sought additional assurance, including benchmarking data, regarding the council's level of missed bins and also discussed staff sickness levels and recycling rates.
- 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' has been operated in the council for three years. 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 2014/15 the Planning Committee has benefited from training sessions before meetings. The Performance and Audit Committee was given training during the year, focusing particularly on the audit side of the committee's work. 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 2014/15 it has:
- Continued to regularly survey the view of residents through its Citizens Panel and refreshed the membership of the panel to improve further demographic representation
 - Published further information on the transparency section of the website to meet new guidelines
 - Continued audio streaming and recording of meetings of the Planning Committee, Full Council and Cabinet and the sign-off of the Statement of Accounts at Performance and Audit Committee
- 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 2014/15 the Council's Scrutiny Committee has looked at various areas of council decision making and service delivery, including day centres, Saffron Walden Museum and Castle, rural broadband provision, the Local Plan, the 2015/16 budget proposals and sports facility provision. A summary of the year's work can be found at Item 9 of the 24 March 2015 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 constantly 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, and elements of Building Control.
- 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 the Section 151 Officer to ensure compliance with financial requirements.
- 4.4 The 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 2014/15 concluded on balance that the audit opinion on the control environment for 2014/15 is that risks material to the achievement of the objectives for the audited areas identified by Internal Audit were, 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 the Council's 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 2015, the Performance and Audit Committee carried out the annual review of its effectiveness as an audit committee during 2014/15 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. Most indicators are monitored on a quarterly basis; some are bi-annual or annual. All are discussed by the Corporate Management Team and the top two of three layers of indicators are reported to Committee.
- 4.9 EY were appointed as the Council's External Auditor from 01 September 2012 and are responsible for reviewing the Council's Statements of Accounts. In addition to reviewing the 2013/14 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 Issue from 2013/14

There was one significant governance issue relating to the working relationship between the North Essex Parking Partnership (NEPP) partner Internal Audit sections identified in the 2013/14 Annual Governance Statement. This issue has been favourably resolved and the Council's Internal Audit section has been able to undertake detailed audit work and provide assurance on systems and controls relating to the monitoring and management of the car parking services provided by the NEPP.

5.2 Significant Control and Governance issue identified 2014/15

In the 2012/13 Annual Governance Statement we identified as a Significant Governance Issue that there was no formal mechanism currently in place for an annual appraisal to review the performance of the Chief Executive against the Corporate Plan objectives. It was expected that this would be addressed by the introduction of a formal system of annual appraisal to review the performance of the Chief Executive during 2013/14.

The council's U-Perform process requires all members of staff to have objectives set against which their performance is measured in their annual appraisal.

The Chief Executive's objectives continue to be set in the council's Corporate Plan and reviewed and agreed annually with the Leader and Members; however there remains no formal mechanism in place for an annual appraisal akin to the U-Perform process to provide a written appraisal of the Chief Executive's performance against the objectives.

5.3 We propose over the coming year to take steps to address the above matter 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: _____

John Mitchell
Chief Executive

Signed: _____

Howard Rolfe
Leader of the Council

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Committee: Performance & Audit Committee

Agenda Item

Date: 30 July 2015

6

Title: Performance & Audit Committee Self-assessment 2014/15

Author: Sheila Bronson, Internal Audit Manager
01799 510610

Item for information

Summary

1. The Performance & Audit Committee fulfils the Audit Committee functions for the Council. To ensure it is meeting its responsibilities against the guidance provided by Chartered Institute of Public Finance and Accountancy (CIPFA), a self-assessment of its work 2014/15 has been undertaken. This self-assessment will be included as evidence in support of the Annual Governance Statement 2014/15.

Recommendations

2. The Committee note the outcome of Performance & Audit Committee Self-Assessment 2014/15

Financial Implications

None. There are no costs associated with this report

Background Papers

None

Impact

- 3.

Communication/Consultation	none
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none
Sustainability	none

Ward-specific impacts	none
Workforce/Workplace	none

Situation

- In December 2013, CIPFA published its “Audit Committees – Practical Guidance for Local Authorities and Police”. This guidance contains a Self-Assessment of Good Practice and an Evaluation of Effectiveness of audit committees.
- Members were invited to take part in self-assessment exercise on 14 April 2015 using the checklists for the Self-Assessment of Good Practice and Evaluation of Effectiveness to consider the performance of this Committee in fulfilling its Audit Committee functions in 2014/15.

Self-Assessment of Good Practice

- There are 20 questions contain in the CIPFA Self-assessment of Good Practice checklist which were considered during the exercise on 14 April. The completed self-assessment with comments to evidence the responses to each question is attached at Appendix A; below is a summary of the responses.
- Of the 20 questions, responses were assessed as follows:

Yes	Partly	No
15	2	3

In comparison with the 2013/14 responses:

Yes	Partly	No
13	4	3

- The 3 “No” responses are:

Ref	Good Practice question	Comments / Actions
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	There has been no formal assessment but it is felt that the P&A Committee has performed well with a good mix of skills allowing for robust exchanges of views and giving opportunity to bring particular knowledge and skills to the committee. This informal assessment has been considered to be satisfactory, but should be an action for the new P&A Committee to consider.

19	Has the committee evaluated whether and how it is adding value to the organisation?	There has not been any evaluation of how the P&A Committee is adding value to the organization. There is felt to be some merit in understanding how this could be done and how other Audit Committee have addressed this point. This should be an action for the new committee to consider.
20	Does the committee have an action plan to improve any areas of weakness?	<p>Areas identified as those requiring improvement in last year's self-assessment were addressed without an action plan being drawn up e.g. training was addressed by the bespoke training arranged for the P&A Committee.</p> <p>It is considered that no significant area of weakness have been identified in this year's self-assessment, the need for an action plan to address any weaknesses identified should be for the new committee to consider.</p>

9. The 2 "Partly" responses are:

Ref	Good Practice question	Comments / Actions
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?	Partly - The Terms of Reference will be reviewed and revised if considered necessary to meet CIPFA's Position Statement in the CIPFA Guidance published in December 2013
	• Good governance	Partly - Not explicitly addressed in the current terms of reference
	• Assurance framework	Partly - Not explicitly addressed in the current terms of reference
	• Internal audit	yes
	• External audit	yes
	• Financial reporting	yes
	• Risk management	yes
	• Value for money or best value	yes
	• Counter-fraud and corruption	This was an areas of weakness identified in last year's self-assessment which has been addressed with the formation of the Counter Fraud Working Group which

		now reports through the Internal Audit Manager at least annually to the P&A Committee, the first report having been made to the Committee in November 2014.
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	The P&A Committee has received informal feedback from External Auditors, CFO and Internal Audit. There is opportunity for views to be relayed but no formal mechanism for feedback on the Committee's performance.

Evaluation of Effectiveness

10. The CIPFA Evaluation of Effectiveness requires consideration of 9 areas where the audit committee can add value by supporting improvement, to be assessed against the following key:

Assessment key	
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.

11. At the exercise on 14 April it was assessed that the Committee as scoring:

5 in 7 of the areas and
4 in 2 of the areas

The completed evaluation with comments to evidence the responses to each of the 9 areas is attached at Appendix A.

Conclusion

12. The conclusion from the Self-Assessment of Good Practice and Evaluation of Effectiveness carried out on 14 April 2015 is therefore, that in 2014/15 the Performance & Audit Committee has effectively fulfilled its Audit Committee functions in accordance with the CIPFA guidance for an Audit Committee.

Risk Analysis

13.

Risk	Likelihood	Impact	Mitigating actions
The Performance & Audit Committee fails to fulfil its function as the Council's Audit Committee	1 = Little or no Likelihood Annual self-assessment to be carried out as part of the evidence required for the Annual Governance Statement	2 = Some impact – action may be necessary	The annual self-assessment 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.

2014/15 Performance & Audit Committee Self-assessment of Good Practice & Evaluation of Effectiveness 14 April 2015

Self-assessment of Good Practice

Good Practice questions		Yes	Partly	No	Comments/action
Audit Committee purpose and governance					
1	Does the authority have a dedicated audit committee?	yes			The Performance & Audit (P&A) Committee performs all the core functions of an audit committee.
2	Do audit committee report directly to full council?	yes			The Chairman presents an annual report to full council. Full Council has agenda standing item "Members' questions to the Leader, members of the executive and chairmen of committees". The Cabinet has agenda standing item "Reports (if any) from Performance & Audit Committee and Scrutiny Committee".
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	yes			The functions of the P&A Committee in sections 6.1 to 6.6 of the Terms of Reference cover the core functions of an audit committee as identified in the 2013 CIPFA guidance.
4	Is the role and purpose of the audit committee understood and accepted across the authority?	yes			
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	yes			At its July 2014 meeting the P&A Committee approved the 2013/14 draft Annual Governance Statement (AGS). The 2014/15 draft AGS will be presented for approval at its July 2014 meeting. The P&A Committee receives the Internal Audit

Good Practice questions		Yes	Partly	No	Comments/action
					Managers Annual Report & Opinion on the Council's overall control environment for the previous year.
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	yes			The P&A Committee has carried out the annual self-assessment of its effectiveness since its creation in April 2012. There is scope for question and challenge from Members, External Auditors and members of the public.
Functions of the committee					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?		partly		The Terms of Reference will be reviewed and revised if considered necessary to meet CIPFA's Position Statement in the new CIPFA Guidance published in December 2013
	▪ Good governance		partly		Not explicitly addressed in the current terms of reference
	▪ Assurance framework		partly		Not explicitly addressed in the current terms of reference
	▪ Internal audit	yes			
	▪ External audit	yes			
	▪ Financial reporting	yes			
	▪ Risk management	yes			
	▪ Value for money or best value	yes			
	▪ Counter-fraud and corruption	yes			This was an areas of weakness identified in last year's self-assessment which has been addressed with the formation of the Counter Fraud Working Group which now reports through the Internal Audit Manager at least annually to the P&A Committee, the first report having been made to the Committee in November 2014.

Good Practice questions		Yes	Partly	No	Comments/action
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	yes			An annual self-assessment of the P&A Committee's effectiveness is by the Chairman and P&A Committee members all of whom are invited to take part in the self-assessment exercise. This is carried out in April each year and the results are reported back to the committee at its July meeting and included in the AGS.
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	yes			Not considered appropriate for the P&A Committee.
10	Where coverage of core areas has found to be limited, are plans in place to address this?	yes			Previously there was no formal system of regular reporting and monitoring of the Council's Anti-fraud and Corruption Strategy & Policies and its counter-fraud work in place. This has been addressed and the P&A Committee receive reports from the new Counter Fraud Working Group at least annually.
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	yes			In 2013/14 the P&A Committee has maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose
Membership and support					
12	Has an effective audit committee structure and composition of the committee been selected? This should include:	yes			P&A Committee members are appointed by Full Council being drawn from all parties to reflect the political balance of the council.
	▪ Separation from the executive	yes			No P&A Committee members are members of the Executive.
	▪ An appropriate mix of knowledge and skills among the membership	yes			P&A Committee members include a Chartered Accountant and a Chartered Company Secretary. Members draw upon knowledge and skills from a wide range of business and social backgrounds.

Good Practice questions		Yes	Partly	No	Comments/action
	<ul style="list-style-type: none"> A size of committee that is not unwieldy 	yes			There are 10 members of the P&A Committee, meetings are always quorate and are well attended.
	<ul style="list-style-type: none"> Where independent members are used, that they have been appointed using an appropriate process 	yes			There are no independent members on the P&A Committee.
13	Does the chair of the committee have appropriate knowledge and skills?	yes			The External Auditors have raised no concerns over the appropriate knowledge and skills of the committee Chairman. Four the past four years, the P&A Committee has been chaired by a Members who is a Chartered Company Secretary, a Fellow of the Institute of Company Secretaries& Administrators and Secretary to an Audit Committee of a PLC and Trustee of a Pension Scheme. In addition to this, the Deputy Chairman is a Chartered Accountant.
14	Are arrangements in place to support the committee with briefings and training?	yes			External Auditors provide a briefing note at each committee meeting on new developments and issues of importance to the P&A Committee. In addition officers brief members on changes that affect the Committee; the Internal Audit Manager updates the Committee on governance and Internal Audit issues. In order to address the weakness identified in last year's self-assessment, bespoke training was organized for the Committee in October 2014 which was well attended and positively received.
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			no	There has been no formal assessment but it is felt that the P&A Committee has performed well with a good mix of skills allowing for robust exchanges of views and giving opportunity to bring particular knowledge and skills to the committee. This informal assessment has been considered to be satisfactory, but should be an action for the new P&A Committee to consider.

Good Practice questions		Yes	Partly	No	Comments/action
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and chief finance officer?	yes			The Chairman considers relationships with the Internal Audit Manager, External Auditor and the Chief Finance Officer to be good. All attend or are represented at all meetings of the P&A Committee. Members are able to have private meetings with the Internal Audit and External Audit and are able to take up matters with any officer.
17	Is adequate secretariat and administrative support to the committee provided?	yes			The P&A Committee has a designated CMT member as Lead Officer. The Council operates a system of rotation of Democratic Services Officers who attend meetings.
Effectiveness of the committee					
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		partly		The P&A Committee has received informal feedback from External Auditors, CFO and Internal Audit. There is opportunity for views to be relayed but no formal mechanism for feedback on the Committee's performance.
19	Has the committee evaluated whether and how it is adding value to the organisation?			no	There has not been any evaluation of how the P&A Committee is adding value to the organization. There is felt to be some merit in understanding how this could be done and how other Audit Committee have addressed this point. This should be an action for the new committee to consider.
20	Does the committee have an action plan to improve any areas of weakness?			no	Areas identified as those requiring improvement in last year's self-assessment were addressed without an action plan being drawn up e.g. training was addressed by the bespoke training arranged for the P&A Committee. It is considered that no significant area of weakness have been identified in this year's self-assessment, the need for an action plan to address any weaknesses identified should be for the new committee to consider.

