



Braintree District Council

Statement of Accounts

2018 - 2019

www.braintree.gov.uk

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Introduction to Braintree District

Braintree District is situated in the north of Essex. We cover some 612sq km of largely rural land. We are one of England's largest districts, with three growing towns: Braintree, Halstead and Witham, surrounded by 62 separate parish areas. The population of Braintree District was recorded as 151,677 (mid-year 2017 estimate) an increase of 0.29% over the previous estimate; however, forecasts suggest this will rise over the next decade. As life expectancy increases, the age structure is expected to change with a marked increase in the number and proportion of the population who will be within the 65+ age group. The number of single person households is also expected to increase.

Braintree District Council

Braintree District Council ("the Council") comprises 49 Councillors who represent their 26 Wards. Each Ward may have a number of Councillors who represent it, although once elected Councillors will make decisions for the whole district; not just for the ward they were elected for. The election of Councillors is held every four years, with the last election held in May 2015. At the 31 March 2019, the political make-up of the Council was: Conservative Party 39, Labour Party 4, Halstead Residents 2, Independents 2, Green Party 1, and 1 seat vacant.

The Council is a multifunctional organisation. Its policies are directed by the political leadership and implemented by its Management Board and Officers of the Council. The Council has adopted the Leader and Cabinet model as its political management structure. The Leader of the Council, Councillor Graham Butland, has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions. Cabinet Members are held to account by a system of scrutiny which is set out in the Council's Constitution available on the Council's website at www.braintree.gov.uk or by clicking the following link: [Constitution](#)

Supporting the work of Councillors is the organisational structure of the Council headed by a Management Board, led by the Chief Executive, Andy Wright, who is supported by three Corporate Directors. Each Director is responsible for a range of service areas which are managed by individual Heads of Service and other Senior Officers.

During the year the Council employed an average 430 full-time equivalent employees.

Corporate Strategy

The Council's current Corporate Strategy ("the Strategy") covers the period 2016 to 2020. The Strategy reflects the changing circumstances of the district: people are living longer; more homes, more jobs, more investment and more opportunities are needed for everyone who lives and works in the district. The priorities over the four years are:

- Environment and Place – ensuring a sustainable environment and a great place to live, work and play
- Strategic Growth and Infrastructure – creating a well-connected and growing district with high quality homes and infrastructure
- Economic Development – creating a prosperous district that attracts business growth and provides high quality employment opportunities
- Health and Communities – ensuring that residents live well in healthy and resilient communities where residents feel supported
- Finance and Performance – being a high performing organisation that delivers excellent and value for money services
- Overall Strategy and Direction – delivering better outcomes for residents and businesses and reducing costs to taxpayers

Each year an Annual Plan is agreed which identifies the key actions and projects scheduled for the relevant year to support the delivery of the Strategy. Each service area develops its own business plan which sets out how services will meet the priorities and actions required of it over the

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coming year to support the Annual Plan and Corporate Strategy. The high level strategies link right the way through to individual personal performance plans to ensure that every member of staff contributes to the priorities.

The Council's Performance in the Year

The Council has a range of performance indicators used to measure progress against its key priorities in the Corporate Strategy. Progress of delivery of projects and of performance against targets is reported quarterly to the Cabinet and the Governance Committee. In addition, at each meeting of the Governance Committee a suite of key financial indicators is reported which highlight actual spending against profiled capital and revenue budgets, collection performance on local tax and other debt, and treasury management activities. These performance reports can be viewed on the Council's website at www.braintree.gov.uk.

The Council's performance in achieving its Annual Plan for 2018/19 along with measures of success and the plans and actions for 2019/20 can also be found on the Council's website (or by clicking [here](#)).

Strategic Risks

The Strategic Risk Register details those risks which have potential to impact on the delivery of the Council's Corporate Strategy over the medium-term and for which 10 main risks have currently been identified:

1. Medium Term Financial Strategy
2. Economic development
3. Local Plan
4. Community resilience
5. Service and project delivery
6. Affordable housing
7. Return on the Council's investments
8. Emergency planning
9. Information management and cyber security
10. Strategic (capital) investments

Further details on these risks and the actions/ controls in place to manage them are available on the Council's website at www.braintree.gov.uk.

In addition to the Strategic Risk Register, the Council's overall approach to the management of risk also encompasses the identification and recording by all services of operational risks and preparation of related action plans; along with risk registers for all major projects. The Council also undertakes both business continuity planning and wider emergency planning.

Financial Performance

Revenue Budget

In February 2018, the Council agreed a budget of £14.784 million for the year together with an updated Medium Term Financial Strategy (MTFS) covering the period 2018/19 to 2021/22. The budget was balanced by an estimated addition to the General Fund balance of £228,072 reflecting the fact that the Council had taken early decisions on generating savings which would be required to meet future shortfalls predicted in its revenue

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resources. The budget was to be financed from a mixture of government revenue support grants (£0.294 million), business ratepayers (£5.237 million), and Council Taxpayers (£9.253 million).

The overall average Band D Council Tax rate for the District was £1,675.32 of which the Council's portion was £174.51, an increase of 2.97% over the previous year. In setting its budget the Council identified £1.029 million of savings and additional income expected to be achieved in the year.

Budgets are approved and controlled using a reporting structure based on business or service plans, each of which is the responsibility of an individual Head of Service or other Senior Officer. The following sets out the business plan areas with a description of the main services and activities provided:

Business Plan	Description of services and activities
Asset Management	Commercial and non-commercial property management, public and community halls
Business Solutions	Customer service centre, corporate information and communication technology (ICT), management of council offices, closed circuit television
Community Services	Community transport, community safety and development, community grant scheme
Corporate Management	Corporate and senior management, civic support
Economic Development	Economic development and promotion of tourism and town centres
Environment and Leisure	Building control, carbon management, environmental and health protection, private sector housing grants, pest control, emergency planning, leisure management and healthy living, cultural services, and licensing
Finance	Housing benefits, local council tax support scheme, local tax collection, treasury management, internal financial services, and procurement
Governance	Legal and Member support, Members' allowances, electoral services, local land charges
Housing Services	Housing assessment and advice, homelessness and temporary accommodation, housing research and development
Human Resources	Personnel support, organisational development, and apprenticeship scheme
Marketing and Communications	Marketing and communications, graphic design and reprographics
Operations	Refuse and recycling, street cleansing and litter collection, horticultural services, parks and cemeteries, car parking, markets, public conveniences, street scene protection and wardens
Strategic Investment	Delivery of the Council's strategic investment plans
Sustainable Development	Planning and development management, planning policy and local plan, parks and landscape, and economic development
Corporate Financing	Corporate expenditure and income not specific to other services, e.g. general government grants, parish and town council grants, payments to the pension fund

For internal reporting purposes, managers were held accountable for a Controllable Budget, including planned movements on earmarked reserves and which therefore differs to the amounts shown in Column 1 of the Expenditure and Funding Analysis (as per Note 1 to the Accounts), whereby the movement in earmarked reserves is shown as part of the overall change in the General Fund Balance.

During the year, individual budgets may be updated in accordance with the Council's Budget and Policy Framework Procedure, and against which performance is monitored.

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Revenue Budget Outturn for the Year

The outturn against Controllable Budget was an overall positive variance of £1.545 million, comprising an over achievement of income of £975,000 and an overall underspend against staffing and other expenditure budgets of £570,000:

Service	Updated Budget £'000	Actual Spend £'000	Adverse (Positive) variance against budget				RAG Status
			Staffing £'000	Other Expenditure £'000	Gross Income £'000	Total £'000	
Asset Management	(2,129)	(2,245)	3	114	(233)	(116)	G
Business Solutions	1,991	1,917	(24)	(41)	(9)	(74)	G
Community Services	346	324	(2)	(29)	9	(22)	G
Corporate Management	1,233	1,148	(82)	(3)	-	(85)	G
Economic Development	239	252	-	14	(1)	13	A
Environment & Leisure	840	743	(49)	10	(58)	(97)	G
Finance	1,101	389	(223)	(308)	(181)	(712)	G
Governance	918	987	64	(82)	87	69	R
Housing Services	864	825	8	(32)	(15)	(39)	G
Human Resources	386	371	-	(15)	-	(15)	G
Marketing and Communications	538	490	(18)	(38)	8	(48)	G
Operations	5,128	4,995	(97)	104	(140)	(133)	G
Strategic Investment	231	229	-	(2)	-	(2)	G
Sustainable Development	677	309	(131)	134	(371)	(368)	G
Service Total	12,363	10,734	(551)	(174)	(904)	(1,629)	G
Corporate Financing	2,621	2,505	-	(45)	(71)	(116)	G
Efficiency target	(200)	0	200	-	-	200	
Total	14,784	13,239	(351)	(219)	(975)	(1,545)	G

RAG Status: G = favourable or nil variance, A = up to 5% adverse variance or <£50k, R = > 5%

Gross income was higher than budgeted mainly in the following areas:

- Increased planning fee income as the Council continued to receive a higher number of applications which included a number of major applications. This increased demand also brought with it pressures on the service which required further investment in staffing resources.
- Higher money market interest rates combined with increased cash balances resulted in an overall increase in interest and investment income from the Council's treasury management activities.
- The Council increased income from its commercial portfolio through both new construction and acquisition. In addition, the Council took over the direct management of a number of commercial properties previously managed by a third party.

Staffing expenditure was under budget due to a number of posts being held vacant and from restructuring of senior management leading to savings. A number of the vacant posts were deleted from the staffing establishment as part of the 2019/20 budget process to reflect the transfer of housing benefit claimants over to Universal Credits, where payments are made directly by the Department for Works and Pensions (DWP) rather than the Council. This change also reflected in a lower spend in other expenditure as the amount of benefit payments reduced over the year.

Further details of the financial outturn against budget can be found in the Council's Annual Performance Report available at www.braintree.gov.uk

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Capital Investment

During the year the Council announced ambitious investment plans which would benefit residents and businesses, and which is based around four main themes: health, homes, journeys, and jobs. This investment programme would be additional to the Council's traditional programme of capital investment in services and would consist of a number of key projects, the delivery of which would span a number of years. Taking into account projects that were in progress and carried forward from earlier years, along with the subsequent decisions taken on growth and infrastructure projects, the current capital programme amounts to over £50 million. Actual capital spend in the year was £11.409 million; delivering the following outcomes:

- Acquisition of a major employment site in Great Notley for future development;
- Completion of new business “grow-on” units and ancillary facilities at the Springwood Industrial Park;
- Additions to the Council's investment property portfolio which included the transfer to the Council of a brand new office suite, Osier House in Caste Hedingham, at nil cost;
- Creation of better and safer environments by improving community facilities, parks & open spaces, and children's play areas – all part of an ongoing programme of reinvestment in these community facilities. Environmental works were also carried out to the Spa Road area in Witham;
- Provision of nearly £1million in grants to private home owners for making adaptations for those living with disabilities along with other means-tested improvement grants used for installing adequate heating and hot water systems;
- Investment across a range of services, in replacement vehicles and plant, new technology, and by proactive maintenance of buildings, to maintain and enhance service delivery;
- Continued progression of proposals for the regeneration of the Manor Street area of Braintree town centre; and
- Support to the Braintree District Museum Trust by contributing towards a replacement heating system and new information technology.

The above capital investment was funded from a mixture of capital receipts (£1.895million), government grants and other third party contributions (£1.504 million); and revenue resources, including drawing down on earmarked reserves (£1.842 million). The balance of funding was met by internal borrowing, which is a cost effective approach to financing in the short-medium term that effectively uses the Council's own cash balances held for other reasons. This approach is only temporary and in the long-term this internal borrowing will need to be refinanced by either using other capital resources (existing or new resources generated in the future), or by increasing the Council's external borrowing. In the case of the latter this would require repayments to be made and funded from council taxpayers over a number of years.

Capital Resources

The main sources of new capital resources anticipated for the year were from the sale of assets, and arrangements with Greenfields Community Housing (GCH) whereby the Council is entitled to both a share of preserved right-to-buy receipts generated from sales completed in the year, and a share of VAT recovered by GCH on certain development works agreed when the Council originally transferred its housing stock.

Actual capital receipts in the year included £3.838 million from preserved right-to-buys and a further £252,000 of recovered VAT. The Council also completed the sale of land generating a further £2.520 million, along with other minor receipts totalling £200,000.

Grants received in the year included £961,000 from the Better Care Fund via Essex County Council as part funding towards the Council's disabled facility grant programme. This was an increase of £261,000 over the amount received the previous year allowing the Council to support more households where a need had been identified. Under a deed of contract variation, the Council received £394,000 from GCH, being the Council's share of the balance remaining in the People and Places element of the Community Housing Investment Partnership Fund (“the CHIP Fund”).

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Reserves & Balances

The Council retains a number of reserves and balances which comprise usable reserves and unusable reserves. Usable reserves comprise the General Fund balances and specific capital related reserves:

General Fund balances

The Council maintains General Fund balances which are held for the following reasons:

- a contingency against unforeseen events that may require funding above that originally provided for in the Council's annual budget;
- to meet one-off budgeted costs that are not part of the Council's on-going base budget;
- to meet short-term funding gaps in the Council's annual budget whilst it implements savings and efficiencies; and
- to earmark sums to support long-term capital investment, manage certain risks, fund service projects and initiatives, and to meet costs associated with management and organisational change (these are referred to as "earmarked reserves").

As at 31 March 2019, the Council's overall General Fund balances were £28.412 million, an increase over that at 31 March 2018 of £4.070 million. Within this total, £22.625 million was held as earmarked reserves, a net increase of £1.143 million, with the remaining balance of £5.787 million unallocated (an increase of £2.927 million from last year).

The main reasons for the increase in the unallocated balance included the 2018/19 budget outturn variance of £1.545 million, less £650,000 set aside as budget carry forward to be spent in 2019/20, along with £600,000 transferred back into the unallocated balance in respect of two earmarked reserves that were no longer required. In addition, the budget for 2018/19 included a provision to replenish £1.411 million of unallocated balances that had been used in 2017/18 to finance a lump sum payment into the Council's pension fund covering obligations for the three-year period ending 31 March 2020. This resource switching resulted in net revenue savings to the Council and a further repayment will be made in the 2019/20 financial year.

Capital Reserves

Capital reserves relate to funds generated by the Council from the disposal of non-current assets and grants and contributions received by the Council which have conditions that require the funds only to be used for the purpose of capital expenditure. The balance of usable capital reserves at 31 March 2019 was £19.071 million, a net increase of £5.251 million over the amount brought forward at the start of the year. The main reason for the increase was the higher capital receipts generated in the year.

The Council's future capital investment plans are based on spending significant proportions of both earmarked reserves and capital reserves.

Unusable Reserves

Unusable reserves hold the value of unrealised gains or losses of the Council either relating to the financing of capital investment, or reflecting timing differences between recognition of assets and liabilities under accounting rules and that required under statutory regulations for the purposes of setting Council Tax. These reserves increased in the year by £11.285 million, largely as a result of a change in the accounting valuation of the Council's pension fund liability as at 31 March 2019.

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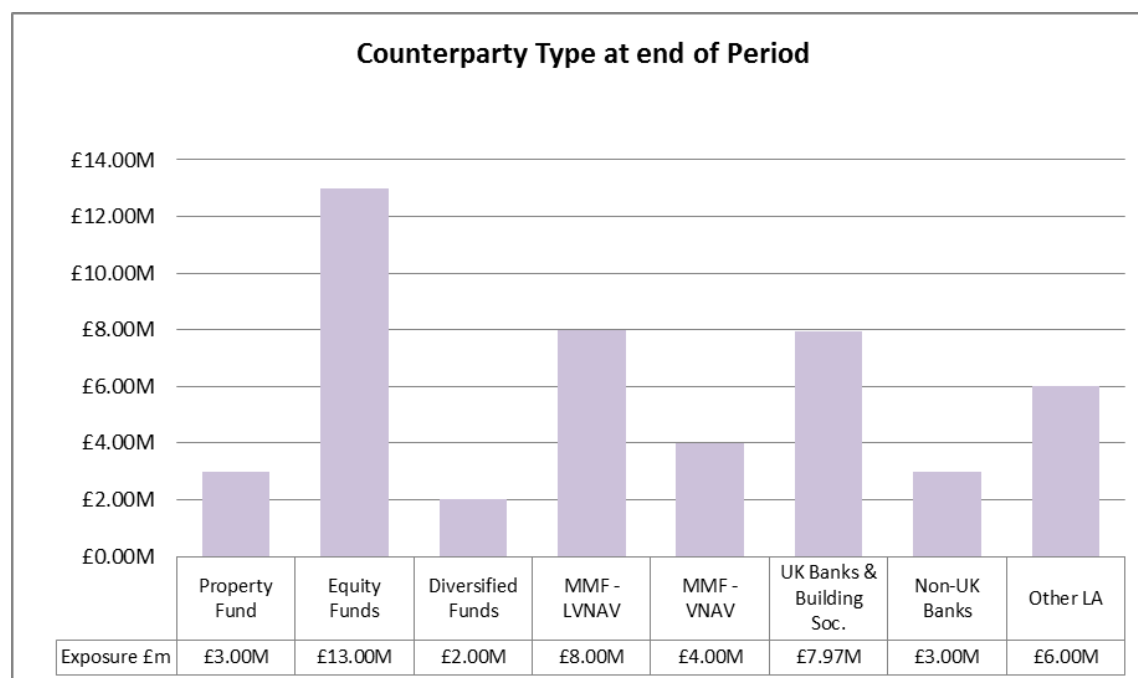
Treasury Management

Investment and Interest Income

Over the year the Council's investment balances averaged £58.343 million, with a peak of over £68 million. Investments were managed in accordance with the Council's approved Treasury Management Strategy. A proportion of the Council's investment portfolio included long-term investments made in a mixture of equity and property pooled funds. During the year the Council increased the amount invested in such by adding two diversified funds with £1million in each, taking the total invested in pooled funds to £18 million. These funds generated £866,000 of dividend income, achieving an income yield of around 5%. Whilst returns on other cash investments remained low due to the current interest rate environment, nevertheless yields did increase following the August 2018 rise in the Bank Base Rate, with £292,000 of interest income received, equivalent to a return of 0.70%.

The Council's pooled fund investments are exposed to fluctuations in market prices reflecting prevailing equity and property financial markets. In addition, the Council also holds funds in a variable net asset value (VNAV) Money Market Fund (MMF). At the Balance Sheet date these funds had a total market valuation of £23.309 million (£19.308 million pooled funds and £4.01 million VNAV MMF) representing an unrealised gain of £1.309 million over the original amounts invested, an increase over the year of £374,000. This gain is currently held in unusable reserves under statutory direction until such time as the investments are sold.

The total amount of investment held at the end of the year was £46.965 million allocated as shown in the following chart:



Money Market Funds (MMF) of which two types were used: Low Volatility Net Asset Value (LVNAV) and Variable Net Asset Value (VNAV)

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Borrowing

The Council has market debt outstanding amounting to £6 million and on which interest of £283,000 was paid. This debt is in the form of two Lender's Option, Borrower's Option (LOBO) loans, which had an initial term of 40 years (subject to the exercise of the options) and which now have 23 years remaining. This debt was incurred when the Council was actively borrowing to meet its capital investment plans, predominantly related to housing.

Other liabilities include finance lease commitments of £2.499 million (with £305,000 shown under short-term liabilities) where the Council has acquired the use of buildings, vehicles and plant.

