

Statement of Accounts 2016/17

Uttlesford District Council



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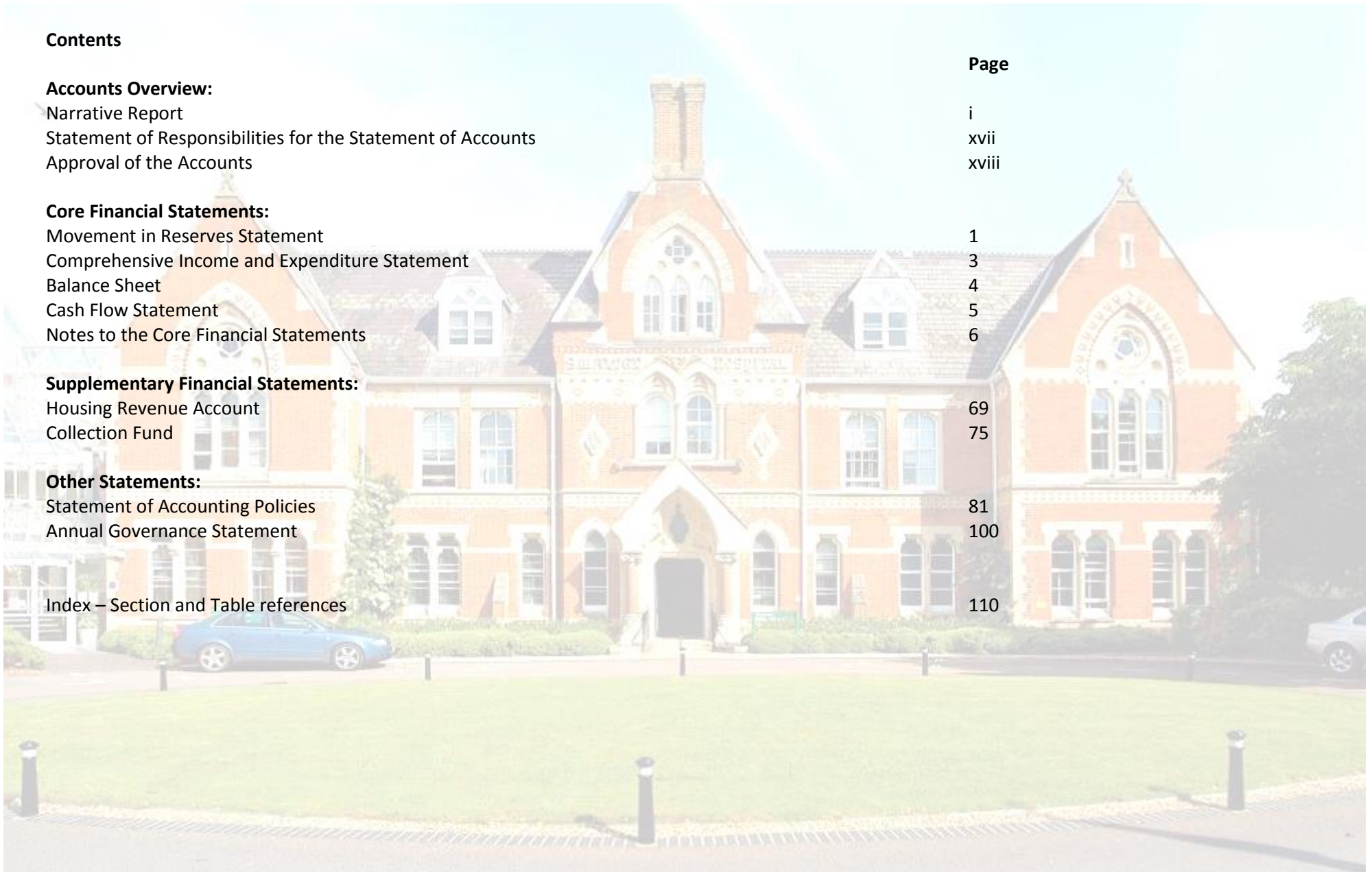
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NARRATIVE REPORT

1. INTRODUCTION

- 1.1 Uttlesford District Council is a local authority providing services within the administrative district of Uttlesford, north-west Essex. The district is mainly rural and comprises the main towns of Saffron Walden, Great Dunmow, Stansted Mountfitchet and Thaxted, with 57 parishes. It is geographically the largest district in Essex, and has a population of approximately 85,000.
- 1.2 The key services and activities of the Council are the provision of council housing, refuse collection & recycling, litter picking, planning, building control, environmental health, housing and council tax benefits, Council Tax and Business Rates collection, off street car parking, communities and voluntary sector support, leisure centres, museum and licensing. Other key local authority services such as schools and roads are provided by Essex County Council. For more information about Uttlesford District Council please visit the Council's website at www.uttlesford.gov.uk.
- 1.3 This Statement of Accounts presents the financial results of the Council's activities for the year ended 31 March 2017, and summarises the overall financial position of the Council as at 31 March 2017. This report provides a guide to the significant matters reported in these accounts.
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2. THE ACCOUNTING STATEMENTS

- 2.1 The Council is required by law to complete its accounts in line with the CIPFA Code of Practice on Local Authority Accounting and constitutes a 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.
- 2.2 The Code is based upon International Financial Reporting Standards (IFRS). The Code reconciles IFRS with the statutory local government finance framework. This is necessary because there are material differences between what IFRS states should be included in the accounts, and what legislation states should be financed by a local authority and local council taxpayers. There are many entries in the accounts, particularly within the "Comprehensive Income and Expenditure Statement", which are included as notional items for presentational purposes, and then "reversed out" via the "Statement of Movement in Reserves" so that the bottom line financial performance is consistent with statutory requirements.
- 2.3 This Narrative Report sets out the key issues and is intended to give the reader an insight into the Council's performance during 2016/17.

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

Movement in Reserves Statement (page 1)

This statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves (those that can be used to fund expenditure) and Unusable Reserves (those 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 5). Adjustments between the accounting basis of measuring cost and the statutory basis are shown, to derive a net increase/decrease in usable and unusable reserves.

Comprehensive Income and Expenditure Statement (page 3)

This statement shows the cost of providing services in accordance with accounting rules, rather than the statutory amounts to be funded from taxation. Expenditure is categorised under standard headings that differ from the actual operational structure of the Council.

Balance Sheet (page 4)

This statement is fundamental to the understanding of the Council's financial position at the year-end. It shows the value as at 31 March of the Council's assets and liabilities. The Council's net assets (i.e. assets less liabilities) are matched by reserves held by the Council, analysed between Usable Reserves (available to fund expenditure) and Unusable Reserves (held to manage accounting items, not available to spend).

Cash Flow Statement (page 5)

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

Prior Period Adjustments

There are no prior period adjustments for 2016/17

Notes to the Core Financial Statements (page 6 – 68)

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

Housing Revenue Account (HRA) Comprehensive Income and Expenditure Account (page 69)

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

Collection Fund (page 75)

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.

3. SIGNIFICANT MATTERS IN THE ACCOUNTS**3.1 The Council's financial position as at 31 March**

As shown on the Balance Sheet, the Council's net assets increased by £21.1 million during the year, from £215.4 million to £236.5 million. The key movements are summarised below.

£m	31 March 2016	31 March 2017	Increase / (Decrease) in Net Assets	See Note Below
Long Term Assets	320.5	346.3	25.8	a
Current Assets	37.9	32.1	(5.8)	b
Current Liabilities	(17.0)	(6.5)	10.5	c
Long Term Liabilities	(126.0)	(135.4)	(9.4)	d
Net Assets	215.4	236.5	21.1	

a) Long Term Assets

Long Term Assets are items that the Council uses to provide economic benefits over a long period, with associated costs expensed to the Comprehensive Income and Expenditure Statement over the economic life of the asset concerned. These assets provide services such as land and buildings, plant, vehicles and equipment, and computer software. Also included is the value of uncompleted building projects, for example new council housing.

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

During 2016/17, the value of the Council's Long Term assets increased by £25.8m. The main factor attributed to this is the re-valuation of the Housing Stock and Land & Other Buildings, giving an overall increase in the balance sheet asset values of £23.7 million. There were also additions to the housing stock (£3.6m), disposals of assets (£2.8m) and a net charge to depreciation for all assets (£4.7m). Assets under Construction have increased by £3.2 million within the Housing Revenue Account and are directly linked to the housing investment strategy as part of the continuing self-financing action plan. The remaining movement relates to various smaller projects within the General Fund Budget. Full details are set in Table 7.1 on page 28.

b) Current Assets

Current Assets are items that can be converted to cash or used to pay current liabilities within 12 months, and comprise bank balances, stock, debtors (money owed to the Council) and short term investments. The net decrease of £5.8 million is due to short term investments reducing from £34.0 to £28.0 million and relates to a successful appeal on Business Rates. The repayment of £10.9 million has been backdated to the last revaluation period which was in 2015. This is netted off against the increased collection of the Business Rates and Council Tax where the Council acts as a collection agent for preceptors, Essex County Council, Essex Fire Authority Essex Police and Crime Commissioner, and Parishes (Council Tax only for Police and Parishes). Full details are set in Tables 18.1, 9.1-9.3 and 9.5.

c) Current Liabilities

Current Liabilities represent monies the Council owes to other parties that are due for payment within one year. During 2016/17 the current liabilities have decreased by £10.5 million and this is analysed in table 10.1 for creditors and 10.2 for short term provisions on page 35.

The net decrease in short term creditors of £7.1 million relates to commitments of monies and the timing of payments for Business Rates and Council Tax due to preceptors, pension liabilities to the Essex Pension Fund, payroll liabilities including NIC and Pension contributions and suppliers for the provision of goods and services. A net decrease on the short term provisions of £3.4 million relates to the provision being applied to the backdated repayments for a successful Business Rate appeal.

d) Long Term Liabilities

Long Term Liabilities increased by £9.4 million and this is almost entirely (£9.3m) related to the Pension Scheme deficit, where the actuary report states that our net liability has increased from £30.9 million to £40.2 million. The Council is not required to set aside funds to meet this liability; instead the Council will make annual payments into the Pension Fund at a rate determined by the Fund's independent actuarial adviser. Pension scheme reforms have been implemented to reduce liabilities, including higher employee contributions, later retirement ages and lower pensions.

This is a notional figure and is offset against a pension reserve. This liability is subject to change year on year and is dependent on the performance of the current market, the return on the funds' assets and the discount rates applied. As discount rates fall our liability increases.

The Pension Fund is administered by Essex County Council in accordance with the national local government pension scheme rules, working with an independent actuarial adviser. Uttlesford District Council has no control over the administration of the Fund. The Pension Fund deficit comprises actuarial estimates of the Fund's assets and long term liabilities.

The main element of the Long Term Liabilities figure of £88.4 million represents money that the Council was obliged to borrow from Government in 2011/12 as part of council housing finance reforms. The first £2.4 million principal repayment of the £88.4 million becomes due for repayment in 2017/18. Full details are set out in Tables 18.1, 11.2-11.4 and 3.5.

4. KEY RESULTS OF THE FINANCIAL YEAR

The following is a summary of the key operational financial results for 2016/17. Results are compared with the Council's budget. The figures shown are direct costs and income only, rather than the accounting basis used to produce figures for the Core Financial Statements. However the bottom line results are consistent with the movement in Usable Reserves shown in the accounts.

A detailed outturn report will be submitted to Cabinet for approval on the 10th July 2017. [Cabinet Meeting Outturn 2016.17](#)

4.1 GENERAL FUND

Total General Fund reserves available to spend have increased by £2.362 million, from £10.843 million to £13.205 million.

	31 March 2016	31 March 2017	Net increase/ (Decrease)
	£m	£m	£m
Working Balance	1.246	1.268	0.022
Earmarked Reserves	9.597	11.937	2.340
Subtotal – Reserves available to spend	10.843	13.205	2.362
Business Rates Ring fenced Reserve	0.500	1.035	535
Total General Fund Reserves	11.343	14.240	2.897

Net Operating Expenditure was £2.465 million, which was £1.311 million below the budget, as summarised in the table below.

	Budget	Outturn	Variance from revised budget
	£m	£m	£m
Service & corporate budgets	11.919	10.875	(1.045)
Government funding	(5.455)	(5.458)	(0.003)
Local share of business rates	(2.689)	(2.952)	(0.263)
Net Operating Expenditure	3.775	2.465	(1.311)
Drawdown in General Fund Reserves	1.051	1.671	0.620
Net Budget Requirement	4.826	4.136	(0.691)

After allowing for transfers to/from the earmarked reserves, the bottom line represented a net underspend of £0.691 million, which is included in the reserves and detailed in the table at point 4.1 above.

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

Details of Variance	Variance £' 000 (favourable)/Adverse
Increased repair work, to ensure building is safe and to allow improvements for commercialisation opportunities (Weddings and office space rental)	117
Investment in Consultancy to maximise benefits from the the Council's commercialisation strategy	155
Consultancy costs to ensure the Local Plan is delivered to the required timetable	510
Slippage of Capital projects which is directly related to the reduction in the use of the reserves	(660)
Business Rates for renewable energy companies of which the Council is allowed to retain 100% of liability collected	(332)
Actual cost of Management and Corporate core costs relating to the Housing Revenue Account	(264)
Reduced fees on disposal and increased income due to high level of recycling	(240)
Increased income generated via an Essex wide initiative to ensure compliance and minimise fraud on the Council Taxbase	(196)
Net of other minor variances	219
	(691)

4.2 HOUSING REVENUE ACCOUNT (HRA)

2016/17 was the fifth year of the new HRA self-financing arrangements, following a major reform that took place at the end of 2011/12. Under the current scheme, the Council has a large operating surplus available to repay a share of national housing debt it was required to take on, to make investments in new council housing, and improvements to existing stock.

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

During 2016/17, total HRA reserves increased by £0.281 million, from £7.046 million to £7.327 million:

	31 March 2016	31 March 2017	Net increase /(decrease)
	£m	£m	£m
HRA Working Balance	0.463	0.498	0.035
Capital projects (committed)	3.537	3.809	0.272
Potential development projects	2.298	2.298	0
Major Repairs	0.190	0.164	(0.026)
Sheltered Housing	0.318	0.318	0
Transformation Reserve	0.180	0.180	0
Revenue projects	0.060	0.060	0
Total HRA Reserves	7.046	7.327	0.281

The Housing Revenue Account had an Operating Surplus outturn of £3.490 million, of this £3.184 million was used to finance capital projects and £0.034 million was transferred to reserves, leaving a bottom line surplus of £0.272 million. This was added to the Capital Projects Reserve, to fund future housing projects and improvements.

Housing Revenue Account	Budget	Outturn	Variance from Revised Budget
	£m	£m	£m
Income	(15.455)	(15.412)	0.043
Expenditure	11.965	11.921	(0.043)
Operating Surplus	(3.490)	(3.490)	0
Funding of capital projects	7.503	3.184	(4.319)
Transfers (to)/from reserves	(4.013)	0.034	4.047
Surplus for year	0	(0.272)	0.272

4.3 CAPITAL PROGRAMME

Total capital expenditure was £9.478million, which was £0.557million above the revised budget after allowing for slippages within the capital programme.

Capital Programme	Budget	Slippage	Revised Budget	Outturn	Variance from Revised Budget
	£m	£m	£m	£m	£m
General Fund schemes	4.601	(2.545)	2.056	2.571	0.515
Housing Revenue Account schemes	14.037	(7.172)	6.865	6.907	0.042
Total Capital Expenditure	18.638	9.717	8.921	9.478	0.557

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

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

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

Government funding through the Local Government Finance Settlement (Revenue Support Grant and the Business Rates Retention Scheme) and the New Homes Bonus is determined by Central Government. The annual change in funding is a major factor affecting the financial health of the Council. Major reforms to this system were implemented on 1 April 2013.

- **Revenue Support Grant** - The Council's share of the Local Government Finance Settlement has reduced significantly since 2011/12 and this source of funding is being withdrawn completely by Government in 2018/19.

- **Business Rates Retention (BRR) Income** – The government has set a level of business rates funding baseline deemed to be applicable to each area and every Council receives a top-up (if business rates collected are below this deemed level of funding) or pays a tariff/levy (if business rates collected are above this deemed level of funding).

The BRR scheme allows a 40% share of the business rates income collected to be retained by the district council, this income is now included in the base budget. In addition to this any growth in the businesses rates income above the funding baseline the Council retains 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 2016/17 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. Measuring the size of the appeals refund risk is a complex task and is subject to detailed analysis by external auditors.

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 advice was that the Council should provide for liabilities totalling £2.1 million as at 31st March 2017. The UDC share of the liability, at 40% would be £0.85 million; this is detailed in table 10.2 page 35. This is a reduction in the provision held at 31st March 2016 of £10.5 million and is due to a large appeal being settled in 2016/17.

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

- **New Homes Bonus (NHB)** – The Government introduced a funding initiative in 2011 to encourage housing growth and increase council tax bases. 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 NHB, 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). This has reduced the level of funding received by £0.50 million in 2017/18.

