



Braintree District Council

Statement of Accounts

2016 - 2017

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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 150,360 (mid-year 2015 estimate) an increase of 0.25% over the previous estimate; however, forecasts suggest this will rise substantially 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. The political make-up of the Council is currently: Conservative Party 43, Labour Party 3, Halstead Residents 2, and the Green Party 1.

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 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: <https://www.braintree.gov.uk/downloads/download/23/constitution>

Supporting the work of Councillors is the organisational structure of the Council headed by a Management Board, led by the Chief Executive, 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 422 full-time equivalent employees.

Corporate Strategy

In February 2016, the Council adopted a new Corporate Strategy ("the Strategy") covering the period 2016 to 2020. The new 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 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 following sets out key highlights of the Council's performance in achieving its Annual Plan for 2016/17

Environment and Place	Strategic Growth and Infrastructure	Economic Development	Health and Communities	Finance and Performance	Overall Strategy and Direction
Introduced recycling to 2,700 flats and food waste collections to 29 schools	Local Plan - consulted on the preferred options and completed the supporting evidence base	Built an additional 12 incubator units providing start-up businesses with integrated business support and work space options	Increased participation in sport through the 'Get outdoors' campaign with Fusion which encouraged residents to participate in new sporting opportunities and activities	Achieved the Customer Service Excellence Standard, in recognition of the high standard of customer service provided	Approved a District Investment Strategy to invest £28 million in the District to improve health facilities, town centres and infrastructure as well as investing in opportunities that support growth and provide a return for the Council
Completed 7.8 million (99.9%) waste collections on their scheduled collection day	Granted planning permission for over 2,054 new dwellings across the District	Achieved 71% superfast broadband coverage across the District in conjunction with Superfast Essex	Engaged with 16 fast food takeaways to encourage them to take positive steps to reduce fat, salt and sugar levels in the food they offer	Improved the content and accessibility of our website which now enables customers to view their Council Tax bills securely on-line and access the website from their mobile phones and tablets	Worked in partnership with Essex County Council and Highways England to develop an appropriate scheme to improve the A120 connectivity and unlock development land required to fulfil housing and employment growth
Reduced litter across Essex by 43% by working in partnership to deliver a 'Love Essex' anti-litter campaign	Enabled the delivery of 48 affordable homes across the District	Supported over 750 jobseekers, together with Department of Work and Pensions, by providing face to face access to employers by hosting two job fairs	Published a healthy eating recipe booklet and associated website to encourage residents to cook from scratch and live well	Introduced a more user friendly on-line application form for commercial waste customers and a dedicated email address for enquiries	Contributed to the work of the Essex Waste Management Partnership by taking part in a series of successful recycling and re-use campaigns
Expanded the commercial waste service to include recycling	Produced a Housing Allocations Policy to assist in allocating properties for rent through the Gateway to Homechoice scheme	Delivered four business engagement events providing advice and support to businesses across the District	Invested in local health facilities across the District to support the delivery of improved health care provision including the opening of the new Church Lane GP surgery in Braintree		
Delivered the Braintree Energy Switch Scheme to provide potentially cheaper energy tariffs for over 2800 residents	Worked in partnership with Essex County Council and Highways England to support the construction on the Millennium Way slip roads				
Created a new allotment site in Bocking providing 32 additional plots					

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Environment and Place	Strategic Growth and Infrastructure	Economic Development	Health and Communities	Finance and Performance	Overall Strategy and Direction
<p>Refurbished two Braintree play areas at Goldingham Drive and Milton Avenue improving the play experience for local children</p> <p>Expanded Bocking Cemetery to meet anticipated demand over the next 25 years</p> <p>Received 21 awards from the Essex Playing Field Association (including: 4 gold, 8 silver, and five certificates of merit)</p> <p>Won 'Gold' and 'Best Medium Sized Park' awards for Halstead Public Gardens in the Anglia in Bloom competition</p> <p>Dedicated and protected four open spaces as part of the fields in trust centenary programme including a 'Showcase Centenary Field' at Marshalls Park in Braintree</p> <p>Improved energy efficiency at Braintree Town Hall by installing secondary double glazing and low energy lighting</p>	<p>Continued to lobby Network Rail to improve the rail services for Braintree</p>	<p>Secured detailed planning permission to build four grow-on units at the Braintree Enterprise Centre</p> <p>Provided a £200,000 business loan to the Colne Valley Railway Preservation Society for their redevelopment plans, which helped them secure a Heritage Lottery Grant of £1.7 million and remain a visitor attraction within the District</p>	<p>Introduced Community Priced weddings at the Town Hall following the closure of the Registry Office in Braintree</p> <p>Increased the number of Dementia Action Alliance members providing support across the District to help improve the lives of people living with Dementia</p> <p>Launched the Councillors' Community Grant Scheme to offer funding which supports community projects and local initiatives</p> <p>Improved the housing conditions of over 50 vulnerable residents by launching a pilot handyman service</p> <p>Awarded five organisations grant funding of £94,000 for life enhancing projects through the Braintree District and Greenfields Community Fund</p>	<p>Increased the number of people visiting our website and transacting with us on-line</p> <p>Reviewed a number of our services to ensure efficiency and provide value for money for our residents</p> <p>Improved the rate of return on investments achieved through an additional £2 million invested in pooled funds</p> <p>Acquired commercial units at Springwood Drive and Century Drive providing employment opportunities and an income stream for the Council</p> <p>Improved satisfaction rates with the way the Council is run from 81% to 86%, the district as a good place to live from 87% to 92% and offering value for money from 59% to 62%</p>	

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Financial Performance

Revenue Budget

In February 2016, the Council agreed a net budget of £13.716 million for the year together with an updated Medium Term Financial Strategy (MTFS) covering the period 2016/17 to 2019/20. The Budget was balanced by an estimated addition to the General Fund balance of £526,000 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 resources. The budget was to be financed from a mixture of government revenue support grants (£1.684 million), business ratepayers (£3.581 million), and Council Taxpayers (£8.451 million).

The overall average Band D Council Tax rate for the District was £1,550.36 of which the Council's portion was £164.52. In setting the budget the Council had identified £696,000 of savings along with a further £433,000 of 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 included:

Business Plan	Description of services and activities
Asset Management	Commercial and non-commercial property management, public and community halls
Business Solutions	Customer contact centre, corporate information and communication technology (ICT), management of the Council offices, closed circuit television function
Community Services	Community transport, community safety and development, community grant schemes
Corporate Management	Corporate and senior management, civic support
Cultural Services	Museum service and the Town Hall Centre
Environment	Building control, carbon management, environmental and health protection, private sector housing grants, pest control, emergency planning, 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
Housing Services	Housing assessment and advice, homelessness and temporary accommodation, housing research and development
Human Resources	Personnel support, organisational development, and apprenticeship scheme
Leisure Services	Leisure management and health development
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
Sustainable Development	Planning and development management, planning policy and local plan, parks and landscape, economic development
Corporate Financing	Corporate expenditure and income not specific to other services, e.g. government grants, parish and town council grants, pension fund payments

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For internal reporting purposes, managers were held accountable for a Controllable Budget of £13.108 million – the difference from the overall net budget approved for the year by Members being the original estimated addition to General Fund balances of £526,000, and £82,000 of additional government grants which were provided as part of the annual Local Government Finance Settlement and therefore would not be subject to any in-year variation. Controllable budgets and actuals also include anticipated/ actual movements on earmarked reserves and therefore differ to the amounts required to be shown in Column 1 of the Expenditure and Funding Analysis as per Note 1 to the Accounts.

Revenue Budget Outturn for the Year

The outturn against controllable budget was an overall favourable variance of £883,000, comprising mainly of an over achievement of income of £571,000, coupled with an overall underspend against expenditure budgets of £312,000:

Business Plan Summary 2016/17	Controllable Budget	Spend against Budget	Variance Adverse/ (Favourable)
	£000	£000	£000
Asset Management	(1,822)	(1,915)	(93)
Business Solutions	1,850	1,809	(41)
Community Services	565	535	(30)
Corporate Management	1,362	1,324	(38)
Cultural Services	246	245	(1)
Environment	630	537	(93)
Financial Services	1,338	752	(586)
Governance	1,029	999	(30)
Housing Services	763	761	(2)
Human Resources	342	349	7
Leisure Services	(48)	(60)	(12)
Marketing & Communications	424	379	(45)
Operations	4,301	4,385	84
Sustainable Development	759	663	(96)
Corporate Financing	1,369	1,462	93
Service Total	13,108	12,225	(883)

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The overall variance breaks down as follows:

Budget Variance 2016/17	Variance Adverse/ (Favourable)
	£000
Additional income	(571)
Underspend on staffing expenditure	(145)
Underspend on non-staffing expenditure	(167)
Total Variance	(883)

A key element of the Council's financial strategy is to increase income where possible in order to protect front-line services. The over achievement of income against budget has been generated across a number of activities:

- Investment income was higher due to the Council increasing its long-term investments in equity funds coupled with generally higher levels of investment balances being available during the year.
- Additional income from planning fees, the budget for which had already been increased following a significant increase in both number and scale of planning applications received in 2015/16.
- Higher amounts of car park income from both pay and display and season tickets.
- Increased income from commercial property lettings as new properties have been acquired and rents reviewed on existing leases.
- As a result of improvements in collection performance and growth in the District, the Council continues to benefit from an Essex-wide Council Tax Sharing Arrangement whereby a proportion of the additional council tax collected on behalf of the major preceptors (Essex County Council, the Police and Crime Commissioner for Essex, and the Essex Fire Authority) is shared back to the Council.
- The Council has continued to target staffing resources on the collection of housing benefit overpayments.

Savings on staffing costs compared to the budget have been achieved through a combination of vacant posts, changes to service requirements, and restructures and efficiency reviews. The Council also introduced an annual leave purchase scheme for staff which has contributed towards savings being made in the year.

On non-staffing budgets the Council underspent on the net cost of providing housing benefits (after taking into account subsidy received from the Department of Work and Pensions); and also achieved reductions across a range of corporate overheads.

Capital Investment

As well as its revenue budget, the Council approved an annual capital programme of proposed spending on either the creation or acquisition of new assets, enhancement of existing assets, or in support of capital spending by other organisations or individuals. For 2016/17 the Council approved new projects totalling £1.993 million.

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In May 2016, the Cabinet approved a District Investment Strategy (DIS) totalling £28 million which would draw on funding from a combination of: New Homes Bonus received by the Council from Government, a proportion of unallocated balances, and future new borrowing. The DIS would support the District's growth ambitions providing the necessary investment in infrastructure and economic development projects. It is expected that the funding made available by the Council will also help leverage other sources of investment. To date the Council has approved projects totalling £15.6 million of which £3.2 million was profiled to be spent in 2016/17.

Taking account of projects already approved in earlier years and where spending was profiled over a number of financial years the total amount of capital investment planned for 2016/17 was £8.927 million, against which £7.565 million was spent, leaving a budget balance of £1.362 million. Of this balance £1.272 million is to be carried over as projects are on-going and/ or their completion was delayed. The remaining balance of £90,000 represents an underspend for the year which is retained in the capital resources to be used on other future projects.

Capital investment made in the year was across the following areas:

	£000
Commercial and other property acquisitions and enhancements, including providing replacement health facilities for the St Lawrence General Practitioner surgery	2,871
Investment in operational vehicles and plant to maintain and expand service delivery	1,529
Grants to private home owners for making adaptations necessary for those living with disabilities, and other means tested improvement grants used for installing adequate heating and hot water systems	900
Planned and proactive maintenance of Council owned buildings and facilities	780
Creating better and safer environments by improving community facilities, including play areas at Goldingham Drive and Milton Drive; and improvements to the John Ray Park	531
Investment in the Council's business critical ICT systems	369
Financial support to registered social landlords helping towards increasing the provision of affordable housing in the District	226
Design fees in relation to the redevelopment of the Braintree town centre	158
Improvements to signage and CCTV around industrial and employment estates	115
Other infrastructure works	86
Total Capital Investment	7,565

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The above expenditure was financed from a mixture of capital and revenue resources:

	£000
Capital receipts	(1,000)
Government grants and other third party contributions	(1,506)
Revenue and earmarked reserves	(3,872)
Internal borrowing	(1,187)
Total Financing	(7,565)

The Council has used internal borrowing to part fund capital investment which effectively means it has temporarily used (or “borrowed”) its own cash balances. This arrangement has been applied as an alternative to the previous method of financing operational vehicles which relied on lease type arrangements. The result is that the Council will make savings on interest costs and the cash allocated will eventually be replenished by setting aside annual revenue resources over the life of the vehicles concerned.

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 £3.907 million from preserved right-to-buys and a further £296,000 of recovered VAT. The Council also received £134,000 from GCH under clawback arrangements where land transferred by the Council has now been sold. Other receipts included £75,000 where the Council has agreed to the release of restrictive covenants and a further £54,000 from repayment of housing improvement grants.

Grants received in the year included £730,000 from the Better Care Fund via Essex County Council as part funding towards the Council’s disabled facility grant programme.

Sale of Council owned assets originally anticipated in 2016/17 were delayed although the expectation is that these will still complete at a future date.

The Council also received £2.718 million being its share of the growth element of the Community Housing Fund set-up by GCH in accordance with the original housing stock transfer agreement. Under the deed of variation agreed by both parties the Council has earmarked this money for the development of new affordable housing.

Reserves & Balances

The Council retains a number of reserves and balances which comprise useable reserves and unusable reserves. Useable 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:

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- 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 the short-term funding gap in the Council's annual budget pending realisation of future savings and efficiencies.

General Fund balances also include amounts that have been set aside (referred to as "earmarked reserves") for a number of specific purposes: to support long-term capital investment; risk management; service projects and initiatives; and the management of organisational change.

As at 31 March 2017 the Council's overall General Fund balances stood at £23.814 million, as set out in the following table:

	Balance 1 April 2016	Increase/ (decrease) before Transfers	Transfers	Increase/ (Decrease) 2016/17	Balance 31 March 2017
	£000	£000	£000	£000	£000
General Fund balance	8,421	546	(6,931)	(6,385)	2,036
Earmarked Reserves	14,847	-	6,931	6,931	21,778
Total General Fund Balances	23,268	546	-	546	23,814

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 useable capital reserves at 31 March 2017 was £13.467 million as set out in the following table:

	Balance 1 April 2016	Increase/ (Decrease)	Balance 31 March 2017
	£000	£000	£000
Capital Receipts Reserve	6,718	3,482	10,200
Capital Grants Unapplied	796	2,471	3,267
Total Capital Reserves	7,514	5,953	13,467

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

Unusable Reserves

Unusable Reserves hold the value of unrealised gains/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

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setting Council Tax. These reserves reduced in the year by £10.721 million, largely as a result of a change in the accounting valuation of the Council's pension fund liability as at 31 March 2017.