Pension Fund Liabilities

The Council's accounts reflect an updated view of the Council's share of the assets and liabilities of the Essex Pension Fund ("the Pension Fund"). This shows an estimated net liability of £59.597 million at the 31 March 2019, a reduction on the previous year of £7.011 million. Significant items that affected this position were:

- better investment returns on the Fund's assets than were assumed by the actuary (+£8.625 million);
- a change in the demographic assumptions used by the actuary mainly regarding longevity, giving an overall reduction in liability of £12.148 million;
- changes in the financial assumptions used by the actuary which increased the liability by £9.378 million, largely due to a reduction in the yield rate used to discount future cash flows; and
- the cost of post-employment benefits charged against the Surplus on Provision of Services less the amount of the Council's employer contributions made into the Pension Fund (+£4.391 million net), which includes an allowance of £1.204 million for past service costs following a recent Court of Appeal judgement concerning age discrimination the outcome of which is also expected to apply to the Local Government Pension Scheme.

Assumptions and investment returns are dependent upon market conditions and are therefore susceptible to significant year-on-year changes.

Whilst the net liability has a significant impact on the reported net worth of the Council, an agreed strategy is in place to eliminate this position over a period of 10.5 years, as determined at the last actuarial review of the Pension Fund at March 2016. This review set the Council's contributions for the period 1 April 2017 to 31 March 2020, which included a single one-off payment of £4.223 million in April 2017. There are no minimum funding requirements for the Pension Fund but the contributions are generally set to target a funding level of 100% using agreed actuarial assumptions. The next actuarial review of the Fund will be undertaken as at March 2019, which will determine the Council's employer costs for the three year period commencing 1 April 2020.

The Council's actual pension contributions in 2018/19 were £2.438 million, with a further £732,000 paid by the Council's employees as scheme members.

Collection Fund

As the statutory billing authority, the Council is required to maintain a Collection Fund account to record the income and expenditure relating to the collection of council taxes and business rates, including for local parish and town councils/ meetings, central government, and the major precepting authorities of Essex County Council (ECC), the Police and Crime Commissioner for Essex (PCCE), and Essex Fire and Rescue (EFR). Balances retained on the Fund are held on behalf of local taxpayers and are taken into account when calculating future Council Tax.

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Income from Council Tax was £88.335 million for the year which, after paying precepts, resulted in a net surplus for the year of £1.229 million. The reasons for the surplus are a combination of property growth, a lower amount of discounts granted, and better overall tax recovery than was assumed when setting the tax base for the year. A charge of £1.399 million was also made to the Collection Fund, being the estimated balance at 31 March 2018, which was distributed to the Council and precepting bodies as part of the 2018/19 Budget and Council Tax setting. After taking account of the balance brought forward, the Collection Fund balance in respect of Council Tax at the end of the year was £2.118 million, of which £889,000 has already been allocated in the 2019/20 Budget and Council Tax. The remaining balance will be taken into account when calculating an estimate for setting the 2020/21 Budget and Council Tax.

Business rates are collected and distributed according to the Business Rate Retention Scheme (BRRS) where rates are shared equally between Central Government and “locally” i.e. with the Council, ECC, and EFR.

The Council estimated the amount of business rates collectable for the year as £41.892 million and this sum has been paid across to the relevant bodies. The actual amount of business rates due for the year was £42.132 million (after allowing for non-collection and reductions due to appeals) resulting in a surplus for the year of £240,000. When estimating the amount of business rates collectable for 2018/19 it was anticipated that the Collection Fund would have a surplus of £1.814 million at 31 March 2018, which was paid to the Council and precepting bodies during 2018/19. The actual balance at 31 March 2018 was a surplus of £2.400 million, a difference of £586,000. Taking the in-year surplus and this difference into account, the closing balance on the Collection Fund at 31 March 2019 is £826,000. When setting the Budget and Council Tax for 2019/20, an amount of £143,000 was allocated which will be paid out in 2019/20, leaving a balance of £683,000 to be taken into account when planning for the 2020/21 Budget and Council Tax.

Under the BRRS local authorities are required to finance a proportion of appeals made against rateable values set by the Valuation Office Agency (VOA). Appeals are lodged for a variety of reasons and can, subject to certain rules, be backdated to the start of the Valuation List. From 1 April 2017, a reformed appeals process was introduced involving a three stage system: Check, Challenge, and Appeal. Each step must be completed in sequence in order for a business to submit an appeal which will be considered by the Valuation Tribunal Service. Consequently, the Council has had to make an assessment of the likely amount of business rates to be refunded following successful appeals against both the previous 2010 List (for rates payable between 1 April 2010 and 31 March 2017), and the 2017 List for rates payable from 1 April 2017. Based on past experience and also applying this to potential future appeals, the Council has made a total provision for appeals of £3.090 million of which £1.236 million is attributable to the Council.

In 2018/19 the Council participated in the Essex Business Rate Pool (“the Pool”) in order to save on the levy that would otherwise be payable to Government on business rates growth. The total of all levies that would have been paid by the participating authorities are shared amongst authorities according to an agreed formula. Based on the amounts collectable for the year the Council is due to pay a levy to the Pool of £1.197 million; however, based on the provisional outcome of all Essex authorities, the Council will receive back £638,000, being its share of the overall levy saved by Essex authorities as a result of the Pool.

Medium Term Financial Outlook

The Medium Term Financial Strategy (MTFS) is our plan to balance the Council’s budget over a rolling four year period and supports the Corporate Strategy and Annual Plan. The MTFS is reviewed on an annual basis to update for current economic conditions and to adapt to changing needs and priorities for the district.

2018/19 was the third year of a four-year funding settlement agreement with the Government which the Council had signed up to in 2016 and which included the requirement to publish an efficiency plan. The Council’s efficiency plan is available on the Council’s website at www.braintree.gov.uk.

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Over the period of the multi-year-settlement the Council will see a reduction in government funding through Revenue Support Grant (RSG) and business rates of almost 45%, with the Council no longer in receipt of RSG from April 2019.

The Council's Budget Strategy is to:

- Be a low council tax authority
- Have plans to deliver a balanced budget over the medium-term; and
- Maintain a minimum level of unallocated balances of £1.5 million.

The approach to meet anticipated shortfalls in funding has been to focus on delivering additional income and cost reductions without impacting on customers and service delivery. Whilst addressing the need to increase income and reduce costs, the challenge has been intensified by increases in the demand on some services along with new responsibilities being placed on the Council by Central Government. Increased staffing has been necessary in the Council's Planning service to respond to the increased demand and complexity of planning applications, whereas the Council's Housing service has had to take on new responsibilities under the Homelessness Act. The Council has also faced significant increases in the cost of recycling where costs are influenced by changes in global demand for certain types of recycling materials.

The Council has been working for a number of years towards being a financially independent, resilient organisation, providing efficient frontline services with a public ethos at our heart. This is reflected in the Council's 'Roadmap to 2020' which incorporates the Action Plan developed following a Peer Review in October 2013, and which was focused on the Council being grant-free over the medium-term.

The 'Roadmap to 2020' encompasses the following themes and work streams:

Better at Business	Smart Working	Investment Programme
Commercialisation	Service Improvements	District Investment Strategy
Business Awareness & Skills	Digital Strategy	Asset Management Strategy
Procurement	Accommodation Review	Treasury Management Strategy
Contract Management	Mobile and Flexible Working	Capital Strategy

The approved budget for 2019/20 included: an increase in Council Tax of 2.99%; planned savings/additional income of almost £1.191 million; and a net addition to balances of £128,000. A revised financial profile was also established indicating requirements for future ongoing savings of:

	£000
2020/21	539
2021/22	7
2022/23	163
Shortfall – savings required	709

The MTFS is based on assumptions using the best information available at the time; however, these always remain under review and will develop as circumstances change.

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The Government continues to work with the local government sector to meet its manifesto commitment to give councils more control of the taxes they raise locally; the key element being to increase the proportion of locally collected business rates that councils will retain. In addition, the Government has been undertaking a review, the Fair Funding Review, which has been considering how to calculate council's Base-line Funding Levels from April 2020. As part of the Local Government Finance Settlement for 2019/20, two consultation papers were issued: (1) Business Rates Retention Reform; and (2) A review of local authorities' relative needs and resources.

The Government intends that a number of grants will in future be funded through retained business rates, which will be met by allowing local authorities to keep around 75% of business rates. Work is to continue with the local government sector to improve the way the local government finance system works such as tackling the impact of business rates appeals on local authorities. However, the consultation makes clear that it is the Government's intention that a full reset of business rates will be implemented in 2020/21, irrespective of how the system works beyond that year. The impact of this could be to remove some or all of the additional income generated by the Council from business growth, which forms a significant element of funding the budget.

The total resources available to local government will also depend on the outcome of the next Spending Review in 2019, which will determine not only the quantum of resources available to the sector but also where the Government's funding priorities are set.

The continued uncertainty surrounding the UK's departure from the European Union (EU) is creating further uncertainty particularly around the impact on the overall economy and therefore ultimately the resources that will be available to fund future public spending. In the short to medium term the Council has a range of options to address its projected funding shortfall and which will be considered further as work commences on preparing for the 2020/21 budget and the next revision of the MTFS. A new Council will also be in place following the local elections in May 2019, and work will commence on reviewing a new corporate strategy covering the period 2020 to 2024.

Guide to the Financial Statements

The Published Accounts for 2018/19

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year ended 31 March 2019. The Council is required to prepare an annual Statement of Accounts; prepared in accordance with proper accounting practices which primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom (the Code) supported by International Financial Reporting Standards (IFRS).

The Code for 2018/19 has adopted IFRS 15 Revenue from Contracts with Customers, and IFRS 9 Financial Instruments, the latter standard having a greater impact on the Council's accounts. The accounts are presented so they reflect the way budgets/ resources are allocated and how financial performance is reported internally to management and Members.

The accounts consist of the following statements:

- **Statement of Responsibilities**
The statement sets out the respective responsibilities of Braintree District Council (the Council) and the Corporate Director with responsibility for Finance.
- **Annual Governance Statement**
This statement explains how the Council delivers good governance and reviews the effectiveness of these arrangements.

After which the following financial statements are shown:

- **Comprehensive Income and Expenditure Statement (CIES)**
This statement shows the accounting cost in the year of providing services – this is different from the amount charged against the General Fund balance and ultimately met from taxation which is shown in the Expenditure and Funding Analysis (Note 1 to the Accounts) and Movement in Reserves Statement.
- **Movement in Reserves Statement (MIRS)**
This statement shows the change in the Council's financial resources over the year, including reconciling the accounting cost in the year of providing services as shown in the CIES with that under statute and used for raising local taxation. Financial resources are represented by specific usable and unusable reserves.
- **Balance Sheet**
This statement shows how the resources available to the Council are held in the form of assets and liabilities. The net assets of the Council are matched by reserves that are analysed into 'usable' and 'unusable' reserves, the former being available to fund expenditure and/or reduce local taxation, subject to maintaining a prudent level of reserves. The latter represent unrealised gains/losses and timing differences between recognising amounts in accordance with accounting rules and statutory regulations and are not available to fund expenditure or reduce local taxation.
- **Cash Flow Statement**
This statement shows how the movement in resources has been reflected in the cash flows of the Council and ultimately changes in cash and cash equivalents. Cash is represented by cash in hand and deposits with financial institutions repayable at short notice without penalty, whilst cash equivalents are investments that are held for the purpose of settling liabilities in the short-term and are readily convertible to cash with insignificant risk of change in value.

Guide to the Financial Statements

- **Accounting Principles and Policies**

The accounting principles explain the bases of the figures used in the accounts, and in particular, the main accounting policies used in dealing with material items.

- **Notes to the Accounts**

The Notes provide further analysis and explanation of amounts included in the above financial statements.

- **Collection Fund**

The Collection Fund is a statutory account that is maintained for the purposes of accounting for all income and expenditure relating to the collection and distribution of Council Tax and National Non-Domestic Rates (or 'business rates')

Other additional information which is not part of the required Statement of Accounts and therefore not covered by the audit opinion is then provided, comprising:

- **Members' Allowances and Expenses**

This provides a breakdown of allowances and expenses paid to individual Members in the year.

Further Information

Details about the Council's performance for the year can be obtained from the Fourth Quarter and Annual Performance Management Report 2018/19 available on the Council's website at www.braintree.gov.uk. Further information about the accounts is available from Financial Services, Braintree District Council, Causeway House, Bocking End, Braintree, Essex, CM7 9HB.

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director with responsibility for Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Corporate Director's Responsibilities

The Corporate Director, in his role as Section 151 Officer, is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) developed by the joint Code Board of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

In preparing this Statement of Accounts, the Corporate Director has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Corporate Director has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and any other irregularities.

The Corporate Director certifies that the accounts present a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income, for the year ended 31 March 2019.



Chris Fleetham
Corporate Director (Finance)
31 July 2019

1. Council responsibility for Good Governance

Braintree District Council ("the 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. The 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.

In discharging these overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and for facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Accounts and Audit Regulations 2015 require the Council to publish with its Statement of Accounts, an Annual Governance Statement (AGS). The AGS explains how the Council delivers good governance and reviews the effectiveness of these arrangements.

2. The Council's Governance Framework

The Council's governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and those activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

Key elements of the Council's framework are:

- The **Council Constitution** which sets out how the Council operates and how it makes decisions. The Constitution details what the Council must do to make decisions efficiently, transparently and accountably. The statutory Monitoring Officer undertakes a review of the Constitution annually to ensure the Council's arrangements remain compliant with legislative requirements and is fit for purpose in supporting the Council's Corporate Strategy.
- The Council **Corporate Strategy**, sets out the vision and priorities for the Braintree District for the four-year period 2016 to 2020 and was agreed by Full Council on 22nd February 2016. An Annual Plan details the agreed projects and initiatives to deliver each of the priorities of the Corporate Strategy in the forthcoming year, as well as details of how we plan to measure progress against these objectives.
- The **System of Internal Control** which is based on an on-going process designed to identify and prioritise the risks to the achievement of the 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.
- The **Local Code of Corporate Governance**, which sets out how the Council's strategies, policies, plans, procedures, processes, structures, attitudes and behaviours are in place to deliver good governance to all, as well as summarising the processes in place to support the delivery of strategic outcomes.

The Council's updated Local Code of Corporate Governance was approved by the Governance Committee in March 2018 and is based on the guidance provided by the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) "Delivering Good Governance in Local Government – a Framework" (April 2016). It is subject to annual review and the revisions will be considered for approval by the Governance Committee in April 2019.

Annual Governance Statement

The governance framework has been in place at Braintree District Council for the year ended 31st March 2019 and up to the date of the approval of the Statement of Accounts.

The key components of the Local Code of Corporate Governance are:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in the Council's Constitution, Schemes of Delegation and Financial Regulations which are regularly reviewed and revised where appropriate.
- Codes of Conduct are in place for elected members and officers to make sure that public business is conducted with fairness and integrity, and to define the high ethical values and standards of behaviour expected.
- The Monitoring Officer is responsible for ensuring that the Council operates within the law and that decisions are administered correctly.
- Corporate complaints policy agreed and published on the Council's website.

B. Ensuring openness and comprehensive stakeholder engagement

- Council meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality. Unless confidential, decisions made by Council, the Executive (Cabinet/Cabinet Members) or other Committees are documented in the public domain.
- The Council has systems in place to ensure that relevant decisions taken by officers are published in accordance with legislative requirements.
- A standard decision-making report format is used to ensure that the decision maker is presented with all of the information necessary to inform the decision, including outcomes of consultation and issues identified in the 'Corporate Implications' template.
- The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with residents and service users.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

- The Council sets out the vision and priorities for the Braintree District in its Corporate Strategy. The Strategy is based on: public opinion about what is important in the district; issues which Members know to be of importance; data and research into key issues which affect the quality of life; and issues of national importance which need to be implemented at a local level.
- The 'Corporate Implications' template used in the decision making process considers risks and impacts for individuals and communities; safeguarding; and other legal or governance matters to ensure that fair access to service is not adversely affected.
- The Council's Performance Management Framework.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

- Corporate Strategy covers a four-year period. An Annual Plan details the agreed projects and initiatives to deliver each of the priorities of the Corporate Strategy in the forthcoming year, as well as details of how we plan to measure progress against these objectives.

- In determining how services and other courses of action should be planned and delivered, the Council has well-established engagement frameworks with internal and external stakeholders which is undertaken at a strategic, service and individual level.
- The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local residents as stated in the Council's Corporate Strategy, values and priorities.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

- The Chief Executive (as the designated role of Head of Paid Service) is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.
- Annual Performance Reviews of all staff ensure performance is managed and development needs for each member of staff are identified and monitored. For the Chief Executive and Corporate Directors, performance reviews are carried out by a panel of Members which include the Leader and/or appropriate Cabinet members and the Chairman of the Overview and Scrutiny Committee.
- There is a Member Induction and Member Development programme in place which includes specialist training for members with specific committee roles such as licensing and planning.

F. Managing risks and performance through robust internal control and strong public financial management

- The Council has a Risk Management Policy and approach including robust systems of identification, evaluation and control of risks which threaten the Council's ability to meet its objectives to deliver services to the public.
- The Corporate Director (Finance), being the Section 151 Officer, is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.
- The Council's system of internal financial control is based on a framework of Financial Regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability.
- The Council has a proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably.
- A Medium Term Financial Strategy and plans for revenue (4-year) and capital (4-year) based on corporate priorities are developed by the Cabinet and supported by the Management Board, and presented for approval by Council in February each year.
- Revenue and Capital Budget Monitoring reports are presented to the Cabinet on a regular basis for monitoring and control purposes including the annual outturn.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

- The Audit, Insurance and Fraud Manager provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance. This is carried out by an in-house Internal Audit team in conformance with the Public Sector Internal Audit Standards.
- The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies. The Governance Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

- The Council's Overview and Scrutiny arrangements are well-established and provide challenge and review and promote service improvement.

3. Review of Effectiveness of the Governance Framework

The Council reviews annually the effectiveness of its governance framework including the system of internal control. The review relates to the governance framework which has been in place at Braintree District Council for the year ended 31st March 2019 and up to the date of approval of the Statement of Accounts. Any issues identified as a significant governance issue are reported within the AGS, and the progress made by management in 2019/20 to address these issues will be reported regularly to the Governance Committee as the body charged with governance.

The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and by comments made by the external auditors and other inspection agencies.

Both in-year and year-end review processes have taken place. In-year review mechanisms include:

- The Cabinet is responsible for monitoring overall financial performance and received comprehensive reports on a quarterly basis. Budgetary reports provided details of income and expenditure against profile together with a prediction of the financial position at the year-end. Key Performance Indicators and progress of projects are also included in the quarterly reports.
- Report by the Corporate Director (Section 151 Officer) on the robustness of the budget and the adequacy of balances.
- The work programme of the Overview & Scrutiny Committee included reviews of the Medium Term Financial Strategy and Budget Proposals for 2019/20, Annual Report of the Braintree District Community Safety Partnership and of the role of the Highway Authority in the Braintree District; and the management of two Task and Finish groups investigating Recycling, Re-use and Reduce and Social Isolation and Loneliness.
- There were no complaints referred to the Standards Sub Committee during the year. There have been a small number of complaints raised under the Member Code of Conduct. These have been reviewed in line with the Council's processes by the Monitoring Officer, this has also included the undertaking of an investigation on one complaint. The issues raised are particular to their circumstances and do not reflect a wider or systemic issue. They are not regarded as significant governance issues within the meaning of the Annual Governance Statement.
- The Governance Committee provided independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. The Committee met four times during the year and received regular reports on risk management, internal control and governance matters.
- The Governance Committee agreed, on 18th September 2013, to the adoption of the Public Sector Internal Audit Standards and an Internal Audit Charter. In agreeing, the Committee acknowledged that: the Audit Manager has other managerial responsibilities including Insurance, Risk and Benefit Fraud and that arrangements are in place to ensure that the post holder is not involved in audit reviews of these areas and accepts any recommendations resulting from the audit reviews in order to maintain independence.
- Internal Audit, as an independent and objective assurance service to the management of the Council, completed a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangements. The effectiveness of Internal Audit and its conformance with the Public Sector Internal Audit Standards was externally assessed during 2017/18. Whilst the outcome was that it partially conforms to the Standards, an action plan was agreed to deliver improvement and achieve conformance, and progress against the action plan was reported to the Governance Committee during the year.