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

The Council maintains a Medium Term Financial Strategy and contingency reserves so that it can adjust to the lower funding levels without significant disruption to its key services. There are no risks to the Council's financial stability in the short to medium term.

- In respect of Council Tax the annual precept is determined by the Council but constrained by central government referendum limits and local public opinion. The yield from Council Tax is also affected by the growth in the number of households in the district, variations to discounts payable, and collectability of unpaid debts. The Council acts as a billing authority and collects Council Tax on behalf of itself, Essex County Council, Essex Police Authority, Essex Fire Authority and Town/Parish Councils. The share of the average Council Tax bill retained by the Council is approximately 10%.
- Fees & charges e.g. car park charges, garden waste income, planning fees. The amount of income received depends on market factors such as demand and price levels and effectiveness of income collections. Wider economic factors such as recessionary pressures can directly affect sources of income such as planning fees, building control fees and land charges.
- Specific government grants e.g. benefits subsidy. The amount received depends on performance and the amount of expenditure eligible for subsidy by grant.
- Rents & Service Charges (Housing Revenue Account only). The amount of income depends on the number of dwellings, performance in re-letting empty properties and collectability of debt.

The change in 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% for 4 years, in 2016/17 this reduced rental income by £0.45 million and the total loss of income for the 4 year period is predicted to be £4.2 million.

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

- Employee costs including salaries, national insurance and pensions costs – the level of expenditure depends on the staffing establishment, annual pay increases (determined at a national level) and the Council's employer pension contribution, determined by Essex County Council as administering pensions authority. The Council employed a total of 345 employees which equated to 304.74 full time equivalents as at the 31 March 2017 (359 employees, 317.95 FTE as at 31 March 2016). The decrease in staff numbers is due to two factors, the timing of staff leaving in March and recruitment not taking place until April and various substantive posts are being covered by Agency staff due to difficulties in recruitment.
- Premises costs including energy costs, rates and building maintenance – the level of expenditure depends on the condition of property, maintenance programmes, energy consumption and price variability.
- Transport costs including fuel and vehicle maintenance – the level of expenditure varies according to the level of service activity, condition of vehicles and price variability.

- Supplies & services expenditure varies according to contractual indexation, level of service activity, price variability and effectiveness of procurement procedures.
- Transfer payments such as Housing Benefit and Local Council Tax Support – the level of expenditure varies according to the number of people entitled to receive benefit and levels of housing benefit and council tax benefit due under government rules. Wider economic factors such as recessionary pressures have a direct effect on the number of people receiving benefit.
- Capital financing costs – the amount depends on the size of the capital programme and the methods of financing.

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

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

6. PERFORMANCE OF THE COUNCIL

6.1 Business Rates

- The total income collected for Business Rates in 2016/17 was £32.46 million. This was the net income following a successful appeal which required a backdated payment for previous years totalling £10.94 million plus an annual billing reduction for 2016/17 of £1.84 million.
- The prior year's repayment was funded from the provision created in 2013/14 as detailed in table 10.2 on page 35; this shows the Council's share at 40%. The Council is required to replenish the provision for further outstanding appeals, which has created a deficit on the collection fund of £2.17 million (the Council's share is £0.87 million).
- The Council retains a 40% share of the total business rates (50% of any growth above the funding baseline), this equates to a net income of £2.95 million after tariff and levy payments, receipt of Section 31 grant for discretionary reliefs and a transfer to reserves to manage future year deficits.
- The collection rate for Business Rates in 2016/17 was 99.21%, (97.34% in 2015/16), which ranked Uttlesford District Council as the second highest in Essex.

6.2 Council Tax and Local Council Tax Support

- The total income collected for Council Tax in 2016/17 was £54.78 million of which £4.82 million related to the Council's precept share. The collection rate achieved was the highest in Essex at 99.17% (99.17% in 2015/16).
- The Local Council Tax Support scheme requires residents either out of work or on a low income to contribute a minimum of 12.5% towards their Council Tax. The Council has achieved a collection rate of 89.12% in 2016/17.

6.3 Housing Benefits

- The Benefits department have achieved 99.66% accuracy for the processing of benefit claims and this is reflected in the subsidy repayment for 2016/17 of £5,989 a reduction of £60,360 compared to 2015/16.

6.4. Housing

- Housing Rent collection has achieved 97.89% collection; this includes arrears b/fwd. from previous years. The overall rent arrears has reached a record low level, reducing in 2016/17 by 26.93%.
- In 2016/17 the final phase of Mead Court was completed and this consisted of a mix of general needs housing, temporary accommodation and bungalows. A development of 6 general needs houses were also completed on Catons Lane.
- The redevelopment of the Reynolds Court Sheltered Accommodation was commenced and phase one is due to complete in July 2017 with phase two planned to complete in July 2018.
- Four potential sites have been identified for general needs housing, 3 of which are still subject to planning permission, if all sites were developed this would provide a further 27 properties.

6.5. Planning

- During the year 47 major planning applications were determined, over 70% of which were processed within target times or agreed extensions of time. A pre-application advice service was provided to residents and businesses, which included advice on a new arrivals hall for the terminal at Stansted Airport. A total of 1,476 other applications were processed which included 394 minor applications.
- A total of 545 new homes were completed during 2016/17 and of these 149 were affordable homes

6.6. Environmental Services

- The Council collected 8,570 tonnes of domestic waste of which 54% (4,659 tonnes) was recycled or composted. The garden waste kerbside collection service attracted a 22% increase in subscribers, with 6,181 households now taking up this option.
- A quarterly cycle of litter picking along the entire A120 strategic route within the district boundaries has been implemented during the year.

7.0. ASPIRE LTD

In 2016/17 the Council set up a number of arm's-length wholly owned companies, under the Aspire brand name, which are run on a commercial basis separate from the Council's normal business. The Council set up the companies to support the Council with new income streams; this is a direct result of the reducing Government funding and the need for all Councils to move towards a self-financing position.

- Aspire has two arms
 - Aspire Holdings (UDC) Ltd
 - Aspire (CRP) Ltd
- Aspire Holdings (UDC) Ltd has three subsidiaries of which two are dormant whilst the Property and Maintenance company started trading, on a very small scale, as from 1 April 2017. The three companies are:
 - Aspire Property and Maintenance Ltd
 - Aspire Rentals Ltd
 - Aspire Land Development Ltd
- On 15 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 Ltd. The cost of the purchase of the 50% share was £47.25 million, which included 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.

8.0. Principal Risks and Uncertainties:

8.1. 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 1 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.
- If collection rates were to deteriorate and sundry debt increased, an additional contribution would be required to be set aside as an allowance. This is deemed non material for the Council's accounts.

8.2. Other risks and uncertainties

- Brexit – the EU referendum in June 2016 for the United Kingdom to leave the European Union caused some volatility in the financial markets. The triggering of article 50 is likely to see a continued degree of uncertainty over the short to medium term.
- There continues to be uncertainty on future funding streams.

9. THE FINANCIAL NEEDS AND RESOURCES OF THE COUNCIL

9.1. The Council requires financial resources to deliver its corporate priorities, statutory obligations and discretionary services. For a detailed explanation of how the Council's budget is aligned to its priorities, and a forecast of the resources required over the next five years, please refer to the Council's Medium Term Financial Strategy, available on the Council's website and from the contact details given in Section 11 of this document.

10. AUDIT OF ACCOUNTS

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

11. 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

Website: <https://www.uttlesford.gov.uk/financeandaccounts>

Adrian Webb
Director of Finance and Corporate Services
Section 151 Officer

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance and Corporate Services.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts (by delegation to the Performance and Audit Committee)

THE DIRECTOR OF FINANCE AND CORPORATE SERVICES – 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 2017.

Signature:

Adrian Webb
Director of Finance and Corporate Services

Date: 27th July 2017

APPROVAL OF THE ACCOUNTS

I confirm that the Statement of Accounts was approved by a resolution of the Governance, Audit and Performance Committee on 27th July 2017.

Signature:

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

Date: 27th July 2017

CORE FINANCIAL STATEMENTS**Movement in Reserves 2016/17**

	General Fund Balance	Earmarked GF Reserves	HRA Balance	Earmarked HRA Reserves	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016	(1,246)	(10,093)	(463)	(6,394)	(190)	(2,242)	(871)	(21,499)	(193,943)	(215,442)
(Surplus) or Deficit on provision of services (accounting basis)	(726)	-	(8,687)	-	-	-	-	(9,413)	-	(9,413)
Other Comprehensive Income and Expenditure	(332)	-	-	-	-	-	-	(332)	(11,461)	(11,793)
Total Comprehensive Income and Expenditure	(1,058)	-	(8,687)	-	-	-	-	(9,745)	(11,461)	(21,206)
Adjustments between accounting basis & funding basis under regulations (Note 1.1)	(1,840)	-	8,379	-	26	(2,288)	(130)	4,147	(4,147)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(2,898)	-	(308)	-	26	(2,288)	(130)	(5,598)	(15,608)	(21,206)
Transfers to / (from) Reserves	2,876	(2,876)	273	(273)	-	-	125	125	-	125
(Increase) / Decrease in Year	(22)	(2,876)	(35)	(273)	26	(2,288)	(5)	(5,473)	(15,608)	(21,081)
Balance at 31 March 2017	(1,268)	(12,969)	(498)	(6,667)	(164)	(4,530)	(876)	(26,972)	(209,551)	(236,523)

Movement in Reserves 2015/16

Restated	General Fund Balance	Earmarked GF Reserves	HRA Balance	Earmarked HRA Reserves	Major Repairs Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2015	(1,282)	(10,199)	(463)	(4,894)	(132)	(1,862)	(454)	(19,286)	(169,087)	(188,373)
(Surplus) or Deficit on provision of services (accounting basis)	(1,526)	-	(6,679)	-	-	-	-	(8,205)	-	(8,205)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(18,847)	(18,847)
Total Comprehensive Income and Expenditure	(1,526)	-	(6,679)	-	-	-	-	(8,205)	(18,847)	(27,052)
Adjustments between accounting basis & funding basis under regulations (Note 1.1)	1,668	-	5,179	-	(58)	(380)	(417)	5,992	(5,992)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	142	-	(1,500)	-	(58)	(380)	(417)	(2,213)	(24,839)	(27,052)
Transfers to / (from) Reserves	(106)	106	1,500	(1,500)	-	-	-	-	(17)	(17)
(Increase) / Decrease in Year	36	106	-	(1,500)	(58)	(380)	(417)	(2,213)	(24,856)	(27,069)
Balance at 31 March 2016	(1,246)	(10,093)	(463)	(6,394)	(190)	(2,242)	(871)	(21,499)	(193,943)	(215,442)

Comprehensive Income and Expenditure Statement

Gross Expenditure	Gross Income	Net Expenditure		Note Reference	Gross Expenditure	Gross Income	Net Expenditure
2015/16 Restated	2015/16 Restated	2015/16 Restated			2016/17	2016/17	2016/17
£'000	£'000	£'000			£'000	£'000	£'000
2,078	(719)	1,359	Community & Partnerships		2,960	(1,475)	1,485
9,616	(5,087)	4,529	Environmental & Regulatory Services		10,826	(5,071)	5,755
20,584	(17,989)	2,595	Finance & Administration		20,326	(18,141)	2,185
2,339	(702)	1,637	Housing & Economic Development		2,376	(872)	1,504
5,535	(15,479)	(9,944)	Housing Revenue Account		4,196	(15,412)	(11,216)
22	-	22	Non-Distributed Costs		103	-	103
40,174	(39,976)	198	Cost of Services		40,787	(40,971)	(184)
		3,276	Other Operating Expenditure	5.1			2,702
		3,913	Financing & Investment Income and Expenditure	5.2			3,918
		(15,592)	Taxation and Non-Specific Grant Income	5.3			(15,849)
		(8,403)	Corporate Amounts				(9,229)
		(8,205)	(Surplus)/Deficit on Provision of Services				(9,413)
		(16,269)	Surplus on Revaluation of Non-Current Assets				(18,992)
		(2,578)	Actuarial (Gains)/Losses on Pension Assets /Liabilities				7,438
		-	Other Movements in Usable/Unusable Reserves				(239)
		(27,052)	Total Comprehensive Income and Expenditure				(21,206)

Balance Sheet

31 March 2016 £'000		Notes	31 March 2017 £'000
318,690	Property, Plant and Equipment	7.1	344,010
587	Heritage Assets	7.3	883
210	Intangible Assets	6.1	277
1,057	Long Term Debtors	18.6	1,174
320,544	Total Long Term Assets		346,344
34,000	Short Term Investments	18.1	28,000
51	Inventories	9.1	45
3,421	Short Term Debtors	9.2 - 9.3	3,448
474	Cash and Cash Equivalents	9.5	633
37,946	Total Current Assets		32,126
(12,537)	Short Term Creditors	10.1	(5,378)
(4,531)	Short Term Provisions	10.2	(1,147)
(17,068)	Total Current Liabilities		(6,525)
(88,407)	Long Term Borrowing	18.2	(88,407)
(4,957)	Deferred Liabilities	11.2	(4,852)
(1,713)	Grants Receipts in Advance	11.3 - 11.4	(1,959)
(30,901)	Pension Scheme Liability	3.5	(40,204)
(125,978)	Total Long Term Liabilities		(135,422)
215,444	Total Net Assets		236,523
	Represented by:-		
21,500	Usable Reserves	2.1 - 2.4	26,972
193,943	Unusable Reserves	3.1 - 3.6	209,551
215,443	Total Reserves		236,523

I certify that the statement of accounts gives a true and fair view of the financial position of the authority as at 31st March 2017 and its income and expenditure for the year ended 31st March 2017. These financial statements replace the unaudited financial statements signed by the Director of Finance and Corporate Services – S151 on 31st May.

Adrian Webb
Director of Finance and Corporate Services - Section 151 Officer
27th July 2017

Cash Flow Statement

2015/16		2016/17	
Restated			
£'000		£'000	Notes
8,205	Net surplus/(deficit) on the provision of services	9,413	Page 3
3,882	Adjustments to net surplus/(deficit) on the provision of services - non cash movements	755	
(2,283)	Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	(4,635)	
9,804	Net cash flows from operating activities	5,533	13.1
(12,738)	Net cash flows from investing activities	2,201	13.2
2,930	Net cash flows from financing activities	(7,575)	13.3
(4)	Net (decrease) in cash and cash equivalents	159	
478	Cash and cash equivalents at the beginning of the reporting period	474	13.4
474	Cash and cash equivalents at the end of the reporting period	633	13.4

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

SECTION A – NOTES TO THE CORE FINANCIAL STATEMENTS**1.0 – Movement in Reserves****1.1 – Movement in Reserves Statement – Adjusting between Accounting and Funding Basis under Regulations 2016/17**

2016/17	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Reserve £'000	Movement Unusable Reserves £'000
<u>Adjustments involving the CAA</u>						
Charges for depreciation and impairment on non-current assets	(1,358)	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	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Reserve £'000	Movement Unusable Reserves £'000
<u>Adjustments involving the Major Repairs Reserve</u>						
Additions to Major Repairs Reserve to finance new capital expenditure	-	3,419	-	(3,419)	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	3,445	-	(3,445)
<u>Adjustments involving the Pension Reserve</u>						
Reversal of items relating to post-employment benefits debited or credited to the surplus or deficit on the provision of services in the CI&E	(2,692)	(502)	-	-	-	3,194
Employers pension contributions and direct payments to pensioners payable in year	1,124	206	-	-	-	(1,330)
<u>Adjustments involving the Collection Fund Adjustment Account</u>						
Amount by which net collection fund income debited/credited to the comprehensive income and expenditure statement is different from c/tax income calculated for the year in accordance with statutory requirements	(1,376)	-	-	-	-	1,376
<u>Adjustments involving the Accumulated Absences Account</u>						
Adjustments in relation to short term compensated absences	(3)	-	-	-	-	3
Total Adjustments	(1,840)	8,379	(2,288)	26	(130)	(4,147)

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

2015/16	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied Reserve £'000	Movement Unusable Reserves £'000
<u>Adjustments involving the CAA</u>						
Charges for depreciation and impairment on non-current assets	(1,248)	408	-	-	-	840
Amortisation of Intangible Assets	(59)	(14)	-	-	-	73
Revenue expenditure funded from capital under statute	(715)	(61)	-	-	-	776
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E	(263)	(1,007)	-	-	-	1,270
Statutory provision for financing capital investment	489	-	-	-	-	(489)
Capital expenditure charges against the General Fund and HRA balances	968	2,161	-	-	-	(3,129)
<u>Adjustments involving the Capital Grants Unapplied Account</u>						
Application of grants to capital financing from unapplied reserves	-	-	-	-	864	(864)
Capital grants and contributions that have been credited to the CI&E	1,213	-	-	-	(1,281)	68
<u>Adjustments involving the Capital Receipts Reserve</u>						
Transfer of sale proceeds credited as part of the gains/losses on disposal to the CI&E	-	1,070	(1,070)	-	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	-	247	-	-	(247)
Contribution from Capital Receipts Reserve towards administrative costs of non-current asset disposal	-	(10)	10	-	-	-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	-	(433)	433	-	-	-

