



Braintree District Council

Statement of Accounts

2019 - 2020

(Unaudited)

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Introduction to Braintree District

Braintree District is situated in the north of Essex. We cover some 612sq km of largely rural land. We are one of England's largest districts, with three growing towns: Braintree, Halstead and Witham, surrounded by 62 separate parish areas. The population of Braintree District was recorded as 151,561 (mid-year 2018 estimate) a small decrease over the previous estimate. 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 2019. At the 31 March 2020, the political make-up of the Council was: Conservative Party 34, Green Party 6, Halstead Residents Association 4, Independents 3, and Labour Party 2.

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

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

During the year the Council employed an average of 436 full-time equivalent employees.

Corporate Strategy

This was the final year of the Council's Corporate Strategy ("the Strategy") covering the period 2016 to 2020. The Strategy reflected 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. Priorities over the four years were:

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

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

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

Building on the last four years, the Council has now agreed its new Corporate Strategy for the period 2020 to 2024, following a consultation period during the summer of 2019 to find out what was important to residents and businesses. Using this feedback the strategy going forward has been developed with the focus now on the following themes:

- **Connecting people and places** - The connections that link our people and businesses together provide the foundations of our district. They can be 'physical' – like homes, roads and good transport, or they could be virtual, like the digital connections and infrastructure behind it that helps our residents and businesses trade, access services and communicate online.
- **Enhancing our environment** - This year we declared a 'Climate Emergency' and set an ambitious target to make the Council's activities carbon-neutral where practical by 2030. We also committed to reducing district-wide energy consumption and emissions and to support our communities to adapt to climate change. To achieve this, we have created a community-wide Climate Change Working Group who are busy developing our strategy and introducing projects to achieve our targets.
- **Supporting our communities** - Our communities must remain at the heart of everything we do and we have listened to what you have told us is important to you when developing this strategy. We want to continue to have informed, open conversations with our residents and businesses to understand how we can support them to build resilient communities. We know the strength and value that our communities have when they come together and want to build on this and support them to make a difference connecting people and creating strong and friendly communities that care about each other.
- **Promoting prosperity** - Thriving high-quality businesses are fundamental to our long term local economy in that they create jobs, wealth and wider prosperity.
- **Delivery and innovation** - Key to the success of this strategy is how it is delivered. We recognise the importance of listening and engaging with our residents and we aim to improve engagement through regular communication and consultation, providing opportunities for people to have their say, making sure we balance their needs and protect the things they value most.

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 Corporate Governance Group (previously the Governance Committee). In addition, at each meeting of the Corporate Governance Group 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 2019/20 along with a summary of its achievements over the last four years of its Corporate Strategy can also be found on the Council's website (or by clicking [here](#)).

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Strategic Risks

The Council has an embedded process to manage risks and assist in the achievement of its objectives. Those risks which have potential to impact on the delivery of the Council's Corporate Strategy over the medium-term are set out in a Strategic Risk Register. During the year risks were reviewed and refreshed with Members agreeing to increase the number of strategic risks from 10 to 11, comprising the following:

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

Further details on these risks and the actions/ controls in place to manage them are available on the Council's website [here](#).

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 2019, the Council agreed a budget of £14.540 million for the year together with an updated Medium Term Financial Strategy (MTFS) covering the period 2019/20 to 2022/23. The budget was balanced by an estimated addition to the General Fund balance of £0.128 million reflecting the fact that the Council had taken early decisions on generating savings which would be required to meet predicted future shortfalls in its revenue resources. The budget was to be financed from a mixture of government revenue support grants (£0.022 million), business ratepayers (£4.965 million), and council taxpayers (£9.553 million).

The overall average Band D Council Tax rate for the District was £1,757.70 of which the Council's portion was £179.73, an increase of 3% over the previous year. In setting its budget the Council identified £1.191million 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:

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Business Plan	Description of services and activities
Asset Management	Commercial and non-commercial property management, public and community halls
Community Services	Community transport, community safety and development, community grant scheme
Corporate Management	Corporate and senior management, civic support, commercialisation
Economic Development	Economic development and promotion of tourism and town centres
Environment and Leisure	Building control, carbon management, environmental and health protection, private sector housing grants, pest control, emergency planning, leisure management and healthy living, cultural services, and licensing
Finance	Housing benefits, local council tax support scheme, local tax collection, treasury management, internal financial services, customer service centre, business improvement team, and procurement
Governance	Legal and Member support, Members' allowances, electoral services, local land charges
Housing Services	Housing assessment and advice, homelessness and temporary accommodation, housing research and development
Human Resources	Personnel support, organisational development, and apprenticeship scheme
ICT and Facilities	Information and communication technology (ICT), management of council offices, closed circuit television
Marketing and Communications	Marketing and communications, mail services, and graphic design and reprographics
Operations	Refuse and recycling, street cleansing and litter collection, horticultural services, parks and cemeteries, car parking, markets, public conveniences, street scene protection and wardens
Strategic Investment	Delivery of the Council's strategic investment plans
Sustainable Development	Planning and development management, planning policy and local plan, parks and landscape, and economic development

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

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

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Revenue Budget Outturn for the Year

The outturn against Controllable Budget was an overall positive variance of £0.565m, mainly due to an over achievement of income:

Service	Updated Budget £'000	Actual Spend £'000	Adverse (Positive) variance against budget				RAG Status
			Staffing	Other Expenditure	Gross Income	Total	
			£'000	£'000	£'000	£'000	
Asset Management	(2,387)	(2,219)	2	238	(72)	168	R
Community Services	364	335	(4)	(22)	(3)	(29)	G
Corporate Management	1,385	1,521	111	31	(6)	136	R
Economic Development	187	170	5	(19)	(3)	(17)	G
Environment & Leisure	902	805	(75)	30	(52)	(97)	G
Finance	1,423	791	(148)	(132)	(352)	(632)	G
Governance	1,026	1,072	39	32	(25)	46	A
Housing Services	890	801	(28)	(44)	(17)	(89)	G
Human Resources	375	358	2	(17)	(2)	(17)	G
ICT & Facilities	1,564	1,527	10	(46)	(1)	(37)	G
Marketing and Communications	526	511	18	(46)	13	(15)	G
Operations	5,715	5,600	(94)	20	(41)	(115)	G
Strategic Investment	11	(9)	-	(2)	(18)	(20)	G
Sustainable Development	1,244	1,432	(66)	84	170	188	R
Service Total	13,225	12,695	(228)	107	(409)	(530)	G
Corporate Financing	1,515	1,280	-	(67)	(168)	(235)	G
Efficiency target	(200)	-	200	-	-	200	
Total	14,540	13,975	(28)	40	(577)	(565)	G

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

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

- Higher money market interest rates combined with increased cash balances resulted in an overall increase in interest and investment income from the Council's treasury management activities.
- Increased income was also obtained through a Council Tax sharing arrangement in place with the major precepting authorities.

An overall net underspend was achieved on staffing related costs due mainly to a combination of vacant posts; reductions in contracted hours; and new appointments being made at lower grades/ scale points. These more than offset areas of higher spend which were necessary due to interim management arrangements. There was a small overspend on other expenditure, which mainly arose in the final quarter of the year where costs relating to an aborted asset disposal were written off to the revenue account.

Further details of the financial outturn against budget can be found in the Council's Annual Performance Report available [here](#).

Capital Investment

The Council continues to embark on ambitious investment plans which will benefit residents and businesses, with projects generally focused around four main themes: health, homes, journeys, and jobs. This investment programme is being delivered over the coming years, in addition to the Council's traditional capital programme, which continues to invest in both front-line and back-office services. At the end of March 2020, the overall

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programme being undertaken amounted to almost £53 million. Some re-phasing of strategic projects meant that the amount spent in 2019/20 was lower than originally anticipated at £6.809 million with the following outcomes:

- Pre-construction works in relation to the regeneration of the Manor Street area of Braintree town centre. This project will help rejuvenate the town centre bringing about investment in new homes, services and businesses which will benefit residents and bring jobs and visitors into the town. These initial stages have now resulted in the appointed main contractor taking possession of the site in early March commencing site clearance and putting this project on track for delivery in late 2021.
- Preparatory works and services have been undertaken in relation to the Council's development of a brand new business and innovation park at Great Notley, branded as Horizon 120. This is planned for on a 65 acre site acquired by the Council in 2019 with the vision of creating an employment site fit for the future which attracts new businesses into the district and offers residents high quality jobs. The first Local Development Order was adopted for the site, and the necessary earthworks started towards the end of the year with construction of access roads and other infrastructure expected during 2020/21.
- Acquisition of land at Chapel Hill which would provide the necessary access to potential housing development in this area of Braintree.
- Partial completion of works at the Great Notley all-weather facility which will provide new playing surfaces and fencing and lighting.
- Creation of better and safer environments by improving community facilities, parks and open spaces, and children's play areas – all part of the Council's ongoing programme of reinvestment in community facilities.
- Provision of grants to private homeowners for making adaptations for those living with disabilities along with other means-tested improvement grants used for installing adequate heating and hot water systems.
- Investment across a range of services, mainly in new technology, and proactive maintenance of buildings, to maintain and enhance service delivery. At the end of the year additional capital expenditure was incurred to facilitate the rapid introduction of home working by council staff in response to government restrictions in the wake of the coronavirus pandemic.

