Uttlesford District Council

Statement of Accounts

2017/18

Contents

Narrative Report

Introduction

The Statement of Accounts presents the financial results of the Council's activities for the year ended 31st March 2018, and summarises the overall financial position of the Council as at 31st March 2018. This Narrative Report sets out the key issues and is intended to give the reader an insight into the Council's performance during 2017/18.

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. 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.

Uttlesford District

Uttlesford is a thriving, predominantly rural district in north-west Essex encompassing Saffron Walden, Great Dunmow, Stansted Mountfitchet and Thaxted with about 100 villages and hamlets in between. It is home to London Stansted Airport and major road and rail networks with links to London to the south and the historic city of Cambridge to the north. With both new development and an historic and rural environment existing in harmony, Uttlesford is often cited as offering the best quality of life in the UK. The Council offices are based in the market town of Saffron Walden, with its array of independent and unique boutique shops, cafes, restaurants and galleries, surrounded on all sides by fields and picturesque villages full of character.

Geographically Uttlesford is the largest district in Essex, and has a population of approximately 85,000.

Uttlesford – The Council

The Council is governed by 39 members made up of 24 Conservatives, 11 Residents for Uttlesford and 4 Liberal Democrats who represent 22 wards made up of 60 parishes. The Council operates a Cabinet system, with The Leader having responsibility for the appointment of members to the Cabinet, allocation of portfolios and delegation of executive functions.

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.

The Council employed 339 employees in substantive posts (314.08 FTE) as at 31st March 2018, the workforce is made up of 177 (52%) females and of these 42 hold senior posts.

Corporate Plan Priorities

A detailed version of the corporate plan priorities can be found at the following link - https://www.uttlesford.gov.uk/Plans-Policies-and-Strategies#corporateplan

Key Achievements for 2017/18

Aspire

The Council created a number of wholly owned companies under the Aspire brand name, which are run on a purely commercial basis separate from the Council's normal business activities.

On 15th May 2017, Aspire (CRP) Ltd purchased a 50% share in Chesterford Research Park (which is part of the South Cambridgeshire Biotech Cluster) in a joint venture with Aviva Life and Pensions UK Ltd. The cost of the purchase of the 50% share was £46.4million, which included a share of Stamp Duty. Aspire (CRP) Ltd is borrowing the funds from the Council at a fixed interest rate of 4%. The Council is financing the funding requirement through a mix of internal and external borrowing.

The Council received a gross return on its investment in 2017/18 of £1.7million, the cost of borrowing to fund the investment is detailed later in the document under the Treasury Management section.

New Depot Site

The Council has been working towards a new location for its Depot site at Great Dunmow, as the current site is not fit for purpose and has been causing a great deal of concern for local residents. The original idea has now evolved to encompass all of the Council's depots in one area and this will identify efficiencies through shared resources. A site has been identified and is currently subject to the planning process. If successful, the Council would relocate 3 depots onto a single site; this will include the refuse sites at Great Dunmow and Saffron Walden and the housing depot currently situated in Newport.

Local Plan and Garden Communities

During 2017/18 the Council undertook the Regulation 18 consultation on the draft local plan. It consulted on preferred options for site allocation and development management policies to meet the high level of housing need. The Council is proposing three new settlements to be delivered on garden community principles, together with some sustainable development proposals on the edge of existing towns and villages. The Regulation 19 submission draft is expected to be approved in June 2018 with final adoption of the local plan in the autumn of 2019.

Support for the local economy

Members hold a specific reserve fund to invest in projects which support the local economy which include community initiatives in rural locations, partnership working, spend to save initiatives and supporting the Council commercial investments. In 2017/18 members invested £500,000 in a joint initiative with Essex County Council to provide superfast broadband within the District and a further £300,000 donation to Harlow College, which has a training facility at Stansted Airport.

Housing Revenue Account

The Council's Housing Revenue Account (HRA) Business Plan sets out the Council's objectives, strategies and plans as landlord, in relation to the management and maintenance of its own housing stock. Now in the 6th year of self-financing the Council as part of its 30 year business plan has continued to deliver a significant programme of investment to improve the standard and availability of Council housing.

The development programme has delivered 23 new homes in 2017/18 with a further 43 homes scheduled for completion over the next 18 months. In addition to this work the major elements of the stock investment programme have progressed well with enhanced works undertaken to properties to ensure that the size, layout and internal arrangements are considerably improved for tenants and their families with all planned targets achieved by 31st March 2018.

The HRA Business Plan identifies sufficient financial resource to deliver further improvements to the housing stock and the communities in which our tenants live, as well as develop new homes for rent. Additionally, the Business Plan now includes the opportunity to acquire property available through S106 sites to help meet the local housing need.

Financial Outlook

The Council's financial position has changed over the last 4 years due to the effect of central government funding reductions and is now in a position where it faces significant challenges to maintain a stable financial budget and ensure resilience against further funding changes. The highest risk the Council currently faces is the Fair Funding Review and the effect of 75% business rates retention, which are planned to be implemented in April 2020. The fair funding review is a looking at the mechanism used to distribute funds (centrally funded grants and business rates) to all Local Authorities; this review has the potential to impact significantly on the Council and the amount of funding it receives in future years.

Central government funding has been reduced significantly over the last 2 years and this continues into the 2018/19 financial year, with the Council receiving £2.8million less in 2018/19 compared to 2016/17. The Councils funding streams are made up of the following;

- Revenue support grant – This grant has been reducing year on year and 2017/18 was the final year the Council received this grant.

- New Homes Bonus – The original scheme was introduced as a funding initiative in 2011 to encourage housing growth and increase Council tax bases. The scheme was originally based on the Council receiving 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.

  As part of the 2017/18 funding settlement, Government implemented changes to the allocation of New Homes Bonus, this included reducing the funding from 6 to 5 years in 2017/18 and then to 4 years in 2018/19 ongoing, plus the introduction of a dead weight factor of 0.45% (assumption that approximately 149 new houses would be built in Uttlesford without the incentive of funding).

  Uttlesford's programme for new build housing and the initiatives put in place to bring empty homes back in to use has enabled the Council to maximise the benefits of the scheme.

- Business Rates Retention - The government has set a level of baseline funding which is estimated to match the current need of the local authority. If collection rates fall below this level the Council receives a top-up or if they are over this then a levy is charged.

  The current scheme allows a 40% share of the business rates income collected to be retained by the district Council; this income is included in the base budget. In addition to this any growth in the businesses rates income above the funding baseline allows the Council to retain a 50% share and for Renewable Energy Businesses the Council retains 100% of the income.

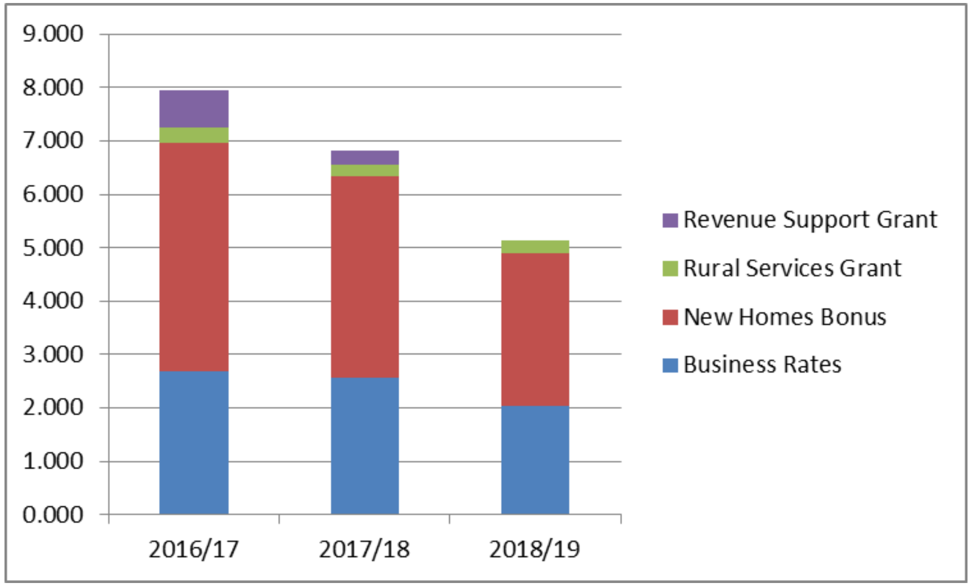
  It was identified in 2013/14 that the Council was exposed to significant liabilities arising from the backlog of appeals lodged by businesses against their rateable values. Although the risk continues in 2017/18 the major outstanding appeal has been settled. In addition there has been guidance and changes in legislation which have reduced this risk. Appeals are determined by the Valuation Office and are outside of the Council's control.

  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.

  The Government has announced a further change to the Business Rates Scheme, where Councils will receive 75% of the business rates collected from 2020. The Council is aware that if this new scheme is implemented there may be additional risks and responsibilities expected of the Council.

The graph below shows how the different levels of funding have changed and the ratio between them.

Central Government Funding



Despite these challenges to our funding the Council continues to offer residents a high level of quality services and in 2017/18 continued to be the lowest Council tax authority and has the lowest Local Council Tax Scheme contribution in Essex. This has been supported by the Council becoming more self-sufficient and looking for alternative ways of generating its own independent income streams, ensuring value for money by constantly reviewing the way we work and identifying efficiencies.

Financial Performance – 2017/18

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.

The following are the key factors that can affect our financial position:

Income

- Fees & charges e.g. car park charges, garden waste income, planning fees
- Specific government grants e.g. benefits subsidy
- Rents & Service Charges (Housing Revenue Account only)*

Expenditure

- Employee costs including salaries, national insurance and pensions
- Premises costs including energy costs, rates and building maintenance
- Transport costs including fuel and vehicle maintenance
- Contractual indexation
- Transfer payments such as Housing Benefit and Local Council Tax Support
- Capital financing costs

*The rental income for social housing is determined by guidance issued by central government. In 2016/17 the guidance issued required the Council to reduce rental income by 1% each year for 4 years, this equates to a predicted total loss of income for the 4 year period of £4.2million.

A summary of the key operational financial results for 2017/18 are shown in the tables overleaf. 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 as shown in the accounts.

Full and detailed outturn reports for the General Fund Revenue Account, Housing Revenue Account, Capital Programme and Treasury Management have be presented to members at Cabinet on the 12th July 2018. Reports can be accessed by clicking on the following link Budget Outturn 2017/18.

General Fund Reserves

The Council's reserves have increased by a net £722,000 at the end of the financial year; this is made up of the end of year surplus less reserve contributions to the local plan, new depot site and the community initiatives.

	31 March 2017 £'000	31 March 2018 £'000	Net Increase/ (Decrease) £'000
Usable reserves (available to spend)	11,867	12,069	202
Ringfenced Rserves (set aside for specific uses)	2,374	2,894	520
	14,241	14,963	722

General Fund Revenue Account

After allowing for transfers to/from the earmarked reserves, the overall net underspend in the General Fund is £1,529,000, the key factor in the underspend relates to the additional income generated from the Council's investment in Chesterford Research Park through its newly formed company Aspire (CRP) Ltd.

	Budget £'000	Outturn £'000	Variance £'000
Portfolio (Service) Budgets	12,108	11,555	(552)
Corporate Items	4,338	(700)	(5,038)
Funding	(6,064)	(6,540)	(477)
Net Operating Expenditure	**10,382**	**4,315**	**(6,067)**
Transfers to/from (-) Reserves	(5,347)	(807)	4,539
OVERALL NET POSITION	**5,035**	**3,508**	**(1,528)**

Housing Revenue Account Reserves

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.

The Housing Revenue Account shows a reduction in total reserves of £1,804,000 which has been used to fund the capital housing programme, for new homes, sheltered housing and maintenance of the existing housing stock.

	31 March 2017 £'000	31 March 2018 £'000	Net Increase/ (Decrease) £'000
HRA Working Balance	498	524	26
Capital Projects	3,809	-	(3,809)
Development Projects	2,298	849	(1,449)
Sheltered Housing	318	-	(318)
Transformation Reserves	180	180	-
Revenue Projects	60	60	-
Capital Slippage Reserve	-	3,763	3763
HRA Earmarked Reserves	**7,163**	**5,376**	**(1,787)**
Major Repairs	164	147	(17)
HRA Total reserves	**7,327**	**5,523**	**(1,804)**

Housing Revenue Account Income and Expenditure

The in year surplus of £2,994,000 relates mainly to the slippage in the capital programme and the allocated funding requirement not being drawn-down in the year. This funding will be reallocated in 2018/19.

	Budget £'000	Outturn £'000	Variance £'000
Income	(15,222)	(15,307)	(85)
Expenditure	14,580	14,678	98
Operating (Surplus)/Deficit	**(642)**	**(629)**	**13**
Funding of Capital Projects	9,165	4,416	(4,749)
Transfers (to)/from reserves	(5,529)	(3,787)	1,742
(Surplus)/Deficit	**2,994**	**-**	**(2,994)**

Capital Programme

Total capital expenditure was £10,192,000 of which £9,979,000 related to slippage in capital programmes which will be carried forward to the next financial year, this left an actual net underspend of £274,000 for the year.

	Budget £'000	Slippage £'000	Revised Budget £'000	Outturn £'000	Variance - actual over/(under) spend £'000
General Fund	7,060	(5,214)	1,846	1,526	(320)
Housing Revenue Account	13,385	(4,765)	8,620	8,666	46
Total Capital Expenditure	**20,445**	**(9,979)**	**10,466**	**10,192**	**(274)**

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.

Treasury Management

As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities were automatically treated as retail clients but could 'opt up' to professional client status, providing certain criteria was met which includes having an investment balance of at least £10million and the person(s) authorised to make investment decisions on behalf of the authority have at least one years relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The Authority has met the conditions for professional client status and has done so in order to maintain its MiFID II status. If the Council had not 'opted up' to maintain the professional status it would have lost its access to preferential products including money market funds, pooled funds, treasury bills, bonds, shares and expert financial advice.

The Council has long term external borrowing of £96.8million which relates to;

- The major reform of the Housing Revenue Account self financing arrangements in 2012. The Council purchased the housing stock for £88.4million with no repayments for five years. The HRA made the first repayment of £2million in 2017/18.

- On the 3rd July the Council entered into a loan agreement with Phoenix Life Limited to borrow £37,000,000 at a fixed rate of 2.86% over 40 years, with no principal repayments until 5th January 2022 to fund part of the investment of £47,250,000 in Aspire (CRP) Ltd. The loan profile is set to be drawn down in 3 separate stages;
  - £10,000,000 on the 3rd July 2017
  - £12,000,000 on the 3rd July 2020
  - £15,000,000 on the 3rd July 2021

The Balance Sheet value of the first drawn down amount has been adjusted using hedge accounting to a value of £10.4million. For further information on this please refer to Financial Instruments Section 18.

Due to the Council's predicted future cash flows the total investment did not need to be borrowed externally and will continue to fund the remaining £10,250,000 from internal cash balances and short term borrowing from other Local Authorities.

The average interest rate for short term external borrowing is 0.33% and for short term investments is 0.16%.

The total amount of net interest for the year;

- £2,585,000 paid for the Housing Revenue Account
- £1,492,000 received for the General Fund

Pensions

The accounts show an updated view of the Council's share of the assets and liabilities of the Pension Fund, administered by Essex County Council. An independent body, Barnet and Waddington have carried out an expense calculation and provided us with a report on the financial performance of the fund. The report has been prepared in accordance with IAS19.

The Councils estimated pension deficit is £34,745,000 as at 31st March 2018, the Council's share of the minor changes equates to £6,728,000.