- The external auditors reviewed the Council's arrangements for:
 - Preparing accounts in compliance with statutory and other relevant requirements
 - Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
 - Managing performance to secure economy, efficiency and effectiveness in the use of resourcesThe results of the review, which included: an unqualified true and fair opinion of the financial statements; and satisfactory conclusion with the Annual Governance Statement, Whole of Government Accounts and Value for Money arrangements for 2017/18, were presented to the Governance Committee on 25th July 2018.
- A positive Annual Audit Letter for 2017/18 was received from the External Auditor, Ernst & Young, with no significant issues to be raised with Members, key stakeholders or members of the public.
- Members reviewed the Council's strategic risk register in October 2018. The Governance Committee received details of Management Board's action plans to manage those strategic risks which have a high risk rating.
- The Council completed a self-assessment of its arrangements to safeguard and promote the welfare of children during 2018. The results recorded were 31 of the self-assessment criteria were met in full and 4 were partially met. The outcome and resulting action plan were submitted to the Essex Safeguarding Childrens Board: which has a statutory duty to assess the extent to which its partners are fulfilling their duties to safeguard and promote the welfare of children, young people and vulnerable adults.
- The Council completed the Local Government Association (LGA) Cyber Security Stocktake during summer 2018. The Council scored green on all areas of the Government's Minimum Cyber Security Standard. An overall rating of Amber/Green was received, which gave the Council an opportunity to use the assessment to bid for funding which has been received. An action plan is in place to implement identified improvements.
- External inspections during the year included:
 - The Driver and Vehicle Standards Agency undertook, in December 2017, an audit of the Council's undertakings and declarations to ensure compliance with its Operators Licence. The majority of systems and processes were observed to be good however there were some areas of concern which were referred to the Traffic Commissioner and a public enquiry was held in Autumn 2018. A comprehensive action plan was developed and delivered by the year-end. An independent audit of the actions is to be undertaken by 31st October 2019.
 - The Food Standards Agency (FSA) conducted an audit of the Council's Food Hygiene Service delivery on 29th and 30th January 2019, focussing on food hygiene complaints and foodborne infectious diseases. The outcome was that effective systems are in place. Service management is considering the report, including the six recommendations, and will develop an action plan as appropriate.
 - Public Services Network (PSN) Compliance – compliant
 - Society of Information Technology Management (SOCITM) Better Connected web content reviewed (customer contact/access) – 3 star rating achieved
- Local Government and Social Care Ombudsman: in 2018/19 the Ombudsman received a total of 15 matters, out of which 8 were investigated as complaints. The Ombudsman upheld 1 complaint with a finding of maladministration but with no injustice to the complainant.

The year-end review of the governance arrangements and the control environment included:

- Signed assurances from Senior Managers, who report to a member of the Management Board, that key elements of the control framework were in place during the year in their areas of responsibility.

Annual Governance Statement

- The Audit, Insurance and Fraud Manager's Annual Report for 2018/19 was considered by the Governance Committee on 24th April 2019. The conclusion was that the Council's internal control environment and systems of internal control as at 31st March 2019 provide reasonable assurance over key business processes and financial systems.
- The Council's Local Code of Corporate Governance has been reviewed and updated for 2019/20 by the Governance Committee on 24th April 2019.

Last year's Annual Governance Statement identified two areas for improvement/development:

- Continue preparations to ensure compliance with the General Data Protection Regulations (GDPR) which comes into effect on 25th May 2018. *Processes including reporting breaches and dealing with data subject access requests; privacy notices; and record of processing activities in place and staff training completed. Additional resource with a new post of Governance and Information Lawyer created and appointment made during year.*
- To deliver the agreed action plan from the External Quality Assessment on the effectiveness of the internal audit function. *Progress against the plan was reported regularly to the Governance Committee during 2018/19.*

Based on the review the Council can confirm that it has an effective governance arrangements in place, subject to any significant governance issues identified in the section below.

4. Significant Governance Issues

A governance issue arises when something has gone or is going wrong which will affect the achievement of the Council's objectives. There is a need to respond and often recover from an issue and in financial terms, responding and recovering may add significant cost to the organisation or its processes. An issue may arise unexpectedly or may result from a poorly managed risk. Determining the significance of a governance issue will always contain an element of judgement.

An issue is likely to be significant if one or more of the following criteria applies:

- It has seriously prejudiced or prevented achievement of a principal objective.
- It has resulted in the need to seek additional funding to allow it to be resolved.
- It has required a significant diversion of resources.
- It has had a material impact on the accounts.
- It has been identified by the Governance Committee as significant.
- It has resulted in significant public interest or has seriously damaged reputation.
- It has resulted in formal actions being taken by the Section 151 Officer or Monitoring Officer.
- It has received significant adverse commentary in external or internal inspection reports that has not been able to be addressed in a timely manner.

Based upon the assurance systems in place and the council's approach to continuous learning through external and internal review, there are no significant governance issues that have arisen during the year. Notwithstanding inherent risks facing local government and strategic risks that have

Annual Governance Statement

been identified and reviewed throughout the year, the Council's governance arrangements provide robust mechanisms to ensure 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.

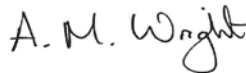
5. Conclusion

We have been advised on the implications of the review of the effectiveness of the governance framework and the revision and update of the Local Code of Corporate Governance by the Governance Committee at their meeting on 24th April 2019.

We undertake over the coming year to continue to monitor our governance arrangements to ensure they remain fit for purpose. We are satisfied that they were effective in 2018/19, and will reflect and report on their operation and effectiveness as part of our next annual review.



Graham Butland
Leader of the Council



Andy Wright
Chief Executive

Comprehensive Income and Expenditure Account

2017/18 (Restated)			Note	2018/19		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
384	(416)	(32)		1,178	(688)	490
2,521	(51)	2,470		2,463	(39)	2,424
790	(194)	596		704	(236)	468
1,296	-	1,296		1,315	-	1,315
263	(63)	200		(376)	(1)	(377)
4,958	(2,124)	2,834		4,739	(2,314)	2,425
41,504	(40,164)	1,340		36,207	(34,851)	1,356
1,166	(293)	873		1,343	(328)	1,015
1,047	(262)	785		1,163	(347)	816
410	(26)	384		441	(75)	366
721	(99)	622		695	(89)	606
11,534	(5,217)	6,317		12,026	(5,805)	6,221
382	(138)	244		560	(268)	292
2,558	(1,520)	1,038		3,166	(2,181)	985
264	(265)	(1)		1,149	(151)	998
69,798	(50,832)	18,966		66,773	(47,373)	19,400
		(567)	1/6			(2,232)
		(925)	2			(2,814)
		(19,530)	3			(19,140)
		(2,056)	4/5			(4,786)
		Surplus on the Provision of Services	6			
		<i>Items that will not be reclassified to the (Surplus) or Deficit on Provision of Services:</i>				
	(4,561)	Revaluation gains	27			(4,417)
	(10,357)	Re-measurement of the pension scheme net defined benefit liability	26			(11,395)
	(2)	Other gains				(8)
	(14,920)					(15,820)
		<i>Items that may be reclassified to the (Surplus) or Deficit on Provision of Services:</i>				
	489	Deficit on revaluation of available for sale assets	20			-
	(14,431)	Other Comprehensive Income and Expenditure				(15,820)
	(16,487)	Total Comprehensive Income and Expenditure				(20,606)

Movement in Reserves Statement

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 1 April 2018	24,342	10,913	2,907	38,162	43,343	81,505
<u>Movement in Reserves during 2018/19</u>						
Total Comprehensive Income and Expenditure	4,786			4,786	15,820	20,606
Adjustments between accounting basis & funding basis under regulations	(716)	4,930	321	4,535	(4,535)	-
Increase in 2018/19	4,070	4,930	321	9,321	11,285	20,606
Balance at 31 March 2019	28,412	15,843	3,228	47,483	54,628	102,111

See Notes 11, 12, and 27

Comparative Year 2017/18

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 1 April 2017	23,814	10,200	3,267	37,281	27,737	65,018
<u>Movement in Reserves during 2017/18</u>						
Total Comprehensive Income and Expenditure	2,056	-	-	2,056	14,431	16,487
Adjustments between accounting basis & funding basis under regulations	(1,528)	713	(360)	(1,175)	1,175	-
Increase / (Decrease) in 2017/18	528	713	(360)	881	15,606	16,487
Balance at 31 March 2018	24,342	10,913	2,907	38,162	43,343	81,505

See Notes 11, 12 and 27

Balance Sheet

31 March 2018		Note	31 March 2019
£000			£000
77,323	Property, Plant & Equipment	13/14	85,452
863	Heritage Assets	15	863
34,367	Investment Property	16	36,303
738	Intangible Assets	17	709
1,277	Non-current Assets Held for Sale		1,281
16,935	Long Term Investments	20	19,308
3,676	Long Term Debtors	24	3,133
135,179	Long Term Assets		147,049
25,502	Short Term Investments	20	27,001
148	Inventories		194
9,930	Short Term Debtors	24	9,601
(161)	Cash and Cash Equivalents	20	1,527
35,419	Current Assets		38,323
(9,627)	Short Term Creditors	25	(10,849)
(355)	Finance Lease Liabilities	23	(305)
(1,000)	Other Short Term Liabilities		-
(1,080)	Provisions		(1,236)
(12,062)	Current Liabilities		(12,390)
(6,000)	Long Term Borrowing	20	(6,000)
(2,506)	Finance Lease Liabilities	23	(2,194)
(44)	Long Term Creditors		(47)
(66,608)	Pension Fund Liability	26	(59,597)
(1,873)	Capital Grants Receipts in Advance	7	(3,033)
(77,031)	Long Term Liabilities		(70,871)
81,505	Net Assets		102,111
38,162	Usable Reserves		47,483
43,343	Unusable Reserves	27	54,628
81,505	Total Reserves		102,111

11 These financial statements replace the unaudited financial statements certified by the Chief Financial Officer (Chris Fleetham) on 25 May 2019



31 July 2019

Cash Flow Statement

2017/18 £000		Note	2018/19 £000
(2,056)	Surplus on the Provision of Services		(4,786)
(2,461)	Adjustment for non-cash movements	28	(8,252)
5,118	Adjustment for items that are investing and financing activities	28	7,329
601	Net Cash (Inflow)/ Outflow from Operating Activities		(5,709)
	<u>Investing Activities:</u>		
3,193	Purchase of property, plant and equipment, investment property, and intangible assets		9,513
73,000	Purchase of short-term and long-term investments		103,750
186	Other payments for investing activities		181
(4,769)	Proceeds from the sale of PPE investment property, and intangible assets		(5,111)
(70,513)	Proceeds from sale of short-term and long-term investments		(100,253)
(3,153)	Other receipts from investing activities		(6,260)
(2,056)	Net Cash (Inflow)/ Outflow from Investing Activities		1,820
	<u>Financing Activities:</u>		
340	Cash payments to reduce outstanding finance lease liabilities		362
1,181	Other payments for financing activities		1,839
1,521	Net Cash Outflow from Financing Activities	29	2,201
66	Net (Increase) Decrease in Cash & Cash Equivalents		(1,688)
(95)	Cash & Cash Equivalents at beginning of reporting period		(161)
(161)	Cash & Cash Equivalents at end of reporting period		1,527

Accounting Principles and Policies

General Principles

The Statement of Accounts has been prepared using the going concern and accruals bases. The historical cost convention has been applied, modified by the valuation of the following material categories of non-current assets and financial instruments:

Class of Assets	Valuation Basis
Property, Plant and Equipment: Dwellings	Current value, comprising existing use value for social housing Dwellings are valued using market prices for comparable properties, adjusted to reflect occupancy under secure tenancies.
Property, Plant and Equipment: Other Land and Buildings	Current value, comprising existing use value (EUV) Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost.
Property, Plant and Equipment: Surplus Assets	Fair value
Investment Properties	Fair value
Financial Instruments – Fair Value through Profit or Loss	Fair value
Heritage Assets	Valuations obtained for insurance purposes
Pensions Assets	Fair value

Adjustments between Accounting Basis and Funding Basis

The resources available to the Council in any financial year and the expenses that are charged against those resources are specified by statute. Where the statutory provisions differ from the accruals basis used in the Comprehensive Income and Expenditure Statement (CIES), adjustments to the accounting treatment are made in the Movement in Reserves Statement (MIRS) so that usable reserves reflect the funding available at the year-end. Unusable reserves are created to manage timing differences between the accounting and funding bases. The material adjustments are:

Income/ Expense Item	Accounting Basis in CIES	Funding Basis in MIRS	Adjustment Account
Plant, Property and Equipment	Depreciation and revaluation/impairment losses	Revenue provision to cover historical cost determined in accordance with statute.	Capital Adjustment Account

Accounting Principles and Policies

Income/ Expense Item	Accounting Basis in CIES	Funding Basis in MIRS	Adjustment Account
Intangible Assets	Amortisation and impairment	Revenue provision to cover historical cost determined in accordance with statute.	Capital Adjustment Account
Investment Properties	Movements in fair value	Revenue provision to cover historical cost determined in accordance with statute.	Capital Adjustment Account
Financial Instruments – Available for Sale Assets	Movement in fair value	No charge or credit	Available for Sale Reserve
Revenue Expenditure Funded from Capital under Statute	Expenditure incurred in the year	Revenue provision to cover historical cost determined in accordance with statute.	Capital Adjustment Account
Capital Grants and Contributions	Grants that became unconditional in the year or were received during the year without conditions	No credit	Capital Grants Unapplied Reserve (for amounts unapplied at the Balance Sheet date) Capital Adjustment Account (other amounts)
Non-Current Asset Disposals	Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal)	No charge or credit	Capital Adjustment Account (carrying amount) Capital Receipts Reserve (sale proceeds and costs of disposal)
Financial Instruments	Movements in the fair value of money market fund and other pooled fund investments	Historical cost gains/ losses for money market fund and other pooled fund investments disposed of in the year	Pooled Investment Funds Adjustment Account
Pensions Costs	Movements in pensions assets and liabilities (see Post-Employment Benefits Policy)	Employer's pensions contributions payable and direct payments made by the Council to pensioners for the year	Pension Reserve

Accounting Principles and Policies

Income/ Expense Item	Accounting Basis in CIES	Funding Basis in MIRS	Adjustment Account
Council Tax	Accrued income for the year	Demand on the Collection Fund for the year plus recovery of estimated deficit or share of estimated surplus for the previous year	Collection Fund Adjustment Account
Business Rates	Accrued income for the year	Budgeted income receivable from the Collection Fund for the year plus recovery of estimated deficit or share of estimated surplus from the previous year	Collection Fund Adjustment Account
Accrued officer leave	Projected cost of untaken leave entitlements at 31 March	No charge	Accumulated Absences Adjustment Account

Changes to Accounting Policies

The main change to accounting policies in 2018/19 which has had an effect on the 2018/19 accounts is the implementation of IFRS9 Financial Instruments. Under IFRS9 there have been changes to the categories for the Council's financial assets, including re-categorisation of balances held as at 1 April 2018. Assets totalling £20.213 million which were previously held as Loans and Receivables are now treated as Amortised Cost as cash flows are solely principal and interest, and the Council's business model for managing these assets is to collect the cash flows. Assets totalling £28.562 million comprising the Council's investments in pooled funds and other money market funds, which were previously treated as Available for Sale (AFS) assets, have now been classified as held at Fair Value through Profit and Loss (FVPL). The basis for this change is that these investments do not meet the definition of equity instruments under International Accounting Standard (IAS) 32. These reclassification changes have not resulted in any remeasurement gain/ loss; however, the net fair value gain on AFS assets of £935,000, previously held in the AFS unusable reserve, has been moved to a new account, the Pooled Investment Funds Adjustment Account. This new account will hold any gains (or losses) on this type of FVPL asset in accordance with a new statutory direction introduced with effect from 1 April 2018 and which will cover a period of five years. Consequently, any gain/ loss on the Council's pooled investment funds during this five-year period will only impact on the General Fund balance once investments are sold.

IFRS9 has also introduced a new approach to recognising expected credit losses on financial assets. An assessment of the Council's financial assets at both the transition date of IFRS9 (i.e. 1 April 2018) and 31 March 2019, indicates that any allowance required under this new approach would be immaterial for the Council and therefore no new allowances have been recognised. The Council continues to provide an allowance for non-collection of trade, statutory, and other service debts.

Accounting Principles and Policies

The Code also required implementation of IFRS15 Revenue from Contracts with Customers, which has had no material impact on the Council's accounts.

For 2018/19 the Council amended its reporting segments from that used in 2017/18 and the Code also clarifies further the requirement to exclude transactions between reporting segments from being presented in the CIES, therefore, some restatement of previous year comparators has been necessary. A reconciling line is included in the Corporate Financing segment where internal recharges are made to activities reported outside the Net Cost of Service, e.g. recharges to capital projects, and the management of investment properties.

Critical Judgements in Applying Accounting Policies

In applying suitable accounting policies the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council has plans in place to manage known and anticipated future reductions in funding for local government, however, the Council has determined that these do not provide an indication that its non-current assets might be impaired because of a need to close facilities and reduce levels of service provision.
- The Council has a number of significant leases both as lessor and lessee for which it has undertaken assessments to determine whether the leases should be treated as finance or operating leases.
- Non-current assets have been categorised as Investment Properties where it is the current intention of the Council to hold such assets solely for the purpose of income generation and/ or capital appreciation. The review and assessment of these assets could be subject to interpretation.
- The Council has borrowings totalling £6 million that are held on Lender Option, Borrower Option (LOBO) terms and which provide for six monthly call option dates. Under the current interest rate environment it is considered unlikely that the lender will seek to exercise their options in the short to medium term and therefore the debt has been categorised as long-term borrowing based on their contracted maturity dates.
- The Council has investments in a number of pooled funds investing in equities, bonds, property, and other financial instruments. Whilst the units or shares held by the Council in these funds are potentially redeemable at relatively short-notice, it is the Council's objective to maintain the investments for the medium-long term for income generation and therefore the investments are shown as long-term investments in the Balance Sheet.
- The Council has an interest in North Essex Garden Communities Ltd, but has determined that there is no requirement to prepare Group Accounts as the activities of the company in 2018/19 are not deemed material.

Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or which are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pension Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements, in particular the discount rate used to measure the cost of pension fund liabilities, and mortality rates. A firm of consulting actuaries (Barnet Waddingham) provides the Council with expert advice about the assumptions to be applied. During 2018/19 the actuary advised that the net pension liability decreased by £7.011 million, with the following items having a significant impact:

- better investment returns on the Fund's assets than were assumed by the actuary (+£8.625 million);
- a change in the demographic assumptions used by the actuary mainly regarding longevity, giving an overall reduction in liability of £12.148 million;
- changes in the financial assumptions used by the actuary which increased the liability by £9.378 million, largely due to a reduction in the yield rate used to discount future cash flows; and
- the cost of post-employment benefits charged against the Surplus on Provision of Services less the amount of the Council's employer contributions made into the Pension Fund (+£4.391 million net).

The effect on the net liability arising from changes in individual assumptions can be measured, for example: a 0.1% increase in the discount rate assumption would decrease the pension liability by £3.722 million, and a one-year addition to members' average life expectancy would increase the liability by £8.751 million.

Business Rates

Under the Business Rate Retention Scheme (BRRS) local authorities are required to finance a proportion of appeals made against rateable values set by the Valuation Office Agency (VOA). Appeals are lodged for a variety of reasons and can, subject to certain rules, be backdated to the start of the Valuation List. From 1 April 2017, a reformed appeals process was introduced involving a three stage system: Check, Challenge, and Appeal. At the Balance Sheet date the Council has had to make an assessment of the likely amount of business rates to be refunded following successful appeals against both the previous 2010 List (for rates payable between 1 April 2010 and 31 March 2017), and the 2017 List for rates payable from 1 April 2017. Based on past experience and also applying this to potential future appeals, the Council has made a total provision for appeals of £3.090 million, of which £1.236 million is attributable to the Council.

Fair Value Measurements

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in assumptions used could affect the fair value of the Council's assets and liabilities.

Where appropriate, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value. Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in the Notes to the Accounts.

Britain leaving the European Union

There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time there are three possible scenarios: a 'no deal' Brexit, an agreement with a transition period, and an extension to EU membership of unknown length. It is not possible to predict which path will be taken and whether this will significantly impact on the value of the Council's assets, investments and/ or pension fund liability. The Council continues to keep matters under review.

Significant Accounting Policies

Accruals of Income and Expenditure

The accounts have been prepared on the basis of accruals with the exception of local tax recovery costs, car parking penalty charges, and certain license fees, which are accounted for when cash is received; and some recurring annual expenditure items. This difference in treatment is not considered material to the amounts that are included in the accounts.

Council Tax and Business Rates Agency

The Council acts as agent collecting council tax and business rates on behalf of the major preceptors (including government for business rates), and as principal for itself. The Council is required to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and business rates. The Council, along with the major preceptors, shares proportionately the risks and rewards that the amount of council tax and business rates could be more or less than predicted.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and business rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments, and provision for appeals.

Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to their contractual provisions and are initially measured at fair value.

Financial Liabilities

Financial liabilities are subsequently measured at amortised cost. For the Council's borrowing this means the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest shown as a current liability). Annual charges to the Financing and Investment Income and Expenditure line in the CIES are based on the carrying amount multiplied by the effective interest rate for the instrument.

Financial Assets

Financial assets are subsequently measured in one of two ways:

Accounting Principles and Policies

- Amortised cost – assets whose contractual terms are basic lending arrangements (i.e. they give rise on specified dates to cash flows that are solely payments of principal or interest and which the Council holds under a business model whose objective is to collect those cash flows).
- Fair value – all other financial assets.

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable. Annual credits to the Financing and Investment Income and Expenditure line of the CIES are based on the carrying amount of asset multiplied by the effective rate of interest for the instrument. Any gains or losses in fair value are not accounted for until the instrument matures or is sold.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Where material, changes in allowances are debited or credited to the Financing and Investment Income and Expenditure line of the CIES.

Changes in the value of assets carried at fair value (described as Fair Value through Profit or Loss) are debited or credited to the Financing and Investment Income and Expenditure line of the CIES as they arise. However, where such changes relate to financial instruments covered by statutory mitigation the change in fair value is reversed in the MIRS and held in an unusable reserve until such time the instrument is sold.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council where there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received

Amounts recognised as due to the Council are not credited to the CIES until all conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that, if not met, mean the grant must be repaid.

The grant or contribution is credited to the relevant service line (specific revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the CIES.

Intangible Assets

Expenditure (£10,000 or more) on non-monetary assets that do not have physical substance but are controlled by the Council (e.g. software licences, website development) is capitalised when it is expected that future economic benefits or service potential will flow from the Intangible Asset to the Council.

Software is accounted for as an Intangible Asset to the extent that it is not an integral part of a particular IT system (e.g. operating system) in which case it is treated along with the hardware within Property, Plant and Equipment. Intangible Assets include only purchased licences or developments.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an indication that it might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Investment Properties

Investment properties are those that are currently held solely to earn rentals and/ or for capital appreciation.

Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated, with gains or losses on revaluation being posted to the Financing and Investment Income and Expenditure line in the CIES. This line is also credited or debited with gains/ losses on the disposal of properties, measured as the difference between the carrying amount and sale proceeds.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an asset from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and building, the land and buildings elements are considered separately for classification.

Property, Plant and Equipment (PPE) held by the Council under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Payments are apportioned between:

- a charge for the acquisition of the interest in the PPE – applied to write down the financial liability
- financing charges and contingent rents (debited to the Financing and Investment Income and Expenditure line in the CIES)

Rentals paid by the Council under operating leases are charged to the CIES as an expense of the services benefitting from the use of the leased asset. Charges are made on a straight-line basis over the life of the lease.

Finance leases granted in the past by the Council have been at either a peppercorn or nominal rent, therefore, whilst the asset is no longer recorded in the Council's Balance Sheet, no long-term debtor has been recognised as the amounts involved would be immaterial – instead lease rentals, where received, are credited directly to the CIES.

Where the Council grants an operating lease over an item of PPE, the asset is retained in the Council's Balance Sheet. Rental income is credited to the Financing and Investment Income and Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease. Where material, the initial direct costs incurred in negotiating and arranging a lease, along with any incentive payments, are charged as an expense over the lease term on the same basis as rental income, with the balance of any such expenses to be recovered being shown as deferred income within debtors.

Overheads and Support Services

The cost of overheads and support services are generally shown in the CIES as part of the service segment where these costs are controlled in accordance with the Council's internal management reporting arrangements.

Post-Employment Benefits

Employees of the Council are able to join the Local Government Pensions Scheme (LGPS), which is administered on behalf of the Council by Essex County Council (ECC) via the Essex Pension Fund (the Pension Fund). The LGPS is a statutory scheme which provides benefits based on career average revalued earnings (CARE), with various protections in place for those members with service before 1 April 2014. The LGPS is accounted for as a defined benefits scheme:

- the liabilities of the Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method
- liabilities are discounted to their value at current prices, using a single equivalent discount rate of 2.40% (based on the Merrill Lynch AA rated corporate bond yield curve and taking into account the estimated duration of the Council's liabilities).
- The assets of the Pension Fund attributable to the Council are included in the Balance Sheet at their fair value

The change in the net pension liability is analysed into the following components:

- **Service cost comprising:**
 - **Current service cost** - allocated in the CIES to the services for which the employees worked
 - **Past service cost (including Curtailment)** - debited to the Surplus or Deficit on the Provision of Services in the CIES as part of the Corporate Financing segment
 - **Gain on Settlement** – credited to the Surplus or Deficit on the Provision of Services in the CIES as part of the Corporate Financing segment
 - **Net interest on the defined benefit liability** - charged to the Financing and Investment Income and Expenditure line of the CIES.
- **Re-measurements comprising:**
 - **The return on plan assets** - excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - **Actuarial gains and losses** - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Contributions paid to the Pension Fund** - not accounted for as an expense in the CIES.

Property, Plant and Equipment (PPE)

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Accounting Principles and Policies

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets acquired other than by purchase (e.g. by donation or as part of a Planning Section 106 Agreement), are recognised at fair value. Provided the Council has met all conditions attached to such transfers, any gain is credited to the Taxation and Non-Specific Grant Income and Expenditure line of the CIES. Where gains have been credited to the CIES these will be reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Certain categories of PPE are measured subsequently at either current value or fair value (See under General Principles). Assets included in the Balance Sheet at current value are re-valued sufficiently to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date are reflected in the Capital Adjustment Account (CAA).

Assets are assessed at each year-end as to whether there is any indication that items may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Impairment losses are accounted for in the same manner as downward revaluations.

Depreciation is provided for on all PPE assets by the systematic allocation of their depreciable amounts over their useful lives. Exceptions are made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Where an item of PPE has major components whose cost is significant in relation to the total cost of the item, and whose useful lives differ materially, components are recognised and depreciated separately.

An asset may be reclassified as an Asset Held for Sale (AHFS) when it becomes probable that the carrying amount of an asset will be recovered principally through its sale rather than through its continued use by the Council. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the CIES. Gains in fair value are recognised in the CIES only up to the amount of any previously recognised losses. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether PPE or AHFS) is written off to the Other Operating Expenditure line in the CIES, against any receipts from the disposals as a gain or loss on disposal.

A de minimis limit of £10,000 is applied to items treated as expenditure or receipts under this policy.

Provisions

Provisions are charged as an expense where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Revenue from Contracts with Service Recipients

The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.

Earmarked Reserves

The Council sets aside specific (earmarked) amounts as reserves for future policy purposes or to cover contingencies and other risks. Reserves are created by transferring amounts out of the unallocated General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service within the CIES but matched by a transfer back into the General Fund Balance so there is not a net charge against Council Tax for the expenditure.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

REFCUS is expenditure incurred during the year that has been capitalised under statutory provisions but does not result in the creation of a non-current asset for the Council. Expenditure is charged to the relevant service in the CIES but transferred to the CAA in the MIRS to reflect the use of capital resources to fund the item rather than Council Tax. REFCUS may be offset in the relevant service by capital grants received to part/fully fund the related expenditure where conditions of this funding have been met.

Notes to the Accounts

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The EFA shows how funding available to the Council for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The EFA also shows how this expenditure is allocated for decision making purposes between the Council's services.

2017/18 (Restated)				2018/19		
Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between Funding and Accounting basis £000	Net Expenditure in the CIES £000		Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between Funding and Accounting basis £000	Net Expenditure in the CIES £000
(1,961)	1,929	(32)	Asset Management	(2,215)	2,705	490
1,835	635	2,470	Business Solutions	1,979	445	2,424
514	82	596	Community Services	419	49	468
1,115	181	1,296	Corporate Management	1,140	175	1,315
182	18	200	Economic Development	328	(705)	(377)
1,331	1,503	2,834	Environment & Leisure	949	1,476	2,425
332	1,008	1,340	Finance	145	1,211	1,356
798	75	873	Governance	944	71	1,015
665	120	785	Housing Services	680	136	816
343	41	384	Human Resources	331	35	366
535	87	622	Marketing & Communications	516	90	606
5,096	1,221	6,317	Operations	4,868	1,353	6,221
571	(327)	244	Strategic Investment	286	6	292
680	358	1,038	Sustainable Development	564	421	985
2,680	(2,681)	(1)	Corporate Financing	54	944	998
14,716	4,250	18,966	Net Cost of Services	10,988	8,412	19,400
(15,244)	(5,778)	(21,022)	Other Income and Expenditure	(15,058)	(9,128)	(24,186)
(528)	(1,528)	(2,056)	Surplus on the Provision of Services	(4,070)	(716)	(4,786)
(23,814)			General Fund Balance at 1 April	(24,342)		
(24,342)			General Fund Balance at 31 March	(28,412)		

Notes to the Accounts

The following tables show the breakdown of adjustments required to reconcile amounts chargeable to the General Fund Balance to the CIES.

2018/19

	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Re-allocation & other items £000	Total Adjustments £000
Asset Management	545	38	-	2,122	2,705
Business Solutions	289	172	-	(16)	445
Community Services	21	57	-	(29)	49
Corporate Management	-	175	-	-	175
Economic Development	(731)	29	-	(3)	(705)
Environment & Leisure	1,263	217	-	(4)	1,476
Finance	(18)	297	-	932	1,211
Governance	6	75	-	(10)	71
Housing Services	19	117	-	-	136
Human Resources	-	35	-	-	35
Marketing & Communications	-	49	-	41	90
Operations	697	626	-	30	1,353
Strategic Investment	-	7	-	(1)	6
Sustainable Development	196	226	-	(1)	421
Corporate Financing	(1,739)	606	43	2,034	944
Net Cost of services	548	2,726	43	5,095	8,412
Other Income and Expenditure	(5,980)	1,665	282	(5,095)	(9,128)
Total	(5,432)	4,391	325	0	(716)

Notes to the Accounts

2017/18

(Restated)	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Re-allocation & other items £000	Total Adjustments £000
Asset Management	(156)	45	-	2,040	1,929
Business Solutions	486	167	-	(18)	635
Community Services	21	62	-	(1)	82
Corporate Management	-	181	-	-	181
Economic Development	9	13	-	(4)	18
Environment & Leisure	1,264	250	-	(11)	1,503
Finance	10	332	-	666	1,008
Governance	6	72	-	(3)	75
Housing Services	6	114	-	-	120
Human Resources	-	43	-	(2)	41
Marketing & Communications	-	57	-	30	87
Operations	597	627	-	(3)	1,221
Strategic Investment	(334)	7	-	-	(327)
Sustainable Development	136	226	-	(4)	358
Corporate Financing	(339)	(4,784)	(5)	2,447	(2,681)
Net Cost of services	1,706	(2,588)	(5)	5,137	4,250
Other Income and Expenditure	(2,924)	2,005	278	(5,137)	(5,778)
Total	(1,218)	(583)	273	0	(1,528)

Notes to the Accounts

The following table shows amounts of income and expenditure chargeable to the General Fund Balance included in the Council's internal reporting

	<u>2017/18 (Restated)</u>				<u>2018/19</u>			
	Revenues from External Customers	Government Grants	Interest Revenue	Interest & MRP Expenses	Revenues from External Customers	Government Grants	Interest Revenue	Interest & MRP Expenses
	£000	£000	£000	£000	£000	£000	£000	£000
Asset Management	(2,866)	-	-	93	(3,238)	-	-	93
Business Solutions	(51)	-	-	-	(39)	-	-	-
Community Services	(195)	(1)	-	-	(237)	(3)	-	-
Corporate Management	-	-	-	-	-	-	-	-
Economic Development	(63)	-	-	-	(1)	-	-	-
Environment & Leisure	(1,209)	(1)	-	-	(1,366)	(1)	-	-
Finance	(1,623)	(38,541)	(979)	312	(1,375)	(33,476)	(1,252)	306
Governance	(229)	(64)	-	-	(205)	(123)	-	-
Housing Services	(50)	(212)	-	-	(89)	(259)	-	-
Human Resources	(8)	(18)	-	-	(8)	(67)	-	-
Marketing & Communications	(96)	-	-	-	(86)	-	-	-
Operations	(5,178)	-	-	389	(5,702)	(50)	-	396
Strategic Investment	-	-	-	-	-	-	-	-
Sustainable Development	(1,485)	(36)	-	-	(1,856)	(54)	-	-
Corporate Financing	(688)	(2,145)	-	328	(1,268)	(1,351)	-	379
Net Cost of services	(13,741)	(41,018)	(979)	1,122	(15,470)	(35,384)	(1,252)	1,174

Notes to the Accounts

2. Other Operating Expenditure

2017/18		2018/19
£000		£000
(158)	Change in corporate provision for doubtful debts	(13)
1,952	Parish and town council precepts	2,061
145	Losses on the disposal of non-current assets	10
(2,506)	Gains from other capital receipts	(4,290)
(567)	Total	(2,232)

3. Financing and Investment Income and Expenditure

2017/18		2018/19
£000		£000
2,005	Net interest on the pension net defined liability	1,665
454	Interest payable	432
(979)	Interest & dividends receivable	(1,252)
-	Gain on financial assets held at Fair Value through Profit and Loss	(374)
(2,405)	Net income and other gains from investment property	(3,285)
(925)	Total	(2,814)

4. Taxation and Non Specific Grant Income

2017/18		2018/19
£000		£000
(10,801)	Council Tax income	(11,288)
(3,658)	Business Rates income [see Note 5]	(3,602)
(4,603)	General government grants	(3,563)
(468)	Capital grants and contributions	(687)
(19,530)	Total	(19,140)

Notes to the Accounts

5. Business Rate Income and Expenditure

Under the Business Rate Retention Scheme (BRRS) the Council retains an element of any business rates growth above its Baseline funding allocation. As a member of the Essex Business Rate Pool (the Pool), the Council also receives a share of the total levy payable by all participating authorities, which would otherwise be paid to government. Under the provisions of the Pool, the Council is protected by a safety net, below which its retained income cannot fall (subject to the overall position of the Pool).

2017/18 £000		2018/19 £000
	Credited to Taxation and Non-Specific Grant Income	
(16,558)	Business Rate income	(16,950)
12,364	Tariff	12,736
536	Net payment to the Essex Business Rate Pool	612
(3,658)	Business Rate income	(3,602)
(1,610)	Compensation grants included in general government grants	(1,917)
(5,268)	Net Retained Income relating to Business Rates	(5,519)
 3,256	 Baseline funding allocation	 3,354
3,012	Safety Net (92.5%)	3,102

Notes to the Accounts

6. Subjective Analysis of Expenditure and Income

	2017/18			2018/19		
	Net Cost of Services £000	Corporate amounts £000	Total £000	Net Cost of Services £000	Corporate amounts £000	Total £000
Expenditure						
Employee benefit expenses	16,585	2,005	18,590	18,358	1,665	20,023
Housing benefits	38,120	-	38,120	32,937	-	32,937
Other service expenses	10,776	(158)	10,618	11,177	(13)	11,164
Depreciation, amortisation and impairment	3,351	-	3,351	2,674	-	2,674
Revenue expenditure funded from capital	966	-	966	1,627	-	1,627
Interest payable	-	454	454	-	432	432
Investment property expenses	-	317	317	-	316	316
Business rate retention scheme tariff and net levy	-	12,900	12,900	-	13,348	13,348
Local precepts	-	1,952	1,952	-	2,061	2,061
Total Expenditure	69,798	17,470	87,268	66,773	17,809	84,582
Income						
Fees, charges and other service income	(10,970)	-	(10,970)	(11,830)	-	(11,830)
Income and gains from investment property	-	(2,722)	(2,722)	-	(3,601)	(3,601)
Interest and dividend receivable	-	(979)	(979)	-	(1,252)	(1,252)
Gain on financial assets held at Fair Value through Profit and Loss	-	-	0	-	(374)	(374)
Council Tax	-	(10,801)	(10,801)	-	(11,288)	(11,288)
Business rates	-	(16,558)	(16,558)	-	(16,950)	(16,950)
Government grants and contributions	(39,862)	(5,071)	(44,933)	(35,543)	(4,250)	(39,793)
Gain on disposal of non-current assets & other gains	-	(2,361)	(2,361)	-	(4,280)	(4,280)
Total Income	(50,832)	(38,492)	(89,324)	(47,373)	(41,995)	(89,368)
(Surplus) or Deficit on Provision of Services	18,966	(21,022)	(2,056)	19,400	(24,186)	(4,786)

Notes to the Accounts

7. Grant Income

The Council credited the following grants and contributions to the CIES:

2017/18 £000		2018/19 £000
	Credited to Services	
	Government grants:	
38,511	• Housing Benefit and Localised Council Tax Support Admin Subsidy	33,454
870	• Better Care Fund - Disabled Facilities grant	898
212	• Homelessness grants	259
149	• Other government grants	320
120	Other grants and contributions	612
39,862		35,543
	Credited to Taxation and Non-Specific Grant	
	Government grants:	
2,129	• New Homes Bonus	1,273
777	• Revenue Support Grant	272
1,610	• Compensation for business rate reliefs	1,917
87	• Other government grants	101
468	Other capital grants and developer contributions	465
-	Assets acquired under Planning S106 Agreements or donated	222
5,071		4,250
44,933	Total	39,793

Notes to the Accounts

The balance of developer and other contributions received that have yet to be recognised as income, as they have conditions attached to them that, if not met, will require the monies to be returned are as follows:

2017/18 £000		2018/19 £000
	Grants Receipts in Advance – within Short Term Creditors	
66	Unilateral undertakings	46
478	Developer & other contributions	641
544		687
	Capital Grants Receipts in Advance	
1,810	Developer contributions	2,968
63	Partner contributions	65
1,873		3,033

8. External Audit Costs

The following fees were payable relating to external audit and inspection in respect of the relevant financial year:

2017/18 £000		2018/19 £000
60	External audit services	46
14	Certification of grant claims and returns	10
16	Additional services	-
90	Total Fees Payable for the Year	56

Notes to the Accounts

9. Members' Allowances and Expenses

The Council paid the following amounts to members during the year.