Capital expenditure was funded from a mixture of capital receipts (£1.004m), government grants and other third party contributions (£2.337m); and revenue resources, including the use of earmarked reserves (£2.136m). The balance of funding was met by prudential borrowing, which used the Council's own cash balances that were held for other reasons – this being the most cost effective way of borrowing for the Council at the present time.

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 £1.878 million from preserved right-to-buys and a further £0.246m of recovered VAT. The Council also completed a sale of land generating a further £1.317m, along with other minor receipts totalling £0.148m.

Assets that were previously held for sale, with a carrying value of £1.281m, were reclassified to surplus assets. The consortium arrangement for which the relevant assets formed part of an overall package of assets to be sold was terminated during the year. The Council will now undertake a review of its options for these assets; however, in the meantime the assets continue to generate rental income.

Grants received in the year included £0.931m from the Better Care Fund via Essex County Council as part funding towards the Council's disabled facility grant programme.

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Reserves & Balances

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

General Fund balances

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

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

As at 31 March 2020, the Council's overall General Fund balances were £28.813m, an increase over that at 31 March 2019 of £0.401m. Within this total, £21.931m was held as earmarked reserves, a net reduction of £0.694m, with the remaining balance of £6.882m unallocated (an increase of £1.095m from last year).

The main reason for the increase in the unallocated balance was an addition of £1.411 million, being the replenishment of funds which had been used in 2017/18 to meet a lump sum payment into the Council's pension fund covering obligations for the three-year period ending 31 March 2020. This resource switching resulted in net revenue savings to the Council. As part of the 2020/21 Budget, the Council approved a similar arrangement for a payment due in April 2020, which will reduce balances again for a temporary period. Other changes on the amount of unallocated balances reflected the in-year budget variance and one-off funding for 2019/20 budget pressures.

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 2020 was £20.744m, a net increase of £1.673m over the amount brought forward at the start of the year, as the amount used to fund capital expenditure in the year was less than originally anticipated.

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 are required under statutory regulations for the purposes of setting Council Tax. These reserves increased in the year by a net £5.574m, largely as a result of a change in the accounting valuation of the Council's pension fund liability as at 31 March 2020 which increased reserves by £7.846m; however, this was partially offset by a £3.581m deterioration in the market value of pooled fund investments, which mainly occurred during the final quarter of the year as global financial markets responded to the outbreak of the coronavirus pandemic.

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Treasury Management

Investment and Interest Income

Over the year the Council's investment balances averaged £63.64 million, with a peak of over £73 million. Investments were managed in accordance with the Council's approved Treasury Management Strategy. A proportion of the Council's investment portfolio included a mixture of equity, property, and multi-asset pooled funds. These funds generated £0.935 million of dividend income, achieving an income yield of around 5%. This relatively high return reflects the long-term nature of these investments. Returns on short-term investments remained low due to the current interest rate environment, generating £0.358 million of interest, equivalent to a return of 0.79%.

Pooled fund investments (including a variable net asset value money market fund) are exposed to fluctuations in market prices reflecting prevailing conditions in the financial markets. As a result of the coronavirus pandemic, financial markets fell in value significantly during the final quarter of the year, and consequently the total value of all the Council's funds was £20.728m at 31 March 2020, an unrealised loss of £2.272 million. This loss is held in unusable reserves under statutory direction and is only realisable if investments were to be sold, at which time the amount realised would reflect fund pricing at that point.

The carrying value of investments held at the end of the year was £50.228m.

Borrowing

The Council has market debt outstanding amounting to £6 million and on which interest of £0.283 million 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 22 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 £2.180 million (with £0.203m shown under short-term liabilities) where the Council has acquired the use of buildings, vehicles and plant.

Pension Fund Liabilities

The Council's accounts reflect an updated view of the Council's share of the assets and liabilities of the Essex Pension Fund ("the Pension Fund"). This shows an estimated net liability of £51.751m at the 31 March 2020, a reduction on the previous year of £7.846m. Significant items that positively effected this position were:

- changes in the financial assumptions used by the actuary reduced the liability by a net £18.494m, which was mainly due to a reduction in expected inflation and therefore the rate at which pensions and salaries would increase in cost in the future;
- experience gains of £3.496m, which arose due to the fact that in intervening periods between formal valuations of the fund, the actuary "rolls forward" previous year estimates which are only updated for actuals at the next valuation, in this case the valuation conducted at 31 March 2019; and
- changes in demographic assumptions and other gains which combined reduced the net liability by £1.351m.

These were partially offset by the following:

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- Lower investment returns on the Fund's assets than that assumed by the actuary of £12.220m, mainly due to the dramatic fall in financial market values towards the end of the financial year; and
- the cost of post-employment benefits charged against the Surplus on Provision of Services less the amount of the Council's employer contributions made into the Pension Fund (+£3.273 million net). This position is partially affected by the Council's previous decision to settle its three-year deficit obligation arising from the 2016 Valuation in one lump sum in April 2017, rather than spreading the cost annually.

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

Whilst the net liability has a significant impact on the reported net worth of the Council, an agreed strategy has recently been approved following the 2019 Triennial Review of the fund, and which seeks to address the Council's shortfall over a maximum period of 7.5 years. There are no minimum funding requirements for the Pension Fund but contributions are generally set to target a funding level of 100% using agreed actuarial assumptions. Contribution levels for the Council as employer have been set for the period 1 April 2020 through to 31 March 2023, which includes a one-off payment in April 2020 of £2.468m, and an increase in the employers' normal rate of contribution from 16.5% of pensionable pay up to 20.3%. The next actuarial review of the Fund is currently due to be undertaken as at March 2022, which will determine the Council's employer costs for the subsequent three year period commencing 1 April 2023.

The Council's actual pension contributions in 2019/20 were £1.897m, with a further £0.772m paid by the Council's employees as scheme members.

Collection Fund

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

Income from Council Tax was £94.255m for the year which, after paying precepts, resulted in a net surplus for the year of £1.632m. The reasons for the surplus are a combination of property growth, a lower amount of discounts granted, and better overall tax recovery than was assumed when setting the tax base for the year. A charge of £0.899m was also made to the Collection Fund, being the estimated balance at 31 March 2019, which was distributed to the Council and precepting bodies as part of the 2019/20 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 £2.861m, of which £1.229m has already been allocated in the 2020/21 Budget and Council Tax. The remaining balance will be taken into account when calculating an estimate for setting the 2021/22 Budget and Council Tax.

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

The Council estimated the amount of business rates collectable for the year as £41.646m and this sum has been paid across to the relevant bodies. The actual amount of business rates due for the year was £41.727m (after allowing for non-collection and reductions due to appeals) resulting in a surplus for the year of £0.081m. When estimating the amount of business rates collectable for 2019/20 it was anticipated that the Collection Fund would have a balance of £0.143m at 31 March 2019, which was paid to the Council and precepting bodies during 2019/20. The actual balance at 31 March 2019 was £0.826m, a difference of £0.683m. Taking the in-year surplus and this difference into account, the closing balance on the Collection Fund at 31 March 2020 is £0.764m. When setting the Budget and Council Tax for 2020/21, an amount of £0.472m was allocated which will be paid out in 2020/21, leaving a balance of £0.292m to be taken into account when planning for the 2021/22 Budget and Council Tax.

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Under the BRRS, local authorities are required to finance a proportion of appeals made against rateable values set by the Valuation Office Agency (VOA). Appeals are lodged for a variety of reasons and can, subject to certain rules, be backdated to the start of the Valuation List. From 1 April 2017, a reformed appeals process was introduced involving a three stage system: Check, Challenge, and Appeal. Each step must be completed in sequence in order for a business to submit an appeal which will be considered by the Valuation Tribunal Service. Consequently, the Council has had to make an assessment of the likely amount of business rates to be refunded following successful appeals against both the previous 2010 List (for rates payable between 1 April 2010 and 31 March 2017), and the 2017 List for rates payable from 1 April 2017. Based on past experience and also applying this to potential future appeals, the Council has made a total provision for appeals of £4.181m of which £1.672m is attributable to the Council.

In 2019/20 the Council participated in the Essex Business Rate Pool (“the Pool”) in order to save on the levy that would otherwise be payable to Government on business rates growth. The total of all levies that would have been paid by the participating authorities are shared amongst authorities according to an agreed formula. Based on the amounts collectable for the year the Council is due to pay a levy to the Pool of £1.182m; however, based on the provisional outturn of all Essex authorities, the Council will receive back £0.647m, being its share of the overall levy saved by Essex authorities as a result of the Pool.

COVID-19 Pandemic

The Covid-19 pandemic has had a considerable impact on the Council, our businesses and our residents. The lockdown announced on 23 March 2020 has meant that many businesses have been forced to close, significantly impacting the local economy. The Council has adapted quickly, putting considerable additional resource into ensuring rough sleepers are safe, providing temporary accommodation for those in need, administering business rates relief and grants to businesses and supporting the most vulnerable and in need within our community, including operating a virtual community hub. Our staff have quickly adapted to working from home whilst our offices are closed, finding new ways of working and communicating with additional costs being incurred in providing the necessary ICT equipment.

