



Braintree District Council

Statement of Accounts

2017 - 2018

www.braintree.gov.uk

<u>Statement of Accounts</u>	<u>Page Number</u>
Narrative Report	i to xii
Guide to the Financial Statements	xiii to xiv
Statement of Responsibilities	1
Annual Governance Statement	2 to 10
Independent Auditor's Report (to be inserted after audit completed)	11 to 14
Comprehensive Income and Expenditure Statement	15
Movement in Reserves Statement	16
Balance Sheet	17
Cash Flow Statement	18
Accounting Principles and Policies	19 to 29
Notes to the Accounts	30 to 79
Collection Fund	80
Notes to the Collection Fund	81 to 84
Additional Information:	
• Members' Allowances and Expenses	85
• Glossary and Abbreviations	86 to 89

Narrative Report

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 150,999 (mid-year 2016 estimate) an increase of 0.42% 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. At the 31 March 2018, the political make-up of the Council was: Conservative Party 41, Labour Party 3, Halstead Residents 2, Green Party 1, and 2 seats vacant.

The Council is a multifunctional organisation. Its policies are directed by the political leadership and implemented by its Management Board and Officers of the Council. The Council has adopted the Leader and Cabinet model as its political management structure. The Leader of the Council, Councillor Graham Butland, has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions. Cabinet Members are held to account by a system of scrutiny which is set out in the Council's Constitution available on the Council's website at: <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, Andy Wright, who is supported by three Corporate Directors. Each Director is responsible for a range of service areas which are managed by individual Heads of Service and other Senior Officers.

During the year the Council employed an average 422 full-time equivalent employees.

Corporate Strategy

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

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

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

Narrative Report

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

The Council's Performance in the Year

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

The Council's performance in achieving its Annual Plan for 2017/18 along with measures of success and the plans and actions for 2018/19 can be found on the Council's website (or by clicking [here](#)).

Strategic Risks

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

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

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

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

Financial Performance

Revenue Budget

In February 2017, the Council agreed a net budget of £14.389 million for the year together with an updated Medium Term Financial Strategy (MTFS) covering the period 2017/18 to 2020/21. The Budget was balanced by an estimated addition to the General Fund balance of £179,000 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

Narrative Report

resources. The budget was to be financed from a mixture of government revenue support grants (£0.848 million), business ratepayers (£4.611 million), and Council Taxpayers (£8.930 million).

The overall average Band D Council Tax rate for the District was £1,597.12 of which the Council's portion was £169.47, an increase of 3% over the previous year. In setting the budget the Council had identified £877,000 of savings and additional income expected to be achieved in the year.

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

Business Plan	Description of services and activities
Asset Management	Commercial and non-commercial property management, public and community halls
Business Solutions	Customer service centre, corporate information and communication technology (ICT), management of council offices, closed circuit television
Community Services	Community transport, community safety and development, community grant scheme
Corporate Management	Corporate and senior management, civic support
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, and delivery of strategic investment projects
Corporate Financing	Corporate expenditure and income not specific to other services, e.g. government grants, parish and town council grants, payments to the pension fund

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

Narrative Report

Revenue Budget Outturn for the Year

The outturn against Controllable Budget was an overall positive variance of £782,000, comprising an over achievement of income of £492,000, coupled with an overall underspend against staffing and other expenditure budgets of £290,000:

Service	Budget £'000	Actual Spend £'000	Adverse (Positive) variance against budget				RAG Status
			Staffing £'000	Other Expenditure £'000	Gross Income £'000	Total £'000	
Asset Management	(2,066)	(2,000)	(7)	79	(6)	66	A
Business Solutions	1,906	1,872	(30)	(3)	(1)	(34)	G
Community Services	376	367	2	(35)	24	(9)	G
Corporate Management	1,263	1,234	(23)	(6)	-	(29)	G
Cultural Services	365	376	2	1	8	11	A
Environment	658	563	(53)	(12)	(30)	(95)	G
Finance	1,214	891	(147)	(134)	(42)	(323)	G
Governance	1,015	935	(23)	(15)	(42)	(80)	G
Housing Services	891	899	1	7	-	8	A
Human Resources	343	341	1	1	(4)	(2)	G
Leisure Services	(47)	(45)	-	10	(8)	2	A
Marketing and Communications	396	391	7	(6)	(6)	(5)	G
Operations	4,903	4,580	(112)	(24)	(187)	(323)	G
Sustainable Development	832	784	(63)	196	(181)	(48)	G
Service Total	12,049	11,188	(445)	59	(475)	(861)	G
Corporate Financing	2,490	2,419	140	(194)	(17)	(71)	G
Efficiency target	(150)	-	150	-	-	150	
Total	14,389	13,607	(155)	(135)	(492)	(782)	G

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

Fee income from planning applications exceeded the budget as the Council received a higher number of applications, of which a number related to larger scale and more complex proposed developments. The budgeted amount was increased during the year, although it was also recognised that the Council could face potential future appeal costs and therefore, an element of the extra income received has been set aside in reserve. A consequence of the significant upturn in planning applications meant additional expenditure was incurred on interim staff and specialist planning consultants. The Council also received an increase in the take-up of the Council's pre-application advisory service, leading to an increased amount of income being generated.

Other areas which over achieved on income included the Council's commercial waste service, and car parking.

The Council continues to exercise tight control over staffing costs. Savings were achieved through a combination of holding posts vacant, review and amendment to meet changing service requirements, and other restructures and efficiency reviews. Non-staffing budgets were underspent mainly due to a reduction in the net cost of Housing Benefit payments (after taking into account subsidy received from the Department of Work and Pensions).

Narrative Report

Capital Investment

As part of the Budget for 2017/18 the Council approved new capital projects totalling £2.252 million. Taking into account projects approved in previous years, along with in-year changes, the overall agreed capital investment programme totals £26.695 million to be delivered over the medium-term. This includes a number of projects which fall within the Council's District Investment Strategy (DIS), the aim of which is to support the District's growth ambitions by providing the necessary investment in infrastructure and economic development.

The Council expected to spend £6.449 million in 2017/18; however, actual spend was £4.758 million, with £1.472 million of the difference being carried over into 2018/19 to meet on-going project costs or future expected requirements.

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

	£000
Commercial property acquisition and work-in-progress on the construction of new "grow-on" business units and other facilities on the Springwood Industrial Estate. Other commercial estate improvement works.	983
Re-investment in operational vehicles, plant and equipment	860
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	904
Planned and proactive maintenance of Council owned buildings and facilities	464
Creating better and safer environments by improving community facilities, including resurfacing of the Witham Sports Ground artificial surface, and other works at various parks & open spaces, and children's play areas	763
Investment in technology and the Council's business critical systems	214
Design and other professional services in relation to the proposed redevelopment of the Manor Street area of Braintree town centre	570
Total Capital Investment	4,758

This capital investment was financed as follows:

	£000
Capital receipts	1,800
Government grants and other third party contributions	1,554
Revenue and earmarked reserves	1,073
Internal borrowing	331
	4,758

Narrative Report

The Council has used internal borrowing to part fund its capital investment which effectively means it has temporarily used its own cash balances. This internal borrowing is an alternative source of financing operational vehicles, which previously 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 operational 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 £2.132 million from preserved right-to-buys and a further £327,000 of recovered VAT. Other minor receipts included the repayment of housing improvement grants and capital loans (£39,000).

Grants received in the year included £876,000 from the Better Care Fund via Essex County Council as part funding towards the Council's disabled facility grant programme. This was an increase of £146,000 over the amount received the previous year allowing the Council to support more households where a need had been identified.

Reserves & Balances

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

General Fund balances

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

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

As at 31 March 2018, the Council's overall General Fund balances were £24.342 million, an increase over that at 31 March 2017 of £528,000. Within this total £21.482 million was held as earmarked reserves, a net reduction of £296,000 on the amount brought forward at the start of the year, and leaving a balance of £2.860 million as unallocated.

As part of the approved 2017/18 Budget the Council agreed to pay in one single instalment the £4.223 million additional pension fund contributions, assessed by the actuary as payable by the Council for the period 1 April 2017 to 31 March 2020. This action resulted in net revenue savings to the Council, but also required the temporary use of its unallocated General Fund balance, which will be subsequently replenished in 2018/19 and 2019/20.

Narrative Report

Capital Reserves

Capital reserves relate to funds generated by the Council from the disposal of non-current assets and grants and contributions received by the Council which have conditions that require the funds only to be used for the purpose of capital expenditure. The balance of usable capital reserves at 31 March 2018 was £13.820 million, a net increase of £353,000 over the amount brought forward at the start of the year.

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

Unusable Reserves

Unusable reserves hold the value of unrealised gains or losses of the Council either relating to the financing of capital investment, or reflecting timing differences between recognition of assets and liabilities under accounting rules and that required under statutory regulations for the purposes of setting Council Tax. These reserves increased in the year by £15.606 million, largely as a result of a change in the accounting valuation of the Council's pension fund liability as at 31 March 2018.

Treasury Management

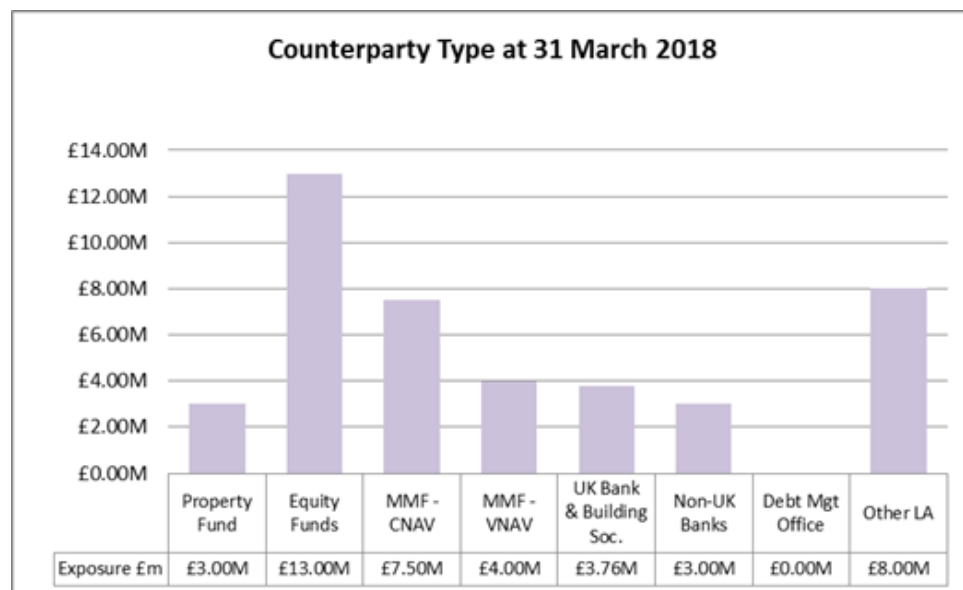
Investment and Interest Income

Over the year the Council's investment balances averaged £54.39 million and ranged between £39.32 million and £63.49 million. Investments were managed in accordance with the Council's approved Treasury Management Strategy. A proportion of the Council's investment portfolio included long-term investments made in a mixture of equity and property pooled funds. During the year the Council increased the amount invested in these funds by £2 million taking the overall amount to £16 million, out of a revised limit of £20 million. These funds generated £730,000 of dividend income, a return of 4.8%. Returns on other cash investments remained low due to the current interest rate environment, generating a further £151,000 of interest income equivalent to a return of 0.37%.