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

2015/16	General Fund Balance	HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Reserve	Movement Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adjustments involving the Major Repairs Reserve</u>						
Additions to Major Repairs Reserve to finance new capital expenditure	-	3,392	-	(3,392)	-	-
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	3,334	-	(3,334)
<u>Adjustments involving the Pension Reserve</u>						
Reversal of items relating to post-employment benefits debited or credited to the surplus or deficit on the provision of services in the CI&E	(2,665)	(531)	-	-	-	3,196
Employers pension contributions and direct payments to pensioners payable in year	1,046	205	-	-	-	(1,251)
<u>Adjustments involving the Collection Fund Adjustment Account</u>						
Amount by which net collection fund income debited/credited to the comprehensive income and expenditure statement is different from c/tax income calculated for the year in accordance with statutory requirements	2,905	-	-	-	-	(2,905)
<u>Adjustments involving the Accumulated Absences Account</u>						
Adjustments in relation to short term compensated absences	(3)	(1)	-	-	-	4
Total Adjustments	1,668	5,179	(380)	(58)	(417)	(5,992)

2.0 – Usable Reserves

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

2.1 – General Fund - Revenue Balances

General Fund	31 March 2016 £'000	Transfer In £'000	Transfer Out £'000	31 March 2017 £'000	Purpose of Reserve
Working Balance	1,246	22	-	1,268	Maintained to protect the Council's budget from unexpected risks.
Working Balance Sub Total	1,246	22	-	1,268	
Business Rates	500	567	(33)	1,034	To manage the NNDR element of the collection fund deficit.
DWP	136	-	(65)	71	Relates to the value of benefit subsidy expected to be required to be paid back.
Licensing	17	-	(17)	-	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	960	-	(194)	766	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	194	-	(74)	120	Reserve to assist economic development and business in the district.
Elections	25	25	-	50	Contributions toward future election costs.
Homelessness	40	-	-	40	Set up to cover unbudgeted additional demand within the homelessness service.
Planning Development	982	61	(525)	518	Usable resources set aside for planning development issues.
Strategic Initiatives	4,504	3,067	(80)	7,491	To support initiatives in accordance with the stated purpose of the fund/key criteria.
Waste Depot Relocation	1,488	-	-	1,488	Relates to the proposed relocation of the Dunmow waste depot.
Waste Management	131	70	-	201	Waste management contingency provision for unforeseen costs.
Net other reserves	80	143	(72)	151	
Other GF Usable Sub Total	10,097	3,933	(1,060)	12,970	
GF Usable Reserves Total	11,343	3,955	(1,060)	14,238	

2.2 – Housing Revenue Account - Reserve Balances

Housing Revenue Account - Reserve Balances	31 March 2016 £'000	Transfer In £'000	Transfer Out £'000	31 March 2017 £'000	Purpose of Reserve
Working Balance	463	35	-	498	Maintained to protect the Council's housing budget from unexpected risks.
Working Balance Sub Total	463	35	-	498	
Transformation/Change Management Revenue Projects	180 60	- -	- -	180 60	To enable the Housing Revenue Account to change the way it operates in order to meet financial challenges ahead. To finance outstanding revenue business plan actions.
Revenue Reserves Sub Total	240	-	-	240	
Capital Projects	3,538	272	-	3,810	Funding allocated to capital projects.
Potential Development Projects	2,298	-	-	2,298	Funding for new build schemes.
Sheltered Housing	318	-	-	318	To finance capital redevelopment of sheltered housing in future years.
Earmarked Reserves Total	6,154	272	-	6,426	
Major Repairs	190	3,419	(3,445)	164	Funding for future capital expenditure.
Other Capital Reserves Total	190	3,419	(3,445)	164	
Capital Reserves Sub Total	6,344	3,691	(3,445)	6,590	
Housing Revenue Balances Total	7,047	3,726	(3,445)	7,328	

2.3 – Capital Receipts Reserve

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

2015/16 £'000	2016/17 £'000
1,862 Balance as at 1 April	2,242
Receipts	
- Capital receipts - General Fund	216
1,070 Capital receipts - Housing Revenue Account	2,618
Applied	
(433) Paid to government housing receipts pool	(446)
(247) Capital receipts used for financing	(78)
(10) Expenses from sales of capital assets	(22)
380 Movements in Year	2,287
2,242 Balance as at 31 March	4,529

2.4 – Grants and Contributions without Conditions (Unapplied)

	31 March 2016	Income	Interest	Drawn Down - Capital	Drawn Down - Revenue	31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000
S106 Unapplied						
Affordable Housing;						
-Debden Road, Saffron Walden	100	-	-	-	-	-
-Friends School, Saffron Walden	28	-	-	-	-	-
-Radwinter Mushroom Farm, Wimbish	76	-	-	-	-	-
-High Bank and Hill View, Saffron Walden	15	-	-	-	-	-
-Land at former Lodge Farm, Radwinter Road, Saffron Walden	395	-	-	-	-	-
-Land adjacent to Tower House, St Edmunds Lane, Dunmow	-	258	-	-	-	-
-Land rear of Herb of Grace, 25 Parsonage Downs, Dunmow	-	77	-	-	-	-
-Land at Ventnor Lodge, Cambridge Road, Quendon	-	125	-	-	-	-
-Land at Harts Yard, King Street, Saffron Walden	-	103	-	-	-	-
-Drawn Down	-	-	-	(556)	-	-
Sub Total - Affordable Housing	614	563	-	(556)	-	621
Dunmow Eastern Sector	18	-	-	-	-	18
Woodlands Park, Gt Dunmow	83	-	-	-	-	83
Bell College, Saffron Walden	15	-	-	-	-	15
Priors Green, Takeley	8	-	-	-	-	8
Foresthall Park, Stansted	30	-	-	-	-	30
Lt Walden Road/Ashdon Road, Saffron Walden	98	-	-	-	-	98
Oakwood Park, Takeley	5	-	-	-	-	5
SUB TOTAL	871	563	-	(556)	-	878

Grants and Contributions without Conditions (Unapplied) – Continued

	31 March 2016	Income	Interest	Drawn Down - Capital	Drawn Down - Revenue	31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Grants Unapplied						
Reynolds Court - HCA	-	201	-	(201)	-	-
Saffron Walden Castle - Heritage England	-	155	-	(155)	-	-
Compulsory Purchase - PLACE	-	10	-	(10)	-	-
Housing Strategy Grant	-	570	-	(570)	-	-
Day Centre - Kitchen Contribution	-	6	-	(6)	-	-
Disabled Facility Grant	-	166	-	(166)	-	-
SUB TOTAL	-	1,108	-	(1,108)	-	-
Grants and Contributions Unapplied Total	871	1,671	-	(1,664)	-	878

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.

2015/16			2016/17		
General Fund	HRA	Total	General Fund	HRA	Total
£'000	£'000	£'000	£'000	£'000	£'000
4,380	66,353	70,733	5,242	80,376	85,618
1,059	15,093	16,152	673	16,909	17,582
-	-	-	1,410	-	1,410
1,059	15,093	16,152	2,083	16,909	18,992
(177)	-	(177)	(199)	-	(199)
-	(329)	(329)	-	-	-
(70)	(740)	(810)	-	(712)	(712)
51	-	51	35	(12)	23
(196)	(1,070)	(1,266)	(164)	(724)	(888)
5,243	80,376	85,619	7,161	96,561	103,722

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.

2015/16 £'000		£'000	2016/17 £'000
130,998	Balance as at 1st April		137,275
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(6,173)	Charges for depreciation and impairment of non-current assets	(5,258)	
5,448	Revaluation gains on Property, Plant and Equipment	5,837	
(73)	Amortisation of Intangible Assets	(77)	
(777)	Revenue expenditure funded from capital under statute	(1,768)	
(460)	Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,370)	
177	Revaluation Depreciation from the Revaluation Reserve	-	
-	Adjustments in respect of capital transactions	-	
-	Adjusting amounts written out of Revaluation Reserve	888	
(1,858)			(2,748)
	Capital financing applied in the year		
247	Use of Capital receipts Reserve to finance new capital expenditure	78	
3,334	Use of Major Repairs Reserve to finance new capital expenditure	3,445	
936	Capital Grants and Contributions applied to capital financing	1,794	
489	Statutory provision for the financing of capital investment charged against the General fund and HRA balances	1,712	
3,129	Capital expenditure charged against the General Fund and HRA balances	4,119	
8,135			11,148
137,275	Balance as at 31 March		145,675

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).

2015/16 £'000		2016/17 £'000
898	Balance at 1 April	1,057
159	Increase / (decrease) in value	117
1,057	Balance as at 31 March	1,174

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.

2015/16 £'000		2016/17 £'000
(138)	Balance as at 1 April	(142)
(4)	In year adjustment	(3)
(142)	Balance as at 31 March	(145)

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 section 17.

2015/16	Notes	2016/17
£'000		£'000
(31,535) Balance as at 1 April		(30,901)
(1,944) Surplus/(Deficit) on Provision of Services in CI&E	17.2	(1,865)
2,578 Actuarial Gain/(Loss)	17.9	(7,438)
(30,901) Balance as at 31 March		(40,204)

3.6 – Collection Fund Adjustment Account

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

2015/16		2016/17
£'000		£'000
(1,869)	Surplus/(Deficit) as at 1 April	1,035
39	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	(53)
2,865	Amount by which NNDR income credited to the CIES is different from NNDR income calculated for the year in accordance with statutory requirements	(1,655)
1,035	Surplus/(Deficit) as at 31 March	(673)

SECTION B – COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

4.0 – Compliance with Regulations

4.1– Service Reporting Code of Practice

The Comprehensive Income and Expenditure Statement reports and illustrates the net cost of the Council’s financial activities for the year and demonstrates how that cost has been financed from the Central Government Grants and Income from Local Taxpayers.

In 2016-17 segments relating to the authorities reporting portfolios have been used in the reporting of service expenditure.

4.2 – Expenditure and Funding Analysis

The Expenditure and Funding Analysis 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 3) by presenting the movements required under statute as shown in note 1.1 and the following not to the Expenditure and Funding Analysis.

Reported Outturn	Net Recharges	Net expenditure chargeable to the General fund & HRA Balances	Adjustments between Funding and Accounting Basis to arrive at the CIES	Net expenditure in the Comprehensive Income & Expenditure Statement		Reported Outturn	Net Recharges	Net expenditure chargeable to the General Fund & HRA Balances	Adjustments between Funding and Accounting Basis to arrive at the CIES	Net expenditure in the Comprehensive Income & Expenditure Statement
2015/16 £'000	2015/16 £'000	2015/16 £'000	2015/16 £'000	2015/16 £'000		2016/17 £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000
775	7	782	576	1,358	Community & Partnerships	779	169	948	538	1,485
1,730	1,390	3,120	1,409	4,528	Environmental Services	2,492	1,605	4,097	1,658	5,754
4,941	(2,971)	1,970	625	2,595	Finance & Administration	5,164	(3,802)	1,362	824	2,185
1,229	137	1,366	273	1,639	Housing and Economic Development	1,353	99	1,452	52	1,504
(11,034)	1,437	(9,597)	(347)	(9,944)	Housing Revenue Account	(11,382)	1,928	(9,454)	(1,762)	(11,216)
-	-	-	22	22	Non Distributed	-	-	-	103	103
(2,358)	(0)	(2,358)	2,557	198	Net cost of Service	(1,595)	-	(1,595)	1,413	(184)
		1,001	(9,404)	(8,403)	Other Income and Expenditure		-	(1,612)	(7,949)	(9,229)
		(1,357)		(8,205)	Surplus/Deficit			(3,207)		(9,413)
16,840					Opening General Fund and HRA balance	18,197				
1,357					Surplus/Deficit on the provision of services	3,207				
18,197					Closing General Fund and HRA balance	21,404				

4.3 – Note to the Expenditure and Funding Analysis

Adjustments for Capital Purposes 2015/16 £'000	Net Pensions Adjustments 2015/16 £'000	Other Adjustments 2015/16 £'000	Net Adjustments 2015/16 £'000		Adjustments for Capital Purposes 2016/17 £'000	Net Pensions Adjustments 2016/17 £'000	Other Adjustments 2016/17 £'000	Net Adjustments 2016/17 £'000
533	43	-	576	Community & Partnerships	504	33	-	538
1,035	374	-	1,409	Environmental Services	1,370	288	-	1,658
303	322	-	625	Finance & Administration	576	248	-	824
150	122	-	273	Housing and Economic Development	(42)	94	-	52
(505)	157	-	(347)	Housing Revenue Account	(1,879)	117	-	(1,762)
0	22	-	22	Non Distributed		103	-	103
1,516	1,041	-	2,557	Net cost of Service	530	883	-	1,413
(7,408)	905	(2,901)	(9,404)	Other Income and Expenditure	(10,308)	981	1,710	(7,617)
(5,892)	1,946	(2,901)	(6,847)	Adjustment to the Surplus/Deficit on Provision of Services	(9,779)	1,864	1,710	(6,205)
(5,388)	1,789	(2,901)	(6,500)	Adjustments to the General Fund	(7,900)	1,747	1,710	(4,443)
(505)	157	-	(347)	Adjustments to the Housing Revenue Account	(1,879)	117	-	(1,762)

5.0 – Notes to the Comprehensive Income and Expenditure Statement

5.1– Total Other Operating Expenditure

2015/16	2016/17
£'000	£'000
2,488 Parish Council Precepts	2,719
433 Payments to the Government Housing Capital Receipts Pool	446
264 (Gain)/Loss on the Disposal of Non-Current Assets	(463)
91 Other Non-Service Specific Expenditure	-
3,276 Total Other Operating Expenditure	2,702

5.2 – Total Financing and Investment Income and Expenditure

2015/16	2016/17
£'000	£'000
3,034 Interest Payable and Similar Charges	3,038
- Impairment & Loss/(Gains) on Financial Assets	-
1,018 Pensions - Net Interest on the Defined Benefit Liability (Asset)	1,084
(139) Interest Receivable & Similar Income	(204)
3,913 Total Financing and Investment Income and Expenditure	3,918

5.3 – Total Taxation and Non Specific Grants

2015/16 £'000		2016/17 £'000
	<i>Council Tax Income</i>	
(4,653)	- District Council element	(4,828)
(2,488)	- Town/Parish Councils element	(2,719)
	<i>Business Rates Retention</i>	
(1,793)	- District Council element of NNDR income in year	(2,407)
673	- Safety Net reimbursement / Levy payment due	-
(669)	- Section 31 funding from Central Government	(517)
	<i>Collection Fund</i>	
(129)	- Council Tax - Net value of estimated/actual income recognised in CI&E	(100)
(527)	- NNDR - Net value of estimated/actual income recognised in CI&E	1,092
	<i>Non Ring fenced Government Grants</i>	
(3,603)	- New Homes Bonus	(4,283)
(55)	- Supplementary Grants	(338)
	<i>Other</i>	
(1,234)	- Formula Funding from Central Government	(684)
(1,114)	- Capital Grants and Contributions	(1,065)
(15,592)	Total Taxation and Non-Specific Grants Income	(15,849)

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.

2016/17	GF Portfolio Analysis (as per note 5.4)	HRA Portfolio Analysis	GF Amounts Not Reported to Management*	HRA Amounts Not Reported to Management*	Net Cost of Service	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Income	(7,503)	(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 Assets	-	-	-	-	-	-	-
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)

2015/16	GF Portfolio Analysis (as per note 5.4)	HRA Portfolio Analysis	GF Amounts Not Reported to Management*	HRA Amounts Not Reported to Management*	Net Cost of Service	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Income	(7,430)	(15,450)	-	-	(22,880)	-	(22,880)
Interest & Miscellaneous Income	-	-	-	-	-	(139)	(139)
Income from Council Tax	-	-	-	-	-	(7,270)	(7,270)
Income from Business Rates	-	-	-	-	-	(2,316)	(2,316)
Government Grants, Funding & Contributions	(17,067)	(4)	-	-	(17,071)	(6,006)	(23,077)
Total Income	(24,497)	(15,454)	-	-	(39,951)	(15,731)	(55,682)
Employee Expenses	9,409	1,798	765	157	12,129	1,018	13,147
Other Service Expenses	23,874	2,604	722	79	27,279	92	27,371
Support Services Recharges - Charged	-	-	9,707	2,606	12,313	-	12,313
Support Services Recharges - Allocated	-	-	(11,143)	(1,170)	(12,313)	-	(12,313)
Depreciation, Amortisation & Impairment	-	-	1,307	(566)	741	-	741
HRA Self-Financing Interest	-	-	-	-	-	-	-
Other Interest Payable & Capital Financing	-	-	-	-	-	3,033	3,033
Precepts & Levies	-	-	-	-	-	2,488	2,488
Impairment & Gain/Loss on Disposal of Financial Assets	-	-	-	-	-	-	-
Gain/Loss on Disposal of Non-Current Assets	-	-	-	-	-	264	264
Payment to the Housing Capital Receipts Pool	-	-	-	-	-	433	433
Total Expenditure	33,283	4,402	1,358	1,106	40,149	7,328	47,477
(Surplus) / Deficit on the Provision of Services	8,786	(11,052)	1,358	1,106	198	(8,403)	(8,205)

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

SECTION C – BALANCE SHEET**6.0 – Intangible Assets**

Intangible fixed assets are those items which, although the cost incurred in their acquisition is of a capital nature there is no physical tangible asset to show. The movement in intangible assets during 2016/17 are detailed below.