Whilst these changes have not had a significant effect on the financial outturn for 2019/20, as the impact only started to be seen in the last two weeks of March, the true scale of the impact will be felt during 2020/21 and beyond. The Council is forecasting losses in income from service areas such as car parks, planning fees, building control, and waste management. The Council is also anticipating reductions in its investment income from lower interest rates and a drop in dividends being paid by the corporate sector. Whilst the value of the Council’s pooled funds have also fallen significantly these will not have an immediate impact, being unrealised losses at this point. Forecast reductions in council tax and business rate income will initially manifest in higher arrears; however, it is likely that write-offs will increase as the economic impact persists and businesses in particular struggle to recover. The amounts written off will initially impact the Collection Fund, but will then impact on the Council through its share of any fund balance, along with any other shortfalls generated from council tax sharing arrangements with preceptors and lower growth generated through the Essex business rate pool. Additional costs are expected in providing temporary accommodation, support for rough sleepers, supporting our communities and businesses, and providing financial assistance to key service partners. The Council’s District Investment programme also remains susceptible to the general economic climate through market values and potential additional capital costs. It is difficult to quantify the longer-term financial effects of the pandemic with any certainty, but it is expected to be significant. By the end of November 2020, the Government has provided emergency Covid-19 funding to the Council of £2.014m, alongside an initial payment under an income compensation scheme of £411,365. The Council is also likely to have to draw on reserves during 2020/21 to balance its overall budget.

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Climate Change

In July 2019, the Council declared a “climate emergency” and in doing so set an overall aim to make the Council’s activities, as far as practicable, carbon neutral by 2030. A climate change working group was established with the initial task of creating an action plan to ensure that all Council functions and decision making is in line with this overriding objective.

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.

2019/20 was the final 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 [here](#). Over the period of the multi-year-settlement the Council has seen a reduction in government funding through Revenue Support Grant (RSG) and business rates of almost 45%, with the Council no longer in receipt of RSG from April 2019.

2020/21 was originally a year in which significant change was expected in local government finances. However, with government attention diverted with Brexit and a General Election, this led to 2020/21 being in effect a “roll-over” of the 2019/20 Local Government Finance Settlement, with the more fundamental changes being deferred.

The Council’s Budget Strategy remains:

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

The approach to meet anticipated shortfalls in funding has been to focus on delivering additional income and cost reductions without impacting on customers and service delivery and also maintaining investment in the priorities that residents and businesses have identified to the Council as being most important, whilst meeting cost pressures arising from a range of demands and changes in responsibilities.

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

The ‘Roadmap to 2020’ encompassed 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

Narrative Report

The Council approved the budget for 2020/21 in February 2020 which included: an increase in Council Tax of 2.75%; planned savings/additional income of almost £0.556 million (taking the total over the last four years to £3.653m); and a net addition to balances of £0.222 million. At that time the Council also received an updated MTFS highlighting the key financial challenges which will be faced by the Council over the forecast period, including a revised financial profile setting out the requirements for future ongoing savings of:

	£m
2021/22	0.395
2022/23	0.174
2023/24	0.334
Shortfall – savings required	0.903

The MTFS was based on assumptions using the best information available at the time and is typically kept under review. Clearly, in light of the COVID-19 pandemic, plans will need to be reset particularly as the longer term implications become clearer and whilst the Council seeks to deliver its strategic objectives including working towards achieving its long-term climate change objective. As a result of the need for government to remain focused on responding to the public health and economic emergency, this has meant that implementation of the Fair Funding Review (a review of the relative needs and resources of local authorities), and the move to a 75% business rate retention scheme have both been deferred from their implementation in 2021/22. However, the government has indicated it would continue to work with councils on the best approach to next financial year's local government finance settlement funding including how to treat accumulated business rates growth, for which currently the Council's budget is reliant to the amount of £1.516m. The government has also yet to conclude its review of the New Homes Bonus, a source of funding which has been critical to supporting the Council District Investment Strategy which has sought to invest in a range of projects delivering improvements across the district in health, homes, journeys, and jobs.

The nature of the UK's exit from the European Union after the current transition period ends on 31 December 2020, remains a critical issue to the longer term economic prosperity of the country which translates into the resources that may be available in future to local government and also the demands and pressures that councils will face in terms of service delivery.

Looking ahead, therefore, the financial horizon for the Council continues to be one of great uncertainty, and whilst through prudent financial management the Council has the financial resilience to withstand short to medium term pressures, clearly this will now depend on the extent to which ultimately the Council has to bear the financial costs of the COVID-19 pandemic or whether this will be supported in full by government. It is in this context that the Council will begin to review over the coming months its plans for the 2021/22 budget and revisions to the MTFS covering the next four years.

Guide to the Financial Statements

The Published Accounts for 2019/20

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year ended 31 March 2020. 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 are no significant changes introduced by the Code for 2019/20. 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.

After which the following financial statements are shown:

- **Comprehensive Income and Expenditure Statement (CIES)**

This statement shows the accounting cost in the year of providing services – this is different from the amount charged against the General Fund balance and ultimately met from taxation which is shown in the Expenditure and Funding Analysis (Note 1 to the Accounts) and Movement in Reserves Statement.

- **Movement in Reserves Statement (MIRS)**

This statement shows the change in the Council's financial resources over the year, including reconciling the accounting cost in the year of providing services as shown in the CIES with that under statute and used for raising local taxation. Financial resources are represented by specific usable and unusable reserves.

- **Balance Sheet**

This statement shows how the resources available to the Council are held in the form of assets and liabilities. The net assets of the Council are matched by reserves that are analysed into 'usable' and 'unusable' reserves, the former being available to fund expenditure and/or reduce local taxation, subject to maintaining a prudent level of reserves. The latter represent unrealised gains/losses and timing differences between recognising amounts in accordance with accounting rules and statutory regulations and are not available to fund expenditure or reduce local taxation.

- **Cash Flow Statement**

This statement shows how the movement in resources has been reflected in the cash flows of the Council and ultimately changes in cash and cash equivalents. Cash is represented by cash in hand and deposits with financial institutions repayable at short notice without penalty, whilst cash equivalents are investments that are held for the purpose of settling liabilities in the short-term and are readily convertible to cash with insignificant risk of change in value.

- **Accounting Principles and Policies**

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

Guide to the Financial Statements

- **Notes to the Accounts**

The Notes provide further 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')

- **Annual Governance Statement**

This statement explains how the Council delivers good governance and reviews the effectiveness of these arrangements.

Further Information

Details about the Council's performance for the year can be obtained from the Fourth Quarter and Annual Performance Management Report 2019/20 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 2020.

These accounts are still subject to completion of the audit, after which a final audited version will be published on the Council's website.



Chris Fleetham
Corporate Director (Finance)
30 November 2020

Comprehensive Income and Expenditure Account

2018/19 (Restated)				Note	2019/20		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,178	(688)	490	Asset Management		1,335	(799)	536
704	(236)	468	Community Services		732	(254)	478
1,402	(7)	1,395	Corporate Management		1,734	(6)	1,728
(376)	(1)	(377)	Economic Development		503	(5)	498
4,739	(2,314)	2,425	Environment & Leisure		4,696	(2,030)	2,666
36,704	(34,865)	1,839	Finance		32,461	(30,293)	2,168
1,343	(328)	1,015	Governance		1,683	(327)	1,356
1,163	(347)	816	Housing Services		1,209	(334)	875
441	(75)	366	Human Resources		477	(90)	387
1,879	(18)	1,861	ICT & Facilities		1,795	(16)	1,779
695	(89)	606	Marketing & Communications		790	(151)	639
12,026	(5,805)	6,221	Operations		13,192	(5,503)	7,689
560	(268)	292	Strategic Investment		729	(292)	437
3,166	(2,181)	985	Sustainable Development		3,360	(1,657)	1,703
1,149	(151)	998	Corporate Financing		104	(208)	(104)
66,773	(47,373)	19,400	Cost of Services	1/6	64,800	(41,965)	22,835
		(2,232)	Other Operating Expenditure	2			(628)
		(2,814)	Financing and Investment Income & Expenditure	3			833
		(19,140)	Taxation and Non-Specific Grant Income	4/5			(19,198)
		(4,786)	(Surplus) or Deficit on Provision of Services	6			3,842
			<i>Items that will not be reclassified to the (Surplus) or Deficit on Provision of Services:</i>				
		(4,417)	Revaluation gains	28			(371)
		(11,395)	Re-measurement of the pension scheme net defined benefit liability	27			(11,121)
		(8)	Other gains				2
		(15,820)					(11,490)
			<i>Items that may be reclassified to the (Surplus) or Deficit on Provision of Services:</i>				
		(15,820)	Other Comprehensive Income and Expenditure				(11,490)
		(20,606)	Total Comprehensive Income and Expenditure				(7,648)