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 £20.935 million (£16.935 million pooled funds and £4 million VNAV MMF) representing an unrealised gain of £0.935 million over the original amounts invested. This gain is credited to the Available for Sale reserve (part of the unusable reserves) until such time as the investments are sold.

The total amount of investment held at the end of the year was £42.26 million allocated as shown in the following chart:

Narrative Report



Money Market Funds (MMF) of which two types were used: Constant Net Asset Value (CNAV) and Variable Net Asset Value (VNAV)

Borrowing

The Council has market debt outstanding amounting to £6 million and on which interest of £282,000 was paid. This debt is in the form of two Lender's Option, Borrower's Option (LOBO) loans, which had an initial term of 40 years (subject to the exercise of the options) and which now have 24 years remaining. This debt was incurred when the Council was actively borrowing to meet its capital investment plans, predominantly related to housing.

Other liabilities include finance lease commitments of £2.861 million (with £355,000 shown under short-term liabilities) where the Council has acquired the use of buildings, vehicles and plant. The Council also has a liability to Essex County Council (ECC) of £1 million, provided as match funding in 2014 towards a Braintree district local authority mortgage scheme. Subject to the conditions of the funding agreement, the advance is due for repayment in January 2019.

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 £66.608 million at the 31 March 2018, a reduction on the previous year of £13.896 million. The main reasons for this change are:

- better investment returns on the Fund's assets than was assumed by the actuary (+£6.530 million); and
- changes in the financial assumptions used by the actuary leading to an overall reduction in liability of £3.827 million.

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

Narrative Report

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 2016 actuarial review of the Pension Fund. This review set the Council's contributions for the period commencing from 1 April 2017 to 31 March 2020, which included a single one-off payment option of £4.223 million in April 2017. There are no minimum funding requirements for the Pension Fund but the contributions are generally set to target a funding level of 100% using agreed actuarial assumptions.

The Council's actual pension contributions made in the year were £6.542 million, with a further £707,000 paid by the Council's employees as scheme members.

Collection Fund

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

Income from Council Tax was £83.373 million for the year, which after paying precepts resulted in a net surplus for the year of £889,000. 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. A charge of £1.502 million was also made to the Collection Fund, being the estimated balance at 31 March 2017 calculated in January 2017, and which was distributed to the Council and precepting bodies as part of the 2017/18 Budget and Council Tax setting. After taking account of the balance brought forward, the Collection Fund balance in respect of Council Tax at the end of the year was £2.288 million, of which £1.399 million has already been allocated when agreeing the Budget and Council Tax for 2018/19. The remaining balance will be taken into account when calculating an estimate for Budget and Council Tax setting for 2019/20.

Business rates are collected and distributed according to the Business Rate Retention Scheme (BRRS) where rates are shared equally between Central Government and "locally" i.e. with the Council, ECC, and EFR. From April 2017 a new Valuation List ("the 2017 List") came in to effect which initially showed a total rateable value of £111.3 million for the Braintree district, an increase of £5.5 million or 5% over the 2010 List. As the Revaluation increased rateable values nationally the Government reduced the rating multiplier to ensure that the money collectable from business rates did not increase as a result of the valuation. At a local level the Government adjusted the tariff payable by the Council from 2017/18 to mitigate the net effect of these changes. Furthermore, in order to protect businesses from significant changes to their rates payable, a transitional protection scheme was introduced – phasing in both increases and reductions in the amounts of rates payable - along with other changes to the Small Business Rate Relief scheme and introduction of new discretionary relief schemes.

Based on the 2017 List the Council estimated the amount of business rates collectable for the year as £40.503 million and this sum has been paid across to the relevant bodies. The actual amount of business rates due for the year was £41.088 million (after allowing for non-collection and reductions due to appeals) resulting in a surplus for the year of £585,000. When estimating the amount of business rates collectable for 2017/18 it was anticipated that the Collection Fund would have a surplus of £1.080 million at 31 March 2017, which was also paid to the Council and precepting bodies during 2017/18. The actual balance at 31 March 2017 was a surplus of £2.895 million, a difference of £1.815 million, resulting in a closing balance on the Collection Fund at 31 March 2018 of £2.400 million. When setting the Budget and Council Tax for 2018/19, the difference between the original estimate of the balance at 31 March 2017 and the actual amount was taken into account when setting the Budget and Council Tax for 2018/19. This means that only the surplus in the year of £585,000 will be carried over for the next review of the fund during 2018/19 as part of the planning for the 2019/20 Budget and Council Tax.

Narrative Report

Under the BRRS local authorities are required to finance a proportion of appeals made against rateable values set by the Valuation Office Agency (VOA). Appeals are lodged for a variety of reasons and can, subject to certain rules, be backdated to the start of the Valuation List. From 1 April 2017, a reformed appeals process was introduced involving a three stage system: Check, Challenge, and Appeal. Each step must be completed in sequence in order for a business to submit an appeal which will be considered by the Valuation Tribunal Service. Consequently, the Council has had to make an assessment of the likely amount of business rates to be refunded following successful appeals against both the previous 2010 List (for rates payable between 1 April 2010 and 31 March 2017), and the 2017 List for rates payable in 2017/18. Based on past experience and also applying this to potential future appeals, the Council has made a total provision for appeals of £2.695 million, after allowing for the settlement of some appeals in the year, of which £1.078 million is attributable to the Council.

In 2017/18 the Council participated with ten other local authorities in the Essex Business Rate Pool (“the Pool”) in order to save on the levy that would otherwise be payable to Government on business rates growth. The total of all levies that would have been paid by the participating authorities are shared amongst authorities according to an agreed formula. Based on the amounts collectable for the year the Council is due to pay a levy to the Pool of £1.170 million; however, based on the provisional outturn of all Essex authorities, the Council will receive back £634,000, being its share of the overall levy saved by Essex authorities as a result of the Pool.

Medium Term Financial Outlook

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

2017/18 was the second year of a four-year funding settlement agreement with the Government which the Council had signed up to in 2016 and which included the requirement to publish an efficiency plan. The Council's efficiency plan is available on the Council's website at www.braintree.gov.uk. Over the period of the multi-year-settlement the Council will see a reduction in government funding through Revenue Support Grant (RSG) and business rates of almost 45%. By the end of 2018/19 the Council will no longer be in receipt of RSG. The latest Local Government Settlement for 2018/19 has confirmed these plans, albeit with a small addition to funding received as Rural Services Delivery grant.

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

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

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

Narrative Report

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

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

The approved budget for 2018/19 included: an increase in Council Tax of 2.97%; planned savings/additional income of over £1 million; and a net addition to balances of £228,000 reflecting early achievement of savings required for the MTFS. A revised financial profile was also established indicating requirements for future ongoing savings of:

	£000
2019/20	622
2020/21	258
2021/22	48
Shortfall – savings required	928

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.

The Government continues to work with the local government sector to meet its manifesto commitment to give councils more control of the taxes they raise locally; the key element being to increase the proportion of locally collected business rates that councils will retain.

The Government intends that a number of grants will in future be funded through retained business rates, which will be met by allowing local authorities to keep around 75% of business rates. Work is to continue with the local government sector to improve the way the local government finance system works such as tackling the impact of business rates appeals on local authorities. Reforms developed will be implemented from 2020/21 alongside greater business rate retention.

Progress continues to be made on the Fair Funding Review of relative needs and resources, in collaboration with the Local Government Association and representatives from across local government. The outcome of the review will be new baseline funding levels (i.e. a measure of each authority's need to spend on delivering services for which it is responsible) based on an up-to-date assessment of the relative needs and resources of local authorities. Business rates will be redistributed according to the outcome of the new assessment, to be achieved by resetting business rates baselines (the amount each local authority is expected to collect in business rates based on historical performance) – this could potentially remove some or all of the additional income from business rate growth across the District and currently used to fund the Council's annual budget. Without an overall increase in the quantum of funding available for local government these changes will inevitably create "winners" and losers" across the sector, although the Government has indicated that there would be some form of transitional phasing to lessen the impact to both "winners and losers".

The Government has indicated that it will publish a Green Paper on Adult Social Care Services during 2018 and whilst this is not a service that is provided by the Council, it is a key service area which currently remains funded via the local government finance system and, therefore, any

Narrative Report

increased funding directed at this area could be detrimental to funding of other services provided by the Council, despite pressures currently being encountered in respect of housing and homelessness, and increasing cost of recycling.

The UK's departure from the European Union (EU) increases future uncertainty particularly around what the impact will be on the overall economy and therefore resources available to fund future public spending.

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 2019/20 budget and the next revision of the MTFS.

The Published Accounts for 2017/18

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year ended on 31 March 2018. 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).

There have been no significant changes to the Code for 2017/18. The accounts are presented so they reflect the way budgets/ resources are allocated and how financial performance is reported internally to management and Members.

The accounts consist of the following statements:

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

After which the following financial statements are shown:

- **Comprehensive Income and Expenditure Statement (CIES)**
This statement shows the accounting cost in the year of providing services – this is different from the amount charged against the General Fund balance and ultimately met from taxation which is shown in the Expenditure and Funding Analysis (Note 1 to the Accounts) and Movement in Reserves Statement.
- **Movement in Reserves Statement (MIRS)**
This statement shows the change in the Council's financial resources over the year, including reconciling the accounting cost in the year of providing services as shown in the CIES with that under statute and used for raising local taxation. Financial resources are represented by specific usable and unusable reserves.
- **Balance Sheet**
This statement shows how the resources available to the Council are held in the form of assets and liabilities. The net assets of the Council are matched by reserves that are analysed into 'usable' and 'unusable' reserves, the former being available to fund expenditure and/or reduce local taxation, subject to maintaining a prudent level of reserves. The latter represent unrealised gains/losses and timing differences between recognising amounts in accordance with accounting rules and statutory regulations and are not available to fund expenditure or reduce local taxation.
- **Cash Flow Statement**
This statement shows how the movement in resources has been reflected in the cash flows of the Council and ultimately changes in cash and cash equivalents.

Guide to the Financial Statements

- **Accounting Principles and Policies**

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

- **Notes to the Accounts**

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

- **Collection Fund**

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

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

- **Members' Allowances and Expenses**

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

Further Information

Details about the Council's performance for the year can be obtained from the Fourth Quarter and Annual Performance Management Report 2017/18 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 2018.



Chris Fleetham
Corporate Director
25 July 2018

1. 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 for 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 2016)*. 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 2017/18. 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.

2. 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 31st March 2018 and up to the date of the approval of the Statement of Accounts.

3. Our Governance Framework

3.1 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 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 2017/18 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 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.

3.2 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.

A published Pay Policy 2017/18 was in place in accordance with Section 38 of the Localism Act 2011.

3.3 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 directly 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.

3.4 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.

Annual Governance Statement

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 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 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 'Public Sector Internal Audit Standards'. The Audit, Insurance and Fraud Manager supports the Governance Committee and reviews the Internal Audit's 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 normally reviewed at least 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 and Codes of Practice. 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.

Public Sector Audit Appointments Limited (PSAA) appointed the Council's external auditors, Ernst & Young LLP, to undertake the Council's external audit for the three years up to and including 2017/18. During 2017 the Council agreed to participate in a public sector led approach for the procurement of an external auditor for 2018/19 onwards. The process, run by the PSAA, resulted in BDO LLP being appointed to provide external audit services to a number of local authorities including this Council for a five-year term.