Evaluating the Effectiveness of the Audit Committee

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-Evaluation, examples areas of strength and weakness	Overall assessment: 5-1 See key below
1. Promoting the principles of good governance and their application to decision making	<ul style="list-style-type: none"> • <i>Providing robust review of the AGS and the assurances underpinning it</i> • <i>Working with key members/governors to improve their understanding of the AGS and their contribution to it</i> • <i>Supporting reviews/audit of governance arrangements</i> • <i>Participating in self-assessments of governance arrangements</i> • <i>Working with partner audit committees to review governance arrangements in partnerships</i> 	<p>Annual review and approval of the Annual Governance Statement. Receipt of the Internal Audit Manager's Annual Report and Opinion. Monitoring of Internal Audit work throughout the year. Review of the External Auditors Reports and recommendations.</p> <p>Last year's self-assessment identified weakness in working with partner audit committees; the example given was the North Essex Parking Partnership (NEPP). The day to day working relationship with NEPP has undergone some improvement during the year. The P&A committee will continue to monitor this.</p>	4

Assessment key	
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-Evaluation, examples areas of strength and weakness	Overall assessment: 5-1 See key below
2. Contributing to the development of an effective control environment	<ul style="list-style-type: none"> • <i>Monitoring the implementation of recommendations from auditors</i> • <i>Encouraging ownership of the internal control framework by appropriate managers</i> • <i>Raising significant concerns over controls with appropriate senior managers</i> 	<p>The P&A Committee receives updates on implementation of Internal Audit recommendations at each regular meeting. Recommendations of External Auditors are reported in full and officers are instructed to evidence that areas identified by External Audit e.g. Housing Benefits have received close attention as part of a programme to improve the internal control environment. There is strong evidence of ownership by managers of the internal control framework.</p>	5
3. Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	<ul style="list-style-type: none"> • <i>Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking</i> • <i>Monitoring improvements</i> • <i>Holding risk owners to account for major/strategic risks</i> 	<p>The P&A Committee reviews the Corporate and Strategic Risk Registers quarterly. The Chief Executive, Section 151 Officer and Senior Management and Cabinet Members are present at meetings to answer members concerns. Considerable discussions have taken place on risk areas</p>	5

Assessment key	
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Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-Evaluation, examples areas of strength and weakness	Overall assessment: 5-1 See key below
		including the Local Plan, Recycling & Costs. There is good evidence of risk owners being held to account by the Committee.	
4. Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	<ul style="list-style-type: none"> • <i>Specifying its assurance needs, identifying gaps or overlaps in assurance</i> • <i>Seeking to streamline assurance gathering and reporting</i> • <i>Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit</i> 	The P&A Committee reviewed and approved the (revised) Corporate Risk Management Framework and Strategy during 2012/13. This will be the subject of a routine review during the course of 2015/16 when it will be assessed for its effectiveness.	5
5. Supporting the quality of the internal audit activity, particularly by underpinning its organizational independence	<ul style="list-style-type: none"> • <i>Reviewing the audit charter and functional reporting arrangements</i> • <i>Assessing the effectiveness of internal audit arrangements and supporting improvements</i> 	Internal Audit Charter was approved by the committee in February 2015, which requires the Audit Manager to provide an Annual Report on Internal Audit performance and give an overall Audit opinion on authority's the internal controls. An Internal Audit Progress Report is presented at each ordinary meeting of the committee as a standing item of business and	5

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Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-Evaluation, examples areas of strength and weakness	Overall assessment: 5-1 See key below
		<p>issues of concern are raised by Internal Audit as and when required. Internal Audit has appropriate reporting lines to the Monitoring Officer and to the Chair of the P&A Committee both of which help ensure Internal Audits independence.</p>	
<p>6. Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements</p>	<ul style="list-style-type: none"> • <i>Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place</i> • <i>Reviewing the effectiveness of performance management arrangements</i> 	<p>P&A Committee in its normal course of business reviews Performance Management, Risks and Governance, receiving quarterly Performance Management reports and calling in senior managers to discuss concerns over performance indicators</p> <p>The area of weakness identified in last year's self-assessment remains as the P&A Committee does not have projects and programmes in its brief; these are currently the responsibility of the Scrutiny Committee. The</p>	<p>4</p>

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Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-Evaluation, examples areas of strength and weakness	Overall assessment: 5-1 See key below
		P&A Committee works closely with Scrutiny to ensure it is in the position to fulfil this aspect of its responsibility fully.	
7. Supporting the development of robust arrangements for ensuring value for money	<ul style="list-style-type: none"> • <i>Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee</i> • <i>Considering how performance in value for money is evaluated as part of the AGS</i> 	The Committee is supportive of any development of robust arrangements for value for money. In particular it receives an annual report from the External Auditor on their assessment of the Council's delivery of value for money	5
8. Helping the authority to implement the value of good governance, including effective arrangements for countering fraud and corruption risks	<ul style="list-style-type: none"> • <i>Reviewing arrangements against the standards set out in CIPFA's Managing the Risk of Fraud (Red Book 2).</i> • <i>Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks</i> • <i>Assessing the effectiveness of ethical governance arrangements for both staff and governors</i> 	"Managing the Risk of Fraud – Actions to Counter Fraud and Corruption" is a 2006 CIPFA publication which has been superseded by the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption (October 2014) and other publications such as the Audit Commission's Protecting the Public Purse (November 2014).	5

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Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-Evaluation, examples areas of strength and weakness	Overall assessment: 5-1 See key below
		<p>The P&A committee received a report from the Internal Audit Manager on the Council's counter fraud arrangements in November 2014 which included:</p> <ul style="list-style-type: none"> • Update on recommendations made in the 2013 Fraud Risk Assessment; • Work to date of the Counter Fraud Working Group; • Information on the launch of the new CIPFA Counter Fraud Centre whose remit is to lead and co-ordinate the fight against fraud and corruption across the public services • Details of the National Fraud Initiative (NFI) work undertaken. <p>Further reports relating to counter fraud and corruption matters and the revised and updated Counter Fraud and Corruption Strategy & Policies will be presented to the Committee during 2015/16</p>	

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Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-Evaluation, examples areas of strength and weakness	Overall assessment: 5-1 See key below
<p>9. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability</p>	<ul style="list-style-type: none"> • <i>Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English</i> • <i>Reviewing whether decisions making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency</i> 	<p>The Annual Report seeks to use appropriate language. The Committee is open to members of the public to attend and address the meeting Minutes and Agenda are published. As a result of a trial of live broadcasts of Council meetings, the September meeting of the P&A Committee at which the Council's Statement of Accounts were approved was broadcast live and the recording is available on the Council's website; there are proposals to further expand the live broadcast and recording of other meetings of the P&A Committee and other committees. The P&A Committee requested expansion of detail in the Statement of Accounts to provide additional information on staff numbers, staff costs and pension liability.</p>	<p>5</p>

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Committee: PERFORMANCE & AUDIT COMMITTEE

Agenda Item

Date: 30 July 2015

7

**Title: Internal Audit Annual Report and Opinion
2014/15**

**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 2014/15 and provide an overall opinion on the Council's control environment for 2014/15. The report also shows the state of compliance with the Public Sector Internal Audit Standards (PSIAS) which came into effect on 01 April 2013.

Recommendations

2. That Internal Audit coverage, the Internal Audit opinion and compliance with the Public Sector Internal Audit Standards 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 17 June 2015
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 2014/15 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 with the Council's Statement of Accounts.
9. Throughout 2014/15 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 2014/15 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 April 2014 to determine the audit work for quarters 1 & 2 of the new financial year;
 - The second review was undertaken in July 2014 to re-assess potential days for specific audits and to determine audit work for quarters 2 and 3 of the financial year;
 - The third review was undertaken in October 2014 to re-assess potential days for key financial work and other 2014/15 audit work to be undertaken by the audit resource available in quarters and 4 of the financial year.

- A further review was undertaken in January 2015 to determine which audits from the 2014/15 rolling programme would be carried forward to 2015/16 or later.

11. The initial Internal Work Programme for 2014/15 was drawn up in January 2014 and implemented from 01 April 2014 on the basis of a resource of 1 full-time audit manager, 1 full-time auditor and 1 part-time (0.7 FTE) auditor. The allocation of audit days are calculated as follows:

	Apr 14 days	revision July 14 days	revision Oct 14 days	revision Jan 15 days	actual days taken	diff between April 14 actual
total days available	694	694	694	694	694	0
less leave provisions and non-audit time	(239)	(239)	(239)	(239)	(240)	1
total audit days available	455	455	455	455	454	
<i>programmed 2014/15 audit work</i>	311	311	311	325	319	5
<i>productive Non-specific audit work</i>	145	145	145	145	135	-10
total audit days allocated	456				454	

2014/15 Leave Provisions & Non-Audit Time

12. At 31 March 2015, Leave Provisions (bank holidays; annual, statutory, study & sick leave) accounted for 97 days against the allocated 115 days (-18).

13. At 31 March 2015, Non-Audit Time (training; CPD; planning & management; administration; appraisals; team meetings etc.) accounted for 143 days against the allocated 124 days (+19).

2014/15 Productive Non-Specific Audit Work

14. At 31 March 2015, Productive Non-Specific Audit Work accounted for 135 days against the allocated 145 days (-6).

	allocated days	actual days taken	diff
contribution to corporate management	19	39	20
consultancy & general advice	30	23	-7
committee & member related work	25	19	-6
fraud related work	25	29	4
irregularity provision	20	10	-10
follow-up work	10	5	-5
residual 2013/14 audit work	10	1	-9
Other- e.g. External Auditor liaison	6	9	3
	145	135	-10

2014/15 Planned Audit Work – Revised Internal Audit Programme

15. There were a total of 32 audits on the initial Internal Audit Programme 2014/15 which were reviewed and revised:

- April 2014 – overall total of audits remained at 32
- July 2014 – overall total of audits remained at 32
- October 2014 – overall total of audits was revised to 31
- January 2015 – overall total of audits remained at 31 to be completed by 31 March 2015;

16. There were 3 audits identified for potential audit work in the 2014/15 Internal Audit Strategy that were audited (Taxation; Treasury Management; Street Services - Grounds Maintenance)

17. There are 5 audits initially planned for 2014/15 that have been carried forward (Information Management; Elections; Members & Allowances & Expenses; Planning - Housing Strategy Local Plan).

18. The audit of Car Parking (NEPP) was carried out undertaken by two auditors, one from UDC and one from Epping Forest District Council's (EFDC) Internal Audit Team as part of the informal audit swap arrangement. During 2014/15 the part-time UDC auditor continued to be employed in Internal Audit at EFDC; the audit swap arrangement was pioneered in 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 ensuring a zero balance of days owed at 31 March 2015.

19. Unfortunately due to changes of personnel and resources, this arrangement will not be able to continue in the same manner although it is hoped that

success of the informal audit swap can continue during 2015/16 with further exchanges of staff as skills, expertise and resources dictate.

20. Of the revised 31 audits to be completed in 2014/15:

- 12 were Key Financial Audits;
- 4 were Corporate Audits and
- 15 were Operational audits.

21. The final revised 325 days were allocated to these audits as:

- Key Financial Audits - 104 days (32%)
- Corporate Audits - 45 days (14%)
- Operational Audits - 176 days (54%)

22. At 31 March 2015, planned audit work accounted for 319 days against the revised allocated 325 days.

23. The Internal Audit target was for 90% of planned audits to be completed to draft stage by 31 March 2014. Of the revised 31 planned audits, 30 (97%) were completed to draft report stage by 31 March 2015, (4 of which were awaiting final completion).

24. By 27 May 2015, Final Reports had been issued for all 2014/15 audits.

Annual Audit Opinion

25. Our audit opinions are formed on the basis of the number of recommendations made and level of risks associated with them.

26. The table reproduced at appendix A shows the audit work undertaken; the planned audit days from the 2014/15 Revised Internal Audit programme; the actual audit days taken including any residual audit work in 2014/15; the number of recommendations made as a result of our audit work and the audit opinions formed.

27. There is no opinion given for the Equality & Diversity Audit 2014/15 as no control testing was undertaken during this audit and an interim report issued.

28. For the 30 completed audits in the 2014/15 audit programme on which an opinion has been given, 54 recommendations have been made to improve the Council's control environment. This is in comparison with the 56 recommendations made in the 25 audits completed in the 2013/14 audit programme and the 60 recommendations made in the 33 audits completed in the 2012/13 audit programme.

29. The 54 recommendations arising from our 2014/15 audit work were assessed as follows:

- 1 recommendation was assessed as level 4
(fundamental and requiring immediate attention and priority action)
- 5 recommendations were assessed as level 3
(significant that should be addressed within six months)
- 45 recommendations were assessed as level 2
(important that should be addressed within twelve months);
- 3 recommendations were assessed as level 1
(merit attention and would improve overall control).

30. For the 30 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 0 audits were 'limited or little assurance';
- the opinions for 9 audits were 'adequate assurance' and
- the opinions for 21 audits were 'substantial assurance'.

31. For the 12 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 2 audits was 'adequate assurance' and
- the opinions for 10 audits were 'substantial assurance';

however for 8 of these key financial audits the scope of the audit was limited to revision and updating of systems flowcharts and 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 2014/15 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 received 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 54 recommendations made in Audits from the 2014/15 audit programme to date:
 - 33 have been implemented
 - 20 have a due date after 31 March 2015 and will continue to be monitored through Covalent with progress reported to this Committee during 2014/15
 - 1 has been cancelled having been superseded by a recommendations made in later audits during the year.

External Auditors

40. 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 2014/15 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

the Attribute Standards

- 1000 Purpose, Authority and Responsibility
- 1100 Independence and Objectivity
- 1200 Proficiency and Due Professional Care
- 1300 Quality Assurance and Improvement Programme

the Performance Standards

- 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

43. This review confirmed that there were no significant areas of non-conformance but one new minor issue was identified relating to standard 2050 coordination of internal activities with other internal and external assurance providers.

44. A Quality Assurance & Improvement Programme (QAIP) is in place to address any minor issues identified in the self-assessment and has been reviewed and updated to show the progress on minor issues identified in the previous self-assessment and addition of any new minor issues arising. A copy of the revised QAIP will be made available to Members on request.

45. Of the 9 minor issues identified in the 2013/14 self-assessment:

- 3 have been addressed and there is now full conformance with the standard
- 5 have been partially addressed and full conformance with the standard is expected to be attained during 2015/16
- 1 relating to the External Assessment of Internal Audit will not be addressed during 2015/16 as the first External Assessment is expected to be scheduled for completion by 31 March 2017

46. Progress against the revised June 2015 QAIP will be reported to the Performance & Audit in the 2015/16 Internal Audit Annual Report and Opinion.
47. 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.
48. 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 83% for customer satisfaction during 2014/15.
 - All staff are 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.
49. The above quality control procedures have ensured conformance with the PSIAS and that all Internal 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

50. The Audit Charter was reported to and approved by the Performance & Audit Committee on 12 February 2015.
51. Based on the information provided in this report on the completion of the 2014/15 Internal Audit Programme, it is considered that the requirements of the Charter were met during the year.