Movement in Reserves Statement

2019/20

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019	28,412	15,843	3,228	47,483	54,628	102,111
<u>Movement in Reserves during 2019/20</u>						
Total Comprehensive Income and Expenditure	(3,842)			(3,842)	11,490	7,648
Adjustments between accounting basis & funding basis under regulations	4,243	2,602	(929)	5,916	(5,916)	-
Increase (Decrease) in 2019/20	401	2,602	(929)	2,074	5,574	7,648
Balance at 31 March 2020	28,813	18,445	2,299	49,557	60,202	109,759

See Notes 11, 12, and 28

Comparative Year 2018/19

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

See Notes 11, 12 and 28

Balance Sheet

31 March 2019		Note	31 March 2020
£000			£000
85,452	Property, Plant & Equipment	13/14	87,806
863	Heritage Assets	15	878
36,303	Investment Property	16	37,246
709	Intangible Assets	17	643
1,281	Non-current Assets Held for Sale		-
19,308	Long Term Investments	21	16,744
3,133	Long Term Debtors	25	2,743
147,049	Long Term Assets		146,060
27,001	Short Term Investments	21	33,484
194	Inventories		161
9,601	Short Term Debtors	25	8,173
1,527	Cash and Cash Equivalents	21	(191)
38,323	Current Assets		41,627
(10,849)	Short Term Creditors	26	(11,992)
(305)	Finance Lease Liabilities	24	(203)
(1,236)	Provisions	CF6	(1,672)
(12,390)	Current Liabilities		(13,867)
(6,000)	Long Term Borrowing	21	(6,000)
(2,194)	Finance Lease Liabilities	24	(1,977)
(47)	Long-Term Creditors		(34)
(59,597)	Pension Fund Liability	27	(51,751)
(3,033)	Capital Grants & Contributions Receipts in Advance	7	(4,299)
(70,871)	Long Term Liabilities		(64,061)
102,111	Net Assets		109,759
47,483	Usable Reserves		49,557
54,628	Unusable Reserves	28	60,202
102,111	Total Reserves		109,759

These financial statements replace the unaudited financial statements certified by the Chief Financial Officer (Chris Fleetham) on 30 June 2020



30 November 2020

Cash Flow Statement

2018/19 £000		Note	2019/20 £000
(4,786)	Surplus on the Provision of Services		3,842
(8,252)	Adjustment for non-cash movements	28	(11,290)
7,329	Adjustment for items that are investing and financing activities	28	6,258
(5,709)	Net Cash (Inflow)/ Outflow from Operating Activities		(920)
	<u>Investing Activities:</u>		
9,513	Purchase of property, plant and equipment, investment property, and intangible assets		5,717
103,750	Purchase of short-term and long-term investments		125,500
181	Other payments for investing activities		205
(5,111)	Proceeds from the sale of PPE, investment property, and intangible assets		(5,491)
(100,253)	Proceeds from sale of short-term and long-term investments		(118,000)
(6,260)	Other receipts from investing activities		(4,663)
1,820	Net Cash (Inflow)/ Outflow from Investing Activities		3,268
	<u>Financing Activities:</u>		
362	Cash payments to reduce outstanding finance lease liabilities		319
1,839	Other payments for financing activities		(949)
2,201	Net Cash (Inflow)/ Outflow from Financing Activities	29	(630)
(1,688)	Net (Increase) Decrease in Cash & Cash Equivalents		1,718
(161)	Cash & Cash Equivalents at beginning of reporting period		1,527
1,527	Cash & Cash Equivalents at end of reporting period		(191)

Accounting Principles and Policies

General Principles

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

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

Adjustments between Accounting Basis and Funding Basis

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

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

Accounting Principles and Policies

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

Accounting Principles and Policies

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

Changes to Accounting Policies

There are no changes to accounting policies for 2019/20.

For 2019/20 the Council amended its reporting segments from that used in 2018/19, therefore, some restatement of previous year comparators has been made. The changes entailed the removal of Business Solutions and adding the relevant income and expenditure within the following segments: Corporate Management, Finance, and ICT and Facilities.

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.

Accounting Principles and Policies

- The Council has borrowings totalling £6 million that are held on Lender Option, Borrower Option (LOBO) terms and which provide for six monthly call option dates. Under the current interest rate environment it is considered unlikely that the lender will seek to exercise their options in the short to medium term and therefore the debt has been categorised as long-term borrowing based on their contracted maturity dates.
- The Council has investments in a number of pooled funds investing in equities, bonds, property, and other financial instruments. Whilst the units or shares held by the Council in these funds are potentially redeemable at relatively short-notice, it is the Council's objective to maintain the investments for the medium-long term for income generation and therefore the investments are shown as long-term investments in the Balance Sheet.
- The Council has an interest in North Essex Garden Communities Ltd, but has determined that there is no requirement to prepare Group Accounts as the activities of the company in 2019/20 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 2019/20 the actuary advised that the net pension liability decreased by £7.846m, with the following items having a significant impact:

- changes in the financial assumptions used by the actuary reduced the liability by a net £18.494m, which was due to a reduction in expected inflation and therefore the rate at which pensions and salaries would increase in the future;
- experience gains of £3.496m, which arose due to the fact that in intervening periods between formal valuations of the fund, the actuary "rolls forward" previous year estimates which are only updated for actuals at the next valuation, in this case the valuation conducted at 31 March 2019; and
- changes in demographic assumptions and other gains which combined reduced the net liability by £1.351m.

These were partially offset by the following:

- Lower investment returns on the Fund's assets than that assumed by the actuary (-£12.220m), mainly due to the dramatic fall in financial market values towards the end of the financial year; and
- the cost of post-employment benefits charged against the Surplus on Provision of Services less the amount of the Council's employer contributions made into the Pension Fund (+£3.273 million net). This position is partially effected by the Council's previous decision to settle its three-year deficit obligation arising from the 2016 Valuation in one lump sum in April 2017, rather than spreading the cost annually.

Accounting Principles and Policies

The effect on the net liability arising from changes in individual assumptions can be measured, for example: a 0.1% increase in the discount rate assumption would decrease the pension liability by £3.554m, and a one-year addition to members' average life expectancy would increase the liability by £9.060m.

An allowance was made for the potential impact of the McCloud & Sargeant judgement in the results provided to the Council at the last accounting date. This followed the Court of Appeal ruling in December 2018 that transitional protection offered to some members of reformed public service pension schemes amounted to unlawful discrimination. It was subsequently acknowledged by government that it would have to amend all public service pension schemes, including the LGPS. This allowance is therefore incorporated in the roll forward approach adopted by the actuary and is remeasured at the accounting date along with the normal LGPS liabilities. It should be noted, however, that this adjustment is an estimate of the potential impact on the Council's defined benefit obligation based on analysis carried out by the Government Actuary's Department (GAD) and the Council's liability profile. In making this estimate the actuary assumed that any remedy would apply to those members who were active at 31 March 2012 until their retirement. This has less impact than GAD's scenario (which also included any new joiners from 1 April 2012 to 31 March 2016). Detailed proposals are still awaited from government as to how it proposes to remove this discrimination retrospectively and, therefore, it is not yet clear how this judgement may affect LGPS members' past or future service benefits and ultimately the cost to the Council's liability.

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 April 2010 and March 2017), and the current 2017 List for rates payable from April 2017. Based on past experience and also applying this to potential future appeals, the Council has made a total provision for appeals of £4.181m, of which £1.672m 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.

COVID-19 and valuation of non-current assets, including those held in the Pension Fund

The outbreak of the Novel Coronavirus (COVID 19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors.

Accounting Principles and Policies

As at the valuation date, it is considered that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value and that circumstances are unprecedented on which to base a judgement. Non-current assets valuations, including those used for Pension Fund disclosures, are therefore reported on the basis of 'material valuation uncertainty' as per Valuation Technical and Performance Standard (VPS) 3 and Valuation Practical Guidance Application (VPGA) 10 of the Royal Institution of Chartered Surveyors (RICS) Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation used for the purposes of these accounts than would normally be the case.

The UK's exit from the European Union (EU)

Brexit negotiations have moved into a new phase currently and the UK left the EU on 31st January 2020 although there is still a transition period until the 31 December 2020 by which time the Government hope to have agreed a trade deal. Consequently, there is still a risk that the UK leave without such a deal. It is not yet possible to predict which path will be taken and whether this will significantly impact on the value of the Council's assets, investments and/ or pension fund liability. The Council continues to keep matters under review.