An actuarial valuation is carried out every three years to set the contribution levels for the pension deficit, the last valuation was carried out in March 2016 and Essex County Council provides a breakdown of the required payments to offset the deficit, this includes various payment options. The Council took the option of paying a discounted three year upfront payment of £1,177,000. The Council also paid an in year pension contribution rate of 16.8% for all employees that are in the pension scheme. The annual contributions made for 2017/18 were £1,422,000 from employers and £572,000 from employees.

Key Performance Indicators

The Council sets annual and quarterly performance indicators; these are presented to the Governance, Audit and Performance Committee for review on a quarterly basis.

The table below sets out some of the key indicators, the main financial indicators show that Uttlesford has the highest Council Tax collection rate in Essex and the 2nd highest for Business Rates.

Financial Indicators

Income collected as a % of amount due	2016/17	2017/18
Council Tax	99.17	99.17
Business Rates	99.21	99.47
Rent Collected	97.89	98.24

Service Indicators

Service target achieved as a %	2016/17	2017/18
Domestic bins collected on first visit	99.89	99.88
Accuracy of processing Housing Benefit claims	99.23	99.55

Financial statements and what they show

Movement in Reserves Statement (page 16)

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 held 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 18). 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 18)

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 19)

This statement is fundamental to the understanding of the Council's financial position at the year-end. It shows the value as at 31st 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 fund expenditure) and Unusable Reserves (held to manage accounting items, not available to spend).

Cash Flow Statement (page 20)

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.

Group Accounts (page 1)

These statements and notes show the consolidated position of the Council with its wholly owned company trading as 'Aspire Ltd'.

Notes to the Core Financial Statements (page 21 – 87)

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

Housing Revenue Account (HRA) Comprehensive Income and Expenditure Account (page 88)

The HRA fulfils the statutory requirement to maintain a separate ring-fenced 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 94)

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 Central Government and local preceptors, Essex County Council, Essex Fire Authority, Essex Police and Crime Commissioner and Parishes. The Police and Crime Commissioner and Parishes are preceptors for Council Tax only.

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.

- 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.

- Property, Plant and Equipment are reviewed for both economic and price impairment on an annual basis. As at 1st April each year the Council's valuer's 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.

- Pension liability estimation of future payments due 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.

- Business Rate 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.

Audit of the Accounts

The final accounts will be published following completion of the audit by the External Auditor, EY.

Further Information

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 – Resources, at Uttlesford District Council, Council Offices London Road, Saffron Walden. CB11 4ER. Email aknight@uttlesford.gov.uk

For more information visit our website.

Adrian Webb

Director 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 – 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 and its Income and Expenditure for the year ended 31st March 2018.

Signature:

Adrian Webb
Director of Finance and Corporate Services
Date: 26th July 2018

APPROVAL OF THE ACCOUNTS

I confirm that the Statement of Accounts was approved by a resolution of the Governance, Audit and Performance Committee on 26th July 2018.

Signature:

Councillor Edward Oliver
Chairman Governance, Audit and Performance Committee
Uttlesford District Council

Date: 26th July 2018

Group Accounts 2017/2018

GROUP ARRANGEMENT AND ACCOUNTS

Introduction

The Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material.

The Council has interest in two companies that are classified as a subsidiary, both of which have been considered for consolidation. Only one of these, Aspire (CRP) Ltd is considered to be material to the financial statements. Details of the companies considered for consolidation are shown below.
The Group Accounts contain the core statements similar in presentation to the Council's single entity accounts but consolidating the figures of the Council with Aspire (CRP) Ltd.

The following pages include:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement
- Notes to the Group Accounts

Basis of Identification of the Group Boundary

In its preparation of these Group Accounts, the Council has considered its relationship with the entities that fall into the following categories:

- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- Associates – where the Council exercises a significant influence and has a participating interest. No entities identified to be included in the group.
- Jointly Controlled Entities - where the Council exercises joint control with one or more organisations. No entities identified to be included in the group.
- No Group Relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

In accordance with this requirement, the Council has determined its Group relationships as follows:

Aspire (CRP) Ltd	Company No. 10515074	Subsidiary	Consolidated
Aspire Holdings (UDC) Ltd	Company No. 10308884	Subsidiary	Not Material

Subsidiaries

Aspire (CRP) Ltd

The company was formed on 7th December 2016 and its principal activity was acquiring, developing and holding property for investment purposes. This will continue to be the principal activity of the Partnership for the foreseeable future. The Company commenced trading on 15th May 2017.

On 3rd May 2017 Uttlesford District Council loaned Aspire (CRP) Ltd the sum of £47.25million to enable it to form Chesterford Park Limited Partnership with Aviva Life and Pensions UK Limited and for the new partnership to acquire the investment property at Chesterford Research Park, Little Chesterford, CB10 1XL

The results of Aspire (CRP) Ltd are explained below:

The final accounts of the Company for the period ending 31st March 2018 will be audited by BDO. Copies of the accounts may be obtained from Companies House or by request to the Council.

The Directors received no emoluments for services to the company for the financial period.

Aspire Holdings (UDC) Ltd

The structure of the Company is that of subsidiary. Its primary activities are the development of Council owned land and the market rent of developed properties. The company also provides a property maintenance service for the Aspire companies within the group and other businesses outside of the group. The company has three subsidiaries of which two are dormant whilst the Aspire Property and Maintenance Services Ltd (Company No. 10338675) started trading on a very small scale as from 1st April 2017. Based on materiality, no group accounts have been included with the Councils Statement of Accounts for 2017/2018.

Basis of consolidation

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.
The Subsidiary has been consolidated on a line by line basis, subject to the elimination of intra-group transactions from the statements, in accordance with The Code.
The subsidiary has the same accounting year end to the Council's.

Group Movement in Reserves

	Total Group Usable Reserves £'000	Total Group Unusable Reserves £'000	Total Group Reserves £'000
Balance as at 1 April 2017	**(26,975)**	**(209,551)**	**(236,526)**
(Surplus) or deficit on provision of services	(4,240)		(4,240)
Other Comprehensive Expenditure and Income	-	(19,301)	(19,301)
Total Comprehensive Expenditure and Income	**(4,240)**	**(19,301)**	**(23,541)**
Adjustments between accounting basis and funding basis under regulations	6,801	(6,801)	
Transfers to/(from) earmarked reserves	(102)	102	
(Increase) / Decrease in Year	**2,460**	**(26,001)**	**(23,541)**
Balance as at 31 March 2018	**(24,515)**	**(235,552)**	**(260,067)**

Group Comprehensive Income and Expenditure Statement

	Note Reference	Gross Expenditure 2017/18 £'000	Gross Income 2017/18 £'000	Net Expenditure 2017/18 £'000
Community & Partnerships		2,926	(710)	2,217
Environmental & Regulatory Services		11,384	(5,147)	6,237
Finance & Administration		20,936	(17,453)	3,483
Housing & Economic Development		2,443	(822)	1,621
Housing Revenue Account		6,764	(15,307)	(8,543)
Non-Distrubuted Costs		1,279	-	1,279
Commercial Services		47	(2,691)	(2,645)
Cost of Services		**45,779**	**(42,130)**	**3,649**
Other Operating Income and Expenditure				3,710
Financing and Investment Income and Expenditure				4,295
Taxation and Non-Specific Grant Income	A2			(15,894)
Corporate Amounts				**(7,889)**
Group (Surplus)/Deficit				**(4,240)**
Surplus on revaluation of Non-current assets				(13,447)
Actuarial gains / losses on pensions assets / liabilities				(7,081)
Other movements in Usable/Unusable Reserves				1,227
Other Comprehensive Income and Expenditure				**(19,301)**
Total Comprehensive income and Expenditure				**(23,541)**

Group Balance Sheet

	Notes	31 March 2018 £'000
Property Plant & Equipment		363,385
Heritage Assets		935
Intangible Assets		219
Long-term Investments	A3	46,401
Long-term Debtors		1,280
Long-term Assets		**412,220**
Short-term Investments		11,500
Inventories		48
Short-term Debtors	A4	3,380
Cash and Cash Equivalents	A5	3,482
Current Assets		**18,410**
Short-term borrowing		(23,500)
Short-term creditors	A6	(7,160)
Provisions		(1,979)
Current Liabilities		**(32,639)**
Long-term Borrowing		(96,845)
Deferred Liabilities		(4,740)
Grant Receipts in Advance		(1,597)
Pension Scheme Liabilities		(34,746)
Long-term Liabilities		**(137,928)**
Net Assets		**260,063**
Usable Reserves	A7	24,512
Unuseable Reserves		235,551
Total Reserves		**260,063**

Group Cash Flow Statement

	2017/18 £'000	Notes
Net surplus/(deficit) on the provision of services	**4,240**	CIES
Adjustments to net surplus/(deficit) on the provision of services - non cash movements	6,713	
Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	(2,993)	
Net cash flows from operating activities	**7,960**	A8
Net cash flows from investing activities	(37,613)	A9
Net cash flows from financing activities	32,502	A10
Net (decrease) in cash and cash equivalents	**2,849**	
Cash and cash equivalents at the beginning of the reporting period	633	
Cash and cash equivalents at the end of the reporting period	**3,482**	**A11**

SECTION A - NOTES TO THE GROUP ACCOUNTS

A1. Accounting Policies

1. General Principles

The Accounting policies of the Group are the same as those applied to the Council's single entity accounts except for the following policies which are specific to the Group Account.

2. Tax Expense

The tax expense represents the sum of the tax currently payable. The tax payable in respect of the year is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantially enacted by the reporting date. Grant Thornton were instructed to undertake the calculation of the corporation tax for the accounting period.

3. Financial Assets

Loans and investments are carried at 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.

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

A2. Tax Expenses of Group Entities

	31 March 2018 £'000
Profits chargeable to corporation tax	**357**
Taxation on ordinary activities	**68**

NOTES TO THE BALANCE SHEET

A3. Long term Investments

The group accounts hold one long-term financial investment totalling £46.4 million to form Chesterford Research Park Limited Partnership to enable the investment into Chesterford Research Park alongside Aviva Life & Pensions UK Ltd. The investment is over a 50 year period.

A4. Short term Debtors

	31 March 2018 £'000
Central Government Bodies	271
Other Local Authorities	439
Other Entities and Individuals	4,128
	4,838
UDC Provision for Bad Debt	(1,458)
Total	**3,380**

A5. Cash and Cash Equivalents

	31 March 2018 £'000
UDC Cash and Cash equivalents	1,753
Subsidiary Cash at Bank	1,729
Total	**3,482**

A6. Short Term Creditors

	31 March 2018 £'000
Central Government Bodies	784
Other Local Authorities	966
Other Entities and Individuals	5,410
Total	**7,160**

A7. Usable Reserves

	31 March 2018 £'000
UDC Reserves	
- General Fund Working balance	1,321
- General Fund Other Usable Reserves	13,642
- HRA Working Balance	524
- HRA Other Usable Reserves	5,000
- Capital Receipts	3,295
- Grants	1,293
Adjustment for inter-group interest	(1,726)
Total UDC Reserves after adjustment	**23,348**
Subsidiary Reserves	
- Profit & (Loss) Reserve after interest adjustment	1,164
Total Group Reserves	**24,512**

Notes to the Cash flow

A8. Cash Flows from Operating Activities

	2017/18 £'000
Net surplus/(deficit) on the provision of services	**4,236**
Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	
Depreciation	5,517
Impairment and downward valuations	(3,240)
Amortisation	84
Adjustments for effective interest rates	(7)
Increase/(decrease) in creditors	833
(Increase)/decrease in debtors	(2)
(Increase)/decrease in inventories	(4)
Pension liability	1,623
Contribution to provisions	832
Carrying amount of non-current assets sold	1,081
Total	**6,717**
Adjustments for items included in the net (deficit) on the provision of services that are investing or financing activities	(2,993)
Net cash flows from operating activities	**7,960**

A9. Cash Flows from Investing Activities

	2017/18 £'000
Purchase of property, plant and equipment, investment property and intangible assets & movement in capital creditor	(10,251)
Movements in net short term investments	(29,897)
Other payments for investing activities	(75)
Proceeds from sale of property, plant and equipment	1,804
Capital grants received	806
Total Cash Flows from Investing Activities	**(37,613)**

A10. Cash Flows from Financing Activities

	2017/18 £'000
Movement in short and long-term borrowing	31,877
Billing Authorities - Council Tax & NNDR Adjustment	741
Cash Payments for the Reduction of the outstanding Liabilities	(116)
Total Cash Flows from Financing Activities	**32,502**

A11. Cash and Cash Equivalents

	2017/18 £'000
Cash and Bank Balances	3,482
Total Cash and Cash Equivalents	**3,482**

A12. Interest on Balances

	2017/18 £'000
Interest paid	3,206
Interest received	(52)
Net interest paid	**3,154**

Uttlesford District Council

Core Financial Statements 2017/2018

Movement in Reserves 2017/18

	General Fund Balance £'000	Earmarked GF Reserves £'000	HRA Balance £'000	Earmarked HRA Reserves £'000	Major Repairs Reserve £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance as at 31 March 2017	**(1,268)**	**(12,973)**	**(498)**	**(6,667)**	**(164)**	**(4,530)**	**(876)**	**(26,976)**	**(209,551)**	**(236,527)**
(Surplus) or Deficit on provision of services (accounting basis)	1,133	-	(5,934)	-	-	-	-	(4,801)	-	**(4,801)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**-**	(19,301)	**(19,301)**
Total Comprehensive Income and Expenditure	**1,133**	**-**	**(5,934)**	**-**	**-**	**-**	**-**	**(4,801)**	**(19,301)**	**(24,102)**
Adjustments between accounting basis & funding basis under regulations (Note 1.1)	(1,507)	-	7,373	-	17	1,235	(317)	6,801	(6,801)	**-**
Net (Increase)/ Decrease before Transfers to Earmarked Reserves	**(374)**	**-**	**1,439**	**-**	**17**	**1,235**	**(317)**	**2,001**	**(26,102)**	**(24,102)**
Transfers to / (from) Reserves	320	(670)	(1,464)	1,814	-	-	(103)	(101)	101	**-**
(Increase) / Decrease in Year	**(53)**	**(670)**	**(25)**	**1,814**	**17**	**1,235**	**(420)**	**1,900**	**(26,001)**	**(24,101)**
Balance as at 31 March 2018	**(1,321)**	**(13,643)**	**(523)**	**(4,853)**	**(147)**	**(3,295)**	**(1,296)**	**(25,076)**	**(235,552)**	**(260,628)**

Movement in Reserves 2016/17

Restated	General Fund Balance £'000	Earmarked GF Reserves £'000	HRA Balance £'000	Earmarked HRA Reserves £'000	Major Repairs Reserve £'000	Usable Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance as at 31 March 2016	**(1,246)**	**(10,097)**	**(463)**	**(6,394)**	**(190)**	**(2,242)**	**(871)**	**(21,503)**	**(193,943)**	**(215,446)**
(Surplus) or Deficit on provision of services (accounting basis)	(726)	-	(8,687)	-	-	-	-	**(9,413)**	-	**(9,413)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(11,461)	**(11,461)**
Total Comprehensive Income and Expenditure	**(726)**	**-**	**(8,687)**	**-**	**-**	**-**	**-**	**(9,413)**	**(11,461)**	**(20,874)**
Adjustments between accounting basis & funding basis under regulations (Note 1.1)	(2,172)	-	8,379	-	26	(2,288)	(130)	3,815	(3,815)	-
Net (Increase)/ Decrease before Transfers to Earmarked Reserves	**(2,898)**	**-**	**(308)**	**-**	**26**	**(2,288)**	**(130)**	**(5,598)**	**(15,276)**	**(20,874)**
Transfers to / (from) Reserves	2,876	(2,876)	273	(273)	-	-	125	125	(332)	(207)
(Increase) / Decrease in Year	**(22)**	**(2,876)**	**(35)**	**(273)**	**26**	**(2,288)**	**(5)**	**(5,473)**	**(15,608)**	**(21,081)**
Balance as at 31 March 2017	**(1,268)**	**(12,973)**	**(498)**	**(6,667)**	**(164)**	**(4,530)**	**(876)**	**(26,976)**	**(209,551)**	**(236,527)**