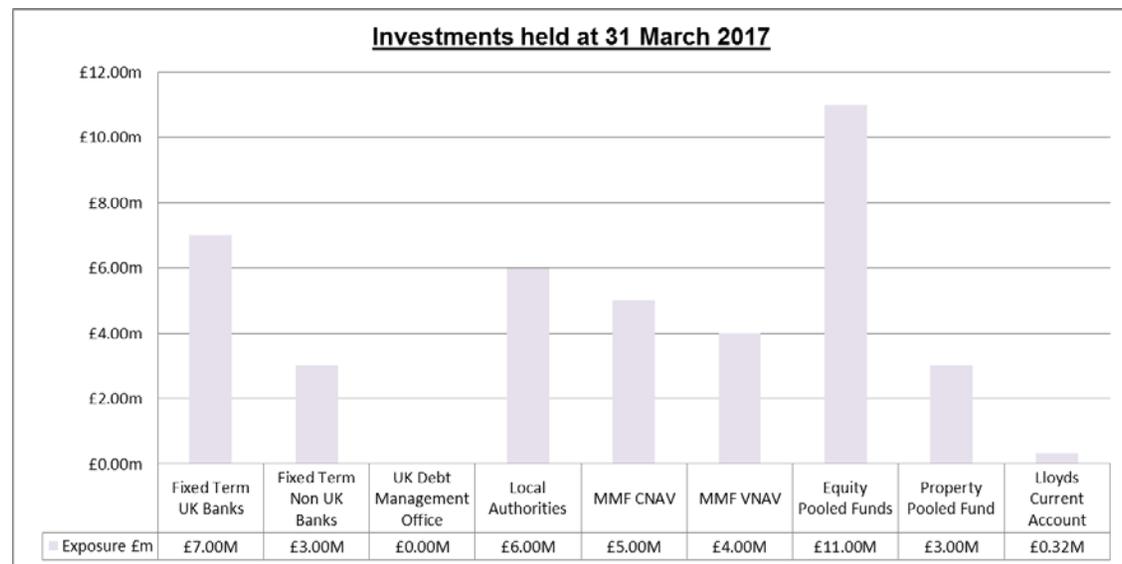
Treasury Management

Investment and Interest Income

Over the year the Council's investment balances averaged £51.75 million with a minimum and maximum range of £36.27 million and £60.23 million respectively. 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 these funds by £2 million taking the overall amount to £14 million. These funds generated £602,000 of dividend income, a return of 4.7%. Returns on other cash investments remained low due to the current interest rate environment, generating a further £183,000 of interest income equivalent to a return of 0.47%.

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 £19.424 million (£15.422 million pooled funds and £4.002 million VNAV MMF) representing an unrealised gain in the year of £1.608 million over the valuation at 31 March 2016. This gain is credited to the Available for Sale reserve (part of the unusable reserves) and until the investments are sold such changes in market valuation do not have an impact on the actual resources available to the Council.

Investments held at the end of the year totalled £39.32 million allocated as shown in the following chart:



MMF: money market funds constant net asset value (CNAV) 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 £282,000 was paid. This debt is legacy borrowing undertaken in the past when the Council was actively borrowing to meet its capital investment plans. This debt is kept under review for any opportunity to repay early at a cost considered acceptable to the Council.

Other liabilities include finance lease commitments of £3.201 million (£340,000 is shown under current liabilities) where the Council has acquired use of building, vehicles and plant. The remaining balance of long-term liabilities of £1 million is a repayable advance from Essex County Council provided as match funding towards the Braintree Local Authority Mortgage Scheme.

Pension Fund Liabilities

The Council's accounts reflect an updated view of the Council's share of assets and liabilities of the Essex Pension Fund ("the Pension Fund"). This shows an estimated net liability of £77.55 million at the 31 March 2017, an increase on the previous year of £18.410 million. The main reasons for this change in the net liability are:

- Changes in the financial assumptions used by the actuary led to an increase in liability of £36.861 million, mainly as a result of a decrease in the discount rate used to calculate the present day value of the Pension Fund's future cash flows.
- Gains/ losses from differences between previous actuarial assumptions and what has actually occurred contributed to an increase in the net liability of £4.35 million – the amount is more significant this year as the actuary was able to take into account the results of the most recent triennial review of the Pension Fund carried out as at 31 March 2016.
- Partially offsetting the above, the Pension Fund achieved higher investment returns on its assets than were originally assumed at the start of the year, reducing the net liability by £18.85 million; and changes made in demographic assumptions (e.g. estimated life expectancy) also resulted in a reduction in net liability of £4.777 million.

The discount rate 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 over a period of 10.5 years as determined at the recent 2016 actuarial review of the Pension Fund, which has set the Council's contributions for the period 1 April 2017 to 31 March 2020, including a single additional payment of £4.223 million to be made 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 the actuarial valuation assumptions.

The Council's actual pension contributions made in the year were £3.703 million, with a further £696,000 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 that records the income and expenditure relating to the collection of council taxes and business rates, including for local parish and town councils, central government, and the major precepting authorities of Essex County Council, the Police and Crime Commissioner for Essex, and the Essex Fire Authority. 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 £80.123 million for the year, which after paying precepts resulted in a net surplus for the year of £513,000. The reasons for the surplus are a combination of an improved in-year collection rate, property growth, and a lower amount of discounts granted under the local council tax support scheme. After taking account of the balance brought forward, the Collection Fund balance in respect of Council Tax at the end of the year was £2.901 million, of which £1.502 million has already been allocated at the time of setting Council Tax for 2017/18. The remaining balance will be taken into account in plans for Council Tax setting for 2018/19.

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, Essex County Council, and the Essex Fire Authority. Prior to the start of the year, the Council estimated the amount of business rates collectable would be £42.481 million and this sum has been paid across to the relevant bodies. The actual amount of business rates due for the year was £44.295 million (after allowing for non-collection and reductions due to appeals) resulting in a surplus for the year of £1.814 million. When estimating the amount of business rates collectable for 2016/17 it was anticipated that the Collection Fund would have a deficit of £1.028 million at 31 March 2016, which was subsequently recovered from precepting bodies during the year. The actual balance at 31 March 2016 was a small surplus of £53,000, and therefore the difference, along with the in-year surplus is reflected in the closing balance on the Collection Fund at 31 March 2017 of £2.895 million. The Council Tax set for 2017/18 has already anticipated £1.080 million of the fund balance and the difference of £1.815 million will be taken into account when planning for Council Tax setting for 2018/19.

Under the BRRS local authorities are required to finance appeals made in respect of 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. After allowing for claims settled in the year the Council has calculated a total provision of £2.35 million being required at 31 March 2017 (£4.741 million at 31 March 2016), based on the latest information received from the VOA regarding appeals outstanding.

In 2016/17 the Council participated with ten other local authorities in the Essex Business Rate Pool (“the Pool”) in order to pool any levies that would normally be payable to Government on amounts of business rates collected in excess of set baselines. The total of the pooled levies are shared back to participating authorities according to a pre-agreed formula. Based on the amounts collectable for the year the Council is due to pay a net levy to the Pool of £572,000 – comprising a gross levy of £1.116 million (which without the Pool would have been paid to Government) less £544,000 being the Council's estimated share of the overall benefit from the Pool.

From April 2017 a new Valuation List came in to effect which shows a total rateable value of £111.3 million for the Braintree district, an increase of £5.5 million or 5% over the current Rating List. As the Revaluation has increased rateable values nationally the Government has reduced the rates multipliers to ensure that the money collectable from business rates does not increase as a result. At a local level the Government has adjusted the tariff payable by the Council from 2017/18 to mitigate the net reduction in the amount collectable due to the combined effect of the new Rating List and change in multipliers.

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.

The 2016/17 Local Government Finance Settlement (2016/17 LGFS), came with an offer from the Government to provide a four-year funding settlement to 2019/20 available to any council provided it published an efficiency plan and used the multi-year settlement to strengthen financial management including by maximising value in arrangements with suppliers and making strategic use of reserves in the interests of residents. The

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Council took up this offer and published its efficiency plan in November 2016 that was accepted by the Minister for Local Government. The efficiency plan is available on the Council's website at www.braintree.gov.uk.

The 2016/17 LGFS contained a planned reduction in government funding through Revenue Support Grant and business rates of almost 45% over the period 2016/17 to 2019/20. This included the ending of Revenue Support Grant receivable by the Council after 2018/19, and the imposition of an extra tariff on its business rate income in 2019/20. These reductions were subsequently confirmed again in the 2017/18 LGFS announced by the Government in February 2017.

The Council's Budget Strategy continues to be based on:

- Delivering a balanced budget over a four year period
- Using New Homes Bonus for investment
- Reducing costs and increasing income
- Supporting the Corporate Strategy
- Maintaining our good services
- Minimising impact on customers
- Managing our risks

Already pre-empting a future where we would have to operate grant free, the Council commissioned a Peer Review in 2013 to help determine its approach to meet the financial challenges ahead. This approach continues to focus activity on three key workstreams designed to complement each other:

- Economic and housing growth – the Braintree District is set to grow significantly over the coming decades. The District needs to prepare for growth by ensuring that infrastructure improvements/ facilities are not only delivered for existing residents, but are able to provide for the future growth in the District as well.
- Investment strategy – We need to ensure that our assets are being used in a way that gains maximum value for the District and supports delivery of our Corporate Strategy.
- Better at Business (Commercialisation of services) – The purpose of this workstream is to generate income to invest in front line services. We are doing this by raising levels of business awareness and cost management across the organisation and maximising the potential of appropriate services and assets for income generation. We aim to become more commercial without compromising our public service values.

The approved budget for 2017/18 included: an increase in Council Tax of 3%; planned savings/additional income of £877,000; and a net addition to balances of £329,000 reflecting the earlier achievement of savings required for the MTFs. A revised financial profile was also established indicating requirements for future ongoing savings of:

	£000
2018/19	331
2019/20	524
2020/21	237
Shortfall – savings required	1,092

Narrative Report

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. Great uncertainty exists with the financial outlook as the Government carry out a review of the assessment of the relative needs and resources of councils through the Fair Funding Review announced as part of the 2016/17 LGFS, along with its intention to implement 100% business rates retention by local government coupled with the transfer of new responsibilities. In the short to medium term the Council has a range of options to address its funding shortfall which will be considered further as work commences on preparing for the 2018/19 budget and the next revision of the MTFS.

Guide to the Financial Statements

The Published Accounts for 2016/17

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year-end of 31 March 2017. 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 is revised every year and for 2016/17 new requirements have been introduced over the presentation of information so that the accounts better relate to the way information 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.
- **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.
- **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.

Guide to the Financial Statements

- **Notes to the Accounts**

The Notes provide further breakdown 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 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

Further details about the Council's performance for the year can be obtained from the Fourth Quarter and Annual Performance Management Report 2016/17 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 2017.



Chris Fleetham
Corporate Director
6th September 2017

Annual Governance Statement

Scope of Responsibility

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 facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has previously approved and adopted a code of corporate governance, which is consistent with the principles of the *Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE 2012)*. A copy of the code is on our website at www.braintree.gov.uk.

This statement explains how the Council delivers good governance and reviews the effectiveness of these arrangements which were in place during 2016/17. It also meets the requirements of regulation 6 (1) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance statement.

Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled, and by which it accounts to, engages with and leads the community. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether this has led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Braintree District Council for the year ended 31 March 2017 and up to the date of the approval of the Statement of Accounts.

Our Governance Framework

Determining the Council’s purpose, its vision for the local area and intended outcomes for the community

The Council aims to deliver high quality services that provide value for money and which are aligned to the needs and priorities of the local community.

Annual Governance Statement

The Council sets out the vision and priorities for the Braintree District in its Corporate Strategy which covers the four-year period 2016 to 2020 and was agreed by Full Council on 22nd February 2016. 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 priorities reflect the vision for the District Council which focuses on six key themes:

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

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.

There are Business Plans for each service area, these include clear identification of objectives and targets, reflect Corporate Strategy priorities and include the identification of risks to meeting the objectives. They are updated annually and incorporate the financial plans for the year ahead for the service areas.

The Council has a range of performance indicators used to measure progress against its key priorities in the Corporate Strategy. Targets are contained in the Annual Plan and Business Plans. Progress of the delivery of the projects and of performance against targets has been reported quarterly during 2016/17 to the Cabinet and the Governance Committee.

Teams within the Business Solutions Department seek to encourage and support improvements in project management, business processes, delivery of major projects, and improve performance management arrangements.

The Council has shown that its performance has improved consistently through target setting and made improvements to service delivery.

The Data Quality Policy sets out the Council's approach to data quality in relation to non-financial performance data to ensure that high standards are clearly set, achieved, and maintained.

The Council has a Medium Term Financial Strategy (MTFS), Workforce Plan, Asset Management Plan and Capital Programme; these identify how resources are aligned to priorities. The budget process incorporates consideration of the allocation of resources for the Corporate Strategy priorities. The MTFS allows annual strategic review in the context of performance against Corporate Strategy priorities, and sets targets for efficiency improvement, enabling resources to be recycled. Quarterly monitoring reports for the revenue budget and the Capital Programme were submitted to Management Board, the Cabinet and the Governance Committee during the year.

Annual Governance Statement

Priorities for service improvement have been identified and there have been a range of reviews which have identified efficiencies for the next financial year(s). The Council has a number of corporate processes, programmes and projects designed to improve efficiency including the Procurement Strategy, the Channel Strategy and the Workforce Development Action Plan.

The Council has a procedure for handling complaints and uses this to identify areas where service quality is not satisfactory and to take action to improve.

Members and Officers working together to achieve a common purpose with clearly defined functions and roles

The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It does this by having a Leader of the Council and Cabinet. The Leader appoints the members to serve on the Cabinet and allocates the portfolio responsibilities. The Council appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These leadership roles, and the delegated responsibilities of officers, are set out in the Constitution.