Risk Analysis

52.

Risk	Likelihood	Impact	Mitigating actions
No internal audit assurance is provided to those charged with governance.	1 Internal Audit work programme for 2014/15	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 2014/15 – revised January 2015										
ref	Audit	IA Risk 2014/15	revised potential days	Actual days taken	Audit Opinion	No of Recs	4	3	2	1
Key Financial - Corporate										
KF01 C	Cash & Bank	3	3	3	substantial	0	0	0	0	0
KF02 C	Main Accounting System	3	4	5	substantial	1	0	0	1	0
KF03 C	Asset Management	2	0	0	No audit 2014/15, substantial 2013/14					
KF04 C	Budgets	2	0	0	No audit 2014/15, substantial 2013/14					
	Contracts & Procurement	1	0	0	No audit 2014/15, substantial 2013/14					
	Income - Fees & Charges	1	0	0	No audit 2014/15, substantial 2013/14					
Key Financial - Operational										
KF05 O	Council Tax	10	3	8	substantial	0	0	0	0	0
KF06 O	Creditors	20	4	24	adequate	6	0	2	3	1
KF07 O	Housing Benefits & LCTS	20	4	17	substantial	0	0	0	0	0
KF08 O	Housing Rents	1	3	1	substantial	0	0	0	0	0
KF09 O	NDR	10	3	10	substantial	0	0	0	0	0
KF10 Oi	HR	10	2	13	adequate	6	0	0	5	1
KF10 Oii	Payroll	5	4	5	substantial	0	0	0	0	0
KF11 O	Recovery	15	3	20	substantial	0	0	0	0	0
KF12 O	Housing Repairs				Carried forward to 2015/16					
KF41 O	Taxation	3	3	6	substantial	1	0	0	1	0
KF42 O	Treasury Management	3	3	3	substantial	0	0	0	0	0
Other - Corporate										
COR13	Corporate Governance & AGS	15	1	15	substantial	1	0	0	1	0
COR14	Equality & Diversity	5	2	2	interim report issued					
COR15	Health & Safety	15	1	12	adequate	5	0	0	5	0
COR16	Information Management				Carried forward to 2015/16					
COR17	Training	10	2	13	adequate	5	0	0	5	0

Internal Audit Annual Report & Opinion 2014/15 – Appendix A

ref	Audit	IA Risk 2014/15	revised potential days	Actual days taken	Audit Opinion	No of Recs	4	3	2	1
Other - Operational										
OP18	Building Control Service & Fees	10	1	11	substantial	0	0	0	0	0
OP19	Car Parking Partnership (NEPP)	25	3/4	30	adequate	5	0	2	3	0
OP20	Leisure - PFI	10	4	6	substantial	0	0	0	0	0
OP21	Community Safety – including ASB	10	2	10	substantial	2	0	0	2	0
OP22	Disabled Facilities Grants	10	1	10	substantial	1	0	0	1	0
OP23	Economic Development Service	10	1	9	substantial	1	0	0	1	0
OP24	Elections					Carried forward to 2015/16				
OP25	House Sales	3	1	3	substantial	1	0	0	1	0
OP26	Housing Contract Systems	15	4	5	substantial	0	0	0	0	0
OP27	Housing Rent Deposit Scheme	3	1	4	substantial	0	0	0	0	0
OP28	Planning - Housing Strategy Local Plan					Carried forward potentially to 2016/17				
OP29	Members' Allowances & Expenses					Carried forward to 2015/16				
OP30	Planning - Development Management (control)	25	2	23	substantial	3	0	0	2	1
OP31	<i>Planning - Support & Advice (planning fees) - included in op30</i>									
OP32	Services for Older People	10	3	8	substantial	2	0	0	2	0
OP33	Street Services - Waste & Recycling	25	1	23	adequate	4	1	1	2	0
OP34	Street Services - Street Cleaning	5	3	7	adequate	3	0	0	3	0
OP35	Street Services - Highway Ranger Services	5	3	6	adequate	3	0	0	3	0
OP36	Street Services - Grounds Maintenance	5	3	7	adequate	4	0	0	4	0
OP37	Street Services - Trade Waste					Originally potential audit 2014/15				
OP38	Street Services - Transport & Plant Utilisation & Maintenance					Originally potential audit 2014/15				
OP39	Street Services - Income Generating Services					Originally potential audit 2014/15				
OP40	Community Health & Fitness					Originally potential audit 2014/15				
OP43	Street Services - Management & Admin					Originally potential audit 2014/15				
		TOTAL DAYS	325	319	TOTAL RECOMMENDATIONS	54	1	5	45	3

Committee: Performance & Audit Committee

Agenda Item

Date: 30 July 2015

8

Title: Internal Audit Strategy 2015/16 and Internal Audit Charter (February 2015)

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 2015/16 and, as requested by Members at previous meeting of the Committee, provides a copy of the Internal Audit Charter (February 2015) for information to new Members.

Recommendations

2. That Members approve the revised Internal Audit Strategy 2015/16 and note the Internal Audit Charter (February 2015)

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 2015/16 has been discussed with the Corporate Management Team at its meeting 17 June 2015
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.
7. The PSIAS are mandatory for all internal auditors working in the UK public sector
8. The PSIAS require an Internal Audit Charter to be periodically reviewed and presented to senior management and the board for approval. The Internal Audit Charter (February 2015) at Appendix A was presented to and approved by the Performance & Audit Committee at its meeting on 12 February 2015.
9. 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
10. The Internal Audit Strategy 2015/16 at Appendix B details the production of the Internal Audit Strategic and Work Programmes for current year.

Risk Analysis

11.

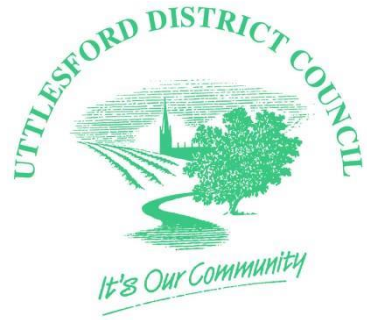
Risk	Likelihood	Impact	Mitigating actions
Adverse External comment if the Internal Audit Charter and Strategy do not comply with the PSIAS.	1 Internal Audit function is an integral part of the Council	2 Statutory requirement, adverse External Auditor Report	Annual review of Charter and Strategy

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 CHARTER

February 2015

INTERNAL AUDIT CHARTER

CONTENTS

- 1. Introduction**
- 2. Aims & Objectives**
- 3. Audit Planning**
- 4. Basis of Forming and Evidencing the Audit Opinion**
- 5. Outcomes**
- 6. Internal Audit Team**
- 7. Performance Management**
- 8. Governance and Strategic Framework**
- 9. Review of Effectiveness of Internal Audit**

Appendices

- A. Internal Audit Reporting Protocols**
- B. Internal Audit Assurance Opinion Criteria and Risk Level Definitions**

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 encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Definition of Internal Auditing
- Code of Ethics, and
- International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).

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.

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 an Internal Audit Charter to be approved by the Board in order to define Internal Audit's purpose, authority and responsibility. This Charter establishes Internal Audit's position within the council and reporting lines, authorises access to records, personnel and physical property relevant to the performance of audit work, and defines the scope of Internal Audit activities.

Legislation and Guidance

1.4 Section 6 of the Accounts and Audit (England) Regulations 2011 states that “a relevant body must undertake an adequate and effective internal audit of its accounting records and of its systems of internal control in accordance with proper practices in relation to internal audit”. The UDC Internal Audit discharges the above responsibilities by conducting an objective and independent appraisal of all of the council's activities, financial and otherwise.

1.5 The practice of Internal Audit is governed by the PSIAS. Internal Audit is also governed by the policies, procedures, rules and regulations established within UDC. These include schemes of delegation; financial regulations; conditions of service; counter fraud and corruption policies; procedures and HR policies. Internal Audit takes due cognisance of external bodies, including the Chartered Institute of Internal Auditors (CIIA), CIPFA, external audit, local government bodies, together with all legislation affecting the service provided by Internal Audit.

- 1.6 The PSIAS contain a Code of Ethics which is mandatory for all internal auditors in the public sector. In addition, individual staff within the Internal Audit team are also required to adhere to the Codes of Ethics of their professional bodies where appropriate. Internal Audit staff will be reminded of the need to comply with the Code on an annual basis.

Definition

- 1.7 The PSIAS require that the Internal Audit Charter defines the terms “Board” and “Senior Management” in relation to the work of Internal Audit. For the purposes of UDC Internal Audit work:

UDC’s Full Council has designated its **Performance & Audit Committee** as the **Board** for the purposes of UK Public Sector Internal Audit Standards (PSIAS) and delegated all the functions of the Board under those Standards to the Committee.

Senior Management is defined as the members of the **Corporate Management Team (CMT)** i.e. the Chief Executive, Assistant Chief Executive, Directors and Assistant Directors.

- 1.8 The PSIAS also refer to the **Chief Audit Executive** which in UDC is deemed to be the **Internal Audit Manager**.
- 1.9 The Internal Audit Manager is responsible for the effective review of all aspects of governance, risk and internal control throughout the full range of the Authority’s activities. However, the existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Customers

- 1.10 The customers of Internal Audit effectively comprise all those who expect assurance to be provided on the adequacy of the control environment and the processes which support the protection of public funds. These customers include:
- The residents of Uttlesford District
 - Other UDC Service Users;
 - Local Tax Payers;
 - Central Government;
 - Members and Cabinet;
 - Head of Paid Service, Section 151 Officer and Monitoring Officer;
 - Senior Management and Staff;
 - Performance & Audit Committee;

- Partners;
- External Auditor.

2. Aims and Objectives

Principal Objectives

- 2.1 The UDC Internal Audit Service aims to contribute to the Corporate Objective of setting a high example by exemplary corporate governance and standards.
- 2.2 The principal objectives of UDC Internal Audit are to:
- Deliver an Internal Audit Annual Report and Opinion that can be used by the council to inform its Annual Governance Statement (AGS);
 - Independently review and appraise systems of control throughout the council;
 - Ascertain the extent of compliance with procedures, policies, regulations and legislation;
 - Provide reassurance to management that their agreed policies are being carried out effectively;
 - Facilitate good practice in managing risks;
 - Provide advice and input into any significant system or procedural developments;
 - Recommend improvements in control, performance and productivity in achieving corporate objectives;
 - Review and challenge the economy, efficiency and effectiveness of processes and systems within the council;
 - Work in liaison with the external auditors;
 - Review controls to prevent and detect fraud;
 - Lead and promote the counter fraud culture within the council;
 - Comply with the PSIAS and other relevant guidelines and professional practice.
- 2.3 Internal Audit is neither an extension of nor a substitute for good management. Although Internal Audit can advise management on risk and control issues, it is the

duty of management to operate adequate systems of internal control and risk management.

- 2.4 Internal Audit will carry out a continuous audit of all of the council's services by objectively examining, evaluating and reporting upon the adequacy of risk management and internal control. In doing so ensuring there is proper, economic, efficient and effective use of council resources.
- 2.5 The annual Internal Audit Opinion focuses on the overall adequacy and effectiveness of the council's framework of governance, risk management and control. This is the 'assurance' role for Internal Audit.
- 2.6 Internal Audit also provides an independent and objective consultancy service, which is advisory in nature and generally performed at the specific request of service management. The aim of the consultancy service is to help line management improve the council's risk management, governance and internal control. This is the 'consultancy' role for Internal Audit and contributes towards the overall opinion. Such consultancy work will only be undertaken where resources permit without impacting on the annual assurance process. In line with the PSIAS, approval will be sought from the Performance & Audit Committee before any significant unplanned consultancy work is accepted.

Achieving our Objectives

- 2.7 To meet the above objectives, the UDC Internal Audit function has been established as an independent team. The Internal Audit Manager reports directly to the Assistant Chief Executive. Direct reporting lines for the Internal Audit Manager are also established with the Section 151 Officer, the Chief Executive and the Chair of the Performance & Audit as considered necessary. Further unrestricted access is also available to Members (including the Leader of the Council), Directors, Assistant Directors and all Authority officers.
- 2.8 The Internal Audit Manager is also responsible for managing and co-ordinating the council's involvement in the National Fraud Initiative (NFI).
- 2.9 Internal Audit work is undertaken in accordance with the annual Internal Audit Work Programme which sets out the proposed programme of audit work for each financial year. This Internal Audit Work Programme is approved by CMT and the Performance & Audit Committee in February each year and reported to the Committee in summary via progress reports at each ordinary meeting.

Independence, Access and Remit

- 2.10 Internal Audit is independent of all the activities of the council to ensure it is able to appraise the council's governance, risks and internal control systems in the impartial and unbiased manner that is essential to the proper conduct of audits.
- 2.11 To ensure this independence and in order to undertake its function effectively, Internal Audit has unrestricted access to all of the council's staff; records (whether manual or

computerised); cash and property; and may enter UDC property or land to obtain any information or explanations required.

2.12 Such access is granted on demand, need not be subject to prior notice and also extends to partner organisations working on behalf of UDC where this has been agreed within relevant contractual arrangements in order to review, appraise and report on:

- The adequacy and effectiveness of the systems of financial, operational and management controls and as they are practiced in relation to the risks to be addressed;
- The extent to which the assets and interests are acquired economically, used efficiently, accounted for and are safeguarded from loss arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause and that adequate business continuity plans exist;
- The suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;
- The integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss;
- The follow up action taken to remedy weaknesses identified by Internal Audit;
- The operation of the council's Corporate Governance arrangements.

2.13 To promote independence and objectivity, Internal Audit neither 'owns' a system under audit nor is given any operational responsibilities within the line management structure or responsibility for any aspect of work subject to audit.

2.14 Where Internal Audit staff have a perceived or real conflict of interest in undertaking a piece of work; this will be managed through the Internal Audit management process. Staff are required to inform the Internal Audit Manager or the Assistant Chief Executive of any relationships or financial interests in any council activity subject to audit. All Internal Audit staff are required to make an Annual Declaration of Interests and Acknowledgement of their Ethical responsibilities.