Comprehensive Income and Expenditure Statement

Gross Expenditure 2016/17 £'000	Gross Income 2016/17 £'000	Net Expenditure 2016/17 £'000		Note Reference	Gross Expenditure 2017/18 £'000	Gross Income 2017/18 £'000	Net Expenditure 2017/18 £'000
2,960	(1,475)	1,485	Community & Partnerships		2,926	(710)	2,217
10,826	(5,071)	5,755	Environmental & Regulatory Services		11,384	(5,147)	6,237
20,326	(18,141)	2,185	Finance & Administration		20,936	(17,745)	3,191
2,376	(872)	1,504	Housing & Economic Development		2,443	(822)	1,621
4,196	(15,412)	(11,216)	Housing Revenue Account		6,764	(15,307)	(8,543)
103	-	103	Non-Distributed Costs		1,279	-	1,279
40,787	**(40,971)**	**(184)**	**Cost of Services**		**45,732**	**(39,731)**	**6,002**
		2,702	Other Operating Expenditure	5.1			2,590
		3,918	Financing & Investment Income and Expenditure	5.2			2,569
		(15,849)	Taxation and Non-Specific Grant Income	5.3			(15,962)
		(9,229)	**Corporate Amounts**				**(10,803)**
		(9,413)	**(Surplus)/Deficit on Provision of Services**				**(4,801)**
		(18,992)	Surplus on Revaluation of Non-Current Assets				(13,447)
		7,438	Actuarial (Gains)/Losses on Pension Assets /Liabilities				(7,081)
		(239)	Other Movements in Usable/Unusable				1,227
		(21,206)	**Total Comprehensive Income and Expenditure**				**(24,102)**

Balance Sheet

31 March 2017 £'000		Notes	31 March 2018 £'000
344,010	Property, Plant and Equipment	7.1	363,385
883	Heritage Assets	7.3	935
277	Intangible Assets	6.1	219
-	Investment in Subsidiary	8.1	47,473
1,174	Long Term Debtors	8.2	1,280
346,344	**Total Long Term Assets**		**413,292**
28,000	Short Term Investments	18.1	11,500
45	Inventories	9.1	48
3,448	Short Term Debtors	9.2 - 9.3	4,503
633	Cash and Cash Equivalents	9.5	1,753
32,126	**Total Current Assets**		**17,804**
-	Short Term Borrowing	18.1	(23,500)
(5,378)	Short Term Creditors	10.1	(7,065)
(1,147)	Short Term Provisions	10.2	(1,979)
(6,525)	**Total Current Liabilities**		**(32,544)**
(88,407)	Long Term Borrowing	18.2	(96,845)
(4,852)	Deferred Liabilities	11.2	(4,740)
(1,959)	Grants Receipts in Advance	11.3 - 11.4	(1,597)
(40,204)	Pension Scheme Liability	3.5	(34,746)
(135,422)	**Total Long Term Liabilities**		**(137,928)**
236,523	**Total Net Assets**		**260,625**
	Represented by:-		
26,972	Usable Reserves	2.1 - 2.4	25,074
209,551	Unusable Reserves	3.1 - 3.7	235,551
236,523	**Total Reserves**		**260,625**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority as at 31st March 2018 and its income and expenditure for the year ended 31st March 2018. These financial statements replace the unaudited financial statements signed by the Director of Finance and Corporate Services – S151 on 25th May.

Adrian Webb
Director of Finance and Corporate Services - Section 151 Officer
26th July 2018

Cash Flow Statement

2016/17 £'000		2017/18 £'000	Notes
9,413	Net surplus/(deficit) on the provision of services	4,801	Page 16
755	Adjustments to net surplus/(deficit) on the provision of services - non cash movements	5,499	
(4,635)	Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	(2,993)	
5,533	**Net cash flows from operating activities**	**7,307**	13.1
2,201	Net cash flows from investing activities	(38,689)	13.2
(7,575)	Net cash flows from financing activities	32,502	13.3
159	**Net (decrease) in cash and cash equivalents**	**1,120**	
474	Cash and cash equivalents at the beginning of the reporting period	633	13.4
633	**Cash and cash equivalents at the end of the reporting period**	**1,753**	**13.4**

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

1.0 – Movement in Reserves

1.1 – Movement in Reserves Statement – Adjusting between Accounting and Funding Basis under Regulations 2017/18

2017/18	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Reserve £'000	Movement Unusable Reserves £'000
Adjustments involving the CAA						
Charges for depreciation and impairment on non-current assets	(1,625)	(650)	-	-	-	2,275
Amortisation of Intangible Assets	(67)	(17)	-	-	-	84
Revenue expenditure funded from capital under statute	(1,170)	(32)	-	-	-	1,202
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	2	(1,083)	-	-	-	1,081
Statutory provision for financing capital investment	403	2,000	-	-	-	(2,403)
Capital expenditure charges against the General Fund and HRA balances	913	4,416	-	-	-	(5,329)
Adjustments involving the Capital Grants Unapplied Account						
Application of grants to capital financing from unapplied reserves	-	-	-	-	424	(424)
Capital grants and contributions that have been credited to the CI&E	1,076	83	-	-	(741)	(418)
Adjustments involving the Capital Receipts Reserve						
Transfer of sale proceeds credited as part of the gains/losses on disposal to the CI&E	16	1,804	(1,820)	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	(2,000)	2,612	-	-	(612)
Contribution from Capital Receipts Reserve towards administrative costs of non-current asset disposal	(1)	(14)	16	-	-	(1)
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	-	(427)	427	-	-	-

Movement in Reserves Statement – Adjusting between Accounting and Funding Basis under Regulations 2017/18 (continued)

2017/18	**General Fund Balance £'000**	**HRA Balance £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied Reserve £'000**	**Movement Unusable Reserves £'000**
Adjustments involving the Major Repairs Reserve						
Additions to Major Repairs Reserve to finance new capital expenditure	-	3,539	-	(3,539)	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	3,556	-	(3,556)
Adjustments involving the Pension Reserve						
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	(3,654)	(684)	-	-	-	4,338
Employers pension contributions and direct payments to pensioners payable in year	2,276	439	-	-	-	(2,715)
Adjustments involving the Collection Fund Adjustment Account						
Amount by which net collection fund income debited/credited to the comprehensive income and expenditure statement is different from Council Tax & NNDR income calculated for the year in accordance with statutory requirements	341	-	-	-	-	(341)
Adjustments involving the Accumulated Absences Account						
Adjustments in relation to short term compensated absences	(15)	-	-	-	-	15
Total Adjustments	**(1,505)**	**7,374**	**1,235**	**17**	**(317)**	**(6,804)**

Movement in Reserves Statement – Adjusting between Accounting and Funding Basis under Regulations 2016/17

2016/17 Restated	**General Fund Balance £'000**	**HRA Balance £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied £'000**	**Movement Unusable Reserves £'000**
<u>Adjustments involving the CAA</u>						
Charges for depreciation and impairment on non-current assets	(1,358)	1,937	-	-	-	(579)
Amortisation of Intangible Assets	(63)	(14)	-	-	-	77
Revenue expenditure funded from capital under statute	(1,723)	(45)	-	-	-	1,768
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	(213)	(2,157)	-	-	-	2,370
Statutory provision for financing capital investment	1,712	-	-	-	-	(1,712)
Capital expenditure charges against the General Fund and HRA balances	935	3,184	-	-	-	(4,119)
<u>Adjustments involving the Capital Grants Unapplied Account</u>						
Application of grants to capital financing from unapplied reserves	-	-	-	-	1,664	(1,664)
Capital grants and contributions that have been credited to the CI&E	1,601	201	-	-	(1,794)	(8)
<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	216	2,618	(2,834)	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	78	-	-	(78)
Contribution from Capital Receipts Reserve towards administrative costs of non-current asset disposal	-	(22)	22	-	-	-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	-	(446)	446	-	-	-

Movement in Reserves Statement – Adjusting between Accounting and Funding Basis under Regulations 2016/17 (continued)

2016/17 Restated	**General Fund Balance £'000**	**HRA Balance £'000**	**Capital Receipts Reserve £'000**	**Major Repairs Reserve £'000**	**Capital Grants Unapplied £'000**	**Movement Unusable Reserves £'000**
Adjustments involving the Major Repairs Reserve						
Additions to Major Repairs Reserve to finance new capital expenditure	-	3,419	-	(3,419)	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	3,445	-	(3,445)
Adjustments involving the Pension Reserve						
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	(2,692)	(502)	-	-	-	3,194
Employers pension contributions and direct payments to pensioners payable in year	1,124	206	-	-	-	(1,330)
Adjustments involving the Collection Fund Adjustment Account						
Amount by which net collection fund income debited/credited to the comprehensive income and expenditure statement is different from Council Tax & NNDR income calculated for the year in accordance with	(1,708)	-	-	-	-	1,708
Adjustments involving the Accumulated Absences Account						
Adjustments in relation to short term compensated absences	(3)	-	-	-	-	3
Total Adjustments	**(2,172)**	**8,379**	**(2,288)**	**26**	**(130)**	**(3,815)**

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

	31 March 2017 £'000	**Transfer In £'000**	**Transfer Out £'000**	**31 March 2018 £'000**	**Purpose of Reserve**
Working Balance	1,268	54	-	1,322	Maintained to protect the Council's budget from unexpected risks.
Working Balance Sub Total	**1,268**	**54**	**-**	**1,322**	
Business Rates	1,034	1,838	(1,372)	1,500	To manage the NNDR element of the collection fund deficit.
Capital Slippage	-	558	(91)	467	
DWP	71	-	-	71	Relates to the value of benefit subsidy expected to be required to be paid back.
Licensing	-	-	-	-	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	766	1,000	(38)	1,728	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.
Economic Development	120	13	(118)	15	Reserve to assist economic development and business in the district.
Elections	50	25	-	75	Contributions toward future election costs.
Homelessness	40	92	(7)	125	Set up to cover unbudgeted additional demand within the homelessness service.
Pensions	-	770	(770)	-	
Planning Development	519	1,515	(650)	1,384	Usable resources set aside for planning development issues.
Strategic Initiatives	7,492	564	(5,396)	2,660	To support initiatives in accordance with the stated purpose of the fund/key criteria.
Waste Depot Relocation	1,488	2,750	(105)	4,133	Relates to the proposed relocation of the Dunmow waste depot.
Waste Management	201	-	-	201	Waste management contingency provision for unforeseen costs.
Net other reserves	151	141	(50)	242	
Other GF Usable Sub Total	**12,972**	**9,266**	**(8,597)**	**13,641**	
GF Usable Reserves Total	**14,240**	**9,320**	**(8,597)**	**14,963**	

2.2 – Housing Revenue Account - Reserve Balances

	31 March 2017 £'000	Transfer In £'000	Transfer Out £'000	31 March 2018 £'000	Purpose of Reserve
Working Balance	498	26	-	524	Maintained to protect the Council's housing budget from unexpected risks.
Working Balance Sub Total	**498**	**26**	**-**	**524**	
Transformation/Change Management	180	-	-	180	To enable the Housing Revenue Account to change the way it operates in order to meet financial challenges ahead.
Revenue Projects	60	-	-	60	To finance outstanding revenue business plan actions.
Revenue Reserves Sub Total	**240**	**-**	**-**	**240**	
Capital Projects	3,810	-	(3,810)	-	Funding allocated to capital projects.
Potential Development Projects	2,298	-	(1,449)	849	Funding for new build schemes.
Sheltered Housing	318	-	(318)	-	To finance capital redevelopment of sheltered housing in future years.
Slippage Reserve	-	3,764	-	3,764	
Earmarked Reserves Total	**6,426**	**3,764**	**(5,577)**	**4,613**	
Major Repairs	164	3,539	(3,556)	147	Funding for future capital expenditure.
Other Capital Reserves Total	**164**	**3,539**	**(3,556)**	**147**	
Capital Reserves Sub Total	**6,590**	**7,303**	**(9,133)**	**4,760**	
Housing Revenue Balances Total	**7,328**	**7,329**	**(9,133)**	**5,524**	

2.3 – Capital Receipts Reserve

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

2016/17 £'000		2017/18 £'000
2,242	**Balance as at 1 April**	**4,529**
	Receipts	
216	Capital receipts - General Fund	16
2,618	Capital receipts - Housing Revenue Account	1,804
	Applied	
(446)	Paid to government housing receipts pool	(427)
(78)	Capital receipts used for financing	(2,612)
(22)	Expenses from sales of capital assets	(16)
2,287	**Movements in Year**	**(1,234)**
4,529	**Balance as at 31 March**	**3,295**

2.4 – Grants and Contributions without Conditions (Unapplied)

	31 March 2017	Income	Interest	Drawn Down - Capital	Drawn Down - Revenue	31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000
S106 Unapplied						
Affordable Housing;	621					
-Land rear of Herb of Grace, 25 Parsonage Downs, Dunmow	-	26	-	-	-	-
-Land at Hartford End Brewery, Hartford End, Chelmsford	-	272	-	-	-	-
-Drawn Down	-	-	-	-	-	-
Sub Total - Affordable Housing	621	298	-	-	-	919
Dunmow Eastern Sector	18	-	-	-	-	18
Woodlands Park, Gt Dunmow	83	-	-	(47)	-	36
Bell College, Saffron Walden	15	-	-	-	-	15
Priors Green, Takeley	8	-	-	-	-	8
Foresthall Park, Stansted	30	130	-	(19)	-	141
Lt Walden Road/Ashdon Road, Saffron Walden	98	-	-	-	-	98
Oakwood Park, Takeley	5	-	-	-	-	5
SUB TOTAL	**878**	**428**	**-**	**(66)**	**-**	**1,240**

Grants and Contributions without Conditions (Unapplied) – Continued

	31 March 2017	Income	Interest	Drawn Down - Capital	Drawn Down - Revenue	31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Grants Unapplied						
Reynolds Court	-	83	-	(83)	-	-
Heritage England	-	76	-	(20)	-	56
Day Centre - Kitchen Contribution	-	1	-	(1)	-	-
Disabled Facility Grant	-	255	-	(255)	-	-
SUB TOTAL	**-**	**415**	**-**	**(359)**	**-**	**56**
Grants and Contributions Unapplied Total	**878**	**843**	**-**	**(425)**	**-**	**1,296**

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.

2016/17				2017/18		
General Fund	**HRA**	**Total**		**General Fund**	**HRA**	**Total**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
5,242	**80,376**	**85,618**	**Balance as at 1 April**	**7,161**	**96,561**	**103,722**
673	16,909	17,582	Net Gain/(Loss) in Valuation of Assets	4,220	9,196	13,416
1,410	-	1,410	Adjustment to Revaluation Reserve	-	-	-
2,083	**16,909**	**18,992**	**In Year Surplus on Revaluation of Non-Current Assets**	**4,220**	**9,196**	**13,416**
(199)	-	(199)	Revaluation Depreciation to Capital Adjustment Account	(277)	(33)	(310)
-	(712)	(712)	Disposals of Assets	-	(358)	(358)
35	(12)	23	Adjustments to Capital Adjustment Account	-	-	-
(164)	**(724)**	**(888)**	**In Year Amounts written out to the Capital Adjustment Account**	**(277)**	**(391)**	**(668)**
7,161	**96,561**	**103,722**	**Balance as at 31 March**	**11,104**	**105,366**	**116,470**

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.