The Constitution includes a Member/Officer protocol which describes and regulates the way in which Members and Officers should interact to work effectively together.

All Committees have clear terms of reference that set out their roles and responsibilities and work programmes.

The Governance Committee is independent of the Cabinet and scrutiny functions and acts as the responsible body charged with governance on behalf of the Council. The Committee provides independent assurance on: the adequacy of the risk management framework and the associated control environment; scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment; the financial reporting process and approves the Statement of Accounts.

The Overview and Scrutiny Committee monitors the decisions of the Cabinet.

Members of the Management Board and the Cabinet, the Joint Executive Team, meet regularly during the year. Meetings are also held regularly between the Cabinet Portfolio Member and the relevant Director and/or Head of Service(s) to discuss service delivery performance, progress against Business Plan objectives and targets.

The Council's Chief Executive (Head of Paid Service) leads the Council's officers and chairs the Management Board.

All staff, including senior management, have clear conditions of employment and job profiles which set out their roles and responsibilities.

The Corporate Director, as s151 Officer appointed under the Local Government Act 1972, carries overall responsibility for the financial administration of the Council. The Corporate Director's role is in accord with the CIPFA Statement on the role of the Chief Financial Officer. A central finance function provides support to all departments and determines the budget preparation and financial monitoring processes.

The Monitoring Officer (Head of Governance) carries overall responsibility for legal compliance and his staff work closely with departments to advise on requirements. The Monitoring Officer is responsible for keeping the Constitution under review and reporting any proposed changes to Council.

Annual Governance Statement

A published Pay Policy 2016/17 was in place in accordance with section 38 of the Localism Act 2011.

Promoting our Values and Upholding High Standards of Conduct and Behaviour

The Council supports a culture of behaviours based on its statement of Core Values. This guides both how the long-term vision is put into effect and how Members and officers behave in their day-to-day work.

Member and officer behaviours are governed by Codes of Conduct which include a requirement for 'declarations of interest' to be completed by all Members. Members of staff who work in sensitive areas are required to complete declarations of interest and all staff are required to complete a conflict of interest form, as and when appropriate.

The Council has a Standards Sub Committee reporting direct to the Governance Committee.

The Monitoring Officer is the appointed Proper Officer to receive complaints for failure of a Member to comply with the Code of Conduct. The Monitoring Officer has delegated power, after consultation with the Independent Person, to determine whether a complaint merits formal investigation and to arrange such investigation. Where an investigation finds evidence of a failure to comply with the Code of Conduct and a resolution either cannot be agreed, or it is not appropriate to be agreed by the Monitoring Officer, the Monitoring Officer will report the investigation findings to the Standards Sub Committee.

The Council takes fraud, corruption and maladministration very seriously and has adopted a Counter Fraud Strategy which aims to prevent or deal with such occurrences and incorporates the following policies:

- a) Fraud, Corruption and Dishonesty Policy
- b) Whistleblowing Policy
- c) Anti-Money Laundering Policy
- d) Information Security Policy
- e) HR policies regarding the disciplining of staff involved in such incidents

These policies are reviewed periodically and details of a) to c) above are provided on the Council's website and d) and e) are available to staff and members on the Council's intranet.

A complaints procedure is in place to receive and investigate any complaint made against the Council or a member of staff.

The Council's Housing Benefit Service is fully compliant with the Housing Benefits Verification Framework.

Taking informed and Transparent Decisions and Managing Risk

The Council's Constitution sets out how the Council operates and the process for policy and decision-making.

Full Council sets the policy and budget framework. Within this framework, the Cabinet makes all key decisions. Cabinet meetings are open to the public (except where items are exempt under Part 1 of Schedule 12(A) of the Local Government Act 1972) and meetings are webcast. The Leader's

Annual Governance Statement

Forward Plan of key decisions to be taken and committee agenda items for decision over the next four months is published regularly on the Council's website.

All decisions made by Cabinet are made on the basis of written reports, including assessments of legal, financial, customer impact, safeguarding, equalities and diversity, environmental and climate change implications and consideration of the risks involved and how these will be managed.

The decision-making process is scrutinised by the Overview and Scrutiny Committee which has the power to call-in decisions. Specific meetings of the Overview and Scrutiny Committee are held in November and then January for Members (in public) to scrutinise the proposed budget and Medium-Term Financial Strategy. The Overview and Scrutiny Committee also undertakes some policy development work, by means of Task and Finish Groups.

Other decisions are made by Cabinet Portfolio holders and officers under delegated powers. Authority to make day-to-day operational decisions is detailed in the Responsibility for Functions in the Constitution.

The Council maintains an Internal Audit Section, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. The Audit, Insurance and Fraud Manager supports the Governance Committee and reviews its effectiveness on an annual basis.

Policies and procedures governing the Council's operations include Financial Regulations, Procurement Rules and a Risk Management Policy. Ensuring compliance with these policies is the responsibility of the Directors, Heads of Service and their managers across the Council. The Internal Audit Section checks that policies are complied with. Where incidents of non-compliance are identified, appropriate action is agreed and implemented.

The Council's Risk Management Policy requires that consideration of risk is embedded in all key management processes. These include policy and decision-making, service delivery planning, project and change management, revenue and capital budget management and partnership working. Strategic risks are reviewed a minimum of twice per annum and are detailed in the Corporate Risk Register. A Risk Register of operational risks is maintained by the Audit, Insurance and Fraud Manager and is reviewed annually with Heads of Service as part of the business planning process in February/March.

The Cabinet approves the Corporate Risk Register and the Governance Committee oversees the effectiveness of risk management arrangements and provides assurance to the Council in this respect.

The Council has an Information Security policy. The Governance Committee receives details of compliance in the Audit, Insurance and Fraud Manager's annual report.

The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures and a structure of delegation and accountability. The Medium-Term Financial Strategy is updated each year and includes a risk assessment of budget options; the Medium-Term Financial Strategy is agreed by Full Council.

Annual Governance Statement

Financial monitoring reports are submitted monthly to service managers and quarterly to Management Board, Cabinet and the Governance Committee.

Performance against a suite of key financial indicators is reported to each meeting of the Governance Committee.

The Council's arrangements for providing economy, efficiency and effectiveness are reviewed by the external auditors on an annual basis.

An activity report of the Overview and Scrutiny Committee is presented annually to Full Council.

Details of Council spending with suppliers, value in excess of £500, are published monthly on the Council's website. A register of the Council's contracts is also available on the Council's website.

Details of senior managers' remuneration and Members' allowances and expenses are published annually in the Council's Statement of Accounts.

The Council does not currently appoint its own external auditors – this task is carried out by the Public Sector Audit Appointments Limited. New external auditors – Ernst & Young LLP – were appointed to undertake the Council's 2015/16, 2016/17 and 2017/18 external audit.

Effective Management – Capacity and Capability of Members and Officers

The Council aims to ensure that Members and managers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well trained and competent people in effective service delivery. All new Members and staff undertake an induction programme to familiarise them with the protocols, procedures, values and aims of the Council. New Members elected during the 4-year term of an administration are given 1-2-1 induction training and specialised training as appropriate.

The Council holds the East of England Charter for elected Member Development, from the East of England Local Government Association. The Charter was re-awarded following a re-assessment on 28th October 2014.

Political groups have a primary role in encouraging new talent and representatives of all sections of the community to stand for election as Members of the Council.

The Council has developed its own scheme of key management competencies and expected values and behaviours which support the Council's core values.

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.

Annual Governance Statement

Engaging with Local People and Other Stakeholders to ensure robust accountability

The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.

The Council has a People's Panel with participants providing feedback on a number of subjects by means of surveys. Customer satisfaction surveys are undertaken annually using various methods to track data and trends.

The Council's newsletter 'Contact' communicates the Council's vision and priorities. The newsletter is published seven times in the year – once in hardcopy to all households and six times electronically to those residents requesting this media format.

The Council uses social media to increase interaction and engagement with customers. A Social Media Policy and links to the various media are located at https://www.braintree.gov.uk/info/200574/social_media/586/social_media/7

The Council has signed a Local Compact for joint working with the voluntary and community sectors in the district.

The Council consults on its annual budget proposals with council taxpayers, customers and the business community, as appropriate.

Members are informed of significant issues or events planned or proposed for their ward. In addition, Members receive a weekly Councillor Update by email.

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 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 and performance and receives comprehensive reports on a quarterly basis. Budgetary reports provide 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 2017/18; and of Broadband Provision and Employment Sites and Premises; and managed Task and Finish group investigating Obesity. Work concluded from the previous year's programme included review of Health and Task and Finish Groups' reviews of Apprentices for the Braintree District and Bus and Community Transport services in the Braintree District.
- The Overview and Scrutiny received and considered the 2015/16 Annual Report of the Braintree District Community Safety Partnership.

Annual Governance Statement

- There were no complaints referred to the Standards Sub Committee during the year. There were also no complaints against Members under the Code of Conduct that required action by the Monitoring Officer.
- 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 receiving 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 these the Committee acknowledged that: the Audit Manager does not hold the professional qualification required by the Standards, but does possess the knowledge, skills and competence to manage and deliver the service; and the Audit Manager has other managerial responsibilities including Insurance, Risk, Benefit Fraud, Cashiers, Mail Room and Business Continuity 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 was assessed as satisfactory for 2016/17: a review was undertaken as required under the Accounts and Audit Regulations 2015.
- 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 2015/16, were presented to the Governance Committee on 28th September 2016.
- A positive Annual Audit Letter for 2015/16 was received from the External Auditor with no significant issues to be raised with Members, key stakeholders or members of the public.
- The Council has opted for the Sector Led Body approach for the procurement of external audit services from 2018/19. Public Sector Audit Appointments Limited will be undertaking the process on behalf of the Council and the appointment is expected by December 2017.
- Management Board and Members of Cabinet reviewed strategic risks in January 2016 and October 2016. The Governance Committee received details of Management Board's action plans to manage those strategic risks which have a high risk rating.

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.
- The Audit, Insurance and Fraud Manager's Annual Report for 2016/17 will be considered by the Governance Committee on 29 June 2017. At this time her provisional conclusion is that a satisfactory opinion will be given on the overall adequacy and effectiveness of the Council's risk management systems, internal control and governance processes.
- The Council's Local Code of Corporate Governance has been reviewed and updated for 2017/18 to incorporate the latest edition of the Delivering Good Governance in Local Government: Framework issued by CIPFA/SOLACE in April 2016.

Annual Governance Statement

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

- Information Governance Review. To consider and review policies in relation to Data Protection, Freedom of Information and Environmental Information Regulations. To include consideration of wider information governance issues and data sharing initiatives; *This review is ongoing. The focus of the emerging policies will be to seek to ensure compliance with the General Data Protection Regulations (GDPR). The new legal framework under GDPR comes into effect in May 2018.*
- Implement Caseworks database system for the management of Freedom of Information enquiries and complaints; *The system was operational for Freedom of Information enquiries from April 2016 and will be operational for complaints from April 2017.*
- An external quality assessment on the effectiveness of the internal audit function. *The external assessment was postponed due to a change in staffing in the Internal Audit Section however the assessment will be conducted during 2017/18: there is a requirement that it is conducted by September 2018.*

Governance Issues

There are no significant internal control issues to be reported for the year. However, there are some areas of continuous improvement or development planned that will provide a more robust process of assurance for 2017/18.

The improvements/developments planned are:

- Ensure compliance with the General Data Protection Regulations (GDPR). The new legal framework under GDPR comes into effect in May 2018.
- An external quality assessment on the effectiveness of the internal audit function.

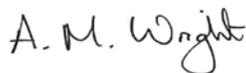
Certification

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 22 March 2017.

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 2016/17, 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
Acting Chief Executive

Independent Auditor's Report

Opinion on the Authority's financial statements

We have audited the financial statements of Braintree District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 33,
- and the Collection Fund and the related notes 1 to 6.

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

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

Respective responsibilities of the Corporate Director and auditor

As explained more fully in the Statement of the Corporate Director's Responsibilities set out on page 1, the Corporate Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

In addition, we read all the financial and non-financial information in the Statement of Accounts 2016-2017 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditor's Report

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016-2017 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Conclusion on Braintree District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources *Authority's responsibilities*

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

Auditor's responsibilities

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

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

Independent Auditor's Report

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

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

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

Conclusion

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

Certificate

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

Kevin Suter (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
8 September 2017

The maintenance and integrity of the Braintree District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Comprehensive Income and Expenditure Account

2015/16 Restated				Note	2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
(108)	(607)	(715)	Asset Management		635	(467)	168
2,013	(126)	1,887	Business Solutions		1,921	(25)	1,896
1,205	(290)	915	Community Services		715	(239)	476
1,611	(230)	1,381	Corporate Management Plan		1,476	-	1,476
396	(96)	300	Cultural Services		397	(120)	277
2,579	(1,310)	1,269	Environment		2,497	(1,620)	877
45,847	(44,661)	1,186	Finance		44,163	(42,845)	1,318
1,201	(105)	1,096	Governance		1,065	(92)	973
1,402	(177)	1,225	Housing Services		1,181	(67)	1,114
406	(3)	403	Human Resources		420	(16)	404
1,081	(456)	625	Leisure Services		1,768	(737)	1,031
569	(164)	405	Marketing & Communications		511	(91)	420
11,272	(6,014)	5,258	Operations		10,577	(5,630)	4,947
2,883	(1,915)	968	Sustainable Development		4,219	(1,355)	2,864
(93)	(215)	(308)	Corporate Financing		27	(342)	(315)
72,264	(56,369)	15,895	Cost of Services	1/6	71,572	(53,646)	17,926
		(1,064)	Other Operating Expenditure	2			(2,584)
		(416)	Financing and Investment Income & Expenditure	3			(454)
		(19,129)	Taxation and Non-Specific Grant Income	4/5			(23,337)
		(4,714)	(Surplus) or Deficit on Provision of Services	6			(8,449)
			<i>Items that will not be reclassified to the (Surplus) or Deficit on Provision of Services:</i>				
		(10,320)	Revaluation gains	28			(3,051)
		(8,064)	Re-measurement of the pension scheme net defined benefit liability	27			17,335
		(6)	Other gain				(5)
		(18,390)					14,279
			<i>Items that may be reclassified to the (Surplus) or Deficit on Provision of Services:</i>				
		598	(Surplus) or deficit on revaluation of available for sale assets	20			(1,608)
		(17,792)	Other Comprehensive Income and Expenditure				12,671
		(22,506)	Total Comprehensive Income and Expenditure				4,222