Significant Accounting Policies

Accruals of Income and Expenditure

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

Council Tax and Business Rates Agency

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

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

Financial Instruments

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

Financial Liabilities

Accounting Principles and Policies

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

Financial Assets

Financial assets are subsequently measured in one of two ways:

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

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

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

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

Government Grants and Contributions

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

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

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

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

Accounting Principles and Policies

Intangible Assets

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

Software is accounted for as an Intangible Asset to the extent that it is not an integral part of a particular IT system (e.g. operating system) in which case it is treated along with the hardware within Property, Plant and Equipment. Intangible Assets include only purchased licences or developments. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CIES. An asset is tested for impairment whenever there is an indication that it might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

Investment Properties

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

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

Leases

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

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

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

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

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

Accounting Principles and Policies

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

Overheads and Support Services

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

Post-Employment Benefits

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

- the liabilities of the Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method
- liabilities are discounted to their value at current prices, using a single equivalent discount rate of 2.35% (based on the Merrill Lynch AA rated corporate bond yield curve and taking into account the Council's estimated past service liability duration of 18 years).
- The assets of the Pension Fund attributable to the Council are included in the Balance Sheet at their fair value

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

- **Service cost comprising:**
 - **Current service cost** - allocated in the CIES to the services for which the employees worked
 - **Past service cost (including Curtailment)** - debited to the Surplus or Deficit on the Provision of Services in the CIES as part of the Corporate Financing segment
 - **Gain on Settlement** – credited to the Surplus or Deficit on the Provision of Services in the CIES as part of the Corporate Financing segment
 - **Net interest on the defined benefit liability** - charged to the Financing and Investment Income and Expenditure line of the CIES.
- **Re-measurements comprising:**
 - **The return on plan assets** - excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

Accounting Principles and Policies

- **Actuarial gains and losses** - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Contributions paid to the Pension Fund** - not accounted for as an expense in the CIES.

Property, Plant and Equipment (PPE)

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

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

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

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

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

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

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

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

Accounting Principles and Policies

assets under construction).

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether PPE or AHFS) is written off to the Other Operating Expenditure line in the CIES, against any receipts from the disposals as a gain or loss on disposal.

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

Provisions

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

Revenue from Contracts with Service Recipients

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

Earmarked Reserves

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

Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

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Notes to the Accounts

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

2019/20	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Re-allocation & other items	Total Adjustments
	£000	£000	£000	£000	£000
Asset Management	536	47	-	2,128	2,711
Community Services	21	62	-	(3)	80
Corporate Management	-	205	-	-	205
Economic Development	171	34	-	(7)	198
Environment & Leisure	1,635	233	-	11	1,879
Finance	4	375	-	1,034	1,413
Governance	5	87	-	(10)	82
Housing Services	18	132	-	-	150
Human Resources	-	41	-	(2)	39
ICT & Facilities	106	123	-	(8)	221
Marketing & Communications	-	69	-	31	100
Operations	1,352	728	-	10	2,090
Strategic Investment	-	11	-	-	11
Sustainable Development	157	262	-	(2)	417
Corporate Financing	(2,285)	(536)	71	2,024	(726)
Net Cost of services	1,720	1,873	71	5,206	8,870
Other Income and Expenditure	(4,335)	1,400	3,514	(5,206)	(4,627)
Total	(2,615)	3,273	3,585	0	4,243

Notes to the Accounts

2018/19 (Restated)	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Re-allocation & other items	Total Adjustments
	£000	£000	£000	£000	£000
Asset Management	545	38	-	2,122	2,705
Community Services	21	57	-	(29)	49
Corporate Management	-	185	-	-	185
Economic Development	(731)	29	-	(3)	(705)
Environment & Leisure	1,263	217	-	(4)	1,476
Finance	(9)	353	-	932	1,276
Governance	6	75	-	(10)	71
Housing Services	19	117	-	-	136
Human Resources	-	35	-	-	35
ICT & Facilities	280	106	-	(16)	370
Marketing & Communications	-	49	-	41	90
Operations	697	626	-	30	1,353
Strategic Investment	-	7	-	(1)	6
Sustainable Development	196	226	-	(1)	421
Corporate Financing	(1,739)	606	43	2,034	944
Net Cost of services	548	2,726	43	5,095	8,412
Other Income and Expenditure	(5,980)	1,665	282	(5,095)	(9,128)
Total	(5,432)	4,391	325	0	(716)

Notes to the Accounts

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

	<u>2018/19 (Restated)</u>				<u>2019/20</u>			
	Revenues from External Customers	Government Grants	Interest Revenue	Interest & MRP Expenses	Revenues from External Customers	Government Grants	Interest Revenue	Interest & MRP Expenses
	£000	£000	£000	£000	£000	£000	£000	£000
Asset Management	(3,238)	-	-	93	(3,379)	-	-	93
Community Services	(237)	(3)	-	-	(211)	(43)	-	-
Corporate Management	(7)	-	-	-	(6)	-	-	-
Economic Development	(1)	-	-	-	(6)	-	-	-
Environment & Leisure	(1,366)	(1)	-	-	(1,100)	-	-	-
Finance	(1,389)	(33,476)	(1,252)	306	(1,361)	(28,932)	(1,317)	283
Governance	(205)	(123)	-	-	(248)	(79)	-	-
Housing Services	(89)	(259)	-	-	(80)	(254)	-	-
Human Resources	(8)	(67)	-	-	(7)	(83)	-	-
ICT & Facilities	(18)	-	-	-	(16)	-	-	-
Marketing & Communications	(86)	-	-	-	(147)	-	-	-
Operations	(5,702)	(50)	-	396	(5,514)	-	-	337
Strategic Investment	-	-	-	-	-	-	-	-
Sustainable Development	(1,856)	(54)	-	-	(1,578)	(60)	-	-
Corporate Financing	(1,268)	(1,351)	-	379	(1,322)	(1,367)	-	379
Net Cost of services	(15,470)	(35,384)	(1,252)	1,174	(14,975)	(30,818)	(1,317)	1,092

Notes to the Accounts

2. Other Operating Expenditure

2018/19		2019/20
£000		£000
(13)	Change in corporate provision for doubtful debts	(3)
2,061	Parish and town council precepts	2,212
10	(Gain)/ Loss on the disposal of non-current assets	(561)
(4,290)	Gain from other capital receipts	(2,276)
(2,232)	Total	(628)

3. Financing and Investment Income and Expenditure

2018/19		2019/20
£000		£000
1,665	Net interest on the pension net defined liability	1,400
432	Interest payable	394
(1,252)	Interest & dividends receivable	(1,317)
-	Reversal of impairment on financial asset	(8)
(374)	(Gain) / Loss on financial assets held at Fair Value through Profit and Loss	3,581
(3,285)	Net income and other gains from investment property	(3,217)
(2,814)	Total	833

4. Taxation and Non Specific Grant Income

2018/19		2019/20
£000		£000
(11,288)	Council Tax income	(11,858)
(3,602)	Business Rates income [see Note 5]	(3,118)
(3,563)	General government grants	(3,708)
(687)	Capital grants and contributions	(514)
(19,140)	Total	(19,198)

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).

2018/19		2019/20
£000		£000
	Credited to Taxation and Non-Specific Grant Income	
(16,950)	Business Rate income	(16,655)
12,736	Tariff	13,028
612	Net payment to the Essex Business Rate Pool	509
(3,602)	Business Rate income	(3,118)
(1,917)	Compensation grants included in general government grants	(2,320)
(5,519)	Net Retained Income relating to Business Rates	(5,438)
3,354	Baseline funding allocation	3,431
3,102	Safety Net (92.5%)	3,174

Notes to the Accounts

6. Subjective Analysis of Expenditure and Income

	2018/19			2019/20		
	Net Cost of Services £000	Corporate amounts £000	Total £000	Net Cost of Services £000	Corporate amounts £000	Total £000
Expenditure						
Employee benefit expenses	18,358	1,665	20,023	18,342	1,400	19,742
Housing benefits	32,937	-	32,937	28,597	-	28,597
Other service expenses	11,177	(13)	11,164	12,430	(3)	12,427
Depreciation, amortisation and impairment	2,674	-	2,674	4,218	-	4,218
Revenue expenditure funded from capital	1,627	-	1,627	1,213	-	1,213
Interest payable	-	432	432	-	386	386
Investment property expenses	-	316	316	-	342	342
Business rate retention scheme tariff and net levy	-	13,348	13,348	-	13,537	13,537
Local precepts	-	2,061	2,061	-	2,212	2,212
Total Expenditure	66,773	17,809	84,582	64,800	17,874	82,674
Income						
Fees, charges and other service income	(11,830)	-	(11,830)	(11,626)	-	(11,626)
Income and gains from investment property	-	(3,601)	(3,601)	-	(3,559)	(3,559)
Interest and dividend receivable	-	(1,252)	(1,252)	-	(1,317)	(1,317)
(Gain)/ loss on the fair value of financial assets	-	(374)	(374)	-	3,581	3,581
Council Tax	-	(11,288)	(11,288)	-	(11,858)	(11,858)
Business rates	-	(16,950)	(16,950)	-	(16,655)	(16,655)
Government grants and other third party contributions	(35,543)	(4,250)	(39,793)	(30,339)	(4,222)	(34,561)
Gain on disposal of non-current assets & other gains	-	(4,280)	(4,280)	-	(2,837)	(2,837)
Total Income	(47,373)	(41,995)	(89,368)	(41,965)	(36,867)	(78,832)
(Surplus) or Deficit on Provision of Services	19,400	(24,186)	(4,786)	22,835	(18,993)	3,842