6.1– Intangible Assets

2015/16	2016/17
£'000	£'000
623 Gross Balance at 1 April	655
32 Additions	143
- Reclassification	-
- Asset write out	(32)
655 Gross Balance carried forward at 31 March	766
(386) Amortisation as at 1 April	(445)
(59) Amortisation In Year	(76)
- Amortisation write out	32
(445) Amortisation Balance carried forward 31 March	(489)
210 Net Value At 31 March	277

7.0 – Property, Plant and Equipment

7.1 - Analysis of Property, Plant and Equipment

2016/17	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total £'000
Balance as at 31 March 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)	-	-
Gross Balance as at 31 March 2017	322,546	31,977	11,228	541	853	5,740	372,885
Accumulated Depreciation 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	-	-
Depreciation Balance 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

2015/16	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2015	274,582	26,801	10,407	512	823	3,604	316,729
Revaluation Gain recognised in the Revaluation Reserve	15,010	1,380	-	-	-	-	16,390
Revaluation Loss recognised in the Revaluation Reserve	-	(180)	-	-	-	-	(180)
Revaluation recognised in the CIES	4,701	(560)	-	-	(88)	-	4,053
Additions	3,803	409	514	29	17	2,413	7,185
Adjustment	-	(51)	-	-	51	-	-
Donations	-	-	-	-	-	-	-
Disposals	(1,054)	(284)	-	-	-	-	(1,338)
Asset write out	-	-	(5)	-	-	-	(5)
Reclassification	2,202	738	-	-	567	(3,507)	-
Gross Balance as at 31 March 2016	299,244	28,253	10,916	541	1,370	2,510	342,834
Accumulated Depreciation at 1 April 2015	(10,966)	(3,011)	(5,047)	(32)	(44)	-	(19,100)
Depreciation In Year	(3,209)	(705)	(1,163)	(24)	(11)	-	(5,112)
Depreciation Write Out	47	21	-	-	-	-	68
Depreciation Balance as at 31 March 2016	(14,128)	(3,695)	(6,210)	(56)	(55)	-	(24,144)
Net Book Value as at 31 March 2016	285,116	24,558	4,706	485	1,315	2,510	318,690
Net Value as at 31 March 2015	263,616	23,790	5,360	480	779	3,604	297,629
Assets owned outright	285,116	11,753	3,243	485	997	2,510	304,104
Donated Assets	-	1,140	103	-	-	-	1,243
Finance lease on assets	-	-	(5)	-	318	-	313
Assets used under contractual PFI agreement	-	11,665	1,365	-	-	-	13,030
Total	285,116	24,558	4,706	485	1,315	2,510	318,690

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.

2015/16 £ '000		2016/17 £ '000
96,520	Opening Capital Financing Requirement at 1 April	96,578
	<u>Capital Expenditure</u>	
7,185	Property Plant and Equipment	7,957
33	Intangible Assets	143
200	Heritage Assets	298
777	Revenue Expenditure Funded from Capital Under Statute	1,768
8,195	Total Capital Expenditure	10,166
	- Increase in non-dwelling HRA assets not reversed to unusable reserves	161
	- Sub Total	161
	<u>Financed By</u>	
(247)	Usable Capital Receipts	(78)
(938)	Government Grants and Other Contributions	(1,794)
(3,127)	Capital Expenditure Financed from Revenue Contributions	(4,119)
(3,334)	Major Repairs Reserve	(3,445)
(491)	Minimum Revenue Provision	(1,712)
(8,137)	Total Capital Financing	(11,148)
96,578	Closing Capital Financing Requirement at 31 March	95,757
	Explanation of Movement	
549	Increase in underlying need to borrow	891
(491)	Minimum Revenue Provision	(1,712)
58	Increase / (decrease) in Capital Financing Requirement	(821)

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 2016	31 March 2017
£'000	£'000
432 Saffron Walden Motte and Bailey	729
155 Museum Artefacts - Fine Arts Collection	155
587 Balance	883

Saffron Walden Motte and Bailey Castle:

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

The castle is Norman dating from the 12th century. The wall surrounding the castle is also listed. To date there have been no excavations on the site of notable interest.

The movement in Heritage Assets on the balance sheet is expenditure incurred on the Motte and Bailey Castle.

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

Saffron Walden Museum Artefacts

Under the terms of a 99 year lease with Saffron Walden Museum Society Limited, the Council is responsible for operating and managing the Saffron Walden Museum and associated artefacts. It has been established that the risks and rewards associated with the arrangement are held by the Council and therefore the Fine Arts Collection is included in the accounts*. Under the terms of the lease the Council is responsible for the repair and restoration of the museum artefacts and the nature of the displays, acquisitions and disposals. Governance arrangements are also conducted through the Museum Board of the Society and the Council’s Museum Management Working Group.

The collection of an estimated 11,000 artefacts is, on the whole, of significant local worth, with a small proportion of high value items. Valuations were carried out for the following collections; Natural Sciences undertaken by G Lucy – Geologist (2001) derived a value of £510k and Decorative Collection undertaken by J Dutton – Ceramics specialist (2011) these resulted in a value of £1.3million.

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

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

7.4 – Significant Commitments under Capital Contracts

As at 31st March 2017, the Council has the following contractual obligations for capital expenditure:

	WIP 31 March 2017 £'000	Total remaining commitment £'000
Capital Scheme		
<u>Housing</u>		
Catons Lane	847	104
Reynolds Court	2,899	4,288
Total	3,746	4,392

8.0 – Other Long Term Assets

8.1 – Long Term Investments

The council has no long term investments.

8.2 – Long Term Debtors

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

9.0 – Current Assets

9.1 – Inventories (Stock)

31 March 2016	31 March 2017
£'000	£'000
51	45
51	45

9.2 – Debtors

31 March 2016	31 March 2017
£'000	£'000
739	560
409	873
3,631	3,311
4,779	4,744

For details of the movement in the debtors, please refer to section 3 of the Narrative Report.

9.3 – Impairment Allowances (for Non-Collection)

31 March 2016 £'000	31 March 2017 £'000
(225) Non Domestic Rates	(183)
(173) Council Tax	(144)
(372) Housing Rents	(275)
(571) Overpaid Benefit	(674)
(16) Sundry Debtors	(22)
(1,357) Total	(1,298)

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 £28million in short term investments which is detailed in section 18.1.

9.5 – Cash and Cash Equivalents

31 March 2016 £'000	31 March 2017 £'000
212 Net Cash Equivalent as per balance sheet	845
277 Receipts Accounts - Cash in Transit	(206)
(15) Payments Accounts - Cash in Transit	(6)
474 Total	633

10.0 – Current Liabilities

10.1 – Creditors

31 March 2016		31 March 2017
£'000		£'000
7,207	Central Government Bodies	756
2,195	Other Local Authorities	1,183
3,135	Other Entities and Individuals	3,439
12,537	Total	5,378

For details of the movement in the creditors, please refer to section 3 of the Narrative Report.

10.2 – Provisions

31 March 2016		In year Provision created	Provision Applied	31 March 2017
£'000		£'000	£'000	£'000
27	Legal Claims	-	-	27
218	Land Charges - Legal Claims on Charging Policy	-	-	218
-	Expenditure commitments for New Homes Bonus	-	-	-
69	- 2011/12 Parish Councils	-	(16)	53
24	Community Halls	-	(24)	-
4,193	NNDR Appeals	152	(3,496)	849
4,531	Balance as at 31 March	152	(3,536)	1,147

The total provision available for NNDR appeals as at 31st March 2017 is £2.123m; the above table reflects the Council's share of the provision at a value of £0.849m.

11.0 – Long Term Liabilities

11.1 – Long Term Borrowing

The long term borrowing relates to the Housing Revenue Account. The Council was required to borrow £88.407million on 28th March 2012 to buy itself out of the subsidy regime. The Housing Revenue Account maintains a 30 year rolling business plan as part of the council's financial planning, and gives details of income, expenditure, financing and repayments. The maturity profile is detailed in Note 18.7 Financial Instruments.

11.2 – Deferred Liabilities

2015/16	2016/17	1 Year	2 - 5	6 - 10	11 - 15	16 - 20
£'000	£'000	£'000	years	years	years	years
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central Services						
11	Finance leases Opening balance	-	-	-	-	-
(11)	Principal Payments	-	-	-	-	-
-	Adjustment to Liability	-	-	-	-	-
-	Closing balance	-	-	-	-	-
Leisure						
5,052	PFI – Opening balance	4,956	4,852	4,740	4,191	3,206
(96)	Principal repayment	(104)	(112)	(549)	(985)	(1,467)
4,956	Closing balance	4,852	4,740	4,191	3,206	1,739
4,956	Deferred Liabilities at 31 March	4,852	4,740	4,191	3,206	1,739

11.3 – Creditor – Grants and Contributions with Conditions

	31 March 2016	Income	Adjustment	Drawn Down - Capital	Drawn Down - Revenue	31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000
S106 Receipts in Advance						
Priors Green, Takeley	146	-	-	-	-	146
Felsted	10	-	-	-	-	10
Oakwood Park Community Hall, Takeley	10	-	-	-	(10)	-
Rochford Nurseries/Foresthall Park, Stansted	662	129	102	(130)	-	763
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, Fritch Green, Felsted	-	33	-	-	-	33
SUB TOTAL	1,054	226	102	(130)	(10)	1,242
Capital Grants - Receipts in Advance						
Heritage Quest Centre Grants	26	-	-	-	-	26
SUB TOTAL	26	-	-	-	-	26
Grants and Contributions with Conditions	1,080	226	102	(130)	(10)	1,268

11.4 – Creditor – Grants and Contributions to Other Bodies

	31 March 2016	Income	Adjustment	Transferred to other bodies	31 March 2017
	£'000	£'000	£'000	£'000	£'000
S106 Receipts in Advance					
Sector 4 Woodlands Park (Helena Romanes School)	165	-	-	-	165
Rochford Nurseries/Foresthall Park, Stansted	289	-	(102)	(187)	-
Brewers End, Takeley	31	-	-	-	31
Land adj Hailes Wood, Elsenham	10	14	-	(14)	10
Land at Hertford End Brewery, Mill Lane, Hartford End	70	-	-	(70)	-
Land at Flich Green, Felsted	67	-	-	-	67
Chadhurst, Dunmow Road, Takeley	-	85	-	(85)	-
Land north side of Hempstead Road, Radwinter	-	261	-	(261)	-
Land east of Weaverhead Close, Thaxted	-	150	-	(150)	-
Land at 1 Pit Cottages & Gravelpit Cottages, Dunmow	-	273	-	(273)	-
Land adjacent to S/W Hospital	-	309	-	(293)	16
Land south of Foxley House, Rickling Green	-	18	-	(18)	-
Land at Webb & Hallett Road, Flich Green, Felsted	-	135	-	(135)	-
Land at Meadow House Nursery, High Roding	-	85	-	(85)	-
Ashdon Road Commercial Centre	-	129	-	-	129
Land south of Stansted Road, Elsenham	-	440	-	(387)	53
Land south of Ongar Road, Dunmow	-	649	-	(604)	45
Land at 119 Radwinter Road, adj S/W Hospital	-	15	-	-	15
Land North of Ongar Road, Gt Dunmow	-	143	-	-	143
Willow Tree Cottage/The Acorns Takeley	-	17	-	-	17
Grants and Contributions to Other Bodies	632	2,723	(102)	(2,562)	691

11.5 – Pension Liability

The pension liability is the current obligation of the future retirement benefits the council has to its members, this is calculated as a net of the fair value of assets less the current obligation, details of which can be found in tables 17.3 and 17.5.

12.0 – Tax Payers Equity

12.1 – Usable Reserves

The usable reserves are monies that are set aside and can be used by the council to fund future projects and initiatives, as directed by Members and the senior management team, that are not part of the normal running of the council services. For details please refer to section A notes 2.1-2.4.

12.2 – Unusable Reserves

The unusable reserves are unrealised gains and losses of the council that relate to the financing of capital expenditure as well as timing differences between recognition of assets and liabilities under accounting rules and statutory regulations. For details please refer to section A notes 3.1-3.6.

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

13.1 – Cash Flow Statement – Operating Activities

2015/16 £'000	2016/17 £'000
8,205 Net surplus/(deficit) on the provision of services	9,413
Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	
6,173 Depreciation	5,258
(5,448) Impairment and downward valuations	(5,837)
73 Amortisation	77
877 Increase/(decrease) in creditors	362
(689) (Increase)/decrease in debtors	38
2 (Increase)/decrease in inventories	7
1,944 Pension liability	1,864
490 Contribution to provisions	(3,384)
460 Carrying amount of non-current assets sold	2,370
3,882 Total	755
(2,283) Adjustments for items included in the net (deficit) on the provision of services that are investing or financing activities	(4,635)
9,804 Net cash flows from operating activities	5,533

13.2 – Cash Flow Statement – Investing Activities

2015/16 £'000		2016/17 £'000
(8,027)	Purchase of property, plant and equipment, investment property and intangible assets & movement in capital creditor	(8,680)
(8,500)	Movements in net short term investments	6,000
1,070	Proceeds from sale of property, plant and equipment	2,834
2,719	Capital grants received	2,047
(12,738)	Total Cash Flows from Investing Activities	2,201

13.3 – Cash Flow Statement – Financing Activities

2015/16 £'000		2016/17 £'000
3,992	Billing Authorities - Council Tax & NNDR Adjustment	(7,292)
(1,062)	Cash Payments for the Reduction of the outstanding Liabilities	(283)
2,930	Total Cash Flows from Financing Activities	(7,575)

13.4 – Cash Flow Statement – Cash and Cash Equivalents

2015/16		2016/17	Movement in year
£'000		£'000	£'000
474	Cash and Bank Balances	633	159
474	Total Cash and Cash Equivalents	633	159

13.5 – Cash Flow Statement – Interest on Balances

2015/16		2016/17
£'000		£'000
3,068	Interest paid	3,039
(97)	Interest received	(148)
2,971	Net Interest Paid	2,891

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

14.1 – Private Finance Initiative

The Council's Private Finance Initiative (PFI) Scheme provided two new Leisure Centres in Great Dunmow and Stansted Mountfitchet and the refurbishment of the Lord Butler Fitness and Leisure Centre in Saffron Walden. The PFI contract is with 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 £12.5million.

The contract was operational from the financial year 2003/04 and runs for a period of 32 years (ending 2035/36) leaving 19 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 £4.852 million. (Note 11.2). The figures have been updated in line with CPI and not RPI as per previous years.

The PFI unitary charge has been forecast to increase by an average RPI of 3% to the end of the PFI contract, compared to an assumption of 2% used in the 2015-16 annual accounts. This reflects the latest short to medium term forecasts released by government and independent inflation forecasters.

2015/16		2016/17	1 Year	2 - 5 years	6 - 10 years	11 - 15 years	16 - 20 years
£'000		£'000	£'000	£'000	£'000	£'000	£'000
1,027	Leisure PFI - Unitary charge	1,040	1,069	4,544	6,342	7,188	6,448
96	Capital Repayment	104	112	549	985	1,467	1,739
419	Interest Expense	411	403	1,509	1,588	1,106	360
193	Contingent Rent	216	230	1,034	1,659	2,289	2,580
319	Services	309	324	1,452	2,110	2,326	1,769
1,027	Total Unitary Charge	1,040	1,069	4,544	6,342	7,188	6,448

15.0 – Members, Officers and Related Parties

15.1 – Members Allowances

The Local Government Act 2000 and the Local Government (Members Allowances) Regulation 2003 requires the Council to appoint an independent remuneration panel to review its scheme for Members Allowances. The panel make recommendations to the Council regarding the scheme to be operated in 2016/17.

The total Members allowances paid in 2016/17 was £272,926 (£274,937 for 2015/16), these are detailed below.

2015/16 £'000		2016/17 £'000
	Allowance:	
198	Basic Allowance	195
2	Group Leaders Allowances	3
62	Special Responsibility Allowances	63
12	Travel and Subsistence	12
1	Employers Pension Contribution	-
275	Total	273

15.2 – Related Party Transactions

The Council is required to disclose material transactions with related parties that have the potential to control or influence the Council or to be controlled or influenced by the Council.

The council has one member who is Group Company Secretary to Lakehouse, this company have numerous subsidiary companies which include Foster Property Maintenance. Foster Property Maintenance has a contract with the council for external wall insulation and replacement of fascias, soffits and guttering for the councils housing stock (total of £439k), they have also won the tender for alteration and refurbishment of Hatherley Court. Aaron Services which is subsidiary of Lakehouse have won the contract for air heating services (£205k contract).