Movement in Reserves Statement

	Usable Reserves			Total Usable Reserves	Unusable Reserves	Total Council Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied			
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016	23,268	6,718	796	30,782	38,458	69,240
<u>Movement in Reserves during 2016/17</u>						
Total Comprehensive Income and Expenditure	8,449	-	-	8,449	(12,671)	(4,222)
Adjustments between accounting basis & funding basis under regulations	(7,903)	3,482	2,471	(1,950)	1,950	-
Increase / (Decrease) in 2016/17	546	3,482	2,471	6,499	(10,721)	(4,222)
Balance at 31 March 2017	23,814	10,200	3,267	37,281	27,737	65,018

See Notes 11, 12, and 28

Comparative Year 2015/16 (Restated)

	Usable Reserves			Total Usable Reserves	Unusable Reserves	Total Council Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied			
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2015	19,757	6,124	1,964	27,845	18,889	46,734
<u>Movement in Reserves during 2015/16</u>						
Total Comprehensive Income and Expenditure	4,714	-	-	4,714	17,792	22,506
Adjustments between accounting basis & funding basis under regulations (Note 7)	(1,203)	594	(1,168)	(1,777)	1,777	-
Increase / (Decrease) in 2015/16	3,511	594	(1,168)	2,937	19,569	22,506
Balance at 31 March 2016	23,268	6,718	796	30,782	38,458	69,240

See Notes 11, 12 and 28

Balance Sheet

31 March 2016 £000		Note	31 March 2017 £000
70,444	Property, Plant & Equipment	13/14	72,992
868	Heritage Assets	15	867
30,671	Investment Property	16	33,561
610	Intangible Assets	17	767
1,277	Non-current Assets Held for Sale		1,277
11,827	Long-term Investments	20	15,422
6,073	Long-term Debtors	24	6,018
121,770	Long Term Assets		130,904
23,507	Short-term Investments	20	25,017
52	Inventories		83
6,751	Short-term Debtors	24	9,531
648	Cash and Cash Equivalents		(95)
30,958	Current Assets		34,536
(10,023)	Short-term Creditors	25	(10,034)
(325)	Other Short-term Liabilities	23	(340)
(2,037)	Provisions	26	(956)
(12,385)	Current Liabilities		(11,330)
(6,000)	Long-term Borrowing	20	(6,000)
(4,201)	Other Long-term Liabilities	20/23	(3,861)
(59,140)	Pension Fund Liability	27	(77,550)
(1,762)	Capital Grants Receipts in Advance	7	(1,681)
(71,103)	Long Term Liabilities		(89,092)
69,240	Net Assets		65,018
30,782	Usable Reserves		37,281
38,458	Unusable Reserves	28	27,737
69,240	Total Reserves		65,018

These financial statements replace the unaudited financial statements certified by Chris Fleetham, Corporate Director/S151 Officer on 30th May 2017



Cash Flow Statement

2015/16 £000		2016/17 £000
	<u>Operating Activities:</u>	
14,800	Taxation	14,530
49,567	Grants	46,017
12,468	Sale of Goods and Services & Other receipts	12,155
740	Interest and Dividends Received	858
77,575	Cash Inflows generated from Operating Activities	73,560
(11,890)	Paid to/ on behalf of Employees	(11,866)
(42,292)	Housing Benefit	(40,742)
(13,372)	Paid to Suppliers for Goods and Services	(12,206)
(453)	Interest Paid	(469)
(6,085)	Other Payments	(6,989)
(74,092)	Cash (Outflows) generated from Operating Activities	(72,272)
3,483	Net Cash Inflow (Outflow) from Operating Activities	1,288
	<u>Investing Activities:</u>	
(3,355)	Property, Plant, Equipment, Investment Property, and Intangible Assets	(6,735)
(121,000)	Purchase of Short-Term and Long-Term Investments	(98,000)
(183)	Other Payments for Investing Activities	(387)
4,126	Proceeds from the sale of property	2,392
110,591	Proceeds from sale of Short-Term and Long-Term Investments	94,505
2,988	Other Receipts from Investing Activities	5,397
(6,833)	Net Cash Inflow (Outflow) from Investing Activities	(2,828)
	<u>Financing Activities:</u>	
(346)	Cash payments to reduce outstanding Finance Lease Liabilities	(325)
1,443	Other receipts from Financing Activities	1,122
1,097	Net Cash (Outflow) from Financing Activities	797
(2,253)	Net Increase/(Decrease) in Cash & Cash Equivalents	(743)
2,901	Cash & Cash Equivalents at beginning of reporting period	648
648	Cash & Cash Equivalents at end of reporting period	(95)

Accounting Principles and Policies

General Principles

The Statement of Accounts has been prepared using the going concern basis and historical cost convention, 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 – Available for Sale Assets	Fair value
Heritage Assets	Valuations obtained for insurance
Pension 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)
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
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

Accounting Principles and Policies

Income/ Expense Item	Accounting Basis in CIES	Funding Basis in MIRS	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

There have been no changes to accounting policies. The Council has applied the amendments to the Code's provisions on the presentation of financial statements to reflect changes to the reporting requirements for the CIES and the MIRS along with the introduction of a new Expenditure and Funding Analysis as a result of suggested improvements to the presentation of local authority financial statements following the CIPFA/LASAAC Telling the Story review. The new reporting requirements have been applied retrospectively from 1 April 2016 resulting in restatements of comparative information.

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. This has resulted in recognition of vehicles under Property, Plant & Equipment along with the related liability, and creation of a significant long-term debtor where costs incurred in relation to an operating lease are being amortised.
- 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

Accounting Principles and Policies

options in the short to medium term and therefore the debt has been categorised as long-term borrowing based on their contracted maturity dates.

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 that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. 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 provides the Council with expert advice about the assumptions to be applied. During 2016/17 the actuary advised that the net pension liability increased by £18.41 million due to:

- Changes in financial assumptions and experience being different from that originally assumed by the actuary; and
- Employer contributions paid in the year being lower than the cost of pension obligations measured in accordance with accounting standards.

The effects on the net pension's liability of changes in individual assumptions can be measured, for example: a 0.1% increase in the discount rate assumption would decrease the pension liability by £3.662 million, and a one-year addition to members' average life expectancy would increase the liability by £8.687 million.

Business Rates

Since the introduction of the Business Rate Retention Scheme (BRRS) from 1 April 2013, local authorities are liable for a proportion of successful appeals against business rates charged to businesses in 2016/17 and earlier financial years in their proportionate share. Following a review of outstanding appeals at the Balance Sheet date and experience of settled claims to date, a total provision of £2.35 million (£940,000 attributable to the Council) has been recognised as the best estimate of the amount that businesses have been overcharged up to 31 March 2017. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and the analysis of the outcome of settled appeals to date.

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.

Accounting Principles and Policies

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.

Accruals of Income and Expenditure

Activity is generally accounted for in the year it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents are accounted for as income for the period that the Council provides goods or services, except in the case of local tax recovery costs, car parking penalty charges, and license fees, which are accounted for when cash is received and where the amounts involved, are not material.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are, where material, carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for based on the effective interest rate for the relevant financial instruments rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Recurring annual expenditure is not accrued where these cover a period that cross over financial years provided this does not result in a material difference in the amount accounted in each financial year.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are held for the purpose of settling liabilities in the short-term and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Council Tax and Business Rates

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 council tax and business rates income included in the CIES is the Council's share of the accrued income for year. However, regulations determine that the amount of council tax and business rate income included in the General Fund is restricted to the estimates made prior to the start of the financial year when setting its budget and council tax.

Accounting Principles and Policies

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.

Employee Benefits

Termination Benefits

Termination benefits are charged on an accruals basis to the appropriate service segment (or Corporate Financing segment where they relate to pension enhancements) when the Council is demonstrably committed to the termination of the employment or making an offer to encourage voluntary redundancy.

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 since 1 April 2014 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 discount rate of 2.7% (based on the annualised yield at the 17 year point on the Merrill Lynch AA rated corporate bond curve which reflects 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** - debited 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

Accounting Principles and Policies

Other Comprehensive Income and Expenditure.

- **Contributions paid to the Pension Fund** - not accounted for as an expense.

Fair Value

The Council measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity shares and property holdings in pooled funds, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

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

The Council uses appropriate valuation techniques for each circumstance. Maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

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.

Borrowings and investments are generally carried at their amortised cost. Annual debits and credits to the Financing and Investment Income and Expenditure line in the CIES for interest payable and receivable are based on the carrying amount of the instrument, multiplied by its effective rate of interest. For the instruments that the Council holds, this means that the amount presented in the Balance Sheet is the outstanding principal repayable or receivable (plus accrued interest shown under creditors or debtors); and interest debited/credited to the CIES is the amount payable for the year according to the instrument agreement.

Changes in the fair value of financial assets that have fixed or determinable payments and are not quoted in an active market (loans and receivables) are not recognised in the Balance Sheet as they arise but are debited or credited to the Financing and Investment Income and Expenditure line in the

Accounting Principles and Policies

CIES when the instrument matures or is sold. However, where loans and receivables become impaired the carrying amount of the instrument is written down in the Balance Sheet to the present value of the revised future cash flows discounted at the original effective interest rate and the loss is debited to the Financing and Investment Income and Expenditure line in the CIES.

Changes in the fair value of financial assets that have a quoted market price and/or do not have fixed or determinable payments (available for sale assets) are recognised in the Balance Sheet and balanced by a debit or credit to the Available for Sale Reserve. However, where available for sale assets become impaired the fair value of the instrument is written down in the Balance Sheet to the new fair value (no fixed/determinable payments) or the present value of the revised future cash flows discounted at the original effective interest rate (fixed/determinable payments) and the loss is debited to the Financing and Investment Income and Expenditure line in the CIES (plus any net gain/loss for the instrument accumulated in the Available for Sale Reserve). Gains and losses arising on derecognition are credited/debited to the Financing and Investment Income and Expenditure line, together with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

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.

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.

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.

Accounting Principles and Policies

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 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.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfillment of the arrangement is dependent on the use of specific assets.

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. Premiums paid on entry into a lease are applied to writing down the lease liability. Subsequent 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.

Where the Council grants a finance lease over an item of PPE, the relevant asset is written out of the Balance Sheet as a disposal in accordance with the accounting policy applicable to the disposal of other PPE. Finance leases granted by the Council have been at either a peppercorn or nominal rental, therefore no long-term debtor has been recognised as the amounts would be immaterial – instead lease rentals, where received, are credited directly to the CIES.

Accounting Principles and Policies

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 and not recharged. There are some exceptions where activities are provided to other segments on a trading type basis in which case recharges are shown as expenditure under the segment receiving the service with the corresponding income shown under the segment providing the service. These internal recharges are consolidated in the Corporate Financing segment to reconcile the gross expenditure and income totals for the CIES.

Property, Plant and Equipment (PPE)

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that 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.

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use plus any costs estimated for future dismantling or removal where these latter costs arise because of legal or contractual obligation and a reasonable estimate is possible.

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).

Accounting Principles and Policies

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 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 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, Contingent Liabilities and Contingent Assets

Provisions are charged as an expense to the appropriate service line in the CIES 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. Contingent liabilities and assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

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 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 that there is not a net charge against Council Tax for the expenditure.

Revenue Expenditure Fund 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

Accounting Principles and Policies

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.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Notes to the Accounts

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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.

2016/17

	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	159	22	-	1,865	2,046
Business Solutions	22	64	-	-	86
Community Services	28	30	-	5	63
Corporate Management	-	101	-	-	101
Cultural Services	11	13	-	-	24
Environment	194	106	-	-	300
Finance	(117)	181	-	569	633
Governance	(31)	31	-	-	-
Housing Services	234	54	-	-	288
Human Resources	-	23	-	-	23
Leisure Services	1,236	11	-	-	1,247
Marketing & Communications	-	23	-	-	23
Operations	229	312	-	(18)	523
Sustainable Development	1,515	131	-	-	1,646
Corporate Financing	(3,399)	(2,200)	(2)	3,059	(2,542)
Net Cost of services	81	(1,098)	(2)	5,480	4,461
Other Income and Expenditure	(7,859)	2,178	(1,203)	(5,480)	(12,364)
Total	(7,778)	1,080	(1,205)	-	(7,903)

Notes to the Accounts

2015/16

	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Re- allocation & other items	Total Adjustments
	£000	£000	£000	£000	£000
Asset Management	(630)	29	-	1,727	1,126
Business Solutions	117	71	-	-	188
Community Services	177	40	-	-	217
Corporate Management	-	122	-	-	122
Cultural Services	15	16	-	-	31
Environment	368	144	-	-	512
Finance	(24)	197	-	465	638
Governance	6	41	-	-	47
Housing Services	449	63	-	-	512
Human Resources	-	21	-	-	21
Leisure Services	559	14	-	-	573
Marketing & Communications	-	28	-	-	28
Operations	636	394	-	(76)	954
Sustainable Development	229	149	-	-	378
Corporate Financing	(652)	(2,135)	(18)	2,142	(663)
Net Cost of services	1,250	(806)	(18)	4,258	4,684
Other Income and Expenditure	(3,469)	2,239	(399)	(4,258)	(5,887)
Total	(2,219)	1,433	(417)	-	(1,203)

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>2015/16</u>				<u>2016/17</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	(2,605)	-	-	93	(2,739)	-	-	93
Business Solutions	(27)	-	-	-	(25)	-	-	-
Community Services	(285)	(4)	-	-	(234)	(11)	-	-
Corporate Management Plan	(230)	-	-	-	0	-	-	-
Cultural Services	(92)	-	-	-	(115)	-	-	-
Environment	(881)	(2)	-	-	(844)	(1)	-	-
Finance	(1,894)	(42,766)	(782)	283	(1,575)	(41,270)	(881)	312
Governance	(51)	(53)	-	-	(43)	(49)	-	-
Housing Services	(64)	(2)	-	-	(64)	(3)	-	-
Human Resources	(3)	-	-	-	(16)	-	-	-
Leisure Services	(446)	-	-	-	(737)	-	-	-
Marketing & Communications	(128)	-	-	-	(64)	-	-	-
Operations	(5,417)	(405)	-	505	(5,534)	-	-	389
Sustainable Development	(1,687)	(208)	-	-	(1,305)	(50)	-	-
Corporate Financing	(713)	(2,207)	-	159	(848)	(2,873)	-	159
Net Cost of services	(14,523)	(45,647)	(782)	1,040	(14,143)	(44,257)	(881)	953

Notes to the Accounts

2. Other Operating Expenditure

2015/16		2016/17
£000		£000
36	Change in corporate provision for doubtful debts	2
1,708	Parish and town council precepts	1,820
(467)	(Gains) or losses on the disposal of non-current assets	65
(2,341)	(Gains) from other capital receipts	(4,471)
(1,064)	Total	(2,584)

3. Financing and Investment Income and Expenditure

2015/16		2016/17
£000		£000
2,239	Net interest on the pension net defined liability	2,178
454	Interest payable and similar charges	469
4	Losses on impaired investments	-
(752)	Interest receivable and similar income	(881)
(2,361)	Income & expenditure in relation to investment properties	(2,220)
(416)	Total	(454)

4. Taxation and Non Specific Grant Income

2015/16		2016/17
£000		£000
(9,840)	Council Tax income	(10,338)
(3,370)	Business Rates income (See Note 5)	(4,289)
(5,818)	General government grants	(5,281)
(101)	Capital grants and contributions	(3,429)
(19,129)	Total	(23,337)

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. The Council is also protected under the scheme by a safety net below which retained income cannot fall.