3.5 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 Plus for elected Member Development, from the East of England Local Government Association. The Charter Plus was awarded following a re-assessment on 18th May, 2017.

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.

3.6 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 a variety of methods to track data and trends.

The Council's newsletter 'Contact' communicates the Council's vision and priorities. The newsletter is published once per annum in hard-copy and is distributed to all households. E-mail newsletters incorporating news, information and events are sent on an ad hoc basis 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.

4. 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 performance and received comprehensive reports on a quarterly basis. Budgetary reports provided details of income and expenditure against profile together with a prediction of the financial position at the year-end. Key Performance Indicators and progress of projects are also included in the quarterly reports.
- Report by the Corporate Director (Section 151 Officer) on the robustness of the budget and the adequacy of balances.
- The work programme of the Overview & Scrutiny Committee included reviews of the Medium Term Financial Strategy and Budget Proposals for 2018/19 and of Employment Sites and Premises; and the management of a Task and Finish group investigating Tourism in the Braintree District.
- 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 and received regular reports on risk management, internal control and governance matters.
- The Governance Committee agreed, on 18th September 2013, to the adoption of the Public Sector Internal Audit Standards and an Internal Audit Charter. In agreeing 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 and its conformance with the Public Sector Internal Audit Standards was externally assessed during the year. The outcome was that it partially conforms to the Standards. An action plan has been recommended to deliver improvement and achieve conformance.
- 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 resources

The 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 2016/17, were presented to the Governance Committee on 6th September 2017.

- A positive Annual Audit Letter for 2016/17 was received from the External Auditor with no significant issues to be raised with Members, key stakeholders or members of the public.
- The Council opted for the Sector Led Body approach for the procurement of external audit services from 2018/19. Public Sector Audit Appointments Limited undertook the process on behalf of the Council. The Council was notified in October 2017 that BDO LLP had been appointed to be the Council's external auditors for five years with effect from 2018/19.
- Management Board and Members of Cabinet reviewed strategic risks in January 2018. 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 2017/18 was considered by the Governance Committee on 12th April 2018. The conclusion was that a satisfactory opinion was 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 two areas for improvement/development:

- Ensure compliance with the General Data Protection Regulations (GDPR). The new legal framework under GDPR comes into effect on 25th May 2018; Work commenced and progress made across all Departments but focus has been given to areas with high levels of personal information or special categories of personal data.
- An external quality assessment on the effectiveness of the internal audit function. The external assessment was undertaken by CIPFA in December 2017 and the outcome of the assessment was reported to the Governance Committee on 12th April 2018.

5. 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 2018/19.

The improvements/developments planned are:

- Continue preparations to ensure compliance with the General Data Protection Regulations (GDPR) which comes into effect on 25th May 2018.
- To deliver the agreed action plan from the External Quality Assessment on the effectiveness of the internal audit function.

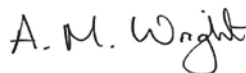
6. Certification

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 12th April 2018.

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 2017/18, and will reflect and report on their operation and effectiveness as part of our next annual review.



Graham Butland
Leader of the Council



Andy Wright
Chief Executive

Independent Auditor's Report

Opinion

We have audited the financial statements of Braintree District Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement
- And the related notes 1 to 34,
- 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Braintree District Council as at 31 March 2018 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 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Independent Auditor's Report

Other information

The other information comprises the information included in the Statement of Accounts 2017-2018 other than the financial statements and our auditor's report thereon. The Corporate Director is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, 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 2018.

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

Responsibility of the Corporate Director

As explained more fully in the Statement of 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 2017/18, and for being satisfied that they give a true and fair view.

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

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 for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our 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 2017, as to whether the Braintree District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The 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 Braintree District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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, Braintree District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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.

Independent Auditor's Report

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.

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.

Use of our report

This report is made solely to the members of Braintree District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and 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.

Kevin Suter (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
25 July 2018

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

2016/17			Note	2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
635	(467)	168	Asset Management	385	(416)	(31)
1,921	(25)	1,896	Business Solutions	2,539	(51)	2,488
715	(239)	476	Community Services	794	(194)	600
1,476	-	1,476	Corporate Management	1,297	-	1,297
397	(120)	277	Cultural Services	484	8	492
2,497	(1,620)	877	Environment	2,536	(1,726)	810
44,163	(42,845)	1,318	Finance	41,642	(40,176)	1,466
1,065	(92)	973	Governance	1,032	(77)	955
1,181	(67)	1,114	Housing Services	1,047	(262)	785
420	(16)	404	Human Resources	411	(26)	385
1,768	(737)	1,031	Leisure Services	1,959	(416)	1,543
511	(91)	420	Marketing & Communications	585	(119)	466
10,577	(5,630)	4,947	Operations	11,547	(5,247)	6,300
4,219	(1,355)	2,864	Sustainable Development	3,348	(1,937)	1,411
27	(342)	(315)	Corporate Financing	192	(193)	(1)
71,572	(53,646)	17,926	Cost of Services	69,798	(50,832)	18,966
		(2,584)	Other Operating Expenditure			(567)
		(454)	Financing and Investment Income & Expenditure			(925)
		(23,337)	Taxation and Non-Specific Grant Income			(19,530)
		(8,449)	(Surplus) or Deficit on Provision of Services			(2,056)
			<i>Items that will not be reclassified to the (Surplus) or Deficit on Provision of Services:</i>			
		(3,051)	Revaluation (gains) or losses			(4,561)
		17,335	Re-measurement of the pension scheme net defined benefit liability			(10,357)
		(5)	Other (gain)/ loss			(2)
		14,279				(14,920)
			<i>Items that may be reclassified to the (Surplus) or Deficit on Provision of Services:</i>			
		(1,608)	(Surplus) or deficit on revaluation of available for sale assets			489
		12,671	Other Comprehensive Income and Expenditure			(14,431)
		4,222	Total Comprehensive Income and Expenditure			(16,487)

Movement in Reserves Statement

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

See Notes 11, 12, and 28

Comparative Year 2016/17

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 1 April 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 (Note 7)	(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

Balance Sheet

31 March 2017		Note	31 March 2018
£000			£000
72,992	Property, Plant & Equipment	13/14	77,323
867	Heritage Assets	15	863
33,561	Investment Property	16	34,367
767	Intangible Assets	17	738
1,277	Non-current Assets Held for Sale		1,277
15,422	Long Term Investments	20	16,935
6,018	Long Term Debtors	24	3,676
130,904	Long Term Assets		135,179
25,017	Short Term Investments	20	25,502
83	Inventories		148
9,531	Short Term Debtors	24	9,930
(95)	Cash and Cash Equivalents		(161)
34,536	Current Assets		35,419
(10,034)	Short Term Creditors	25	(9,671)
(340)	Other Short Term Liabilities	23	(1,355)
(956)	Provisions	26	(1,080)
(11,330)	Current Liabilities		(12,106)
(6,000)	Long Term Borrowing	20	(6,000)
(3,861)	Other Long Term Liabilities	20/23	(2,506)
(77,550)	Pension Fund Liability	27	(66,608)
(1,681)	Capital Grants Receipts in Advance	7	(1,873)
(89,092)	Long Term Liabilities		(76,987)
65,018	Net Assets		81,505
37,281	Usable Reserves		38,162
27,737	Unusable Reserves	28	43,343
65,018	Total Reserves		81,505

These financial statements replace the unaudited financial statements certified by Chief Financial Officer (Chris Fleetham) on 29th May 2018



25 July 2018

Cash Flow Statement

2016/17 £000		Note	2017/18 £000
(8,449)	Net (Surplus)/ Deficit on the Provision of Services		(2,056)
(2,686)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	29	(2,461)
9,847	Adjustment for items included in the surplus or deficit on the provision of services that are investing and financing activities	29	5,118
(1,288)	Net Cash (Inflow)/ Outflow from Operating Activities		601
	<u>Investing Activities:</u>		
6,735	Purchase of property, plant and equipment, investment property, and intangible assets		3,193
98,000	Purchase of short-term and long-term investments		73,000
387	Other payments for investing activities		186
(2,392)	Proceeds from the sale of property, plant and equipment, investment property, and intangible assets		(4,769)
(94,505)	Proceeds from sale of short-term and long-term investments		(70,513)
(5,397)	Other receipts from investing activities		(3,153)
2,828	Net Cash (Inflow)/ Outflow from Investing Activities		(2,056)
	<u>Financing Activities:</u>		
325	Cash payments to reduce outstanding finance lease liabilities		340
(1,122)	Other receipts from financing activities		-
-	Other payments for financing activities		1,181
(797)	Net Cash (Inflow)/ Outflow from Financing Activities		1,521
743	Net Decrease in Cash & Cash Equivalents		66
648	Cash & Cash Equivalents at beginning of reporting period		(95)
(95)	Cash & Cash Equivalents at end of reporting period		(161)

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 purposes
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.

Critical Judgements in Applying Accounting Policies

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

- The Council has plans in place to manage known and anticipated future reductions in funding for local government, however, the Council has determined that these do not provide an indication that its non-current assets might be impaired because of a need to close facilities and reduce levels of service provision.
- The Council has a number of significant leases both as lessor and lessee for which it has undertaken assessments to determine whether the leases should be treated as finance or operating leases.
- Non-current assets have been categorised as Investment Properties where it is the current intention of the Council to hold such assets solely for the purpose of income generation and/ or capital appreciation. The review and assessment of these assets could be subject to interpretation.
- The Council has borrowings totalling £6 million that are held on Lender Option, Borrower Option (LOBO) terms and which provide for six monthly call option dates. Under the current interest rate environment it is considered unlikely that the lender will seek to exercise their options in the short to medium term and therefore the debt has been categorised as long-term borrowing based on their contracted maturity dates.
- The Council has an interest in North Essex Garden Communities Ltd, but has determined that there is no requirement to prepare Group Accounts as the activities of the company in 2017/18 are not deemed material.

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

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

Pension Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements, in particular the discount rate used to measure the cost of pension fund liabilities, and mortality rates. A firm of consulting actuaries (Barnet Waddingham) provides the Council with expert advice about the assumptions to be applied. During 2017/18 the actuary advised that the net pension liability decreased by £10.942 million, mainly due to:

- better investment returns on the Fund's assets than was assumed by the actuary (+£6.530 million); and
- changes in the financial assumptions used by the actuary leading to an overall reduction in liability of £3.827 million.

The effect 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 £3.682 million, and a one-year addition to members' average life expectancy would increase the liability by £8.703 million.

Business Rates

Under the Business Rate Retention Scheme (BRRS) local authorities are required to finance a proportion of appeals made against rateable values set by the Valuation Office Agency (VOA). Appeals are lodged for a variety of reasons and can, subject to certain rules, be backdated to the start of the Valuation List. From 1 April 2017, a reformed appeals process was introduced involving a three stage system: Check, Challenge, and Appeal. At the Balance Sheet date the Council has had to make an assessment of the likely amount of business rates to be refunded following successful appeals against both the previous 2010 List (for rates payable between 1 April 2010 and 31 March 2017), and the 2017 List for rates payable in 2017/18. Based on past experience and also applying this to potential future appeals, the Council has made a total provision for appeals of £2.695 million, of which £1.078 million is attributable to the Council.