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.

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

15.2.3 – Central Government

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

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

15.2.4 – Companies and Organisations

- Turpin's Indoor Bowling Club Limited

Under the terms of a 23 year lease (a new lease was started in December 2014), Turpin's Indoor Bowling Club Limited leases property owned by the Council. The asset is leased to the company for a market rent; taking account of the covenant within the terms of the lease of 40% of the facility is for the use of community residents. To protect the Council's interest two Uttlesford Councillors have a seat on the organisation board.

- Saffron Walden Pig Market

Uttlesford District Council is the sole trustee of the Saffron Walden Pig Market Charity. The Charity owns a proportion of a public pay and display car park and their income is derived from this asset.

The Car Park is maintained and run by the North Essex Parking Partnership on behalf of the District Council and the Charity receives a 19.86% share of the net income.

The Charity distributes the income it receives by way of grants to charities that work in the Saffron Walden area.

Citizens Advice Bureau – 2016/17 - £43,388

2015/16 - £33,749

- Saffron Walden Museum Society Limited

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

The net costs of running the Museum are;

2016/17 - £295,804

2015/16 - £262,328 + £87,998 impairment to land and buildings

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 2016/17 was £5,000 (£5,000 for 2015/16).

- Community Safety Partnership

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

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

In 2016/17 the gross income of the partnership was £73,438 and expenditure £11,754 (£79,618 and £17,824 respectively for 2015/16). 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 operates the Councils' off street pay and display car parks, and administers the on street parking services on behalf of Essex County Council. The lead authority is Colchester Borough Council and they provide the support services and accommodation for the Partnership.

The Partnership is governed by a Joint Committee, on which each partner Council has a representative. The Joint Committee produces its own accounts which summarise the surplus/deficit for each year as well as the reserves held at each year-end.

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

15.3 – Officers Remuneration

Senior Officers remuneration is detailed below

			Salary, Fees and Allowances	Bonuses	Car Allowances	Benefits in Kind	Redundancy	Total Remuneration Excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
			£	£	£	£	£	£	£	£
Chief Executive	Previous appointment	2015/16	78,536	-	-	-	-	78,536	11,623	90,159
	New appointment	2015/16	9,052	-	-	-	-	9,052	1,339	10,391
		2016/17	106,050	-	-	-	-	106,050	16,650	122,700
Assistant Chief Executive - Legal		2015/16	75,405	-	-	-	-	75,405	11,160	86,565
		2016/17	26,410	-	-	-	-	26,410	4,146	30,556
Director of Public Services		2015/16	83,403	-	-	-	-	83,403	12,344	95,747
		2016/17	84,237	-	-	-	-	84,237	13,225	97,462
Director of Finance and Corporate Services		2015/16	83,403	-	-	-	-	83,403	12,344	95,747
		2016/17	93,824	-	-	-	-	93,824	13,225	107,049
Assistant Director - Corporate Services		2015/16	55,625	-	-	-	-	55,625	8,233	63,858
		2016/17	56,181	-	-	-	-	56,181	8,820	65,001
Assistant Director - Housing and Environmental Services		2015/16	55,625	-	-	-	-	55,625	8,233	63,858
		2016/17	56,181	-	-	-	-	56,181	8,820	65,001
Assistant Director - Planning and Building Control		2015/16	55,634	-	-	-	-	55,634	8,233	63,867
		2016/17	1,545	-	-	-	-	1,545	243	1,788
		2016/17	52,000	-	-	-	-	52,000	8,164	60,164
Assistant Director - Resources		2015/16	55,625	-	-	-	-	55,625	8,233	63,858
		2016/17	56,181	-	-	-	-	56,181	8,820	65,001
Assistant Director - ICT and Facilities		2015/16	55,625	-	-	-	-	55,625	8,233	63,858
		2016/17	56,181	-	-	-	-	56,181	8,820	65,001

- Chief Executive's post vacant between 7th January 2016 and 28th February 2016
- Assistant Chief Executive – Legal post vacant from 6th August 2016, annualised salary would have been £76,159
- Assistant Director Planning and Building Control post vacant between 11th April and 12th June 2016, annualised salary of new appointment £65,000

15.4 – Employees Salary over £50,000

The Council's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts.

No. of Employees 2015/16	Remuneration Band	No. of Employees 2016/17
2	£50,000 - £54,999	1
5	£55,000 - £59,999	4
2	£75,000 - £79,999	-
2	£80,000 - £84,999	1
-	£90,000 - £94,999	1
-	£105,000 - £109,999	1
11	Total	8

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 Chief Executive Legal retired in August and therefore does not meet the criteria to be included in this table.

15.5 – Termination Benefits

The Council terminated the contracts of 6 employees in 2016/17 (2 in 2015/16) incurring liabilities of £77,838 (£42,045 in 2015/16). The table below identifies the number of exit packages in bands of £20,000.

2015/16		Exit Package Cost Band		2016/17		
Number of Compulsory Redundancies	Number of other Departures Agreed	Total Number of Exit Packages		Number of Compulsory Redundancies	Number of other Departures Agreed	Total Number of Exit Packages
1	-	1	£0 - £20,000	1	3	4
-	1	1	£20,001 - £40,000	-	2	2
1	1	2	Total Number of Packages	1	5	6
13,235	28,810	42,045	Total Cost (£)	3,468	74,370	77,838

16.0 – Fees Payable

16.1 – External Audit Fees Payable

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

2015/16 £'000		2016/17 £'000
42	Fees payable in relation to External Audit Services carried out by the appointed Auditor	66
22	Fees payable in relation to Certification of Grant Claims and Returns	25
-	Fees payable in relation to other audit services	7
64	Total	98

Audit fees have not changed, the differences in figures is due to an under accrual in 15/16 of £19k which impacts on the 16-17 accounts.

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 first 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).

2015/16 £'000	2016/17 £'000
2,179 Current service cost	2,110
990 Net interest on the Defined Liability/Asset	1,059
28 Administration cost	25
3,197 Net Charge to Comprehensive Income and Expenditure Statement	3,194
1,944 Reversal of Net Charge made for retirement benefits in accordance with IAS19	1,865
Actual amount charged against Council Tax for Pensions in the year:	
1,143 Employer contributions to the Pension Fund	1,205
- Deficit contribution payments	-
- Contributions to the Pension Fund in respect of early retirement	19
110 Added Years discretionary payments	105
1,253 Payments to the Pension Fund During the Year	1,329
3,197 Total	3,194

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 2017 are as follows:

2015/16	2016/17
£'000	£'000
89,708 Present Value of Scheme Obligation at 1 April	89,453
2,173 Current cost of service	2,095
2,836 Interest cost	3,086
512 Contributions by scheme participants	522
(3,038) Change in financial assumptions	18,822
- Change in demographic assumptions	(2,131)
(5) Experience gain on defined benefit obligation	288
6 Past service cost and curtailments	15
(2,629) Benefits/transfers paid	(3,015)
(110) Unfunded pension payments	(105)
(255)	19,577
89,453 Present Value of Scheme Obligation as at 31 March	109,030

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)	113,162	109,030	105,054
Rate of increase in salaries (increase/decrease by 0.1%)	109,273	109,030	108,790
Rate of increase in pensions (increase/decrease by 0.1%)	110,692	109,030	107,397
Rate for discounting scheme liabilities (increase/decrease by 0.1%)	107,159	109,030	110,937

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 2017 are as follows:

2015/16 £'000	2016/17 £'000
58,174 Fair Value of Scheme Assets as at 1 April	58,552
1,846 Interest on assets	2,027
(465) Return on assets less interest	9,303
- Other actuarial losses	238
(28) Administration expenses	(25)
1,252 Contributions by employer including unfunded	1,330
512 Contributions by scheme participants	522
(2,739) Estimated benefits paid plus unfunded net of transfers in	(3,120)
378	10,275
58,552 Fair Value of Scheme Assets as at 31 March	68,827

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 2016/17 of £40.203million (£30.901million in 2015/16) 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.

	2012/13 (Restated) £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Estimated Liabilities in the Scheme	(80,339)	(77,229)	(89,708)	(89,453)	(109,030)
Estimated Assets in the Scheme	48,593	50,877	58,174	58,552	68,827
Net (Deficiency) in the Fund	(31,746)	(26,353)	(31,535)	(30,901)	(40,203)

17.7 – Basis for Estimating the Pension Scheme Assets and Liabilities

These assumptions are set with reference to market conditions as at 31st March 2017.

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.

2015/16		2016/17
	Mortality Assumptions:	
	Longevity at 65 for future pensioners (Years)	
25.2	Men	24.3
27.7	Women	26.9
	Financial Assumptions:	
3.20%	Rate of Inflation - RPI	3.60%
2.30%	Rate of Inflation - CPI	2.70%
4.10%	Rate of Increase in Salaries (reflects long term salary growth assumptions)	4.20%
2.30%	Rate of increase in Pensions	2.70%
3.50%	Rate of Discounting Scheme Liabilities	2.70%
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 2017 are detailed below;

31 March 2016			31 March 2017		
£'000	%		£'000	%	
39,630	68%	Equity Investments	47,010	68%	
1,726	3%	Gilts	2,604	4%	
2,810	5%	Other Bonds	2,797	4%	
6,973	12%	Property	6,696	10%	
1,902	3%	Cash	2,072	3%	
2,603	4%	Alternative Assets	4,590	7%	
2,908	5%	Other managed funds	3,058	4%	
58,552	100%	Total	68,827	100%	

17.9 – History of Actuarial Gains and Losses

	2012/13 (Restated)	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000
Return on plan assets in excess of interest	3,422	1,925	4,823	(465)	9,303
Asset Gain/(Loss)	-	(1,186)	219	-	238
Liability Gain/(Loss)	18	2,544	(44)	5	(288)
Change in Demographic Assumptions	-	4,512	-	-	2,131
Change in Assumptions	(4,506)	(834)	(9,729)	3,038	(18,822)
Net Actuarial Gain/(Loss)*	(1,066)	6,962	(4,731)	2,578	(7,438)

*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 2017. The deficit also includes the difference between the cost of statutory required payments to the Pension Fund and the IAS19 accounting cost charged to the CIES.

Further information can be found in Essex County Council’s Pension Fund’s Annual Report which is available upon request from Essex County Council, County Hall, Chelmsford, Essex, CM1 1JZ.

18.0 – Financial Instruments

Financial Classifications

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

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council’s non-derivative financial liabilities held during the year are measured at amortised cost and comprising:

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

Financial Assets

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

- cash in hand
- bank current and deposit accounts with Barclays Bank Plc
- fixed term deposits with banks and building societies
- loans to other local authorities
- lease receivables detailed
- trade receivables for goods and services delivered

18.1 - Financial Instruments – Balances

Long Term Financial Instruments		Short Term Financial Instruments		
As at 31 March 2016 Book Value	As at 31 March 2017 Book Value	As at 31 March 2016 Book Value	As at 31 March 2017 Book Value	
£'000	£'000	£'000	£'000	
Financial Assets, Loans and Receivables:				
1,057	1,174	Debtors (Contractual)	490	781
-	-	Investments *	34,000	28,000
-	-	Cash and Cash Equivalents **	474	633
1,057	1,174	Total	34,964	29,414
Financial Liabilities at Amortised Cost:				
-	-	Creditors (Contractual)	(709)	(1,054)
(88,407)	(88,407)	Borrowing	-	-
(4,853)	(4,740)	Deferred Liabilities	(103)	(112)
(93,260)	(93,147)	Total	(812)	(1,166)
(92,203)	(91,973)	Net Total	34,152	28,248

* As at 31st March 2017, £10million is invested with London Borough of Haringey, £3million is invested with Brentwood Borough Council, £5million with Police & Crime Commissioner West Yorkshire, £5million with Central Bedfordshire Council and £2million is invested with the Debt Management Office (UK Treasury), all for up to one month. We also have the following on call accounts; £1million with CCLA Money Market fund, £1million with Barclays Bank and £1million with Bank of Scotland. Furthermore, all relevant credit criteria ratings were met when investments were placed with relevant counterparties during the year.

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

18.2 - Housing Revenue Account – Self Financing Reforms

The Department for Communities and Local Government (DCLG) abolished the HRA subsidy system in March 2012, under the Localism Act, with Local Authorities taking control of the housing expenditure and income. This will enable the effective long term planning of housing stock at a local level.

The Council was required to borrow £88.407million on 28th March 2012 to buy itself out of the subsidy regime. The Housing Revenue Account maintains a 30 year rolling business plan as part of the council's financial planning, and gives details of income, expenditure, financing and repayments. The Housing Revenue account incurred interest payments on the loan portfolio of £2.627million in 2016/17. Please refer to table 18.7 which detail the repayment schedule.

18.3 - Financial Instruments – Gains and Losses

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

2015/16		2016/17	2016/17	2016/17
		Financial Assets	Financial Liabilities	
£'000		£'000	£'000	£'000
3,068	Interest Expenses	-	3,038	3,038
3,068	Interest Payable and Similar Charges	-	3,038	3,038
(97)	Interest and Investment Income	(143)	-	(143)
(97)	Interest Receivable and Similar Income	(143)	-	(143)
2,971	Net (Gains)/Loss for the Year	(143)	3,038	2,895

18.4 - Financial Instruments – Fair Values

	Balance Sheet 31 March 2017 £'000	Fair Value 31 March 2017 £'000
Financial Liabilities:		
Creditors (contractual)	(1,054)	(1,054)
Long-term loans borrowed	88,407	103,116
PFI scheme liabilities	(4,853)	(7,954)
Total	82,500	94,108
Financial Assets:		
Cash & cash equivalents	633	633
Debtors (contractual)	781	781
Investments	28,000	28,000
Total	29,414	29,414

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 2017, using the following methods and assumptions:

- The fair values of loans from the PWLB have been discounted at the published interest rates for new PWLB certainty rate loans with an identical remaining term to maturity arranged on 31st March.
- The fair values of 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.

The fair value of the HRA long term liability (£103.116 million) is higher than the carrying amount (£88.407million) because the authority's portfolio of loans includes a number of loans where the interest rate payable is lower than the current rates available for similar loans as at the Balance sheet date. The fair value of the HRA loan would have been £89.590million if the Premature Repayment Rate had been adopted instead of the New Loan Rate.

18.5 - Financial Instruments - Risks

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

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

The main risks covered are:

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

Credit Risk: Investments

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

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

Credit Risk: Receivables

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

Council's customers

Payments for services are either required in advance or due at the time of the service is provided. Please see table 18.4, Debtors (Contractual), for the total amount due to the Council from its customers as at 31st March 2017.

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 £0.297million (Housing Rent and Sundry Debtors) as at 31st March 2017 (£0.388million as at 31 March 2016) is deemed sufficient. In order to recover all debts effectively the Council will concentrate on debt management and ensure efficient use of debt management information.

Banks and financial institutions

Credit risk is minimised through the annual investment strategy (details of which are available on the Council's website) which requires the Council to maintain a counterparty list that follows the criteria set out in the Treasury Management Practices. Credit worthiness is assessed by the use of credit ratings provided by Fitch, Moody's and Standard and Poor's to assess an institutions long and short term financial strength along with its individual and support ratings. Other information provided by brokers, advisers and financial and economic reports are also collated and assessed to monitor each individual institution against the Council's criteria.

Any counterparty whose ratings fall to the extent that they no longer meet the credit criteria are immediately removed from the lending list. Only highly rated counterparties are included on the lending list.

18.6 – Financial Instruments – Collateral

The council holds collateral in relation to the following loans, see table 3.3 for details

Debt Outstanding 31 March 2016 £'000		Debt Outstanding 31 March 2017 £'000	
1,057	Rents to Mortgages	1,174	
1,057	Total	1,174	

18.7 – Financial Instruments - Liquidity Risk

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

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

	Maturity	31 March 2017 £'000	% of total debt portfolio
Long Term Borrowing			
	1 to 5 years	10,000	11.31%
	6 to 10 years	14,000	15.84%
	11 to 15 years	18,000	20.36%
	16 to 20 years	21,000	23.75%
	21 to 25 years	25,407	28.74%
	26 to 30 years	-	-
Total Long Term Borrowing		88,407	100.00%

18.8 – Financial Instruments - Market Risks

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

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

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31st March 2017, of the total debt of £88.407million, £78.407million was fixed rate debt, (the fixed rate debt net of investments held was £50.407million, after offsetting the investment balance of £28million held at the balance sheet date). The only variable interest rate exposure on debt is for the remaining £10million.

Market Risks: Price Risk

The Council has no investments in equity shares and therefore is not exposed to losses arising from movements in the price of shares.

Market Risks: Foreign Exchange Risk

The Council has no foreign financial instruments denominated in foreign currencies.

19.0 – Supplementary Notes

19.1 – Events after the Reporting Period

The Final Statement of Accounts was authorised for issue by the Director of Finance and Corporate Services on 27th July 2016. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date, provided information about conditions that existed as at 31st March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

In 2016/17 the Council set up a number of arm's-length wholly owned companies, under the Aspire brand name, which are run on a commercial basis separate from the Council's normal business.