2017/18		2018/19	
£000		£000	
225	Basic allowances	230	
144	Special responsibility allowances	144	
18	Expenses reimbursed	20	
387	Total	394	

10. Officers' Remuneration & Exit Packages

Senior Officers 2018/19	Gross salary	Benefits in Kind	Total Remuneration	Contributions to Pension Fund	Total Remuneration including Pension Contributions
	£	£	£	£	£
Chief Executive	127,092		127,092	20,970	148,062
Corporate Director (part-time)	64,408		64,408	10,627	75,035
Corporate Director	105,895		105,895	17,476	123,371
Corporate Director	91,022	4,662	95,684	15,019	110,703
Head of Finance	74,552	2,105	76,657	12,301	88,958
Head of Operations	74,052	5,305	79,357	12,219	91,576
Head of Governance	69,842		69,842	11,524	81,366
Head of Housing	67,842		67,842	11,194	79,036
Head of Environment	67,842		67,842	11,194	79,036
Head of Economic Development and Planning Policy	60,240		60,240	10,098	70,338

Notes to the Accounts

Senior Officers 2017/18	Gross salary	Benefits in Kind	Total Remuneration	Contributions to Pension Fund	Total Remuneration including Pension Contributions
	£	£	£	£	£
Corporate Director (to 30th June) / Chief Executive (from 1st July)	117,869	-	117,869	19,449	137,318
Corporate Director (part-time)	63,143	-	63,143	10,419	73,562
Corporate Director	115,998	-	115,998	19,140	135,138
Head of Business Solutions (to 30th June) / Acting Corporate Director (from 1st July)	72,678	3,928	76,606	11,992	88,598
Head of Finance	72,600	3,039	75,639	11,979	87,618
Head of Operations	72,600	4,585	77,185	11,979	89,164
Head of Governance	68,510	-	68,510	11,304	79,814
Head of Housing	66,510	-	66,510	10,974	77,484
Head of Environment	66,510	-	66,510	10,974	77,484
Head of Economic Development and Planning Policy	56,712	-	56,712	9,357	66,069

The Council also secured services in the following roles on an interim basis:

Head of Projects/ Strategic Investment – cost to the Council was £117,169 in 2018/19 (£88,588 in 2017/18)

Service Director – Strategic Investment (for the period May to March 2019 on a part-time basis) – cost to the Council was £73,206 in 2018/19

In addition to the above Senior Officers, the number of other employees whose remuneration (i.e. gross pay and benefits in kind) in the year was £50,000 or more is shown in the following table:

2017/18 Number of employees		Remuneration Bands	2018/19 Number of employees	
Total	Left in the year		Total	Left in the year
5	-	£50,000 to £54,999	8	1
4	1	£55,000 to £59,999	2	-
1	-	£60,000 to £64,999	1	-
1	-	£65,000 to £69,999	1	-
11	1	Total	12	1

Notes to the Accounts

Exit Packages

The following table shows the number of exit packages agreed by the Council.

Cost Bands	Number of Exit Packages		Cost of Exit Packages	
	2017/18	2018/19	2017/18 £000	2018/19 £000
Up to £20,000	1	1	20	19
£40,000-£60,000		1		46
Totals	1	2	20	65

There were no compulsory redundancies in 2018/19 or 2017/18.

Costs include redundancy and other termination payments to the employee, as well as any financial strain paid to the pension fund as a result of benefits paid from an early retirement.

Whilst the above table includes the actual cost incurred by the Council in respect of early retirements, the amount assessed on an IAS19 basis was £170,000 in 2017/18.

11. Movement in Reserves Statement – Adjustments between Accounting Basis and Funding under Regulations

This note details the adjustments that are made to the CIES recognised in the year in accordance with proper accounting practice to the resources specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is a statutory fund into which all receipts of the Council are required to be paid and out of which all liabilities are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should influence the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend at the end of the financial year. A significant proportion of the General Fund Balance has been allocated by the Council for specific purposes (i.e. referred to as “earmarked reserves”) further details of which are provided in Note 12.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Notes to the Accounts

Capital Grants Unapplied

The Capital Grants Unapplied Account (reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or financial year in which this can take place.

2018/19

	Usable Reserves				
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves	Relevant Unusable Reserve
	£000	£000	£000	£000	
Depreciation and revaluation losses	2,524	-	-	(2,524)	Capital Adjustment Account
Amortisation of intangible assets	150	-	-	(150)	
Changes in the fair value of investment properties	(1,050)	-	-	1,050	
Revenue expenditure funded from capital under statute	1,627	-	-	(1,627)	
Net gain/ loss on disposal of non-current assets & from other receipts	(4,275)	6,810	-	(2,535)	
Capital grants and contributions	(1,602)	-	398	1,204	
Donated Capital Assets	(222)	-	-	222	
Provision for repayment of debt	(742)	-	-	742	
Capital expenditure charged to revenue	(1,842)	-	-	1,842	
Capital Adjustments	(5,432)	6,810	398	(1,776)	
Use of capital receipts reserve to finance capital expenditure	-	(1,895)	-	1,895	Capital Adjustment Account
Use of capital grants to finance capital expenditure	-	-	(77)	77	Deferred Capital Receipts Reserve
Repayment of capital loans and mortgages	-	15	-	(15)	
Financing Adjustments	-	(1,880)	(77)	1,957	
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on provision of services	6,829	-	-	(6,829)	Pension Reserve
Employer's contributions to the Essex Pension Fund	(2,438)	-	-	2,438	
Pension Adjustments	4,391	-	-	(4,391)	
Statutory reversal of gain on pooled fund investments	(374)	-	-	374	Pooled Investments Adjustment Account
Council Tax and Business Rates	656	-	-	(656)	Collection Fund Adjustment Account
Accrued officer leave	43	-	-	(43)	Accumulated Absences Account
Other Adjustments	325	-	-	(325)	
Total Adjustments between Accounting Basis and Funding Basis	(716)	4,930	321	(4,535)	

Notes to the Accounts

2017/18

	Usable Reserves			Movement in Unusable Reserves	Relevant Unusable Reserve
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account		
	£000	£000	£000	£000	
Depreciation and revaluation losses	3,213	-	-	(3,213)	Capital Adjustment Account
Amortisation of intangible assets	138	-	-	(138)	
Changes in the fair value of investment properties	(281)	-	-	281	
Revenue expenditure funded from capital under statute	966	-	-	(966)	
Net gain/ loss on disposal of non-current assets & from other receipts	(2,319)	2,498	-	(179)	
Capital grants and contributions	(1,194)	-	30	1,164	
Provision for repayment of debt	(668)	-	-	668	
Capital expenditure charged to revenue	(1,073)	-	-	1,073	Capital Adjustment Account
Capital Adjustments	(1,218)	2,498	30	(1,310)	
Use of capital receipts reserve to finance capital expenditure	-	(1,800)	-	1,800	Capital Adjustment Account
Use of capital grants to finance capital expenditure	-	-	(390)	390	
Repayment of capital loans and mortgages	-	15	-	(15)	Deferred Capital Receipts Reserve
Financing Adjustments	-	(1,785)	(390)	2,175	
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on provision of services	5,959	-	-	(5,959)	Pension Reserve
Employer's contributions to the Essex Pension Fund	(6,542)	-	-	6,542	
Pension Adjustments	(583)	-	-	583	
Council Tax and Business Rates	278	-	-	(278)	Collection Fund Adjustment Account
Accrued officer leave	(5)	-	-	5	Accumulated Absences Account
Other Adjustments	273	-	-	(273)	
Total Adjustments between Accounting Basis and Funding Basis	(1,528)	713	(360)	1,175	

Notes to the Accounts

12. General Fund Balances

	Balance 31-Mar 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance 31-Mar 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance 31-Mar 2019 £000
Capital investment:							
Capital reserve (general)	1,117	(128)	32	1,021	(360)		661
District Investment Strategy	9,493	(524)	-	8,969	(1,241)		7,728
I-Construct Project	-	-	-	-	(53)	1,500	1,447
Financial systems replacement	69	(15)	30	84	-	-	84
Vehicle replacement	456	(425)	67	98	(158)	99	39
Plant replacement	41	-	84	125	(64)	53	114
New Homes Bonus	114	(449)	2,129	1,794	(427)	1,273	2,640
Discovery Centre All Weather Pitch	116	-	20	136	-	19	155
Opportunity Purchase Fund	7	(7)	-	-	-	-	-
ICT	198	-	55	253	-	-	253
	11,611	(1,548)	2,417	12,480	(2,303)	2,944	13,121
Risk Management:							
Insurance & Risk Management	53	(8)	95	140	(10)	-	130
Treasury Management	569	-	203	772	-	213	985
Housing Benefit overpayments	932	-	169	1,101	(24)	-	1,077
Business Rate Retention Scheme	619	(1)	1,288	1,906	(1,500)	1,690	2,096
	2,173	(9)	1,755	3,919	(1,534)	1,903	4,288
Service Reserves:							
Community projects	106	(37)	-	69	(13)	-	56
Elections	182	(1)	44	225	(12)	69	282
Business Development	218	-	-	218	-	75	293
Modern Apprenticeships	63	(6)	-	57	-	18	75
Green Heart of Essex	52	(6)	-	46	-	-	46
Commuted Maintenance	488	(98)	21	411	(98)	325	638
Unilateral undertakings	412	(27)	159	544	(92)	85	537
Partnership Contributions	5	(1)	76	80	(35)	-	45
Community Grants scheme	143	(105)	-	38	(67)	176	147
Procurement Hub	102	(29)	-	73	(11)	-	62
Discretionary Business rate relief	68	-	-	68	-	-	68
Local Plan	354	(24)	33	363	-	68	431

Notes to the Accounts

	Balance 31-Mar 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance 31-Mar 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance 31-Mar 2019 £000
Community Infrastructure Levy	100	-	-	100	(100)	-	-
Housing Welfare Reforms	78	(73)	-	5	(5)	-	-
Local Council Tax Support	216	-	85	301	-	75	376
Leisure	767	(444)	-	323	(215)	-	108
Planned maintenance (Revenue)	73	-	-	73	-	-	73
Recycling Reward scheme	159	(127)	-	32	(32)	-	-
Marketing & Communications	52	(2)	-	50	(8)	-	42
Planning Appeals	197	(210)	300	287	(287)	-	-
Business Investment Fund	500	-	-	500	(500)	-	-
Pension Contributions reserve	2,822	(2,822)	-	-	-	-	-
Public Health Agenda	85	(3)	11	93	(12)	22	103
Homelessness	46	(12)	316	350	(93)	248	505
Operations	5	-	-	5	-	50	55
Other reserves less than £50k	196	(14)	17	199	(10)	14	203
Approved budget carry forwards	277	(111)	88	254	(93)	650	811
	7,766	(4,152)	1,150	4,764	(1,683)	1,875	4,956
Change Management:							
Management training & organisational development	45	(3)	7	49	-	20	69
Corporate Improvement Programme	183	(32)	119	270	(102)	23	191
	228	(35)	126	319	(102)	43	260
Total Earmarked Reserves	21,778	(5,744)	5,448	21,482	(5,622)	6,765	22,625
Unallocated balance	2,036	(99)	923	2,860	(219)	3,146	5,787
Total General Fund Balances	23,814	(5,843)	6,371	24,342	(5,841)	9,911	28,412

Capital Investment: includes a range of reserves established to provide financing of capital expenditure and other resources required to support the Council's wider investment ambitions.

Risk Management: funding for irregular or unknown risk management related matters. Reserves are also held to manage the risks associated with treasury management activities, the Business Rates Retention Scheme, and housing benefit overpayments.

Notes to the Accounts

Service Reserves: a range of reserves established for specific service requirements and/or crosscutting service initiatives, and money held where the Council is the lead authority or acting as banker for a joint project.

Change Management: reserves established to meet costs associated with improving the overall efficiency of the Council, and to meet one-off costs to achieve on-going cost savings.

13. Property, Plant and Equipment (PPE)

	Council Dwellings	Other Land and Building	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets Not for Sale	Assets Under Construction	Total Property, Plant, and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2018	312	54,382	13,004	6,562	2,252	9,129	1,943	87,584
Additions	-	454	1,081	81	-	-	7,636	9,252
Transfers and reclassifications	-	565	-	-	-	13	(1,057)	(479)
Revaluations	8	3,166	-	-	-	284	-	3,458
Disposals & derecognition	-	-	(394)	-	-	(2,520)	-	(2,914)
At 31 March 2019	320	58,567	13,691	6,643	2,252	6,906	8,522	96,901
Accumulated Depreciation and Impairment								
At 1 April 2018	(5)	(127)	(6,373)	(3,545)	(211)	-	-	(10,261)
Depreciation charge	(5)	(1,649)	(1,258)	(222)	(145)	-	-	(3,279)
Transfers and reclassifications	-	-	-	-	-	-	-	-
Write out of depreciation on revaluation	10	1,702	-	-	-	-	-	1,712
Impairments	-	-	-	-	-	-	-	-
Disposals & derecognition	-	-	379	-	-	-	-	379
At 31 March 2019	-	(74)	(7,252)	(3,767)	(356)	-	-	(11,449)
Net Book Value:								
At 31 March 2019	320	58,493	6,439	2,876	1,896	6,906	8,522	85,452
At 31 March 2018	307	54,255	6,631	3,017	2,041	9,129	1,943	77,323

Notes to the Accounts

Comparative Movements in 2017/18

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets Not for Sale	Assets Under Construction	Total Property, Plant, and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2017	312	53,030	12,752	6,387	2,267	7,286	1,104	83,138
Additions	-	604	1,337	175	-	-	1,042	3,158
Transfers and reclassifications								-
Revaluations	-	1,101	-	-	-	1,843	-	2,944
Disposals & derecognition		(353)	(1,085)	-	(15)	-	(203)	(1,656)
At 31 March 2018	312	54,382	13,004	6,562	2,252	9,129	1,943	87,584
Accumulated Depreciation and Impairment								
At 1 April 2017	-	(254)	(6,281)	(3,327)	(81)	-	(203)	(10,146)
Depreciation charge	(5)	(1,496)	(1,170)	(218)	(145)	-	-	(3,034)
Transfers and reclassifications								-
Write out of depreciation on revaluation	-	1,441	-	-	-	-	-	1,441
Impairments	-	-	-	-	-	-	-	-
Disposals & derecognition	-	182	1,078	-	15	-	203	1,478
At 31 March 2018	(5)	(127)	(6,373)	(3,545)	(211)	-	-	(10,261)
Net Book Value:								
At 31 March 2018	307	54,255	6,631	3,017	2,041	9,129	1,943	77,323
At 31 March 2017	312	52,776	6,471	3,060	2,186	7,286	901	72,992

Depreciation

The following useful lives have been used in the calculation of depreciation:

Council Dwellings	60 years
Other Land and Buildings	Up to 60 years
Vehicles, Plant, and Equipment	Up to 35 years
Infrastructure	Up to 40 years
Community Assets	Up to 50 years

Notes to the Accounts

Effects of Changes in Estimates

The useful lives of a number of assets under Other Land and Buildings were revised resulting in a reduction of £327,000 in the calculated annual depreciation charge for 2017/18 from that which would have been determined using the previous asset lives.

Revaluations

Valuations of land and buildings are undertaken by an external firm, Wilkes Head & Eve LLP, and are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The effective date of valuations conducted in the year was 31 March 2019. Significant assumptions applied by the valuer in estimating fair values are:

- There are no planning proposals likely to have an effect on the value of properties.
- Unless otherwise advised, assets have been assumed to be in a reasonable standard of repair and, where deleterious or hazardous material could be present, this is assumed not to be in an adverse condition.
- No contaminative or potentially contaminative uses have been carried out on property including neighbouring land.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Surplus Asset	Total
	£000	£000	£000	£000	£000
Carried at historical cost	-	290	13,691	-	13,981
Valued at Fair Value as at:					
31-Mar-16	-	555		252	807
31-Mar-17	-	-	-	-	-
31-Mar-18	-	1,058		3,427	4,485
31-Mar-19	320	56,664		3,227	60,211
Total Cost or Valuation	320	58,567	13,691	6,906	79,484

All the Council's surplus assets have been assessed as Level 2 in the fair value hierarchy for valuation purposes.

The fair value of Surplus Assets has been measured using a market approach. Typical valuation inputs which have been taken into account include; market sales values; size, configuration, proportions and layout; location, visibility and access; condition; covenants; and obsolescence. Market conditions are such that relevant similar properties are actively purchased and sold and the level of observable inputs are significant.

There has been no change in the valuation techniques used during the year for Surplus Assets.

In estimating the fair value of the Council's Surplus Assets, the "highest and best use" in most cases is their potential for residential or other development.

Notes to the Accounts

14. Impairment Losses on Property, Plant and Equipment (PPE)

There were no impairments to PPE or intangible assets during the year arising from events other than a change in fair values.

15. Heritage Assets

The Council's heritage assets are mainly held and managed on behalf of the Council by the Braintree District Museum and Study Centre Trust Ltd ("the Trust"). The assets are held in support of the shared aims and objectives agreed between the Council and the Trust, reflected in the Museum Service's mission statement of: "Braintree District Museum – preserving the past, understanding the present, creating the future for citizens of and visitors to Braintree District."

Heritage assets are recognised and measured in accordance with the accounting policies for all other Property, Plant and Equipment and Intangible Assets, subject to the application of a de minimis of £1,000 on initial recognition.

Heritage Assets comprise the Museum collection (i.e. ceramics, art, archaeology and social history), civic regalia, and a small number of historic buildings and monuments. In 2018/19 additions to the collection with a fair value of £2,000 were made through donations.

Valuations of the Council's Museum collection were obtained from Mulluck Wells in 2008 and Bonhams in 2010. Civic regalia are included at current insurance valuation, whereas historic monuments and buildings are included at their depreciated historical cost.

The Council also owns other heritage assets, such as coins and tokens, costume, geology and natural history specimens, photography and film, and reference material, which individually have a value less than £1,000. It is considered that the cost of seeking valuations of these items would be disproportionate to the benefit gained from their recognition on the Balance Sheet.

The Town Hall Centre located in Market Square, Braintree is also an asset with historic significance; however, as this asset is also used for the purpose of room hire and civic ceremonies it continues to be reported under PPE. The Gross Carrying Value of this asset has remained at £649,000.

