



Statement of Accounts 2015/16

Uttlesford District Council



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NARRATIVE REPORT

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 57 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 2016, and summarises the overall financial position of the Council as at 31 March 2016. This foreword provides a guide to the significant matters reported in these accounts.
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2. THE ACCOUNTING STATEMENTS

- 2.1 The Council is required by law to complete its accounts in line with the CIPFA Code of Practice on Local Authority Accounting 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 Narrative Report sets out the key issues and is intended to give the reader an insight into the Council's financial performance during 2015/16.
- 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 page 3). 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 2015/16

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 £27 million during the year, from £188.4 million to £215.4 million. The key movements are summarised below.

£m	31 March 2015	31 March 2016	Increase / (Decrease) in Net Assets	See Note Below
Long Term Assets	299.2	320.5	21.3	a
Current Assets	28.9	37.9	9.0	b
Current Liabilities	(12.3)	(17.0)	(4.7)	c
Long Term Liabilities	(127.4)	(126.0)	1.4	d
Net Assets	188.4	215.4	27.0	

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 2015/16, the value of the Council's Long Term assets increased (£21.4m). 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 (£21.0m). There were also additions to the housing stock (£3.8m), disposals of assets (£1.3m) and a net charge to depreciation (£5.0m). Assets under Construction have decreased by £1.0 million of which an element is in the Housing

Revenue Account 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.

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 increase of £8.5 million is due to an increase in short term investments which increased from £25.5 to £34.0 million relates to the council's function as a collection agent for preceptors, Essex County Council, Essex Police and Crime Commissioner, Essex Fire Authority and Parishes (Council Tax only) for the collection of Business Rates and Council Tax.

c) Current Liabilities

Current Liabilities represent monies the Council owes to other parties that are due for payment within one year. During 2015/16 the current liabilities has a net increase of £4.7 million and this is analysed in table 10.1 for creditors and 10.2 for short tem provisions on page 33.

The net increase in liabilities of £4.7 million relates to payments due for Business Rates and Council Tax due to preceptors, pension liabilities to the Essex Pension Fund, payroll liabilities including NIC and Pension contributions and suppliers for the provision of goods and services.

A net increase on the short term provisions of £0.5 million relates to the change in the expected payments due to successful appeals for Business Rates within the next 12 months. The provision has been increased by £0.8 million and an amount of £0.3 million was applied in 2015/16. The provision held as at 31st March 2016 is £4.2 million.

d) Long Term Liabilities

Long Term Liabilities decreased by £1.3 million, and this is made up of minor reductions in the following:

- Deferred liabilities relates to the Private Finance Initiative for the provision of leisure facilities in partnership with the private sector, this has 20 years remaining on the agreement and an outstanding commitment of £4.9 million.
- Grants Receipts in advance, these are in the main S106 funds that we hold relating to planning agreements and are released in line with criteria as specified in individual agreements.
- 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.

The current value of the net liability as at 31 March 2016 is 30.9 million. 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 continue to be implemented, including higher employee contributions, later retirement ages and lower pensions.

- The main element of the Long Term Liabilities figure is £88.4 million which represents money that the Council was obliged to borrow from Government in 2011/12 as part of council housing finance reforms. The first £2.4 million principal repayment 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 2015/16. 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.

A detailed outturn report was approved by Cabinet on the 14th July 2016. The report can be found on the following link www.uttlesford.gov.uk

4.1 GENERAL FUND

Total General Fund reserves available to spend have increased by £3.029 million, from £7.812 million to £10.841million.

	31 March 2015	31 March 2016	Net increase/ (Decrease)
	£m	£m	£m
Working Balance	1.282	1.246	(0.036)
Earmarked Reserves	6.530	9.595	3.065
Subtotal – Reserves available to spend	7.812	10.841	3.029
Business Rates Ring fenced Reserve	3.670	0.500	3.170
Total General Fund Reserves	11.482	11.341	(0.141)

Net Operating Expenditure was £1.621million, which was £4.023 million below the budget, as summarised in the table below.

	Budget	Outturn	Variance from revised budget
	£m	£m	£m
Service & corporate budgets	11.879	9.228	(2.650)
Government funding	(4.932)	(4.987)	(0.055)
Local share of business rates	(1.303)	(2.620)	(1.317)
Net Operating Expenditure	5.644	1.621	(4.023)
Decrease in General Fund Reserves	(0.991)	1.150	2.141
Net Budget Requirement	4.653	2.771	(1.882)

After allowing for transfers to earmarked reserves, the bottom line represented a net underspend of £1.882 million, which is added to reserves. This figure, along with the £1.183 million of transfers to and from reserves during the year, amount to an increase in General Fund earmarked reserves of £3.065 million. The main movement in

reserves in year related to the reduction in the Business Rates Reserve which was transferred to the Strategic Initiatives Fund. The Business Rates Reserve was initially set up to manage the transition to the new Rates Retention scheme introduced in 2013/14 and the potential deficit the council may face. Current predictions now indicate that is extremely unlikely the council will fall into a deficit position on Business Rates and therefore the reserve has been reallocated.

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

Details of variance	Variance £' 000 (favourable)/Adverse
DWP adjustments relating to prior year subsidy income reclaimed, a drawdown on reserves has been actioned to mitigate the effect on the net cost of services.	276
Adjustment to accounting practice for bad debt provision this is now reflected in the Collection Fund and efficiencies found within resources of service administration.	(133)
Increased share of income from the Essex Fraud and Compliance Agreement.	(84)
Adjustment to accounting practice for Discretionary Rate Relief, now reflected within the collection fund.	(158)
Staffing efficiencies relating to the single fraud initiative scheme (DWP centralised fraud referrals), 2 x Compliance and Fraud posts funded in part by the Essex Fraud and Compliance Business Case.	(100)
Loss of income due to termination of rental agreement for office accommodation, plus increased expenditure on emergency building works at London Road offices	110
Net effect of recycling contract increased costs, reduction in disposal costs and fuel for vehicles	50
Net effect of increased pre-application income and legal fees for appeals and S106	49
Rolling budget, underspend taken to reserves for future years expenditure.	(42)
Efficiencies due to staffing restructure	(52)
Unspent budget relating to the Cycle Strategy	(58)
Unallocated grants, funds taken to reserves for allocation in future year	(59)
Additional fee income based on current market forces and New Burdens Grant from DCLG	(70)
Additional cost income achieved, mainly relating Faircroft Car Park and S106 agreements	(76)
Increased income for imported goods and border inspections.	(90)
Additional income for one off profit share and realigning model with current payments received.	(96)
Legislative change to timing of issuing taxi licences and new taxi fee structure introduced.	(107)
No requirement to fund PCSO's in current year plus ASBO post moved to Housing.	(120)
Delay in capital project for the New Depot reducing financing requirement, minimal bottom line effect as matched by reduction in drawdown on reserves	(1,584)
Higher investment interest rates achieved in year due to better economy and changes to the Treasury Management Strategy	(47)
Budget set at a prudent level, achieved income above safety net level plus increased S31 grant and collection fund balance deficit reduced	(1,317)
Net of other minor variances	(316)
	<u>(4,023)</u>

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4.2 HOUSING REVENUE ACCOUNT (HRA)

2015/16 was the fourth 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 2015/16, total HRA reserves increased by £1.557 million, from £5.489 million to £7.046 million:

	31 March 2015	31 March 2016	Net increase /(decrease)
	£m	£m	£m
HRA Working Balance	0.463	0.463	0
Capital projects (committed)	3.537	3.537	0
Potential development projects	0.800	2.298	1.498
Major Repairs	0.131	0.190	59
Sheltered Housing	0.318	0.318	0
Transformation Reserve	0.180	0.180	0
Revenue projects	0.060	0.060	0
Total HRA Reserves	5.489	7.046	1.557

The Operating Surplus was £3.659 million, which was £0.161 million higher than the budgeted surplus of £3.498 million. From the Operating Surplus of £3.659 million, £2.161 million was used to finance capital projects, leaving a bottom line surplus of £1.498 million. This was added to the Potential Development Projects Reserve, to fund future housing projects and improvements.

Housing Revenue Account	Budget	Outturn	Variance from Revised Budget
	£m	£m	£m
Income	(15.691)	(15.455)	0.236
Expenditure	12.193	11.796	(0.396)
Operating Surplus	(3.498)	(3.659)	(0.161)
Funding of capital projects	4.811	2.161	(2.650)
Transfers (to)/from reserves	(1.313)	0	1.313
Surplus for year	0.00	(1.498)	(1.498)

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

Details of Variance	Variance £' 000 (favourable)/Adverse
Dwelling rental income reduced due to increase in void properties	221
Reduction in recharge income from Leaseholders and Sheltered clients due to reduction	63
Reduction in Bad debt provision, originally set high due to expected impact on increased rent arrears relating to roll out of Universal Credit, no impact in 2015/16	(233)
Restructure of Business Performance relating to the new Health and Wellbeing Service	(101)
Reduction in cost of utilities within Common Service Flats and Sheltered units	(66)
Planned repairs delayed due to other ad hoc areas responsive repairs	(147)
Net overspend in Housing Repairs due to reliance on external contractors for ad hoc repairs and delay in planned painting programme	272
Net of other variances	(170)
	(161)

4.3 CAPITAL PROGRAMME

Total capital expenditure was £15.196 million, which was £0.092 million below the revised budget after allowing for slippages within the capital programme.

Capital Programme	Budget	Slippage	Revised Budget	Outturn	Variance from Revised Budget
	£m	£m	£m	£m	£m
General Fund schemes	3.288	1.413	4.701	4.655	(0.046)
Housing Revenue Account schemes	7.952	2.451	10.403	10.541	0.138
Total Capital Expenditure	11.240	3.864	15.104	15.196	0.092

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) and the New Homes Bonus 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.