On the 4th May 2017 the Council entered in to an intercompany agreement with Aspire (CRP) Ltd to provide them with a loan of £47.25million at a fixed rate of interest of 4%. The Council is financing the loan requirement through a mix of internal and external borrowing.

On the 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 Ltd. The cost of the purchase of the 50% share was £47.25 million, which included Stamp Duty.

19.2 – Contingent Liabilities

Announcement that all schools will become Academies:

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

19.3 – Grant Income – Revenue

The Council receives a number of grants and donations which are credited to the service lines of the Comprehensive Income and Expenditure Statement. In 2016/17 the Council received £17.386million in grants and donations (2015/16 restated comparative £17.107million) made up of £9.318million relating to Housing Benefits Allowance Subsidy, £6.596million Housing Benefits Rent Rebates Subsidy and a remaining balance of other items totalling £1.471million (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

The Code of Practice on Local Authority Accounting (the Code) requires the Council to disclose the expected impact of new standards that have been issued but not yet adopted by the Code for the financial year. This applies to the following new or amended standards within the 2016/17 code:

- Amendments to the reporting of pension fund scheme transaction costs.
- Amendment to the reporting of investment concentration

The code does not anticipate that any of the above will have a material impact on the financial statements. There are a number of changes to the following years accounting code (2017/18) these are:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 - Leases

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.

- The authority started a trading company that will in future require group accounts. Due to the company being set up after to the balance sheet date and no transactions taking place in the 2016/17 it was deemed immaterial to the accounts to undertake group accounts for the financial year 2016/17.

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 £344m as at 31 March 2017. 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 £4.2m 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 £197,010 and the value of the assets decrease. 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 £33,000 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 impairment review is also undertaken. The recoverable amount is then estimated having regard to the application of the concept of materiality.	If an asset is impaired the carrying amount of the asset is reduced. Vehicles, plant, equipment, infrastructure and community and assets under construction are all held at historic cost, all other assets are valued at fair (market) value, excluding the HRA housing stock which is valued at social usage value. Of the market valued assets a valuation impairment would equate to a reduction in the Council's net worth.

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase in the long term, changes in retirement ages, mortality rates and expected returns on pension fund assets. These judgements are completed by the Essex County Council Fund Actuaries.	The effect on net pensions of changes in individual assumptions can be measured. For instance: A decrease in the discount rate assumption would result in an increase in pension liability. An increase in member life expectancy would result in an increase in pension liability. An increase in salaries would result in an increase in pension liability. An increase in the pension rate would result in an increase in pension liability. Please reference table 17.4 page 54 for the affect on the scheme obligations.
Arrears	At 31 March 2017, the Council had a balance of £4.7m for debtors. A review of balances suggested that an impairment of doubtful debts of £1.3m 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 2017, the Council recognised a provision of £0.8m 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.

SECTION F – SUPPLEMENTARY FINANCIAL STATEMENTS – HOUSING REVENUE ACCOUNT (HRA)**Comprehensive Income and Expenditure Statement**

2015/16 £'000	2016/17 £'000
Income	
(14,451) Dwelling Rents	(14,315)
(215) Non-Dwelling Rents	(202)
(768) Charges for Services and Facilities	(872)
(20) Contributions towards Expenditure	(23)
(15,454) Total Income	(15,412)
Expenditure	
2,975 Repairs and Maintenance	2,817
2,240 Supervision and Management	2,799
437 Rents, Rates, Taxes and other Charges	434
3,294 - Dwellings	3,270
89 - Other Non-Current Assets	149
(3,896) Impairment of Non-Current Assets	(5,504)
17 Movement in Bad Debt Provision	(131)
61 Revenue Expenditure Funded from Capital Under Statute (REFFCUS)	45
5,217 Total Expenditure	3,879
(10,237) Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(11,532)
305 HRA Services Share of Corporate and Democratic Core	334
(12) HRA Share of other amounts included in the Whole Authority Net Cost of Services but not allocated to Specific Services	(17)
(9,944) Net Expenditure on HRA Services	(11,215)
529 Loss/(gain) on Sale of HRA Non-Current Assets	(15)
2,611 Interest payable and similar charges	2,627
(42) Interest and Investment Income	(60)
167 IAS 19 Pensions - Net Interest on Defined Assets/Liabilities	178
- Capital Grant and Contributions	(202)
(6,679) (Surplus)/Deficit for the year on HRA Services	(8,687)

20.0 – Movement in HRA Reserves

2015/16 £'000		2016/17 £'000
463	Balance on HRA working balance at the end of the previous year	463
6,679	Surplus for the year on the HRA Comprehensive Income and Expenditure Account (as per 20.1)	8,687
(5,181)	Adjustments between accounting basis and funding basis under statute (as per 20.3)	(8,380)
1,498	Net increase or (decrease) in year on the HRA	307
(1,498)	Transfers to Earmarked Reserves	(272)
-	Increase or (decrease) in year on the HRA Working Balance	35
463	Balance on the HRA at the end of the current year	498

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

2015/16 £'000		2016/17 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the Year	
(530)	Gain/(loss) on Sale of HRA Non-Current Assets and Right to Buy Pooling	15
3,946	Impairment of Non-Current Assets	5,342
(61)	Amounts treated as revenue expenditure in accordance with the 'Code' but which are classified as capital expenditure by statute	(45)
-	Reversal of Non Specific Grants	201
(325)	Net Charges made for Retirement Benefits in accordance with IAS 19	(295)
	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the Year	
2,161	Capital Expenditure funded by the HRA	3,184
(10)	Right to Buy Administration Costs Allowance	(22)
5,181	Adjustments between accounting basis and funding basis under statute	8,380

21.0 - Notes to the HRA

21.1 – Introduction

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

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

21.2 – Gross Rental Income

Gross rent Income is the total rent income due after allowance is made for void properties. At the end of 2016/17 an average of 2.28% of properties were vacant (2.66% 2015/16) a decrease over the year due to previous void properties being rentable. The actual average rent for all stock was £98.4 per week in 2016/17 (£100.60 in 2015/16) leading to an actual gross rental income for dwelling rents of £14.32million for 2016/17 (£14.45million in 2015/16).

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 2016/17 accounts reflect related interest costs payable of £2.627million (£2.611million in 2015/16).

21.4 – Housing Stock

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

31 March 2016		31 March 2017
No. of Properties		No. of Properties
709	Flats	706
755	Bungalows	754
1,334	Houses	1,321
2,798	Total Properties	2,781

The movement between 2015/2016 and 2016/2017 housing stock comprises of the following:

- 3 Sales of Flats under Right to Buy
- 1 Sale of Bungalows under Right to Buy
- 13 Sales of Houses under Right to Buy

21.5 – Rent Arrears

2015/16		2016/17
£'000		£'000
	Arrears due from:	
424	- Current Tenants	311
66	- Former Tenants	71
490	Total Rent Arrears	381
3.4%	Total as a % of Gross Debt	2.7%

21.6 – Balance Sheet Value of Housing Revenue Assets

31 March 2016		31 March 2017
£'000		£'000
285,116	Dwellings	305,278
1,614	Garages	2,001
1,112	Temporary Accommodation	1,100
367	Vehicles, Plant, Equipment and Intangibles	281
233	Other Land and Buildings	1,107
2,510	Assets Under Construction	5,732
290,952	Total HRA Asset Value	315,499

The vacant possession value of dwellings within the HRA as at 31st March 2017 was £803.36million (£731.07million as at 31st March 2016). The difference of £498.09million 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. The Existing Use Value for HRA Dwellings increased to 38% in 2016/2017 this is reflected in the increase in asset values.

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.

2015/16		2016/17
£'000		£'000
(131)	Opening Balance 1 April	(190)
(3,393)	Transfer in	(3,419)
3,334	Capital Expenditure funded from reserve	3,445
(190)	Closing Balance 31 March	(164)

21.8 – Capital Financing

2015/16		2016/17
£'000		£'000
6,218	Total HRA Capital Expenditure	6,907
	Financed by:	
(2,161)	Revenue Contributions	(3,184)
(3,334)	Contribution from Major Repairs Reserve	(3,445)
(247)	Capital Receipts	(78)
(476)	Capital Grants	(201)
(6,218)	Total Financing	(6,907)

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 G – 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 1 April 2013.

Collection Fund Income and Expenditure Account

2015/16			Collection Fund	2016/17		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
-	(51,536)	(51,536)	Council Tax Payers	-	(54,783)	(54,783)
(42)	(160)	(202)	Historic Balance Adjustment	-	-	-
(43,890)	-	(43,890)	Business Rate Payers	(32,463)	-	(32,463)
(43,932)	(51,696)	(95,628)	Total Income	(32,463)	(54,783)	(87,246)
3,707	36,449	40,156	Essex County Council	3,873	38,934	42,807
-	4,935	4,935	Essex Police Authority	-	5,240	5,240
412	2,228	2,640	Essex Fire Authority	430	2,332	2,762
16,477	7,142	23,619	Uttlesford District Council / Parish	17,214	7,546	24,760
20,597	-	20,597	Central Government	21,517	-	21,517
41,193	50,754	91,947	Total Precept and Demand	43,034	54,052	97,086
(526)	450	(76)	Essex County Council	52	778	830
-	60	60	Essex Police Authority	-	105	105
(58)	27	(31)	Essex Fire Authority	6	48	54
(2,338)	89	(2,249)	Uttlesford District Council	231	152	383
(2,923)	-	(2,923)	Central Government	288	-	288
(5,845)	626	(5,219)	Total Distributions of Previous Years Surplus/(Deficit)	577	1,083	1,660
148	35	183	Provision for Doubtful Debts Adjustment	127	25	152
158	-	158	Transitional Protection Payments due to Central Government	476	-	476
198	-	198	Business Rates: - Renewable Energy to General Fund	149	-	149
138	-	138	Business Rates: - Cost of Collection Allowance to General Fund	138	-	138
1,973	-	1,973	Business Rates: - Provision created in year	380	-	380
(699)	-	(699)	Business Rates: - Provision released into Collection Fund	(8,738)	-	(8,738)
1,916	35	1,951	Total Other Expenditure	(7,468)	25	(7,443)
37,264	51,415	88,679	Total Expenditure	36,143	55,160	91,303
5,161	(1,321)	3,840	(Surplus)/Deficit as at 1 April	(1,507)	(1,602)	(3,109)
(6,668)	(281)	(6,949)	(Surplus)/Deficit for the Year	3,680	377	4,057
(1,507)	(1,602)	(3,109)	(Surplus)/Deficit as at 31 March	2,173	(1,225)	948

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 2016/17 was £1,490.04 (2015/16 was £1,439.06), 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 2016/17 was £1,568.96 (2015/16 was £1,513.25).

22.2 – Council Tax Base

2015/16	Council Tax Base	2016/17
33,880	Total Dwellings	34,242
31,461	Net Chargeable Dwellings	32,215
35,794	Band D Equivalents	36,710
(2,231)	LCTS Discounts	(2,013)
237	Additions (Net of Discounts/Exemptions)	-
33,800	Total Band D Equivalents	34,696
33,326	Collection Rate 98.7% / 98.4%	34,245
213	M.O.D Properties	205
33,540	COUNCIL TAX BASE	34,450

22.3 – Council Tax Income Analysis

2015/16		2016/17
£'000		£'000
59,725	Gross Council Tax Collectable	63,032
(1,026)	Less: - Exemptions	(990)
(3,875)	Less: - Discounts	(4,141)
(3,130)	Less: - LCTS	(3,119)
2	Transitional Relief	1
51,696	Income from Council Tax Payers	54,783

22.4 – Council Tax Collection Fund Balance

31 March 2016		31 March 2017
£'000		£'000
(1,152)	Essex County Council	(883)
(155)	Essex Police Authority	(119)
(69)	Essex Fire Authority	(52)
(224)	Uttlesford District Council	(171)
(1,600)	Total Surplus Apportioned	(1,225)

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 2016 was £103,443,915 (1st April 2015 was £101,478,024) and the multipliers, as specified by Central Government were 48.4p excluding small business surcharge (48.0p 2015/16) and 49.7p including small business surcharge (49.3p 2015/16). Based on the lower rate this produced an approximate yield of £50.067million (£48.709million 2015/16). 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 2016/17 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 not due to receive any additional income but being in the pool has negated the need to pay a levy to government of £0.128 million.

22.6 – National Non Domestic Rates Income Analysis

2015/16		2016/17
£'000		£'000
50,116	Gross Business Rate Collectable	38,298
(2,301)	Small Business Rate Relief	(2,458)
(2,206)	Mandatory Relief	(2,136)
(894)	Property Relief	(908)
(783)	Discretionary Relief	(333)
43,932	Income from Business Rates Payers	32,463

22.7 - National Non Domestic Rates Fund Balance

31 March 2016		31 March 2017
£'000		£'000
(753)	Central Government	1,086
(136)	Essex County Council	196
(15)	Essex Fire Authority	22
(603)	Uttlesford District Council	869
(1,507)	Total Deficit Apportioned	2,173

STATEMENT OF ACCOUNTING POLICIES

P1. GENERAL PRINCIPLES

The general principles adopted in compiling the Accounts summarises the Council's financial transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. 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 2016/17 and the Service Reporting Accounting Code of Practice 2016/17, 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
 - unithised 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 2016 by Wilks, Head and Eve LLP and an end of year market review is undertaken as at 31st March 2017.

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 does however participate in a joint operation which is not performed through a separate entity. The Parking Partnership is a joint committee arrangement (refer to note 15.2) where the Council records its share of the joint committee arrangement's income and expenditure, gains and losses, assets and liabilities and cash flows within its statutory accounts.

P20. PRIVATE FINANCE INITIATIVE (PFI)

The Council has a sports PFI scheme, which falls under the arrangements of the International reporting Standard – IFRIC 12 'Service Concession Arrangements'.

PFI and similar contracts are agreements to receive services, where the responsibility for making available Property, Plant and Equipment needed to provide the service passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as

ownership of the assets will pass to the Council at the end of the contract period for no additional charge, the Council carries the assets used under the contract on the Balance Sheet.

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets over the life of the contract.

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

The amount payable to the PFI operator each year is analysed into five elements:

- Fair value of the services during the year – debited to the relevant service line in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator.
- Lifecycle replacement costs – debited to the relevant service in the Comprehensive income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance sheet liability towards the PFI operator.

P21. LONG-TERM DEBTORS

These are amortised by an annual amount equalling the annual repayments of principal paid by borrowers.

P22. COUNCIL TAX

The Council as 'billing' authority acts as agent with regards to the collection and distribution of Council Tax on behalf of itself and Essex County Council, Essex Police Authority, Essex Fire Service and the various town and parish councils. In line with these agency arrangements, in order to reflect the risks and rewards accurately within the Council's accounts, the following transactions need to be reported:

- The agency share of Council Tax income is not included in the Council's Comprehensive Income and Expenditure Statement, as it is not part of the council's operating activities.
- A debtor/creditor to reflect the difference between the various preceptors share of the cash collected in the year and the cash paid to the preceptors on account in line with the appropriate regulations will be included in the Council's balance sheet.
- The council's cash flow statement only includes the council's share of council tax, net of cash collected and precepts paid to it.

P23. NATIONAL NON DOMESTIC RATES (NNDR)

The accounting treatment for NNDR is based on the principle that the Council is the 'billing' authority, acting as the agent for Central Government and its Preceptors in the collection of NNDR. The following accounting arrangements have been put in place:

- The agency share of NNDR income is not included in the Council's Comprehensive Income and Expenditure Statement, as it is not part of the council's operating activities.
- The cost of collection received by the Council is reported as income in the Comprehensive Income and Expenditure Statement.
- The agency share of NNDR debtors, creditors and impairment losses are not the assets or liabilities of the Council and are replaced in the balance sheet by a net debtor/creditor for Central Government and each of the Preceptors.

P24. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

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

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

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

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

P25. EVENTS AFTER THE REPORTING PERIOD

Such events can be both favourable and unfavourable, occurring between the end of the reporting period and the date when the Statement of Accounts are authorised for issue. Where the event is material to the content of the Accounts and there is evidence that the event existed at the end of the reporting period, the Statement of Accounts is adjusted to reflect the impact of the event. Events arising after the reporting period are not adjusted in the Accounts for. A disclosure is made detailing the nature of the event and the estimated financial impact.

P26. FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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 2017 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 2016-2021 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. The Corporate Plan is reviewed annually and takes account of feedback from public consultation carried out via a Citizens Panel. The Corporate Plan 2017-21 was approved by members at the Council Meeting held in February 2017 and more clearly establishes the Council's priorities.
- 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 Performance & Audit Committee. Satisfaction surveys and a formal complaints procedure allow the Council to gauge customer satisfaction
- 3.4 Uttlesford District Council has adopted a Constitution which establishes the roles and responsibilities for members of the executive (the Cabinet), Performance & Audit, Scrutiny, and Standards Committees, together with officer functions. It includes details of delegation arrangements, the Members' Codes of Conduct and protocols for member/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose. 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. A more detailed review of aspects of the Constitution began in 2016/17 and amendments made; the review is ongoing in 2017/18.