Further information about the Council's collection of heritage assets, including the Museum Collections Management Policy, can be found at www.braintreemuseum.co.uk

16. Investment Property

Income from investment property was £2.551 million in the year (£2.441 million in 2017/18), and related expenses incurred were £316,000 (£317,000 in 2017/18) resulting in a net gain of £2.235 million (£2.124 million in 2017/18). An unrealised gain of £1.050 million (£281,000 in 2017/18) was also made due to an increase in fair values.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property.

The Council holds leases on its investment properties that are mainly 'Full Repairing and Insuring' leases where the tenant is responsible for performing all repairs and maintenance on the internal and external structure of the leased asset. In some cases leases are on an 'Internal Repairing' basis where the Council has an obligation to perform ad hoc repairs and maintenance on the external structure.

Notes to the Accounts

The following table summarises the movement in carrying value:

2017/18		2018/19
£000		£000
33,561	Balance at 1 April	34,367
497	Additions	407
28	Enhancement expenditure	-
-	- Disposals	-
-	- Category transfer	479
281	Net gain from change in fair value	1,050
34,367	Balance at 31 March	36,303

All the Council's investment properties have been assessed as Level 2 in the fair value hierarchy for valuation purposes.

Fair value has been measured using a market approach. Typical valuation inputs which have been taken into account include; market rentals and sales values; yields; void and letting periods; size, configuration, proportions and layout; location, visibility and access; condition; lease covenants; and obsolescence. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant.

There has been no change in the valuation techniques used during the year.

In estimating fair value, the "highest and best use" in most cases is their current use. Where current use is not highest and best use this is due to the historical lease terms in place; however, once these expire, the intention is to renegotiate to prevailing market levels.

Notes to the Accounts

17. Intangible Assets

The movement on Intangible Assets during the year is as follows:

2017/18 £000		2018/19 £000
	Balance at 1 April:	
1,858	Gross carrying amounts	1,967
(1,091)	Accumulated amortisation	(1,229)
767	Net carrying amount at 1 April	738
109	Additions and enhancements	121
-	- Disposals - gross value	-
-	- Disposals - accumulated amortisation	-
-	- Transfers and reclassifications	-
(138)	Amortisation for the period	(150)
738	Net carrying amount at 31 March	709
	Comprising:	
1,967	Gross carrying amounts	2,088
(1,229)	Accumulated amortisation	(1,379)
738		709

Notes to the Accounts

18. Capital Expenditure and Financing

Capital expenditure incurred in the year and amounts set aside for financing is shown in the table below. The Capital Financing Requirement (CFR) is a measure of the amount of capital expenditure that has yet to be financed.

2017/18		2018/19
£000		£000
9,130	Opening Capital Financing Requirement	8,791
	Capital Investment:	
3,158	Property, plant and equipment	9,252
525	Investment properties	407
109	Intangible assets	121
-	Heritage Assets	2
966	Revenue expenditure funded from capital under statute (REFCUS)	1,627
4,758		11,409
	Sources of Finance:	
(1,800)	Capital receipts	(1,895)
(1,554)	Government grants and other contributions	(1,281)
(1,073)	Sums set aside from revenue (including earmarked reserves)	(1,842)
-	Donated Assets	(222)
(668)	Minimum Revenue Provision	(742)
(5,095)		(5,982)
(2)	Change in CFR related long-term debtors	(2,003)
8,791	Closing Capital Financing Requirement	12,215
	Explanation of movements in the year:	
329	Net Increase in the underlying need to borrow	4,166
(668)	Minimum Revenue Provision	(742)
(339)	Increase (Reduction) in Capital Financing Requirement	3,424

Notes to the Accounts

19. Capital Commitments

At the Balance Sheet date the Council had entered into a number of contracts for the construction or enhancement of PPE which resulted in a commitment in future years to budgeted costs of £1.442 million (£1.354 million at 31 March 2018), including £165,000 in respect of disabled facilities grants that, whilst approved, had not yet been claimed.

20. Financial Instruments

Income, Expense, Gains and Losses on Financial Instruments

2017/18 £000		2018/19 £000
	Surplus on the Provision of Services	
	Net (gains)/ losses on:	
-	Financial assets held at Fair Value through Profit or Loss	(374)
-	Total (gains)/ losses	(374)
	Interest & dividend revenue:	
(209)	Financial assets measured at amortised cost	(276)
(771)	Financial assets measured at fair value through profit or loss	(976)
(980)	Total revenue	(1,252)
	Interest expense	
454	Financial liabilities measured at amortised cost	432
454	Total expense	432
	Loss allowances	
(171)	Impairment losses (reversals)	(10)
(171)	Total loss allowance	(10)
	Other Comprehensive Income and Expenditure	
489	Net (gain)/ loss on assets previously classified as Available for Sale	-
489	Total (gains)/ losses	-
(208)	Net Gains for the year	(1,204)

Notes to the Accounts

The following categories of financial instrument are carried in the Balance Sheet:

	Non-Current		Current	
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
	£000	£000	£000	£000
Financial Assets				
Investments				
Amortised cost (previously loans & receivable)				
Principal	-	-	14,000	15,000
Accrued interest	-	-	19	27
Loss allowance	-	-	-	-
Impaired deposits	-	-	2	-
Fair Value through profit or loss (previously Available for sale investments):				
Money Market Funds	-	-	11,500	12,001
Equity and property pooled funds	16,935	19,308	-	-
Accrued dividends	-	-	127	203
Total Investments	16,935	19,308	25,648	27,231
Debtors (amortised cost)				
Trade receivables and other debtors	-	-	4,052	5,795
Loans made for service purposes	350	125	2,002	200
Accrued interest	-	-	19	1
Loss allowance	-	-	(71)	(61)
Total Debtors	350	125	6,002	5,935
Cash and Cash Equivalents (amortised cost)				
Cash and bank accounts	-	-	(161)	1,527
Accrued interest	-	-	1	1
Total Cash and Cash Equivalents	-	-	(160)	1,528
Total Financial Assets	17,285	19,433	31,490	34,694

The Balance Sheet includes £3.008 million (31 March 2018 £3.326 million) of Long-term Debtors and £3.434 million (31 March 2018 £3.783 million) of Short-term Debtors that do not meet the definition of a financial asset.

Notes to the Accounts

	Non-Current		Current	
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
	£000	£000	£000	£000
Financial Liabilities (at amortised cost)				
Borrowings				
Principal sum borrowed	6,000	6,000	-	-
Accrued interest	-	-	8	9
Total Borrowings	6,000	6,000	8	9
Other Long Term Liabilities				
Finance leases	2,506	2,194	-	-
Repayable advances	-	-	1,000	-
Accrued interest	-	-	7	-
Total Other Long Term Liabilities	2,506	2,194	1,007	-
Creditors				
Trade payables and other creditors	44	47	2,431	2,878
Total Creditors	44	47	2,431	2,878
Other Short Term Liabilities				
Finance leases	-	-	355	305
Total Other Short Term Liabilities	-	-	355	305
Total Financial Liabilities	8,550	8,241	3,801	3,192

The Balance Sheet total for Short-term Creditors includes £7.962 million (31 March 2018 £7.181 million) of items that do not meet the definition of a financial liability.

21. Fair Value of Financial Assets and Liabilities

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For money market funds and other pooled funds, the fair value is taken from quoted market prices.

For financial instruments 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 the 31 March, using the following methods and assumptions:

- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lender’s options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that the lenders will only exercise their options when market interest rates have risen above the contractual loan rate.
- The fair values of finance lease liabilities have been calculated by discounting the contractual cash flows at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is anticipated.

Notes to the Accounts

- The fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying value given the low and stable interest rate environment.

Fair values are shown in the tables below. Level 1 values are derived from quoted prices in active markets for identical assets/ liabilities, and Level 2 values are calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.

		31-Mar-18		31-Mar-19	
	Fair Value Level	Carrying Value £000	Fair Value £000	Carrying Value £000	Fair Value £000
Financial Assets held at fair value:					
Money Market Funds	1	11,502	11,502	12,007	12,007
Equity and Property Funds	1	16,935	16,935	19,308	19,308
Impaired deposits	2	2	2	-	-
Total		28,439	28,439	31,315	31,315
Assets for which fair value is not disclosed		20,336		22,812	
Total Financial Assets		48,775		54,127	
<i>Recorded on the Balance Sheet as:</i>					
Long Term Investments		16,935		19,308	
Long Term Debtors		350		125	
Short Term Investments		25,502		27,001	
Short Term Debtors		6,149		6,166	
Cash and Cash Equivalents		(161)		1,527	
Total Financial Assets		48,775		54,127	

Notes to the Accounts

		31-Mar-18		31-Mar-19	
	Fair Value Level	Carrying Value £000	Fair Value £000	Carrying Value £000	Fair Value £000
Financial Liabilities held at amortised cost:					
Market LOBO loans	2	6,008	8,863	6,009	8,824
Lease Payables	2	2,861	3,975	2,499	4,010
Total		8,869	12,838	8,508	12,834
Liabilities for which fair value is not disclosed		3,482		2,925	
Total Financial Liabilities		12,351		11,433	
<i>Recorded on the Balance Sheet as:</i>					
Short and Long Term Creditors		2,490		2,934	
Finance Lease Liabilities (current)		355		305	
Other Short-Term Liabilities		1,000		-	
Long Term Borrowing		6,000		6,000	
Finance Lease Liabilities (non-current)		2,506		2,194	
Total Financial Liabilities		12,351		11,433	

The fair value of financial liabilities is higher than the carrying amount because the Council's loans and finance lease liabilities are at a rate of interest which is above the equivalent rates for loans of similar terms/duration. This commitment to pay interest above the current market rates means that the Council would incur a penalty were the providers to agree early repayment of the loans. Over the life of the loans it is likely that the fair value will fluctuate as market interest rates vary.

22. Nature and Extent of Risks arising from Financial Instruments

The Council's overall risk management procedure focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under the direction of the Corporate Director. The Council complies with the Chartered Institute for Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities. The Council also has to have regard to statutory guidance issued by the Ministry for Housing, Communities and Local Government (MHCLG).

A Treasury Management Strategy Statement (TMSS) is approved annually by the Council as part of its annual Budget and Council Tax setting, which sets out the parameters for management of risks associated with financial instruments, further details of which can be found on the Council's website at www.braintree.gov.uk. The Council also produces Treasury Management Practices (TMPs) specifying the practical arrangements to be followed to manage these risks.

The TMSS also includes an investment strategy in compliance with the guidance issued by the MHCLG. This guidance emphasises that local authorities' investment activities should give priority to security and liquidity, rather than yield. The Council's TMSS and TMPs seek to achieve a suitable balance between risk and return or cost.

Notes to the Accounts

The following describes the main risks that the Council is exposed to through its activities in financial instruments:

Credit Risk

Credit risk is the possibility that a counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.

The Council manages the credit risk from its treasury management activities by ensuring that investments are only placed with organisations of high credit quality as set out in the TMSS. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. As well as credit ratings, the Council also has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of up to £5 million was placed on the amount that could be invested with a single counterparty (other than UK government and other local authorities). The Council has set a limit of £10 million on amounts invested for a period longer than a year, and £20 million on investments without credit ratings or rated below the Council's definition of high credit quality, with an overall limit of £25 million on these two categories of investment. Within these limits further restrictions are placed on amounts and duration of investments with counterparties, along with a strategy of diversification, all of which are kept under review and revised accordingly in response to changing market conditions.

The table below shows the credit risk exposure of the Council's treasury management portfolio analysed by credit rating:

	31-Mar-18 £000	31-Mar-19 £000
Credit Rating		
AAA	11,500	12,001
AA+	-	-
AA	-	-
AA-	3,000	3,000
A+	3,000	6,000
A	-	-
A-	-	-
BBB+	-	-
Unrated local authorities	8,000	6,000
Total	25,500	27,001
Pooled Funds (unrated)	16,935	19,308
Total Investments	42,435	46,309

Credit risk is not applicable to the Council's shares/ units in pooled funds as there is no contractual right to receive any sum of money. Whilst it is the intention to hold these funds for the long-term, classifying them as such on the Balance Sheet, the Council may seek redemption of its investments at relatively short notice.

Notes to the Accounts

No allowance has been made to the carrying value of treasury investments for expected losses as these are considered immaterial based on an assessment using historic default data published by credit rating agencies, adjusted for current and forecast economic conditions, and by making assumptions around potential cash flows in the event of a default.

The risk associated with collection of service debtors is managed and controlled by a central recovery team in conjunction with appointed external collection agencies. The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults.

Debtors include a total of £521,000 of trade receivables (£651,000 at 31 March 2018). The amount can be analysed by age of debt as follows:

31-Mar-18	Aged debt analysis	31-Mar-19
£000		£000
537	Less than 3 months	421
3	Three to six months	30
57	Six months to one year	16
54	More than one year	54
651	Total due at 31 March	521

A provision of £61,000 (£71,000 at March 2018) has been made against non-collection of these debts, calculated using percentages based on judgement applied against the value of debt considered past due.

Receivables are written off when they are considered uneconomical to continue recovery action. However, even where debt has been written off the Council will continue to seek recovery should the opportunity arise or circumstance change.

In furtherance of the Council's service objectives, it has lent money to a number of organisations which at the Balance Sheet date total £325,000 (£350,000 at 31 March 2018). Two of these loans are secured by way of legal charge or mortgage over the property or assets of the borrowers and therefore would be expected to be fully recoverable in the event of default. The residual unsecured amount is not material and therefore no loss allowance has been reflected in the carrying value.

During the reporting period the Council did not hold any other collateral as security which it could sell or re-pledge in the absence of default by a borrower.

Liquidity Risk

The Council manages its investment portfolio in such a way that the risk to liquidity is minimised by investing in a mixture of money market funds, call accounts and fixed term deposits – with decisions about investment duration taken on the basis of a regularly updated cash flow forecast. If required, the Council has access to funds either from the money markets or from the Public Works Loan Board (PWLb) – neither of which have been used during the year.

Refinancing and Maturity Risk

At the Balance Sheet date, the Council had two LOBO market loans of £3 million each with outstanding maturity periods of 23 years, subject to six-monthly call option dates. In the event that the lender exercises its option, the Council may repay these loans for which it holds sufficient liquid deposits or has access to funds to meet any short-term cash requirement.

The Council has £18 million invested across seven pooled funds – four equity funds, two diversified funds, and one property fund. It is intended that these investments will be held for the medium-long term; however, the equity and diversified funds do allow the Council to withdraw its money at any time subject to normal settlement terms (e.g. transaction date plus 3 days). The property fund has monthly redemption dates. As the valuation of these funds are subject to market fluctuations, in the event the Council wishes to withdraw its money the value of its investment at that time could be higher or lower than the original sum invested.

Market Risk – Interest Rate Risk

The Council is exposed to risk in terms of exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Increase the likelihood that the lender of the Council's LOBO loans would exercise their option to vary the interest rate upwardly – the Council would then have the option to repay the debt without incurring a penalty, but would face a reduction in cash balances. The interest expense charged to the CIES could rise, subject to whether or not the Council opted to repay the debt in full;
- Investments – the interest income credited to the CIES will rise, subject to whatever fixed term deposits the Council already had in place; and
- Investments at fixed rates – the fair value of the assets will fall.

A fall in interest rates would:

- Decrease the likelihood of the lender exercising their option to change the interest rate on the Council's LOBO loans.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses would not influence the CIES. However, changes in interest receivable on variable rate financial instruments will be posted to the CIES and therefore impact on the General Fund Balance £ for £.

The TMSS aims to mitigate market risks by setting maximum and minimum limits for fixed and variable interest rate exposure. A central treasury team monitors market and forecast interest rates within the year and adjusts exposures appropriately. A treasury management reserve is maintained to protect the Council's budget from both changes in the market level of interest rates that influence investment returns, and potential changes in fair values of its pooled funds which could generate a loss on disposal.

Notes to the Accounts

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings – assuming the option to repay was not exercised on the market loans	60
Increase in interest receivable on variable rate investments – based on the average amount invested in short-term financial assets during the year of £41.805 million	(418)
Impact on the Surplus or Deficit on the Provision of Services	(358)

Under the current low interest rate environment it is not anticipated that a general 1% increase in rates would necessarily trigger the lender to exercise their option on the Council's LOBOs.

Whilst the fair value of fixed rate investments and borrowing would vary, this would have no impact on the Council's CIES.

A fall in the overall rate of return of 1% would have reduced investment income by a sum equivalent to the above figure. A reduction in general interest rates of 1% is not expected to lead to a change in borrowing costs, as the lender is less likely to exercise its option to vary the interest rate whilst market rates are below the current rates being charged.

Market Risk – Price Risk

The market prices of the Council's units in a variable net asset value cash/ bond money market fund is governed by prevailing interest rates and price risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's exposure to the fund of £3 million. A 5% fall in commercial property prices at 31 March 2019 would result in a £158,000 charge to the CIES.

The Council's investments in equity funds are subject to the risk of falling share prices. This risk is limited by the Council's exposure to equity investments of £13 million. A 5% fall in share prices would result in a £663,000 charge to the CIES.

The Council's investments in diversified funds are subject to the risk of falling share prices. This risk is limited by the Council's exposure to diversified funds of £2million. A 1% rise in interest rates and 5% fall in commercial property and equity prices would result in a £64,000 charge to the CIES.

In all three scenarios set out above the charge to the CIES would have no impact on the Council's General Fund balances until the investments are sold as a result of a new statutory direction, effective from 1 April 2018 and covering an initial period of 5 years.

Notes to the Accounts

23. Leases

Finance Leases – Council as Lessee

The Council has acquired vehicles, plant and property under finance leases.

The assets acquired under these leases are carried in the Balance Sheet at the following net amount:

31-Mar-18		31-Mar-19
£000		£000
693	PPE – Vehicles & plant	347
1,359	Investment property	1,427
2,052	Total Carrying Value	1,774

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired by the Council and finance costs that will be payable whilst the liability remains outstanding:

31-Mar-18		31-Mar-19
£000		£000
	Finance lease liabilities (net present value of minimum lease payments):	
355	• Current	305
2,506	• Non-current	2,194
6,224	Finance costs payable in future years	6,096
9,085	Total Minimum Lease Payments	8,595

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
	£000	£000	£000	£000
Not later than one year	481	415	355	305
Over one year but not later than five years	987	656	594	284
Later than five years	7,617	7,524	1,912	1,910
	9,085	8,595	2,861	2,499

Notes to the Accounts

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Finance Leases – Council as Lessor

The Council has also disposed of property through entering into finance leases. These arrangements are typically at peppercorn or nominal lease payment and therefore assets have been derecognised and rentals, where received, treated as revenue income. This departure from the Code is not considered material to the accounts.

Operating Leases – Council as Lessor

The Council leases land and buildings to third parties for business use. The assets involved are mainly categorised as Investment Properties in the Balance Sheet. In addition, leases are in place where assets are being shared or provision of a service through an asset is now being delivered by a third party, e.g. community facilities.

The future minimum lease rentals receivable under the remaining non-cancellable term of the Council's significant lease arrangements are:

31-Mar-18		31-Mar-19
£000		£000
987	Not later than one year	987
3,949	Later than one year and not later than five years	3,949
4,717	Later than five years	3,729
9,653		8,665

Operating Leases – Council as a Lessee

The Council has acquired vehicles and property on arrangements classified as operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

31-Mar-18		31-Mar-19
£000		£000
97	Not later than one year	134
122	Later than one year and not later than five years	361
940	Later than five years	909
1,159		1,404

Included within the above figures is a residential hostel which is sub-leased to a third party and for which the future minimum lease payments receivable by the Council total £0.962 million (£0.977 million at 31 March 2018).