- **Revenue Support Grant** - The Council's share of the Local Government Finance Settlement has reduced significantly since 2011/12 and this funding will reduce to zero in 2017/18, in line with cuts in Government spending.
- **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).

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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 2015/16, 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 commissions an independent rating valuations expert (Analyse Local) to audit its appeals list on an annual basis and advise on the level of refund liability risk. This advice was that the Council should provide for liabilities totalling £10.5 million in 2015/16, an increase from 2014/15 of £1.3 million. The UDC share of the liability, at 40% would be £4.2 million, an increase of £0.5 million from 2014/15; this is detailed in table 10.2 page 33.

The Government are consulting on a further change to the Business Rates Scheme, where council's will receive 100% of the business rates collected from 2020. The council is aware that if this new scheme is implemented there will be additional risks and responsibilities expected of the council and central government have stated that any change implemented will be fiscally neutral.

- **New Homes Bonus (NHB)** – The Government introduced a funding initiative in 2011 to encourage housing growth and increase council tax bases. Currently the council receives the equivalent of one year's council tax calculated at an average band D for 6 years for each new property built or brought back into use. Uttlesford's programme for new build housing and the initiatives put in place to bring empty homes back in to use has enabled us to maximise the benefits of the current scheme and for the council to ensure financial stability for the next few years.

The current NHB scheme is under review and central government is consulting on various alternative options for delivery of this funding. Invariably all the options under consultation will reduce the amount of NHB received by the council, although at this point in time it is impossible to predict the exact financial impact due to the various elements included in the consultation.

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 depending on the outcome of Business Rates and New Homes Bonus consultations.

- 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 359 employees which equated to 317.95 full time equivalents as at the 31 March 2016 (344 employees, 303.95 FTE as at 31 March 2015). This increase in employees is due in the main to recruiting to substantive posts and reducing our reliance on expensive agency staff.
- 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.

5.4 Performance of the Council

- The Revenues service has achieved a collection rate of 99.17% for council tax and 97.34% of Business Rates, for sundry debtors only 2.14% of debt owed is older than 90 days.
- The Benefits department have achieved 99.66% accuracy for the processing of benefit claims and the number of claimants for Local Council Tax support has reduced by 9.75% in 2015/16.
- Housing Rent collection has achieved 97.29% collection; this includes arrears b/fwd. from previous years.

5.5 Principal Risks and Uncertainties:

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. The table below details the areas of uncertainty

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. Vehicles, plant, equipment, infrastructure and community and assets under construction are all held at historic cost, all other assets are valued at fair (market) value, excluding the HRA housing stock which is valued at social usage value. Of the market valued assets a valuation impairment would equate to 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 £4.8m for debtors. A review of balances suggested that an impairment of doubtful debts of £1.4m was appropriate.	If collection rates were to deteriorate and sundry debt increased with the same debt profile, an additional contribution would be required to be set aside as an allowance. This is deemed non material for the Council's accounts.
NNDR Appeals	At 31 March 2015, the Council recognised a provision of £4.2m 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.

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 page xvii of this document.

7. AUDIT OF ACCOUNTS

7.1 These final accounts will be published following completion of the audit by the External Auditor, EY (see Auditor's Report on page xx).

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 2016 and its Income and Expenditure for the year ended 31 March 2016.

Signature:

Adrian Webb
Director of Finance and Corporate Services

Date: 28TH July 2016

APPROVAL OF THE ACCOUNTS

I confirm that the Statement of Accounts was approved by a resolution of the Performance & Audit Committee on 28th July 2016.

Signature:

Councillor Edward Oliver
Chairman Performance & Audit Committee
Uttlesford District Council

Date: 28th July 2016

CORE FINANCIAL STATEMENTS**Movement in Reserves 2015/16**

	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 2015	(1,282)	(10,199)	(463)	(4,895)	(132)	(1,862)	(454)	(19,287)	(169,087)	(188,374)
(Surplus) or Deficit on provision of services (accounting basis)	(1,526)	-	(6,679)	-	-	-	-	(8,205)	-	(8,205)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(18,847)	(18,847)
Total Comprehensive Income and Expenditure	(1,526)	-	(6,679)	-	-	-	-	(8,205)	(18,847)	(27,052)
Adjustments between accounting basis & funding basis under regulations (Note 1.1)	1,666	-	5,181	-	(58)	(380)	(417)	5,992	(5,992)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	140	-	(1,498)	-	(58)	(380)	(417)	(2,213)	(24,839)	(27,052)
Transfers to / (from) Reserves	(2,022)	2,022	1,498	(1,498)	-	-	-	-	(17)	(17)
(Increase) / Decrease in Year	(1,882)	2,022	-	(1,498)	(58)	(380)	(417)	(2,213)	(24,856)	(27,069)
Balance at 31 March 2016	(3,164)	(8,177)	(463)	(6,393)	(190)	(2,242)	(871)	(21,500)	(193,943)	(215,443)

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)

Comprehensive Income and Expenditure Statement

Gross Expenditure	Gross Income	Net Expenditure		Note Reference	Gross Expenditure	Gross Income	Net Expenditure
2014/15	2014/15	2014/15			2015/16	2015/16	2015/16
£'000	£'000	£'000			£'000	£'000	£'000
2,520	(1,111)	1,409	Central Services to the Public		2,911	(1,204)	1,707
3,295	(841)	2,454	Cultural and Related Services		1,923	(698)	1,225
5,977	(3,109)	2,868	Environmental & Regulatory Services		6,208	(2,886)	3,322
3,160	(1,587)	1,573	Planning Services		2,931	(1,657)	1,274
1,044	(1,018)	26	Highways, Roads & Transport Services		464	(973)	(509)
(1,520)	(15,539)	(17,059)	Housing Revenue Account		5,216	(15,454)	(10,238)
18,830	(17,682)	1,148	Other Housing Services		18,438	(16,931)	1,507
390	(134)	256	Adult Social Care		329	(140)	189
1,937	-	1,937	Corporate and Democratic Core		1,718	(8)	1,710
209	-	209	Non-Distributed Costs		11		11
35,842	(41,021)	(5,179)	Cost of Services		40,149	(39,951)	198
		2,589	Other Operating Expenditure	5.1			3,276
		4,113	Financing & Investment Income and Expenditure	5.2			3,913
		(16,351)	Taxation and Non-Specific Grant Income	5.3			(15,592)
		(9,649)	Corporate Amounts				(8,403)
		(14,828)	(Surplus)/Deficit on Provision of Services				(8,205)
		(24,929)	Surplus on Revaluation of Non-Current Assets				(16,269)
		4,731	Actuarial (Gains)/Losses on Pension Assets /Liabilities				(2,578)
		-	Other Movements in Usable/Unusable Reserves				-
		(35,026)	Total Comprehensive Income and Expenditure				(27,052)

Balance Sheet

31 March 2015 £'000		Notes	31 March 2016 £'000
297,629	Property, Plant and Equipment	7.1	318,690
386	Heritage Assets	7.3	587
237	Intangible Assets	6.1	210
898	Long Term Debtors	18.6	1,057
299,150	Total Long Term Assets		320,544
25,500	Short Term Investments	18.1	34,000
53	Inventories	9.1	51
2,874	Short Term Debtors	9.2 - 9.3	3,421
478	Cash and Cash Equivalents	9.5	474
28,905	Total Current Assets		37,945
(8,277)	Short Term Creditors	10.1	(12,537)
(4,041)	Short Term Provisions	10.2	(4,531)
(12,318)	Total Current Liabilities		(17,068)
(88,407)	Long Term Borrowing	18.2	(88,407)
(5,063)	Deferred Liabilities	11.2	(4,957)
(2,359)	Grants Receipts in Advance	11.3 - 11.4	(1,713)
(31,534)	Pension Scheme Liability	3.5	(30,901)
(127,363)	Total Long Term Liabilities		(125,978)
188,374	Total Net Assets		215,443
	Represented by:-		
19,287	Usable Reserves	2.1 - 2.4	21,500
169,087	Unusable Reserves	3.1 - 3.6	193,943
188,374	Total Reserves		215,443

Adrian Webb
Director of Finance and Corporate Services
Section 151 Officer
28th July 2016

Cash Flow Statement

2014/15 £'000		2015/16 £'000	Notes
14,828	Net surplus/(deficit) on the provision of services	8,205	Page 3
(4,913)	Adjustments to net surplus/(deficit) on the provision of services - non cash movements	4,264	
(4,020)	Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	(2,283)	
5,895	Net cash flows from operating activities	10,186	13.1
(11,795)	Net cash flows from investing activities	(12,738)	13.2
5,614	Net cash flows from financing activities	2,548	13.3
(286)	Net (decrease) in cash and cash equivalents	(4)	
764	Cash and cash equivalents at the beginning of the reporting period	478	13.4
478	Cash and cash equivalents at the end of the reporting period	474	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 2015/16**

2015/16	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	(1,248)	408				840
Amortisation of Intangible Assets	(59)	(14)				73
Revenue expenditure funded from capital under statute	(715)	(61)				776
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	(263)	(1,007)				1,270
Statutory provision for financing capital investment	489					(489)
Capital expenditure charges against the General Fund and HRA balances	968	2,161				(3,129)
<u>Adjustments involving the Capital Grants Unapplied Account</u>						
Application of grants to capital financing from unapplied reserves					864	(864)
Capital grants and contributions that have been credited to the CI&E	1,213				(1,281)	68
<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		1,070	(1,070)			-
Use of Capital Receipts Reserve to finance new capital expenditure			247			(247)
Contribution from Capital Receipts Reserve towards administrative costs of non-current asset disposal		(10)	10			-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool		(433)	433			-