- 3.6 In 2015 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 2016/17.
- 3.7 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 2016/17
- 3.8 The primary counterbalances to our Cabinet are the Scrutiny and the Performance & Audit Committees. The role of these committees is to provide a robust challenge to the Executive.
- 3.9 The Performance & Audit Committee monitors the performance of the Council, fulfilling the Council's Audit Committee core functions, 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.
- 3.10 The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received from the Council or on the conduct of Members. The Standards Committee has responsibility for overseeing the investigation of complaints against members.

For the period 01/04/16 to 31/03/17, there were 11 allegations received of a breach of the Code of Conduct concerning 8 councillors, of which

7 were against parish councillors;

4 against district councillors

- 3.11 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 provide clear reporting channels and were published in April 2015 and will be reviewed and updated during 2017/18.

- 3.12 The Council has embedded Risk Management throughout its activities with the Corporate Risk Register directly linking to the aims set out in the Council's Corporate Plan. Each member of CMT and the Street Services Operations manager provide updates to CMT, via a report collating service area developments, performance data and risk register updates, thus the links between performance, risk and actions are clearly set out and closely monitored. The Council's approach to risk management is undergoing a comprehensive review as it has been a number of years since such an exercise has been carried out. Training is being organised and the review will result in a new Risk Management Policy and new risk registers reflecting current best practice thinking in risk management..
- 3.13 Performance Management is monitored through quarterly reporting to CMT and the Performance & Audit Committee on 16 Key Performance Indicators along with more than 30 other Performance Indicators. In 2016/17 the Performance & Audit Committee discussed issues including recycling rates and NNDR collection.
- 3.14 All Council services are delivered by trained and experienced officers. Job Descriptions and Person Specifications are in place for all posts to ensure that the best candidates are appointed into each position. A significant commitment has also been made towards retaining good staff, by offering numerous 'work friendly' schemes and where possible encouraging succession planning and promotion from within. This ensures that valuable skills and experience are retained and passed on, rather than being lost. Training needs are identified through the U-Perform appraisal system.
- 3.15 The individual performance review system known as 'U-Perform' has been operated in the council for six years. Staff are measured against operational objectives that are linked through to the Corporate Plan via service and directorate objectives. U-Perform also identifies developmental and training needs to ensure that appropriate training is made available to staff to ensure that individuals are able to undertake their present role effectively and that they have the opportunity to develop to meet their and the Council's needs.
- 3.16 During the year 2016/17 all Members of the Council have had opportunities to attend workshops and Member training in relation to the Local Plan, Finances following the Autumn Statement, the Council's proposed Investment Opportunity, Equalities Training and Health and Safety for Councillors when out and about in their Ward. During this year Members of the Planning Committee will have received training specific to Planning matters. Induction training was provided for newly elected councillors in February following casual vacancies for two seats, such training covering Code of Conduct training, other training to enable new councillors to get up and running, and IT training to

enable them to access their email and meetings' agenda packs via devices issued by the Council for this purpose. The Members' Bulletin continues to provide information on relevant corporate and strategic matters and is being developed so that it will become the single source of information for Members

3.17 The Council continues to ensure it is open and accessible to the community. In 2016/17 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 Performance and Audit Committee
- Further enhanced its consultation activity around the LCTS scheme and budget setting

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

3.18 During 2016/17 the Council's Scrutiny Committee has looked at various areas of council decision making and service delivery, including a review of progress on the emerging Local Plan, the 2016/17 draft budget, LCTS consultation and the Council's Enforcement function. A summary of the year's work can be found at Item 8 of the 11 April 2017 Scrutiny Committee

3.19 There are terms of reference and constitutions set up for key partnerships which ensure that all members of the partnership act lawfully throughout the decision making process. Uttlesford Futures has a comprehensive Governance Handbook and the terms of reference for all of the working groups are 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. In 2016/17 the Council worked with council

partners around Essex to consider the establishment of a shared Building Control Service. This was not pursued after significant work was invested in this project. The East of England Local Government Association were commissioned to review the lessons learnt.

- 3.20 During 2016/17 the Council invited the Local Government Association to conduct a Corporate Challenge. The draft report has been received and an action plan drawn up to address the key recommendations made.
- 3.21 The Council's Draft Statement of Accounts for 2015/16 were completed by 31 May 2016. The audited Statement of Accounts for 2015/16 were published on 28 July 2016. The Council received an unqualified opinion on its accounts for the eighth successive year.
- 3.22 During 2016/17 the Council has successfully implemented a new HR and Payroll system. This will provide a single integrated system for managing all aspects of the Council's people resources, including pay, annual leave, expenses, etc. Learning and development will form part of phase 2 of the systems development
- 3.23 In 2016/17 the Council set up a number of arm's-length wholly owned companies, under the Aspire brand name, which are run on a commercial basis separate from the Council's normal business. The Council set up the companies to support the Council with new income streams. On 15 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 Ltd.

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 Section 151 Officer to ensure compliance with financial requirements.
- 4.4 The Council's Internal Audit Service, via a specific responsibility assigned to the Internal Audit Manager, is required to provide an annual independent and objective opinion to the Authority on its risk management, governance and control environment. The Internal Audit Manager's Annual Report and Opinion for 2016/17 concluded that the audit opinion on the control environment for 2016/17 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 Internal Audit opinion of Limited Assurance was given on one out of twenty-six audits for 2016/17. This was the audit of Payroll in which there were two level 4, two level 3, three level 2 recommendations and one level 1 recommendation; four recommendations have been implemented the remaining four are expected to be implemented by their agreed due dates in 2017/18.
- 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) 2016. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), additional requirements and interpretations for the UK public sector have been inserted in such a way as to preserve the integrity of the text of the mandatory elements of the IPPF. The PSIAS are mandatory for all internal auditors working in the UK public sector. An internal assessment of the performance of Internal Audit and its conformance with the PSIAS has been undertaken and the findings of this review have been reported to Members for their consideration as part of the Internal Audit Manager's Annual Report and Opinion. An essential element of this assessment is to ensure that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance.

- 4.8 In April 2017, the Performance and Audit Committee carried out the annual review of its effectiveness as an audit committee during 2016/17 using the Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA 2013) self-assessment checklist and was considered to be substantially compliant in all material respects.
- 4.9 The Council has a Performance Management Framework through which the quality of service can be measured by performance indicators. Most indicators are monitored on a quarterly basis; some are bi-annual or annual. All are discussed by the Corporate Management Team and the top two of three layers of indicators are reported to Committee.
- 4.10 EY were appointed as the Council's External Auditor from 01 September 2012 and are responsible for reviewing the Council's Statements of Accounts. In addition to reviewing the 2015/16 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 2016/17 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 transitional 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 2015/16

There were no significant issues identified in 2015/16

5.2 Significant Control and Governance Issues identified 2016/17

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

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

UTTLESFORD DISTRICT COUNCIL
ANNUAL GOVERNANCE STATEMENT 2016/17

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

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

Signed: _____

Dawn French
Chief Executive

Signed: _____

Howard Rolfe
Leader of the Council

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**Uttlesford District Council
Audit results report**

Year ended 31 March 2017



Private and Confidential

27 July 2017

Dear Governance, Audit and Performance Committee Members

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3.

The statutory deadline for 2016/17 is 30 September 2017. However, the Authority are aiming to approve the financial statements on 27 July 2017 in preparation for the earlier statutory deadline of 31 July which is relevant for financial years ending on or after 31 March 2018. As such we confirm that we also expect to issue our audit opinion on this date. This is an excellent achievement and the Council are well placed to achieve the revised 2017/18 deadline of 31 July 2018.

We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Mark Hodgson

Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated September 2015)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature..

This report is made solely to the Governance, Audit and Performance Committee, other members of the Authority and management of Uttlesford District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance, Audit and Performance Committee, other members of the Authority and management of Uttlesford District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance, Audit and Performance Committee, other members of the Authority and management of Uttlesford District Council for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01 Executive Summary



Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to your Governance, Audit and Performance Committee meeting on the 9 February 2017, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £ 1.016m. We reassessed this using the actual year-end figures, which decreased this amount to £0.946 million. The threshold for reporting audit differences has decreased from £50,000 to £47,000. The basis of our assessment of materiality has remained consistent with prior years at 2 % of gross expenditure.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- ▶ Remuneration disclosures - reduced materiality level of £5,000 applied in line with bandings disclosed; and
- ▶ Related party transactions, members' allowances and exit packages - reduced materiality level applied equal to the reporting threshold.

Status of the audit

We have substantially completed our audit of Uttlesford District Council's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Uttlesford District Council's financial statements in the form which appears in section 3 of this report. However until work is complete, further amendments may arise. The main outstanding areas at the time of drafting this report include:

- ▶ Pension Liability - IAS19 report;
- ▶ Review of the final version of the financial statements;
- ▶ Completion of subsequent events review;
- ▶ Receipt of the signed management representation letter; and
- ▶ Completion of final review procedures.

We expect to issue the audit certificate at the same time as the audit opinion.



Executive summary (continued)

Audit differences

At the time of writing this report we have identified two unadjusted audit differences in the draft financial statements which management has chosen not to adjust. We ask that this be corrected or a rationale as to why it is not corrected be approved by the Governance, Audit & Performance Committee and included in the Letter of Representation.

The unadjusted audit differences are:

- £133,000 understatement of General Fund - Land and Buildings; and
- the Cashflow Statement includes a balancing item of £178,000.

There is no impact of these unadjusted audit differences on the reported outturn position or on the level of General Fund Reserves held by the Council. Details can be found in Section 4 - Audit Differences.

We have also identified one material and a number of minor disclosure adjustments which have been corrected by management in the revised financial statements subject to approval. The one material adjustment related to the Comprehensive Income & Expenditure Statement which had incorrectly included internal recharges of £21.294 million. Details can be found in Section 4 - Audit Differences.



Executive Summary

Executive summary (continued)

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial statements of Uttlesford District Council. This report sets out our observations and conclusions in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues;
- ▶ You agree with the resolution of the issue; and
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Governance, Audit and Performance Committee.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified significant risks in respect of:

- ▶ **Sustainable resource deployment:** We identified that the Council had approved the establishment of a holding company and three subsidiaries. In addition, the Company was the process of completing a major investment transaction which would require a significant loan from the Council. The governance arrangements around this commercialisation agenda investment represented a significant risk. Our approach was to review the Council's financial and governance arrangements around the transaction and supporting arrangements.

We have completed our work to address this risk and have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



Executive Summary

Executive summary (continued)

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission as the Authority falls below the £350 million threshold for review as per the NAO's group instructions.

We have no other matters to report.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

Independence

Please refer to Appendix B for our update on Independence.





02 Areas of Audit Focus





Areas of Audit Focus

Audit issues and approach: Key issue: *Revenue Recognition*

Revenue Recognition

What are our conclusions?

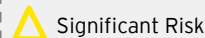
Our testing has not identified any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.

What is the risk?

Risk of fraud in revenue recognition

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In this public sector this requirement is modified by Practice Note 10, issued by the Financial Reporting council, which states that auditors should also consider the risk that material misstatements may occur by manipulating expenditure recognition.



What did we do?

- ▶ We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- ▶ We reviewed accounting estimates for evidence of management bias and
- ▶ Review and test revenue and expenditure recognition policies;
- ▶ Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- ▶ Develop a testing strategy to test material revenue and expenditure streams;
- ▶ Review and test revenue cut-off at the period end date; and
- ▶ Tested the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure.



Areas of Audit Focus

Audit issues and approach: Key issue: *Management Override*

Management override

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

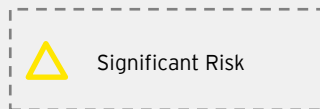
We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

What is the risk?

Risk of management override

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We believe that the risk of management override is greatest in respect of accruals, other accounting estimates.



What did we do?

- ▶ We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;
- ▶ We reviewed accounting estimates for evidence of management bias with particular emphasis on Property, Plant and Equipment and accruals; and
- ▶ We evaluated the business rationale for any significant unusual transactions.



Areas of Audit Focus



Management Override - Further details on procedures / work performed

In undertaking our work on management override of controls we have considered the balances included in the Council's financial statements that are the most susceptible to judgement or estimation techniques. Due to their significance on the financial statements we have included these estimates as higher inherent risk in our audit strategy and include a separate section to report on this below. The key estimates are considered to be:

- ▶ The valuation of Property, Plant and Equipment.
- ▶ Valuation of pension liabilities.

Specifically in relation to other liabilities we consider that accruals are low risk as the majority are based on known values/invoices. Deferred liabilities are not considered to be higher risk as they relate purely to the deferral of income and involve minimal judgement or estimation. As such we have focused our work on provisions.

The provisions balance in the financial statements is £1.147 million at 31 March 2017 (£4.531 million at 31 March 2016). The most significant balance being:

- ▶ **Provision for NNDR appeals (£0.849 million)** which is required to be estimated and included in the financial statements in accordance with the Code. We have reviewed the calculation and reasonableness of the provision. The Council use a management expert to compile the data and we have considered their work, including the adequacy of the scope of the work performed, professional capabilities and the results of their work.

The remainder of the Council's estimates, including bad debt provision and depreciation are considered to be low risk. No issues were noted in our work in these areas.



Areas of Audit Focus

Audit issues and approach: Other financial statement risks



Non-Current assets

Property, Plant and Equipment represent a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet.

The Council engages an external expert valuer who applies a number of complex assumptions. Annually, assets are assessed to identify whether there is any indication of impairment. As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

This risk relates to assets that are revalued, being Dwellings, 'Other land and Buildings' and 'Surplus assets'. Vehicles, plant and equipment, infrastructure assets Heritage and community assets are held at historic cost.

Our approach has focused on:

- ▶ Consideration of the work performed by the Council's valuer, Wilks, Head & Eve, including the adequacy of the scope of the work performed, professional capabilities and the results of their work;
- ▶ Consideration of the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Consideration of external evidence of assets values via reference to the specific Local Government Gerald Eve report contracted by the NAO for auditor use. Specifically we have considered if this indicates any material variances to the asset valuations performed by Wilks, Head and Eve;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation;
- ▶ Considered whether asset categories held at cost have been assessed for impairment and are materially correct; and
- ▶ Testing that the accounting entries have been correctly processed in the financial statements, including the treatment of impairments.

With the exception of the issue identified in Section 4, we have not identified any material issues in the valuation of assets within the Council's accounts.



Areas of Audit Focus



Pension Liability - IAS19

The Local Authority Accounting Code of Practice and International Accounting Standard 19 (IAS19) requires the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body (Essex County Council).

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

International Standards of Auditing (ISAs) (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- ▶ Liaising with the audit engagement team of the Essex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Uttlesford District Council;
- ▶ Assessing the conclusions drawn on the work and assumptions used by Barnett Waddingham (the Pension Fund actuary) by using and reviewing the work of the Consulting Actuary commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, PwC; and
- ▶ Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We are currently resolving one minor matter, but otherwise have not identified any issues. Subject to the one remaining issues, assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in Note 17 to the financial statements.



Assessment of the Group Boundary

The Council set up a new company (Aspire Holdings (UDC) Limited during 2016/17. The company is an incorporated company wholly owned by Uttlesford District Council. At the time of planning the audit there was an assumption that we would be required to assess the nature of this arrangement and the extent of transactions within the year to determine whether the company should be consolidated into the Council's financial statements.

We concluded that Aspire Holdings (UDC) Ltd falls within the Council's group boundary.

As a result of delays within the purchase of the investment property no transactions occurred within the year of account. Therefore, on the grounds of materiality (both qualitative and quantitative) consolidation is not required within the 2016/17 financial statements and therefore the preparation of group accounts was not required.



Areas of Audit Focus



Financial statements presentation - Expenditure and funding analysis and Comprehensive income and expenditure statement

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) this year changing the way the financial statements are presented. The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates and reflects the Council's internal financial reporting structure.

This change in the Code has required a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives has required audit review which was performed in April 2017.