2015/16 £000		2016/17 £000
	Credited to Taxation and Non-Specific Grant Income	
(16,941)	Business Rate income	(17,812)
12,906	Tariff	13,014
665	Payment to Essex Business Rate Pool (net growth levy)	509
(3,370)	Business Rate income	(4,289)
(1,063)	Compensation grants included in general government grants	(805)
(4,433)	Net Retained Income relating to Business Rates	(5,094)
3,165	Baseline funding allocation	3,191
2,928	Safety Net (92.5%)	2,952

Through the Council's participation in the Essex Business Rate Pool, along with ten other Essex local authorities, a greater level of growth has been retained locally.

Notes to the Accounts

6. Subjective analysis of Expenditure and Income

	<u>2015/16</u>			<u>2016/17</u>		
	Net Cost of Services £000	Corporate amounts £000	Total £000	Net Cost of Services £000	Corporate amounts £000	Total £000
<u>Expenditure</u>						
Employee benefit expenses	15,219	2,239	17,458	15,060	2,178	17,238
Housing benefits	42,292	-	42,292	40,742	-	40,742
Other services expenses	11,561	36	11,597	10,597	2	10,599
Depreciation, amortisation and impairment	1,454	-	1,454	3,811	-	3,811
Revenue expenditure funded from capital	1,737	-	1,737	1,362	-	1,362
Interest payments & similar	-	459	459	-	469	469
Investment property expenses	-	277	277	-	317	317
Business rate retention scheme	-	13,571	13,571	-	13,523	13,523
Local precepts	-	1,708	1,708	-	1,820	1,820
Total Expenditure	72,264	18,290	90,554	71,572	18,309	89,881
<u>Income</u>						
Fees, charges and other services income	(12,323)		(12,323)	(11,275)	-	(11,275)
Income and gains from investment properties	-	(2,638)	(2,638)	-	(2,536)	(2,536)
Interest and investment income	-	(752)	(752)	-	(881)	(881)
Income from council tax	-	(9,840)	(9,840)	-	(10,338)	(10,338)
Income from business rates	-	(16,942)	(16,942)	-	(17,812)	(17,812)
Government grants and contributions	(44,046)	(5,919)	(49,965)	(42,371)	(8,710)	(51,081)
Gain on disposal of non-current assets & other gains	-	(2,808)	(2,808)	-	(4,407)	(4,407)
Total Income	(56,369)	(38,899)	(95,268)	(53,646)	(44,684)	(98,330)
Surplus or Deficit on Provision of Services	15,895	(20,609)	(4,714)	17,926	(26,375)	(8,449)

Notes to the Accounts

7. Grant Income

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

2015/16		2016/17
£000		£000
	Credited to Services	
	Government grants:	
42,733	• Housing Benefit and LCTS admin	41,255
27	• Council Tax Reform	-
89	• Other	114
418	• Disabled facilities	730
405	• Recycling Reward Scheme	-
203	• New Burdens - Local Land Charges	15
171	Other contributions	257
44,046		42,371
	Credited to Taxation and Non-Specific Grant	
	Government grants:	
87	• Council Tax Freeze	-
2,102	• New Homes Bonus	2,782
2,556	• Revenue Support	1,603
1,063	• Business Rate Reliefs	805
10	• Other	16
-	• Rural Services Delivery	22
-	• Transition	53
101	Other capital grants and developer contributions	3,429
5,919		8,710
49,965	Total	51,081

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:

2015/16		2016/17
£000		£000
	Grants Receipts in Advance – within Short Term Creditors	
234	Unilateral undertakings	120
123	Developer & other contributions	315
357		435
	Capital Grants Receipts in Advance	
1,735	Developer contributions	1,607
27	Partner contributions	74
1,762		1,681

8. External Audit Costs

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

2015/16		2016/17
£000		£000
60	Fees payable with regard to external audit services	60
10	Fees payable for the certification of grant claims and returns	14
70	Total Fees Payable for the Year	74

9. Members' Allowances and Expenses

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

2015/16		2016/17
£000		£000
229	Basic allowances	223
125	Special responsibility allowances	160
24	Expenses reimbursed	22
378	Total	405

Notes to the Accounts

10. Officers' Remuneration & Exit Packages

Senior Officers 2016/17	Gross salary	Benefits in Kind	Total Remuneration	Contributions to Pension Fund	Total Remuneration including Pension Contributions
	£	£	£	£	£
Chief Executive *	132,502	-	132,502	19,081	151,583
Corporate Director (part-time)	62,518	-	62,518	9,002	71,520
Corporate Director	102,807	-	102,807	14,804	117,611
Corporate Director	102,807	-	102,807	14,804	117,611
Head of Finance	71,880	3,497	75,377	10,351	85,728
Head of Operations	70,689	3,370	74,059	10,179	84,238
Head of Governance	66,685	-	66,685	9,562	76,247
Head of Housing	65,850	-	65,850	9,482	75,332
Head of Environment	65,850	-	65,850	9,482	75,332
Head of Business Solutions	63,489	3,438	66,927	9,142	76,069
Head of Economic Development (left 3/7/16)	16,994	-	16,994	2,447	19,441

* Includes £2,143 of total remuneration relating to Returning Officer duties for elections held during the year

Senior Officers 2015/16	Gross salary	Benefits in Kind	Total Remuneration	Contributions to Pension Fund	Total Remuneration including Pension Contributions
	£	£	£	£	£
Chief Executive *	149,828	-	149,828	21,575	171,403
Corporate Director (part-time)	61,897	-	61,897	8,913	70,810
Corporate Director	99,516	-	99,516	14,330	113,846
Corporate Director	99,516	-	99,516	14,330	113,846
Head of Finance	71,166	2,825	73,991	10,248	84,239
Head of Operations	68,793	2,876	71,669	9,906	81,575
Head of Governance	66,038	-	66,038	9,509	75,547
Head of Housing	65,196	-	65,196	9,388	74,584
Head of Environment	65,196	-	65,196	9,388	74,584
Head of Business Solutions	61,674	2,968	64,642	8,881	73,523
Head of Economic Development	64,038	-	64,038	9,222	73,260

* Includes £23,087 of total remuneration relating to Returning Officer duties for elections held during the year

Notes to the Accounts

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:

2015/16 Number of employees		Remuneration Bands	2016/17 Number of employees	
Total	Left in the year		Total	Left in the year
2	-	£50,000 to £54,999	2	-
4	-	£55,000 to £59,999	5	-
-	-	£60,000 to £64,999	-	-
1	-	£65,000 to £69,999	1	-
7	-	Total	8	-

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	
	2015/16	2016/17	2015/16 £000	2016/17 £000
Up to £20,000	7	1	52	14
£20,001 - £40,000	1	-	23	-
Totals	8	1	75	14

The number of compulsory redundancies in 2016/17 was nil (6 in 2015/16).

Costs include redundancy and other termination payments to the employee, along with any financial strain payments made by the Council to the Pension Fund where the employee has retired early (including under flexible retirement arrangements) and the actuarial reduction in pension payable has been waived by the Council. In 2016/17 employer pension fund contributions included in the cost of exit packages were nil (£6,000 in 2015/16).

Notes to the Accounts

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.

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.

Notes to the Accounts

2016/17

	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	3,701	-	-	(3,701)	Capital Adjustment Account
Amortisation of intangible assets	110	-	-	(110)	
Changes in the fair value of investment properties	(267)	-	-	267	
Revenue expenditure funded from capital under statute	627	-	-	(627)	
Net gain/ loss on disposal of non-current assets & from other receipts	(4,351)	4,467	-	(116)	
Capital grants and contributions	(3,242)	-	2,719	523	
Provision for repayment of debt	(484)	-	-	484	
Capital expenditure charged to revenue	(3,872)	-	-	3,872	
Capital Adjustments	(7,778)	4,467	2,719	592	
Use of capital receipts reserve to finance capital expenditure	-	(1,000)	-	1,000	Capital Adjustment Account
Use of capital grants to finance capital expenditure	-	-	(248)	248	
Repayment of capital loans and mortgages	-	15	-	(15)	Deferred Capital Receipts Reserve
Financing Adjustments	-	(985)	(248)	1,233	
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on provision of services	4,783	-	-	(4,783)	Pension Reserve
Employer's contributions to the Essex Pension Fund	(3,703)	-	-	3,703	
Pension Adjustments	1,080	-	-	(1,080)	
Council Tax and Business Rates	(1,203)	-	-	1,203	Collection Fund Adjustment Account
Accrued officer leave	(2)	-	-	2	Accumulated Absences Account
Other Adjustments	(1,205)	-	-	1,205	
Total Adjustments between Accounting Basis and Funding Basis	(7,903)	3,482	2,471	1,950	

Notes to the Accounts

2015/16 (Restated)

	Usable Reserves			Movement in Unusable Reserves	Relevant Unusable Reserve
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account		
	£000	£000	£000		
Depreciation and revaluation losses	1,341	-	-	(1,341)	Capital Adjustment Account
Amortisation of intangible assets	114	-	-	(114)	
Changes in the fair value of investment properties	(561)	-	-	561	
Revenue expenditure funded from capital under statute	1,189	-	-	(1,189)	
Net gain/ loss on disposal of non-current assets & from other receipts	(2,786)	2,868	-	(82)	
Capital grants and contributions	(122)	-	-	122	
Provision for repayment of debt	(505)	-	-	505	
Capital expenditure charged to revenue	(889)	-	-	889	
Capital Adjustments	(2,219)	2,868	-	(649)	
Use of capital receipts reserve to finance capital expenditure	-	(2,288)	-	2,288	Capital Adjustment Account
Use of capital grants to finance capital expenditure	-	-	(1,168)	1,168	Deferred Capital Receipts Reserve
Repayment of capital loans and mortgages	-	14	-	(14)	
Financing Adjustments	-	(2,274)	(1,168)	3,442	
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on provision of services	5,071	-	-	(5,071)	Pension Reserve
Employer's contributions to the Essex Pension Fund	(3,638)	-	-	3,638	
Pension Adjustments	1,433	-	-	(1,433)	
Council Tax and Business Rates	(399)	-	-	399	Collection Fund Adjustment Account
Accrued officer leave	(18)	-	-	18	Accumulated Absences Account
Other Adjustments	(417)	-	-	417	
Total Adjustments between Accounting Basis and Funding Basis	(1,203)	594	(1,168)	1,777	

Notes to the Accounts

12. General Fund Balance - Earmarked Reserves

	Balance 31-Mar-15	Transfers Out 2015/16	Transfers In 2015/16	Balance 31-Mar-16	Transfers Out 2016/17	Transfers In 2016/17	Balance 31-Mar-17
	£000	£000	£000	£000	£000	£000	£000
Capital investment:							
Capital reserve (general)	1,496	(305)	50	1,241	(135)	11	1,117
District Investment Strategy	-	-	-	-	(2,749)	12,242	9,493
Financial systems replacement	80	-	-	80	(11)	-	69
Vehicle replacement	345	-	98	443	(291)	304	456
Plant replacement	45	(60)	15	-	-	41	41
New Homes Bonus	3,177	(546)	2,102	4,733	(7,401)	2,782	114
Discovery Centre All Weather Pitch	77	-	20	97	-	19	116
Opportunity Purchase Fund	-	-	500	500	(493)	-	7
ICT	118	-	-	118	-	80	198
	5,338	(911)	2,785	7,212	(11,080)	15,479	11,611
Risk Management:							
Insurance & Risk Management	104	(51)	-	53	-	-	53
Treasury Management	276	-	139	415	-	154	569
Business Rate Retention Scheme	629	(272)	282	639	(651)	631	619
	1,009	(323)	421	1,107	(651)	785	1,241
Service Reserves:							
Community projects	133	(23)	-	110	(4)	-	106
Elections	254	(103)	-	151	(10)	41	182
Business Development	277	(25)	-	252	(34)	-	218
Modern Apprenticeships	84	-	8	92	(29)	-	63
Green Heart of Essex	60	(24)	-	36	(2)	18	52
Commuted Maintenance	438	(68)	12	382	(93)	199	488
Unilateral Undertakings	305	(24)	2	283	(76)	205	412
Community Grants scheme	161	(161)	-	-	-	143	143
Procurement Hub	130	-	9	139	(37)	-	102
Discretionary Business Rate Relief	100	(17)	-	83	(15)	-	68
Local Plan	99	(184)	490	405	(78)	27	354
Community Infrastructure Levy	100	-	-	100	-	-	100

Notes to the Accounts

	Balance 31-Mar-15	Transfers Out 2015/16	Transfers In 2015/16	Balance 31-Mar-16	Transfers Out 2016/17	Transfers In 2016/17	Balance 31-Mar-17
	£000	£000	£000	£000	£000	£000	£000
Housing Welfare Reforms	150	-	-	150	(72)	-	78
Local Council Tax Support	113	(46)	73	140	-	76	216
Leisure	688	(59)	-	629	(157)	295	767
Member support & development	95	(56)	-	39	(5)	-	34
Planned maintenance (Revenue)	54	-	14	68	-	5	73
Essex Building Control project	55	(55)	-	-	-	-	-
Greater Essex Devolution project	60	(12)	-	48	(48)	-	-
Recycling Reward scheme	491	(147)	-	344	(185)	-	159
Flooding Relief	96	(20)	-	76	(55)	-	21
Benefits Overpaid and Adpens	985	(9)	34	1,010	(78)	-	932
Marketing & Communications	32	(6)	35	61	(10)	1	52
Planning Appeals	-	-	300	300	(103)	-	197
Business Investment Fund	-	-	500	500	-	-	500
Pension Contributions reserve	-	-	-	-	-	2,822	2,822
Public Health Agenda	23	(22)	19	20	-	65	85
Other reserves less than £50k	286	(81)	9	214	(41)	24	197
Approved budget carry forwards	175	(108)	547	614	(342)	5	277
	5,444	(1,250)	2,052	6,246	(1,474)	3,926	8,698
Change Management:							
Management training & organisational development	27	-	22	49	(6)	2	45
Corporate Improvement Programme	55	(36)	214	233	(89)	39	183
Redundancy/ retirements	55	(94)	39	-	-	-	-
	137	(130)	275	282	(95)	41	228
Total Earmarked Reserves	11,928	(2,614)	5,533	14,847	(13,300)	20,231	21,778

Notes to the Accounts

The Purpose of each category of earmarked reserve:

Capital Investment: includes a range of reserves established from revenue to provide finance for capital projects. Included within this category is funding set aside by the Council for its District Investment Strategy where spending on infrastructure and economic projects are planned in support of the Council's strategic growth ambitions.