Fair Value Measurements

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

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

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. Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor 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. Exceptions are made in relation to local tax recovery costs, car parking penalty charges, and license fees, which are accounted for when cash is received; and recurring annual expenditure which cross over financial years. This difference in treatment is not considered material to the amounts that are included in the accounts.

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 Agency

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

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

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 the making of 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 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:

Accounting Principles and Policies

- the liabilities of the Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method
- liabilities are discounted to their value at current prices, using a single equivalent discount rate of 2.55% (based on the Merrill Lynch AA rated corporate bond yield curve and taking into account the estimated duration of the Council's liabilities).
- The assets of the Pension Fund attributable to the Council are included in the Balance Sheet at their fair value

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

- **Service cost comprising:**
 - **Current service cost** - allocated in the CIES to the services for which the employees worked
 - **Past service cost** - 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 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.

Accounting Principles and Policies

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 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 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

Accounting Principles and Policies

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.

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.

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 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.

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

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

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

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

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

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

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

An asset may be reclassified as an Asset Held for Sale (AHFS) when it becomes probable that the carrying amount of an asset will be recovered principally through its sale rather than through its continued use by the Council. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the CIES. Gains in fair value are recognised only up to the amount of any previously recognised losses.

Accounting Principles and Policies

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.

Earmarked Reserves

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

VAT

VAT payable is fully recoverable by the Council and VAT receivable is excluded from income.

Notes to the Accounts

<u>Note</u>	<u>Note description</u>	<u>Page</u>
1	Expenditure and Funding Analysis and Related Notes	31 to 34
2	Other Operating Expenditure	35
3	Financing and Investment Income and Expenditure	35
4	Taxation and Non-Specific Grant Income	35
5	Business Rate Income and Expenditure	36
6	Subjective Analysis of Income and Expenditure	37
7	Grant Income	38 to 39
8	External Audit Costs	39
9	Members' Allowances and Expenses	40
10	Officers' Remuneration and Exit Packages	40 to 42
11	Movement in Reserves Statement – Adjustments between Accounting Basis and Funding under Regulations	43 to 45
12	General Fund Balance - Earmarked Reserves	46 to 47
13	Property, Plant and Equipment	48 to 50
14	Impairment Losses on Property, Plant and Equipment	51
15	Heritage Assets	51
16	Investment Property	52
17	Intangible Assets	53
18	Capital Expenditure and Financing	54
19	Capital Commitments	54
20	Financial Instruments	55 to 57
21	Fair Value of Financial Assets and Liabilities	57 to 59
22	Nature and Extent of Risks arising from Financial Instruments	59 to 63
23	Leases	63 to 65
24	Long-term and Short-term Debtors	66
25	Short-term Creditors	67
26	Provisions	67
27	Pension Scheme	68 to 72
28	Unusable Reserves	73 to 74
29	Cash Flow Operating Activities	75
30	Related Party Transactions	76
31	Interest in Companies	77
32	Contingent Asset and Liabilities	77 to 78
33	Accounting Standards issued but not yet adopted	78
34	Events after the Balance Sheet date	79

Notes to the Accounts

1. Expenditure and Funding Analysis (EFA)

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

2016/17				2017/18			
Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between Funding and Accounting basis £000	Net Expenditure in the CIES £000		Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between Funding and Accounting basis £000	Net Expenditure in the CIES £000	
(1,878)	2,046	168	Asset Management	(1,961)	1,930	(31)	
1,810	86	1,896	Business Solutions	1,835	653	2,488	
413	63	476	Community Services	514	86	600	
1,375	101	1,476	Corporate Management Plan	1,116	181	1,297	
253	24	277	Cultural Services	391	101	492	
577	300	877	Environment	561	249	810	
685	633	1,318	Finance	454	1,012	1,466	
973	-	973	Governance	892	63	955	
826	288	1,114	Housing Services	665	120	785	
381	23	404	Human Resources	342	43	385	
(216)	1,247	1,031	Leisure Services	379	1,164	1,543	
397	23	420	Marketing & Communications	413	53	466	
4,424	523	4,947	Operations	5,096	1,204	6,300	
1,218	1,646	2,864	Sustainable Development	1,339	72	1,411	
2,227	(2,542)	(315)	Corporate Financing	2,680	(2,681)	(1)	
13,465	4,461	17,926	Net Cost of Services	14,716	4,250	18,966	
(14,011)	(12,364)	(26,375)	Other Income and Expenditure	(15,244)	(5,778)	(21,022)	
(546)	(7,903)	(8,449)	(Surplus) or Deficit on the Provision of Services	(528)	(1,528)	(2,056)	
(23,268)			General Fund Balance at 1 April	(23,814)			
(23,814)			General Fund Balance at 31 March	(24,342)			

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.

2017/18

	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Re- allocation & other items £000	Total Adjustments £000
Asset Management	(156)	45	-	2,041	1,930
Business Solutions	486	167	-	-	653
Community Services	21	62	-	3	86
Corporate Management Plan	-	181	-	-	181
Cultural Services	74	27	-	-	101
Environment	50	199	-	-	249
Finance	10	336	-	666	1,012
Governance	6	57	-	-	63
Housing Services	6	114	-	-	120
Human Resources	-	43	-	-	43
Leisure Services	1,140	24	-	-	1,164
Marketing & Communications	-	53	-	-	53
Operations	597	627	-	(20)	1,204
Sustainable Development	(189)	261	-	-	72
Corporate Financing	(339)	(4,784)	(5)	2,447	(2,681)
Net Cost of services	1,706	(2,588)	(5)	5,137	4,250
Other Income and Expenditure	(2,924)	2,005	278	(5,137)	(5,778)
Total	(1,218)	(583)	273	0	(1,528)

Notes to the Accounts

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 Plan	-	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)	0	(7,903)

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>2016/17</u>				<u>2017/18</u>			
	Revenues from External Customers £000	Government Grants £000	Interest Revenue £000	Interest & MRP Expenses £000	Revenues from External Customers £000	Government Grants £000	Interest Revenue £000	Interest & MRP Expenses £000
Asset Management	(2,739)	-	-	93	(2,866)	-	-	93
Business Solutions	(25)	-	-	-	(51)	-	-	-
Community Services	(234)	(11)	-	-	(195)	(1)	-	-
Corporate Management Plan	-	-	-	-	-	-	-	-
Cultural Services	(115)	-	-	-	16	-	-	-
Environment	(844)	(1)	-	-	(808)	(1)	-	-
Finance	(1,575)	(41,270)	(881)	312	(1,635)	(38,541)	(979)	312
Governance	(43)	(49)	-	-	(33)	(44)	-	-
Housing Services	(64)	(3)	-	-	(50)	(212)	-	-
Human Resources	(16)	-	-	-	(8)	(18)	-	-
Leisure Services	(737)	-	-	-	(416)	-	-	-
Marketing & Communications	(64)	-	-	-	(85)	-	-	-
Operations	(5,534)	-	-	389	(5,178)	-	-	389
Sustainable Development	(1,305)	(50)	-	-	(1,744)	(56)	-	-
Corporate Financing	(848)	(2,873)	-	159	(688)	(2,145)	-	328
Net Cost of services	(14,143)	(44,257)	(881)	953	(13,741)	(41,018)	(979)	1,122

Notes to the Accounts

2. Other Operating Expenditure

2016/17		2017/18
£000		£000
2	Change in corporate provision for doubtful debts	(158)
1,820	Parish and town council precepts	1,952
65	Losses on the disposal of non-current assets	145
(4,471)	Gains from other capital receipts	(2,506)
(2,584)	Total	(567)

3. Financing and Investment Income and Expenditure

2016/17		2017/18
£000		£000
2,178	Net interest on the pension net defined liability	2,005
469	Interest payable	454
(881)	Interest & dividends receivable	(979)
(2,220)	Net income and other gains from investment property	(2,405)
(454)	Total	(925)

4. Taxation and Non Specific Grant Income

2016/17		2017/18
£000		£000
(10,338)	Council Tax income	(10,801)
(4,289)	Business Rates income [see Note 5]	(3,658)
(5,281)	General government grants	(4,603)
(3,429)	Capital grants and contributions	(468)
(23,337)	Total	(19,530)

Notes to the Accounts

5. Business Rate Income and Expenditure

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

2016/17 £000		2017/18 £000
	Credited to Taxation and Non-Specific Grant Income	
(17,718)	Business rate income – Braintree DC share	(16,436)
(94)	Business rate income from renewable energy properties	(122)
13,014	Tariff	12,364
509	Net payment to the Essex Business Rate Pool	536
(4,289)	Business Rate income	(3,658)
(805)	Compensation grants included in general government grants	(1,610)
(5,094)	Net Retained Income relating to Business Rates	(5,268)
 3,191	 Baseline funding allocation	 3,256
2,952	Safety Net (92.5%)	3,012

Notes to the Accounts

6. Subjective Analysis of Expenditure and Income

	2016/17			2017/18		
	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	15,060	2,178	17,238	16,585	2,005	18,590
Housing benefits	40,742	-	40,742	38,120	-	38,120
Other service expenses	10,597	2	10,599	10,776	(158)	10,618
Depreciation, amortisation and impairment	3,811	-	3,811	3,351	-	3,351
Revenue expenditure funded from capital	1,362	-	1,362	966	-	966
Interest payable	-	469	469	-	454	454
Investment property expenses	-	317	317	-	317	317
Business rate retention scheme tariff and net levy	-	13,523	13,523	-	12,900	12,900
Local precepts	-	1,820	1,820	-	1,952	1,952
Total Expenditure	71,572	18,309	89,881	69,798	17,470	87,268
<u>Income</u>						
Fees, charges and other service income	(11,275)	-	(11,275)	(10,970)	-	(10,970)
Income and gains from investment property	-	(2,536)	(2,536)	-	(2,722)	(2,722)
Interest and dividend receivable	-	(881)	(881)	-	(979)	(979)
Council Tax	-	(10,338)	(10,338)	-	(10,801)	(10,801)
Business rates	-	(17,812)	(17,812)	-	(16,558)	(16,558)
Government grants and contributions	(42,371)	(8,710)	(51,081)	(39,862)	(5,071)	(44,933)
Gain on disposal of non-current assets & other gains	-	(4,407)	(4,407)	-	(2,361)	(2,361)
Total Income	(53,646)	(44,684)	(98,330)	(50,832)	(38,492)	(89,324)
Surplus or Deficit on Provision of Services	17,926	(26,375)	(8,449)	18,966	(21,022)	(2,056)

Notes to the Accounts

7. Grant Income

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

2016/17 £000		2017/18 £000
	Credited to Services	
	Government grants:	
41,255	• Housing Benefit and Localised Council Tax Support Admin Subsidy	38,511
730	• Better Care Fund - Disabled Facilities grant	870
-	• Homelessness grants	212
15	• New Burdens - Local Land Charges	20
114	• Other government grants	129
257	Other contributions	120
42,371		39,862
	Credited to Taxation and Non-Specific Grant	
	Government grants:	
2,782	• New Homes Bonus	2,129
1,603	• Revenue Support Grant	777
805	• Compensation for business rate reliefs	1,610
22	• Rural Services Delivery	18
53	• Transition	53
16	• Other government grants	16
2,718	Community Housing and Investment Partnership Fund (CHIP Fund)	-
711	Other capital grants and developer contributions	468
8,710		5,071
51,081	Total	44,933

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:

2016/17 £000		2017/18 £000
	Grants Receipts in Advance – within Short Term Creditors	
120	Unilateral undertakings	66
315	Developer & other contributions	478
435		544
	Capital Grants Receipts in Advance	
1,607	Developer contributions	1,810
74	Partner contributions	63
1,681		1,873

8. External Audit Costs

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

2016/17 £000		2017/18 £000
60	External audit services	60
14	Certification of grant claims and returns	14
-	Additional services	16
74	Total Fees Payable for the Year	90

In 2017/18 the Council received a refund of £8,880 from the Public Sector Audit Appointments Ltd (PSAA), representing a redistribution of surplus funds to principal authorities generated from retained earnings of the former Audit Commission and from other efficiencies made by the PSAA.