Notes to the Accounts

7. Grant Income

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

2018/19		2019/20
£000		£000
	Credited to Services	
	Government grants:	
33,454	• Housing Benefit and Localised Council Tax Support Admin Subsidy	28,898
898	• Better Care Fund - Disabled Facilities grant	843
259	• Homelessness grants	254
320	• Other government grants	299
612	Other grants and contributions	45
35,543		30,339
	Credited to Taxation and Non-Specific Grant	
	Government grants:	
1,273	• New Homes Bonus	1,250
272	• Revenue Support Grant	-
1,917	• Compensation for business rate reliefs	2,320
101	• Other government grants	138
465	Other capital grants and developer contributions	514
222	Assets acquired under Planning S106 Agreements or donated	-
4,250		4,222
39,793	Total	34,561

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:

2018/19		2019/20
£000		£000
	Grants & Contributions Receipts in Advance – within Short Term Creditors	
46	Unilateral undertakings	99
-	Recreational disturbance Avoidance and Mitigation Strategy (RAMS) contributions	16
641	Developer & other contributions	658
687	Total	773
	Capital Grants & Contributions Receipts in Advance	
2,968	Developer contributions	4,295
65	Partner contributions	4
3,033	Total	4,299

8. External Audit Costs

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

2018/19		2019/20
£000		£000
46	External audit services	46
10	Certification of grant claims and returns	13
-	Prior year adjustments	4
-	Prior year adjustments (EY LLP)	1
56	Total Fees Payable for the Year	64

Notes to the Accounts

9. Members' Allowances and Expenses

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

2018/19 £000		2019/20 £000
230	Basic allowances	239
-	- Communication allowances	23
-	- Development allowances	14
144	Special responsibility allowances	158
20	Expenses reimbursed	10
394	Total	444

Further details of allowances paid and expenses claimed by Members are available on the Council's website [here](#)

10. Officers' Remuneration & Exit Packages

Senior Officers 2019/20	Gross salary	Benefits in Kind	Total Remuneration	Contributions to Pension Fund	Total Remuneration including Pension Contributions
	£	£	£	£	£
Chief Executive ¹	149,025		149,025	21,804	170,829
Corporate Director (part-time)	65,696		65,696	10,840	76,536
Corporate Director (to 28/06/2019)	28,894		28,894	4,357	33,251
Corporate Director (from 02/03/2020)	8,518		8,518	1,405	9,923
Corporate Director	96,193	6,873	103,066	15,872	118,938
Head of Finance	77,534	3,270	80,804	12,793	93,597
Head of Operations	75,534	6,026	81,560	12,463	94,023
Head of Governance (to 08/03/2020)	68,316		68,316	11,022	79,338
Head of Housing	67,874		67,874	11,418	79,292
Head of Environment	69,201		69,201	11,418	80,619
Head of Economic Development and Planning Policy	72,739		72,739	12,002	84,741

¹ Remuneration includes £16,878 paid in relation to Returning Officer duties for district and parish elections and neighbourhood plan referendums

Notes to the Accounts

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

Interim Staff occupying Senior Officer Roles in 2019/20 (prior year comparators if applicable)

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

Corporate Director – the cost to the Council for the period June 2019 to March 2020 was £183,890

Head of Projects/ Strategic Investment – cost to the Council was £20,528 for the period April 2019 to July 2019 (£117,619 for the whole of 2018/19)

Head of Strategic Investment – cost to the Council was £148,684 for the period July 2019 to March 2020

Head of Governance and Monitoring Officer – the cost to the Council was £23,361 for the period February 2020 to March 2020.

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:

2018/19 Number of employees		Remuneration Bands	2019/20 Number of employees	
Total	Left in the year		Total	Left in the year
8	1	£50,000 to £54,999	9	1
2	-	£55,000 to £59,999	2	-
1	-	£60,000 to £64,999	1	-
1	-	£65,000 to £69,999	1	-
12	1	Total	13	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	
	2018/19	2019/20	2018/19 £000	2019/20 £000
Up to £20,000	1	-	19	-
£40,000-£60,000	1	1	46	49
Totals	2	1	65	49

There were no compulsory redundancies in 2019/20 or 2018/19.

Costs include redundancy and other termination payments to the employee, as well as any financial strain paid to the pension fund as a result of benefits paid from an early retirement. Whilst the above table includes the actual cost incurred by the Council in respect of early retirements, the amount assessed on an IAS19 basis was £83,333 in 2019/20 (Nil 2018/19).

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

2019/20

	Usable Reserves			Movement in Unusable Reserves	Relevant Unusable Reserve
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account		
	£000	£000	£000		
Depreciation and revaluation losses	4,051	-	-	(4,051)	Capital Adjustment Account
Amortisation of intangible assets	167	-	-	(167)	
Changes in the fair value of investment properties	(983)	-	-	983	
Revenue expenditure funded from capital under statute	1,213	-	-	(1,213)	
Net (gain)/ loss on disposal of non-current assets & from other receipts	(2,821)	3,589	-	(768)	
Capital grants and contributions	(1,408)	-	266	1,142	
Donated Capital Assets	-	-	-	-	
Provision for repayment of debt	(698)	-	-	698	
Capital expenditure charged to revenue	(2,136)	-	-	2,136	
Capital Adjustments	(2,615)	3,589	266	(1,240)	
Use of capital receipts reserve to finance capital expenditure	-	(1,004)	-	1,004	Capital Adjustment Account
Use of capital grants to finance capital expenditure	-	-	(1,195)	1,195	Deferred Capital Receipts Reserve
Repayment of capital loans and mortgages	-	17	-	(17)	
Financing Adjustments	-	(987)	(1,195)	2,182	
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on provision of services	5,839	-	-	(5,839)	Pension Reserve
Employer's contributions to the Essex Pension Fund	(2,566)	-	-	2,566	
Pension Adjustments	3,273	-	-	(3,273)	
Statutory reversal of loss on pooled fund investments	3,581	-	-	(3,581)	Pooled Investments Adjustment Account
Council Tax and Business Rates	(68)	-	-	68	Collection Fund Adjustment Account
Accrued officer leave	72	-	-	(72)	Accumulated Absences Account
Other Adjustments	3,585	-	-	(3,585)	
Total Adjustments between Accounting Basis and Funding Basis	4,243	2,602	(929)	(5,916)	

Notes to the Accounts

2018/19

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

Notes to the Accounts

12. General Fund Balances

	Balance 31-Mar 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance 31-Mar 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance 31-Mar 2020 £000
Capital Investment:							
Capital reserve (general)	1,021	(360)	-	661	(311)	60	410
District Investment Strategy	8,969	(1,241)	-	7,728	(1,677)	-	6,051
I-Construct Project	-	(53)	1,500	1,447	(233)	-	1,214
Financial systems replacement	84	-	-	84	-	37	121
Vehicle replacement	98	(158)	99	39	(32)	158	165
Plant replacement	125	(64)	53	114	-	55	169
New Homes Bonus	1,794	(427)	1,273	2,640	(1,003)	1,250	2,887
Discovery Centre All Weather Pitch	136	-	19	155	(80)	-	75
ICT	253	-	-	253	-	-	253
	12,480	(2,303)	2,944	13,121	(3,336)	1,560	11,345
Risk Management:							
Insurance & Risk Management	140	(10)	-	130	(23)	-	107
Treasury Management	772	-	213	985	-	287	1,272
Housing Benefit overpayments	1,101	(24)	-	1,077	(33)	-	1,044
Business Rate Retention Scheme	1,906	(1,500)	1,690	2,096	(122)	729	2,703
	3,919	(1,534)	1,903	4,288	(178)	1,016	5,126
Service Reserves:							
Community projects	69	(13)	-	56	(19)	205	242
Elections	225	(12)	69	282	(198)	27	111
Business Development	218	-	75	293	(17)	33	309
Apprenticeships	57	-	18	75	(4)	-	71
Commuted Maintenance	411	(98)	325	638	(111)	-	527
Unilateral undertakings	544	(92)	85	537	(30)	1	508
Partnership Contributions	80	(35)	-	45	(45)	4	4
Community Grants scheme	38	(67)	176	147	(44)	-	103
Procurement Hub	73	(11)	-	62	-	4	66
Discretionary Business rate relief	68	-	-	68	-	-	68
Local Plan	363	-	68	431	(180)	15	266
Community Infrastructure Levy	100	(100)	-	-	-	-	-
Local Council Tax Support	301	-	75	376	-	-	376
Leisure	323	(215)	-	108	-	20	128

Notes to the Accounts

	Balance 31-Mar 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance 31-Mar 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance 31-Mar 2020 £000
Planned maintenance (Revenue)	73	-	-	73	-	-	73
Planning Appeals	287	(287)	-	-	-	440	440
Business Investment Fund	500	(500)	-	-	-	-	-
Public Health Agenda	93	(12)	22	103	(76)	96	123
Homelessness	350	(93)	248	505	(141)	254	618
Operations	5	-	50	55	(24)	6	37
Development Control	-	-	-	-	(90)	365	275
Housing Development & Local Growth	-	-	-	-	(350)	500	150
Land Charges Data Cleansing	-	-	-	-	-	100	100
Other reserves less than £50k	332	(55)	14	291	(19)	14	286
Approved budget carry forwards	254	(93)	650	811	(716)	207	302
	4,764	(1,683)	1,875	4,956	(2,064)	2,291	5,183
Change Management:							
Management training & organisational development	49	-	20	69	(4)	5	70
Corporate Improvement Programme	270	(102)	23	191	(15)	31	207
	319	(102)	43	260	(19)	36	277
Total Earmarked Reserves	21,482	(5,622)	6,765	22,625	(5,597)	4,903	21,931
Unallocated balance	2,860	(219)	3,146	5,787	(399)	1,494	6,882
Total General Fund	24,342	(5,841)	9,911	28,412	(5,996)	6,397	28,813