Risk Management: funding for irregular or unknown risk management related matters, including spending on pro-active and responsive health & safety measures, emergency planning, and self-insurance. A reserve is maintained to manage the fluctuations in interest rates and their impact on investment returns, as well as a reserve for recognising timing differences for items accounted for under the Business Rate Retention Scheme.

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.

Notes to the Accounts

13. Property, Plant and Equipment

	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 2016	273	51,889	12,157	5,833	2,220	7,229	1,266	80,867
Additions	-	275	2,174	554	26	77	170	3,276
Transfers and reclassifications	-	128	206	-	21	(20)	(332)	3
Revaluations	39	808	-	-	-	-	-	847
Disposals	-	(70)	(1,785)	-	-	-	-	(1,855)
At 31 March 2017	312	53,030	12,752	6,387	2,267	7,286	1,104	83,138
Accumulated Depreciation and Impairment								
At 1 April 2016	-	(174)	(7,039)	(3,135)	(75)	-	-	(10,423)
Depreciation charge	(4)	(1,801)	(1,012)	(192)	(6)	-	-	(3,015)
Transfers and reclassifications	-	-	-	-	-	-	-	-
Write out of depreciation on revaluation	4	1,718	-	-	-	-	-	1,722
Impairments	-	-	-	-	-	-	(203)	(203)
Disposals	-	3	1,770	-	-	-	-	1,773
At 31 March 2017	-	(254)	(6,281)	(3,327)	(81)	-	(203)	(10,146)
Net Book Value:								
At 31 March 2017	312	52,776	6,471	3,060	2,186	7,286	901	72,992
At 31 March 2016	273	51,715	5,118	2,698	2,145	7,229	1,266	70,444

Notes to the Accounts

Comparative Movements in 2015/16

	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 2015	257	46,945	11,992	5,357	2,266	427	1,329	68,573
Additions	-	443	735	476	-	73	1,412	3,139
Transfers and reclassifications	-	1,679	-	-	(46)	171	(1,475)	329
Revaluations	16	3,477	-	-	-	6,558	-	10,051
Disposals	-	(655)	(570)	-	-	-	-	(1,225)
At 31 March 2016	273	51,889	12,157	5,833	2,220	7,229	1,266	80,867
Accumulated Depreciation and Impairment								
At 1 April 2015	-	(922)	(6,449)	(2,957)	(69)	-	-	(10,397)
Depreciation charge	(3)	(1,693)	(1,086)	(178)	(6)	-	-	(2,966)
Transfers and reclassifications	-	-	-	-	-	-	-	-
Write out of depreciation on revaluation	3	1,795	-	-	-	-	-	1,798
Disposals	-	646	496	-	-	-	-	1,142
At 31 March 2016	-	(174)	(7,039)	(3,135)	(75)	-	-	(10,423)
Net Book Value:								
At 31 March 2016	273	51,715	5,118	2,698	2,145	7,229	1,266	70,444
At 31 March 2015	257	46,023	5,543	2,400	2,197	427	1,329	58,176

Depreciation

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

Council Dwellings	60 years
Other Land and Buildings	20 to 60 years
Vehicles, Plant, and Equipment	3 to 20 years
Infrastructure	15 to 30 years
Community Assets	10 to 50 years

Effects of Changes in Estimates

There were no material changes to the accounting estimates during the year.

Notes to the Accounts

Revaluations

Valuations of land and buildings are undertaken by an external firm, Wilkes Head & Eve LLP, and 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 2017. 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	-	389	12,752	-	13,141
Valued at Fair Value as at:					
31-Mar-11	-	147	-	-	147
31-Mar-12	-	-	-	-	-
31-Mar-13	-	-	-	-	-
31-Mar-14	-	-	-	-	-
31-Mar-15	-	-	-	-	-
31-Mar-16	-	3,723	-	7,286	11,009
31-Mar-17	312	48,771	-	-	49,083
Total Cost or Valuation	312	53,030	12,752	7,286	73,380

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.

14. Impairment Losses on Property, Plant and Equipment

The Council has assessed that the carrying value of assets under construction should be reduced by £203,000 to reflect the fact that some expenditure incurred in prior years is no longer directly relevant to the latest scheme approved for the planned redevelopment of the Braintree town centre. There were no other impairments to PPE or intangible assets during the year arising from events other than a change in fair values.

Notes to the Accounts

15. Heritage Assets

The Council's Heritage Assets reported on the Balance Sheet comprise elements of the Museum collection (i.e. ceramics, art, archaeology and social history), civic regalia, and a small number of historic buildings and monuments. There have been no additions or disposals to Heritage Assets in either the current or previous years. At the 31 March 2017, the Gross Carrying Value was £884,000 and after allowing for Accumulated Depreciation of £17,000 (after charging £1,000 in the year), left a Net Book Value of £867,000. (The equivalent figures for 31 March 2016 were: Gross Carrying Value £884,000; Accumulated Depreciation £16,000; and a Net Book Value of £868,000).

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 building 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 ceremonials it continues to be reported under PPE. At the Balance Sheet date the Gross Carrying Value of this asset was £649,000 (£635,000 at 31 March 2016).

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 properties amounted to £2.270 million in the year (£2.077 million in 2015/16), and related expenses incurred were £317,000 (£277,000 in 2015/16) resulting in a net gain of £1.953 million (£1.800 million in 2015/16). An unrealised gain of £267,000 (£561,000 in 2015/16) was also made due to a change in the fair values of the properties.

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 the fair value of investment properties over the year:

2015/16		2016/17
£000		£000
30,354	Balance at 1 April	30,671
85	Additions	1,933
-	- Enhancement expenditure	819
-	- Disposals	-
(329)	Category transfer	(129)
561	Net gains/(losses) from fair value adjustments	267
30,671	Balance at 31 March	33,561

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

The fair value of investment property 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 for investment properties.

In estimating the fair value of the Council's investment properties, 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 balances during the year is as follows:

2015/16		2016/17
£000		£000
	Balance at 1 April:	
1,886	Gross carrying amounts	2,052
(1,328)	Accumulated amortisation	(1,442)
558	Net carrying amount at 1 April	610
166	Additions and enhancements	175
-	- Disposals - gross value	(496)
-	- Disposals - accumulated amortisation	462
-	- Transfers and reclassifications	126
(114)	Amortisation for the period	(110)
610	Net carrying amount at 31 March	767
	Comprising:	
2,052	Gross carrying amounts	1,858
(1,442)	Accumulated amortisation	(1,091)
610		767

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.

2015/16 £000		2016/17 £000
8,823	Opening Capital Financing Requirement	8,429
	Capital Investment:	
3,139	Property, plant and equipment	3,276
85	Investment properties	2,752
166	Intangible assets	175
1,189	Revenue expenditure funded from capital under statute	627
4,579		6,830
	Sources of Finance:	
(2,288)	Capital receipts	(1,000)
(1,290)	Government grants and other contributions	(771)
(889)	Sums set aside from revenue (including earmarked reserves)	(3,872)
(505)	Minimum revenue provision	(484)
(4,972)		(6,127)
(1)	Change in long-term debtors	(2)
8,429	Closing Capital Financing Requirement	9,130
	Explanation of movements in the year:	
111	Increase in the underlying need to borrow	1,185
(505)	Minimum revenue provision	(484)
(394)	Increase (Reduction) in Capital Financing Requirement	701

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 £1.917 million (£657,000 million at 31 March 2016), including £157,000 in respect of disabled facilities grants that whilst approved had not yet been claimed.

Notes to the Accounts

20. Financial Instruments

Income, Expense, Gains and Losses on Financial Instruments

2015/16	Financial Liabilities Amortised cost £000	Financial Assets Loans & Receivables £000	Financial Assets Available for Sale £000	2016/17 Total £000
454 Interest expense	469	-	-	469
- Change in impairment provisions for trade receivables and other debtors	-	4	-	4
6 Loss on derecognition	-	-	-	-
460 Total expense in Surplus or Deficit on the Provision of Services	469	4	-	473
(178) Investment interest	-	(112)	(68)	(180)
(509) Investment dividends	-	-	(602)	(602)
(5) Change in carrying value of impaired asset	-	-	-	-
(62) Other interest income	-	(99)	-	(99)
(13) Change in impairment provisions for trade receivables and other debtors	-	-	-	-
(767) Total income in Surplus or Deficit on the Provision of Services	-	(211)	(670)	(881)
598 (Gain) or Loss on revaluation of Financial Assets in Other Comprehensive Income and Expenditure	-	-	(1,608)	(1,608)
291 Net (Gain) or Loss for the year	469	(208)	(2,278)	(2,017)

Notes to the Accounts

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

	Long-Term		Current	
	31-Mar-16 £000	31-Mar-17 £000	31-Mar-16 £000	31-Mar-17 £000
Financial Assets				
Investments				
Loans and receivables:				
Principal	-	-	12,000	16,000
Accrued interest*	-	-	6	21
Impaired deposits	9	-	9	15
Available for Sale investments:				
Money Market Funds	-	-	11,498	9,002
Equity and property funds	11,818	15,422	-	-
Accrued interest and dividends*	-	-	112	127
Total Investments	11,827	15,422	23,625	25,165
Debtors				
Loans and receivables:				
Trade receivables and other debtors	-	-	3,819	5,757
Loans made for service purposes	2,187	2,374	1	2
Accrued interest	2	-	19	24
Total Debtors	2,189	2,374	3,839	5,783
Cash and Cash Equivalents				
Loans and receivables:				
Cash and bank accounts	-	-	648	(95)
Cash equivalents at amortised cost	-	-	-	-
Accrued interest	-	-	15	-
Total Cash and Cash Equivalents	-	-	663	(95)
Total Financial Assets	14,016	17,796	28,127	30,853

* Shown under Short-term Debtors in the Balance Sheet

The Balance Sheet includes £3.644 million (31 March 2016 £3.884 million) of Long-term Debtors and £3.602 million (31 March 2016 £2.781 million) of Short-term Debtors that do not meet the definition of a financial asset.

Notes to the Accounts

	Long-term		Current	
	31-Mar-16 £000	31-Mar-17 £000	31-Mar-16 £000	31-Mar-17 £000
Financial Liabilities				
Borrowings				
Loans at amortised cost:				
Principal sum borrowed	6,000	6,000	-	-
Accrued interest*	-	-	8	8
Total Borrowings	6,000	6,000	8	8
Other Long-term Liabilities				
Liabilities at amortised cost:				
Finance leases	3,201	2,861	-	-
Repayable advances	1,000	1,000	-	-
Accrued interest*	-	-	7	7
Total Other Long-term Liabilities	4,201	3,861	7	7
Creditors				
Liabilities at amortised cost:				
Trade payables and other creditors	-	-	2,842	2,587
Total Creditors	-	-	2,842	2,587
Other Short-term Liabilities				
Liabilities at amortised cost:				
Finance leases	-	-	325	340
Total Other Short-term Liabilities	-	-	325	340
Total Financial Liabilities	10,201	9,861	3,182	2,942

* Shown under Short-term Creditors in the Balance Sheet

The Balance Sheet total for Short-term Creditors includes £7.432 million (31 March 2016 £7.166 million) of items that do not meet the definition of a financial liability.

21. Fair Value of Financial Assets and Liabilities

Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For money market funds and other pooled funds, the fair value is taken from the quoted market price.

Financial assets classified as loans and receivables and all financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at the 31 March, using the following methods and assumptions:

Notes to the Accounts

- * Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans. “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 other long-term loans have been discounted at the market rate for similar instruments with similar remaining terms to maturity on 31 March.
- * 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.
- * The fair value of short-term instruments, including trade payables and receivables is assumed to approximate to the carrying value.

Fair values are shown in the tables below, split by their level in the fair value hierarchy.