2016/17 £'000		£'000	2017/18 £'000
137,275	**Balance as at 1 April**		**145,675**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(5,258)	Charges for depreciation and impairment of non-current assets	(5,516)	
5,837	Revaluation gains on Property, Plant and Equipment	3,241	
(77)	Amortisation of Intangible Assets	(84)	
(1,768)	Revenue expenditure funded from capital under statute	(1,202)	
(2,370)	Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,081)	
888	Adjusting amounts written out of Revaluation Reserve	668	
(2,748)			**(3,974)**
	Capital financing applied in the year		
78	Use of Capital receipts Reserve to finance new capital expenditure	612	
3,445	Use of Major Repairs Reserve to finance new capital expenditure	3,556	
1,794	Capital Grants and Contributions applied to capital financing	741	
1,712	Statutory provision for the financing of capital investment charged against the General fund and HRA balances	2,403	
4,119	Capital expenditure charged against the General Fund and HRA balances	5,329	
11,148			**12,641**
145,675	**Balance as at 31 March**		**154,342**

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).

2016/17 £'000		2017/18 £'000
1,057	**Balance as at 1 April**	1,174
117	Increase / (decrease) in value	31
1,174	**Balance as at 31 March**	**1,205**

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.

2016/17 £'000		2017/18 £'000
(142)	**Balance as at 1 April**	**(145)**
(3)	In year adjustment	(16)
(145)	**Balance as at 31 March**	**(161)**

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 note 17.

2016/17 £'000		**Notes**	**2017/18 £'000**
(30,901)	**Balance as at 1 April**		**(40,203)**
(1,864)	Surplus/(Deficit) on Provision of Services in CI&E	17.2	(1,623)
(7,438)	Actuarial Gain/(Loss)	17.9	7,081
(40,203)	**Balance as at 31 March**		**(34,745)**

3.6 – Collection Fund Adjustment Account

Collection Fund Adjustment Account (CFAA) – 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.

2016/17 £'000		2017/18 £'000
1,035	**Surplus/(Deficit) as at 1 April**	(673)
(53)	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	(111)
(1,655)	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	451
(673)	**Surplus/(Deficit) as at 31 March**	**(333)**

3.7 – Cash Flow Hedge Reserve

The Cash Flow Hedge Reserve (CFHR) relates to the Council's long-term forward starting loan, it shows the differences between the amounts required to be shown as financial instruments on the balance sheet and amounts properly taken to finance income and expenditure (I&E) to reflect the economics of the fixed rate loan agreement.

2016/17 £'000		2017/18 £'000
-	**Balance as at 1 April**	**-**
-	Re-measurement of long-term borrowing	(1,227)
-	**Balance as at 31 March**	**(1,227)**

SECTION C – 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.

4.2 – Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) table illustrates how annual expenditure and funding is used across the council's portfolios.
The analysis shows how the accounts arrive at the Comprehensive Income and Expenditure Statement (Page 16) by presenting the movements required under statute as shown in note 1.1 and the following note to the EFA.

Reported Outturn 2016/17 £'000	Net Recharges 2016/17 £'000	Net expenditure chargeable to the General fund & HRA Balances 2016/17 £'000	Adjustments between Funding and Accounting Basis to arrive at the CIES 2016/17 £'000	Net expenditure in the Comprehensive Income & Expenditure Statement 2016/17 £'000		Reported Outturn 2017/18 £'000	Net Recharges 2017/18 £'000	Net expenditure chargeable to the General Fund & HRA Balances 2017/18 £'000	Adjustments between Funding and Accounting Basis to arrive at the CIES 2017/18 £'000	Net expenditure in the Comprehensive Income & Expenditure Statement 2017/18 £'000
779	169	948	538	1,485	Community & Partnerships	854	146	**1,001**	1,216	2,217
2,492	1,605	4,097	1,658	5,754	Environmental Services	3,304	1,470	**4,774**	1,463	6,237
5,164	(3,802)	1,362	824	2,185	Finance & Administration	5,957	(3,335)	**2,623**	568	3,191
1,353	99	1,452	52	1,504	Housing and Economic Development	1,439	78	**1,517**	104	1,621
9,788	**(1,929)**	**7,859**	**3,072**	**10,928**	**General Fund Total**	**11,554**	**(1,641)**	**9,915**	**3,351**	**13,266**
(11,382)	1,928	(9,454)	(1,762)	(11,216)	Housing Revenue Account	(10,945)	1,641	(9,304)	761	(8,543)
-	-	**-**	103	103	Non Distributed	-	-	**-**	1,279	1,279
(1,594)	**(1)**	**(1,595)**	**1,413**	**(184)**	**Net cost of Service**	**609**	**-**	**611**	**5,391**	**6,002**
		(1,612)	(7,617)	(9,229)	Other Income and Expenditure		-	**454**	(11,257)	(10,803)
		(3,207)	**(6,204)**	**(9,413)**	**(Surplus)/Deficit**			**1,065**	**(5,866)**	**(4,801)**

18,197	**Opening General Fund and HRA balance**	**21,404**
3,207	**Surplus/Deficit on the provision of services**	**(1,065)**
21,404	**Closing General Fund and HRA balance**	**20,339**

4.3 – Note to the Expenditure and Funding Analysis

Adjustments for Capital Purposes 2016/17 £'000	Net Pensions Adjustments 2016/17 £'000	Other Adjustments 2016/17 £'000	Net Adjustments 2016/17 £'000		Adjustments for Capital Purposes 2017/18 £'000	Net Pensions Adjustments 2017/18 £'000	Other Adjustments 2017/18 £'000	Net Adjustments 2017/18 £'000
504	33	-	538	Community & Partnerships	1,193	23	-	1,216
1,370	288	-	1,658	Environmental Services	1,247	215	-	1,463
576	248	-	824	Finance & Administration	393	175	-	568
(42)	94	-	52	Housing & Economic Development	29	74	-	104
(1,879)	117	-	(1,762)	Housing Revenue Account	699	62	-	761
-	103	-	103	Non Distributed	-	1,279	-	1,279
530	**883**	**-**	**1,413**	**Net cost of Service**	**3,562**	**1,829**	**-**	**5,391**
(10,308)	981	1,710	(7,617)	Other Income and Expenditure	(10,726)	(206)	(325)	(11,257)
(9,779)	**1,864**	**1,710**	**(6,205)**	**Adjustment to the Surplus/Deficit on Provision of Services**	**(7,164)**	**1,623**	**(325)**	**(5,866)**

(7,900)	**1,747**	**1,710**	**(4,443)**	**Adjustments to the General Fund**	**(7,863)**	**1,561**	**(325)**	**(6,627)**
(1,879)	**117**	**-**	**(1,762)**	**Adjustments to the Housing Revenue Account**	**699**	**62**	**-**	**761**

5.0 – Notes to the Comprehensive Income and Expenditure Statement

5.1– Total Other Operating Expenditure

2016/17 £'000		2017/18 £'000
2,719	Parish Council Precepts	2,886
446	Payments to the Government Housing Capital Receipts Pool	427
(463)	(Gain)/Loss on the Disposal of Non-Current Assets	(738)
-	Other Non-Service Specific Expenditure	16
2,702	**Total Other Operating Expenditure**	**2,591**

5.2 – Total Financing and Investment Income and Expenditure

2016/17 £'000		2017/18 £'000
3,038	Interest Payable and Similar Charges	3,254
1,084	Pensions - Net Interest on the Defined Benefit Liability (Asset)	1,073
(204)	Interest Receivable & Similar Income	(1,758)
3,918	**Total Financing and Investment Income and Expenditure**	**2,569**

5.3 – Total Taxation and Non Specific Grants

2016/17 £'000		2017/18 £'000
	Council Tax Income	
(4,828)	- District Council element	(5,035)
(2,719)	- Town/Parish Councils element	(2,886)
	Business Rates Retention	
(2,407)	- District Council element of NNDR income in year	(2,313)
-	- Safety Net reimbursement / Levy payment due	141
(517)	- Section 31 funding from Central Government	(1,088)
	Collection Fund	
(100)	- Council Tax - Net value of estimated/actual income recognised in CI&E	(82)
1,092	- NNDR - Net value of estimated/actual income recognised in CI&E	768
	Non Ring fenced Government Grants	
(4,283)	- New Homes Bonus	(3,772)
(338)	- Supplementary Grants	(285)
	Other	
(684)	- Formula Funding from Central Government	(252)
(1,065)	- Capital Grants and Contributions	(1,159)
(15,849)	**Total Taxation and Non-Specific Grants Income**	**(15,963)**

5.4 - Subjective Analysis of Surplus/Deficit on the Net Cost of Services

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

2017/18	**GF Portfolio Analysis**	**HRA Portfolio Analysis**	**GF Amounts Not Reported to Management***	**HRA Amounts Not Reported to Management***	**Net Cost of Service**	**Corporate Amounts**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fees, Charges & Other Income	(7,641)	(15,306)	-	-	**(22,947)**	-	**(22,947)**
Interest & Miscellaneous Income	-	-	-	-	**-**	(49)	**(49)**
Income from Council Tax	-	-	-	-	**-**	(8,413)	**(8,413)**
Income from Business Rates	-	-	-	-	**-**	(2,082)	**(2,082)**
Government Grants, Funding & Contributions	(16,783)	(1)	-	-	**(16,784)**	(5,467)	**(22,251)**
Total Income	**(24,424)**	**(15,307)**	**-**	**-**	**(39,731)**	**(16,011)**	**(55,742)**
Employee Expenses	11,133	1,921	1,550	280	**14,884**	1,073	**15,957**
Other Service Expenses	24,846	2,462	1,170	32	**28,510**	15	**28,525**
Support Services Recharges - Charged	-	-	11,905	2,739	**14,644**	-	**14,644**
Support Services Recharges - Allocated	-	-	(13,894)	(750)	**(14,644)**	-	**(14,644)**
Depreciation, Amortisation & Impairment	-	-	1,693	645	**2,338**	-	**2,338**
HRA Self-Financing Interest	-	-	-	-	**-**	2,619	**2,619**
Other Interest Payable & Capital Financing	-	-	-	-	**-**	(1,073)	**(1,073)**
Precepts & Levies	-	-	-	-	**-**	2,886	**2,886**
Impairment & Gain/Loss on Disposal of Financial Asset	-	-	-	-	**-**	-	**-**
Gain/Loss on Disposal of Non-Current Assets	-	-	-	-	**-**	(738)	**(738)**
Payment to the Housing Capital Receipts Pool	-	-	-	-	**-**	427	**427**
Total Expenditure	**35,979**	**4,383**	**2,424**	**2,946**	**45,732**	**5,209**	**50,941**
(Surplus) / Deficit on the Provision of Services	**11,555**	**(10,924)**	**2,424**	**2,946**	**6,001**	**(10,802)**	**(4,801)**

2016/17	GF Portfolio Analysis	HRA Portfolio Analysis	GF Amounts Not Reported to Management*	HRA Amounts Not Reported to Management*	Net Cost of Service	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Income	(7,503)	(15,408)	-	-	**(22,911)**	-	**(22,911)**
Interest & Miscellaneous Income	-	-	-	-	**-**	(204)	**(204)**
Income from Council Tax	-	-	-	-	**-**	(6,171)	**(6,171)**
Income from Business Rates	-	-	-	-	**-**	(3,307)	**(3,307)**
Government Grants, Funding & Contributions	(17,310)	(4)	(736)	-	**(18,050)**	(6,371)	**(24,421)**
Total Income	**(24,813)**	**(15,412)**	**(736)**	**-**	**(40,961)**	**(16,053)**	**(57,014)**
Employee Expenses	10,428	1,792	663	135	**13,018**	1,087	**14,105**
Other Service Expenses	24,274	2,381	1,722	45	**28,422**	-	**28,422**
Support Services Recharges - Charged	-	-	12,387	2,629	**15,016**	-	**15,016**
Support Services Recharges - Allocated	-	-	(14,315)	(701)	**(15,016)**	-	**(15,016)**
Depreciation, Amortisation & Impairment	-	-	1,421	(2,085)	**(664)**	-	**(664)**
HRA Self-Financing Interest	-	-	-	-	**-**	2,627	**2,627**
Other Interest Payable & Capital Financing	-	-	-	-	**-**	411	**411**
Precepts & Levies	-	-	-	-	**-**	2,719	**2,719**
Impairment & Gain/Loss on Disposal of Financial Asset	-	-	-	-	**-**	-	**-**
Gain/Loss on Disposal of Non-Current Assets	-	-	-	-	**-**	(463)	**(463)**
Payment to the Housing Capital Receipts Pool	-	-	-	-	**-**	446	**446**
Total Expenditure	**34,702**	**4,173**	**1,878**	**23**	**40,776**	**6,827**	**47,603**
(Surplus) / Deficit on the Provision of Services	**9,889**	**(11,239)**	**1,142**	**23**	**(185)**	**(9,226)**	**(9,411)**

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

SECTION D – 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 2017/18 are detailed below.

6.1– Intangible Assets

2016/17 £'000		**2017/18 £'000**
655	**Gross Balance at 1 April**	**766**
143	Additions	26
(32)	Asset write out	(207)
766	**Gross Balance carried forward at 31 March**	**585**
(445)	**Amortisation as at 1 April**	**(489)**
(76)	Amortisation In Year	(84)
32	Amortisation write out	207
(489)	**Amortisation Balance carried forward 31 March**	**(366)**
277	**Net Value At 31 March**	**219**

7.0 – Property, Plant and Equipment

7.1 - Analysis of Property, Plant and Equipment

2017/18	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total £'000
Balance as at 1 April 2017	**322,547**	**31,976**	**11,228**	**541**	**853**	**5,740**	**372,885**
Revaluation Gain recognised in the Revaluation Reserve	15,774	4,671	-	-	-	-	20,445
Revaluation Loss recognised in the Revaluation Reserve	(6,531)	(498)	-	-	-	-	(7,029)
Revaluation recognised in the CIES	3,163	100	-	-	-	-	3,263
Additions	4,667	91	469	17	13	4,037	9,294
Disposals	(1,154)	-	(239)	-	-	-	(1,393)
Asset Impairment write out	-	-	(250)	-	-	-	(250)
Reclassification	2,645	-	-	-	-	(2,645)	-
Balance as at 31 March 2018	**341,111**	**36,340**	**11,208**	**558**	**866**	**7,132**	**397,215**
Accumulated Depreciation as at 1 April 2017	**(17,268)**	**(4,448)**	**(7,014)**	**(82)**	**(64)**	**-**	**(28,876)**
Depreciation In Year	(3,356)	(855)	(1,278)	(26)	(10)	-	(5,525)
Disposal Depreciation Write Outs	71	-	241	-	-	-	312
Depreciation Impairment Write Outs	-	-	258	-	-	-	258
Reclassification	-	-	-	-	-	-	-
Accumulated Depreciation as at 31 March 2018	**(20,553)**	**(5,303)**	**(7,793)**	**(108)**	**(74)**	**-**	**(33,831)**
Net Book Value as at 31 March 2018	**320,558**	**31,037**	**3,415**	**450**	**792**	**7,132**	**363,384**
Net Value as at 31 March 2017	**305,278**	**27,529**	**4,215**	**459**	**789**	**5,740**	**344,010**
Assets owned outright	320,558	13,610	2,671	450	428	7,132	**344,849**
Donated Assets	-	1,512	62	-	-	-	**1,574**
Finance lease on assets	-	-	-	-	364	-	**364**
Assets used under contractual PFI agreement	-	15,915	682	-	-	-	**16,597**
Total	**320,558**	**31,037**	**3,415**	**450**	**792**	**7,132**	**363,384**

2016/17	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 1 April 2016	**299,244**	**28,253**	**10,916**	**541**	**1,370**	**2,510**	342,834
Revaluation Gain recognised in the Revaluation Reserve	16,620	2,570	-	-	-	-	19,190
Revaluation Loss recognised in the Revaluation Reserve	-	(197)	-	-	-	-	(197)
Revaluation recognised in the CIES	5,342	656	-	-	-	-	5,998
Additions	3,611	315	751	-	50	3,230	7,957
Disposals	(2,271)	(187)	(302)	-	-	-	(2,760)
Asset Impairment write out	-	-	(137)	-	-	-	(137)
Reclassification	-	567	-	-	(567)	-	-
Balance as at 31 March 2017	**322,546**	**31,977**	**11,228**	**541**	**853**	**5,740**	**372,885**
Accumulated Depreciation as at 1 April 2016	**(14,128)**	**(3,695)**	**(6,210)**	**(56)**	**(55)**	**-**	**(24,144)**
Depreciation In Year	(3,255)	(737)	(1,216)	(26)	(24)	-	(5,258)
Disposal Depreciation Write Outs	114	-	275	-	-	-	389
Depreciation Impairment Write Outs	-	-	137	-	-	-	137
Reclassification	-	(16)	-	-	16	-	-
Accumulated Depreciation as at 31 March 2017	**(17,269)**	**(4,448)**	**(7,014)**	**(82)**	**(63)**	**-**	**(28,876)**
Net Book Value as at 31 March 2017	**305,277**	**27,529**	**4,214**	**459**	**790**	**5,740**	**344,009**
Net Value as at 31 March 2016	**285,116**	**24,558**	**4,706**	**485**	**1,315**	**2,510**	**318,690**
Assets owned outright	305,277	13,928	3,108	459	429	5,740	**328,941**
Donated Assets	-	1,116	82	-	-	-	**1,198**
Finance lease on assets	-	-	-	-	361	-	**361**
Assets used under contractual PFI agreement	-	12,485	1,024	-	-	-	**13,509**
Total	**305,277**	**27,529**	**4,214**	**459**	**790**	**5,740**	**344,009**

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.