Notes to the Accounts

Expenditure charged to services in the CIES relating to these leases was £129,000 in the year (£98,000 in 2017/18), with £15,500 of income being received under a sub-lease (£15,500 in 2017/18).

24. Long and Short-term Debtors

31-Mar-18		31-Mar-19
£000		£000
3,326	Deferred income from property leases	3,008
350	Mortgages & other advances	125
3,676	Long-Term Debtors	3,133

31-Mar-18		31-Mar-19
£000		£000
1,088	Central government bodies	701
373	Essex County Council	858
97	Other local authorities	106
	Other entities and individuals:	
514	• Council Tax & business rate payers	509
1,100	• Housing Benefit overpayments & penalties	1,077
166	• Accrued interest	232
580	• Trade receivables	460
318	• Deferred income from property leases	318
5,694	• Other debtors and prepayments	5,340
9,930	Short-Term Debtors	9,601

Notes to the Accounts

25. Short-term Creditors

31-Mar-18		31-Mar-19
£000		£000
3,153	Central government bodies	4,374
2,793	Essex County Council	2,541
460	Other local authorities	290
	Other entities and individuals:	
324	• Council Tax & business rates prepaid	331
8	• Accrued interest	9
305	• Supplier creditors	379
2,584	• Other creditors and receipts in advance	2,925
9,627	Total Short-Term Creditors	10,849

Notes to the Accounts

26. Pension Scheme

Transactions relating to Post-employment Benefits

The costs of retirement benefits are recognised in the CIES when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge against Council Tax is based on employer contributions in the year, therefore the real cost is reversed via the MIRS. The following transactions have been made during the year:

2017/18 £000		2018/19 £000
	<u>Comprehensive Income & Expenditure Statement</u>	
	Service cost included within the Cost of Services	
3,898	Current service cost	3,966
-	Past service costs (including curtailments)	1,374
-	(Gains) or losses on settlements	(239)
56	Administration expenses	63
	Financing and Investment Income and Expenditure	
2,005	Net interest expense	1,665
5,959	Post-employment Benefits Charged to Surplus on the Provision of Services	6,829
	Re-measurement of the Net Defined Benefit Liability comprising:	
(6,530)	Return on assets excluding amounts included in the net interest	(8,625)
-	Actuarial (gains) arising on changes in demographic assumptions	(12,148)
(3,827)	Actuarial (gains) and losses arising on changes in financial assumptions	9,378
-	Experience and other (gains) and losses	-
(10,357)	Re-measurements recognised in Other Comprehensive Income	(11,395)
(4,398)	Total Post Employment-Benefits Charged to the CI+ES	(4,566)
	<u>Movement in Reserves Statement</u>	
(5,959)	Reversal of the net charge made to the Surplus or Deficit for the Provision of Services	(6,829)
6,542	Employers' contributions charged against the General Fund balance	2,438
583	Net Adjustments in the MIRS	(4,391)

Notes to the Accounts

Pension Assets and Liabilities in the Balance Sheet

The amounts included in the Balance Sheet arising from the Council's obligations in respect of its defined benefit scheme are as follows:

2017/18 £000		2018/19 £000
154,270	Fair value of employer assets	163,374
(211,451)	Present value of funded liabilities	(214,178)
(9,427)	Present value of unfunded liabilities	(8,793)
(66,608)	Net Liability	(59,597)

Reconciliation of the present value of the Council's defined benefit scheme liabilities:

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Opening balance at 1 April	210,109	211,451	9,869	9,427
Current service cost	3,898	3,966	-	-
Interest cost	5,613	5,320	258	233
Contributions from scheme participants	707	732	-	-
<i>Re-measurement (gains) and losses:</i>				
Changes in demographic assumptions	-	(11,682)	-	(466)
Changes in financial assumptions	(3,734)	9,164	(93)	214
Experience (gain) or loss	-	-	-	-
Past service cost	-	1,204	-	-
Losses on curtailment	-	170	-	-
Benefits paid	(5,142)	(5,646)	(607)	(615)
Liabilities extinguished on settlements	-	(501)	-	-
Closing balance at 31 March	211,451	214,178	9,427	8,793

Notes to the Accounts

Reconciliation of the movements in the fair value of the defined benefit scheme assets:

2017/18 £000		2018/19 £000
142,428	Opening fair value of scheme assets	154,270
3,866	Interest income	3,888
	<i>Re-measurement gain/ (loss):</i>	-
6,530	Return on assets less interest	8,625
-	Other actuarial gains/ (losses)	-
(56)	Administration expenses	(63)
6,544	Contributions from employer	2,445
707	Contributions from employees	732
(5,749)	Benefits paid	(6,261)
-	Settlement prices paid	(262)
154,270	Closing balance at 31 March	163,374

Pension scheme assets:

31-Mar-18			31-Mar-19		
Fair value £000	% of Total		Fair value £000	% of Total	
100,686	65%	Equities	101,717	62%	
10,263	7%	Gilts	8,671	5%	
5,731	4%	Other bonds	9,548	6%	
14,633	10%	Property	14,526	9%	
5,305	3%	Cash	4,302	3%	
11,395	7%	Alternative assets	15,929	10%	
6,257	4%	Other managed funds	8,681	5%	
154,270	100%		163,374	100%	

At the 31 March 2019, 72.1% (74.0% 31 March 2018) of the assets of the fund were held in quoted securities/ investments.

Notes to the Accounts

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis, using the projected unit method, which estimates the amounts payable in future years by applying certain assumptions. Barnett Waddingham, an independent firm of actuaries, has assessed the pension scheme liabilities. The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table below:

31-Mar-18		31-Mar-19
	Financial assumptions:	
3.35%	Rate of RPI inflation	3.45%
2.35%	Rate of CPI inflation	2.45%
3.85%	Rate of increase in salaries	3.95%
2.35%	Rate of increase in pensions	2.45%
2.55%	Rate for discounting liabilities	2.40%
	Longevity from age 65 (years):	
24.4 (27.0)	Male (female) Retiring in 20 years	22.9 (25.4)
22.2 (24.7)	Male (female) Retiring today	21.3 (23.6)

The following table shows the estimated impact on the defined benefit obligation by applying changes that could reasonably occur at the end of the reporting period. For each change estimated, it is assumed that all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases (or decreases) for men and women. In practice, this is unlikely to occur, and changes in some assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme.

Change in Assumptions at 31 March 2019	Impact on the Defined Benefit Obligation in the Scheme	
	Approx.% change in Present Value of Total Obligation	Approximate Monetary Amount £000
0.1% increase in discount rate	-1.67%	-£3,722
0.1% increase in long term salary increase	0.18%	£398
0.1% increase in pension increases and deferred revaluation	1.52%	£3,387
1 year increase in member life expectancy	3.93%	£8,751

An equal but opposite change will result in a similar but opposite +/- change to the values quoted above.

Notes to the Accounts

Risks associated with the defined benefit scheme

The principal risks to the Council of participating in the LGPS are:

- Investment risk – the Fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk – the Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities, the value of the assets and liabilities may not move in the same way;
- Inflation risk – all of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk – in the event that members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many related employers participate in the Essex Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on remaining employers, including the Council.

All of the risks above may also benefit the Council, e.g. higher than expected investment returns, or employers leaving the Fund with excess assets which are inherited by the remaining employers.

Impact on the Council's Cash Flows

Contributions are set every three years as a result of the actuarial valuation of the Pension Fund required by the LGPS Regulations. The most recent actuarial valuation was carried out as at 31 March 2016, and set the Council's rate of contributions for the period 1 April 2017 to 31 March 2020. There is no minimum funding requirement in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions, whilst keeping employers' contributions at as constant a rate as possible.

The liabilities show the underlying commitments that the Council has to pay current and future retirement benefits. The net liability of £58.393 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the liability mean that the financial position of the Council remains healthy:

- The shortfall in assets compared to liabilities will be made good by increased contributions over the remaining working life of the employees (i.e. before payments fall due), as assessed by the scheme actuary; and
- Finance is only required to be raised to cover any discretionary benefits when the pensions are actually paid.

Following the latest valuation review, the Council's ongoing contribution rate was set at 16.5% of pensionable pay, topped up with a single additional payment of £4.233 million made in April 2017. This was based on an overall deficit recovery period of 10.5 years. The total contribution expected to be paid by the Council to the Pension Fund for the year to 31 March 2019 is £2.628 million.

Notes to the Accounts

27. Unusable Reserves

31-Mar-18		31-Mar-19
£000		£000
29,293	Revaluation Reserve	30,750
78,533	Capital Adjustment Account	81,689
69	Deferred Capital Receipts	54
(66,608)	Pensions Reserve	(59,597)
935	Pooled Investments Adjustment Account	1,309
1,255	Collection Fund Adjustment Account	599
(134)	Accumulating Absences Account	(176)
43,343	Total Unusable Reserves	54,628

Revaluation Reserve

The Revaluation Reserve holds the balance of unrealised gains arising from the valuation of non-current assets since 1 April 2007.

2017/18		2018/19	
£000		£000	£000
25,383	Balance at 1 April		29,293
5,402	Upward revaluation of assets	5,058	
(841)	Downward revaluation of assets and impairment losses	(641)	
4,561	Surplus on revaluation of non-current assets not posted to Surplus/ Deficit on the Provision of Services		4,417
(598)	Difference between fair value depreciation and historical cost depreciation	(697)	
(53)	Accumulated gains on assets disposed	(2,263)	
(651)	Amount written off to the Capital Adjustment Account		(2,960)
29,293	Balance at 31 March		30,750

Notes to the Accounts

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account contains accumulated gains and losses on Investment Properties.

2017/18		2018/19	
£000		£000	£000
77,002	Balance at 1 April		78,533
	Reversal of items relating to capital expenditure debited or credited to the CI+ES:		
(3,213)	• Depreciation and impairment of non-current assets	(2,524)	
(138)	• Amortisation of intangible assets	(150)	
(966)	• Revenue expenditure funded from capital under statute	(1,627)	
(179)	• Amounts of Non-current assets written off on disposal	(2,535)	
<u>(4,496)</u>		<u>(6,836)</u>	
651	Adjusting amounts written out of the Revaluation Reserve	2,960	
(3,845)	Net written out amount of the cost of non-current assets consumed in the year		(3,876)
	Capital financing applied in the year:		
1,800	• Capital Receipts	1,895	
1,164	• Grants and contributions received and applied in the year	1,204	
390	• Capital Grants Unapplied Account	77	
-	• Donated Assets	222	
668	• Minimum revenue provision	742	
1,073	• Capital expenditure charged to revenue	1,842	
<u>5,095</u>			<u>5,982</u>
281	Movements in the market value of Investment Properties		1,050
<u>78,533</u>	Balance at 31 March		<u>81,689</u>

Notes to the Accounts

28. Cash Flow Operating Activities

2017/18 £000		2018/19 £000
	Cash flows for operating activities include the following items:	
(986)	Interest & dividends received	(1,185)
454	Interest paid	431
(532)		(754)
	Adjustments to net surplus or deficit on the provision of services for non-cash movements:	
(3,037)	Depreciation	(3,281)
(176)	Revaluation losses/ gains	757
(138)	Amortisation of intangibles	(150)
281	Change in fair value of investment property and financial assets	1,424
(443)	(Increase) in creditors	(2,207)
(124)	(Increase) in provisions	(156)
707	Increase/ (decrease) in debtors	(279)
64	Increase in inventories	47
583	Movement in pension liability	(4,391)
(178)	Net loss on non-current assets sold	(16)
(2,461)	Total non-cash movements	(8,252)
	Adjustment for items included in the surplus or deficit on the provision of services that are investing and financing activities:	
2,255	Net rental income from investment property	2,368
2,539	Proceeds from the sale of PPE, investment property, and other capital receipts	4,307
324	Capital grants credited to surplus or deficit on the provision of services	654
5,118	Total of items that are investing and financing activities	7,329

Notes to the Accounts

29. Cash Flow Reconciliation of Liabilities arising from Financing Activities

	01-Apr-18 £000	Financing cash flows £000	Non-cash change £000	31-Mar-19 £000
Long-term borrowings	(6,000)	-	-	(6,000)
Finance lease liabilities	(2,506)	7	305	(2,194)
<i>Short-term borrowings:</i>				
Finance lease liabilities	(355)	355	(305)	(305)
Other liabilities	(1,000)	1,000	-	-
Total Liabilities from Financing Activities	(9,861)	1,362	-	(8,499)
Change in agency related creditors		839		
Net Cash outflow from Financing Activities		2,201		

Comparative Year 2017/18

	01-Apr-17 £000	Financing cash flows £000	Non-cash change £000	31-Mar-18 £000
Long-term borrowings	(6,000)	-	-	(6,000)
Finance lease liabilities	(2,861)		355	(2,506)
Other long-term liabilities	(1,000)	-	1,000	-
<i>Short-term borrowings:</i>				
Lease liabilities	(340)	340	(355)	(355)
Other liabilities	-		(1,000)	(1,000)
Total Liabilities from Financing Activities	(10,201)	340	-	(9,861)
Change in agency related creditors		1,181		
Net Cash outflow from Financing Activities		1,521		

Notes to the Accounts

30. Related Party Transactions

The Council is required to disclose material transactions with related parties i.e. bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. The most significant related party transactions have been with government departments, which exert significant influence through legislation and grant funding, and precepting bodies, for which details of financial transactions with these bodies are disclosed in the financial statement and other specific notes. Other related party transactions during the year include grants and financial support to the following organisations:

Braintree District Museum Trust (“the Museum Trust”)

A Braintree District Council Cabinet Member is also a director of the Museum Trust.

Payments were made to the Museum Trust amounting to £324,332 (£273,659 in 2017/18).

At the Balance Sheet date there was £24,991 including interest (£32,373 at 31 March 2018) outstanding on a loan made to Warner Textiles Ltd, a subsidiary of the Museum Trust.

Braintree District Councillors’ Community Grant Scheme

The Council operated a community grants scheme providing all ward Councillors with £1,500 each to support, either individually or jointly with other Councillors, organisations and groups to develop and deliver community projects and initiatives that benefit local residents. The scheme is monitored by the Council’s Grants Panel and Councillors are obliged to consider the Members Code of Conduct when making grant decisions.

In total £67,166 was paid in 2018/19 (£104,789 in 2017/18) to organisations under the scheme.

Details of individual grants paid are published alongside the Members’ Register of Interests both of which can be found on the Council’s website [here](#).

31. Interest in Companies

The Council has an interest in North Essex Garden Communities Limited (NEGC), a joint strategic entity which is equally owned by the Council along with Essex County Council, Colchester Borough Council, and Tendring District Council. The company is limited by shares. At present the trading activities of the company are limited and therefore as its accounts are not material they will not be incorporated into the Group Accounts of any of the four owning authorities for the 2018/19 financial year. In future, it is anticipated that the company will be consolidated into future Group Accounts as an associate entity, as the Council does not have power or the ability to have power over the company.

32. Contingent Assets & Liabilities

The following contingent assets and liabilities are not recognised in the Balance Sheet but instead are disclosed by way of note:

- i. As part of the transfer of its housing stock in November 2007, the Council warranted to Greenfields Community Housing (GCH):

Notes to the Accounts

- Settlement of claims arising from environmental pollution on property and land transferred to GCH for a period of twenty two years from the date of transfer (i.e. to 2029). The maximum liability is £90m against which the Council has environmental insurance (currently running to 2027) for individual/aggregate losses up to £10m, subject to an excess of £100,000 on each claim.
- Settlement of costs incurred in dealing with asbestos found in properties that have transferred, including any claims arising from exposure to asbestos. The warranty is to meet any costs above an aggregate sum of £9.6m (indexed annually) and is for a period of twenty two years up to 2029.
- Excess maintenance costs incurred on sewers not within the curtilage of dwellings that transferred to GCH. The warranty provides that the Council shall meet 50% of the costs incurred above an annual index linked with accumulating provision of £85,000 and is for a period of thirteen years to 2020.

The transfer agreement provided for GCH to undertake a major programme of improvement works and from which the Council is entitled to a 50% share of any VAT recovered. The Council also receives a share of any proceeds from disposals of properties, either as a result of preserved Right to Buys; or clawback on other property disposals by GCH. The Council's proportion of RTB sales is subject to property type, and is based on a reducing scale as allowance for the cumulative effect of investment made by GCH since the properties were originally transferred.

- ii. As part of the arrangements for the leisure management contract the Council entered into a guarantee with Essex County Council covering the contractor's admission to the Essex Pension Fund. The guarantee would be invoked if the admission agreement is prematurely terminated and amounts remain outstanding to the pension fund, which cannot be collected from the contractor. The risk is mitigated by the admission being a 'closed' fund which means only staff that transferred to the contractor and were either active members or eligible for membership can be included. The Council also retains the right to request the contractor to provide an indemnity bond at any time. The Council has also guaranteed the admission of the Braintree District Museum Trust to the Essex Pension Fund. The risks associated with this guarantee are similarly limited by the admission being a 'closed' fund, and only covers a small number of employees.
- iii. A legal challenge for business rates relief has been lodged against a number of local authorities in what are currently seen as potential test cases. The outcome from these cases may establish a precedent that results in the Council having to grant similar rate relief and refund any past overpayment of business rates..

33. Accounting Standards issued but not yet adopted

There are no standards issued but yet to be adopted by the Code which will impact materially on the Council's accounts for 2019/20.

34. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director on 25 July 2019. Events taking place after this date are not reflected in the financial statements or notes. In June 2019, the Council completed a sale of land valued at £1.3 million. As this event took place after the Balance Sheet date and does not relate to conditions at that date, it has been treated as a non-adjusting event.

Collection Fund

2017/18			Note	2018/19	
Business Rates £000	Council Tax £000			Business Rates £000	Council Tax £000
		<u>Income</u>			
-	83,373	Council Tax receivable	1	-	88,335
42,059	-	Business Rates receivable	2	42,864	-
-	-	Transitional protection payment		219	-
42,059	83,373	Total Income		43,083	88,335
		<u>Expenditure</u>			
		Precepts, Demands and Shares:			
16,201	10,688	· Braintree District Council		16,757	11,132
20,252	-	· Central Government		20,946	-
3,645	59,985	· Essex County Council		3,770	63,507
-	8,095	· Police & Crime Commissioner for Essex		-	8,786
405	3,558	· Essex Fire Authority		419	3,658
97	-	Payment to ECC for renewable energy disregard		105	-
122	-	Transfer to General Fund for BDC renewable energy disregards		97	-
102	-	Transitional protection payment		-	-
193	-	Allowance for business rate collection costs	2	193	-
112	158	Contribution to provision for impairment of debts	5	161	23
345	-	Change in provision for business rate valuation appeals:	6	395	-
1,080	1,502	Contributions from previous year's estimated Collection Fund surplus	3	1,814	1,399
42,554	83,986	Gross Expenditure		44,657	88,505
		<u>Collection Fund Balance</u>			
(2,895)	(2,901)	Balance at the beginning of the year		(2,400)	(2,288)
1,080	1,502	Contributions from previous year's estimated Collection Fund surplus		1,814	1,399
(585)	(889)	In-year (surplus) or deficit for the year		(240)	(1,229)
(2,400)	(2,288)	Balance at the end of the year	4	(826)	(2,118)

1. **Council Tax**

Council Tax derives from charges raised according to the value of residential properties, classified by the Valuation Office Agency (VOA) into nine Bands (A to H). The individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council and other major precepting authorities and dividing this by the Council Tax base to give an average Band D Council Tax rate. Properties in other bands are charged a set proportion of this rate.