	31-Mar-16		31-Mar-17		
	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	11,501	11,501	9,004	9,004
Equity and Property Funds	1	11,818	11,818	15,422	15,422
Impaired deposits	2	19	19	15	15
Financial Assets held at amortised cost:					
Long Term Loans	2	2,204	2,288	2,394	2,536
Total		25,542	25,626	26,835	26,977
Assets for which fair value is not disclosed		16,601		21,814	
Total Financial Assets		42,143		48,649	
<i>Recorded on the Balance Sheet as:</i>					
Long-term Investments		11,827		15,422	
Long-term Debtors		2,189		2,374	
Short-term Investments		23,507		25,017	
Short-term Debtors		3,972		5,931	
Cash and Cash Equivalents		648		(95)	
Total Financial Assets		42,143		48,649	

* Carrying value includes accrued interest

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Notes to the Accounts

	31-Mar-16		31-Mar-17		
	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	8,520	6,008	9,400
Other Long-term liability	2	1,007	1,059	1,007	1,079
Lease Payables	2	3,526	4,147	3,201	4,395
Total		10,541	13,726	10,216	14,874
Liabilities for which fair value is not disclosed		3,196		2,587	
Total Financial Liabilities		13,737		12,803	
<i>Recorded on the Balance Sheet as:</i>					
Short-term Creditors		3,211		2,602	
Other Short-term Liabilities		325		340	
Long-term Borrowing		6,000		6,000	
Other Long-term Liabilities		4,201		3,861	
Total Financial Liabilities		13,737		12,803	

* Carrying value includes accrued interest

The fair value of financial liabilities is higher than the carrying amount because the Council's loans comprise market debt and long term liabilities that are currently at a rate of interest 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. A Treasury Management Strategy Statement (TMSS) is approved annually by the Council as part of its annual Budget and Council Tax setting, further details of which can be found on the Council's website at www.braintree.gov.uk.

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

Credit Risk

The possibility that a counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council. Credit risk arises from deposits and investments with banks and financial institutions, as well as credit exposures to the Council's customers.

Notes to the Accounts

The Council manages credit risk 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). No more than £15 million in total can be invested for a period longer than a year (this includes the equity and property pooled funds which although can be accessed at relatively short notice, are intended to be held by the Council for longer than a year). 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 risk associated with collection of service debtors is managed and controlled by a central Income and Recovery Section in conjunction with appointed external collection agencies.

The following analysis summarises the Council's exposure to credit risk at the balance sheet date:

31-Mar-16		Principal	Accrued interest & dividends	Unrealised Gain/ (loss)	31-Mar-17
£000		£000	£000	£000	£000
11,927	Equity and property funds	14,000	126	1,422	15,548
2,014	Long-term deposit held with Lloyds for LAMS	2,000	14	-	2,014
12,006	Deposits with UK and non-UK banks and building societies meeting the Council's credit criteria	10,000	19	-	10,019
	Deposits with other local authorities	6,000	1		6,001
7,503	Money Market Funds (Constant Net Asset Value)	5,000	2		5,002
3,998	Money Market Funds (Variable Net Asset Value)	4,000	-	2	4,002
37,448	Sub-Total Investments	41,000	162	1,424	42,586
19	Impaired deposits	15	-	-	15
19	Sub-Total Impaired Deposits	15	-	-	15
4,013	Long-term loans, trade receivables and other debtors	6,133	10	-	6,143
4,013	Sub-Total Debtors	6,133	10	-	6,143
15	Call account with UK bank meeting the Council's credit criteria	-	-	-	-
647	Cash held with own bank	(96)	-	-	(96)
1	Cash floats	1	-	-	1
663	Sub-Total Cash & Cash Equivalents	(95)	-	-	(95)
42,143	Total Exposure	47,053	172	1,424	48,649

Notes to the Accounts

The Council entered into a Local Authority Mortgage Scheme (LAMS) with Lloyds TSB Bank Plc (Lloyds) in 2013, which gives a limited Council-funded indemnity on mortgages provided to first time buyers within the district. The indemnity is cash-backed by means of a £2 million deposit with Lloyds. Essex County Council (ECC) is a partner to the scheme and has provided £1 million towards the advance. During the period of the LAMS (likely to be between 5-7 years), interest is receivable on the deposit which includes a premium rate to reflect the risk of any potential default by mortgagees. Interest receivable and risks arising from the scheme are shared equally with the County Council. Since July 2016 the scheme was closed to new applicants. At the end of the scheme the Council expects to receive a repayment of the advance from which it will repay ECC its share.

The Council managed its investments within its approved credit limits. The Council does not expect any losses from non-performance.

Debtors include a total of £760,000 of trade receivables (£886,000 million at 31 March 2016). The amount can be analysed by age of debt as follows:

31-Mar-16	Aged debt analysis	31-Mar-17
£000		£000
591	Less than 3 months	504
36	Three to six months	15
48	Six months to one year	56
211	More than one year	185
886	Total due at 31 March	760

A provision of £242,000 (£238,000 at March 2016) has been made against non-collection of these debts.

During the reporting period, the Council did not hold any collateral as security.

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 had to be 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 25 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 to meet any short-term cash requirement.

The Council has £14 million invested across four pooled funds – three equity funds and one property fund. It is intended that these investments will be held for the medium-long term; however, the funds do allow the Council to withdraw its money at any time subject to normal settlement terms (e.g. transaction date plus 3 days). 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.

Notes to the Accounts

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 the changes in the market level of interest rates that influence the level of investment returns.

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 market loans	-
Increase in interest receivable on variable rate investments – based on the average amount invested during the year of £51.75 million	(518)
Impact on the Surplus or Deficit on the Provision of Services	(518)

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

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

Notes to the Accounts

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 would result in a £148,000 charge to the CIES – this would have no impact on the General Fund balances until the investment was sold.

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 £11 million. A 5% fall in share prices would result in a £623,000 charge to the CIES – this would have no impact on the Council's General Fund balances until the investments are sold.

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-16		31-Mar-17
£000		£000
1,382	PPE – Vehicles & plant	1,045
1,310	Investment property	1,330
2,692	Total Carrying Value	2,375

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-16		31-Mar-17
£000		£000
	Finance lease liabilities (net present value of minimum lease payments):	
325	• Current	340
3,201	• Non-current	2,861
6,521	Finance costs payable in future years	6,365
10,047	Total Minimum Lease Payments	9,566

Notes to the Accounts

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

	Minimum Lease Payments		Finance Lease Payments	
	31-Mar-16 £000	31-Mar-17 £000	31-Mar-16 £000	31-Mar-17 £000
Not later than one year	481	481	325	340
Over one year but not later than five years	1,700	1,374	1,222	945
Later than five years	7,866	7,711	1,979	1,916
	10,047	9,566	3,526	3,201

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 Council has a number of significant lease arrangements:

- * A lease for Mayland House for a period of 15 years commencing from January 2013. After allowing for lease incentive payments and costs, the total minimum lease payments to be received by the Council over the term total £7.3 million.
- * A lease for 850 The Crescent, Colchester Business Park which at the time of acquisition was leased to a third party with a remaining term of 14 years resulting in total minimum lease payments to be received by the Council of £4.06 million.
- * A lease to allow Essex County Council (ECC) to share office space within Causeway House was completed in June 2012 which had a term of 15 years, subject to a break clause after 5 years which has been exercised. The total minimum lease payments, after deduction of costs, totals £595,000 for the first five years. In addition, ECC pay a share of the running costs of the building. A new lease arrangement comes into effect from June 2017.
- * A lease for Part of Block B, Church Lane, Bocking, Braintree commenced on 13 October 2016 for an initial term of 15 years subject to a break clause at year 10 (2026), and five yearly upward only rent reviews. The total minimum lease payments receivable by the Council is £1.398 million.

Notes to the Accounts

The future minimum lease rentals receivable under the remaining non-cancellable term of the above leases are:

31-Mar-16		31-Mar-17
£000		£000
896	Not later than one year	940
3,130	Later than one year and not later than five years	3,665
5,475	Later than five years	5,335
9,501		9,940

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-16		31-Mar-17
£000		£000
116	Not later than one year	102
260	Later than one year and not later than five years	189
1,001	Later than five years	970
1,377		1,261

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 £993,000 (£1.008 million at 31 March 2016).

Expenditure charged to services in the CIES relating to these leases was £95,000 in the year (£172,000 in 2015/16), with £15,500 of income being received under a sub-lease (£15,500 in 2015/16).

Notes to the Accounts

24. Long and Short-term Debtors

31-Mar-16		31-Mar-17
£000		£000
3,884	Deferred income from property leases	3,644
2,189	Mortgages & other advances	2,374
6,073	Total Long-term Debtors	6,018

31-Mar-16		31-Mar-17
£000		£000
393	Central government bodies	777
707	Essex County Council	731
34	Other local authorities	99
	Other entities and individuals:	
616	• Council Tax & business rate payers	453
1,010	• Housing Benefit overpayments & penalties	932
152	• Accrued interest	172
648	• Trade receivables	518
236	• Deferred income from property leases	240
2,955	• Other debtors and prepayments	5,609
6,751	Total Short-term Debtors	9,531

Notes to the Accounts

25. Short-term Creditors

31-Mar-16		31-Mar-17
£000		£000
3,460	Central government bodies	2,990
2,912	Essex County Council	3,276
606	Other local authorities	666
	Other entities and individuals:	
315	• Council tax & business rates prepaid	370
8	• Accrued interest	8
520	• Supplier creditors	215
2,202	• Other creditors and receipts in advance	2,509
10,023	Total Short-term Creditors	10,034

26. Provisions

	Business Rate Appeals £000	Other Provisions £000	Total £000
Balance at 1 April 2016	1,896	141	2,037
Additional provisions made in the year	-	14	14
Amounts used in the year	(678)	(116)	(794)
Provision reversed	(278)	(23)	(301)
Balance at 31 March 2017	940	16	956

Notes to the Accounts

27. 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:

2015/16 £000		2016/17 £000
	<u>Comprehensive Income & Expenditure Statement</u>	
	Service cost included within the Cost of Services	
2,774	Current service cost	2,545
-	Past service costs (including curtailments)	9
-	Gain from settlements	-
58	Administration expenses	51
	Financing and Investment Income and Expenditure	
2,239	Net interest expense	2,178
5,071	Post-employment Benefits Charged to Surplus or Deficit on the Provision of Services	4,783
	Re-measurement of the Net Defined Benefit Liability comprising:	
1,313	Return on assets excluding amounts included in the net interest	(18,850)
-	Actuarial (gains) arising on changes in demographic assumptions	(4,777)
(9,099)	Actuarial (gains) and losses arising on changes in financial assumptions	36,861
(278)	Experience and other (gains) and losses	4,101
(8,064)	Re-measurements recognised in Other Comprehensive Income	17,335
(2,993)	Total Post Employment-Benefits Charged to the CIES	22,118
	<u>Movement in Reserves Statement</u>	
(5,071)	Reversal of the net charge made to the Surplus or Deficit for the Provision of Services for Post-employment benefits in accordance with the Code	(4,783)
3,638	Employer's contributions payable to the scheme charged against the General Fund balance	3,703

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:

2015/16 £000		2016/17 £000
120,452	Fair value of employer assets	142,428
(169,826)	Present value of funded liabilities	(210,109)
(9,766)	Present value of unfunded liabilities	(9,869)
(59,140)	Net Liability	(77,550)

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Opening balance at 1 April	174,905	169,826	10,623	9,766
Current service cost	2,774	2,545	-	-
Interest cost	6,033	6,365	361	360
Contributions from scheme participants	694	696	-	-
<i>Re-measurement (gains) and losses:</i>				
Changes in demographic assumptions	-	(4,352)	-	(425)
Changes in financial assumptions	(8,782)	35,760	(317)	1,101
Experience (gain) or loss	-	4,670	(278)	(320)
Past service cost	-	9	-	-
Benefits paid	(5,798)	(5,410)	(623)	(613)
Closing balance at 31 March	169,826	210,109	9,766	9,869

Notes to the Accounts

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

2015/16 £000		2016/17 £000
119,751	Opening fair value of scheme assets	120,452
4,155	Interest income	4,547
	<i>Re-measurement gain/ (loss):</i>	
(1,313)	Return on assets less interest	18,850
-	Other actuarial gains/ (losses)	249
(58)	Administration expenses	(51)
3,644	Contributions from employer*	3,708
694	Contributions from employees	696
(6,421)	Benefits paid	(6,023)
120,452	Closing balance at 31 March	142,428

* 2016/17 includes £5,000 settlement of creditor in respect of amount charged against the General Fund balance in 2015/16

Pension scheme assets:

31-Mar-16			31-Mar-17	
Fair value £000	% of Total		Fair value £000	% of Total
81,525	68%	Equities	97,281	68%
3,551	3%	Gilts	5,389	4%
5,781	5%	Other bonds	5,789	4%
14,344	12%	Property	13,856	10%
3,913	3%	Cash	4,287	3%
5,355	4%	Alternative assets	9,499	7%
5,983	5%	Other managed funds	6,327	4%
120,452	100%		142,428	100%

At the 31 March 2017, 77.2% (72.8% 31 March 2016) 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:

<u>31-Mar-16</u>		<u>31-Mar-17</u>
	Financial assumptions:	
3.40%	Rate of RPI inflation	3.50%
2.50%	Rate of CPI inflation	2.60%
4.30%	Rate of increase in salaries	4.10%
2.50%	Rate of increase in pensions	2.60%
3.80%	Rate for discounting liabilities	2.70%
	Longevity from age 65 (years):	
25.2 (27.7)	Male (female) Retiring in 20 years	24.3 (26.9)
22.9 (25.3)	Male (female) Retiring today	22.1 (24.6)

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 2017	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	-1.66%	-3,662
0.1% increase in long term salary increase	0.23%	503
0.1% increase in pension increases and deferred revaluation	1.47%	3,224
1 year increase in member life expectancy	3.95%	8,687

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 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 £77.55 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 (previously 14.4%), topped up with a single additional payment of £4.233 million to be made in April 2017. This is based on an overall deficit recovery period of 10.5 years (a reduction from the 14-year period used at the 2013 review). The total contribution expected to be paid by the Council to the Pension Fund for the year to 31 March 2018 is £6.669 million, followed by payments of around £2.5 million in both 2018/19 and 2019/20, after which a further review of the Fund will have been carried out.

Notes to the Accounts

28. Unusable Reserves

31-Mar-16		31-Mar-17
£000		£000
23,010	Revaluation Reserve	25,383
74,484	Capital Adjustment Account	77,002
99	Deferred Capital Receipts	84
(59,140)	Pensions Reserve	(77,550)
(184)	Available for Sale Reserve	1,424
330	Collection Fund Adjustment Account	1,533
(141)	Accumulating Absences Account	(139)
38,458	Total Unusable Reserves	27,737

Revaluation Reserve

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

2015/16		2016/17	
£000		£000	£000
13,281	Balance at 1 April		23,010
10,665	Upward revaluation of assets	3,450	
(345)	Downward revaluation of assets and impairment losses	(399)	
10,320	Surplus on revaluation of non-current assets not posted to Surplus/ Deficit on the Provision of Services		3,051
(514)	Difference between fair value depreciation and historical cost depreciation	(662)	
(77)	Accumulated gains on assets disposed	(16)	
(591)	Amount written off to the Capital Adjustment Account		(678)
23,010	Balance at 31 March		25,383

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.