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)

<u>2019/20</u>	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 2019	320	58,567	13,691	6,643	2,252	6,906	8,522	96,901
Additions	-	330	731	97	121	793	3,407	5,479
Transfers and reclassifications	-	(155)	-	-	10	1,332	195	1,382
Revaluations	-	(1,804)	-	-	-	(286)	-	(2,090)
Disposals & derecognition	-	-	(1,287)	-	-	(752)	-	(2,039)
At 31 March 2020	320	56,938	13,135	6,740	2,383	7,993	12,124	99,633
Accumulated Depreciation and Impairment								
At 1 April 2019	-	(74)	(7,252)	(3,767)	(356)	-	-	(11,449)
Depreciation charge	(7)	(1,677)	(1,267)	(229)	(146)	-	-	(3,326)
Transfers and reclassifications	-	-	-	-	-	-	-	-
Write out of depreciation on revaluation	7	1,670	-	-	-	-	-	1,677
Impairments	-	-	-	-	-	-	-	-
Disposals & derecognition	-	-	1,271	-	-	-	-	1,271
At 31 March 2020	-	(81)	(7,248)	(3,996)	(502)	-	-	(11,827)
Net Book Value:								
At 31 March 2020	320	56,857	5,887	2,744	1,881	7,993	12,124	87,806
At 31 March 2019	320	58,493	6,439	2,876	1,896	6,906	8,522	85,452

Notes to the Accounts

Comparative Movements in 2018/19

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

Depreciation

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

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

Effects of Changes in Estimates

There was no change in estimates that had a material effect.

Notes to the Accounts

Revaluations

Valuations of land and buildings are undertaken by an external firm, Wilkes Head & Eve LLP, and are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The effective date of valuations conducted in the year was 31 March 2020. 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 Assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost	-	327	13,135	-	13,462
Valued at Fair Value as at:					
31-Mar-16	-	508	-	778	1,286
31-Mar-17	-	-	-	-	-
31-Mar-18	-	-	-	3,428	3,428
31-Mar-19	-	1,393	-	1,207	2,600
31-Mar-20	679	54,710	-	2,221	57,610
Total Cost or Valuation	679	56,938	13,135	7,634	78,386

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

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

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

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

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

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

Notes to the Accounts

15. Heritage Assets

The Council's heritage assets 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 value of £1,000 on initial recognition.

Heritage Assets comprise the Museum collection (i.e. ceramics, art, archaeology and social history), civic regalia, and a small number of historic buildings and monuments. In 2019/20 expenditure on enhancements was incurred amounting to £16,816 through works to the Bocking Windmill. (Additions to heritage assets in 2018/19 totalled £2,000).

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

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

The Town Hall Centre located in Market Square, Braintree is also an asset with historic significance; however, as this asset is also used for the purpose of room hire and civic ceremonies it continues to be reported under PPE. The Gross Carrying Value of this asset at 31 March 2020 was £0.756m (£0.649m 31 March 2019).

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

16. Investment Property

Income from investment property was £2.575 million in the year (£2.551 million in 2018/19), and related expenses incurred were £0.342m (£0.316m in 2018/19) resulting in a net gain of £2.233 million (£2.235million in 2018/19).

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

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

Notes to the Accounts

The following table summarises the movement in carrying value:

2018/19		2019/20
£000		£000
34,367	Balance at 1 April	36,303
407	Additions	-
-	- Enhancement expenditure	-
-	- Disposals	-
479	Category transfer	(40)
1,050	Net gain from change in fair value	983
36,303	Balance at 31 March	37,246

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 for these asset types are such that the levels 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 this is not the case this is due to historical lease terms; 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:

2018/19		2019/20
£000		£000
	Balance at 1 April:	
1,967	Gross carrying amounts	2,088
(1,229)	Accumulated amortisation	(1,379)
738	Net carrying amount at 1 April	709
121	Additions and enhancements	101
-	- Disposals - gross value	(571)
-	- Disposals - accumulated amortisation	571
-	- Transfers and reclassifications	-
(150)	Amortisation for the period	(167)
709	Net carrying amount at 31 March	643
	Comprising:	
2,088	Gross carrying amounts	2,189
(1,379)	Accumulated amortisation	(1,546)
709		643

18. Non-Current Assets Held for Sale

A consortium arrangement to which the Council was a party terminated during the year. This meant that a number of assets that were previously reported as held for sale no longer met the Code conditions for this category. Consequently the assets were reclassified to PPE, with assets valued at £0.742m being transferred to dwellings, and a land asset now being treated as a surplus asset (valued £0.600m). At the point of reclassification the assets were revalued leading to a reversal of previous year losses of £0.061m.

Notes to the Accounts

19. 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.

2018/19 £000		2019/20 £000
8,791	Opening Capital Financing Requirement	12,215
	Capital Investment:	
9,252	Property, plant and equipment	5,479
407	Investment properties	-
121	Intangible assets	101
2	Heritage Assets	16
1,627	Revenue expenditure funded from capital under statute (REFCUS)	1,213
11,409		6,809
	Sources of Finance:	
(1,895)	Capital receipts	(1,004)
(1,281)	Government grants and other contributions	(2,337)
(1,842)	Sums set aside from revenue (including earmarked reserves)	(2,136)
(222)	Donated Assets	-
(742)	Minimum Revenue Provision	(698)
(5,982)		(6,175)
(2,003)	Repayment of long-term debtors	(46)
12,215	Closing Capital Financing Requirement	12,803
	Explanation of movements in the year:	
6,169	Increase due to capital expenditure not yet financed	1,332
(2,003)	Repayment of long-term debtors	(46)
(742)	Minimum Revenue Provision	(698)
3,424	Increase in Capital Financing Requirement	588

Notes to the Accounts

20. 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 £25.569 million (£1.442 million at 31 March 2019), including £21,000 in respect of disabled facilities grants that, whilst approved, had not yet been claimed. Commitments are higher than in previous years mainly due to a contract for redevelopment of the Manor Street area of Braintree town centre.

21. Financial Instruments

Income, Expense, Gains and Losses on Financial Instruments

2018/19 £000		2019/20 £000
	Surplus or Deficit on the Provision of Services	
	Net (gains)/ losses on:	
(374)	Financial assets held at Fair Value through Profit or Loss	3,581
-	Change in carrying value of impaired deposit	(8)
(374)	Total (gains)/ losses	3,573
	Interest & dividend revenue:	
(276)	Financial assets measured at amortised cost	(246)
(976)	Financial assets measured at fair value through profit or loss	(1,071)
(1,252)	Total revenue	(1,317)
	Interest expense	
432	Financial liabilities measured at amortised cost	394
432	Total expense	394
	Loss allowances	
(10)	Impairment losses (reversals)	(3)
(10)	Total loss allowance	(3)
(1,204)	Net (Gain)/ Loss for the year	2,647

Notes to the Accounts

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

	Non-Current		Current	
	31-Mar-19 £000	31-Mar-20 £000	31-Mar-19 £000	31-Mar-20 £000
Financial Assets				
Investments				
Amortised cost (previously loans & receivable)				
Principal	-	-	15,000	15,500
Accrued interest	-	-	27	16
Fair Value through profit or loss (previously Available for sale investments):				
Money Market Funds	-	-	12,001	17,984
Equity and property pooled funds	19,308	16,744	-	-
Accrued dividends	-	-	203	199
Total Investments	19,308	16,744	27,231	33,699
Debtors (amortised cost)				
Trade receivables and other debtors	-	-	5,795	3,562
Loans made for service purposes	125	55	200	-
Accrued interest	-	-	1	-
Loss allowance	-	-	(61)	(58)
Total Debtors	125	55	5,935	3,504
Cash and Cash Equivalents (amortised cost)				
Cash and bank accounts	-	-	1,527	(191)
Accrued interest	-	-	1	-
Total Cash and Cash Equivalents	-	-	1,528	(191)
Total Financial Assets	19,433	16,799	34,694	37,012

The Balance Sheet includes £2.688m (31 March 2019 £3.008m) of Long-term Debtors and £4.454m (31 March 2019 £3.434m) of Short-term Debtors that do not meet the definition of a financial asset.