2016/17 £ '000		2017/18 £ '000
96,578	**Opening Capital Financing Requirement as at 1 April**	**95,757**
	Capital Expenditure	
7,957	Property Plant and Equipment	9,295
143	Intangible Assets	26
298	Heritage Assets	52
-	Aspire Investment	47,473
1,768	Revenue Expenditure Funded from Capital Under Statute	1,202
10,166	**Total Capital Expenditure**	**58,048**
161	Increase in non-dwelling HRA assets not reversed to unusable reserves	(22)
161	**Sub Total**	**(22)**
	Financed By	
(78)	Usable Capital Receipts	(612)
(1,794)	Government Grants and Other Contributions	(741)
(4,119)	Capital Expenditure Financed from Revenue Contributions	(5,329)
(3,445)	Major Repairs Reserve	(3,556)
(1,712)	Minimum Revenue Provision	(2,403)
(11,148)	**Total Capital Financing**	**(12,641)**
95,757	**Closing Capital Financing Requirement as at 31 March**	**141,142**
	Explanation of Movement	
891	Increase in underlying need to borrow	47,788
(1,712)	Minimum Revenue Provision	(2,403)
(821)	**Increase / (decrease) in Capital Financing Requirement**	**45,385**

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 2017 £'000		31 March 2018 £'000
729	Saffron Walden Motte and Bailey	780
155	Museum Artefacts - Fine Arts Collection	155
884	**Total**	**935**

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 the Council's 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 £0.5million 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 the Council are only holding the Fine Arts Collection on the Balance Sheet.

7.4 – Significant Commitments under Capital Contracts

As at 31st March 2018, the Council has the following contractual obligations for capital expenditure:

	Work in progress 31 March 2018 £'000	Total remaining commitment £'000
Capital Scheme		
Housing		
Reynolds Court	5,622	1,565
Hatherley Court	825	961
Total	**6,447**	**2,526**

8.0 – Other Long Term Assets

8.1 – Long Term Investments

The Council has one long-term investment totalling £47.4million over a fifty year period to Aspire (CRP) Ltd, the Council's wholly owned subsidiary, to enable an investment into Chesterford Research Park.

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. As at 31st March 2018 the Council had a further £75,000 long-term debtor as part of the Private Lease Agreements Converting Empties scheme (PLACE).

9.0 – Current Assets

9.1 – Inventories (Stock)

31 March 2017 £'000		31 March 2018 £'000
45	Housing Stores	48
45	**Total**	**48**

9.2 – Debtors

31 March 2017 £'000		31 March 2018 £'000
560	Central Government Bodies	271
873	Other Local Authorities	439
3,311	Other Entities and Individuals	5,250
4,744	**Total**	**5,960**

For details of the movement in the debtors, please refer to the Narrative Report.

9.3 – Impairment Allowances (for Non-Collection)

31 March 2017 £'000		31 March 2018 £'000
(183)	Non Domestic Rates	(296)
(144)	Council Tax	(144)
(275)	Housing Rents	(227)
(674)	Overpaid Benefit	(762)
(22)	Sundry Debtors	(28)
(1,298)	**Total**	**(1,457)**

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 £11.5million in short term investments which is detailed in Section 18 – Financial Instruments.

9.5 – Cash and Cash Equivalents

31 March 2017 £'000		31 March 2018 £'000
845	Net Cash Equivalent as per balance sheet	1,818
(206)	Receipts Accounts - Cash in Transit	(59)
(6)	Payments Accounts - Cash in Transit	(5)
633	**Total**	**1,754**

10.0 – Current Liabilities

10.1 – Creditors

31 March 2017 £'000		31 March 2018 £'000
756	Central Government Bodies	784
1,183	Other Local Authorities	966
3,439	Other Entities and Individuals	5,314
5,378	**Total**	**7,064**

For details of the movement in the creditors, please refer to the Narrative Report.

10.2 – Provisions

31 March 2017 £'000		In year Provision created £'000	Provision Applied £'000	31 March 2018 £'000
245	Legal	-	-	245
53	New Homes Bonus - Parish Councils	-	(4)	49
849	NNDR Appeals	1,636	(800)	1,685
1,147	**Balance as at 31 March**	**1,636**	**(804)**	**1,979**

The total provision available for NNDR appeals as at 31st March 2018 is £4.212million; the above table reflects the Council's share of the provision at a value of £1.685million.

11.0 – Long Term Liabilities

11.1 – Long Term Borrowing

The long term borrowing consists of two elements; borrowing for the Housing Revenue Account and for Aspire (CRP) Ltd for the investment in Chesterford Research Park.

The Council was required to borrow £88.407million on the 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 this gives details of income, expenditure, financing and repayments.
The Council has set up a subsidiary company (Aspire (CRP) Ltd) to undertake an investment in Chesterford Research Park, to enable the investment the council has committed to a forward starting loan totalling £37million. In 2017-18 the first element of the loan was drawn down totalling £10million. The borrowing will be drawn down to reduce internal cash balances loaned to Aspire (CRP) Ltd over a three year period with the second draw down in 2020-21 of £12million and the final element of £15million in 2021-22. The first element has been adjusted using hedge accounting on the Balance Sheet to £10.4million. For further information on this please refer to Section 18 Financial Instruments.

The maturity profile of the debt is detailed in Note 18.7 - Financial Instruments.

11.2 – Deferred Liabilities

2016/17 £'000		2017/18 £'000	1 Year £'000	2 - 5 Years £'000	6 - 10 years £'000	11 - 15 years £'000	16 - 20 years £'000
	Leisure - PFI						
4,956	Opening balance	4,852	4,740	4,619	4,024	2,957	1,368
(104)	Principal repayment	(112)	(121)	(595)	(1,067)	(1,589)	(1,368)
4,852	**Closing Balance**	**4,740**	**4,619**	**4,024**	**2,957**	**1,368**	**-**
4,852	**Deferred Liabilities as at 31 March**	**4,740**	**4,619**	**4,024**	**2,957**	**1,368**	**-**

11.3 – Creditor – Grants and Contributions with Conditions

	31 March 2017 £'000	Income £'000	Adjustment £'000	Drawn Down - Capital £'000	Drawn Down - Revenue £'000	31 March 2018 £'000
S106 Receipts in Advance						
Priors Green, Takeley	146	-	17	-	-	163
Felsted	10	-	-	-	-	10
Rochford Nurseries/Foresthall Park, Stansted	763	-	(130)	(317)	-	316
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
Land adjacent to S/W Hospital	31	-	-	-	-	31
Land at Blossom Hill Farm, Henham	33	-	-	-	-	33
Land at Webb & Hallett Road, Flitch Green, Felsted	33	-	-	-	-	33
Land south side of Radwinter Road	-	49	-	-	-	49
SUB TOTAL	**1,242**	**49**	**(113)**	**(317)**	**-**	**861**
Capital Grants - Receipts in Advance						
Heritage Quest Centre Grants	26	-	-	-	-	26
PLACE Scheme	-	75	-	-	-	75
SUB TOTAL	**26**	**75**	**-**	**-**	**-**	**101**
Grants and Contributions with Conditions	**1,268**	**124**	**(113)**	**(317)**	**-**	**962**

11.4 – Creditor – Grants and Contributions to Other Bodies

	31 March 2017 £'000	Income £'000	Adjustment £'000	Transferred to other bodies £'000	31 March 2018 £'000
S106 Receipts in Advance					
Sector 4 Woodlands Park (Helena Romanes School)	165	-	-	-	165
Brewers End, Takeley	31	-	-	-	31
Land adj Hailes Wood, Elsenham	10	-	-	-	10
Land at Flitch Green, Felsted	67	-	-	-	67
Land adjacent to S/W Hospital	16	152	-	(152)	16
Land south of Foxley House, Rickling Green	-	20	-	(20)	-
Ashdon Road Commercial Centre	129	867	-	(861)	135
Land south of Stansted Road, Elsenham	53	380	-	(380)	53
Land south of Ongar Road, Dunmow	45	-	-	(28)	17
Land at 119 Radwinter Road, adj S/W Hospital	15	-	-	-	15
Land North of Ongar Road, Gt Dunmow	143	82	-	(204)	21
Willow Tree Cottage/The Acorns Takeley	17	-	(17)	-	-
Land at Bury Water Lane, Newport	-	551	-	(522)	29
Land at the north side of Stansted Road, Elsenham	-	675	-	(675)	-
Elms Farm, Stansted	-	236	-	(236)	-
Land south side of Radwinter Road	-	36	-	-	36
Land and Buildings at the Maltings, Mill End, Thaxted	-	118	-	(118)	-
Land at Elsenham Nurseries	-	196	-	(182)	14
Bury Water Lane, Newport	-	26	-	-	26
Grants and Contributions to Other Bodies	**691**	**3,339**	**(17)**	**(3,378)**	**635**

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 notes 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 B 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 B notes 3.1-3.7.

SECTION E – CASH FLOW STATEMENT

13.0 – Cash Flow Activities

13.1 – Cash Flow Statement – Operating Activities

2016/17 £'000		2017/18 £'000
9,413	**Net surplus/(deficit) on the provision of services**	**4,801**
	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	
5,258	Depreciation	5,516
(5,837)	Impairment and downward valuations	(3,241)
77	Amortisation	84
-	Adjustments for effective interest rates	(7)
362	Increase/(decrease) in creditors	735
38	(Increase)/decrease in debtors	(1,120)
7	(Increase)/decrease in inventories	(4)
1,864	Pension liability	1,623
(3,384)	Contribution to provisions	832
2,370	Carrying amount of non-current assets sold	1,081
755	**Total**	**5,499**
(4,635)	Adjustments for items included in the net (deficit) on the provision of services that are investing or financing activities	(2,993)
5,533	**Net cash flows from operating activities**	**7,307**

13.2 – Cash Flow Statement – Investing Activities

2016/17 £'000		2017/18 £'000
	Purchase of property, plant and equipment, investment property and intangible assets	
(8,680)	& movement in capital creditor	(10,251)
6,000	Movements in net short term investments	(30,973)
-	Other payments for investing activities	(75)
2,834	Proceeds from sale of property, plant and equipment	1,804
2,047	Capital grants received	806
2,201	**Total Cash Flows from Investing Activities**	**(38,689)**

13.3 – Cash Flow Statement – Financing Activities

2016/17 £'000		2017/18 £'000
-	Movement in short and long-term borrowing	31,877
(7,292)	Billing Authorities - Council Tax & NNDR Adjustment	741
(283)	Cash Payments for the Reduction of the outstanding Liabilities	(116)
(7,575)	**Total Cash Flows from Financing Activities**	**32,502**

13.4 – Cash Flow Statement – Cash and Cash Equivalents

2016/17 £'000		2017/18 £'000	Movement in year £'000
633	Cash and Bank Balances	1,753	1,120
633	**Total Cash and Cash Equivalents**	**1,753**	**1,120**

13.5 – Cash Flow Statement – Interest on Balances

2016/17 £'000		2017/18 £'000
3,039	Interest paid	3,206
(148)	Interest received	(54)
2,891	**Net Interest Paid**	**3,152**

SECTION F – 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 1Life 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 £15.9million.

The contract was operational from the financial year 2003/04 and runs for a period of 32 years (ending 2035/36) leaving 18 years outstanding. The total contract payments estimated at the time of entering into the contract £39.9million. Actual payments are dependent on the service provided. The remaining capital liability as at the balance sheet date is £4.740million. (Note 11.2). The figures have been updated in line with RPI.
The PFI unitary charge has been forecast to increase by an average RPI of 3% to the end of the PFI contract. This reflects the latest short to medium term forecasts released by government and independent inflation forecasters.

2016/17 £'000		2017/18 £'000	1 Year £'000	2 - 5 years £'000	6 - 10 years £'000	11 - 15 years £'000	16 - 20 years £'000
1,040	**Leisure PFI - Unitary charge**	**1,056**	**1,098**	**4,669**	**6,521**	**7,395**	**4,914**
104	Capital Repayment	112	121	595	1,067	1,589	1,368
411	Interest Expense	403	393	1,463	1,506	984	216
216	Contingent Rent	268	291	1,319	2,090	2,772	2,282
309	Services	273	293	1,292	1,858	2,050	1,048
1,040	**Total Unitary Charge**	**1,056**	**1,098**	**4,669**	**6,521**	**7,395**	**4,914**

15.0 – Members, Officers and Related Parties

15.1 – Members Allowances

The Local Government Act 2000 and the Local Government (Members Allowances) Regulation 2003 require 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 2017/18.
The total Members allowances paid in 2017/18 was £283,808 (£272,926 for 2016/17), these are detailed below.

2016/17 £'000		2017/18 £'000
	Allowance:	
195	Basic Allowance	198
3	Group Leaders Allowances	4
63	Special Responsibility Allowances	69
12	Travel and Subsistence	13
-	Employers Pension Contribution	-
273	**Total**	**284**

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.

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 from the Council's website.

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.

The Director of Finance and Corporate Services, Assistant Director of Corporate Services and Assistant Director ICT and Facilities are all Directors of the Council's wholly owned subsidiary Companies. Further information relating to the company can be found in the narrative report and the Group Accounts.

There are no other 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 the narrative report.

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, 40% of the facility is for the use of community residents. To protect the Council's interest two Council Members have a seat on the organisation's 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. The last two years grant distributions have been as follows:
  Citizens Advice Bureau – 2017/18 - £40,488
  2016/17 - £43,388

- 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 standards, 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;
  2017/18 - £311,623 + £448,557 impairment to land and buildings for the Museum Store
  2016/17 - £295,804

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.
  The Council's contribution for 2017/18 was £5,000 (£5,000 for 2016/17).

- Community Safety Partnership
  The 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 2017/18 the gross income of the partnership was £83,377 and expenditure £16,435 (£73,438 and £11,754 respectively for 2016/17). The unspent income has been carried forward and will contribute towards the costs of the partnership's strategic vision.