2.15 Within the context of the above, the remit of Internal Audit at a corporate level will include audits in the following areas:

- Key Financial systems – covering all the key financial systems and providing support to the external audit work;
- Major projects and procurement – contracts and procurement processes, commissioning, project management, post implementation appraisals;

- Asset management – effective management of properties and property related risks;
- Corporate Governance – Internal Audit will make an independent assessment of the assurances being provided from within the governance structures established within UDC and co-ordinate the preparation of the council’s Annual Governance Statement;
- Performance Management – evaluation of the processes by which the council assesses, reports monitors and manages its performance;
- Risk Management – evaluation of processes by which the council assesses, reports, monitors and manages its risk;
- Information Management – including data protection, freedom of information, records management and information security;
- Information and Communications Technology – including information technology (IT) strategy and physical IT controls;
- Partnership working – both new and existing arrangements, focusing on governance, controls, risk management and performance management;
- Equality & Diversity and Access to Services – evaluation of the council’s strategies, policies procedures and systems and its compliance with Equality and Human Rights regulations;
- Business Continuity Planning – at corporate & service level;
- Health and safety – central and service based risks.

3. Audit Planning

3.1 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.

Internal Audit Strategic Programme

3.2 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.

3.3 All areas identified in the Strategic Programme are subject to an audit needs risk assessment to identify their risk level based on a number of risk factors including

materiality, third party sensitivity and potential fraud risk. This will influence the frequency of audits and the estimated resource requirements to ensure that all potential audit areas will be audited.

- 3.4 The Internal Audit Strategic Programme is reviewed annually in conjunction with CMT to ensure that it remains up to date and continues to take account of emerging risks and service developments and that the focus of Internal Audit work remains relevant to the council's Plan and current priorities.

Annual Internal Audit Work Programme

- 3.5 The annual Internal Audit Work Programme sets out the audit work programme at the beginning of each financial year. It is a rolling programme of planned audit work that is expected to be undertaken during the financial year and is subject to regular review and updating at strategic points throughout the year.

- 3.6 The Internal Audit Work Programme is risk based as far as is possible, the auditing priorities are determined from a number of sources including:

- The corporate, strategic and directorate risk registers, aligned with the corporate objectives set out in the council's Corporate Plan, to identify areas of high strategic and operational risk;
- The Internal Audit Strategic Programme identifying audit areas of highest risk, the date the audit review was last undertaken and the frequency thereof;
- Any other areas considered high risk by the Internal Audit Manager;
- Specifically requested Directorate & Service high risk areas or services following consultation with the CMT;
- Audits carried forward from the previous years' Audit Programme and any overdue audits from the Strategic Programme;
- Weaknesses identified in the Annual Governance Statement;
- Issues raised by the Performance & Audit Committee;
- Audit resource availability.

- 3.7 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.

- 3.8 Further details on the production of the Internal Audit Strategic and Work Programmes are given in the annual Internal Audit Strategy.

Other Information Sources

- 3.9 Awareness of national issues is maintained through subscription to internet resources such as CIPFA's Technical Information Service. In addition there is liaison with

external audit and networking with other local authority audit teams specifically through the Essex, the London and the Midlands Audit Groups. These audit groups have regular meetings during the year and active e-mailing networks to discuss topical issues, emerging risks and progress specific initiatives and sharing of audit planning methodology and points of practice.

Reviewing the Programme

- 3.10 The initial Internal Audit Work Programme for the upcoming financial year is approved by CMT and the Performance & Audit Committee in February of each year. Details of reviews and updating of the Programme is included in the Internal Audit Progress Reports to the Performance & Audit Committee.
- 3.11 The Internal Audit Work Programme is subject to regular review and updating at strategic points throughout the year:
- Early April to determine the proposed audit work for quarters 1 & 2 of the new financial year;
 - At the end of June to determine proposed audit work for quarters 2 and 3 of the financial year;
 - At the end of September to determine proposed audit work for quarters 3 and 4 of the financial year;
 - At any other relevant point during the year.

Non-specific Audit Time

- 3.12 The Internal Audit Work Programme includes non-specific audit time allocated for:
- Residual Audit Work – to ensure timely completion of any residual previous year's audits;
 - Follow-up Work – to ensure that 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 Member queries;

- Contribution to Corporate Management – to include the Internal Auditor time spent on corporate projects and working groups;
- Fraud Related work – to include National Fraud Initiative (NFI) Key Contact responsibilities and anti-fraud and corruption awareness work.

4. Basis of Forming and Evidencing the Audit Opinion

Audit Approach

- 4.1 Internal Audit is responsible for providing an annual opinion on the internal control environment for the Council as a whole. A risk based approach is taken with individual audit reviews embracing operational and management controls and the wider business risks. This allows an opinion to be expressed on risk identification & exposure and the adequacy of systems in place to manage those risks.

Key Financial and Other audit work

- 4.2 The annual Internal Audit Work Programme governs each year's activity and, to enable the work to be planned and delivered effectively, audit coverage is prioritised and categorised between

- Key Financial
- Other

- 4.3 Key Financial audit work relates to those areas where Internal Audit review or support will generally add greatest value to the organisation. The audits within this category will be given highest priority in the event of competing demands for Internal Audit resources.

- 4.4 Other audit work complements the work from the Key Financial programme and ensures an adequate level of Internal Audit review each year throughout the council's services. Whilst the individual reviews are initially agreed with the service Directors and Assistant Directors at the start of each year, it is also accepted that should the need arise audit work may be directed towards other emerging risks or investigations as required. Overall levels of input will remain broadly as agreed which means that the levels of assurance work are aligned with the initial levels of risk identified. This approach enables a wide range of coverage for a formal audit opinion to be formed.

Audit Reporting

- 4.5 At the completion of each audit a report is produced for management with recommendations for improvement where considered appropriate; such recommendations are agreed with management together with accountability for action and timescales for completion. The Internal Audit Reporting Protocols are presented in Appendix A.

4.6 For each report issued, the recommendations are categorised as risk 1 to 4, with 4 being the highest risk and each report relating to planned audit work contains an opinion on the level of assurance that internal control operating within the area being audited, ranging from “substantial” to “little”. The Internal Audit Assurance Opinion Criteria and Risk Level Definitions are presented in Appendix B.

Monitoring

4.7 The progress of the Internal Audit Work Programme is monitored on an on-going basis through:

- Monthly meetings between the Internal Audit Manager and the Assistant Chief Executive;
- Periodic meetings with CMT
- Internal Audit Progress Reports to the Performance & Audit Committee;
- Periodic meetings with external audit.

This ensures that audit coverage will be sufficient to ensure an overall opinion can be given on the control environment.

Recommendations

4.8 All audit recommendations are monitored by Internal Audit using Covalent which records all recommendations made and their status at any given time. Covalent also sends automated trigger e-mails to managers as a management action approaches its implementation date. Audit recommendations are followed up on an on-going basis with status reports included in the regular Internal Audit reports prepared for the Performance & Audit Committee, specifically to highlight any significant actions which have not been completed within agreed timescales. Audit recommendations are also subject to follow up as part of a rolling programme of review and as a matter of course recommendations made in a previous audit are followed up at the next audit.

Audit Opinion

4.9 The annual assessment of the council’s overall internal control environment is based on the collective view of all the opinions and outcomes of all audit work undertaken during the course of each year. A full summary is included in the Internal Audit Annual Report and Opinion presented to the Performance & Audit Committee. The annual opinion then forms part of the review of the effectiveness of the Council’s governance framework and is included in the Annual Governance Statement.

External Auditor

4.10 In the performance of their work the External Auditor expect to be able to review the Internal Audit work on key financial systems and the its assessment of system controls. Internal Audit aims to maintain a good working relationship with the external auditors, regular liaison meetings are held between Internal and External Audit managers.

5. Outcomes

5.1 The main outcomes from the work of Internal Audit are:

- The delivery of the annual Internal Audit Work Programme, taking into account necessary changes for unplanned work and revised priorities in the context of new emerging risks and requests for investigations into specific issues;
- The issue of audit reports at the conclusion of each audit;
- The follow up of progress on implementation of agreed audit recommendations;
- The provision of regular reports to the Performance & Audit Committee summarising the audit work completed since the previous meeting and the key issues and conclusions derived from that work in terms of the control environment and management of risks;
- The provision of an Internal Audit Annual Report and Opinion on the effectiveness of the overall control environment presented to the Performance & Audit Committee which will also be included in the Annual Governance Statement which accompanies the Annual Statement of Accounts for the Authority;
- The investigation of referrals of cases of suspected financial irregularity, fraud or corruption (with the exception of benefit fraud investigations which are investigated by the Enforcement team);
- The provision of ad hoc advice on control and governance issues.

6. Internal Audit Team

6.1 The size of the Internal Audit team required is evaluated from the Internal Audit Strategic Programme and is subject to review and consideration by the Internal Audit Manager in liaison with CMT and the Performance & Audit Committee to ensure it remains adequate to deliver an effective service and an annual opinion. Regular updates to the Performance & Audit Committee are provided through the Internal Audit Progress reports.

6.2 The current level of resource of:

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

is considered adequate to ensure delivery of the Annual Audit Programme and provide the necessary assurance on the effectiveness of the systems of internal control.

- 6.3 The Internal Audit section includes a range of qualified and part-qualified staff. The PSIAS require that the Internal Audit Manager must hold a relevant professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced. The current Internal Audit Manager holds both the CMIIA and PIIA qualifications and has been in the present role since 2008.
- 6.4 Although the annual Internal Audit Work Audit Programme sets out the potential number of audit days allocated for each year; the working arrangements provide for a flexible approach between clients whereby audit days or expertise can be transferred depending upon any additional work that may be required.
- 6.5 All audits are performed by staff with qualifications and experience appropriate to the work undertaken and Internal Audit's quality control procedures require some supervisory input into all work by the Internal Audit Manager.
- 6.6 Individual members of the Internal Audit team have a personal responsibility to undertake a programme of continuing professional development to maintain and develop their competence. This will be achieved through professional training, attendance at ad-hoc seminars and in-house training courses. Training needs are assessed on an on-going basis and are formally reviewed at least annually as part of the council's U-Perform process.

7. Performance Management

- 7.1 The performance of the Internal Audit function is measured through the use and monitoring of performance indicators some of which are reported to CMT and the Performance & Audit Committee in the Internal Audit Progress Report and the Internal Audit Annual Report and Opinion.
- 7.2 Feedback on Internal Audit is requested from audit clients through Post Audit Questionnaires (PAQ) issued at the end of each audit assignment. This enables Internal Audit to identify and respond to any specific performance issues promptly to ensure efficiency and effectiveness is maintained, as well as ensuring the needs and expectations of clients are fully considered on an on-going basis.

Performance Indicators

- 7.3 There are Internal Audit performance indicators which are monitored weekly by the Internal Audit Manager and are the basis of some of the objectives set for the Internal Audit Team in their U-Perform appraisals. The indicators are:
 - %age of audits completed within the allocated time;
 - %age of planned audits completed to Draft report stage;

- %age of planned audits completed to Final report stage;
- %age of time spent on productive audit and non-specific audit work;
- %age of customer satisfaction from PAQs returned.

7.4 Some of these indicators are also compared periodically with data from the Essex and Midlands Audit Groups.

8. Governance and Strategic Framework

8.1 Each local government body operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes. The corporate governance framework published by CIPFA in 2012 “Delivering Good Governance in Local Government” defines the principles that should underpin the governance of each local government body. It provides a structure to help authorities with their own approach to governance and contains six core principles focusing on:

- The purpose of the authority and on the outcomes for the community, and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and risk management;
- Developing the capacity of officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

8.2 The framework is intended to be followed as best practice for developing and maintaining a local code of corporate governance and for discharging responsibility for the proper conduct of public business, and this is summarised within the Annual Governance Statement (AGS). Time is included in the annual Internal Audit Work Programme to evaluate the effectiveness of the governance arrangements on an annual basis and independently challenge the assurances which underpin the AGS.

9. Review of Effectiveness of Internal Audit

- 9.1 In order to comply with the Accounts and Audit (England) Regulations 2011, the Council must, at least once a year, conduct a review of the effectiveness of its internal audit.
- 9.2 The Internal Audit Annual Report and Opinion provides an overview of the work and performance of Internal Audit throughout each year. This report provides an assurance of the effectiveness of the Internal Audit service during the year.
- 9.3 Details of work performed by Internal Audit during the year are summarised in the progress reports to the Performance & Audit Committee, thereby providing an on-going view of the effectiveness of the overall internal control environment and also providing the Members with an opportunity to challenge both the audit process and relevant officers in relation to specific issues identified within Service areas.
- 9.4 Internal Audit complete an annual self-assessment against the PSIAS for approval by the Assistant Chief Executive from which areas of non-conformance are addressed in the Internal Audit Quality Assurance & Improvement Programme (QAIP). The results of this annual self-assessment and progress against the QAIP will be reported to the Performance & Audit Committee in the Internal Audit Annual Report and Opinion.
- 9.5 The PSIAS require an external assessment of Internal Audit every five years. Whilst the PSIAS are not prescriptive in terms of how this should be fulfilled, CIPFA guidance indicates that external assessments can be in the form of a full external assessment, or a self-assessment with independent external validation. Furthermore, an independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being part of, or under the control of, the organisation to which the internal audit activity belongs. In addition it is recommended that the Internal Audit Manager must agree the scope and process of external assessments with the Assistant Chief Executive or Chair of the Performance & Audit Committee as well as with the external assessor or assessment team.

INTERNAL AUDIT REPORTING PROTOCOLS

1. Chief & Main Auditees

- 1.1 The Chief Auditee will be the member of the Corporate Management Team to whom the head of the service area being audited reports.
- 1.2 The Section 151 Officer will be consulted on the Terms of Reference of all Key Financial audits.
- 1.3 The Main Auditee will be the service manager with direct operational responsibility for the area being audited.

2. Terms of Reference

- 2.1 The Terms of Reference for an audit will be agreed with the Chief and Main auditees.
- 2.2 The Section 151 Officer will be consulted on the Terms of Reference of all Key Financial audits.
- 2.3 Once agreed, a copy of the Terms of Reference will be sent to Members of the Performance & Audit Committee

3. Audit Progression

- 3.1 Internal Audit will carry out reviews and evaluations as an audit progresses. At any time during an audit, testing may identify that it would be more effective and efficient to:
 - Stop audit field work at a given point;
 - Consider issuing an interim report with recommendations and agreed realistic implementation time (to a max of 6 months) and
 - Return once the interim recommendations have been implemented to complete the audit.