Notes to the Accounts

9. Members' Allowances and Expenses

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

2016/17		2017/18
£000		£000
223	Basic allowances	225
160	Special responsibility allowances	144
22	Expenses reimbursed	18
405	Total	387

10. Officers' Remuneration & Exit Packages

Senior Officers 2017/18	Gross salary	Benefits in Kind	Total Remuneration	Contributions to Pension Fund	Total Remuneration including Pension Contributions
	£	£	£	£	£
Chief Executive (left 30th June) *	38,250	-	38,250	6,311	44,561
Corporate Director (part-time)	63,143	-	63,143	10,419	73,562
Corporate Director (to 30th June) / Chief Executive (from 1st July)	117,869	-	117,869	19,449	137,318
Corporate Director	115,998	-	115,998	19,140	135,138
Head of Business Solutions (to 30th June) / Acting Corporate Director (from 1st July)	72,678	3,928	76,606	11,992	88,598
Head of Finance	72,600	2,990	75,590	11,979	87,569
Head of Operations	72,600	4,585	77,185	11,979	89,164
Head of Governance	68,510	-	68,510	11,304	79,814
Head of Housing	66,510	-	66,510	10,974	77,484
Head of Environment	66,510	-	66,510	10,974	77,484
Head of Economic Development and Planning Policy (from 1st April)	56,712	-	56,712	9,357	66,069

* Includes £7,979 of total remuneration including pension contributions relating to Returning Officer duties for elections held during the year

Notes to the Accounts

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

* Includes £2,452 of total remuneration including pension contributions relating to Returning Officer duties for elections held during the year

The Council also secured services on an interim basis in 2016/17 and 2017/18 for the post of Head of Projects – Sustainable Development. Fees charged to the Council for this post were £88,588 in 2017/18 (£63,225 in 2016/17 from 21 July 2016). These amounts reflect the cost incurred by the Council.

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:

2016/17 Number of employees		Remuneration Bands	2017/18 Number of employees	
Total	Left in the year		Total	Left in the year
2	-	£50,000 to £54,999	5	-
5	-	£55,000 to £59,999	4	1
-	-	£60,000 to £64,999	1	-
1	-	£65,000 to £69,999	1	-
8	-	Total	11	1

Notes to the Accounts

Exit Packages

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

Cost Bands	Number of Exit Packages		Cost of Exit Packages	
	2016/17	2017/18	2016/17 £000	2017/18 £000
Up to £20,000	1	1	14	20
Totals	1	1	14	20

There were no compulsory redundancies in 2017/18 or 2016/17.

Costs include redundancy and other termination payments to the employee. There were no additional costs to the Council from exit packages agreed in 2017/18 or 2016/17 as a result of early retirements.

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

2017/18

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

Notes to the Accounts

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	1,362	-	-	(1,362)	
Net gain/ loss on disposal of non-current assets & from other receipts	(4,351)	4,467		(116)	
Capital grants and contributions	(3,977)	-	2,719	1,258	
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
	-	(985)	(248)	1,233	
Financing Adjustments					
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

12. General Fund Balance - Earmarked Reserves

	Balance 31-Mar 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance 31-Mar 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance 31-Mar 2018 £000
Capital investment:							
Capital reserve (general)	1,241	(135)	11	1,117	(128)	32	1,021
District Investment Strategy	-	(2,749)	12,242	9,493	(524)	-	8,969
Financial systems replacement	80	(11)	-	69	(15)	30	84
Vehicle replacement	443	(291)	304	456	(425)	67	98
Plant replacement	-	-	41	41	-	84	125
New Homes Bonus	4,733	(7,401)	2,782	114	(449)	2,129	1,794
Discovery Centre All Weather Pitch	97	-	19	116	-	20	136
Opportunity Purchase Fund	500	(493)	-	7	(7)	-	-
ICT	118	-	80	198	-	55	253
	7,212	(11,080)	15,479	11,611	(1,548)	2,417	12,480
Risk Management:							
Insurance & Risk Management	53	-	-	53	(8)	95	140
Treasury Management	415	-	154	569	-	203	772
Housing Benefit overpayments	1,010	(78)	-	932	-	169	1,101
Business Rate Retention Scheme	639	(651)	631	619	(1)	1,288	1,906
	2,117	(729)	785	2,173	(9)	1,755	3,919
Service Reserves:							
Community projects	110	(4)	-	106	(37)	-	69
Elections	151	(10)	41	182	(1)	44	225
Business Development	252	(34)	-	218	-	-	218
Modern Apprenticeships	92	(29)	-	63	(6)	-	57
Green Heart of Essex	36	(2)	18	52	(6)	-	46
Commuted Maintenance	382	(93)	199	488	(98)	21	411
Unilateral undertakings	283	(76)	205	412	(27)	159	544
Partnership Contributions	6	(2)	1	5	(1)	76	80
Community Grants scheme	-	-	143	143	(105)	-	38
Procurement Hub	139	(37)	-	102	(29)	-	73
Discretionary Business rate relief	83	(15)	-	68	-	-	68
Local Plan	405	(78)	27	354	(24)	33	363
Community Infrastructure Levy	100	-	-	100	-	-	100

Notes to the Accounts

	Balance 31-Mar 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance 31-Mar 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance 31-Mar 2018 £000
Housing Welfare Reforms	150	(72)	-	78	(73)	-	5
Local Council Tax Support	140	-	76	216	-	85	301
Leisure	629	(157)	295	767	(444)	-	323
Planned maintenance (Revenue)	68	-	5	73	-	-	73
Recycling Reward scheme	344	(185)	-	159	(127)	-	32
Flooding Relief	76	(55)	-	21	-	-	21
Marketing & Communications	61	(10)	1	52	(2)	-	50
Planning Appeals	300	(103)	-	197	(210)	300	287
Business Investment Fund	500	-	-	500	-	-	500
Pension Contributions reserve	-	-	2,822	2,822	(2,822)	-	-
Public Health Agenda	20	-	65	85	(3)	11	93
Homelessness	43	-	3	46	(12)	316	350
Other reserves less than £50k	252	(92)	20	180	(14)	17	183
Approved budget carry forwards	614	(342)	5	277	(111)	88	254
	5,236	(1,396)	3,926	7,766	(4,152)	1,150	4,764
Change Management:							
Management training & organisational development	49	(6)	2	45	(3)	7	49
Corporate Improvement Programme	233	(89)	39	183	(32)	119	270
	282	(95)	41	228	(35)	126	319
Total Earmarked Reserves	14,847	(13,300)	20,231	21,778	(5,744)	5,448	21,482

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

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

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 (PPE)

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

Notes to the Accounts

Comparative Movements in 2016/17

	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 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 & derecognition	-	(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 & derecognition	-	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

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	Up to 35 years
Infrastructure	Up to 40 years
Community Assets	Up to 50 years

Effects of Changes in Estimates

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

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 2018. 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	-	365	13,004	-	13,369
Valued at Fair Value as at:					
31-Mar-16	-	2,760	-	616	3,376
31-Mar-17	312	649	-	-	961
31-Mar-18	-	50,608		8,513	59,121
Total Cost or Valuation	312	54,382	13,004	9,129	76,827

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

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

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

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

Notes to the Accounts

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

There were no impairments to PPE or intangible assets during the year arising from events other than a change in fair values (£203,000 in 2016/17).

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 2018, the Gross Carrying Value (GCV) was £884,000, with a Net Book Value (NBV) £863,000 (GCV £884,000, NBV £867,000 at 31 March 2017).

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 ceremonies it continues to be reported under PPE. At the Balance Sheet date the GCV of this asset was £649,000 (£649,000 at 31 March 2017).

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

Notes to the Accounts

16. Investment Property

Income from investment property was £2.441 million in the year (£2.270 million in 2016/17), and related expenses incurred were £317,000 (£317,000 in 2016/17) resulting in a net gain of £2.124 million (£1.953 million in 2016/17). An unrealised gain of £281,000 (£267,000 in 2016/17) was also made due to an increase in fair values.

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

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

The following table summarises the movement in carrying value:

2016/17		2017/18
£000		£000
30,671	Balance at 1 April	33,561
1,933	Additions	497
819	Enhancement expenditure	28
-	Disposals	-
(129)	Category transfer	-
267	Net gain from change in fair value	281
33,561	Balance at 31 March	34,367

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

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

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

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

Notes to the Accounts

17. Intangible Assets

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

2016/17 £000		2017/18 £000
	Balance at 1 April:	
2,052	Gross carrying amounts	1,858
(1,442)	Accumulated amortisation	(1,091)
610	Net carrying amount at 1 April	767
175	Additions and enhancements	109
(496)	Disposals - gross value	-
462	Disposals - accumulated amortisation	-
126	Transfers and reclassifications	-
(110)	Amortisation for the period	(138)
767	Net carrying amount at 31 March	738
	Comprising:	
1,858	Gross carrying amounts	1,967
(1,091)	Accumulated amortisation	(1,229)
767		738

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.