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 District Council with effect from the 1st April 2011. The Partnership also operates the Councils' off street pay and display car parks for Colchester, Braintree, Harlow, Uttlesford 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	**2016/17**	106,050	-	-	-	-	**106,050**	16,650	**122,700**
	2017/18	109,080	-	-	-	-	**109,080**	18,325	**127,405**
Director of Public Services	**2016/17**	84,237	-	-	-	-	**84,237**	13,225	**97,462**
	2017/18	86,860	-	-	-	-	**86,860**	14,592	**101,452**
Director of Finance and Corporate Services	**2016/17**	93,824	-	-	-	-	**93,824**	13,225	**107,049**
	2017/18	86,860	-	-	-	-	**86,860**	14,592	**101,452**
Assistant Director - Corporate Services	**2016/17**	56,181	-	-	-	-	**56,181**	8,820	**65,001**
	2017/18	66,660	-	-	-	-	**66,660**	11,199	**77,859**
Assistant Director - Housing and Environmental Services	**2016/17**	56,181	-	-	-	-	**56,181**	8,820	**65,001**
	2017/18	66,660	-	-	-	-	**66,660**	11,199	**77,859**
Assistant Director - Planning and Building Control	**2016/17**	52,000	-	-	-	-	**52,000**	8,164	**60,164**
	2017/18	66,660	-		-	-	**66,660**	11,199	**77,859**
Assistant Director - Resources	**2016/17**	56,181	-	-	-	-	**56,181**	8,820	**65,001**
	2017/18	66,660	-	-	-	-	**66,660**	11,199	**77,859**
Assistant Director - ICT and Facilities	**2016/17**	56,181	-	-	-	-	**56,181**	8,820	**65,001**
	2017/18	66,660	-	-	-	-	**66,660**	11,199	**77,859**
Assistant Chief Executive - Legal(*)	**2016/17**	26,410	-	-	-	-	**26,410**	4,146	**30,556**
Assistant Director - Governance and Legal(**)	**2017/18**	11,110	-	-	-	-	**11,110**	1,866	**12,976**

(*) Assistant Chief Executive – Legal post vacant from 6th August 2016, following re-structure post deleted and replaced with Assistant Director – Governance and Legal
(**) Assistant Director – Governance and Legal post appointed 1st February 2018 at an annualised salary of new appointment £66,660

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) are shown in the table below.

No. of Employees 2016/17	Remuneration Band	No. of Employees 2017/18
1	£50,000 - £54,999	5
4	£55,000 - £59,999	-
-	£65,000 - £69,999	5
1	£80,000 - £84,999	-
-	£85,000 - £89,999	2
1	£90,000 - £94,999	-
1	£105,000 - £109,999	1
8	**Total**	**13**

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 Assistant Director – Governance and Legal was appointed 1st February 2018 and therefore does not meet the criteria to be included in this table.

15.5 – Termination Benefits

The Council terminated the contracts of 2 employees in 2017/18 (6 in 2016/17) incurring liabilities of £7,077 (£77,838 in 2016/17). The table below identifies the number of exit packages in bands of £20,000.

2016/17 Number of Compulsory Redundancies	2016/17 Number of other Departures Agreed	2016/17 Total Number of Exit Packages	Exit Package Cost Band	2017/18 Number of Compulsory Redundancies	2017/18 Number of other Departures Agreed	2017/18 Total Number of Exit Packages
1	3	4	£0 - £20,000	-	2	2
-	2	2	£20,001 - £40,000	-	-	-
1	**5**	**6**	**Total Number of Packages**	**-**	**2**	**2**
3,468	**74,370**	**77,838**	**Total Cost (£)**	**-**	**7,077**	**7,077**

16.0 – Fees Payable

16.1 – External Audit Fees Payable

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

2016/17 £'000		2017/18 £'000
66	Fees payable in relation to External Audit Services carried out by the appointed Auditor	53
25	Fees payable in relation to Certification of Grant Claims and Returns	23
7	Fees payable in relation to other audit services	4
98	**Total**	**80**

Audit fees have not changed, the differences in the yearly totals are due to an accounting adjustment in 2016-17 figures from 2015/16.

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. Under regulation the actuarial valuation of the fund is undertaken every three years the reported financial year is the second year as a result of the actuarial valuations and the next valuation of the fund will be carried out as at 31st March 2019 and will set contributions for the period 1st April 2020 to 31st March 2023.

The Pension Scheme has been calculated based on the revised IAS19 standard.

The Council currently has 997 members enrolled in the pension scheme, of which an assumption has been made by the Actuary that members will exchange half of their commutable pension for cash at retirement and that the proportion of active members who opted to pay 50% of contributions for 50% of benefits at the last valuation date remains the same.

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).

2016/17 £'000		**2017/18 £'000**
2,110	Current service cost	3,265
1,059	Net interest on the Defined Liability/Asset	1,049
25	Administration cost	24
3,194	**Net Charge to Comprehensive Income and Expenditure Statement**	**4,338**
1,865	**Reversal of Net Charge made for retirement benefits in accordance with IAS19**	**1,623**
	Actual amount charged against Council Tax for Pensions in the year:	
1,205	Employer contributions to the Pension Fund	1,425
-	Deficit contribution payments	1,177
19	Contributions to the Pension Fund in respect of early retirement	14
105	Added Years discretionary payments	102
1,329	**Payments to the Pension Fund During the Year**	**2,718**
3,194	**Total**	**4,341**

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 2018 are as follows:

2016/17 £'000		2017/18 £'000
89,453	**Present Value of Scheme Obligation at 1 April**	**109,030**
2,095	Current cost of service	3,248
3,086	Interest cost	2,913
18,822	Change in financial assumptions	(3,935)
(2,131)	Change in demographic assumptions	-
288	Experience gain on defined benefit obligation	-
(3,015)	Benefits/transfers paid	(2,768)
15	Past service cost and curtailments	17
522	Contributions by scheme participants	572
(105)	Unfunded pension payments	(102)
19,577		**(55)**
109,030	**Present Value of Scheme Obligation as at 31 March**	**108,975**

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)	113,089	108,975	105,015
Rate of increase in salaries (increase/decrease by 0.1%)	109,141	108,975	108,810
Rate of increase in pensions (increase/decrease by 0.1%)	110,719	108,975	107,261
Rate for discounting scheme liabilities (increase/decrease by	107,101	108,975	110,883

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 2018 are as follows:

2016/17 £'000		2017/18 £'000
58,552	**Fair Value of Scheme Assets as at 1 April**	**68,827**
2,027	Interest on assets	1,864
9,303	Return on assets less interest	3,149
238	Other actuarial gains/(losses)	-
(25)	Administration expenses	(27)
1,330	Contributions by employer including unfunded	2,715
522	Contributions by scheme participants	572
(3,120)	Estimated benefits paid plus unfunded net of transfers in	(2,870)
10,275		**5,403**
68,827	**Fair Value of Scheme Assets as at 31 March**	**74,230**

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 2017/18 of £34.745million (£40.203million in 2016/17) 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.

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Estimated Liabilities in the Scheme	(77,229)	(89,708)	(89,453)	(109,030)	(108,975)
Estimated Assets in the Scheme	50,877	58,174	58,552	68,827	74,230
Net (Deficiency) in the Fund	**(26,353)**	**(31,535)**	**(30,901)**	**(40,203)**	**(34,745)**

17.7 – Basis for Estimating the Pension Scheme Assets and Liabilities

These assumptions are set with reference to market conditions as at 31st March 2018.
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.

2016/17		2017/18
	Mortality Assumptions:	
	Longevity at 65 for future pensioners (Years)	
24.3	Men	24.4
26.9	Women	27
	Financial Assumptions:	
3.60%	Rate of Inflation - RPI	3.35%
2.70%	Rate of Inflation - CPI	2.35%
4.20%	Rate of Increase in Salaries (reflects long term salary growth assumptions)	3.85%
2.70%	Rate of Increase in Pensions	2.35%
2.70%	Rate of Discounting Scheme Liabilities	2.55%
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 2018 are detailed below;

31 March 2017 £'000	%		31 March 2018 £'000	%
47,010	68%	Equity Investments	48,446	65%
2,604	4%	Gilts	4,938	7%
2,797	4%	Other Bonds	2,758	4%
6,696	10%	Property	7,041	9%
2,072	3%	Cash	2,553	3%
4,590	7%	Alternative Assets	5,483	7%
3,058	4%	Other managed funds	3,011	4%
68,827	**100%**	**Total**	**74,230**	**100%**

17.9 – History of Actuarial Gains and Losses

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Return on plan assets in excess of interest	1,925	4,823	(465)	9,303	3,149
Asset Gain/(Loss)	(1,186)	219	-	238	-
Liability Gain/(Loss)	2,544	(44)	5	(288)	-
Change in Demographic Assumptions	4512	-	-	2,131	-
Change in Assumptions	(834)	(9,729)	3,038	(18,822)	3,935
Net Actuarial Gain/(Loss)*	**6,961**	**(4,731)**	**2,578**	**(7,438)**	**7,084**

*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 2018. 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. See Note 3.5 for the reserve balance as at 31st March 2018.

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 Instruments Classifications

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

Financial Liabilities

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

- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities
- Private finance initiative contracts detailed in note 11.2
- Trade payables for goods and services received

The council also held derivative financial liabilities that are measured at fair value through profit and loss comprising:

- Forward contracts on fixed rate loans where interest rates have moved in the other party's favour since the contract was agreed

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are held under the following 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
- loans to small companies
- trade receivables for goods and services delivered

18.1 - Financial Instruments – Balances

Long Term Financial Instruments			Short Term Financial Instruments	
As at 31 March 2017	As at 31 March 2018		As at 31 March 2017	As at 31 March 2018
Book Value	Book Value		Book Value	Book Value
£'000	£'000		£'000	£'000
		Financial Assets, Loans and Receivables:		
1,174	1,249	Debtors (Contractual)	781	578
-	-	Short term investments*	28,000	11,500
-	47,473	Long-term investments	-	-
-	-	Cash and Cash Equivalents **	633	1,757
1,174	**48,722**	**Total**	**29,414**	**13,835**
		Financial Liabilities at Amortised Cost:		
-	-	Creditors (Contractual)	(1,054)	(813)
-	-	Short-term borrowing***	-	(23,500)
(88,407)	(96,846)	Long-term loans borrowed	-	-
(4,740)	(4,740)	Deferred Liabilities - PFI	(112)	(112)
(93,147)	**(101,586)**	**Total**	**(1,166)**	**(24,425)**
(91,973)	**(52,864)**	**Net Total**	**28,248**	**(10,590)**

* As at 31st March 2018, £6million is invested with Leeds City Council, £2million is invested with Blackpool Borough Council, £1.5million with Kingston upon Hull City Council. The Council also have £1million with CCLA Money Market fund and £1million in an interest bearing current account with Barclays Bank. 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.

*** As at 31st March 2018, £5million is borrowed from Sedgemoor District Council, £5million Wirral Metropolitan Borough Council, £3.5million from Neath Port Talbot County Borough Council, £4million from London Borough of Havering and £6million from Derbyshire County Council Pension Fund.

18.2 - Long-term Borrowing

The long term borrowing consists of two elements; borrowing for the Housing Revenue Account and for Aspire (CRP) LTD for the investment at Chesterford Research Park.

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; this financial year was the first year of principle repayment. The Housing revenue Account maintains a 30 years rolling business plan as part of the council's financial planning this gives details of income, expenditure, financing and repayments.

The Council has set up a subsidiary company (Aspire (CRP) Ltd) to undertake an investment in Chesterford Research Park. To enable the investment the Council has committed to a forward starting loan totalling £37million. In 2017-18 the first element of the loan was drawn down totalling £10million with a value on the balance sheet of £10.4million due to accounting adjustments for more information on Hedge Accounting please see note 18.4. The borrowing will be drawn down to reduce internal cash balances loaned to Aspire (CRP) Ltd over a three year period with the second draw down in 2020-21 of £12million and the final element of £15million in 2021-22.

The maturity profile of the debt is detailed in Note 18.7 Financial Instruments.

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:

2016/17		2017/18	2017/18	2017/18
		Financial Assets	Financial Liabilities	
£'000		£'000	£'000	£'000
3,038	Interest Expenses	-	3,267	3,267
3,038	**Interest Payable and Similar Charges**	**-**	**3,267**	**3,267**
(143)	Interest and Investment Income	(1,771)	-	(1,771)
(143)	**Interest Receivable and Similar Income**	**(1,771)**	-	**(1,771)**
2,895	**Net (Gains)/Loss for the Year**	**(1,771)**	**3,267**	**1,496**

18.4 - Financial Instruments – Fair Values

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at fair value. For most assets including shares in money market funds, the fair value is taken from the market price.

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 2018, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of the 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 given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g non-market data such as cash flow forecasts or estimated creditworthiness

Hedge Accounting

The Council hedged its exposure to interest rate risk on borrowing during the year by arranging £27million of fixed rate loans with forward starts in the 2020/21 and 2021/22 financial years. It has designated an “all-in-one” cash flow hedge of the variability of the consideration to be received upon recognising the loans by designating the embedded forward contracts as the hedging instruments.

Due to the decrease in interest rates since the loans were arranged, the hedging instruments are accounted for as liabilities with a fair value of £0.842million (2017: £nil). £1.227million (2017: £nil) was recognised in Other Comprehensive Income during the year, £nil (2017: £nil) was recycled from reserves to the surplus/deficit on the Provision of Services, and £nil (2017: £nil) was recognised in the surplus/deficit on the Provision of Services due to hedge ineffectiveness.

Balance Sheet 31 March 2017 £'000	Fair Value 31 March 2017 £'000		Fair Value Level	Balance Sheet 31 March 2018 £'000	Fair Value 31 March 2018 £'000
		Financial Liabilities held at amortised cost:			
(88,407)	(103,116)	Long-term loans borrowed	2	(96,845)	(108,402)
(4,853)	(7,954)	PFI scheme liabilities	2	(4,740)	(7,494)
(93,260)	**(111,070)**	**Total**		**(101,585)**	**(115,896)**
-		**Liabilities for which fair value is not disclosed***			
(1,054)	-	Creditors (contractual)		(813)	-
-	-	Short-term borrowing		(23,500)	-
(1,054)	**-**	**Total**		**(24,313)**	**-**
-	-	Financial assets held at amortised cost:			
-	-	Long-term investment	2	47,473	49,790
-	-	**Total**		**47,473**	**49,790**
		Assets for which fair value is not disclosed*			
28,000	-	Short-term investments		11,500	-
633	-	Cash & cash equivalents		1,754	-
781	-	Debtors (contractual)		578	-
29,414	-	**Total**		**13,832**	-

*The fair value of short-term financial assets and liabilities held at amortised cost, including trade payables, is assumed to be approximate to the carrying amount.

18.5 - Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities (both revised in December 2017).

In line with 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 the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that an unplanned 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.

A limit of £3million or 5% of the total portfolio was placed on the money that can be invested with a single counterparty (other than UK government and local authorities). For unsecured investments in banks and building societies, a smaller limit of £1million applies.

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.

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 2018.

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 £0.255million (Housing Rent and Sundry Debtors) as at 31st March 2018 (£0.297million as at 31 March 2017) 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 Note 3.3 for details

Debt Outstanding 31 March 2017 £'000		**Debt Outstanding 31 March 2018 £'000**
1,174	Rents to Mortgages	1,205
1,174	**Total**	**1,205**

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, however the Council has no plans to refinance.

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

	Maturity	31 March 2018 £'000	% of total debt portfolio
Long Term Borrowing			
	1 to 5 years	10,905	8.84%
	6 to 10 years	18,310	14.84%
	11 to 15 years	22,815	18.49%
	16 to 20 years	26,397	21.39%
	21 to 25 years	25,475	20.64%
	26 to 30 years	5,841	4.73%
	31 to 35 years	6,732	5.46%
	36 to 40 years	6,933	5.62%
Total Long Term Borrowing		**123,408**	**100.00%**

18.8 – Financial Instruments - Market Risks

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its short-term 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

Investments classed as "loans and receivables" and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or deficit on the Provision of Services.