4. Findings & Recommendations

- 4.1 Internal Audit will hold informal discussions with Chief and Main auditees of our findings & evaluation and proposed recommendations & management actions. All non-confidential or sensitive working papers will be made available on request to auditees. Management will be advised of examples of good practice; exceptional working etc. where identified during the audit and confirmation of these will be given by e-mail to managers and staff on request.

5. Draft Report and Management Action Plan

- 5.1 Within 5 days of completion of our audit fieldwork, a draft report with recommendations and management actions will be circulated to auditees for final agreement and comment; assignment of management action responsibilities and expected implementation date for each recommendation.
- 5.2 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 and be reported to the Performance & Audit Committee.
- 5.3 Draft Report and completed Management Action Plan is to be returned to Internal Audit within 10 working days of issue.

6. Final Report

- 6.1 The Final Report will record only:
 - The Internal Audit Opinion;
 - The overall comment on the effectiveness of the audited service;
 - The Management Action Plan detailing recommendations and their risk ratings, agreed management action and implementation dates.
- 6.2 The Final Report will be sent to the Chief Auditee for overall agreement and signature.
- 6.3 The Final Report will be issued to the Chief Auditee and copied for information to the Chief Executive; the Monitoring Officer; The Section 151 Officer; the Main Auditee and other staff as appropriate.
- 6.4 A copy of each Final Report issued will be sent to Members of the Performance & Audit Committee and posted on the intranet.
- 6.5 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.
- 6.6 A Post Audit Questionnaire will be sent to the Chief Auditee and other relevant officers for completion and return to the Internal Audit Manager.

7. Escalation Procedures

- 7.1 To ensure the timely issue of a Final Report for an audit, a reminder will be sent to the Chief Auditee on the 10th working day following the issue of a Draft Final Report & Management Action Plan if it has not already been returned to Internal Audit.
- 7.2 If a Draft Final Report & Management Action Plan remains outstanding, further reminders will be sent every 5 working days via the Director for the service concerned.
- 7.3 Any Persistent outstanding Draft Final Report & Management Action Plan will be reported to the Assistant Chief Executive, CMT and Performance & Audit Committee in the next reporting cycle.
- 7.4 Internal Audit will follow up all the recommendations on the Management Action Plan to ascertain the extent to which agreed actions are actually implemented.
- 7.5 Recommendations will be followed up prior to meetings of the Performance & Audit Committee and are also subject to followed up as part of a rolling programme of review from the earlier of 6 months after the issue of the Final Report or 1 month after the latest implementation date of action.
- 7.6 Progress on implementation of recommendations is reported to Members at each meeting of the Performance & Audit Committee.

8. Key Target Dates

The key target dates associated with reporting are summarised below:

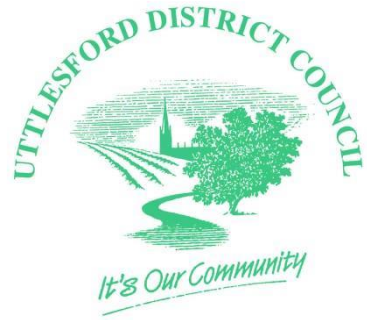
Target date	Key task
On completion of audit fieldwork	Findings & evaluation and proposed recommendations & management actions discussed with auditees.
Within 5 working days of completing audit fieldwork	Draft report circulated to auditees for management agreement on actions, assigned responsibilities and implementation dates.
Within 10 working days of issuing the Draft Final Report and Management Action Plan	Management Action Plan with agree actions, assigned responsibilities and implementation dates returned to Internal Audit.
Within 1 working day of the return to Internal Audit of Draft Report	Final Report issued to Chief Auditee for signature.
Within 1 working day of the return to Internal Audit of signed Final Report	Final Report issued.
The earlier of 6 months after the issue of the Final Report or 1 month after the latest implementation date of action	Follow-up action on Management Action Plan recommendations

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



Internal Audit STRATEGY 2015/16

June 2015

INTERNAL AUDIT STRATEGY 2015/16

CONTENTS

- 1. Introduction**
- 2. Internal Audit Strategic Programme 2015/16**
- 3. Internal Audit Work Programme 2015/16**
- 4. Resources 2015/16**
- 5. Types of Audits**
- 6. Audit Reports & Recommendations**
- 7. Reporting to CMT and Members**

Appendix
Assurance Opinion Criteria and Risk Level Definitions

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 2015/16

- 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 2015, 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 2015 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 systems or business activities.

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 2015/16

Planning

3.1 The Internal Audit Work Programme for 2015/16 sets out the audit work programme for the financial year. It is a rolling programme of planned audit work expected to be undertaken during 2015/16 and is subject to regular review and updating at strategic points throughout the year:

- April 2015 to determine the proposed audit work for quarters 1 & 2 of the new financial year;
- June 2015 to determine proposed audit work for quarters 2 and 3 of the financial year taking into consideration staff changes from 01 June 2015;
- September 2015 to determine proposed audit work for quarters 3 and 4 of the financial year 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 2015 to the initial Internal Audit Work Programme for 2015/16. 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, the Section 151 Officer, CMT and Members.

3.5 The 2015/16 Internal Audit Work Programme is risk based as far as is possible, our auditing priorities for 2015/16 are:

1. Corporate & Divisional Plans / Risk Registers – highest risks.
2. Key Financials Audits to meet the Accounts and Audit (England) Regulations 2011.
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 and Members.
5. Audits carried forward from the 2014/15 plan and any overdue audits from the 2015/16 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 June 2015 review of the Internal Audit Work Programme for 2015/16, there are 14 Key Financial Audits scheduled for audit work in 2015/16:

- Budgets
- Cash & Bank
- Contracts & Procurement
- Council Tax
- Creditors
- Fraud (non-corporate)
- Housing Benefits and LCTS
- Housing Rents
- Income, Fees & Charges
- Main Accounting System
- NNDR
- Payroll
- Recovery
- Taxation

- 3.9 A further 2 Key Financial Audits areas have been identified for potential audit work in 2015/16:

- Asset Management
- Treasury Management

- 3.10 The Section 151 Officer and Assistant Director of Finance will be consulted on Terms of Reference for all Key Financial Audits.
- 3.11 The 2015/16 Audit Programme has 75 audit days provisionally set aside for Key Financial Audits.

Other Audits

- 3.12 Following the **June 2015** review of the Internal Audit Work Programme for 2015/16, there are 24 Other Audits scheduled for audit work in 2015/16:

- Business Continuity
- Car Parking Partnership (NEPP)
- Communication
- Community Health & Fitness
- Corporate Governance & AGS
- Elections
- Electoral Registration
- Environmental Health - Imported Food Controls
- Equality & Diversity

Homelessness
Housing Allocations
Housing Repairs Service
Housing Right to Buy
Housing Stock & Voids
Housing Stores
ICT
Information Management & Security
Members' Allowances & Expenses
Partnerships
Performance Management
Risk Management
Section 106 Obligations
Street Services - Fleet & Fuel Management and Transport Maintenance
Street Services - Trade Waste

3.13 The 2015/16 Audit Programme has 250 audit days provisionally set aside for these Other Audits.

3.14 A further 7 Other Operational Audit areas have been identified for potential audit work in 2015/16:

Enforcement
Facilities Management
Grants & External Funding received
HR
Insurance
Licensing
Museum

Productive Non-Audit Days

3.15 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 14/15 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

3.16 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.

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

4. Resources 2015/16

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 to 31 May 2015
- 1 trainee Internal Auditor – part-time, 0.7 FTE from 01 June 2015

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 a 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 2015/16 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 2015/16 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
Satisfactory	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: 30 July 2015

9

Title: Internal Audit Progress Report,
01 February to 17 July 2015

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 12 February 2015 and to provide an update on implemented and outstanding internal audit recommendations.

Recommendations

2. That the Internal Audit Progress Report (01 February to 17 July 2015) 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 Programmes 2014/15 and 2015/16 referred to in this report 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 12 February 2015;
 - ii) Performance against the Internal Audit Work Programme 2014/15;
 - iii) Performance against the Internal Audit Work Programme 2015/16;
 - 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 01 February to 17 July 2015

7. Since the last report to the Committee:
- i) All Audit work on the 31 audits on the revised Internal Audit Work Programme 2014/15 was completed on 27 May 2015.
 - ii) Between 01 February – 27 May 2015, 15 audits from the 2014/15 audit programme were completed and Final Reports issued with a total of 30 recommendations made. All final audit reports issued have been copied to Performance & Audit Committee Members and are available on the Council's Intranet. A summary of 2014/15 final reports issued is presented at Appendix A(i);
 - iii) Between 01 April to 17 July 2015, 1 audit from the 2015/16 Internal Audit Work Programme was completed and final report issued with a total of 2 recommendations made. The final audit report has been copied to Performance & Audit Committee members and is available on the Council's Intranet. A summary of 2015/16 final reports issued is presented at Appendix A(ii);
 - iv) Between 01 April to 17 July 2015 work has started on 12 audits from the 2015/16 Audit Programme; progress on the 2015/16 programme is presented at Appendix A (iii).

Audit Work Programme 2015/16

8. As of 17 July 2015, work has been undertaken on 12 out of the 40 planned audits, of these:
- i) 1 audit has been completed and Final Reports issued
 - ii) 6 audits are at draft report stage
 - iii) 5 audits are currently work in progress

Recommendations Implemented 01 February to 17 July 2015

9. There are no risk level 4 & 3 recommendations which have been implemented in this period

Recommendations Not Implemented by due date at 17 July 2015

10. As of 17 July 2015, there are no recommendations reported in Covalent as not being implemented in accordance with their agreed due dates.

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 **01 February - 17 July 2015**

ref	Audit 2014/15	Risk	Revised potential days	Final Report Issued	Days Taken	Recommendations Made					Audit Opinion
						No.	Risk Level				
						total	4	3	2	1	
KF02 C	Main Accounting System	3	4	21/05/15	5	1	0	0	1	0	substantial
KF06 O	Creditors	3	20	21/05/15	24	6	0	2	3	1	adequate
KF07 O	Housing Benefits and LCTS	3	20	29/04/15	17	0	0	0	0	0	substantial
KF09 O	NNDR	3	10	05/02/15	10	0	0	0	0	0	substantial
KF10 Oii	Payroll	3	5	13/03/15	5	0	0	0	0	0	substantial
KF11 O	Recovery	3	15	05/03/15	20	0	0	0	0	0	substantial
KF41 O	Taxation	1	3	26/03/15	6	1	0	0	1	0	substantial
COR17	Training	3	10	27/05/15	13	5	0	0	5	0	adequate
OP19	Car Parking Partnership (NEPP)	3	25	23/04/15	30	5	0	2	3	0	adequate
OP20	Leisure - PFI	3	10	26/03/15	6	0	0	0	0	0	substantial
OP26	Housing Contract Systems	3	15	30/03/15	5	0	0	0	0	0	substantial
OP32	Services for Older People	3	10	16/02/15	8	2	0	0	2	0	substantial
OP34	Street Services - Street Cleaning	3	5	05/03/15	7	3	0	0	3	0	adequate
OP35	Street Services - Highway Ranger Services	3	5	05/03/15	6	3	0	0	3	0	adequate
OP36	Street Services - Grounds Maintenance	3	10	05/03/15	7	4	0	0	4	0	adequate
						30	0	4	25	1	
						total	4	3	2	1	

FINAL REPORTS ISSUED **01 February - 17 July 2015**

ref	Audit 2015/16	Risk	Revised potential days	Final Report Issued	Days Taken	Recommendations Made					Audit Opinion
						No.	Risk Level				
						total	4	3	2	1	
23 O	Environmental Health - Imported Food Controls	3	12	09/07/15	14	2	0	1	1	0	adequate
						2	0	1	1	0	
						total	4	3	2	1	

Internal Audit Programme 2015/16 - Revised June 2015										
ref	Audit	2015/16 potential days	qtr	IA Risk 2015/16	Started	Draft	Final	Days Taken	Status	Comment
Key Financial - Corporate										
01 KF	Budgets	5	2	2						
02 KF	Cash & Bank	5	1	3	23/06/15			1	planning	
03 KF	Contracts & Procurement	10	2	4						
04 KF	Council Tax	3	3	3						
05 KF	Creditors	10	2	3						
06 KF	Fraud (non-corporate)	10	3	3						
07 KF	Housing Benefits and LCTS	5	4	3						
08 KF	Housing Rents	5	4	3						
09 KF	Income, Fees & Charges	5	2	2	07/07/15			2	planning	
10 KF	Main Accounting System	2	4	3						
11 KF	NNDR	5	3	3						
12 KF	Payroll	3	4	3						
13 KF	Recovery	5	4	3						
14 KF	Taxation	2	4	2						
15 KF	Asset Management	p		1						
16 KF	Treasury Management	p		1						
Other										
17 O	Business Continuity	10	3	3	17/04/15			1	planning	
18 O	Communication	10	2	3	10/07/15			1	planning	
19 O	Community Health & Fitness	10	1	2	01/05/15			8	draft	
20 O	Corporate Governance & AGS	10	1	3	19/05/15			4	draft	
21 O	Elections	10	4	3						
22 O	Electoral Registration	10	4	3						
ref	Audit	2015/16 potential days	qtr	IA Risk 2015/16	Started	Draft	Final	Days Taken	Status	Comment
23 O	Environmental Health - Imported Food Controls	12	1	3	27/04/15	07/07/15	09/07/15	14	final	
24 O	Homelessness	10	3	3						

25 O	Housing Allocations	10	3	3						
26 O	Housing Repairs Service	15	2	4						
27 O	Housing Right to Buy	10	1	2	02/06/15	10/07/15		10	draft	
28 O	Housing Stock & Voids	12	1	3	14/04/15	24/06/15		11	draft	
29 O	Housing Stores	15	2	4						
30 O	ICT	10	3	3						
31 O	Information Management & Security	15	1	3	06/04/15	22/05/15		17	draft	
32 O	Members' Allowances & Expenses	10	4	3						
33 O	Partnerships	15	4	3						
34 O	Section 106 Obligations	10	1	2	17/06/15			4	planning	
35 O	Street Services - Fleet & Fuel Management and Transport Maintenance	15	2	4						
36 O	Street Services - Trade Waste	10	3	3						
37 O	Risk Management	10	1	2	17/06/15	10/07/15		10	draft	
38 O	Performance Management	10	3	2						
39 O	Equality & Diversity	5	3	4						
40 O	Car Parking Partnership (NEPP)	5	4	3						
41 O	Enforcement	p		2						
42 O	Facilities Management	p		2						
43 O	Grants & External Funding received	p		3						
44 O	HR	p		3						
45 O	Insurance	p		3						
46 O	Licensing	p		3						
47 O	Museum	p		3						
TOTAL AUDIT DAYS		325								

Committee: Performance and Audit

Agenda Item

Date: 30 July 2015

10

Title: Quarter 4 Performance 2014/15

Author: Richard Auty, Assistant Director Corporate Services

Item for information

Summary

1. This report presents the Q4 results and annual outturn for all Key Performance Indicators (KPIs) and Performance Indicators (PIs).