2015/16		2016/17	
£000		£000	£000
71,086	Balance at 1 April		74,484
	Reversal of items relating to capital expenditure debited or credited to the CIES:		
(1,341)	• Depreciation and impairment of non-current assets	(3,701)	
(114)	• Amortisation of intangible assets	(110)	
(1,189)	• Revenue expenditure funded from capital under statute	(627)	
(82)	• Amounts of Non-current assets written off on disposal	(116)	
<u>(2,726)</u>		<u>(4,554)</u>	
591	Adjusting amounts written out of the Revaluation Reserve	678	
(2,135)	Net written out amount of the cost of non-current assets consumed in the year		(3,876)
	Capital financing applied in the year:		
2,288	• Capital Receipts	1,000	
1,169	• Grants and contributions received and applied in the year	523	
121	• Capital Grants Unapplied Account	248	
505	• Minimum revenue provision	484	
889	• Capital expenditure charged to revenue	3,872	
<u>4,972</u>		<u>6,127</u>	
561	Movements in the market value of Investment Properties		267
74,484	Balance at 31 March		77,002

Notes to the Accounts

29.Related Party Transactions

The Council is required to disclose material transactions with related parties – 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 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 on which the Council has nominated representatives:

The Braintree District Museum and Study Centre Trust (“the Museum Trust”) amounting to £254,278 (£274,374 in 2015/16); and Ignite Business Enterprise Ltd (“Ignite”) for £25 (£859 in 2015/16). Ignite paid the Council rental income for the year of £15,000 (£15,000 in 2015/16) and other income of £1,617 (£3,865 in 2015/16). The Council also leases the Braintree Enterprise Centre to Ignite for the purpose of providing business starter units and other related business support services on a lease arrangement which effectively means no rent is currently payable.

At the Balance Sheet date an amount of £39,326 including £4,326 of capitalised interest (£37,100 in 2015/16) had been loaned to the Warner Textiles Ltd, a subsidiary of the Museum Trust.

An amount of £116,925 was owed by the Museum Trust which for prudence has an equivalent amount set aside as an impairment allowance. The Council continues to work with the Trust on ways in which this sum can be repaid.

In 2016/17 the Council provided a loan of £200,000 to the Colne Valley Railway Preservation Society helping them to secure Heritage Lottery funding for investment into this major rural tourism and heritage destination. The loan is repayable with interest and is secured on property of the Society.

Car Parking Partnership

The Council is a member of the North Essex Parking Partnership or NEPP, which operates under a Joint Committee arrangement. The contribution paid into the Partnership was £147,336 (£147,359 in 2015/16). The Council has not included its share of any assets and liabilities of the NEPP in its Balance Sheet, as they are not considered material.

As the Joint Committee was established under Sections 101 and 102 of the Local Government Act 1972, it is required to produce separate annual accounts. The lead body for the Partnership is Colchester Borough Council.

30.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. The shares have an equal ranking, and any dividend will be distributed equally to the shareholders on a pro rata basis.

The purpose of the Company is to hold shares in Local Delivery Vehicles (LDV's), coordinating their funding, and to oversee and hold to account the LDV's in the development of three potential garden communities in the North Essex area.

Each Local Authority has the right to appoint, remove or replace a Nominated Director. On any Board decision a majority (including all Nominated Directors) in favour is required for the vote to pass. However, Nominated Directors are not entitled to vote where a decision only relates to an LDV outside of the area of their appointing authority.

Notes to the Accounts

North Essex Garden Communities Limited was incorporated on 30 January 2017. It was not trading during 2016/17, but will eventually prepare accounts to the 31 March of each year.

31. Contingent Assets & Liabilities

- i. As part of the transfer of its housing stock in November 2007, the Council warranted to Greenfields Community Housing (GCH):
 - 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. The maximum liability is £90m against which the Council has arranged environmental insurance for individual/aggregate losses up to £10m arising in the first ten years after transfer, subject to an excess of £25,000 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 £9.7m (indexed annually) and is for a period of twenty two years.
 - 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.

The transfer agreement provided for GCH to undertake a major programme of improvement works over the first ten years from which the Council is entitled to a 50% share of any VAT recovered on the cost of the works. 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 is subject to property type sold, and is based on a reducing scale reflecting the cumulative effect on investment made by GCH since the properties were 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.

32. Accounting Standards issued but not yet adopted

There are no new accounting standards that have been issued but not yet adopted by the Code that will have a material impact on the amounts to be included in the Council's future financial statements.

33. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director on 6 September 2017. Events taking place after this date are not reflected in the financial statements or notes. There are no items which arose after the year end of 31 March 2017 that would materially affect these accounts, and as such no adjustments have been made to the figures within the financial statement or notes.

Collection Fund

2015/16 Business Rates £000	Council Tax £000		Note	2016/17 Business Rates £000	Council Tax £000
		<u>Income</u>			
-	76,029	Council Tax receivable	1	-	80,123
44,600	-	Business Rates receivable	2	42,513	-
-	-	Contributions towards previous year's estimated Collection Fund deficit	3	1,028	-
44,600	76,029	Total Income		43,541	80,123
		<u>Expenditure</u>			
		Precepts, Demands and Shares:			
16,239	9,646	Braintree District Council (BDC)		16,992	10,156
20,299	-	Central Government		21,241	-
3,654	54,057	Essex County Council (ECC)		3,823	57,260
-	7,320	Police & Crime Commissioner for Essex		-	7,706
406	3,304	Essex Fire Authority		425	3,429
-	-	Payment to ECC for renewable energy disregard		90	-
-	-	Transfer to General Fund for BDC renewable energy disregards		94	-
211	-	Transitional protection payment		79	-
188	-	Allowance for business rate collection costs	2	195	-
138	200	Contribution to provision for impairment of debts	5	151	173
1,708	-	Change in provision for business rate valuation appeals:	6	(2,391)	-
814	1,326	Contributions from previous year's estimated Collection Fund surplus	3	-	886
43,657	75,853	Gross Expenditure		40,699	79,610
		<u>Collection Fund Balance</u>			
890	(2,212)	Balance at the beginning of the year		(53)	(2,388)
(943)	(176)	(Surplus) or deficit for the year		(2,842)	(513)
(53)	(2,388)	Balance at the end of the year	4	(2,895)	(2,901)

Notes to the Collection Fund

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 2016/17 was set at £1,550.36 (£1,494.24 in 2015/16). The tax base used to determine this rate was calculated at 50,667 equivalent number of Band D dwellings (49,742 in 2015/16) 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	5,914	3,551	6/9	2,368	2,344
B	16,451	12,154	7/9	9,453	9,359
C	18,601	15,547	8/9	13,820	13,682
D	9,166	8,197	9/9	8,197	8,115
E	6,941	6,451	11/9	7,884	7,805
F	4,054	3,857	13/9	5,571	5,515
G	2,195	2,089	15/9	3,482	3,447
H	210	192	18/9	383	379
Contributions in lieu					20
	63,532	52,040		51,159	50,667

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:

2015/16		2016/17
£000		£000
76,109	Council Taxpayers	80,118
(106)	Adjustments to previous year Council Tax Benefit	(21)
26	Transfer from General Fund	26
76,029	Council Tax Income	80,123

2. Income from Business Ratepayers

The Council collects business rates for its area based on local rateable values set by the VOA and a uniform rate poundage set by Central Government. The gross amount due by local business is calculated by multiplying the rateable value of its business premises by either 48.4p (48.0p in 2015/16) where the property is eligible for small business relief, or 49.7p (49.3p in 2015/16) 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 or BRRS. Prior to the start of the year the Council estimated the net amount of business rates collectable would be £42.481 million (£40.598 million in 2015/16), after allowing for provisions for non-collection, the effect of business rate appeals, and an allowance for the cost of collection. This sum has been paid or transferred to the Council, Central Government and the major precepting authorities (Essex County Council and the Essex Fire Authority). The actual net amount of business rate income was £44.295 million (£42.355 million in 2015/16) – an additional £1.814 million over what was previously estimated and which is retained in the Collection Fund for the benefit of future years.

The current Valuation List is that set at 1 April 2010, as amended for appeals and property changes, and at the end of the year there were 4,830 rateable business premises (4,765 at 31 March 2016), with a total rateable value of £105.8 million (£106.3 million at 31 March 2016).

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:

2015/16			2016/17	
Business Rates £000	Council Tax £000		Business Rates £000	Council Tax £000
326	172	Braintree District Council	(411)	115
407	-	Central Government	(514)	-
73	967	Essex County Council	(93)	645
-	128	Police & Crime Commissioner for Essex	-	87
8	59	Essex Fire Authority	(10)	39
814	1,326	Total Estimated Council Tax Balance	(1,028)	886

4. Collection Fund Balance

For the purposes of calculating and setting the precepts and Council Tax rates for 2017/18, surpluses of £1.502 million and £1.080 million from Council Tax and business rates respectively were taken into account. These compare to the actual surplus balances at 31 March 2017 of £2.895 million and £2.901 million respectively. The difference between the estimated amounts and the actual balance will be taken into account when determining budgets and Council Tax for 2018/19.

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.

2015/16				2016/17		
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
285	1,009	1,294	Balance at 1 April	220	1,054	1,274
(203)	(156)	(359)	Amounts written off in the year	(233)	(226)	(459)
138	200	338	Contribution to provisions during year	151	173	324
(65)	44	(21)	Net Increase (decrease) in provision	(82)	(53)	(135)
220	1,053	1,273	Balance at 31 March	138	1,001	1,139

6. Provision for Business Rates Valuation Appeals

Businesses can lodge appeals against the rateable value set by the Valuation Office Agency (VOA) which are used in the calculation of chargeable amounts. Appeals are lodged for a variety of reasons and can be backdated to events and in some cases to the start of the Valuation List, i.e. 1 April 2010. As such, a provision is required which is financed by setting aside amounts collected from business rates and credited to the Collection Fund. Based on the latest information received from the VOA regarding appeals settled and those outstanding at the Balance Sheet date, the Council has calculated a total provision of £2.350 million still being required at 31 March 2017 (£4.741 million at 31 March 2016).

2015/16 £000		2016/17 £000
3,600	Balance at 1 April	4,741
(567)	Amounts refunded in the year	(1,696)
1,708	Increase (decrease) in provision	(695)
1,141	Net change in provision	(2,391)
4,741	Balance at 31 March	2,350

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	4,487.89	857.48	5,345.37	240.00	D Mann	4,683.00	3,501.62	8,184.62	240.00
Mrs J S Allen	4,487.89	-	4,487.89	129.60	J Mckee	4,585.45	9,364.50	13,949.95	-
M J Banthorpe	4,683.00	4,683.00	9,366.00	407.20	R G S Mitchell	4,585.45	4,683.00	9,268.45	402.80
P Barlow	2,051.96	-	2,051.96	281.56	J M Money	4,683.00	857.48	5,540.48	304.80
J Baugh	4,683.00	-	4,683.00	240.00	Lady Newton	4,683.00	11,954.47	16,637.47	702.00
J C Beavis	4,683.00	3,121.00	7,804.00	1,008.68	J O'Reilly-Cicconi	4,683.00	2,589.97	7,272.97	1,742.55
D Bebb	4,683.00	10,221.98	14,904.98	687.90	I Parker	4,683.00	4,841.48	9,524.48	921.30
K J Bowers	4,683.00	875.01	5,558.01	240.00	S D M Paul	4,250.87	-	4,250.87	240.00
L Bowers-Flint	4,683.00	11,955.97	16,638.97	-	J A Pell	4,585.45	-	4,585.45	240.00
G Butland	4,683.00	14,047.50	18,730.50	793.25	R Ramage	4,683.00	857.48	5,540.48	342.60
S Canning	4,348.43	3,108.99	7,457.42	500.00	F P Ricci	4,683.00	4,370.00	9,053.00	471.25
J G Cunningham	4,292.76	-	4,292.76	-	W J Rose	4,683.00	4,370.00	9,053.00	763.45
M C Cunningham	4,585.45	-	4,585.45	-	V Santomauro	4,250.87	-	4,250.87	240.00
T G Cunningham	4,683.00	10,221.98	14,904.98	-	W D Scattergood	4,683.00	7,272.97	11,955.97	1,424.40
M Dunn	4,683.00	-	4,683.00	240.00	J W Schmitt	4,683.00	11,707.50	16,390.50	296.72
J G J Elliott	4,292.76	4,683.00	8,975.76	600.00	P G Schwier	4,683.00	875.01	5,558.01	1,477.63
D Garrod	1,963.84	-	1,963.84	237.65	C W Siddall	4,487.89	4,683.00	9,170.89	560.00
J C Goodman	4,390.32	-	4,390.32	272.40	G A Spray	4,683.00	6,415.49	11,098.49	1,059.90
A C Hensman	4,683.00	-	4,683.00	240.00	P Tattersley	4,683.00	8,005.79	12,688.79	924.25
P Horner	4,683.00	1,732.49	6,415.49	140.00	M Thorogood	4,683.00	857.48	5,540.48	240.00
D K Hufton-Rees	4,390.32	-	4,390.32	-	R M Van Dulken	4,487.89	-	4,487.89	240.00
D L Hume	4,390.32	-	4,390.32	240.00	L S Walters	4,683.00	313.00	4,996.00	331.10
H D Johnson	4,585.45	1,732.49	6,317.94	679.38	S A Wilson	4,683.00	2,744.33	7,427.33	326.85
A Kilmartin	4,683.00	-	4,683.00	240.00	G MaClure	4,067.99	-	4,067.99	661.80
S C Kirby	4,683.00	1,732.49	6,415.49	388.05					
<u>Councillors that left during the year</u>									
C J Bailey	1,936.62	-	1,936.62	106.00	R J Bolton	1,895.97	857.48	2,753.45	248.65
					Total	223,208.84	160,095.43	383,304.27	22,313.72

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.

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 Authority, 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 Authority.

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 we do not 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 our 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.

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, Police & Crime Commissioner for Essex, Essex Fire Authority, and town and parish councils and parish 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.

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.

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.

Glossary & Abbreviations

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.