2016/17 £000		2017/18 £000
8,429	Opening Capital Financing Requirement	9,130
	Capital Investment:	
3,276	Property, plant and equipment	3,158
2,752	Investment properties	525
175	Intangible assets	109
1,362	Revenue expenditure funded from capital under statute (REFCUS)	966
7,565		4,758
	Sources of Finance:	
(1,000)	Capital receipts	(1,800)
(1,506)	Government grants and other contributions	(1,554)
(3,872)	Sums set aside from revenue (including earmarked reserves)	(1,073)
(484)	Minimum Revenue Provision	(668)
(6,862)		(5,095)
(2)	Change in CFR related long-term debtors	(2)
9,130	Closing Capital Financing Requirement	8,791
	Explanation of movements in the year:	
1,185	Net Increase in the underlying need to borrow	329
(484)	Minimum Revenue Provision	(668)
701	Increase (Reduction) in Capital Financing Requirement	(339)

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 £1.354 million (£1.917 million at 31 March 2017), including £320,000 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

2016/17		Financial Liabilities Amortised cost £000	Financial Assets Loans & Receivables £000	Assets Available for Sale £000	2017/18 Total £000
Total £000					
469	Interest expense	454	-	-	454
4	Change in impairment provisions for trade receivables and other debtors	-	-	-	-
473	Total Expense in Surplus or Deficit on the Provision of Services	454	-	-	454
(180)	Interest receivable on investments	-	(107)	(41)	(148)
(602)	Dividends receivable	-	-	(730)	(730)
(99)	Other interest	-	(102)	-	(102)
-	Change in impairment provisions for trade receivables and other debtors	-	(171)	-	(171)
(881)	Total Income in Surplus or Deficit on the Provision of Services	-	(380)	(771)	(1,151)
(1,608)	(Gain) or Loss from change in fair value of Available for Sale assets in Other Comprehensive Income and Expenditure	-	-	489	489
(2,016)	Net (Gain) or Loss for the year	454	(380)	(282)	(208)

Notes to the Accounts

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

	Long-Term		Current	
	31-Mar-17	31-Mar-18	31-Mar-17	31-Mar-18
	£000	£000	£000	£000
Financial Assets				
Investments				
Loans and receivables:				
Principal	-	-	16,000	14,000
Accrued interest*	-	-	21	19
Impaired deposits	-	-	15	2
Available for Sale investments:				
Money Market Funds	-	-	9,002	11,500
Equity and property funds	15,422	16,935	-	-
Accrued interest and dividends*	-	-	127	127
Total Investments	15,422	16,935	25,165	25,648
Debtors				
Loans and receivables:				
Trade receivables and other debtors	-	-	5,757	3,981
Loans made for service purposes	2,374	350	2	2,002
Accrued interest*	-	-	24	19
Total Debtors	2,374	350	5,783	6,002
Cash and Cash Equivalents				
Loans and receivables:				
Cash and bank accounts	-	-	(95)	(161)
Cash equivalents at amortised cost	-	-	-	-
Accrued interest*	-	-	-	1
Total Cash and Cash Equivalents	-	-	(95)	(160)
Total Financial Assets	17,796	17,285	30,853	31,490

*Shown under Short-term Debtors in the Balance Sheet

The Balance Sheet includes £3.326 million (31 March 2017 £3.644 million) of Long-term Debtors and £3.783 million (31 March 2017 £3.602 million) of Short-term Debtors that do not meet the definition of a financial asset.

Notes to the Accounts

	Long-term		Current	
	31-Mar-17	31-Mar-18	31-Mar-17	31-Mar-18
	£000	£000	£000	£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	2,861	2,506	-	-
Repayable advances	1,000	-	-	1,000
Accrued interest*	-	-	7	7
Total Other Long Term Liabilities	3,861	2,506	7	1,007
Creditors				
Liabilities at amortised cost:				
Trade payables and other creditors	-	-	2,587	2,475
Total Creditors	-	-	2,587	2,475
Other Short Term Liabilities				
Liabilities at amortised cost:				
Finance leases	-	-	340	355
Total Other Short Term Liabilities	-	-	340	355
Total Financial Liabilities	9,861	8,506	2,942	3,845

*Shown under Short-term Creditors in the Balance Sheet

The Balance Sheet total for Short-term Creditors includes £7.181 million (31 March 2017 £7.432 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-17			31-Mar-18	
	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	9,004	9,004	11,502	11,502
Equity and Property Funds	1	15,422	15,422	16,935	16,935
Impaired deposits	2	15	15	2	2
Financial Assets held at amortised cost:					
Long Term Loans	2	2,394	2,536	351	351
Total		26,835	26,977	28,790	28,790
Assets for which fair value is not disclosed*		21,814		19,985	
Total Financial Assets		48,649		48,775	
<i>Recorded on the Balance Sheet as:</i>					
Long Term Investments		15,422		16,935	
Long Term Debtors (part)		2,374		350	
Short Term Investments		25,017		25,502	
Short Term Debtors (part)		5,931		6,149	
Cash and Cash Equivalents		(95)		(161)	
Total Financial Assets		48,649		48,775	

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

Notes to the Accounts

		31-Mar-17		31-Mar-18	
	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	9,400	6,008	8,863
Other Long Term liability	2	1,007	1,079	-	-
Lease Payables	2	3,201	4,395	2,861	3,975
Total		10,216	14,874	8,869	12,838
Liabilities for which fair value is not disclosed*		2,587		3,482	
Total Financial Liabilities		12,803		12,351	
<i>Recorded on the Balance Sheet as:</i>					
Short Term Creditors (part)		2,602		2,490	
Other Short-Term Liabilities		340		1,355	
Long Term Borrowing		6,000		6,000	
Other Long Term Liabilities		3,861		2,506	
Total Financial Liabilities		12,803		12,351	

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

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

The risk associated with collection of service debtors is managed and controlled by a central recovery team 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-17		Principal	Accrued interest & dividends	Unrealised Gain/ (loss)	31-Mar-18
£000		£000	£000	£000	£000
15,548	Unrated equity and property funds	16,000	126	935	17,061
2,014	Deposit held with Lloyds as indemnity for LAMS	2,000	14	-	2,014
10,019	Deposits with UK and non-UK banks and building societies meeting the Council's credit criteria	6,000	3	-	6,003
6,001	Loans to other UK local authorities	8,000	16	-	8,016
9,004	AAA rated Money Market Funds	11,500	2	-	11,502
42,586	Sub-Total Investments	43,500	161	935	44,596
15	Impaired deposits	2	-	-	2
15	Sub-Total Impaired Deposits	2	-	-	2
6,143	Loans, trade receivables and other debtors	4,333	5	-	4,338
6,143	Sub-Total Debtors	4,333	5	-	4,338
(96)	Cash held with own bank	(162)	-	-	(162)
1	Cash floats	1	-	-	1
(95)	Sub-Total Cash & Cash Equivalents	(161)	-	-	(161)
48,649	Total Exposure	47,674	166	935	48,775

Notes to the Accounts

The Council entered into a Local Authority Mortgage Scheme (LAMS) with Lloyds TSB Bank Plc (Lloyds) in 2013 for a period of five years, 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 advance to Lloyds in January 2014. Essex County Council (ECC) is a partner to the scheme and provided £1 million towards the indemnity. During the period of the scheme 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. In July 2016, Lloyds decided to close the scheme to new applicants.

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 £651,000 of trade receivables (£760,000 at 31 March 2017). The amount can be analysed by age of debt as follows:

31-Mar-17	Aged debt analysis	31-Mar-18
£000		£000
504	Less than three months	537
15	Three to six months	3
56	Six months to one year	57
185	More than one year	54
760	Total due at 31 March	651

A provision of £71,000 (£242,000 at March 2017) 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 24 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 £16 million invested across five pooled funds – four equity funds and one property fund. It is intended that these investments will be held for the medium-long term; however, the equity 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 both changes in the market level of interest rates that influence investment returns, and potential changes in fair values which could generate a loss on disposal.

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

	£000
Increase in interest payable on variable rate borrowings – assuming the option to repay was not exercised on the market loans	60
Increase in interest receivable on variable rate investments – based on the average amount invested during the year of £54.39 million	(544)
Impact on the Surplus or Deficit on the Provision of Services	(484)

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.

Notes to the Accounts

Market Risk – Price Risk

The Council's investment in a property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's exposure to the fund of £3 million. A 5% fall in commercial property prices would result in a £155,000 charge to the CIES – currently 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 £13 million. A 5% fall in share prices would result in a £691,000 charge to the CIES – currently 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-17		31-Mar-18
£000		£000
1,045	PPE – Vehicles & plant	693
1,330	Investment property	1,359
2,375	Total Carrying Value	2,052

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-17		31-Mar-18
£000		£000
	Finance lease liabilities (net present value of minimum lease payments):	
340	• Current	355
2,861	• Non-current	2,506
6,365	Finance costs payable in future years	6,224
9,566	Total Minimum Lease Payments	9,085

Notes to the Accounts

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

	Minimum Lease Payments		Finance Lease Payments	
	31-Mar-17 £000	31-Mar-18 £000	31-Mar-17 £000	31-Mar-18 £000
Not later than one year	481	481	340	355
Later than one year but not later than five years	1,374	987	945	594
Later than five years	7,711	7,617	1,916	1,912
	9,566	9,085	3,201	2,861

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

Finance Leases – Council as Lessor

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

Operating Leases – Council as Lessor

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

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

31-Mar-17 £000		31-Mar-18 £000
940	Not later than one year	987
3,665	Later than one year and not later than five years	3,949
5,335	Later than five years	4,717
9,940		9,653

Notes to the Accounts

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-17		31-Mar-18	
£000		£000	
102	Not later than one year	97	
189	Later than one year and not later than five years	122	
970	Later than five years	940	
1,261		1,159	

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 £900,000 (£0.993 million at 31 March 2017).

Expenditure charged to services in the CIES relating to these leases was £98,000 in the year (£95,000 in 2016/17), with £15,500 of income being received under a sub-lease (£15,500 in 2016/17).

Notes to the Accounts

24. Long and Short-term Debtors

31-Mar-17		31-Mar-18
£000		£000
3,644	Deferred income from property leases	3,326
2,374	Mortgages & other advances	350
6,018	Long-Term Debtors	3,676

31-Mar-17		31-Mar-18
£000		£000
777	Central government bodies	1,088
731	Essex County Council	373
99	Other local authorities	97
	Other entities and individuals:	
453	• Council Tax & business rate payers	514
932	• Housing Benefit overpayments & penalties	1,100
172	• Accrued interest	166
518	• Trade receivables	580
240	• Deferred income from property leases	318
5,609	• Other debtors and prepayments	5,694
9,531	Short-Term Debtors	9,930

Notes to the Accounts

25. Short-term Creditors

31-Mar-17		31-Mar-18
£000		£000
2,990	Central government bodies	3,153
3,276	Essex County Council	2,793
666	Other local authorities	460
	Other entities and individuals:	
370	• Council Tax & business rates prepaid	324
8	• Accrued interest	8
215	• Supplier creditors	305
2,509	• Other creditors and receipts in advance	2,628
10,034	Total Short-Term Creditors	9,671

26. Provisions

	Business Rate Appeals £000	Other Provisions £000	Total £000
Balance at 1 April 2017	940	16	956
Additional provisions made in the year	318	-	318
Amounts used in the year	(180)	(14)	(194)
Balance at 31 March 2018	1,078	2	1,080

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:

2016/17 £000		2017/18 £000
	<u>Comprehensive Income & Expenditure Statement</u>	
	Service cost included within the Cost of Services	
2,545	Current service cost	3,898
9	Past service costs (including curtailments)	-
51	Administration expenses	56
	Financing and Investment Income and Expenditure	
2,178	Net interest expense	2,005
4,783	Post-employment Benefits Charged to Surplus or Deficit on the Provision of Services	5,959
	Re-measurement of the Net Defined Benefit Liability comprising:	
(18,850)	Return on assets excluding amounts included in the net interest	(6,530)
(4,777)	Actuarial (gains) arising on changes in demographic assumptions	-
36,861	Actuarial (gains) and losses arising on changes in financial assumptions	(3,827)
4,101	Experience and other (gains) and losses	-
17,335	Re-measurements recognised in Other Comprehensive Income	(10,357)
22,118	Total Post Employment-Benefits Charged to the CI+ES	(4,398)
	<u>Movement in Reserves Statement (MIRS)</u>	
(4,783)	Reversal of the charge made to the Surplus or Deficit for the Provision of Services	(5,959)
3,703	Employers' contributions charged against the General Fund balance	6,542
(1,080)	Net Adjustments in the MIRS	583

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:

2016/17		2017/18
£000		£000
142,428	Fair value of employer assets	154,270
(210,109)	Present value of funded liabilities	(211,451)
(9,869)	Present value of unfunded liabilities	(9,427)
(77,550)	Net Liability	(66,608)