Recommendations

2. None

Financial Implications

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

Background Papers

4. None

Impact

- 5.

Communication/Consultation	None
Community Safety	None
Equalities	None beyond service improvement on the equality and diversity performance indicators
Health and Safety	None beyond service improvement on the health and safety performance indicators
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Situation

- 6. Attached as Appendix A are the Key Performance Indicators (KPIs) and Performance Indicators (PIs) for Quarter 4 of 2014/15 (1 January to 31 March). The report also includes annual outturn figures.
- 7. The KPIs are the 16 indicators previously identified by the Performance and Audit Committee as being the most important in terms of illustrating the health of the authority. There are an additional 23 PIs which provide information about key services.
- 8. This indicator set, monitored by the Corporate Management Team (CMT) and Performance and Audit Committee, has developed over a number of years. Some indicators were carried forward from the former national indicator set (these were performance indicators which all councils had to collect and report on until the requirement was scrapped by the coalition government). Other indicators have been set up at the request of management or the committee. There is also a set of service-level indicators which are monitored at management level.
- 9. The Corporate Management Team notes the continued good performance in the majority of the KPIs.
- 10. The level of staff sickness has been of concern to CMT over the 2014/15 year but initial data for Q1 of 2015/16 demonstrates some improvement. Sickness absence management refresher training is currently being delivered to all managers in the organisation and steps have been taken to deal with long-term sickness cases more quickly by halving the time an employee needs to be off work to be categorised as long-term sick. For 2015/16 onwards KPI 07 will be split into two indicators, one measuring short-term sickness and one measuring long-term sickness.
- 11. There has also been an improvement in KPI 09 for the first quarter of 2015/16, with no accidents reportable under RIDDOR (these are accidents in which the employee is off work for 7 days or more). This indicator was included in the KPI set at the request of the committee's previous chairman.
- 12. KPI 15 remains a concern, although members should note that this is an extremely challenging target and the successful collection rate is 99.9 per cent.

13. Risk Analysis

14.

Risk	Likelihood	Impact	Mitigating actions
That performance	2 – The	3 – In some	Performance is

indicators will not meet quarterly/ annual targets	majority of Performance Indicators perform on or above target	areas the risk of not meeting targets could impact on areas such as customer satisfaction and statutory adherence to government led requirements	monitored by CMT and the committee on a quarterly basis. Inclusion of five quarters of data helps identify trends.
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1 = Little or no risk or impact

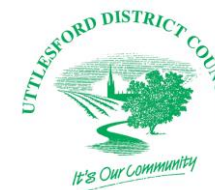
2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

2014/15 Quarter 4 & Annual KPI & PI Data Report

Report Author: Tülay Norton
Generated on: 17 July 2015



PI Status	
	This PI is more than 10% below target.
	This PI is between 0.01 and 10% below target.
	This PI is on target.




























Example indicator	
50%	This is the latest result
	This is the status
50%	This is the target.






















* Cumulatively monitored
 # Quarterly targets for these indicators have been profiled

Key Performance Indicators

Directorate Corporate Services






















PI Code & Short Name	Q4 2013/14	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	2013/14	2014/15	Latest Note
KPI 01 % of supplier invoices paid within 30 days of receipt by the Council (Max)	97.78%	95.56%	94.44%	95.56%	95.56%	96.00%	95.28%	Q4 2014/15 Numerator: 172 Denominator: 180 = 95.56 days. In order to measure performance better, the number of sampled invoices was extended. The results reflect consistent levels of invoices paid within the criteria, 96% of invoices paid within 30 days, reflecting steady improvement over the three quarters. The number of invoices processed increased by 23%.
	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	95.00%	

PI Code & Short Name	Q4 2013/14	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	2013/14	2014/15	Latest Note	
KPI 02 Customer satisfaction with services (Max)	74%	N/A	78%	N/A	76%	75%	77%	H2 2014/15 The satisfaction rate represents the total average satisfaction of a range of services from those panel members who expressed an opinion. The comparative average dissatisfaction rate was 24% nominal (23.76% actual). Satisfaction levels for many services including Benefits Fraud, Building Control, Community Safety, Environmental Health – Food Safety, Planning Advice and Planning Enforcement have improved since the previous panel survey in late summer 2014. During the same period there has been a small decline in satisfaction with the Abandoned vehicles, Council Supported Day Centres, Council Tax - Benefits and enquiries, Museum, Pest control and Website services.	
									
	75%		76%		76%	75%	76%		
KPI 03 Percentage of Non-domestic Rates Collected (Max) *	98.81%	29.72%	58.34%	86.76%	99.44%	98.81%	99.44%	Q4 2014/15 Numerator: 5,297,744.54 Denominator: 42,752,529.48 = 12.4%. 2014/15 Numerator: 42,513,138.35 Denominator: 42,752,529.48 = 99.44%. The collection of business rates has risen this year as no major taxpayer had defaulted as was the case in previous years.	
									
	97.00%	29.00%	56.00%	88.00%	98.00%	97.00%	98.00%		
KPI 04 Accuracy of processing - HB/CTB claims (Max)	96.83%	98.91%	99.38%	98.57%	98.58%	97.47%	98.81%	Q4 2014/15 494 claims checked. 7 financial errors identified, giving an accuracy rate of 98.58%. 2014/15 1,676 claims checked. 20 financial errors identified giving an accuracy rate of 98.81%	
									
	99.00%	98.00%	98.00%	98.00%	98.00%	99.00%	98.00%		
KPI 05 % of Council Tax collected (Max) *	98.77%	30.32%	58.51%	86.95%	98.86%	98.77%	98.86%	Q4 2014/15 Numerator: 6,007,585.05 Denominator: 50,716,647.93 = 11.85%. 2014/15 Numerator: 50,140,337.84 Denominator: 50,716,647.93 = 98.86%. A brilliant effort by all the team which has seen only an increase in collection rate for the current year in comparison with last year.	
									
	98.00%	29.00%	57.00%	87.00%	98.00%	98.00%	98.00%		

PI Code & Short Name	Q4 2013/14	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	2013/14	2014/15	Latest Note
KPI 06a Time taken to process Housing Benefit/Council Tax Benefit new claims (Min)	18.4	21.6	24.0	21.8	22.3	20.3	22.1	<p>Q4 2014/15 This quarter there were 201 Housing Benefit new claims taking 4,279 days to process and 263 new claims to Local Council Tax Support taking 6,061 days to process. This is a total of 464 new claims taking a total of 10,340 days; a rounded average time to process of 22.3 days. Reasons for the 22 day target not being met are an increase in the volume of HB change of circumstances, changes to staff and increase in accuracy and subsidy awareness. New staff members are now trained and the level of knowledge is now increased to a level that should reduce inaccuracies. New quality checking processes were being embedded into the process and now these have been fully implemented we anticipate that this will enable us to meet the target set. 2014/15 Numerator: 36,999 days Denominator: 1,671 new claims = 22.1 days.</p>
								
	20.0	22.0	22.0	22.0	22.0	20.0	22.0	
KPI 06b Time taken to process Housing Benefit/Council Tax Benefit change events (Min)	4.8	6.8	6.3	6.5	7.1	5.8	6.8	<p>Q4 2014/15 There were 4,971 Housing Benefit changes of circumstance taking a total of 30,177 days. There were also 2,976 Local Council Tax Support changes of circumstance taking 26,493 days. The total is 7,947 changes of circumstance taking a total of 56,670 days; a rounded average of 7.1 days. 2014/15 Numerator: 94,508 days Denominator: 13,970 new claims = 6.8 days.</p>
								
	8.0	8.0	8.0	8.0	8.0	8.0	8.0	
KPI 07 Average number of sickness days per employee per annum (Min) *	8.27	2.14	4.52	7.23	8.49	8.27	8.49	<p>Q4 2014/15 Q4 sickness 1.26 days per member of staff. During the course of a data review an error in the spreadsheet used to calculate this indicator was identified which had the effect of slightly overstating the sickness position. This has now been rectified. The Q4 cumulative and 2014/15 annual total is a correct and accurate figure. CMT remains concerned about sickness levels and actions being taken include refresher training for all managers on sickness absence management, a planned change in the definition of long term sickness and a split of this indicator into two, measuring short term and long term sickness separately.</p>
								
	7.00	1.75	3.50	5.25	7.00	7.00	7.00	

Directorate Public Services

PI Code & Short Name	Q4 2013/14	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	2013/14	2014/15	Latest Note
KPI 08 (GNPI 36) Average re-let time in days (General Needs only)	13	18	16	12	18	13	18	Q4 2014/15 Numerator: 141 Denominator: 8. 2014/15 Numerator: 959 Denominator: 53. Average re-let time has risen slightly in the last quarter but is still on target. All relevant service areas continue to work together to ensure re-let time is kept to a minimum for each void.
	21	18	18	18	18	21	18	
KPI 09 Number of accidents that are reportable under RIDDOR (Min)	5	4	0	1	1	12	6	Q4 2014/15 Stats show 1 RIDDOR only in Quarter 4. A total of 6 for the whole year, which is down from 12 RIDDOR in 2013/14. A 50% reduction on previous year. The one RIDDOR was an agency worker with Street Services who fell from a set of tall steps in the workshop. Diagnosed with small fracture to knee. Now back at work after recovering. Health and Safety Officer reports no safety issues, ladder certificated and correct, and scene in good order. Believed operator error as he probably leaned too far over whilst carrying out work.
	0	0	0	0	0	0	0	
KPI 11 Processing of planning applications: Major applications (within 13 weeks) (Max)	62.50%	76.92%	66.67%	52.94%	80.00%	62.90%	72.88%	Q4 2014/15 Numerator: 16 Denominator: 20 = 80%. 2014/15 Numerator: 43 Denominator: 59 = 72.88 %. Target achieved/exceeded both for quarter and year.
	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%	
KPI 12 Processing of planning applications: Minor applications (within 8 weeks) (Max)	61.90%	83.33%	81.25%	87.74%	83.75%	76.07%	84.86%	Q4 2014/15 Numerator: 67 Denominator: 80 = 83.75%. 2014/15 Numerator: 325 Denominator: 383 = 84.86%. Target achieved/exceeded both for quarter and year.
	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	
KPI 13 Processing of planning applications: Other applications (within 8 weeks) (Max)	88.58%	90.14%	89.93%	94.60%	93.75%	89.99%	92.01%	Q4 2014/15 Numerator: 195 Denominator: 208 = 93.75%. 2014/15 Numerator: 1,071 Denominator: 1,164 = 92.01%. Target achieved/exceeded both for quarter and year.
	82.00%	82.00%	82.00%	82.00%	82.00%	82.00%	82.00%	

PI Code & Short Name	Q4 2013/14	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	2013/14	2014/15	Latest Note
KPI 14 Percentage of household waste sent for reuse, recycling and composting (LAA) (Max)	54.30%	51.40%	55.10%	51.48%	49.93%	54.37%	52.14%	<p>Q4 2014/15 Numerator: 3,270 tonnes (recycled and composted) Denominator: 6,549 tonnes (total domestic waste arising). Annual reduction in % of waste sent for re-use, recycling or composting reflects in part the % of dry recyclables claimed by the sorting contractor to be contaminated. This was an ongoing dispute in 2014/15. The contract was terminated at the end of April and a new contract commenced 5 May. Annual performance was also affected by fly tipping. Fly tipping is investigated by the council and if the offender can be identified, they will be prosecuted where appropriate. Publicity will be given to successful prosecutions to deter others. Increased levels of fly tipping are being experienced by other Essex councils.</p>
								
	52.40%	55.02%	58.01%	53.88%	51.05%	55.90%	54.48%	
KPI 15 Number of return visits to collect bins that have been missed on the first visit (per 100,000 collections) (Min)	60	98	128	79	118	63	106	<p>Q4 2014/15 The council collects 99.9% of bins on first visit, but reliance on agency drivers and loaders, and some round changes in Q4, have resulted in performance not reaching targets. Permanent appointments are being progressed to reduce use of agency drivers, and in cab ICT systems are being updated with the revised rounds. This should provide a basis for further minimising missed bins.</p>
								
	40	40	40	40	40	45	40	
KPI 16 Rent collected as percentage of rent owed (including arrears b/f) (Max) *	97.52%	89.50%	93.36%	95.58%	96.60%	97.52%	96.60%	<p>Q4 2014/15 Numerator: £3,992,627.68 Denominator: £4,533,882.01 (88.06%) 2014/15 Numerator: £14,984,554.29 Denominator: £15,512,251.78 = 96.60%. This PI remains on target.</p>
								
	96.30%	88.50%	93.55%	94.55%	96.50%	96.30%	96.50%	

Performance Indicators




































Directorate Chief Executive								
PI Code & Short Name	Q4 2013/14	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	2013/14	2014/15	Latest Note
PI 06 % of standard searches carried out in 10 working days (Max)	100%	100%	99.59%	99.68%	100%	100%	99.9%	Q4 2014/15 Numerator: 206 Denominator: 206. Team working well performance maintained
	100%	100%	100%	100%	100%	100%	100%	
PI 07 The level of achievement attained under the Equality Framework for Local Government (Max)	Annual PI					2	2	2014/15 Work has been undertaken on community profiling and ensuring Equality objectives have been met. A new Single Equality Duty is being prepared to meet the legal framework and ensure compliance. While not all reviews recommended by the informal Peer Group have yet been put in place, a number of improvements have been consolidated. As a result the council has not applied for a formal Peer Review/Challenge to reach the Achieving Standard within the time frame previously identified. The outcome of the election and how the Equality Standard is to be progressed nationally will be something that will need to be considered. Any new framework will be incorporated into the council's corporate commitment.
						2	2	
PI 21 % of minutes from meetings made available to the public within 10 working days (Max)	88%	100%	95%	96%	100%	97%	98%	Q4 2014/15 Numerator: 26 Denominator: 26 = 100%. The Democratic Services team have made every effort to meet the target for this PI during an extremely busy period for this service due to elections preparation. The target has been met only by working extra hours so this is a commendable achievement.
	95%	95%	95%	95%	95%	95%	95%	
PI 39 Number of written customer complaints against leisure centre usage (Min)	2	3	0	1	1	4	5	Q4 2014/15 Complaint about Direct Debit payment - issue resolved at Head Office. All complaints have been addressed during the year.
	2	2	2	2	2	8	8	