Our audit approach has focused on:

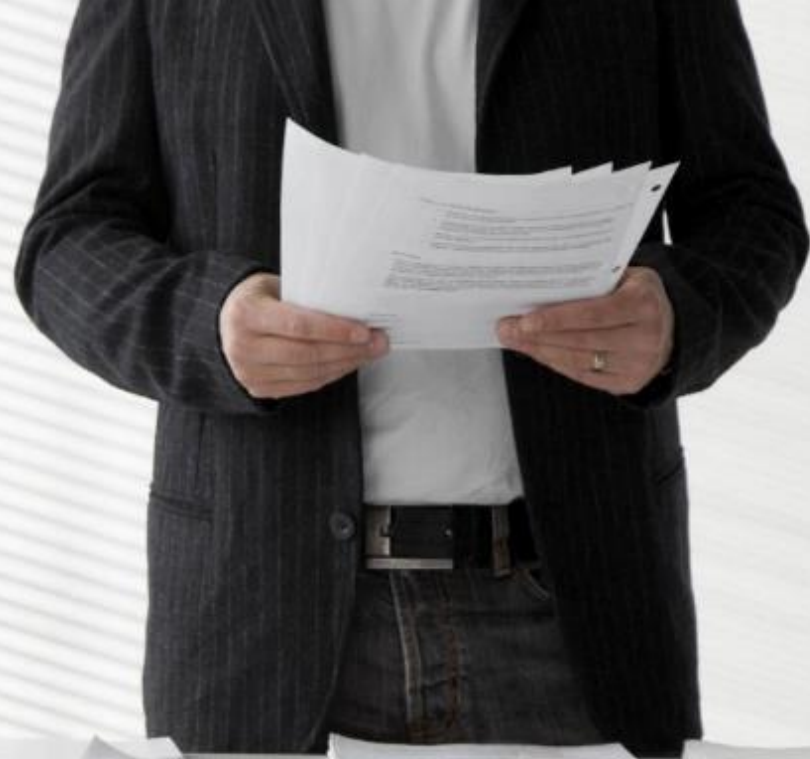
- ▶ Reviewing the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the Code;
- ▶ Reviewing the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported; and
- ▶ Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.

Our audit identified that the 'Gross Expenditure' element of the Comprehensive Income and Expenditure Statement - Cost of Services was overstated by £21.294 million and 'Gross Income' was also overstated by £21.294 million as both incorrectly included internal recharges. These have now been netted out. This has reduced both income and Expenditure by £21.294 million. There is no impact on the bottom line. This has now been amended within the revised financial statements subject to approval. Section 4 has more detail.

We also proposed some disclosure amendments that management have agreed to make in the financial statements. In particular it should be noted that the Expenditure and Funding Analysis (EFA), although positioned amongst them, is not a Primary Statement (consistent with the Code Guidance notes).

The EFA has been moved to Note 4.

There were no other matters to report.



03 **Audit Report**



Audit Report

Draft audit report

Our proposed opinion on the financial statements

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

Opinion on the Authority's financial statements

We have audited the financial statements of Uttlesford District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, the related notes 1.0 to 19.3, the Housing Revenue Account Income and Expenditure Statement and the related notes 20.0 to 20.9 and the Collection Fund and the related notes 21.0 to 21.7.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Uttlesford District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and Corporate Services and auditor

As explained more fully in the Director of Finance and Corporate Services Responsibilities set out on page xvii, the Director of Finance and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



Audit Report

Draft audit report (continued)

Our proposed opinion on the financial statements

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Corporate Services; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Uttlesford District Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.



Audit Report

Our proposed opinion on the financial statements

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Uttlesford District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Audit Report

Our proposed opinion on the financial statements

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Uttlesford District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Uttlesford District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

..... Date:.....July 2017

*Mark Hodgson (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Cambridge*



04 Audit Differences





Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We have included all known amounts greater than £47,000 relating to Uttlesford DC in our summary of misstatements table below.

Primary Statements

We highlight the following misstatements in the financial statements identified during the audit. These have been corrected by management:

- ▶ The draft Comprehensive Income & Expenditure Statement incorrectly included internal recharges. These have now been netted out. This has reduced both income and Expenditure by £21.294 million. There is no impact on the bottom line.

Disclosure Adjustments

We highlight the following misstatements in the disclosure notes identified during the audit. These have been corrected by management:

- ▶ The figure in Note 1 for Housing Revenue Account (HRA) does not match the figure in Note 20.2. This is a result of a capital grant (£201,000) being excluded from HRA below the line and from Note 20.2. The HRA and Note 20.2 have been adjusted.
- ▶ The Expenditure and Funding Analysis was incorrectly included in the accounts as a primary statement. This has now been moved to Note 4 of the financial statements.
- ▶ The Related Parties Transactions Note 15 has been expanded to include the value of transactions with Foster Property Management - £438,721 and Aaron Services Ltd - £204,862.
- ▶ Note 21.2 has incorrectly stated an average void percentage of 2.29% which should be 2.28% and an actual average rent of £99.10 per week which should be £98.40.
- ▶ Note 21.6 has incorrectly stated in the narrative that existing Use Value for HRA Dwelling increased to 39%, it should have been 38%. The amount of £477.49 million which has been stated as the difference between the vacant possession value and the Balance sheet value should have been stated at £498.09 million with a vacant in possession value of £803.36m



Audit Differences

Audit differences (continued)

We highlight the following misstatements in the financial statements and/or disclosures which were not corrected by management. We ask you to correct these uncorrected misstatements or give a rationale as to why they have not been corrected. This should be considered and approved by the Governance, Audit and Performance Committee and included in the Letter of Representation:

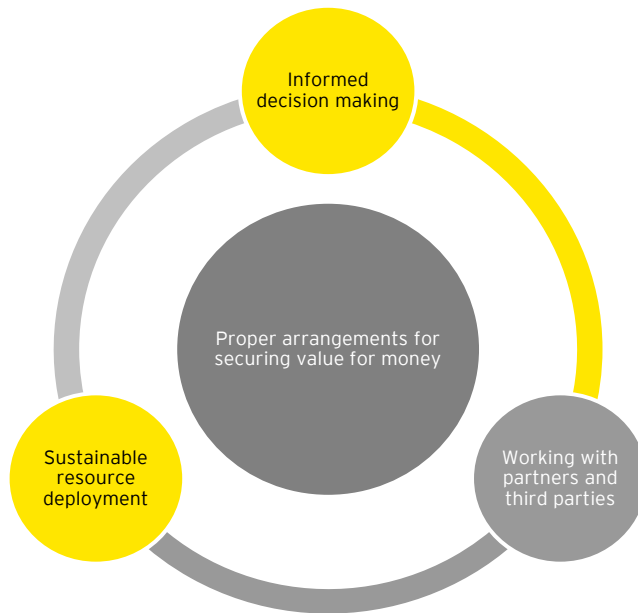
Summary of unadjusted differences	Comprehensive income and expenditure statement (Increase)/Decrease	Balance sheet (Decrease)/Increase			
		Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Account 31 March 2017 (£'000)					
Understatement of Property, Plant and Equipment	0	133,000			(133,000)
The Council's Fixed Asset Register, and corresponding amounts within the financial statements is understated by £0.133 million compared to the External Valuers report.					
Balance sheet totals		133,000			(133,000)
Cumulative effect of uncorrected misstatements	0		0		
Other Uncorrected differences - Primary Statements					
Cash flow Statement	The cash flow statement is balanced by an unresolved balancing item of £178,000.				



05 Value for Money



Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ take informed decisions;
- ▶ deploy resources in a sustainable manner; and
- ▶ work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We identified 'Sustainable Resource Deployment' as a significant risk around these arrangements. The tables below present our findings in response to the risks in our Audit Plan.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Value for Money

VFM risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as: *“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”*

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Plan

What is the significant VFM risk?	What arrangements did this affect?	What are our findings?
<p>The Council have approved the establishment of a holding company and three subsidiaries, for rental, land agreements and property services. The Council are currently negotiating the significant purchase of investment property.</p>	<p>Deploying resources in a sustainable manner</p>	<p>We have undertaken the procedures as set out in our audit strategy which have focused on:</p> <ul style="list-style-type: none"> ▶ The Council’s business case for these transactions; ▶ The Council’s governance arrangements around current transactions; and ▶ The impact of reduced reserves and increased borrowing on the Council’s medium term financial position (MTFP). <p>The Council’s business case was based on the 2016/17 TFP which predicted that a surplus on the provision of services in 2017/18 would turn into a deficit in 2018/19 of £0.771 million and without action the deficit will grow to over £1.0 million per annum by 2021/22. To avoid this scenario the Council had to consider either cuts services or to increase income.</p> <p>On the 15 May 2017 Aspire (CRP) Ltd purchased a 50% share in the Chesterford Research Park in a joint venture with Aviva Ltd. The net return is currently £2.55million per annum, a predicted yield of 5.67%. The Council has borrowed money, in order to fund the investment through Aspire (CRP) Ltd.</p> <p>The Council have taken appropriate advice at all stages. A loan agreement and Articles of Association are in place. Due diligence reviews has been carried out at every stage, using a number of independent experts, in order to mitigate the risk associated with such a transaction.</p> <p>Our review of the Council’s business case for these transactions, the governance arrangements put in place and the impact of the transaction on the Council’s MTFP has not identified any significant matters that we wish to report to you.</p>



06

Other reporting issues



Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2016/17 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Our findings are:

- ▶ Financial information within the Narrative Report and published with the financial statements was consistent with the Annual Accounts.

We have reviewed the Annual Governance Statement. We identified that a disclosure was required to reflect the setting up of Aspire CRP Ltd and the acquisition of 50% of Chesterford Park under a joint agreement. Following that amendment we can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

The Authority falls below the £350 million threshold for a full review, so we have undertaken the limited procedures that are required. We have concluded our work in this area and have no matters to report to the Audit Committee.



Other reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. There are no issues to report.



07

Assessment of Control Environment



Assessment of Control Environment

Assessment of control environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control might result in a material misstatement in your financial statements of which you are not that aware.







08 Appendices



Appendix A

Required communications with the Governance, Audit and Performance Committee

There are certain communications that we must provide to the Governance, audit and Performance Committee of UK clients. We have done this by:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Governance, Audit and performance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	9 February 2017 Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Any significant difficulties encountered during the audit ▶ Any significant matters arising from the audit that were discussed with management ▶ Written representations we have requested ▶ Expected modifications to the audit report ▶ Any other matters significant to overseeing the financial reporting process 	27 July 2017 Audit Results Report
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	27 July 2017 Audit Results Report No conditions or events were identified, either individually or together to raise any doubt about Uttlesford DC's ability to continue for the 12 months from the date of our report







Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Significant corrected misstatements, in writing 	27 July 2017 Audit Results Report
Fraud	<ul style="list-style-type: none"> ▶ Asking the Governance, Audit and Performance Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Governance, Audit and Performance Committee responsibility. 	27 July 2017 Audit Results Report
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, where applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	27 July 2017 Audit Results Report We have no further matters to report
Subsequent events	<ul style="list-style-type: none"> ▶ Where appropriate, asking the Governance, Audit and Performance committee whether any subsequent events have occurred that might affect the financial statements. 	27 July 2017 Audit Results Report We have asked management and those charged with governance. We have no matters to report
Other information	<ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	27 July 2017 Audit Results Report We have no matters to report.



Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. 	27 July 2017 Audit Results Report We have received all requested confirmations.
Consideration of laws and/or regulations	<ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" ▶ Asking the Governance, Audit and Performance Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Governance, Audit and Performance Committee. 	27 July 2017 Audit Results Report We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	27 July 2017 Audit Results Report
Independence	<p>Communication of all significant facts and matters that have a bearing on EY's objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information on the firm's general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	27 July 2017 Audit Results Report
Fee Reporting	<p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p>	27 July 2017 Audit Results Report
Certification work	Summary of certification work	Certification Report



Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 9 February 2017

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Governance, Audit and Performance Committee on 27th July 2017.

We confirm we have undertaken non-audit work outside the PSAA Code requirements in relation to our work on Taxation We have adopted the necessary safeguards in our completion of this work.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have undertaken non-audit work outside the PSAA Code requirements. We have provided taxation advice. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2016.

Description	Final fee 2016/17 £'s	Scale Fee 2016/17 £'s	Final Fee 2015/16 £'s
Total Audit Fee - Code Work	52,916	52,916	52,916
Certification of Claims and Returns - Note 1	TBC	19,427	22,808
Non Audit work - Note 2	7,150	-	-
Non Audit work- Grant certification - Note 3	TBC	-	1,000

Note 1: We have not commenced our work on the Housing Benefit grant certification. We will report the outturn fee within our Certification report.

Note 2: We supported the Council by reviewing the Council's approach to implementing the new IR35 rules for the public sector.

Note 3: This work relates to the agreed upon procedures certification arrangements for the Capital Receipts grant return.





Appendix C

Accounting and regulatory update

Accounting update

Since the date of our last report to the Governance, Audit and Performance Committee new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on Uttlesford District Council 
<i>IFRS 9 Financial Instruments</i>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured ▶ How the impairment of financial assets are calculated ▶ Financial hedge accounting ▶ The disclosure requirements for financial assets. <p>▶ Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> ▶ Reclassify existing financial instrument assets ▶ Remeasure and recalculate potential impairments of those assets; and ▶ Prepare additional disclosure notes for material items <p>The Council is awaiting clarification of the exact requirements before investing time in the above work.</p>



Appendix C

<p><i>IFRS 15 Revenue from Contracts with Customers</i></p>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none">▶ Leases;▶ Financial instruments;▶ Insurance contracts; and▶ for local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <ul style="list-style-type: none">▶ There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be.	<p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to:</p> <ul style="list-style-type: none">▶ Disaggregate revenue into appropriate categories▶ Identify relevant performance obligations and allocate income to each▶ Summarise significant judgements <p>The Council is awaiting clarification of the exact requirements before investing time in the above work.</p>
<p><i>IFRS 16 Leases</i></p>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p> <p>The Council is has yet to commence work in this area due to the timing of implementation.</p>





Appendix C

Accounting and regulatory update (continued)

Progress report on implementation of new standards and regulations

In previous reports to the Governance, Audit and Performance Committee we highlighted the issue of new accounting standards and regulatory developments. The following table summarises progress on implementation:

Name	Summary of key measures 	Impact on Uttlesford District Council 
<i>Earlier deadline for production and audit of the financial statements from 2017/18</i>	<ul style="list-style-type: none"> ▶ The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July. 	<p>The Council has implemented a dry-run for 2016/17 and subject to the outstanding matters raised elsewhere in this report, we are proposing to issue our audit report by the 31 July 2017.</p> <p>This is an excellent achievement.</p> <p>Through working together, and reflecting on this year, there are a number of areas where the closedown and audit processes can be further improved going forward. We do not expect the formal earlier deadline to pose a significant issue for the Council.</p>



Appendix D – Request for a Management representation letter



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INVESTOR IN PEOPLE

Adrian Webb
Director of Finance and Corporate Services
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CB11 4ER

13 July 2017

Ref:
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Adrian,

Uttlesford District Council – 2016/17 financial year Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Council.

I would expect the letter of representation to include the following matters.



Appendix D – Request for a Management representation letter



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General statement

That the letter of representations is provided in connection with our audit of the financial statements of Uttlesford District Council ("the Council") for the year ended 31 March 2017.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Uttlesford District Council as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent we considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. That you acknowledge as members of management of the Council, your responsibility for the fair presentation of the council financial statements. We believe the council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and are free of material misstatements, including omissions. We have approved the council financial statements.



Appendix D – Request for a Management representation letter



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3. You confirm that the Responsible Officer has:
 - Reviewed the accounts
 - Reviewed all relevant written assurances relating to the accounts, and
 - Made other enquiries as appropriate.
4. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.
6. That you believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule (Appendix 1), accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

B. Fraud

1. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. You have disclosed to us the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. That you have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, you have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements.

You have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.



Appendix D – Request for a Management representation letter



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C. Compliance with Laws and Regulations

1. You have disclosed to us all known actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. You have provided us with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that we have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. That you have made available to us all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 27 July 2017.
4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.



Appendix D - Request for a Management representation letter



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E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that you have given to third parties.

F. Subsequent Events

1. That other than described in Note 19.1 to the Council's financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
 - That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.



Appendix D – Request for a Management representation letter



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H. Expenditure Funding Analysis

1. That you have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.
2. You confirm that the financial statements reflect the operating segments reported internally to the Council.

I. Going Concern

1. That you have made us aware of any issues that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

J. Ownership of Assets

1. That except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet(s).

K. Reserves

1. You have properly recorded or disclosed in the council financial statements the useable and unusable reserves.

L. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the values of the Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Council's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.



Appendix D – Request for a Management representation letter



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3. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events.
6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. You confirm that for assets carried at historic cost, that no impairment is required.

M. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

N. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2016-2017.
2. You confirm that the content contained within the other information is consistent with the financial statements.



Appendix D – Request for a Management representation letter



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D. Specific Representations

We do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Audit Committee) on the proposed audit opinion date (currently 27 July 2017) on formal headed paper.

Yours sincerely

Mark Hodgson
Executive Director
Ernst & Young LLP
United Kingdom



Appendix D - Request for a Management representation letter



Appendix 1 Summary of Audit Differences schedule

We highlight the following misstatements which are currently not corrected by management:

Account 31 March 2017 (£'000)	Comprehensive income and expenditure statement (Increase)/Decrease	Balance sheet (Decrease)/Increase			
		Assets current Debit/(Credit)	Assets non- current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non- current Debit/(Credit)
Understatement of Property, Plant and Equipment	0	133,000			(133,000)
The Council's Fixed Asset Register, and corresponding amounts within the financial statements is understated by £0.133 million compared to the External <u>values</u> report.					
Balance sheet totals		133,000			(133,000)
Cumulative effect of uncorrected misstatements	0		0		
Other Uncorrected differences - Primary Statements					
Cash flow Statement	The cash flow statement is balanced by an unresolved balancing item of £178,000.				

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ED None

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