Movement in Reserves Statement – Adjusting between Accounting and Funding Basis under Regulations 2015/16 (continued)

2015/16	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		3,392		(3,392)		-
Use of Major Repairs Reserve to finance new capital expenditure				3,334		(3,334)
<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	(2,665)	(531)				3,196
Employers pension contributions and direct payments to pensioners payable in year	1,046	205				(1,251)
<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	2,905					(2,905)
<u>Adjustments involving the Accumulated Absences Account</u>						
Adjustments in relation to short term compensated absences	(3)	(1)				4
Other Adjustments						-
Total Adjustments	1,668	5,179	(380)	(58)	(417)	(5,992)

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

2014/15	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	(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 £'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	-	3,268	-	(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)

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 2015 £'000	Transfer In £'000	Transfer Out £'000	31 March 2016 £'000	Purpose of Reserve
Working Balance	1,282	-	(36)	1,246	Maintained to protect the Council's budget from unexpected risks.
Working Balance Sub Total	1,282	-	(36)	1,246	
Business Rates	3,670	166	(3,336)	500	To manage the NNDR element of the collection fund deficit.
DWP	259	100	(223)	136	Relates to the value of benefit subsidy expected to be required to be paid back.
Licensing	31	-	(15)	16	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	-	(40)	960	To enable the Council to change the way it operates.
Emergency Response	40	-	-	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	244	-	(50)	194	Reserve to assist economic development and businesses in the district.
Elections	95	25	(95)	25	Contributions toward future election costs.
Homelessness	40	-	-	40	Set up to cover unbudgeted additional demand within the Homelessness service.
Planning Development	1,141	-	(159)	982	Usable resources set aside for planning development issues.
Strategic Initiatives	600	3,960	(54)	4,506	To support initiatives in accordance with the stated purpose of the fund / key criteria.
Waste Depot Relocation	1,500	-	(12)	1,488	Relates to the proposed relocation of the Dunmow waste depot.
Waste Management	379	-	(249)	130	Waste management contingency provision for unforeseen costs.
Net other reserves	-	78	-	78	
Other GF Usable Sub Total	10,199	4,329	(4,433)	10,095	
GF Usable Reserves Total	11,481	4,329	(4,469)	11,341	

2.2 – Housing Revenue Account - Reserve Balances

Housing Revenue Account - Reserve Balances	31 March 2015 £'000	Transfer In £'000	Transfer Out £'000	31 March 2016 £'000	Purpose of Reserve
Working Balance	463	-	-	463	Maintained to protect the Council's housing budget from unexpected risks.
Working Balance Sub Total	463	-	-	463	
Transformation/Change Management Revenue Projects	180 60	- -	- -	180 60	To enable the Council to change the way its Housing Revenue Account operates in order to meet financial challenges ahead. To finance outstanding revenue business plan actions.
Revenue Reserves Sub Total	240	-	-	240	
Capital Projects	3,538	-	-	3,538	Funding allocated to capital projects.
Potential Development Projects	800	1,498	-	2,298	Funding for new build schemes.
Sheltered Housing	318	-	-	318	To finance capital redevelopment of sheltered housing in future years.
Earmarked Reserves Total	4,656	1,498	-	6,154	
Major Repairs	131	3,393	(3,334)	190	Funding for future capital expenditure.
Other Capital Reserves Total	131	3,393	(3,334)	190	
Capital Reserves Sub Total	4,787	4,891	(3,334)	6,344	
Housing Revenue Balances Total	5,490	4,891	(3,334)	7,047	

2.3 – Capital Receipts Reserve

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

2014/15		2015/16
£'000		£'000
1,259	Balance as at 1 April	1,862
	<u>Receipts</u>	
176	Capital receipts - General Fund	-
1,551	Capital receipts - Housing Revenue Account	1,070
	<u>Applied</u>	
(378)	Paid to government housing receipts pool	(433)
(730)	Capital receipts used for financing	(247)
(16)	Expenses from sales of capital assets	(10)
603	Movements in Year	380
1,862	Balance as at 31 March	2,242

2.4 – Grants and Contributions without Conditions (Unapplied)

	31 March 2015 £'000	Income £'000	Interest £'000	Drawn Down - Capital £'000	Drawn Down - Revenue £'000	31 March 2016 £'000
S106 Unapplied						
Dunmow Eastern Sector	18	-	-	-	-	18
Woodlands Park, Gt Dunmow	86	-	-	-	(3)	83
Friends School, Saffron Walden	29	-	-	-	(1)	28
Bell College, Saffron Walden	80	-	-	(65)	-	15
Priors Green, Takeley	8	-	-	-	-	8
Foresthall Park, Elsenham	30	-	-	-	-	30
Lt Walden Road/Ashdon Road, Saffron Walden	98	-	-	-	-	98
Oakwood Park, Takeley	5	-	-	-	-	5
Debden Road, Saffron Walden	100	-	-	-	-	100
Radwinter Mushroom Farm, Wimbish	-	76	-	-	-	76
High Bank and Hill View, Saffron Walden	-	15	-	-	-	15
Land at former Lodge Farm, Radwinter Road, Saffron Walden	-	395	-	-	-	395
SUB TOTAL	454	486	-	(65)	(4)	871
Capital Grants Unapplied						
Reynolds Court - HCA	-	476	-	(476)	-	-
Museum Stores	-	20	-	(20)	-	-
Compulsory Purchase	-	2	-	(2)	-	-
Heritage England	-	156	-	(156)	-	-
Flood Repair and Renew	-	38	-	(38)	-	-
Disabled Facility Grant	-	103	-	(103)	-	-
SUB TOTAL	-	795	-	(795)	-	-
Grants and Contributions Unapplied Total	454	1,281	-	(860)	(4)	871

3.0 – Unusable Reserves

3.1– Revaluation Reserve

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.

2014/15				2015/16		
General Fund	HRA	Total		General Fund	HRA	Total
£'000	£'000			£'000	£'000	
4,661	42,228	46,889	Balance as at 1 April	4,380	66,353	70,733
-	-	-	Adjustment between the Revaluation Reserve and Capital Adjustment Account			-
647	24,946	25,592	Net Gain/(Loss) in Valuation of Assets	1,023	15,246	16,269
(165)	-	(165)	Revaluation Depreciation to Capital Adjustment Account	(177)	-	(177)
(763)	(821)	(1,583)	Disposals of Assets	16	(1,223)	(1,207)
(281)	24,125	23,844	Movement in year	862	14,023	14,885
4,380	66,353	70,733	Balance as at 31 March	5,242	80,376	85,618

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.

2014/15 £'000		£'000	2015/16 £'000
117,250	Balance as at 1st April		130,998
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u>		
(6,511)	Charges for depreciation and impairment of non-current assets	(6,173)	
10,793	Revaluation gains on Property, Plant and Equipment	5,448	
(137)	Amortisation of Intangible Assets	(73)	
(1,759)	Revenue expenditure funded from capital under statute	(777)	
(1,529)	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	(460)	
165	Revaluation Depreciation from the Revaluation Reserve	177	
(425)	Adjustments in respect of capital transactions	-	
1,585	Adjusting amounts written out of Revaluation Reserve	-	
2,182			(1,858)
	<u>Capital financing applied in the year</u>		
730	Use of Capital receipts Reserve to finance new capital expenditure	247	
3,227	Use of Major Repairs Reserve to finance new capital expenditure	3,334	
3,768	Capital Grants and Contributions applied to capital financing	936	
467	Statutory provision for the financing of capital investment charged against the General fund and HRA balances	489	
3,374	Capital expenditure charged against the General Fund and HRA balances	3,129	
11,566			8,135
130,998	Balance as at 31 March		137,275

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).

2014/15		2015/16
£'000		£'000
847	Balance at 1 April	898
51	Increase / (decrease) in value	159
	Redemption of Rent to Mortgage Loan	-
898	Balance as at 31 March	1,057

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.

2014/15		2015/16
£'000		£'000
(132)	Balance as at 1 April	(138)
(6)	In year adjustment	(4)
(138)	Balance as at 31 March	(142)

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 notes 17 -17.10.

2014/15		Notes	2015/16
£'000			£'000
(26,353)	Balance as at 1 April		(31,535)
(451)	Surplus/(Deficit) on Provision of Services in CI&E	17.2	(1,944)
(4,731)	Actuarial Gain/(Loss)	17.9	2,578
(31,535)	Balance as at 31 March		(30,901)

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.