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 2018, £131.5million (£50.407million as at 31st March 2017) of net principal borrowed (i.e debt net of investments),was exposed to fixed rates and £8million (£10million as at 31st March 2017) to variable rates.

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.

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 Draft Statement of Accounts was authorised for issue by the Director of Finance and Corporate Services on 25th May 2018. 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 that existed as at 31st March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

At the date of publication there were no events after the reporting period.

19.2 – Contingent Liabilities

There is currently a challenge in relation to business rate matters which may give rise to costs depending on the outcomes. It is not practicable to estimate the financial effect or timing of these issues as they are too remote at this stage.
The Council has one potential legal claim the details of which are commercially sensitive. At the Balance Sheet date it is not possible to determine whether the Council has a possible obligation and the amount of the obligation cannot be measured reliably.

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 2017/18 the Council received £16.849million in grants and donations (2016/17 £17.386million) made up of £6.272million relating to Housing Benefits Allowance Subsidy, £9.133million Housing Benefits Rent Rebates Subsidy and a remaining balance of other items totalling £1.444milllion (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.

19.4 – Un-adopted Accounting Policies

There are a number of changes to the following years accounting code (2018/19) these are:

- IFRS 9 – Financial Instruments; there will be no requirement for the preceding year to be restated. The Council will adopt IFRS 9 Financial instruments with effect from 1st April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The Council does not expect the reclassification to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis.

The Council does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets.

- IFRS 15 – Revenue from Contracts with Customers, presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have restate prior years in the year of adoption if revenue streams are related and material.
- IAS 7 – Statement of Cash Flows: Disclosure Initiative will potentially require some additional analysis of Cash Flows from Financing Activities at Note 13.3 in future years.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).
- IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value. Neither of the Council's subsidiary companies in the Group Accounts has such debt instruments.

These have no impact to the 2017/18 accounts.

19.5 – Critical Judgements in Accounting Policies

In applying the accounting policies set out above the authority has had to make certain judgements about complex transaction or those involving uncertainty about future events. The critical judgements made in the accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close the facilities and reduce levels of provision.

19.6 – Assumptions made about the Future and Other Sources of Estimation

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Property, Plant and Equipment	Depreciation and amortisation are provided for Property, Plant and Equipment and Intangible Assets respectively. This enables the assets to be written down over their estimated useful lives and show an appropriate cost of the asset in the Comprehensive Income and Expenditure Statement. Management judgment based on independent external advice is used to determine the useful economic lives of the Council's Property.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets fall. The net book value of the Authority's property, plant and equipment assets is £361m as at 31 March 2018; of this, £98m relates to land which is not subject to depreciation and is considered to have an infinite life. Vehicle, plant and equipment assets account for £3.4m with asset lives between 5 and 15 years. If the asset lives are reduced by 1 year across vehicle, plant and equipment it is estimated that depreciation would increase by £359,675. For buildings, the asset life is up to 60 years unless the asset has major components which are depreciated separately. It is estimated that if the asset life for buildings reduced by 1 year, depreciation would increase by £49,739 and the value of the asset decrease.
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 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. Land and Buildings are aubject to market value movements all other assets are held at depreciated historic cost.The HRA housing stock (Dwellings) are 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. Please reference table 17.4 for the affect on the scheme obligations.
Arrears	At 31 March 2018, the Council had a balance of £5.96m for debtors. A review of balances suggested that an impairment of doubtful debts of £1.5m was appropriate	If collection rates were to deteriorate and sundry debt increased with the same debt profile, an additional contribution would be required to be set aside as an allowance. This is deemed non material for the Council's accounts.
NNDR Appeals	At 31 March 2018, 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.

Comprehensive Income and Expenditure Statement

2016/17 £'000		2017/18 £'000
	Income	
(14,315)	Dwelling Rents	(14,223)
(202)	Non-Dwelling Rents	(197)
(872)	Charges for Services and Facilities	(879)
(23)	Contributions towards Expenditure	(7)
(15,412)	**Total Income**	**(15,306)**
	Expenditure	
2,817	Repairs and Maintenance	3,391
2,799	Supervision and Management	2,290
434	Rents, Rates, Taxes and other Charges	489
3,270	- Dwellings	3,356
149	- Other Non-Current Assets	183
(5,504)	Impairment of Non-Current Assets	(2,894)
-	Minimum Revenue Provision (HRA Loan)	2,000
(131)	Movement in Bad Debt Provision	(48)
45	Revenue Expenditure Funded from Capital Under Statute (REFFCUS)	32
3,879	**Total Expenditure**	**8,799**
(11,532)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**	**(6,507)**
334	HRA Services Share of Corporate and Democratic Core	348
(17)	HRA Share of other amounts included in the Whole Authority Net Cost of Services but not allocated to Specific	(17)
(11,215)	**Net Expenditure/(Income) on HRA Services**	**(6,176)**
(15)	Loss/(gain) on Sale of HRA Non-Current Assets	(294)
2,627	Interest payable and similar charges	2,619
(60)	Interest and Investment Income	(34)
178	IAS 19 Pensions - Net Interest on Defined Assets/Liabilities	383
(202)	Capital Grant and Contributions	(83)
(8,687)	**(Surplus)/Deficit for the year on HRA Services**	**(3,585)**

20.0 – Movement in HRA Reserves

2016/17 £'000		2017/18 £'000
463	**Balance on HRA working balance at the end of the previous year**	**498**
8,687	Surplus for the year on the HRA Comprehensive Income and Expenditure Account	3,585
(8,380)	Adjustments between accounting basis and funding basis under statute (as per 20.1)	(7,374)
307	**Net increase or (decrease) in year on the HRA**	**(3,789)**
(272)	Transfers to/from Earmarked Reserves	3,812
35	**Increase or (decrease) in year on the HRA Working Balance**	**26**
498	**Balance on the HRA at the end of the current year**	**524**

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

2016/17 £'000		2017/18 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the Year	
15	Gain/(loss) on Sale of HRA Non-Current Assets and Right to Buy Pooling	294
5,342	Impairment of Non-Current Assets	2,872
(45)	Amounts treated as revenue expenditure in accordance with the 'Code' but which are classified as capital expenditure by statute	(32)
201	Reversal of Non Specific Grants	83
(295)	Net Charges made for Retirement Benefits in accordance with IAS 19	(245)
	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the Year	
3,184	Capital Expenditure funded by the HRA	4,416
(22)	Right to Buy Administration Costs Allowance	(14)
8,380	**Adjustments between accounting basis and funding basis under statute**	**7,374**

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. For the year 2017/18 an average of 1.88% of properties were vacant (2.28% 2016/17) a decrease over the year due to previous void properties being rentable. The actual average rent for all stock was £98.24 per week in 2017/18 (£98.40 in 2016/17) leading to an actual gross rental income for dwelling rents of £14.22million for 2017/18 (£14.32million in 2016/17).

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 2017/18 accounts reflect related interest costs payable of £2.619million (£2.627million in 2016/17) and the first principle repayment of £2million.

21.4 – Housing Stock

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

31 March 2017 No. of Properties		31 March 2018 No. of Properties
706	Flats	704
754	Bungalows	753
1,321	Houses	1,315
2,781	**Total Properties**	**2,772**

The movement between 2016/2017 and 2017/2018 housing stock comprises of the following:

- 2 Sales of Flats under Right to Buy
- 1 Sale of Bungalows under Right to Buy
- 6 Sales of Houses under Right to Buy

21.5 – Rent Arrears

2016/17 £'000		2017/18 £'000
	Arrears due from:	
311	- Current Tenants	268
71	- Former Tenants	63
382	**Total Rent Arrears**	**331**
2.7%	Total as a % of Gross Debt	2.3%

21.6 – Balance Sheet Value of Housing Revenue Assets

31 March 2017 £'000		31 March 2018 £'000
305,278	Dwellings	320,558
2,001	Garages	1,569
1,100	Temporary Accommodation	1,085
281	Vehicles, Plant, Equipment and Intangibles	209
1,107	Other Land and Buildings	271
5,732	Assets Under Construction	7,027
315,499	**Total HRA Asset Value**	**330,720**

The vacant possession value of dwellings within the HRA as at 31st March 2018 was £843.57million (£803.36million as at 31st March 2017). The difference of £523.01million 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.

2016/17 £'000		2017/18 £'000
(190)	**Opening Balance 1 April**	**(164)**
(3,419)	Transfer in	(3,539)
3,445	Capital Expenditure funded from reserve	3,556
(164)	**Closing Balance as at 31 March**	**(147)**

21.8 – Capital Financing

2016/17 £'000		2017/18 £'000
6,907	**Total HRA Capital Expenditure**	**8,667**
	Financed by:	
(3,183)	Revenue Contributions	(4,416)
(3,445)	Contribution from Major Repairs Reserve	(3,556)
(78)	Capital Receipts	(612)
(201)	Capital Grants	(83)
(6,907)	**Total Financing**	**(8,667)**

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 administrative costs. All of these costs together have been matched by a transfer to the pension reserve.

SECTION H – SUPPLEMENTARY FINANCIAL STATEMENTS – COLLECTION FUND

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 Collection Fund is an income and expenditure account which holds the transactions of the Council in relation to the collection from taxpayers of Council tax and Non Domestic Rates and its distribution to Central Government and its preceptors (Essex County Council, Essex Fire Authority and Essex Police Authority).

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 1st April 2013.

Collection Fund Income and Expenditure Account

2016/17 Business Rates £'000	2016/17 Council Tax £'000	2016/17 Total £'000	Collection Fund	2017/18 Business Rates £'000	2017/18 Council Tax £'000	2017/18 Total £'000
-	(54,783)	(54,783)	Council Tax Payers	-	(57,570)	(57,570)
(32,463)	-	(32,463)	Business Rate Payers	(43,142)	-	(43,142)
(32,463)	**(54,783)**	**(87,246)**	**Total Income**	**(43,142)**	**(57,570)**	**(100,712)**
3,873	38,934	42,807	Essex County Council	3,767	40,990	44,757
-	5,240	5,240	Essex Police Authority	-	5,532	5,532
430	2,332	2,762	Essex Fire Authority	419	2,431	2,850
17,214	7,546	24,760	Uttlesford District Council / Parish	16,744	7,920	24,664
21,517	-	21,517	Central Government	20,930	-	20,930
43,034	**54,052**	**97,086**	**Total Precept and Demand**	**41,860**	**56,873**	**98,733**
52	778	830	Essex County Council	(309)	996	687
-	105	105	Essex Police Authority	-	134	134
6	48	54	Essex Fire Authority	(34)	60	26
231	152	383	Uttlesford District Council	(1,372)	193	(1,179)
288	-	288	Central Government	(1,715)	-	(1,715)
577	**1,083**	**1,660**	**Total Distributions of Previous Years Surplus/(Deficit)**	**(3,430)**	**1,383**	**(2,047)**
127	25	152	Provision for Doubtful Debts Adjustment	330	116	446
476	-	476	Transitional Protection Payments due to Central Government	851	-	851
149	-	149	Business Rates: - Renewable Energy to General Fund	137	-	137
138	-	138	Business Rates: - Cost of Collection Allowance to General Fund	139	-	139
380	-	380	Business Rates: - Provision created in year	4,088	-	4,088
(8,738)	-	(8,738)	Business Rates: - Provision released into Collection Fund	(2,000)	-	(2,000)
(7,468)	**25**	**(7,443)**	**Total Other Expenditure**	**3,545**	**116**	**3,661**
36,143	**55,160**	**91,303**	**Total Expenditure**	**41,975**	**58,372**	**100,347**
(1,507)	(1,602)	(3,109)	(Surplus)/Deficit as at 1 April	2,173	(1,225)	948
3,680	377	4,057	(Surplus)/Deficit for the Year	(1,167)	802	(365)
2,173	**(1,225)**	**948**	**(Surplus)/Deficit as at 31 March**	**1,006**	**(423)**	**583**

22.0 – Notes to the Collection Fund

22.1 – 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, and dividing this by the Council Tax base to give an average Band D Council Tax rate.

The average amount for a Band D property in 2017/18 was £1,532.71 (2016/17 was £1,490.04), this 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 2017/18 was £1,614.64 (2016/17 was £1,568.96).

22.2 – Council Tax Base

2016/17	Council Tax Base	2017/18
34,242	Total Dwellings	34,784
32,215	Net Chargeable Dwellings	32,865
36,710	Band D Equivalents	37,455
(2,013)	LCTS Discounts	(2,011)
34,696	Total Band D Equivalents	35,444
34,245	Collection Rate 98.7% / 98.8%	35,019
205	M.O.D Properties	205
34,450	**COUNCIL TAX BASE**	**35,224**

22.3 – Council Tax Income Analysis

2016/17 £'000		2017/18 £'000
63,032	Gross Council Tax Collectable	66,164
(990)	Less: - Exemptions	(1,141)
(4,141)	Less: - Discounts	(4,369)
(3,119)	Less: - LCTS	(3,084)
1	Transitional Relief	-
54,783	**Income from Council Tax Payers**	**57,570**

22.4 – Council Tax Collection Fund Balance

31 March 2017 £'000		31 March 2018 £'000
(883)	Essex County Council	(305)
(119)	Essex Police Authority	(42)
(52)	Essex Fire Authority	(17)
(171)	Uttlesford District Council	(59)
(1,225)	**Total Surplus Apportioned**	**(423)**

22.5 – 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 2017 was £105.019million (1st April 2016 was £103.444million) and the multipliers, as specified by Central Government were 46.6p excluding small business surcharge (48.4p 2016/17) and 47.9p including small business surcharge (49.7p 2016/17). Based on the lower rate this produced an approximate yield of £48.939million (£50.067million 2016/17). 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.

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. This came into effect on 1st April 2013.

Under the Business Rates Retention Scheme, local authorities are able to come together on a voluntary basis to pool their business rates receipts and then agree collectively how they will be distributed among pool members. The benefit of this is that the authorities within the pool are treated as one body. By combining the authority figures in the calculation of the safety net/levy position, the levy rate of the combined figures should be lower than the sum of the individual authorities combined so it enables income that would otherwise be paid to Government as a levy to be retained within the pool. However the protection each Authority receives under the safety net arrangements in the event of a shortfall is removed, with the 7.5% safety net only applying to the overall pool.

In 2017/18 Uttlesford was one of nine District Councils in Essex in a pooling agreement along with the County Council and the Fire Authority. Based on provisional outturn information provided by members of the pool, Uttlesford is due to pay a levy of £0.51million but will receive £0.37million benefit share from the pool thus reducing the levy payable to £0.14million.

22.6 – National Non Domestic Rates Income Analysis

2016/17 £'000		2017/18 £'000
38,298	Gross Business Rate Collectable	50,048
(2,458)	Small Business Rate Relief	(3,172)
(2,136)	Mandatory Relief	(2,065)
(908)	Property Relief	(1,034)
(333)	Discretionary Relief	(635)
32,463	**Income from Business Rates Payers**	**43,142**

22.7 - National Non Domestic Rates Fund Balance

31 March 2017 £'000		31 March 2018 £'000
1,086	Central Government	503
196	Essex County Council	91
22	Essex Fire Authority	10
869	Uttlesford District Council	402
2,173	**Total Deficit Apportioned**	**1,006**

STATEMENT OF ACCOUNTING POLICIES

P1. GENERAL PRINCIPLES

The general principles adopted in compiling the Accounts summarises the Council's financial transactions for the 2017/18 financial year and its position at the year-end of 31st March 2018. 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 2017/18 and the Service Reporting Accounting Code of Practice 2017/18, 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 the asset is under construction. They are carried as Assets under Construction on the Balance Sheet before being completed.
- 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 3.5% (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 2016/17.