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Opening balance at 1 April	169,826	210,109	9,766	9,869
Current service cost	2,545	3,898	-	-
Interest cost	6,365	5,613	360	258
Contributions from scheme participants	696	707	-	-
<i>Re-measurement (gains) and losses:</i>				
Changes in demographic assumptions	(4,352)	-	(425)	-
Changes in financial assumptions	35,760	(3,734)	1,101	(93)
Experience (gain) or loss	4,670	-	(320)	-
Past service cost	9	-	-	-
Benefits paid	(5,410)	(5,142)	(613)	(607)
Closing balance at 31 March	210,109	211,451	9,869	9,427

Notes to the Accounts

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

2016/17 £000		2017/18 £000
120,452	Opening fair value of scheme assets	142,428
4,547	Interest income	3,866
	<i>Re-measurement gain/ (loss):</i>	
18,850	Return on assets less interest	6,530
249	Other actuarial gains/ (losses)	-
(51)	Administration expenses	(56)
3,708	Contributions from employer	6,544
696	Contributions from employees	707
(6,023)	Benefits paid	(5,749)
142,428	Closing balance at 31 March	154,270

Pension scheme assets:

31-Mar-17			31-Mar-18		
Fair value £000	% of Total		Fair value £000	% of Total	
97,281	68%	Equities	100,686	65%	
5,389	4%	Gilts	10,263	7%	
5,789	4%	Other bonds	5,731	4%	
13,856	10%	Property	14,633	10%	
4,287	3%	Cash	5,305	3%	
9,499	7%	Alternative assets	11,395	7%	
6,327	4%	Other managed funds	6,257	4%	
142,428	100%		154,270	100%	

At the 31 March 2018, 74.0% (77.2% 31 March 2017) of the assets of the fund were held in quoted securities/ investments.

Notes to the Accounts

Basis for estimating assets and liabilities

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

31-Mar-17		31-Mar-18
	Financial assumptions:	
3.50%	Rate of RPI inflation	3.35%
2.60%	Rate of CPI inflation	2.35%
4.10%	Rate of increase in salaries	3.85%
2.60%	Rate of increase in pensions	2.35%
2.70%	Rate for discounting liabilities	2.55%
	Longevity from age 65 (years):	
24.3 (26.9)	Male (female) Retiring in 20 years	24.4 (27.0)
22.1 (24.6)	Male (female) Retiring today	22.2 (24.7)

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 2018	Impact on the Defined Benefit Obligation in the Scheme	
	Approx.% change in Present Value of Total Obligation	Approximate Monetary Amount £000
0.1% increase in discount rate	-1.67%	-£3,682
0.1% increase in long term salary increase	0.16%	£363
0.1% increase in pension increases and deferred revaluation	1.53%	£3,388
1 year increase in member life expectancy	3.94%	£8,703

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

Risks associated with the defined benefit scheme

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

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

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

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

Impact on the Council's Cash Flows

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

The liabilities show the underlying commitments that the Council has to pay current and future retirement benefits. The net liability of £66.608 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the liability mean that the financial position of the Council remains healthy:

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

Following the latest valuation review, the Council's ongoing contribution rate was set at 16.5% of pensionable pay, topped up with a single additional payment of £4.233 million made in April 2017. This was based on an overall deficit recovery period of 10.5 years. The total contribution expected to be paid by the Council to the Pension Fund for the year to 31 March 2019 is £2.470 million.

Notes to the Accounts

28. Unusable Reserves

31-Mar-17 £000		31-Mar-18 £000
25,383	Revaluation Reserve	29,293
77,002	Capital Adjustment Account	78,533
84	Deferred Capital Receipts	69
(77,550)	Pensions Reserve	(66,608)
1,424	Available for Sale Reserve	935
1,533	Collection Fund Adjustment Account	1,255
(139)	Accumulating Absences Account	(134)
27,737	Total Unusable Reserves	43,343

Revaluation Reserve

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

2016/17 £000		2017/18	
		£000	£000
23,010	Balance at 1 April		25,383
3,450	Upward revaluation of assets	5,402	
(399)	Downward revaluation of assets and impairment losses	(841)	
3,051	Surplus on revaluation of non-current assets not posted to Surplus/ Deficit on the Provision of Services		4,561
(662)	Difference between fair value depreciation and historical cost depreciation	(598)	
(16)	Accumulated gains on assets disposed	(53)	
(678)	Amount written off to the Capital Adjustment Account		(651)
25,383	Balance at 31 March		29,293

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.

2016/17		2017/18	
£000		£000	£000
74,484	Balance at 1 April		77,002
	Reversal of items relating to capital expenditure debited or credited to the CI+ES:		
(3,701)	• Depreciation and impairment of non-current assets	(3,213)	
(110)	• Amortisation of intangible assets	(138)	
(1,362)	• Revenue expenditure funded from capital under statute	(966)	
(116)	• Amounts of Non-current assets written off on disposal	(179)	
<u>(5,289)</u>		<u>(4,496)</u>	
678	Adjusting amounts written out of the Revaluation Reserve	651	
(4,611)	Net written out amount of the cost of non-current assets consumed in the year		(3,845)
	Capital financing applied in the year:		
1,000	• Capital Receipts	1,800	
1,258	• Grants and contributions received and applied in the year	1,164	
248	• Capital Grants Unapplied Account	390	
484	• Minimum revenue provision	668	
<u>3,872</u>	• Capital expenditure charged to revenue	<u>1,073</u>	
6,862			5,095
267	Movements in the market value of Investment Properties		281
77,002	Balance at 31 March		78,533

Notes to the Accounts

29. Cash Flow Operating Activities

2016/17 £000		2017/18 £000
	<u>Cash flows for Operating Activities include the following items:</u>	
(858)	Interest & dividends received	(986)
469	Interest paid	454
	<u>Adjustments to net Surplus or Deficit on the Provision of Services for non-cash movements:</u>	
(3,016)	Depreciation	(3,037)
(685)	Revaluation losses/ gains	(176)
(110)	Amortisation of intangibles	(138)
267	Change in fair value of Investment Property	281
1,031	(Increase)/ decrease in creditors	(443)
1,081	(Increase)/ decrease in provisions	(124)
(155)	Increase/ (decrease) in debtors	707
31	Increase/ (decrease) in inventories	64
(1,080)	Movement in pension liability	583
(116)	Carrying amount of non-current assets sold or derecognised	(178)
66	Other non-cash items	-
(2,686)	Total Non-Cash Movements	(2,461)
	<u>Adjustment for items included in the Surplus or Deficit on the Provision of Services that are Investing and Financing activities:</u>	
2,083	Net income from Investment Property	2,255
4,522	Proceeds from the sale of non-current assets and other capital receipts	2,539
3,242	Capital grants	324
9,847	Total of items that are Investing and Financing Activities	5,118

Notes to the Accounts

30. Related Party Transactions

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

Braintree District Museum Trust

The Braintree District Museum and Study Centre Trust ("the Museum Trust") amounting to £273,659 (£254,278 in 2016/17);

The Council agreed to write-off £116,925 previously owed by the Museum Trust as part of a long-term agreement for the transfer of the management of the Council's museum service from April 2018.

At the Balance Sheet date there was £32,373 plus interest (£39,236 31 March 2017) outstanding on a loan made to Warner Textiles Ltd, a subsidiary of the Museum Trust.

Ignite Business Enterprise Ltd (Ignite)

Ignite is a non-profit Enterprise Agency delivering business advice, training and support to both new business start-ups and operating businesses across the Braintree District. During the year the Council had a representative director on the Board of Ignite who was also a Council Cabinet Member.

Payments to Ignite were £30 (£25 in 2016/17). Ignite paid the Council rental income for the year of £11,250 (£15,000 in 2016/17) and other income of £1,109 (£1,617 in 2016/17). The Council also leased the Braintree Enterprise Centre to Ignite for the purpose of providing business starter units and other related business support services on an arrangement which effectively meant no rent was payable.

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 £148,003 (£147,336 in 2016/17). 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 NEPP is Colchester Borough Council.

Braintree District Councillors' Community Grant Scheme

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

In total £104,789 was paid in 2017/18 (£37,352 in 2016/17) to organisations under the scheme, and which in some instances included payments to organisations in which certain Councillors have a pecuniary and/ or personal interest.

Notes to the Accounts

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

31. Interest in Companies

The Council has an interest in North Essex Garden Communities Limited (NEGC), a joint strategic entity which is equally owned by the Council along with Essex County Council, Colchester Borough Council, and Tendring District Council. The company is limited by shares. 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.

NEGC was incorporated on 9 August 2016. The company commenced trading in October 2017 following the recruitment of a Managing Director. The company has prepared dormant accounts to 31 August 2017. Following a change of accounting reference date it has also prepared accounts to 31 March 2018. The accounts were prepared in accordance with IFRS and will be submitted for approval to the NEGC Board on 16 July 2018.

The accounts to 31 March 2018, are not material to the Group, and as such will not be incorporated into the Group Accounts of any of the four owning authorities.

It is anticipated that the company will be consolidated into future Group Accounts as an associate entity, as the Council does not have power or the ability to have power over the company.

32. Contingent Assets & Liabilities

- 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 environmental insurance for individual/aggregate losses up to £10m, subject to an excess of £100,000 on each claim.
 - Settlement of costs incurred in dealing with asbestos found in properties that have transferred, including any claims arising from exposure to asbestos. The warranty is to meet any costs above an aggregate sum of £9.6m (indexed annually) and is for a period of twenty two years.
 - 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 and from which the Council is entitled to a 50% share of any VAT recovered. The Council also receives a share of any proceeds from disposals of properties, either as a result of preserved Right to Buys; or clawback on other property disposals by GCH. The Council's proportion of RTB sales is subject to property type, and is based on a reducing scale as allowance for the cumulative effect of investment made by GCH since the properties were originally

transferred.

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

33. Accounting Standards issued but not yet adopted

The 2018/19 Code has adopted IFRS 9 Financial Instruments with an application date of 1 April 2018. The two main changes introduced by IFRS 9 are:

- a change to the accounting treatment for investments to one where income and expenditure is recognised as fair value gains and losses arise – currently these are not recognised until the investment is sold or matures and is held in the Available for Sale Reserve (an Unusable reserve).
- a change to the model for impairment loss allowances for financial assets from one based on incurred losses to one based on expected losses.

The first of these changes will mean that the Council's Available for Sale investments will be reclassified at 1 April 2018 as Fair Value through Profit or Loss. The accumulated revaluation gain of £935,000 on the Available for Sale Reserve will be released to the General Fund balance on 1 April 2018, and any fair value gains/ losses arising after that date will be credited/ debited to the Surplus/ Deficit on the Provision of Services in the CIES as they arise.

The Council's Available for Sale investments are excluded from the definition of capital expenditure, however, it is possible that regulations may be amended to bring these investments within the scope of statutory reversals for 2018/19. If not, the Council would seek to apply where possible, an election available under the 2018/19 Code to designate investments (current value £20.935 million) into a Fair Value through Other Comprehensive Income treatment (which will effectively mirror the current Available for Sale approach).

The second change relating to impairment losses will require the Council to review the allowances it currently makes for credit risk on debtors and investments and to include losses expected to arise in the future rather than just those incurred. As the Council's investments are held with highly rated financial institutions, and loans made to third parties are not significant, it is currently estimated that this change will not have a material impact on the impairment loss allowances to be set aside.