2014/15		2015/16
£'000		£'000
(4,099)	Surplus/(Deficit) as at 1 April	(1,869)
(130)	Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory requirements	39
2,360	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	2,865
(1,869)	Surplus/(Deficit) as at 31 March	1,035

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

2014/15		2015/16
£'000		£'000
2,409	Parish Council Precepts	2,488
378	Payments to the Government Housing Capital Receipts Pool	433
(198)	(Gain)/Loss on the Disposal of Non-Current Assets	264
-	Other Non-Service Specific Expenditure	91
2,589	Total Other Operating Expenditure	3,276

5.2 – Total Financing and Investment Income and Expenditure

2014/15		2015/16
£'000		£'000
3,065	Interest Payable and Similar Charges	3,034
-	Impairment & Loss/(Gains) on Financial Assets	-
1,129	Pensions - Net Interest on the Defined Benefit Liability (Asset)	1,018
(81)	Interest Receivable & Similar Income	(139)
4,113	Total Financing and Investment Income and Expenditure	3,913

5.3 – Total Taxation and Non Specific Grants

2014/15		2015/16
£'000		£'000
	<i>Council Tax Income</i>	
(4,695)	- District Council element	(4,653)
(2,409)	- Town/Parish Councils element	(2,488)
	<i>Business Rates Retention</i>	
(1,990)	- District Council element of NNDR income in year	(1,793)
1,093	- Safety Net reimbursement / Levy payment due	673
(538)	- Section 31 funding from Central Government	(669)
	<i>Collection Fund</i>	
(126)	- Council Tax - Net value of estimated/actual income recognised in CI&E	(129)
(1,084)	- NNDR - Net value of estimated/actual income recognised in CI&E	(527)
	<i>Non Ring fenced Government Grants</i>	
(2,877)	- New Homes Bonus	(3,603)
(86)	- Supplementary Grants	(55)
	<i>Other</i>	
(1,643)	- Formula Funding from Central Government	(1,234)
(1,996)	- Capital Grants and Contributions	(1,114)
(16,351)	Total Taxation and Non-Specific Grants Income	(15,592)

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.
- Expenditure on some support services is budgeted for centrally and not charged to Directorates.

Portfolio Income and Expenditure for 2015/16

	Community & Partnerships	Environmental Services	Finance & Administration	Housing & Economic Development	TOTAL
	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Income	(269)	(5,067)	(1,400)	(694)	(7,430)
Government Grants	(450)	(20)	(16,589)	(8)	(17,067)
Total Income	(719)	(5,087)	(17,989)	(702)	(24,497)
Employee Expenses	442	4,290	3,370	1,307	9,409
Other Service Expenses	1,052	2,641	19,558	623	23,874
Total Expenditure	1,494	6,931	22,928	1,930	33,283
Net Expenditure	775	1,844	4,939	1,228	8,786

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

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.

2015/16	GF Portfolio Analysis (as per note 5.4)	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	(7,430)	(15,450)	-	-	(22,880)	-	(22,880)
Interest & Miscellaneous Income	-	-	-	-	-	(139)	(139)
Income from Council Tax	-	-	-	-	-	(7,270)	(7,270)
Income from Business Rates	-	-	-	-	-	(2,316)	(2,316)
Government Grants, Funding & Contributions	(17,067)	(4)	-	-	(17,071)	(6,006)	(23,077)
Total Income	(24,497)	(15,454)	-	-	(39,951)	(15,731)	(55,682)
Employee Expenses	9,409	1,798	765	157	12,129	1,018	13,147
Other Service Expenses	23,874	2,604	722	79	27,279	92	27,371
Support Services Recharges - Charged	-	-	9,707	2,606	12,313	-	12,313
Support Services Recharges - Allocated	-	-	(11,143)	(1,170)	(12,313)	-	(12,313)
Depreciation, Amortisation & Impairment	-	-	1,307	(566)	741	-	741
HRA Self-Financing Interest	-	-	-	-	-	-	-
Other Interest Payable & Capital Financing	-	-	-	-	-	3,033	3,033
Precepts & Levies	-	-	-	-	-	2,488	2,488
Impairment & Gain/Loss on Disposal of Financial Assets	-	-	-	-	-	-	-
Gain/Loss on Disposal of Non-Current Assets	-	-	-	-	-	264	264
Payment to the Housing Capital Receipts Pool	-	-	-	-	-	433	433
Total Expenditure	33,283	4,402	1,358	1,106	40,149	7,328	47,477
(Surplus) / Deficit on the Provision of Services	8,786	(11,052)	1,358	1,106	198	(8,403)	(8,205)

2014/15	GF Portfolio Analysis (as per note 5.4)	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	1,129	12,900
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	-	-	-	-	-	429	429
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)

*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 2015/16 are detailed below.

6.1– Intangible Assets

2014/15		2015/16
£'000		£'000
1,706	Gross Balance at 1 April	623
79	Additions	32
8	Reclassification	
(1,170)	Asset write out	
623	Gross Balance carried forward at 31 March	655
(1,288)	Amortisation as at 1 April	(386)
(137)	Amortisation In Year	(59)
1,039	Amortisation write out	
(386)	Amortisation Balance carried forward 31 March	(445)
237	Net Value At 31 March	210

7.0 – Property, Plant and Equipment

7.1 - Analysis of Property, Plant and Equipment

2015/16	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 2015	274,582	26,801	10,407	512	823	3,604	316,729
Revaluation Gain recognised in the Revaluation Reserve	15,010	1,380	-	-	-	-	16,390
Revaluation Loss recognised in the Revaluation Reserve		(180)				-	(180)
Revaluation recognised in the CIES	4,701	(560)		-	(88)	-	4,053
Additions	3,803	409	514	29	17	2,413	7,185
Adjustment	-	(51)	-		51	-	-
Donations							-
Disposals	(1,054)	(284)	-	-	-	-	(1,338)
Asset write out		-	(5)	-	-	-	(5)
Reclassification	2,202	738	-	-	567	(3,507)	-
Gross Balance as at 31 March 2016	299,244	28,253	10,916	541	1,370	2,510	342,834
Accumulated Depreciation at 1 April 2015	(10,966)	(3,011)	(5,047)	(32)	(44)	-	(19,100)
Depreciation In Year	(3,209)	(705)	(1,163)	(24)	(11)		(5,112)
Depreciation Write Out	47	21	-	-	-		68
Depreciation Balance as at 31 March 2016	(14,128)	(3,695)	(6,210)	(56)	(55)	-	(24,144)
Net Book Value as at 31 March 2016	285,116	24,558	4,706	485	1,315	2,510	318,690
Net Value as at 31 March 2015	263,616	23,790	5,360	480	779	3,604	297,629
Assets owned outright	285,116	11,753	3,243	485	997	2,510	304,104
Donated Assets	-	1,140	103	-	-	-	1,243
Finance lease on assets	-	-	(5)	-	318	-	313
Assets used under contractual PFI agreement	-	11,665	1,365	-	-	-	13,030
Total	285,116	24,558	4,706	485	1,315	2,510	318,690

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 Gain recognised in the Revaluation Reserve	23,320	2,345	-	-	-	-	25,665
Revaluation Loss recognised in the Revaluation Reserve	-	(72)	-	-	-	-	(72)
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 2015	274,582	26,801	10,407	512	823	3,604	316,729
Accumulated Depreciation at 1 April 2014	(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 2015	(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

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.

2014/15		2015/16
£ '000		£ '000
97,980	Opening Capital Financing Requirement at 1 April	96,520
	<u>Capital Expenditure</u>	
8,011	Property Plant and Equipment	7,385
79	Intangible Assets	33
1,759	Revenue Expenditure Funded from Capital Under Statute	777
9,849	Total Capital Expenditure	8,195
304	Increase in non-dwelling HRA assets not reversed to unusable reserves	-
424	Adjustment in respect of asset transfer	-
728	Total Other Adjustments	-
	<u>Sources of Finance</u>	
730	Capital Receipts	247
3,768	Government Grants and Other Contributions	938
3,374	Capital Expenditure Financed from Revenue Contributions	3,127
3,227	Major Repairs Reserve	3,334
467	Minimum Revenue Provision	491
471	Minimum Revenue Provision adjustment 2013/14	-
12,037	Total Capital Financing	8,137
96,520	Closing Capital Financing Requirement at 31 March	96,578
2014/15		2015/16
£'000	Explanation of Movement	£'000
(522)	Increase in underlying need to borrow	549
(938)	Minimum Revenue Provision	(491)
(1,460)	Increase / (decrease) in Capital Financing Requirement	58

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 2015		31 March 2016
£'000		£'000
231	Saffron Walden Motte and Bailey	432
155	Museum Artefacts - Fine Arts Collection	155
386	Balance	587

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 have 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 items. 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 2016, the Council has the following contractual obligations for capital expenditure:

	WIP 31 March 2016 £'000	Total remaining commitment £'000	Duration of commitment Years
Capital Scheme			
<u>Housing</u>			
Mead Court	1,126	497	1
Catons Lane	590	277	1
Total	1,716	774	

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 2015		31 March 2016	
£'000		£'000	
52	Housing Stores	51	
1	Building Maintenance	-	
53	TOTAL	51	

9.2 – Debtors

31 March 2015		31 March 2016	
£'000		£'000	
486	Central Government Bodies	739	
482	Other Local Authorities	409	
3,317	Other Entities and Individuals	3,631	
4,285	Total	4,779	

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 2015 £'000		31 March 2016 £'000
(173)	Non Domestic Rates	(225)
(188)	Council Tax	(173)
(389)	Housing Rents	(372)
(643)	Overpaid Benefit	(571)
(18)	Sundry Debtors	(16)
(1,411)	Total Impairment Allowances	(1,357)

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

9.4 – Short-term Investments

The Council has £34million in short term investments which is detailed in section 18.1.

9.5 – Cash and Cash Equivalents

31 March 2015 £'000		31 March 2016 £'000
834	Net Cash Equivalent as per balance sheet	212
133	Receipts Accounts - Cash in Transit	277
(489)	Payments Accounts - Cash in Transit	(15)
478	Cash & Cash Equivalents Total	474

10.0 – Current Liabilities

10.1 – Creditors

31 March 2015		31 March 2016
£'000		£'000
3,598	Central Government Bodies	7,207
1,444	Other Local Authorities	2,195
3,235	Other Entities and Individuals	3,135
8,277	Total	12,537

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

10.2 – Provisions

31 March 2015		In year Provision created	Provision Applied	31 March 2016
£'000		£'000	£'000	£'000
27	Legal Claims			27
218	Land Charges - Legal Claims on Charging Policy			218
	Expenditure commitments for New Homes Bonus			
79	- 2011/12 Parish Councils		(10)	69
9	- 2014/15 Ward Members		(9)	-
24	Community Halls			24
3,684	NNDR Appeals	789	(280)	4,193
4,041	Balance as at 31 March	789	(299)	4,531

The total provision applied for NNDR appeals as at 31st March 2016 is £10.5million; the above table reflects the Council's share of the provision at a value of £4.193million.