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, unless part of a larger project.

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 2017 by Wilks, Head and Eve LLP and an end of year market review is undertaken as at 31st March 2018.

Valuations of General Fund Land and Buildings are carried out on an annual basis. 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 are required to be credited to the Capital Receipts Reserve net of statutory deductions and allowances and up to a cap set by Central Government. An element of these receipts can only be used for capital investment in new social housing up to a maximum of 30% of total capital costs.

All other housing receipts and the remaining balance of the dwelling 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 at historic cost plus subsequent expenditure 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 plus any capital expenditure 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 participates 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.

In 2017/18 the Council has produced Group Accounts resulting from material transactions from one of the wholly owned subsidiaries, Aspire (CRP) Ltd.

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

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 and 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 Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE 2016). A copy of the authority's Code of Corporate Governance 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 2018 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 2017-2021 outlines the 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. This was underpinned for the first time by an annual delivery plan setting out the specific projects/activities that would contribute to the Council's priorities. The Corporate Plan is reviewed annually and takes account of feedback from public consultation carried out via a Citizens Panel. The Corporate Plan 2018-22 was approved by members at the Council Meeting held in February 2018 and the 2018/19 delivery plan approved at Cabinet in April..

3.3 Delivery of the Council's Corporate Plan is supported by the Corporate Plan Delivery Plan 2017/18 and service plans in which the corporate objectives are translated into more specific aims and objectives. These are then cascaded 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 against the delivery plan is monitored by the Corporate Management Team (CMT) and Cabinet, while service plans are monitored by individual services and formally reviewed quarterly by the CMT. In addition, the Council's key performance indicators are monitored quarterly by the Governance, Audit & Performance 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), Governance, Audit & Performance, 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. There is no specific Code of Conduct for Staff however there is a guide to disciplinary standards; 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 During 2017/18 the following amendments to the Constitution have been made:

- The Council has adopted a revised and simplified Code of Conduct for Councillors.

- It has also adopted a revised procedure for considering Code of Conduct complaints to ensure that they are dealt with fairly and proportionately.
- The Council has adopted a revised Member/Officer Protocol, designed to underpin a strong working relationship and mutual respect between councillors and Council employees.
- The Council has extended the terms of reference of what was the Performance and Audit Committee by giving it explicit responsibility for governance issues and now called the Governance, Audit and Performance Committee.
- The Council has endorsed, and incorporated into its constitution, the Uttlesford Youth Council's constitution, which sets out the relationship and engagement between UDC and the Youth Council.
- The Council has adopted a revised and much clearer definition of a "key decision", aimed at improving transparency in decision-making.
- Changes have been made to the procedure for electing the Chairman and Vice-Chairman of the Council by inviting nominations at the Annual Meeting at which appointments are made rather than, as previously, at an earlier meeting.

3.7 In 2016 CIPFA published its 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 2017/18.

3.8 In 2010 CIPFA published its 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 2017/18

3.9 The primary counterbalance to the Executive is the Scrutiny Committee. The role of this committee is to provide a robust challenge to the Cabinet..

3.10 The Governance, Audit & Performance Committee monitors the performance of the Council, fulfilling the Council's Audit Committee core functions, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA 2013), 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.

3.11 The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received from the Council or on the conduct of Members. The Standards Committee has responsibility for overseeing the investigation of complaints against members.

For the period 01/04/17 to 31/03/18, there were 8 allegations received of a breach of the Code of Conduct, of which
6 were against parish councillors;
2 were against district councillors

3.12 The Council has policies to protect both itself and its staff when making decisions. A Counter Fraud and Corruption Strategy and Policies have been developed in accordance with the Code of Practices on Managing the Risk of Fraud and Corruption (CIPFA 2014), and include the Council's Fraud Response Plan, Whistleblowing and Bribery Act 2010 Policies which have been developed and communicated to all staff via the internet and as part of the Induction process. This Strategy and Policies that provide clear reporting channels have been reviewed and updated and will be published in 2018/19.

3.13 The Council has embedded Risk Management throughout its activities with the Corporate Risk Register reflecting the key threats to achieving its corporate aims and objectives. The Council's approach to Risk Management underwent a comprehensive review in 2017/18, including training for key staff, a new Corporate Risk Policy and a new Corporate Risk Register which is reviewed and updated quarterly by CMT and reported twice a year to the Governance, Audit and Performance Committee. In addition, new service Risk Registers have been developed and sit alongside service plans. Reporting on the service Risk Registers will be further developed in 2018/19.

3.14 Performance Management is monitored through quarterly reporting to CMT and the Governance, Audit and Performance Committee on 16 Key Performance Indicators and more than a dozen other PIs. Areas of concern are discussed by the Committee and follow-up reports are requested if necessary. -Examples of performance issues discussed in 2017/18 include void re-let times and museum visitor figures.

3.15 All Council services are delivered by trained and experienced officers. Job Descriptions and Person Specifications are in place for all posts to ensure that the best candidates are appointed into each position. A significant commitment has also been made towards retaining good staff, by offering numerous 'work friendly' schemes and where possible encouraging succession planning and promotion from within. This ensures that valuable skills and experience are retained and passed on, rather than being lost. Training needs are identified through the U-Perform appraisal system.

3.16 The individual performance review system known as U-Perform has been operated in the council for eight years. Staff are measured against operational objectives that are linked through to service plans and the Corporate Plan and are also set behaviour statements against which they can demonstrate how they go about their roles. U-Perform also identifies developmental and training needs, through which training is made available to staff to ensure that individuals are able to undertake their present role effectively. In 2017/18, for the first time, the council achieved a 100 per cent completion rate for UPerform. The council has recognised that the salaries it offered were not always keeping pace with other employers. Therefore as a retention measure, the council changed its pay grades at the beginning of 2017/18 which gave every employee a pay rise and an opportunity to progress through three further spinal column points in the coming years.

3.17 During the year 2017/18 all Members of the Council have had opportunities to attend workshops and training in relation to the Local Plan, including a Garden Communities workshop, and in relation to Housing (on community led housing) and to a major planning application regarding Stansted Airport. During this year specific training for Members of the following committees was also arranged: Licensing and Environmental Health Committee (in-house training to enable members to determine private hire vehicle/hackney carriage driver and operator licenses and Licensing Act 2003 applications) and Planning Committee (external training on aspects of planning, and in-house training covering Probity in Planning). Additionally Group Leaders attended various training events and conferences, and the Chairman of Scrutiny Committee attended the Centre for Public Scrutiny conference. Following the change of the Council's committee management system from CMIS to Modern.gov, training was offered to all members of the Council to enable them to access agenda packs for all meetings by using their iPad devices, including access to all relevant restricted exempt information reports.

3.18 The Council continues to ensure it is open and accessible to the community. In 2017/18 it has:

- Continued to regularly survey the views of residents through its Citizens Panel
- Continued to meet guidelines on the publication of transparency information on its website
- 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 the Governance, Audit & Performance Committee
- Further enhanced its consultation activity around the LCTS scheme and budget setting
- Supported formation of the Uttlesford Youth Council
- Developed the Keep Me Posted email news service for residents and grew the subscriber base to in excess of 6,000 people.
- Formed a Local Council's Liaison Forum to provide additional communication channel with parish/town councils.

All Committee meetings are open to the public except where personal or confidential matters are discussed. All agendas and minutes are placed on-line, along with the Council's policies and strategies. These items are also available by directly contacting the Council. When identifying the priorities and objectives for the Corporate Plan the views of stakeholders and the wider community are sought through a number of consultation mechanisms, and are taken into account. The Corporate Plan is made available to all via the Council's website.

3.19 During 2017/18 the Council's Scrutiny Committee has looked at various areas of Council decision making and service delivery, including the draft budget and LCTS scheme and consultation, Street Naming and Numbering and Air Quality. In addition, the Centre for Public Scrutiny was commissioned to review the Council's scrutiny procedures and practices and recommendations were reported to the February 2017 Scrutiny Committee meeting. These recommendations will be taken forward in 2018/19. A summary of the Committee's work for the year can be found at Item 8 of the Full Council meeting of 10 April 2018.

3.20 There are terms of reference and constitutions set up for key partnerships which ensure that all members of the partnership act lawfully throughout the decision making process. Uttlesford Futures has a comprehensive Governance Handbook and the terms of reference for all of the working groups are regularly 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 and energy efficiency.

3.21 Corporate Peer Challenge was conducted in November 2016; report and action plan approved at Council in July 2017 and update report on progress against action plan reported to GAP in February 2018. Discussions will commence shortly with the LGA regarding a follow-up visit..

3.22 The Council's Draft Statement of Accounts for 2016/17 was completed by 31 May 2017. The audited Statement of Accounts for 2016/17 was published on 27 July 2017. The Council received an unqualified opinion on its accounts for the ninth successive year.

3.23 During 2017/18 work has continued on the development of the council's new HR and Payroll system. Phase 1 of the project is complete and the system is now used across the authority. Phase 2, which includes appraisals and online recruitment, was set up during 2017/18 and will go live in 2018/19.

3.24 On 15 May 2017, Aspire (CRP) Ltd (a wholly owned company of the council) purchased a 50% share in Chesterford Research Park (which is part of the South Cambridgeshire Biotech Cluster) in a joint venture with Aviva Ltd. The council engaged the services of a number of advisors to support the council in determining whether to loan the company £47m, including all relevant due diligence and to advise the council on the best value option for securing the funds and obtaining the best return on investment. The decision to provide the company with the loan to enter in to the joint venture was taken by full council on 8 December 2016. The company has three Directors all of which are council employees and are members of the Corporate Management Team. The company also engages the services of two Non-Executive Directors to complement the skills of the directors in determining the company's activities, which are the subject of audit processes separate to the council. Members of the Cabinet form the shareholder board.

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 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 Monitoring Officer 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 Section151 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 2017/18 concluded that the audit opinion on the control environment for 2017/18 is that risks material to the achievement of the objectives for the audited areas identified by Internal Audit were, on balance, satisfactorily managed and controlled.

4.5 Of the twenty completed Audits from the 2017/18 Internal Audit Programme, three audits were given an Internal Audit opinion of either Little or Limited Assurance:

- The Audit of Leisure –PFI was given the opinion of Limited Assurance. Seven recommendations were made - one level 4, three level 3 and three level 2; all recommendations are expected to be implemented by their agreed due dates in 2018/19.

- The Audit of Car Parking & NEPP was given the opinion of Limited Assurance. Five recommendations were made – three level 3 and two level 2; all recommendations are expected to be implemented by their agreed due dates in 2018/19

- In October 2017, an Interim Internal Audit Report was issued for the Audit of Street Services – Trade Waste with the opinion of Little Assurance. Twenty-two recommendations were made - six level 4, twelve level 3 and four level 2; the due dates for these recommendations were no later than 30 April 2018; all of the 22 recommendations have been implemented by their dues dates. Further work will be undertaken to completed the audit as part of the 2018/19 Audit Programme.

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 The work of the Council's Internal Audit is governed by the UK Public Sector Internal Audit Standards (PSIAS) 2017. 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 External Quality Assessment of the performance of Internal Audit and its conformance with the PSIAS was undertaken in September 2017 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. The External Assessment concluded that the Internal Audit service generally conforms with the expectations of the PSIAS and made 15 recommendations to reflect that there are areas in which the service can be further improved and enhanced. During 2018/19 the service will be working to implement these recommendations. .

4.8 In April 2017, the Governance, Audit & Performance Committee carried out the annual review of its effectiveness as an audit committee during 2017/18 using the Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA 2013) self-assessment and was considered to have effectively fulfilled its Audit Committee functions in accordance with the CIPFA guidance for an Audit Committee..

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 2016/17 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.

4.11 As part of closing the Audit Commission the Government novated external audit contracts to Public Sector Audit Appointments (PSAA). The audit contracts were due to expire following conclusion of the audits of the 2017/18 accounts, but could be extended for a period of up to three years by PSAA, subject to approval from the Department for Communities and Local Government. In October 2015 the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the contracts for a period of one year. In July 2015 Public Sector Audit Appointment (PSAA) were specified by the Secretary of State as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015.

4.12 The arrangements for local government bodies ceases after the 2017/18 audit and under the new arrangements authorities are required to either:

1. 'Opt in' to a Sector Led Body, Public Sector Audit Appointments (PSAA).
2. To establish an auditor panel and conduct our own procurement exercise.

3. Explore the establishment of local joint procurement arrangements with neighbouring authorities.

The Council has taken option 1 and this was approved by Full Council on the 15th November 2017.

5 SIGNIFICANT GOVERNANCE ISSUES

5.1 Significant Issues from 2016/17

In the 2016/17 Annual Governance Statement the following two issues were identified:

1 The Council's revised Document Retention Policy and Schedule was drafted in September 2016 but awaits formal agreement of CMT and publication

The Council's revised Document Retention Policy & Schedule was published in August 2017. Further revision to the Retention Schedule will be undertaken during 2018/19 as part of the ongoing compliance with the General Data Protection Regulation and Data Protection Act 2018

2 The Council's payroll provider Sage reported a potential data breach to the Council in August 2016 after the Council's payroll information, along with that of other organisations, was accessed without authorisation. An employee of Sage was subsequently arrested. The Council took appropriate action on being alerted, including informing the Information Commissioner, contacting all those whose details could have been accessed and organising protective registration for them through Cifas. The Council has now moved to a new payroll provider.

There have been no further issues arising from this data breach.

Actions Identified for 2017/18

In the 2016/17 Annual Governance Statement the following two actions were identified for 2017/18:

1 Code of Corporate Governance to be reviewed and updated in accordance with Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE 2016)

The revision of the Code of Corporate Governance has not been completed, this has been included as a Significant Control Issue identified in 2017/18 and included as an action identified for 2018/19

2 The Council needs to consider its position regarding Data Protection in preparation for the General Data Protection Regulation (GDPR) which comes into force 25 May 2018

A GDPR Project Team was established in July 2017 to manage the Council's implementation and ongoing compliance with the GDPR and the new Data Protection Act 2018 which come into force on 25 May 2018

5.2 Significant Control and Governance Issues identified 2017/18

1 The revision of the Code of Corporate Governance has not been completed, this has been included as a Significant Control Issue identified in 2017/18

2 Significant control weaknesses were identified by Internal Audit in the Trade Waste Service. Significant work has been undertaken within the service to ensure the implementation of the recommendations. Internal Audit will undertake further audit work to complete the audit in 2018/19.

3 Homes England has drawn the Council's attention to non-compliance with the Capital Funding Guide (CFG) and has made a recommendation that the Council update and improve internal processes to ensure compliance to the CGF and send evidence of this to Homes England by 01 August 2018, (this is subject to further discussions with Homes England).

5.3 **Actions Identified for 2018/19**

1 Publication of the revised and update Counter Fraud Strategy and Policies

2 Publication of a Code of Conduct for Staff and a revised Register of Interests (in line with the Internal Audit Recommendation made following the Audit of Corporate Governance

3 Completion of the GDPR Project and establishment of the processes and procedures required to ensure ongoing compliance with GDPR and the new Data Protection Act 2018

4 The completion of the review and update of the Code of Corporate Governance

5 Implementation of recommendations from

- the review of Scrutiny
- the Peer reviews of
  - Electoral Services
  - Licensing
  - Planning
- The Ombudsman regarding training for Senior Managers in the handling of complaints

It is propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

The Council considers its Corporate Governance and Internal Control arrangements to be fundamentally sound.

Signed:____ Signed:_______________________________________

Dawn French
Chief Executive

Howard Rolfe
Leader of the Council

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