Directorate Corporate Services

PI Code & Short Name	Q4 2013/14	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	2013/14	2014/15	Latest Note
PI 02 Average time to pay supplier invoices (Min)	11.2	15.8	14.4	13.9	13.4	11.3	14.2	Q4 2014/15 Numerator: 2,405 Denominator: 180 = 13.4. The last four quarters show a continuing trend of reducing average payment days. 2014/15 Numerator: 6,383 Denominator: 450 = 14.2 days. Relocation of some staff from the London Road offices have caused some issues with invoices being received for payment. Steps have been taken to ensure invoices are now delivered daily which should improve performance during 2015/16.
	12.5	12.0	12.0	12.0	12.0	12.5	12.0	
PI 03 % of sundry debt income overdue (debts over 90 days old not subject to a payment agreement) (Min)	1.1%	10.3%	4.1%	4.5%	.8%	1.1%	.8%	Q4 2014/15 Numerator: £3,955.76 Denominator: £481,243.54 = 0.8%. Brilliant result showing a decrease in % over 90 days old, showing a significant improvement on end of year for previous year.
	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
PI 12 Housing Benefit (HB) recovered as a percentage of the total amount of recoverable HB overpayments (sundry debtors) (Max)	Annual PI					56.45%	56.14%	2014/15 HB Invoices raised £816,708.84 of which £458,520.70 has been collected by direct payments or through adjustments of Housing Benefit giving a collection rate of 56.14%.
						45.00%	45.00%	
PI 20 % of IT help Desk calls resolved within target (Max)	96.83%	93.34%	98.88%	97.42%	96.05%	97.22%	96.35%	Q4 2014/15 1,973 calls 1,895 done within SLA 2014/15 6,608 calls 6,367 on time. A good performance from the IT team.
	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	
PI 22 Museum users: Total visitors to the museum building and on-site events (Max) #	3,528	3,900	4,205	3,095	3,232	17,552	14,432	Q4 2014/15 All those visiting the Museum in person, including activities and events in the grounds. Figure are about 8% below target, this mainly due to smaller size of school groups, changes in National Curriculum and Easter holidays falling in April. Despite this, the annual visitor target was exceeded.
	4,000	3,200	4,000	3,300	3,500	15,000	14,000	

Directorate Public Services

PI Code & Short Name	Q4 2013/14	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	2013/14	2014/15	Latest Note
PI 13 % of homes that are non-decent at the end of the period	Annual PI					.0%	.0%	2014/15 The council has delivered another significant programme of works on the housing stock to ensure properties do not fall below the decent homes standard. Total investment on the stock, including both revenue and capital funded maintenance and improvement works was £8.9million.
						.0%	.0%	
PI 14a Homelessness: Number of people presenting as homeless (Min)	14	30	30	29	23	97	112	Q4 2014/15 23 homeless applications in Q4. Presentations have gone down by 6 and advice and prevention are still the main focus. Continuing difficult economic times and the lack of affordable housing, either social or private within the district have kept presentations at a steady level.
	25	25	25	25	25	75	100	
PI 14b The number of cases where positive intervention by the Council has prevented homelessness	18	14	9	11	11	80	45	Q4 2014/15 10 prevented and 1 relieved. This is a reflection of the fact that the team had a number of challenging cases which have been time consuming. Nevertheless, improvement on this target is a priority and the development of this area of work is ongoing for the team.
	35	35	35	35	35	140	140	
PI 15(HMPI 102) % Residents satisfied with the most recent repair (Max)	98.00%	99.28%	99.78%	98.74%	98.64%	98.00%	99.16%	Q4 2014/15 Numerator: 363 Denominator: 368 = 98.64%. In excess of target as high levels of satisfaction recorded. 2014/15 Numerator: 1,536 Denominator: 1,549 = 99.16%.
	98.00%	98.50%	98.50%	98.50%	98.50%	98.00%	98.50%	
PI 16 Number of households living in temporary accommodation (CI 19 & NI 156) (Min)	15	26	13	16	20	15	20	Q4 2014/15 Council owned and shared accommodation = 19 cases. Emergency B&B placements = 1. The emergency placement is a lady and her son who are waiting to go into more suitable temporary or permanent accommodation. Sound casework and good prevention work ensured that families were moved into permanent accommodation promptly.
	15	15	15	15	15	15	15	

PI Code & Short Name	Q4 2013/14	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	2013/14	2014/15	Latest Note
PI 17 Number of service users who are supported to establish and maintain independent living	1,213	1,205	1,211	1,213	1,221	1,213	1,221	Q4 2014/15 As at the end of year there are 390 sheltered tenants. Within the available sheltered stock there are currently only 5 voids, all of which are all under offer. The available stock is reducing because of the redevelopment of Mead Court, and the need to release vacancies within Reynolds Court and Hatherley Court prior to the redevelopment of these schemes. The number of lifelines at the end of year is 831, an overall increase of 10 on the last quarter making a total of 1221 supported households.
								
	1,300	1,300	1,300	1,300	1,300	1,300	1,300	
PI 19 Percentage of accidents that are investigated within 10 working days of the accident (Max)	97%	100%	100%	93%	93%	97%	97%	Q4 2014/15 Total of 14 accidents, loss events, near misses. 13 were investigated within 10 days. 1 fell outside this time limit as it was an accident to a tenant who allegedly fell on wet floor after cleaning. Event happened on 20/2/2015. Tenant didn't report the event to Housing Staff at UDC until 9/3/2015. The event was already in excess of 10 days old when reported (17 days). Once reported the incident was fully and thoroughly investigated.
								
	100%	100%	100%	100%	100%	100%	100%	
PI 24a Planning appeals allowed for major applications (Min)	40.0%	33.3%	50.0%	.0%	.0%	22.2%	33.3%	Q4 2014/15 Numerator: 0 Denominator: 0 = 0%. 2014/15 Numerator: 2 Denominator: 6 = 33.3%. No appeals in this category for this period. Only two allowed over the year, target not quite achieved.
								
	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	
PI 24b Planning appeals allowed for minor applications (Min)	28.6%	11.1%	7.7%	20.0%	6.3%	25.0%	11.1%	Q4 2014/15 Numerator: 1 Denominator: 16 = 6.3%. 2014/15 Numerator: 6 Denominator: 54 = 11.1%. Target achieved/exceeded both for quarter and year.
								
	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	
PI 24c Planning appeals allowed for other applications (Min)	33.3%	40.0%	25.0%	.0%	.0%	50.0%	27.3%	Q4 2014/15 Numerator: 0 Denominator: 2 = 0%. 2014/15 Numerator: 3 Denominator: 11 = 27.3%. Target achieved/exceeded both for quarter and year.
								
	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	

PI Code & Short Name	Q4 2013/14	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	2013/14	2014/15	Latest Note
PI 24d Appeals allowed for enforcement notices (Min)	50.0%	.0%	100.0%	100.0%	.0%	33.3%	40.0%	Q4 2014/15 Numerator: 0 Denominator: 3 = 0 %. 2014/15 Numerator: 2 Denominator: 5 = 40%. Target achieved for quarter. One of the allowed appeals only technically allowed as enforcement notice upheld but one part of the appeal allowed.
								
	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	
PI 26 Net additional homes provided (Max)	Annual PI					391	463	2014/15 These figures are based on the results of the annual Residential Land Availability Survey 2015.
								
						415	588	
PI 27 Number of affordable homes delivered (gross) (Max)	Annual PI					76	80	2014/15 The completion of another 14 affordable homes as part of the Councils' own development programme had been anticipated in Stansted but these were unfortunately delays in securing their connection to main services by a utilities company resulted in their slippage into Q1 2015/16. The Council's affordable housing programme in partnership with RP's remains strong and we expect to continue to deliver near or above our 100 target in 2015/16.
								
						100	100	
PI 28 CO2 reduction from local authority operations - % reduction	Annual PI					14.0%	2.04%	2014/15 The Council achieved an overall 2.04% reduction in carbon emissions in 2014/15, from 2061 tonnes in 2013/14 down to 2019 tonnes. This is a 38% reduction in carbon emissions against the baseline year 2005/06. The emissions figures are compiled using gas and electric billing data, business mileage data and fleet fuel data. In 2014/15 the Council's carbon emissions from gas use in buildings reduced from 882 -865 tonnes, electricity use in buildings down from 479 - 458 tonnes, and business travel down from 84 -58 tonnes. The reason the anticipated carbon reduction was smaller in 2014/15 was due to an increase in vehicle fleet fuel use which raised carbon emissions in this area. There are two key reasons for this increase, both outside the Council's current scope of influence. Uttlesford District Council is a Waste Collection Authority (WCA) working in partnership with Essex County Council as the Waste Disposal Authority (WDA). Firstly, the Council has
								
						6.6%	6.6%	

PI Code & Short Name	Q4 2013/14	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	2013/14	2014/15	Latest Note
								seen an increase in demand for green waste collection, this has resulted in greater vehicle fuel use and overall carbon emissions from the waste vehicle fleet. Secondly, the Council is currently transporting its residual waste from some of its rounds to a transfer station at Boreham and food waste to the WRG transfer station in Haverhill, which is a constraint to reducing fuel use and carbon emissions. Essex County Council is developing its Waste Transfer Station in Great Dunmow. One open, this facility in the district will enable all rounds in due course to tip dry recycling, food and residual waste at a single point.
PI 30 % planning applications validated within 5 days (Max)	99%	100%	100%	98%	98%	93%	98%	Q4 2014/15 Numerator: 457 Denominator: 465 = 98%. 2014/15 Numerator: 888 Denominator: 907 = 98%. An excellent performance by the team.
	90%	90%	90%	90%	90%	90%	90%	
PI 31 Five year supply of ready to develop housing sites (years) (Max)	Annual PI					5.2	5.4	2014/15 The figure is based on completions data as at June 2014, but taking into account Planning Inspector's conclusions into his examination of the draft local plan published December 2014. Work has commenced on a new plan to ensure that the target of 6 years supply is achieved.
						6	6	
PI 34 Residual household waste per household (Kg) (Min)	Annual PI					377	401	2014/15 Estimate from raw data to be audited by Essex CC. Numerator: (Household waste to landfill + contamination at MRF) - 13,765 tonnes. Denominator: (number of households) - 34,305. Increasing contamination in recycling stream. There is a general trend across Essex in increasing residual waste.
						375	365	
PI 35 Number of tonnes of garden waste from kerbside collections sent for composting	50.78	340	342.8	240.44	78.92	1,079.24	1,002.16	Q4 2014/15 Tonnage shows the expected seasonality. This is the first year when collections have been made in Jan and Feb, hence rise compared with Q4 2013/14. For 2015/16 this indicator will instead monitor the number of subscribers.
	100	450	420	240	70	1,450	1,180	

Committee: Performance and Audit

Agenda Item

Date: 30 July 2015

11

Title: Quarter 4 Corporate Risk Register 2014/15

Author: Richard Auty, Assistant Director Corporate Services

Item for information

Summary

1. This report presents the Corporate Risk Register as at the end of quarter 4 2014/15 (1 January to 31 March).
2. Also included for reference is the new 2015/16 Corporate Risk Register.

Recommendations

3. None

Financial Implications

4. There are no financial implications associated with this report.

Background Papers

5. None

Impact

- 6.

Communication/Consultation	The Risk Register is discussed and updated by the Corporate Management Team at least quarterly.
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Situation

7. Appendix A is the council's Corporate Risk Register for 2014/15. The register is presented to Full Council along with the Corporate Plan in February each year and then monitored quarterly by Corporate Management Team and the Performance and Audit Committee.
8. Each quarterly report for the Performance and Audit Committee also includes a list of those risks which have changed between quarters, either through revised scoring or additional mitigating actions. For quarter 4 these can be found at Appendix B.
9. Also included in this report as Appendix C is the 2015/16 Corporate Risk Register. This is the register which will be brought to the next four meetings of the Performance and Audit Committee.
10. The council's approach to risk management was overhauled some years ago. Extensive advice was sought from risk management practitioners supplied by the council's insurers, with considerable support from a former councillor and member of the Performance and Audit Committee, whose profession was risk management and compliance.
11. The approach has been successful for the council, with the Corporate Risk Register identifying the key risks associated with delivering the council's main objectives as set out each year in the Corporate Plan.
12. Underpinning the Corporate Risk Register are directorate risk registers which are monitored at senior management level. These risks relate to the main actions and objectives each directorate of the council sets out through the directorate planning process each year and are monitored by the Corporate Management Team quarterly along with progress against directorate action plans.
13. Management and councillors have found this approach to be both sufficiently flexible for the needs of the organisation and proportionate to its size.
14. Risks are assessed on a 4X4 matrix based on likelihood and impact. Any risk scoring below 6 is green, or low risk, a score of 6 to 8 is amber or medium risk and 9 or above is red or high risk.
15. The definitions are:
 - 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.

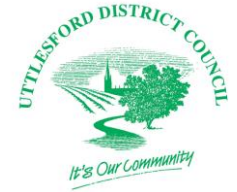
Risk Analysis

5

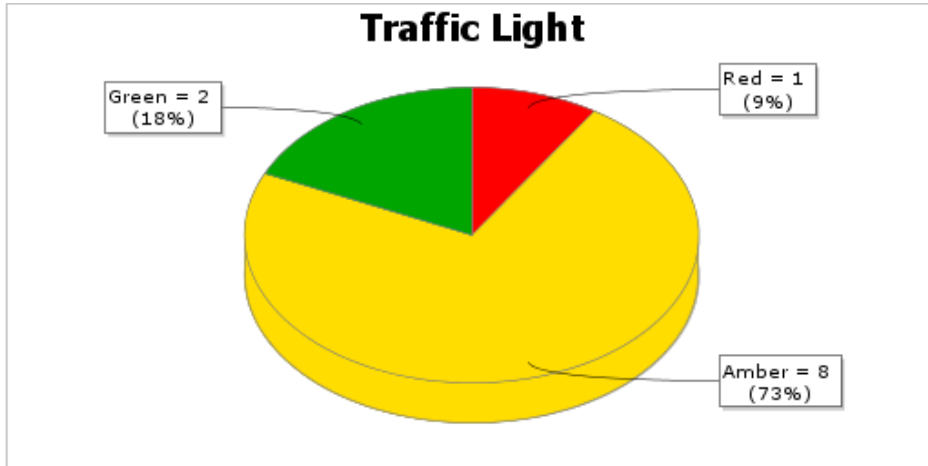
Risk	Likelihood	Impact	Mitigating actions
That the council does not effectively monitor the risks it faces in delivering its corporate aims and objectives	1 – The register was created, and regularly monitored, by the Corporate Management Team	3 – If mitigating actions are not identified and acted upon, then there could be serious consequences for the delivery of services	Each corporate action and associated risk is owned by a member of the Corporate Management Team. Colleagues provide challenge and discussion regularly to ensure steps are being taken to reduce the likelihood and/or impact of those risks.