11.0 – Long Term Liabilities

11.1 – Long Term Borrowing

The long term borrowing relates to the Housing Revenue Account. 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 maturity profile is detailed in Note 18.7 Financial Instruments.

11.2 – Deferred Liabilities

2014/15		2015/16	1 Year	2 - 5	6 - 10	11 - 15	16 - 20
£'000		£'000	£'000	years	years	years	years
				£'000	£'000	£'000	£'000
	Central Services						
28	Finance leases Opening balance	11					
(18)	Principal Payments	(11)					
1	Adjustment to Liability	-					
11	Closing balance	-					
	Leisure						
5,141	PFI – Opening balance	5,052	4,956	4,853	4,346	3,436	2,081
(89)	Principal repayment	(96)	(103)	(507)	(910)	(1,355)	(2,081)
5,052	Closing balance	4,956	4,853	4,346	3,436	2,081	-
5,063	Deferred Liabilities at 31 March	4,956	4,853	4,346	3,436	2,081	-

11.3 – Creditor – Grants and Contributions with Conditions

	31 March 2015	Income	Drawn Down - Capital	Drawn Down - Revenue	31 March 2016
	£'000	£'000	£'000	£'000	£'000
S106 Receipts in Advance					
Priors Green, Takeley	155	22	(31)	-	146
Felsted	10	-	-	-	10
Oakwood Park Community Hall, Takeley	10	-	-	-	10
Rochford Nurseries/Foresthall Park, Elsenham	680	-	(18)	-	662
Manuden Village Hall and Sports Facilities	27	-	(27)	-	-
The Orchard, Elsenham	42	-	-	-	42
Wedow Road, Thaxted	54	-	-	-	54
Sector 4 Woodlands Park, Gt Dunmow	10	-	-	-	10
Keers Green Nurseries, Aythorpe Roding	120	-	-	-	120
SUB TOTAL	1,108	22	(76)	-	1,054
Capital Grants - Receipts in Advance					
Heritage Quest Centre Grants	47	-	(21)	-	26
SUB TOTAL	47	-	(21)	-	26
Grants and Contributions with Conditions	1,155	22	(97)	-	1,080

11.4 – Creditor – Grants and Contributions to Other Bodies

	31 March 2015	Income	Transferred to other bodies	31 March 2016
	£'000	£'000	£'000	£'000
S106 Receipts in Advance				
Sector 4 Woodlands Park (Helena Romanes School)	165	349	(349)	165
Rochford Nurseries/Foresthall Park, Elsenham	289	-	-	289
2 Lower St, Stansted	23		(23)	-
Land west of Braintree Road, Felsted	-	162	(162)	-
Brick Kiln Farm, Gt Dunmow	352	37	(389)	-
Brewers End, Takeley	-	440	(409)	31
Land between 3-5b Hamilton Road,Lt Canfield	-	37	(37)	-
North View and 3 The Warren, Little Canfield	276	2	(278)	-
Carnation Nurseries, Cambridge Road, Newport	-	175	(175)	-
Land north of 4 Hamilton Road, Little Canfield	46		(46)	-
Land adj Warwick Road, Priors Green	3		(3)	-
Land adj Hailes Wood, Elsenham	-	156	(146)	10
Land at Ersamine, Dunmow Road, Little Canfield	-	49	(49)	-
Land at Windmill Works, Keers Green, Aythorpe Roding	-	46	(46)	-
Ashdon Road Commercial Centre	-	54	(54)	-
Land at Blossom Hill Farm, south of Chickney Road, Henham	-	80	(80)	-
Land west of The Chalet, Dunmow Road, Takeley	-	46	(46)	-
Land at Maple Lane, Wimbish		41	(41)	-
Land at Hertford End Brewery, Mill Lane, Hartford End		70		70
Land at Flich Green, Felsted	50	811	(794)	67
Grants and Contributions to Other Bodies	1,204	2,555	(3,127)	632

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

2014/15 £'000		2015/16 £'000
14,828	Net surplus/(deficit) on the provision of services	8,205
	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	
5,037	Depreciation	6,173
(10,337)	Impairment and downward valuations	(5,448)
137	Amortisation	73
(1,171)	Increase/(decrease) in creditors	877
364	(Increase)/decrease in debtors	(689)
41	(Increase)/decrease in inventories	2
451	Pension liability	1,944
(964)	Contribution to provisions	490
-	MRP change to CIES	382
1,529	Carrying amount of non-current assets sold	460
(4,913)	Total	4,264
(4,020)	Adjustments for items included in the net (deficit) on the provision of services that are investing or financing activities	(2,283)
5,895	Net cash flows from operating activities	10,186

13.2 – Cash Flow Statement – Investing Activities

2014/15 £'000		2015/16 £'000
(8,025)	Purchase of property, plant and equipment, investment property and intangible assets & movement in capital creditor	(8,027)
(7,500)	Purchase of net short term investments	(8,500)
(161)	Capital Grants repaid	-
1,727	Proceeds from sale of property, plant and equipment	1,070
-	Proceeds from long term investments	-
2,164	Capital grants received	2,719
(11,795)	Total Cash Flows from Investing Activities	(12,738)

13.3 – Cash Flow Statement – Financing Activities

2014/15 £'000		2015/16 £'000
5,719	Billing Authorities - Council Tax & NNDR Adjustment	3,992
(105)	Cash Payments for the Reduction of the outstanding Liabilities	(1,444)
5,614	Total Cash Flows from Financing Activities	2,548

13.4 – Cash Flow Statement – Cash and Cash Equivalents

2014/15		2015/16	Movement in year
£'000		£'000	£'000
478	Cash and Bank Balances	474	(4)
478	Total Cash and Cash Equivalents	474	(4)

13.5 – Cash Flow Statement – Interest on Balances

2014/15		2015/16	
£'000		£'000	
3,065	Interest paid	3,068	
(81)	Interest received	(97)	
2,984	Net Interest Paid	2,971	

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 three Leisure Centres on the Council's behalf.

The carrying value of the PFI assets as at the balance sheet date was £11.7million.

The contract was operational from the financial year 2003/04 and runs for a period of 32 years (ending 2035/36) leaving 20 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 2015/16 is £4.956million. (Note 11.2)

2014/15		2015/16	1 Year	2 - 5 years	6 - 10 years	11 - 15 years	16 - 20 years
£'000		£'000	£'000	£'000	£'000	£'000	£'000
1,014	Leisure PFI - Unitary charge	1,027	1,125	4,735	6,470	7,144	7,929
89	Capital Repayment	96	103	507	910	1,355	2,081
426	Interest Expense	419	411	1,551	1,663	1,218	533
172	Contingent Rent	193	216	988	1,559	2,157	3,088
327	Services	319	395	1,689	2,338	2,414	2,227
1,014	Total Unitary Charge	1,027	1,125	4,735	6,470	7,144	7,929

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 2015/16.

The total Members allowances paid in 2015/16 was £274,937 (£314,554 for 2014/15), these are detailed below.

2014/15 £'000		2015/16 £'000
	Allowance:	
220	Basic Allowance	198
4	Group Leaders Allowances	2
69	Special Responsibility Allowances	62
15	Travel and Subsistence	12
6	Employers Pension Contribution	1
314	Total	275

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.

The council has one member who is Group Company Secretary to Lakehouse, this company have numerous subsidiary companies of which include Foster Property Maintenance. Foster Property Maintenance have a contract with the council for external wall insulation and replacement of fascia's, soffits and guttering for the councils housing stock.

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.

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

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 23 year lease (a new lease was started in December 2014), 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.

- 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 a 19.86% share of the net income.
The Charity distributes the income it receives by way of grants to charities that work in the Saffron Walden area.

Citizens Advice Bureau – 2015/16 - £33,749
2014/15 - £32,038

- 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;
2015/16 - £262,328 + £87,998 impairment to land and buildings
2014/15 - £268,232

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 2015/16 the gross income of the partnership was £9,054 and was matched by expenditure of £9,054 (£16,651 and £7,597 respectively for 2014/15). The Council's contribution for 2015/16 was £5,000 (£5,000 for 2014/15).

- 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 2015/16 the gross income of the partnership was £79,618 and expenditure £17,824 (£66,601 and £9,637 respectively for 2014/15). The unspent income has been carried forward and will contribute towards the costs of the partnership's strategic vision. The Council's contribution for 2015/16 was £5,000 (£5,000 for 2014/15).

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 summarise the surplus/deficit for each year as well as the reserves held at each year-end.

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.