The 2018/19 Code has also adopted IFRS 15 Revenue from Contracts with Customers with an application date of 1 April 2018. IFRS 15 introduces a new model for recognition of contractual income, based on allocating the overall transaction price for the goods and/ or services to be provided against the satisfaction of the various performance obligations in the contract. The new model has the potential to change the date at which revenue is recognised compared to the current accounting requirements. However, initial analysis of this change indicates that there will be no material impact on the revenue recognised by the Council.

34. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director on 25 July 2018. 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 2018 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

2016/17			CF	2017/18	
Business Rates	Council Tax		Note	Business Rates	Council Tax
£000	£000			£000	£000
<u>Income</u>					
-	80,123	Council Tax receivable	1	-	83,373
42,513	-	Business Rates receivable	2	42,059	-
1,028	-	Contributions towards previous year's estimated Collection Fund deficit	3	-	-
43,541	80,123	Total Income		42,059	83,373
<u>Expenditure</u>					
Precepts, Demands and Shares:					
16,992	10,156	• Braintree District Council		16,201	10,688
21,241	-	• Central Government		20,252	-
3,823	57,260	• Essex County Council		3,645	59,985
-	7,706	• Police & Crime Commissioner for Essex		-	8,095
425	3,429	• Essex Fire & Rescue		405	3,558
90	-	Payment to ECC for renewable energy disregard	2	97	-
94	-	Transfer to General Fund for BDC renewable energy disregards	2	122	-
79	-	Transitional protection payment	2	102	-
195	-	Allowance for business rate collection costs	2	193	-
151	173	Contribution to provision for impairment of debts	2/5	112	158
(2,391)	-	Change in provision for business rate valuation appeals:	2/6	345	-
-	886	Contributions from previous year's estimated Collection Fund surplus	3	1,080	1,502
40,699	79,610	Gross Expenditure		42,554	83,986
<u>Collection Fund Balance</u>					
(53)	(2,388)	Balance at the beginning of the year		(2,895)	(2,901)
(2,842)	(513)	(Surplus) or deficit for the year		495	613
(2,895)	(2,901)	Balance at the end of the year	4	(2,400)	(2,288)

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 2017/18 was set at £1,597.12 (£1,550.36 in 2016/17). The tax base used to determine this rate was calculated at 51,547 equivalent number of Band D dwellings (50,667 in 2016/17) 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)		3	5/9	2	2
A	5,923	3,653	6/9	2435	2411
B	16,557	12,443	7/9	9678	9581
C	18,676	15,768	8/9	14016	13876
D	9,261	8,363	9/9	8363	8279
E	7,032	6,548	11/9	8003	7923
F	4,105	3,919	13/9	5661	5604
G	2,207	2,102	15/9	3503	3468
H	211	194	18/9	387	383
Contributions in lieu					20
	63,972	52,992		52,048	51,547

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:

2016/17		2017/18
£000		£000
80,118	Council Taxpayers	83,365
(21)	Adjustments to previous year Council Tax Benefit	(25)
26	Transfer from General Fund	33
80,123	Council Tax Income	83,373

2. Income from Business Ratepayers

The Council collects business rates for its area based on local rateable values (RV) set by the Valuation Office Agency (VOA) and by applying business rate multipliers set by Central Government: 46.6p (48.4p in 2016/17) where the property is eligible for small business relief; or 47.9p (49.7p in 2016/17) in all other cases. Businesses may also be eligible for further small business rate relief, and other mandatory and discretionary reliefs to determine the net amount payable.

Business rates are shared equally between Central Government and local authorities under a scheme referred to as the Business Rate Retention Scheme (BRRS). Prior to the start of the year the Council estimated the net amount of business rates collectable would be £40.503 million (£42.481 million in 2016/17), after allowing for provisions for non-collection, the effect of business rate appeals, and other allowances. This sum has been paid or transferred to the Council, Central Government and the major precepting authorities (Essex County Council and the Essex Fire & Rescue). The actual net amount of business rate income was £41,088 million (£44.295 million in 2016/17) – an additional £0.585 million to that previously estimated and which is retained in the Collection Fund for the benefit of future years.

A new Valuation List was introduced for 2017/18 (the 2017 List), and at the start of the year there were 4,833 businesses with a total RV of £111.3 million, and at the end of the year 4,879 businesses with a total RV of £110.5 million.

3. Contributions from Previous Year's Collection Fund Surplus

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

Notes to the Collection Fund

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

2016/17			2017/18		
Business Rates	Council Tax		Business Rates	Council Tax	
£000	£000		£000	£000	
(411)	115	Braintree District Council	432	194	
(514)	-	Central Government	540	-	
(93)	645	Essex County Council	97	1,095	
-	87	Police & Crime Commissioner for Essex	-	147	
(10)	39	Essex Fire & Rescue	11	66	
(1,028)	886	Total Estimated Council Tax Balance	1,080	1,502	

4. Collection Fund Balance

For the purposes of calculating and setting the precepts and Council Tax rates for 2018/19, surpluses of £1.399 million and £1.815 million from Council Tax and business rates respectively were taken into account. These compare to the actual surplus balances at 31 March 2018 of £2.400 million and £2.288 million respectively. The difference between the estimated amounts and the actual balance will be taken into account when determining budgets and Council Tax for 2019/20.

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.

2016/17				2017/18		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
220	1,054	1,274	Balance at 1 April	138	1,001	1,139
(233)	(226)	(459)	Amounts written off in the year	(72)	(125)	(197)
151	173	324	Contribution to provisions during year	112	158	270
(82)	(53)	(135)	Net Increase (decrease) in provision	40	33	73
138	1,001	1,139	Balance at 31 March	178	1,034	1,212

6. Provision for Business Rates Valuation Appeals

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

The Council has calculated a total provision of £2.695 million at 31 March 2018 (£2.350 million at 31 March 2017).

2016/17		2017/18	
£000		£000	
4,741	Balance at 1 April	2,350	
(1,696)	Amounts refunded from the provision	(450)	
(695)	Increase (Decrease) in provision	795	
(2,391)	Net change in provision	345	
2,350	Balance at 31 March	2,695	

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	4,435.36	-	4,435.36	240.00	D Mann	4,731.05	1,756.56	6,487.61	240.00
Mrs J S Allen	4,435.36	4,428.74	8,864.10	613.25	J Mckee	4,731.05	9,462.00	14,193.05	157.10
M J Banthorpe	4,731.05	4,731.00	9,462.05	339.00	R G S Mitchell	4,632.49	585.02	5,217.51	-
P Barlow	4,731.05	4,441.46	9,172.51	624.30	J M Money	4,632.49	866.35	5,498.84	248.10
J Baugh	4,731.05	-	4,731.05	257.10	Lady Newton	4,533.93	2,363.73	6,897.66	220.00
J C Beavis	4,533.93	-	4,533.93	-	J O'Reilly-Cicconi	4,435.36	1,047.12	5,482.48	468.60
D Bebb	4,632.49	10,328.35	14,960.84	496.80	I Parker	4,731.05	(8.66)	4,722.39	550.50
K J Bowers	4,731.05	4,420.08	9,151.13	240.00	J A Pell	4,731.05	-	4,731.05	240.00
L Bowers-Flint	4,731.05	13,361.79	18,092.84	260.55	R Ramage	4,632.49	-	4,632.49	978.00
G Butland	4,632.49	15,934.59	20,567.08	941.10	F P Ricci	4,731.05	4,744.14	9,475.19	290.00
S Canning	4,336.80	-	4,336.80	-	W J Rose	4,731.05	315.40	5,046.45	564.20
J G Cunningham	4,435.36	-	4,435.36	-	V Santomauro	4,435.36	-	4,435.36	240.00
M C Cunningham	4,731.05	-	4,731.05	-	W D Scattergood	4,533.93	5,588.69	10,122.62	1,163.65
T G Cunningham	4,632.49	11,203.59	15,836.08	-	J W Schmitt	4,632.49	11,829.00	16,461.49	126.70
M Dunn	4,731.05	-	4,731.05	240.00	P G Schwier	4,731.05	(8.66)	4,722.39	1,221.30
J G J Elliott	4,435.36	4,731.00	9,166.36	-	C W Siddall	4,533.93	3,293.90	7,827.83	-
D Garrod	4,731.05	-	4,731.05	686.60	G A Spray	4,731.05	5,610.72	10,341.77	1,319.10
J C Goodman	4,435.36	-	4,435.36	240.00	P Tattersley	4,731.05	9,462.00	14,193.05	1,132.20
A C Hensman	4,731.05	-	4,731.05	240.00	M Thorogood	4,731.05	1,741.59	6,472.64	240.00
P Horner	4,731.05	(8.66)	4,722.39	-	R M Van Dulken	4,632.49	4,158.70	8,791.19	240.00
D L Hume	4,336.80	-	4,336.80	240.00	L S Walters	4,533.93	-	4,533.93	240.00
H D Johnson	4,731.05	(8.66)	4,722.39	687.30	S A Wilson	4,533.93	3,114.58	7,648.51	500.00
A Kilmartin	4,731.05	-	4,731.05	240.00	G McClure	4,435.36	-	4,435.36	66.95
S C Kirby	4,435.36	4,420.08	8,855.44	935.35					
<u>Councillors that left during the year</u>									
D K Hufton-Rees	3,802.87	-	3,802.87	65.00	S D M Paul	4,231.88	-	4,231.88	234.19
					Total	224,973.19	143,905.54	368,878.73	18,266.94

Glossary & Abbreviations

Accruals Concept

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

Actuary

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

Amortisation

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

Amortised Cost

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

Assets Held for Sale

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

Balance Sheet

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

Billing Authority

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

Budget Requirement

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

Business Rate Retention Scheme (BRRS)

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

Capital Adjustment Account (CAA)

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

Capital Financing Requirement (CFR)

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

Capital Receipt

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

Capital Expenditure

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

Cash and Cash Equivalents

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Collection Fund

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

Glossary & Abbreviations

Community Assets

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

Contingent Assets and Liabilities

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

Council Tax

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

Creditors

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

Current Assets

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

Current Liabilities

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

Debtors

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

Depreciation

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

Earmarked Reserves

Amounts set aside for future commitments or potential liabilities.

Effective Interest Rate (EIR)

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

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease

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

Financial Instruments

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

Financial Year

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

General Fund (GF)

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

Gross Expenditure

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

Impairment

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

Infrastructure

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

Intangible Assets

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

Glossary & Abbreviations

International Financial Reporting Standards (IFRS)

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

Inventories

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

Investment Property

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

Local Government Pension Scheme (LGPS)

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

Local Council Tax Support Scheme (LCTS)

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

Long-Term Assets

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

Long-Term Liabilities

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

Minimum Lease Payments (MLP)

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

Minimum Revenue Provision (MRP)

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

National Non-Domestic Rates (NNDR)

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

Net Book Value

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

Net Expenditure

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

Non-Current Assets

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

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

Operating Lease

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

Precept

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

Property, Plant & Equipment (PPE)

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

Provision

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

Public Works Loan Board (PWLb)

A government agency that provides loans to local authorities.

Glossary & Abbreviations

Related Parties (Related Party Transactions)

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

Revenue Expenditure funded from Capital under Statute (REFCUS)

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

Reserves

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

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

Revenue Support Grant (RSG)

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

Section 151 Officer

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

Useful Life

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