The average Band D Council Tax for 2018/19 was set at £1,675.32 (£1,597.12 in 2017/18). The tax base used to determine this rate was calculated at 51,980 equivalent number of Band D dwellings (51,547 in 2017/18), assuming a collection rate of 99%, as detailed in the table below:

Tax Band	Total Number of Dwellings in the District	Number of Chargeable Dwellings (after taking off Exemptions & Discounts)	Chargeable amount in relation to a Band D Property	Band D Equivalent Number of Chargeable Dwellings	Tax Base Band D Equivalents (after making allowance for non-collection)
A (Reduced)	-	2	5/9	1	1
A	5,985	3,736	6/9	2,491	2,466
B	16,665	12,636	7/9	9,828	9,730
C	18,714	15,839	8/9	14,079	13,938
D	9,317	8,438	9/9	8,438	8,354
E	7,080	6,598	11/9	8,064	7,983
F	4,118	3,930	13/9	5,677	5,620
G	2,202	2,103	15/9	3,505	3,470
H	211	194	18/9	388	384
Contributions in lieu					34
	64,292	53,476		52,471	51,980

Totals rounded to nearest whole number

Notes to the Collection Fund

Income to the Collection Fund has been derived as shown in the table below:

2017/18		2018/19
£000		£000
83,365	Council Taxpayers	88,320
(25)	Adjustments to previous year Council Tax Benefit	(15)
33	Transfer from General Fund	30
83,373	Council Tax Income	88,335

2. Income from Business Ratepayers

The Council collects business rates for its area based on local rateable values (RV) set by the Valuation Office Agency (VOA) and by applying business rate multipliers set by Central Government: 48.0p (46.6p in 2017/18) where the property is eligible for small business relief; or 49.3p (47.9p in 2017/18) in all other cases. Businesses may also be eligible for further small business rate relief, and other mandatory and discretionary reliefs to determine the net amount payable.

Business rates are shared equally between Central Government and local authorities under a scheme referred to as the Business Rate Retention Scheme (BRRS). Prior to the start of the year the Council estimated the net amount of business rates collectable would be £41.892 million (£40.503 million in 2017/18), after allowing for provisions for non-collection, the effect of business rate appeals, and other allowances. This sum has been paid or transferred to the Council, Central Government and the major precepting authorities (Essex County Council and the Essex Fire & Rescue). The actual net amount of business rate income was £42.132 million (£41.088 million in 2017/18) – an additional £0.240 million to that previously estimated and which is retained in the Collection Fund for the benefit of future years.

At the start of the year there were 4,879 businesses with a total RV of £110.5 million, and at the end of the year 4,911 businesses with a total RV of £110.6 million.

3. Contributions from Previous Year's Collection Fund Surplus

Any surplus or deficit on the Collection Fund is shared between local authorities in proportion to their precept or demand on the Fund, or share of business rates under BRRS. An estimate of the Fund balance is made annually in January prior to setting the level of precepts and Council Tax rates for the forthcoming financial year. The estimated balance is paid/ (received) during that year and any difference between the estimated and actual balance is taken into account in future years.

Notes to the Collection Fund

A share of the estimated balance was paid/ (received) during the year as follows:

2017/18			2018/19		
Business Rates	Council Tax		Business Rates	Council Tax	
£000	£000		£000	£000	
432	194	Braintree District Council	726	182	
540	-	Central Government	907	-	
97	1,095	Essex County Council	163	1,019	
-	147	Police & Crime Commissioner for Essex	-	138	
11	66	Essex Fire Authority	18	60	
1,080	1,502	Estimated Collection Fund Balance	1,814	1,399	

4. Collection Fund Balance

For the purposes of calculating and setting the precepts and Council Tax rates for 2019/20, estimated balances of £889,000 (Council Tax) and £143,000 (business rates) were taken into account. The difference between these estimated amounts and the actual balance at 31 March 2019, will be taken into account when determining precepts and Council Tax for 2020/21.

5. Provision for Impairment of Debts

The Collection Fund account provides for potential bad debts on arrears based on prior years' experience and current year collection performance.

2017/18				2018/19			
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total	
£000	£000	£000		£000	£000	£000	
138	1,001	1,139	Balance at 1 April	178	1,034	1,212	
(72)	(125)	(197)	Amounts written off in the year	(245)	(141)	(386)	
112	158	270	Contribution to provisions during year	161	23	184	
40	33	73	Net Increase (decrease) in provision	(84)	(118)	(202)	
178	1,034	1,212	Balance at 31 March	94	916	1,010	

6. Provision for Business Rates Valuation Appeals

Businesses can lodge appeals against their RV used in the calculation of chargeable amounts. Appeals can be lodged for a variety of reasons and backdated to either specific events, or in some cases, to the start of the Valuation List. As such, a provision is required which is financed by setting aside amounts collected from business rates. From April 2017, a new three-stage system was introduced for ratepayers to query and ultimately appeal against the 2017 Valuation List: Check, Challenge, and Appeal (CCA). Under this revised system ratepayers need to complete the first two interim stages before a formal appeal can be submitted to Valuation Tribunal. Consequently, the Council has made an assessment of the potential outcome of appeals outstanding against the 2010 Valuation List based on past experience, and also an assessment of the impact the CCA system will have on the final number of appeals that will be made against the 2017 Valuation List in the future.

The Council has calculated a total provision of £3.090 million at 31 March 2019 (£2.695 million at 31 March 2018).

2017/18		2018/19	
£000		£000	
2,350	Balance at 1 April	2,695	
(450)	Amounts refunded from the provision	(253)	
795	Increase in provision	648	
345	Net change in provision	395	
2,695	Balance at 31 March	3,090	

Opinion on the financial statements

We have audited the financial statements of Braintree District Council ("the Council") for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements including a summary of significant accounting policies. 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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Braintree District Council as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- Have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporate Director (Finance) use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Director (Finance) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Corporate Director (Finance) is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts is consistent with the financial statements.

Conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion on use of resources

We have undertaken our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in November 2017, as to whether in all significant respects, the Council 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 National Audit Office has determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Matters on which we are required to report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- 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.

Responsibilities of the Corporate Director (Finance) and the Council

As explained more fully in the Statement of the Responsibilities, the Corporate Director (Finance) is responsible for the preparation of the Statement of Accounts, which comprises 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, and for being satisfied that the financial statements give a true and fair view.

In preparing the financial statements, the Corporate Director (Finance) is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to cease operations or has no realistic alternative but to do so.

The Council 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 for the audit of the financial statements

In respect of our audit of the financial statements our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Auditor's responsibilities in respect of the Council's use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate of completion of the audit

We certify that we have completed the audit of the accounts of Braintree 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.

Use of our report

This report is made solely to the members of Braintree District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's 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 Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Aphrodite Lefevre
For and on behalf of BDO LLP, Appointed Auditor
Norwich, UK

31 July 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC3051

Members' Allowances and Expenses

Councillor	Basic Allowance Paid £	Special Allowance Paid £	Total Allowances Paid £	Expenses Reimbursed £	Councillor	Basic Allowance Paid £	Special Allowance Paid £	Total Allowances Paid £	Expenses Reimbursed £
<u>Councillors serving at year end</u>									
J E Abbott	4,726.45	-	4,726.45	240.00	S C Kirby	4,827.00	308.39	5,135.39	643.10
J S Allen	4,827.00	4,827.00	9,654.00	496.80	D Mann	4,827.00	5,702.24	10,529.24	240.00
M J Banthorpe	4,827.00	4,827.00	9,654.00	363.30	J Mckee	4,827.00	9,654.00	14,481.00	27.80
P Barlow	4,827.00	4,827.00	9,654.00	854.70	R G S Mitchell	4,625.89	-	4,625.89	-
J Baugh	4,827.00	-	4,827.00	240.00	J M Money	4,625.89	875.24	5,501.13	240.00
D Bebb	4,827.00	9,654.00	14,481.00	568.70	Lady Newton	4,424.76	875.24	5,300.00	240.00
K J Bowers	4,827.00	5,702.24	10,529.24	240.00	J O'Reilly-Cicconi	4,525.32	-	4,525.32	240.00
L Bowers-Flint	4,827.00	10,529.24	15,356.24	160.95	I Parker	4,827.00	875.24	5,702.24	810.60
G Butland	4,827.00	14,481.00	19,308.00	1,686.13	J A Pell	4,827.00	-	4,827.00	254.00
S Canning	4,525.32	-	4,525.32	240.00	R Ramage	4,827.00	875.24	5,702.24	573.00
J Coleridge	3,901.40	-	3,901.40	211.61	F P Ricci	4,827.00	5,702.24	10,529.24	240.00
J G Cunningham	4,424.76	-	4,424.76	-	W J Rose	4,827.00	-	4,827.00	639.80
M C Cunningham	4,827.00	-	4,827.00	-	V Santomauro	4,726.45	4,532.02	9,258.47	973.23
T G Cunningham	4,827.00	10,529.24	15,356.24	430.28	W D Scattergood	4,726.45	5,702.24	10,428.69	1,230.00
M Dunn	4,827.00	-	4,827.00	240.00	J W Schmitt	4,827.00	12,069.00	16,896.00	161.45
J G J Elliott	4,424.76	4,827.00	9,251.76	120.00	P G Schwier	4,827.00	875.24	5,702.24	961.80
A Everard	4,150.11	-	4,150.11	234.19	C W Siddall	4,525.32	3,888.42	8,413.74	160.00
D Garrod	4,827.00	-	4,827.00	527.20	G A Spray	4,827.00	5,702.24	10,529.24	1,333.55
J C Goodman	4,625.89	-	4,625.89	240.00	P Tattersley	4,827.00	9,654.00	14,481.00	949.95
A C Hensman	4,827.00	-	4,827.00	240.00	M Thorogood	4,827.00	-	4,827.00	240.00
P Horner	4,827.00	875.24	5,702.24	-	R M Van Dulken	4,827.00	4,827.00	9,654.00	240.00
D L Hume	4,625.89	-	4,625.89	240.00	L S Walters	4,827.00	-	4,827.00	240.00
H D Johnson	4,827.00	875.24	5,702.24	641.85	S A Wilson	4,525.32	-	4,525.32	-
A Kilmartin	4,827.00	-	4,827.00	240.00	G MaClure	4,625.89	-	4,625.89	291.60
<u>Councillors that left during the year</u>									
J C Beavis	3,771.10	-	3,771.10	120.00					
Total						230,143.97	144,072.19	374,216.16	19,505.59

Glossary & Abbreviations

Accruals Concept

Income and expenditure is recognised where it is earned or incurred, not when the money is received or paid.

Actuary

An expert who advises on the cost of pensions and determines whether the Pension Fund is adequate to meet its present and future commitments. Barnet Waddingham LLP is currently appointed as consulting actuaries to the Essex Pension Fund.

Amortisation

Spreading the cost of an intangible asset over the expected periods of its use and benefit to the Council.

Amortised Cost

The carrying amount of an asset or liability determined from future expected cash flows.

Assets Held for Sale

Non-current assets which are no longer required by the Council and are being marketed for sale/ disposal.

Balance Sheet

A statement of our assets, liabilities and balances at the end of the financial year.

Billing Authority

This refers to Braintree District Council as the authority responsible for invoicing and collecting the Council Tax from all residential properties within the District. This is undertaken on behalf of Braintree District Council, Essex County Council, Essex Fire & Rescue, the Police and Crime Commissioner for Essex, and Parish and Town Councils. Braintree District Council is also the authority responsible for invoicing and collecting Non-Domestic Rates on behalf of Central Government, Essex County Council and Essex Fire & Rescue.

Budget Requirement

This represents net budgeted expenditure for the year adjusted for transfers to and from reserves, but allowing for sums required by Parish and Town Councils. It is used to determine the amount of Council Tax to be precepted on the Collection Fund after allowing for income from Government and any surplus or deficit on the Collection Fund.

Business Rate Retention Scheme (BRRS)

Introduced from April 2013, BRRS provides for income collected from business rates to be shared equally between Central Government and local authorities. The system provides a baseline for all authorities so that they receive an amount of income commensurate with their assessed need to spend. Income above this baseline can also be retained locally subject to a levy arrangement. A safety net is also included so that if income from business rates falls below this amount the Government will provide additional financial support.

Capital Adjustment Account (CAA)

An account which reflects the timing difference between the charges to the CIES Account for the use of non-current assets to provide services over a number of years, and actual funds set aside to pay for the original cost of the assets.

Capital Financing Requirement (CFR)

This is a measure of the Council's need to borrow funds to pay for capital expenditure.

Capital Receipt

Proceeds from the sale of an asset. Sums received and not yet used for further capital expenditure are held in the Usable Capital Receipt reserve.

Capital Expenditure

Spending on non-current assets that have a lasting value, for example, property, plant and equipment.

Cash and Cash Equivalents

Cash available at immediate notice and short-term investments readily convertible to cash without risk to the principal sum.

Chartered Institute of Public Finance and Accountancy (CIPFA)

This is the professional body for public services. CIPFA issues the Code of Practice on Local Authority Accounting (the Code), which sets down in detail how the accounting standards are to be applied to the preparation of statement of accounts for local authorities.

Collection Fund

A fund that is used to show what happens to Council Tax and business rate income.

Glossary & Abbreviations

Community Assets

Assets that the Council does plan to sell and which have no definite useful life. Examples of community assets are parks and historic buildings.

Contingent Assets and Liabilities

Money that might be owed to or by the Council but which will only be determined by some future event, and for which we cannot be certain of the exact timing and amount.

Council Tax

A local tax on the occupiers of residential properties to finance the Budget Requirement of the local authority for the year.

Creditors

Money owed by the Council for works, goods or services received in the financial year but which has not been paid at the Balance Sheet date.

Current Assets

These are the short-term assets to the benefit of the Council, e.g. inventories for future use or sale, money owed to be collected, or cash held in the bank.

Current Liabilities

These are the short-term obligations of the Council, e.g. Creditors that the Council will be required to pay within the next financial year, Provisions that will be settled within the next financial year.

Debtors

Money that is owed to the Council for services provided in the financial year which has not been paid for at the Balance Sheet date.

Depreciation

A measure of the reduction in the value of property, plant and equipment over its useful life.

Earmarked Reserves

Amounts set aside for future commitments or potential liabilities.

Effective Interest Rate (EIR)

The rate of interest necessary to discount the expected cash flows on a financial instrument in order to reduce its amortised cost to equal the amount of original principal invested or borrowed.

Fair Value

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.

Finance Lease

A lease which effectively transfers the risk associated with ownership of a non-current asset from a lessor to lessee in return for a series of regular payments. Where the Council has obtained non-current assets by finance lease these assets are shown on the Council's balance sheet.

Financial Instruments

A contract that creates an asset for one entity and a liability for another. The term covers both financial liabilities, e.g. amounts owed or borrowed, and financial assets, e.g. amounts due or investments.

Financial Year

The period of twelve months covered by the accounts from 1 April up until 31 March.

General Fund (GF)

A fund maintained to account for all the Council's activities, e.g. leisure, waste management etc., other than the direct provision of housing and collection of local taxes.

Gross Expenditure

The total cost of providing services before taking account of any income or grants received.

Impairment

A reduction in the value of an asset due either to a change in its market value, or as a result of some other event, e.g. demolition, fire damage etc.

Infrastructure

Typically comprise assets such as unadopted roads, and cycle ways.

Intangible Assets

Assets that have benefit or use for more than one-year but are not physical, for example, computer software licences.

Glossary & Abbreviations

International Financial Reporting Standards (IFRS)

The collective name for the set of accountancy standards which define the accounting treatment used and adopted by the CIPFA Code.

Inventories

Amounts of unused or unconsumed stocks held in expectation of future use.

Investment Property

Non-current assets held by the Council solely for earning income or capital appreciation, e.g. industrial units and land let to businesses.

Local Government Pension Scheme (LGPS)

The fund that pays and manages the pensions of the Council's staff. Essex County Council manages the fund on behalf of employer bodies such as the Council.

Local Council Tax Support Scheme (LCTS)

A discount provided to eligible low income households which reduces the amount of council tax payable. The scheme is agreed by the Council whereas Council Tax Benefit which the LCTS replaced was administered according to a national scheme. The scheme agreed by the Council ensures that all working age claimants pay a minimum amount towards their council tax.

Long-Term Assets

Assets that will yield economic benefits to the Council for more than one year e.g. PPE.

Long-Term Liabilities

Obligations of the Council that will be due in more than a year's time e.g. long-term borrowing.

Minimum Lease Payments (MLP)

Contracted future payments under either an operating or finance lease arrangement. MLP will comprise a principal and finance or interest element.

Minimum Revenue Provision (MRP)

An amount which should be set aside from revenue as provision for the repayment of borrowing or other long-term liabilities, e.g. finance leases. The amount is calculated by reference to the Capital Financing Requirement and the Council's own policy on making MRP, as approved by Full Council.

National Non-Domestic Rates (NNDR)

The formal term for business rates paid on commercial premises. The charge is set nationally and based on property rateable values.

Net Book Value

This is the value of an asset, less any accumulated depreciation or impairments up to the balance sheet date.

Net Expenditure

The cost of providing a service after taking into account income from grants and fees and charges.

Non-Current Assets

Assets that are used (or receivable) over more than one financial year, examples

include Property Plant & Equipment, long-term debtors, long-term investments.

Operating Lease

A lease which provides for non-current assets to be used by a lessee in return for a regular payment, but which does not transfer the risk of ownership from the lessor. Assets acquired by these leases are not shown on the Council's Balance Sheet.

Precept

A demand made by Essex County Council, the Police & Crime Commissioner for Essex, Essex Fire & Rescue, and Parish and Town councils/ meetings, for money they want the Council to collect from Council Taxpayers for them.

Property, Plant & Equipment (PPE)

Non-current assets held by the Council to provide services, e.g. offices, community halls, leisure facilities, refuse freighters etc.

Provision

Money set aside to meet specific service liabilities or costs at the date of the accounts, which have yet to be settled.

Public Works Loan Board (PWLb)

A government agency that provides loans to local authorities.

Glossary & Abbreviations

Related Parties (Related Party Transactions)

Where two or more parties are related through some form of control or influence. Where transactions have arisen between related parties these must be disclosed in the accounts, for example, the Council providing a grant to an organisation on which it also has representation.

Revenue Expenditure funded from Capital under Statute (REFCUS)

Expenditure which under the Code would be treated as a revenue expense but which under Statutory Regulations is permitted to be funded from capital resources.

Reserves

Reserves may be **unusable** – reflecting the unrealised gains and losses of the Council timing differences, either relating to capital expenditure or timing differences between accounting rules and statutory regulations. These reserves cannot be used to increase spending or reduce Council Tax levels.

Usable reserves are those that are available to the Council to use for future spending and/ or reduce Council Tax levels. Some of these reserves (**Earmarked**) have been set aside for specific reasons determined by the Council.

Revenue Support Grant (RSG)

Central government provides financial support towards the general expenditure of local authorities. The entitlement of each local authority is determined by a prescribed methodology.

Section 151 Officer

This is the statutory officer of the Council under the Local Government Act 1972 responsible for the administration of the Council's financial affairs. For this Council the Corporate Director (Finance) fulfils this role.

Useful Life

The period over which benefits will be derived from the use of a non-current asset by the Council.