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 - J. Mitchell	2014/15	102,151	-	181	-	-	102,332	14,199	116,531
	2015/16	78,536	-	-	-	-	78,536	11,623	90,159
	- D. French	9,052	-	-	-	-	9,052	1,339	10,391
Assistant Chief Executive - Legal	2014/15	74,188	-	181	-	-	74,369	10,312	84,681
	2015/16	75,405	-	-	-	-	75,405	11,160	86,565
Director of Public Services	2014/15	82,057	-	181	-	-	82,238	11,406	93,644
	2015/16	83,403	-	-	-	-	83,403	12,344	95,747
Director of Finance and Corporate Services	2014/15	82,057	-	181	-	-	82,238	11,406	93,644
	2015/16	83,403	-	-	-	-	83,403	12,344	95,747
Assistant Director - Corporate Services	2014/15	54,727	-	181	-	-	54,908	7,607	62,515
	2015/16	55,625	-	-	-	-	55,625	8,233	63,858
Assistant Director - Housing and Environmental Services	2014/15	54,727	-	181	-	-	54,908	7,607	62,515
	2015/16	55,625	-	-	-	-	55,625	8,233	63,858
Assistant Director - Planning and Building Control	2014/15	54,763	-	181	-	-	54,944	7,607	62,551
	2015/16	55,634	-	-	-	-	55,634	8,233	63,867
Assistant Director - Finance	2014/15	41,120	-	-	-	-	41,120	5,716	46,836
	2015/16	55,625	-	-	-	-	55,625	8,233	63,858
Assistant Director - ICT and Facilities	2014/15	41,437	-	-	-	-	41,437	5,760	47,197
	2015/16	55,625	-	-	-	-	55,625	8,233	63,858

- Chief Executive post vacant between 7 January 2016 and 28 February 2016, annualised salary of new appointment £105,000
- The Assistant Director – Finance and Assistant Director – ICT and Facilities commenced 1 July 2014

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 2014/15	Remuneration Band	No. of Employees 2015/16
5	£50,000 - £54,999	2
1	£55,000 - £59,999	5
1	£60,000 - £64,999	-
1	£70,000 - £74,999	-
-	£75,000 - £79,999	2
2	£80,000 - £84,999	2
1	£100,000 - £104,999	-
11	Total	11

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

The table reflects actual payments made during the year; the Chief Executive retired in January and thus falls into the £75,000 - £79,999 Band due to only working for part of the financial year (£100,000 - £104,999 in 2014/15).

15.5 – Termination Benefits

The Council terminated the contracts of 2 employees in 2015/16 (7 in 2014/15) incurring liabilities of £42,045 (£82,588 in 2014/15). The table below identifies the number of exit packages in bands of £20,000.

Number of Compulsory Redundancies	2014/15 Number of other Departures Agreed	Total Number of Exit Packages	Exit Package Cost Band		2015/16 Number of other Departures Agreed	Total Number of Exit Packages
				Number of Compulsory Redundancies		
4	3	7	£0 - £20,000	1	-	1
-	-	-	£20,001 - £40,000	-	1	1
4	3	7	Total Number of Packages	1	1	2
43,181	39,407	82,588	Total Cost (£)	13,235	28,810	42,045

16.0 – Fees Payable

16.1 – External Audit Fees Payable

External audit and inspection costs incurred by the Council are detailed in the following table.

2014/15 £'000		2015/16 £'000
109	Fees payable in relation to External Audit Services carried out by the appointed Auditor	54
41	Fees payable in relation to Certification of Grant Claims and Returns	27
150	Total	81

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 875 members enrolled in the pension scheme, of which an assumption has been made by the Actuary 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).

2014/15		2015/16
£'000		£'000
1,818	Current service cost	2,179
1,106	Net interest on the Defined Liability/Asset	990
23	Administration cost	28
2,947	Net Charge to Comprehensive Income and Expenditure Statement	3,197
451	Reversal of Net Charge made for retirement benefits in accordance with IAS19	1,944
	Actual amount charged against Council Tax for Pensions in the year:	
1,026	Employer contributions to the Pension Fund	1,143
1,358	Deficit contribution payments	-
-	Contributions to the Pension Fund in respect of early retirement	-
112	Added Years discretionary payments	110
2,496	Payments to the Pension Fund During the Year	1,253
2,947	Total	3,197

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 2016 are as follows:

2014/15		2015/16
£'000		£'000
77,229	Present Value of Scheme Obligation at 1 April	89,708
1,805	Current cost of service	2,173
3,345	Interest cost	2,836
499	Contributions by scheme participants	512
9,729	Change in financial assumptions	(3,038)
44	Experience gain on defined benefit obligation	(5)
13	Past service cost and curtailments	6
(2,956)	Benefits/transfers paid	(2,739)
12,479		(255)
89,708	Present Value of Scheme Obligation as at 31 March	89,453

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)	92,176	89,453	86,812
Rate of increase in salaries (increase/decrease by 0.1%)	89,570	89,453	89,335
Rate of increase in pensions (increase/decrease by 0.1%)	90,843	89,453	88,086
Rate for discounting scheme liabilities (increase/decrease by 0.1%)	87,987	89,453	90,944

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 2016 are as follows:

2014/15 £'000		2015/16 £'000
50,877	Fair Value of Scheme Assets as at 1 April	58,174
2,239	Interest on assets	1,846
4,823	Return on assets less interest	(465)
219	Other actuarial losses	-
(23)	Administration expenses	(28)
2,496	Contributions by employer including unfunded	1,252
499	Contributions by scheme participants	512
(2,956)	Estimated benefits paid plus unfunded net of transfers in	(2,739)
7,297		378
58,174	Fair Value of Scheme Assets as at 31 March	58,552

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 2015/16 of £30.9million (£31.5million in 2014/15) 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.

	2011/12	2012/13 (Restated)	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000	£'000
Estimated Liabilities in the Scheme	(73,075)	(80,339)	(77,229)	(89,708)	(89,453)
Estimated Assets in the Scheme	43,678	48,593	50,877	58,174	58,552
Net (Deficiency) in the Fund	(29,398)	(31,746)	(26,353)	(31,535)	(30,901)

17.7 – Basis for Estimating the Pension Scheme Assets and Liabilities

These assumptions are set with reference to market conditions as at 31st March 2016.

The discount rate is the annualised yield at the 17 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS 19 and with consideration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.

2014/15		2015/16
	Mortality Assumptions:	
	Longevity at 65 for future pensioners (Years)	
25.1	Men	25.2
27.6	Women	27.7
	Financial Assumptions:	
3.10%	Rate of Inflation - RPI	3.20%
2.20%	Rate of Inflation - CPI	2.30%
4.00%	Rate of Increase in Salaries (reflects long term salary growth assumptions)	4.10%
2.20%	Rate of increase in Pensions	2.30%
3.20%	Rate of Discounting Scheme Liabilities	3.50%
50%	Contribution rate under new LGPS to receive 50% of benefits at retirement	50%

17.8 – Analysis of Assets Held

The assets held by the fund attributable to Uttlesford District Council as at 31st March 2016 are detailed below;

31 March 2015			31 March 2016	
£'000	%		£'000	%
39,134	67%	Equity Investments	39,630	68%
2,556	4%	Gilts	1,726	3%
5,568	10%	Other Bonds	2,810	5%
6,319	11%	Property	6,973	12%
1,275	2%	Cash	1,902	3%
3,322	6%	Alternative Assets	2,603	4%
-	0%	Other managed funds	2,908	5%
58,174	100%	Total	58,552	100%

17.9 – History of Actuarial Gains and Losses

	2011/12		2012/13 (Restated)		2013/14		2014/15		2015/16	
	£'000	% change	£'000	% change	£'000	% change	£'000	% change	£'000	% change
Return on plan assets in excess of interest	-	0.0%	3,422	n/a	1,925	n/a	4,823	n/a	(465)	n/a
Asset Gain/(Loss)	(2,409)	5.5%	-	0.0%	(1,186)	n/a	219	0.38%	-	n/a
Liability Gain/(Loss)	(126)	-20.0%	18	0.02%	2,544	3.2%	(44)	-0.05%	5	0.01%
Change in Demographic Assumptions	n/a	n/a	-	n/a	4,513	n/a	-	n/a	-	n/a
Change in Assumptions	(7,543)	n/a	(4,506)	n/a	(834)	n/a	(9,729)	n/a	3,038	n/a
Net Actuarial Gain/(Loss)*	(10,078)		(1,066)		6,962		(4,731)		2,578	

*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 2016. The deficit also includes the difference between the cost of statutory 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 2015 Book Value	As at 31 March 2016 Book Value		As at 31 March 2015 Book Value	As at 31 March 2016 Book Value
£'000	£'000		£'000	£'000
Financial Assets, Loans and Receivables:				
898	1,057	Debtors (Contractual)	642	490
-	-	Investments *	25,500	34,000
-	-	Cash and Cash Equivalents **	834	474
898	1,057	Total	26,976	34,964
Financial Liabilities at Amortised Cost:				
-	-	Creditors (Contractual)	(498)	(709)
(88,407)	(88,407)	Borrowing	-	-
(4,956)	(4,853)	Deferred Liabilities	(107)	(103)
(93,363)	(93,260)	Total	(605)	(812)
(92,465)	(92,203)	Net Total	26,371	34,152

* £30 million is invested with Debt Management Office (UK Treasury) as at 31st March 2016 for up to 1 month. We also have the following on call accounts; £1million with CCLA Money Market Fund, £1million with Barclays Bank, £1m with Barclays Stockbroker account and £1m with Bank of Scotland. 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 £2.611million in 2015/16. 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:

2014/15		2015/16	2015/16	2015/16
£'000		Financial Assets	Financial Liabilities	£'000
£'000		£'000	£'000	£'000
3,065	Interest Expenses	-	3,068	3,068
3,065	Interest Payable and Similar Charges	-	3,068	3,068
(81)	Interest and Investment Income	(97)		(97)
(81)	Interest Receivable and Similar Income	(97)		(97)
2,984	Net (Gains)/Loss for the Year	(97)	3,068	2,971

18.4 - Financial Instruments – Fair Values

	Balance Sheet 31 March 2016 £'000	Fair Value 31 March 2016 £'000
Financial Liabilities:		
Creditors (contractual)	(709)	(709)
Finance lease payables	(18)	(18)
Long-term loans borrowed	(88,407)	(94,549)
PFI scheme liabilities	(4,956)	(7,711)
Total	(94,090)	(102,987)
Financial Assets:		
Cash & cash equivalents	474	474
Debtors (contractual)	490	490
Investments	34,000	34,000
Total	34,964	34,964

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 2016, 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 (£94.549million) is higher than the carrying amount (£88.407million) 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 £104.47million 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 2016.