- 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.



Corporate & Strategic Risk Register 2014-15 - Quarter 4






Report Type: Risks Report
Report Author: Debra Admin_Collins
Generated on: 15 July 2015







Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
14-CR 01 Insufficient progress against savings	The council does not make sufficient progress against savings targets identified in the MTFS to achieve the necessary savings.	3	1	2	1	2		3	1	An in-year surplus is predicted and plans are underway for a savings action plan. Recent government statements on austerity indicate prolonged pressure on council services	A Corporate Team was established in 2010. Savings achieved to date have been approx £1 million per annum	Adrian Webb


Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
14-CR 02 External factors impact negatively on Council's finances	External factors, such as the reforms to local government finance, negatively impact on Council's finances	2	3	2	3	6		2	3	The likelihood of this happening in the next twelve months will increase as will the impact. Recent government statements on austerity indicate prolonged pressure on council services	Work with local government and other partners to share the risks and benefits of reform	Adrian Webb
14-CR 03 LSP decisions do not inform Council policy	Decisions made by the LSP do not inform Council policy	2	2	3	3	9		2	2	No real change from last time. The LSP continues to meet but nothing filters down into the organisation. There will be a review of its effectiveness after the May 2015 election	Optimise the Localism agenda and ensure that the Council retains its commitment to supporting the voluntary sector where this provides demonstrable value for money. Ensure continued engagement with partners and the community through channels such	John Mitchell





Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
											as Citizens Panel, Community Forums and Tenant Forum. Continue to review the working of the LSP to ensure it meets the needs of the council, its partners and the community.	
14-CR 04 Local Plan	Failure to meet objectively assessed housing need and identify suitable deliverable sites	3	2	3	2	6		3	2	New SHMA to be published late Summer	Complete SHMA, carry out Duty to Cooperate process with authorities cross the housing market area and other neighbouring councils, and issue new call for sites. New member working group established to steer process.	Roger Harborough
14-CR 05 External contracts	Contracts with third parties do not benefit the Council &	3	3	3	2	6		3	1	One major contract awarded in Q4. Another reached bid	Robust evaluation of contract bids. Once new contracts in	Roger Harborough

Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
	Community financially									evaluation stage. Risks remain because of very competitive price of awarded contract, and need to carry out financial checks on successful bidder for other contract still to be awarded.	place, constant monitoring of contracts to ensure appropriate implementation including financial guarantees where appropriate	
14-CR 07 Failure to embed sound Equality & Diversity, H&S & Corporate Governance principles	Failure to embed sound equality & diversity, health & safety and corporate governance principles throughout the authority, which would make it difficult to then promote these ideals to the community	3	1	3	1	3		3	1	The Council is developing its action plan on the single equality duty in partnership with SCambs DC. Training for new and existing parish, town and district members on the code of conduct is taking place and extensive information on health and safety is	Necessary information available to all staff and regular training given	John Mitchell

Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
										set out on the Council's intranet which is linked to targeted training		
14-CR 08 Little money available for Highways improvements	Highways Panel unable to deliver expectations owing to ECC financial constraints	2	3	2	3	6		2	3	Only 2 schemes cancelled. Another may not commence (CR scheme) because cost estimate has escalated from £34K to £85K. 35 schemes completed	Targeted improvements in district due to local member involvement in Highways Panel/Locality Board	Roger Harborough
14-CR 09 Inability to implement the economic strategy	Inability to implement the economic strategy which could lead to a failure to support existing businesses and attract new investment	3	1	3	1	3		3	1	Business space study received. Parking study received	Implement the economic strategy in conjunction with local business representatives, West Essex partners and allocate budget to support this work	Roger Harborough
14-CR 10 Adverse impact from reform of council tax	The reform of council tax benefits will adversely impact some	3	2	2	2	4		2	2	The LCTS scheme was amended for 2014/15 and required non-	Resource and implement the Council's Local Council Tax Support	Adrian Webb

Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
benefits	people currently in receipt of benefits									vulnerable working age people on low incomes to pay more council tax. The Council has increased its funding for exceptional hardship support.	Policy approved 2012	
14-SR 01 Disruption of Council business	Disruption of council business caused by: loss of building, widespread staff absence, extreme weather conditions	4	2	3	2	6		3	2	Assistant Director Corporate Services has volunteered to develop new business continuity plan templates and is working with the Emergency Planning officer for Epping Forest DC on this project	Ensure that emergency plans are in place to provide frontline services. Maintain regular engagement in emergency planning activities, close liaison with county council and regular communication with residents. Ensure relevant HR policies are in place and understood	Michael Perry

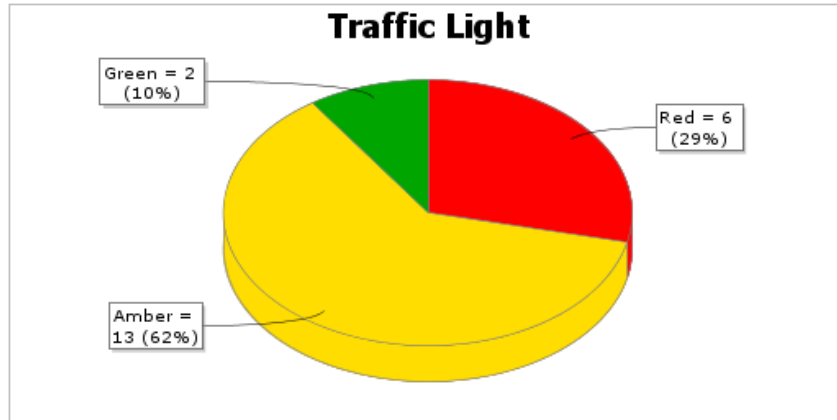
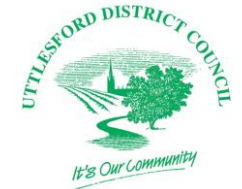
Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
14-SR 02 Major emergency at the airport	Major emergency at the airport e.g. due to plane crash, terrorism etc.	2	2	2	1	2		2	1	Due to unrest globally, the likelihood has increased. Robust plans are in place, good relations remain between Stansted Airport Ltd and UDC	Ensure that emergency plans are in place and that there is regular liaison with airport operator and engagement in emergency planning activities	Michael Perry

Risk Status	
	Alert
	High Risk
	Warning
	OK




Corporate & Strategic Risks 2014/15 Changes Quarter 3 to Quarter 4





Risk Code & Title	Q3 Risk Impact	Q3 Risk Likelihood	Q3 Risk Score	Q4 Risk Impact	Q4 Risk Likelihood	Q4 Risk Score
14-CR 01 Insufficient progress against savings	2	2	4	2	1	2
14-SR 01 Disruption of Council business	4	2	8	3	2	6
14-SR 02 Major emergency at the airport	2	3	6	2	1	2







Corporate & Strategic Risk Register 2015-16








Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Mitigating Actions	Managed By
15-CR 01 Insufficient progress against savings	The council does not make sufficient progress against savings targets identified in the MTFS to achieve the necessary savings.	2	1	2	1	2		3	1	A Corporate Team was established in 2010. Savings to date exceed £2.5m. The team addresses quality issues as well as trying to achieve savings.	Adrian Webb
15-CR 02 External factors impact negatively on Council's finances	External factors, such as the reforms to local government finance, negatively impact on Council's finances	2	3	2	3	6		2	3	Work with local and government to understand and implement post general election changes to core external funding such as New Homes Bonus and Business Rates Retention	Adrian Webb
15-CR 03 Decisions made by the LSP do not inform Council Policy	The Council staffs and hosts the LSP but decisions made by the LSP do not inform Council Policy	3	3	3	3	9		2	2	Review the effectiveness and value for money of our engagement with partners, the voluntary sector and	John Mitchell




Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Mitigating Actions	Managed By
										the community. Continue to review the working of the LSP to ensure it meets the needs of the council, its partners and the community rather than just itself. Ensure that LSP matters are championed by Cabinet members so that the Council determines the LSP agenda and takes responsibility for outcomes	
15-CR 04 Local Plan	Failure to meet objectively assessed housing need and identify suitable deliverable sites	3	2	3	2	6		3	2	Complete *SHMA, carry out Duty to Cooperate process with authorities across the housing market area, neighbouring councils and strategic bodies and issue new call for sites. New member working group established to steer process.	Roger Harborough
15-CR 05 External contracts	Contracts with third parties do not benefit the Council & Community financially	3	2	3	2	6		3	1	Robust evaluation of contract bids. Once new contracts in place, proactive monitoring of contracts to ensure appropriate implementation	Roger Harborough
15-CR 06 The Council does not demonstrate how consultation responses have	The Council does not demonstrate how consultation responses have been taken into account when formulating	3	3	3	3	9		3	1	A project team of Senior Managers has worked on this and will arrange a Members' workshop when the new	John Mitchell

Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Mitigating Actions	Managed By
been taken into account	policy									Council is elected, with a view to rationalising consultation exercises to gain the maximum benefit	
15-CR 07 Failure to embed sound Equality & Diversity, H&S & Corporate Governance principles	Failure to embed sound equality & diversity, health & safety and corporate governance principles throughout the authority, which would make it difficult to then promote these ideals to the community	3	1	3	1	3		3	1	The Health & Safety officer previously shared with Harlow DC is now a full-time UDC employee. Regular training and updates are given to all relevant staff and the Council continues its partnership arrangements with South Cambs DC regarding equality and diversity	John Mitchell
15-CR 08 Little money available for Highways improvements	Highways Panel unable to deliver expectations owing to ECC financial constraints	2	3	2	3	6		2	3	Targeted improvements in district due to local member involvement in Highways Panel/Locality Board	Roger Harborough
15-CR 09 Inability to implement the economic strategy	Inability to implement the economic strategy which could lead to a failure to support existing businesses and attract new investment	3	1	3	1	3		3	1	Implement the economic strategy in conjunction with local business representatives, West Essex partners and allocate budget to support this work	Roger Harborough
15-CR 10 Adverse impact from reform of council tax benefits	The reform of council tax benefits will adversely impact some people currently in receipt of benefits	2	2	2	2	4		2	2	Resource and implement the Council's annual Local Council Tax Support Policy	Adrian Webb

Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Mitigating Actions	Managed By
15-CR 11 Partner organisations unable to provide sufficient resources	Partner organisations unable to provide sufficient resources in times of austerity to implement new strategies	3	4	3	4	12		3	2	New arrangements with partner authorities will need to be increasingly challenged and focused on prioritised needs and value for money	John Mitchell
15-CR 12 Range of services provided by the Council is too broad	Range of services provided by the Council is too broad to allow necessary focus	4	4	4	4	16		4	2	As resources diminish the Council will need to regularly review its' priorities and its' form and function as a provider of commissioner services	John Mitchell
15-CR 13 Shared service delivery model	Partner organisations unable or unwilling to sign-up to shared service delivery model	2	3	2	3	6		2	2	Continue to work with those organisations who already share UDC assets ie ECC. Parish Councils and voluntary sector	Adrian Webb
15-CR 14 Neighbourhood plans	Local communities do not have adequate resources to develop neighbourhood plans	2	3	2	3	6		2	2	Strategic Initiative Fund allocation to fund resources to support communities in preparing plans and getting them adopted	Roger Harborough
15-CR 15 Eco programme deadlines cannot be met and grant funding becomes unavailable	Changes to government eco programme mean deadlines cannot be met and grant funding becomes unavailable	3	3	3	3	9		3	3	Pursue external funding opportunities for external wall insulation programme; smart procurement	Roger Harborough
15-CR 16 Potential breaches of planning control	Council is not made aware of potential breaches of planning control	2	2	2	2	4		2	1	Parish councils act as an important communications channel for reporting potential breaches, and this function is encouraged	Michael Perry

Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Mitigating Actions	Managed By
15-CR 17 Improving heritage assets	Aspirations outstrip available resources to improve heritage assets	2	3	2	3	6		2	3	Pursue external funding opportunities	Roger Harborough
15-CR 18 Partners' agendas (for economic prosperity) are not aligned	All partners' agendas (for economic prosperity) are not aligned and what is delivered for the wider area is not in the best interest of the Uttlesford district	2	2	2	2	4		2	2	Engage strongly in LSCC, West Essex Alliance (and through West Essex Alliance seek to influence the Greater Essex Business Board and SELEP), GCGP LEP and Essex Integrated Growth Forum to promote Uttlesford's interests	Roger Harborough
15-CR 19 Aspirations of airport owners conflict with the council's views	Aspirations of airport owners conflict with the council's views on appropriate development and with community interests	3	3	3	3	9		3	2	Seek to influence the airports policy of the new Government informed by the Davies Commission final report recommendations. Work with the airport owners to agree environmental impact mitigation measures, particularly the surface access strategy	Roger Harborough
15-SR 01 Disruption of Council business	Disruption of council business caused by: loss of building, widespread staff absence, extreme weather conditions	3	2	3	2	6		3	2	Ensure that emergency plans are in place to provide frontline services. Maintain regular engagement in emergency planning activities, close liaison with county council and regular communication with residents. Ensure relevant HR policies are in place and understood	Michael Perry

Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Mitigating Actions	Managed By
15-SR 02 Major emergency at the airport	Major emergency at the airport e.g. due to plane crash, terrorism etc.	2	1	2	1	2		2	1	Ensure that emergency plans are in place and that there is regular liaison with airport operator and engagement in emergency planning activities	Michael Perry

Risk Status	
	Alert
	Warning
	OK