Note: The debtor (contractual) 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 £0.388million (Housing Rent and Sundry Debtors) as at 31st March 2016 (£0.407million as at 31 March 2015) 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, see table 3.3 for details

Debt Outstanding 31 March 2015		Debt Outstanding 31 March 2016	
£'000		£'000	
898	Rents to Mortgages	1,057	
898	Total	1,057	

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 2016	% of total debt
		£'000	portfolio
Long Term Borrowing			
	1 to 5 years	8,000	9.05%
	6 to 10 years	13,000	14.70%
	11 to 15 years	17,000	19.23%
	16 to 20 years	20,000	22.62%
	21 to 25 years	25,000	28.28%
	26 to 30 years	5,407	6.12%
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 2016, of the total debt of £88.407million, £78.407million was fixed rate debt, (the fixed rate debt net of investments held was £44.407million, after offsetting the investment balance of £34million held at the balance sheet date). The only variable interest rate exposure on debt is for the remaining £10million.

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 9th June 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

BREXIT

Following the EU Referendum held on 23 June 2016, the UK Government has confirmed its intention to end the UK's membership of the European Union (EU), following the majority decision of electors to leave the EU. There has been increased volatility in the financial markets reflecting the macroeconomic uncertainty in the UK, which included an element of initial market shock followed by a much narrower band of volatility as the market adjusts. The new Prime Minister has announced that it is not her intention to trigger Article 50 during 2016, this begins the process of withdrawal from the EU, which may last for two years. The period of uncertainty for the UK is therefore likely to continue in the short to medium term as the UK establishes its new relationship with Europe.

All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating, referring in their reports to both increased economic uncertainty and the political instability in the immediate aftermath of the referendum. The Council's Treasury Strategy leaves the Council well protected against currency fluctuations, but could be exposed to interest income loss on any decision to further reduce the Bank of England base rate. The Council also maintains some variable rate Public Works Loan Board debt, on which interest is linked to the gilts market, presenting some risk exposure (positive or negative) to the Housing Revenue Account.

The initial fall in confidence on property funds could impact on the value of assets held in the pension fund, where property makes up 12% of assets (see Note 17.8).

It is not yet clear what the impact will be on public finances, and therefore the impact on future settlements for the Council. There is a reported initial slowing of growth, but not as slow as predicted by the IMF.

It is too early to assess what, if any, impact the decision will have on the Statement of Accounts, as we are still in a period of uncertainty and volatility, and as such it is treated as a non-adjusting event after the balance sheet date.

19.2 – Contingent Liabilities

Announcement that all schools will become Academies:

Academy schools attract an 80% relief on NNDR payable. The government has announced that all schools will become Academies by 2020. Currently, all secondary schools in Uttlesford are Academies, as are the major primary schools. There are a number of Church primary schools also receiving an 80% discount. The effect on the Council's NNDR income is assessed as small, with only a handful of small village primary schools expected to be affected.

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 2015/16 the Council received £17.107million of grants and donations (2014/15 restated comparative £18.031million) made up of £9.249million relating to Housing Benefits Allowance Subsidy, £6.700million Housing Benefits Rent Rebates Subsidy and a remaining balance of other items totalling £1.158million (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

2014/15 £'000		2015/16 £'000
	Income	
(14,522)	Dwelling Rents	(14,451)
(210)	Non-Dwelling Rents	(215)
(806)	Charges for Services and Facilities	(768)
(1)	Contributions towards Expenditure	(20)
(15,539)	Total Income	(15,454)
	Expenditure	
3,155	Repairs and Maintenance	2,975
2,379	Supervision and Management	2,240
511	Rents, Rates, Taxes and other Charges	437
	Depreciation of Non-Current Assets	
3,136	- Dwellings	3,294
131	- Other Non-Current Assets	89
(10,912)	Impairment of Non-Current Assets	(3,896)
46	Movement in Bad Debt Provision	17
34	Revenue Expenditure Funded from Capital Under Statute (REFFCUS)	61
(1,520)	Total Expenditure	5,217
(17,059)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(10,237)
352	HRA Services Share of Corporate and Democratic Core	305
48	HRA Share of other amounts included in the Whole Authority Net Cost of Services but not allocated to Specific Services	(12)
(16,659)	Net Expenditure on HRA Services	(9,944)
231	Loss/(gain) on Sale of HRA Non-Current Assets	529
2,636	Interest payable and similar charges	2,611
(23)	Interest and Investment Income	(42)
196	IAS 19 Pensions - Net Interest on Defined Assets/Liabilities	167
-	Capital Grants and Contributions Receivable	-
(13,619)	(Surplus)/Deficit for the year on HRA Services	(6,679)

20.2 – Movement in HRA Reserves

2014/15 £'000		2015/16 £'000
680	Balance on HRA working balance at the end of the previous year	463
13,619	Surplus for the year on the HRA Comprehensive Income and Expenditure Account (as per 20.1)	6,679
(11,542)	Adjustments between accounting basis and funding basis under statute (as per 20.3)	(5,181)
2,077	Net increase or (decrease) in year on the HRA	1,498
(2,294)	Transfers to Earmarked Reserves	(1,498)
(217)	Increase or (decrease) in year on the HRA Working Balance	-
463	Balance on the HRA at the end of the current year	463

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

2014/15 £'000		2015/16 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the Year	
(231)	Gain/(loss) on Sale of HRA Non-Current Assets and Right to Buy Pooling	(530)
10,608	Impairment of Non-Current Assets	3,946
(34)	Amounts treated as revenue expenditure in accordance with the 'Code' but which are classified as capital expenditure by statute	(61)
-	Reversal of Non Specific Grants	-
(82)	Net Charges made for Retirement Benefits in accordance with IAS 19	(325)
	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the Year	
1,297	Capital Expenditure funded by the HRA	2,161
(16)	Right to Buy Administration Costs Allowance	(10)
11,542	Adjustments between accounting basis and funding basis under statute	5,181

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 2015/16 an average of 2.66% of properties were vacant (1.9% 2014/15) an increase over the year due to decanting of and ceasing re-lets for development sites. The actual average rent for all stock was £100.60 per week in 2015/16 (£98.72 in 2014/15) leading to an actual gross rental income for dwelling rents of £14.45million for 2015/16 (£14.45million in 2014/15).

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 2015/16 accounts reflect related interest costs payable of £2.611million (£2.636million in 2014/15).

21.4 – Housing Stock

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

31 March 2015		31 March 2016
No. of Properties		No. of Properties
721	Flats	709
753	Bungalows	755
1,341	Houses	1,334
2,815	Total Properties	2,798

The movement between 2014/15 and 2015/16 housing stock comprises of the following:

- 19 Flats demolished under the redevelopment programme
- 1 Sale of flat under Right to Buy
- 8 New build flats constructed
- 2 New build bungalows constructed
- 7 Sale of Houses under Right to Buy

21.5 – Rent Arrears

2014/15		2015/16
£'000		£'000
	Arrears due from:	
469	- Current Tenants	424
47	- Former Tenants	66
516	Total Rent Arrears	490
3.6%	Total as a % of Gross Debt	3.4%

21.6 – Balance Sheet Value of Housing Revenue Assets

31 March 2015		31 March 2016
£'000		£'000
	Operational Assets comprising	
263,616	Dwellings	285,116
1,953	Garages	1,614
1,940	Temporary Accommodation	1,112
410	Vehicles, Plant, Equipment and Intangibles	367
240	Other Land and Buildings	233
2,409	Assets Under Construction	2,510
270,568	Total HRA Asset Value	290,952

The vacant possession value of dwellings within the HRA as at 31st March 2016 was £731.07million (£675.9million as at 31st March 2015). The difference of £445.95million 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.

2014/15		2015/16
£'000		£'000
(91)	Opening Balance 1 April	(131)
(3,267)	Transfer in	(3,393)
3,227	Capital Expenditure funded from reserve	3,334
(131)	Closing Balance 31 March	(190)

21.8 – Capital Financing

2014/15		2015/16
£'000		£'000
7,345	Total HRA Capital Expenditure	6,218
	Financed by:	
(1,722)	Revenue Contributions	(2,161)
(3,227)	Contribution from Major Repairs Reserve	(3,334)
(697)	Capital Receipts	(247)
(1,699)	Capital Grants	(476)
(7,345)	Total Financing	(6,218)

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

2014/15				2015/16		
Business Rates £'000	Council Tax £'000	Total £'000	Collection Fund	Business Rates £'000	Council Tax £'000	Total £'000
-	-	-	Historic Balance Adjustment	(42)	(160)	(202)
(41,531)	-	(41,531)	Business Rate Payers	(43,890)	-	(43,890)
(41,531)	(50,541)	(92,072)	Total Income	(43,932)	(51,696)	(95,628)
3,690	35,673	39,363	Essex County Council	3,707	36,449	40,156
-	4,736	4,736	Essex Police Authority	-	4,935	4,935
410	2,180	2,590	Essex Fire Authority	412	2,228	2,640
16,399	7,105	23,504	Uttlesford District Council / Parish	16,477	7,142	23,619
20,499	-	20,499	Central Government	20,597	-	20,597
40,998	49,694	90,692	Total Precept and Demand	41,193	50,754	91,947
(287)	1,273	986	Essex County Council	(526)	450	(76)
-	166	166	Essex Police Authority	-	60	60
(32)	78	46	Essex Fire Authority	(58)	28	(30)
(1,275)	255	(1,020)	Uttlesford District Council	(2,338)	90	(2,248)
(1,594)	-	(1,594)	Central Government	(2,923)	-	(2,923)
(3,188)	1,772	(1,416)	Total Distributions of Previous Years Surplus/(Deficit)	(5,845)	628	(5,217)
-	-	-	Provision for Doubtful Debts Adjustment	148	35	183
-	-	-	Transitional Protection Payments due to Central Government	158	-	158
-	-	-	Business Rates: - Payments to the National Pool	198	-	198
139	-	139	Business Rates: - Cost of Collection Allowance to General Fund	138	-	138
2,079	-	2,079	Business Rates: - Provision created in year	1,973	-	1,973
(4,395)	-	(4,395)	Business Rates: - Provision released into Collection Fund	(699)	-	(699)
(2,177)	-	(2,177)	Total Other Expenditure	1,916	35	1,951
35,633	51,466	87,099	Total Expenditure	37,264	51,417	88,681
11,059	(2,246)	8,813	(Surplus)/Deficit as at 1 April	5,161	(1,321)	3,840
(5,898)	925	(4,973)	(Surplus)/Deficit for the Year	(6,668)	(279)	(6,947)
5,161	(1,321)	3,840	(Surplus)/Deficit as at 31 March	(1,507)	(1,600)	(3,107)

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 2015/16 was £1,439.06 (2014/15 was £1,440.47), 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 2015/16 was £1,513.25 (2014/15 was £1,513.87).

23.2 – Council Tax Base

2014/15	Council Tax Base	2015/16
33,998	Total Dwellings	33,880
30,914	Net Chargeable Dwellings	31,461
35,156	Band D Equivalents	35,794
(2,398)	LCTS Discounts	(2,231)
393	Additions (Net of Discounts/Exemptions)	237
33,151	Total Band D Equivalents	33,800
32,620	Collection Rate 98.64% / 98.4%	33,326
205	M.O.D Properties	213
32,826	COUNCIL TAX BASE	33,540

23.3 – Council Tax Income Analysis

2014/15		2015/16
£'000		£'000
58,878	Gross Council Tax Collectable	59,725
(890)	Less: - Exemptions	(1,026)
(3,979)	Less: - Discounts	(3,875)
30	Less: - Council Tax Benefit	-
(3,394)	Less: - LCTS	(3,130)
1	Transitional Relief	2
(105)	Write-offs*	-
50,541	Income from Council Tax Payers	51,696

* In 2015/16 the write offs of £141k were made against the provision.

23.4 – Council Tax Collection Fund Balance

31 March 2015		31 March 2016
£'000		£'000
(948)	Essex County Council	(1,152)
(121)	Essex Police Authority	(155)
(58)	Essex Fire Authority	(69)
(194)	Uttlesford District Council	(224)
(1,321)	Total Surplus Apportioned	(1,600)

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 2015 was £101,478,024 (1st April 2014 was £102,029,762) and the multipliers, as specified by Central Government were 48.0p excluding small business surcharge (47.1p 2014/15) and 49.3p including small business surcharge (48.2p 2014/15). Based on the lower rate this produced an approximate yield of £47.154million (£47.034million 2014/15). 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

2014/15		2015/16
£'000		£'000
47,108	Gross Business Rate Collectable	50,116
(1,972)	Small Business Rate Relief	(2,301)
(2,000)	Mandatory Relief	(2,206)
(962)	Property Relief	(894)
(643)	Discretionary Relief	(783)
41,531	Income from Business Rates Payers	43,932

23.7 - National Non Domestic Rates Fund Balance

31 March 2015		31 March 2016
£'000		£'000
2,580	Central Government	(753)
464	Essex County Council	(136)
52	Essex Fire Authority	(15)
2,065	Uttlesford District Council	(603)
5,161	Total Deficit Apportioned	(1,507)

STATEMENT OF ACCOUNTING POLICIES

P1. GENERAL PRINCIPLES

The general principles adopted in compiling the Accounts summarises the Council's financial transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, and this requires the preparation to be in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Accounting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance, issued under Section 12 of the 2003 Act.

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.

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.
- Re-measurements 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.

- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective
- 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 2015 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 within 3 months, 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.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured

as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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'.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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 Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

P27 Un-adopted Accounting policies

A number of changes in accounting standards are to be adopted by the accounting code for 2016/17.

These are:

- Changes to the format of the Comprehensive Income and Expenditure Statement, Movement on Reserves Statement and the Introduction of the new Expenditure and Funding Analysis
- Amendments to IAS 19 Employee Benefits
- Amendments to IFRS 11 Joint Arrangements

- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (depreciation and amortisation methods).
- Other amendments to the Code that form part of the annual consultation on the Code.
- Adoption of Change in Accounting Policy for Highways Network Assets.

For all but the Highways Network Asset change, the Code does not anticipate that the amendments will have a material impact on the information provided in local authority financial statements, however they will require comparative 2015/16 figures to be restated in the new formats.

Any changes required as a result of Highways Asset changes will not require a restatement of 2015/16 accounts.

A preliminary high level review has been undertaken, and it has been assessed that the changes to Highways Assets reporting will have a minimal impact on the Statements for the Council, as we do not have Network Assets.

However, further detailed work is underway to confirm that this is the case, and we are awaiting further clarifications to be published from CIPFA.

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 Regulations 2015, regulation 6(1)(a) and (b), 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 2016 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 2015-2020 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 2016-2021 was approved by members at the Council Meeting held in February 2016
- 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 2015/16.
- 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 2015/16

- 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 and/or senior manager when there is consistent underperformance in a particular service area/indicator.
- 3.10 The Council has a formal complaints procedures which allows the public or other stakeholders to make a complaint regarding the service received from the Council or on the conduct of Members. The Standards Committee has responsibility for overseeing the investigation of complaints against members.

For the period 01/04/15 to 31/03/16, there were 13 allegations received of a breach of the Code of Conduct concerning 13 councillors, of which
5 were against parish councillors;
7 against district councillors and
1 complaint was made against a member who is both a district and parish councillor, it being alleged that he had breached the Codes of both councils.

1 complaint against a parish councillor and 7 complaints against district councillors were made by members of the public;
5 complaints against parish councillors were made by parish councillors

5 complaints against parish councillors and 1 complaint against a district councillor were passed for investigation.

In 3 cases involving parish councillors there was a finding of a breach of the Code of Conduct. In all of those cases the subject member was recommended to apologise and to undergo training.

In the other decided cases the Standards Committee considered that there was no breach of the Code of Conduct.

In the one complaint against a district councillor which was passed for investigation 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 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 rewritten annually, revised throughout the year and reviewed quarterly by CMT and the Performance & Audit Committee.
- 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 2015/16 the Performance & Audit Committee discussed issues including recycling rates and NNDR collection.
- 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 four 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 In May 2015 UDC elected a new Council. The Council put in place a Member induction programme, with training sessions around the internal operation of the council and information about the council's services. All Members also received Code of Conduct and IT training. The Planning, Licencing and Scrutiny Committees held induction training for their members. The Planning Committee holds regular workshops and Full Council workshops have been arranged for all Members, when required. The Members' bulletin continues to provide information on relevant corporate and strategic matters.
- 3.17 The Council continues to ensure it is open and accessible to the community. In 2015/16 it has:
- Continued to regularly survey the view of residents through its Citizens Panel
 - Published further information on the transparency section of the website to meet new guidelines

- 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
- Enhanced its consultation activity around the LCTS scheme and budget setting

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 2015/16 the Council's Scrutiny Committee has looked at various areas of council decision making and service delivery, including a review of the Local Plan, the 2016/17 draft budget and LCTS consultation A summary of the year's work can be found at Item 13 of the 15 March 2016 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 2015/16 concluded on balance that the audit opinion on the control environment for 2015/16 is that risks material to the achievement of the objectives for the audited areas identified by Internal Audit were, on balance, adequately managed and controlled.
- 4.5 Internal Audit opinion of Limited Assurance was given on three out of twenty-nine audits for 2015/16. These audits are:
- Cash & Bank in which there were two level 4 and one level 3 recommendations; the two level 4 recommendations have been partly implemented and expected to be fully implemented along with the level 3 recommendation in accordance with an agreed timetable.
 - Payroll in which there were three level 3 and two level 2 recommendations; all recommendations have been implemented.
 - Car Parking (NEPP) in which there were three level 3 recommendations; all recommendations have been implemented.
- There is a fourth audit, Fleet & Fuel Management and Transport Maintenance, currently at draft report stage expected to have either 'limited' or 'little' assurance due to the total number of recommendations being made.
- 4.6 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.

- 4.7 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.
- 4.8 In April 2016, the Performance and Audit Committee carried out the annual review of its effectiveness as an audit committee during 2015/16 using the CIPFA self-assessment checklist and was considered to be substantially compliant in all material respects.
- 4.9 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.
- 4.10 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 2014/15 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

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. In the 2014/15 Annual Governance Statement it was identified that there remained no formal mechanism in place.

Following the appointment of the new Chief Executive, this has now been addressed.

5.2 Significant Control and Governance identified 2015/16

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

Signed: _____

Dawn French
Chief Executive

Signed: _____

Howard Rolfe
Leader of the Council

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

These pages have been left intentionally blank for the Independent Auditor's Report.

This will be inserted following the approval and signing at The Performance and Audit Committee on the 28th July 2016.

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