Notes to the Accounts

	Non-Current		Current	
	31-Mar-19 £000	31-Mar-20 £000	31-Mar-19 £000	31-Mar-20 £000
Financial Liabilities (at amortised cost)				
Borrowings				
Principal sum borrowed	6,000	6,000	-	-
Accrued interest			9	7
Total Borrowings	6,000	6,000	9	7
Other Long Term Liabilities				
Finance leases	2,194	1,977	-	-
Total Other Long Term Liabilities	2,194	1,977	-	-
Creditors				
Trade payables and other creditors	47	34	2,878	2,666
Total Creditors	47	34	2,878	2,666
Other Short Term Liabilities				
Finance leases	-	-	305	203
Total Other Short Term Liabilities	-	-	305	203
Total Financial Liabilities	8,241	8,011	3,192	2,876

The Balance Sheet total for Short-term Creditors includes £9.319m (31 March 2019 £7.962m) of items that do not meet the definition of a financial liability.

22. Fair Value of Financial Assets and Liabilities

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

For financial instruments carried in the Balance Sheet at amortised cost, their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at the 31 March, using the following methods and assumptions:

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

Notes to the Accounts

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

		31-Mar-19		31-Mar-20	
	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	12,007	12,007	17,990	17,990
Equity and Property Funds	1	19,308	19,308	16,744	16,744
Total		31,315	31,315	34,734	34,734
Assets for which fair value is not disclosed		22,812		19,077	
Total Financial Assets		54,127		53,811	
<i>Recorded on the Balance Sheet as:</i>					
Long Term Investments		19,308		16,744	
Long Term Debtors		125		55	
Short Term Investments		27,001		33,484	
Short Term Debtors		6,166		3,719	
Cash and Cash Equivalents		1,527		(191)	
Total Financial Assets		54,127		53,811	

Notes to the Accounts

	31-Mar-19		31-Mar-20		
	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	6,009	8,824	6,007	8,902
Lease Payables	2	2,499	4,010	2,180	3,290
Total		8,508	12,834	8,187	12,192
Liabilities for which fair value is not disclosed		2,925		2,700	
Total Financial Liabilities		11,433		10,887	
<i>Recorded on the Balance Sheet as:</i>					
Short and Long-Term Creditors		2,934		2,707	
Finance Lease Liabilities (current)		305		203	
Long Term Borrowing		6,000		6,000	
Finance Lease Liabilities (non-current)		2,194		1,977	
Total Financial Liabilities		11,433		10,887	

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

23. Nature and Extent of Risks arising from Financial Instruments

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

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

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

Credit Risk

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

Notes to the Accounts

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

A limit of up to £5 million was placed on the amount that could be invested with a single counterparty (other than UK government). The Council also set a limit of £10 million on amounts invested for a period longer than a year, and £20 million on the total amount invested in pooled fund investments. Within these limits further restrictions were placed on amounts and duration of investments with counterparties, along with a strategy of diversification, in line with changing market conditions as advised by the Council's treasury management advisors.

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

	31-Mar-19	31-Mar-20
	£000	£000
Credit Rating		
AAAmf	12,001	17,984
AA-	3,000	-
A+	6,000	-
Unrated local authorities	6,000	15,500
Total	27,001	33,484
Pooled Funds (unrated)	19,308	16,744
Total Investments	46,309	50,228

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

No allowance has been made to the carrying value of treasury investments for expected losses as these are considered immaterial based on the Council's investment holdings at the end of the year.

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

Debtors include a total of £0.734m of trade receivables (£0.521m at 31 March 2019). The amount can be analysed by age of debt as follows:

Notes to the Accounts

31-Mar-19	Aged debt analysis	31-Mar-20
£000		£000
421	Less than three months	597
30	Three to six months	52
16	Six months to one year	34
54	More than one year	51
521	Total due at 31 March	734

A provision of £58,000 (£61,000 at March 2019) has been made against non-collection of these debts, calculated using percentages based on judgement applied against the value of debt considered past due.

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

In furtherance of the Council's service objectives, it has lent money to a number of organisations totalling £55,000 at the Balance Sheet date (£325,000 at 31 March 2019) which is being repaid in monthly instalments. The balance is not material and therefore no loss allowance has been reflected in the carrying value.

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

Liquidity Risk

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

Refinancing and Maturity Risk

At the Balance Sheet date, the Council had two LOBO market loans of £3 million each with outstanding maturity periods of 22 years, subject to six-monthly call option dates. In the event that the lender exercises its option, the Council may repay these loans for which it holds sufficient liquid deposits or has access to funds to meet any short-term cash requirement.

The Council has £16.744 million invested across seven pooled funds – four equity funds, two diversified funds, and one property fund. It is intended that these investments will be held for the medium-long term; however, the equity and diversified funds do allow the Council to withdraw its money at any time subject to normal settlement terms (e.g. transaction date plus 3 days). The property fund has monthly redemption dates although at the Balance Sheet date the fund had temporarily suspended purchase or sales of units due to the uncertainties around property valuations caused by the downturn in activity following the outbreak of the coronavirus pandemic. 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 of its pooled funds 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 in short-term financial assets during the year of £45.167 million	(452)
Impact on the Surplus or Deficit on the Provision of Services	(392)

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

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

A fall in the overall rate of return of 1% would have reduced investment income by a sum equivalent to the figure in the preceding table. 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 market prices of the Council's units in a variable net asset value cash/ bond money market fund is governed by prevailing interest rates and price risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's exposure to the fund of £3 million. A 5% fall in commercial property prices at 31 March 2020 would result in a £0.159m charge to the CIES.

The Council's investments in equity funds are subject to the risk of falling share prices. This risk is limited by the Council's exposure to equity investments of £13 million. A 5% fall in share prices would result in a £0.510m charge to the CIES.

The Council's investments in diversified funds are subject to the risk of falling share prices. This risk is limited by the Council's exposure to diversified funds of £3 million. A 1% rise in interest rates and 5% fall in commercial property and equity prices would result in a £0.075m charge to the CIES.

In all three scenarios set out above the charge to the CIES would have no impact on the Council's General Fund balances until the investments are sold, this is as a result of statutory direction, effective for a five year period from 1 April 2018.

24. 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-19		31-Mar-20
£000		£000
519	PPE – Vehicles & plant	215
1,427	Investment property	1,670
1,946	Total Carrying Value	1,885

Notes to the Accounts

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-19		31-Mar-20
£000		£000
	Finance lease liabilities (net present value of minimum lease payments):	
305	• Current	203
2,194	• Non-current	1,977
6,096	Finance costs payable in future years	5,986
8,595	Total Minimum Lease Payments	8,166

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20
	£000	£000	£000	£000
Not later than one year	415	302	305	203
Over one year but not later than five years	656	433	284	69
Later than five years	7,524	7,431	1,910	1,908
	8,595	8,166	2,499	2,180

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.

Notes to the Accounts

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

31-Mar-19		31-Mar-20
£000		£000
987	Not later than one year	987
3,949	Later than one year and not later than five years	3,949
3,729	Later than five years	2,742
8,665		7,678

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-19		31-Mar-20
£000		£000
134	Not later than one year	306
361	Later than one year and not later than five years	907
909	Later than five years	1,024
1,404		2,237

Included within the above figures is a residential hostel which is sub-leased to a third party and for which the future minimum lease payments receivable by the Council total £0.946 million (£0.962 million at 31 March 2019).

Expenditure charged to services in the CIES relating to these leases was £0.142m in the year (£0.129m in 2018/19), with £15,500 of income being received under a sub-lease (£15,500 in 2018/19).

25. Long and Short-term Debtors

31-Mar-19		31-Mar-20
£000		£000
3,008	Deferred income from property leases	2,688
125	Mortgages & other advances	55
3,133	Long-Term Debtors	2,743

Notes to the Accounts

31-Mar-19		31-Mar-20
£000		£000
701	Central government bodies	1,225
858	Essex County Council	1,003
106	Other local authorities	173
	Other entities and individuals:	
509	• Council Tax & business rate payers	519
1,077	• Housing Benefit overpayments & penalties	1,044
232	• Accrued interest	215
460	• Trade receivables	275
318	• Deferred income from property leases	318
5,340	• Other debtors and prepayments	3,401
9,601	Short-Term Debtors	8,173

26. Long and Short-term Creditors

31-Mar-19		31-Mar-20
£000		£000
4,374	Central government bodies	5,259
2,541	Essex County Council	2,449
290	Other local authorities	615
	Other entities and individuals:	
331	• Council Tax & business rates prepaid	320
9	• Accrued interest	7
379	• Supplier creditors	608
2,925	• Other creditors and receipts in advance	2,734
10,849	Short-Term Creditors	11,992

31-Mar-19		31-Mar-20
£000		£000
47	Rent Deposits	34
47	Long-Term Creditors	34

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:

2018/19 £000		2019/20 £000
	<u>Comprehensive Income & Expenditure Statement</u>	
	Service cost included within the Cost of Services	
3,966	Current service cost	4,306
1,374	Past service costs (including curtailments)	83
(239)	(Gains) or losses on settlements	-
63	Administration expenses	50
	Financing and Investment Income and Expenditure	
1,665	Net interest expense	1,400
6,829	Post-employment Benefits Charged to (Surplus) or Deficit on the Provision of Services	5,839
	Re-measurement of the Net Defined Benefit Liability comprising:	
(8,625)	Return on assets excluding amounts included in the net interest	12,220
(12,148)	Actuarial (gains) arising on changes in demographic assumptions	(903)
9,378	Actuarial (gains) and losses arising on changes in financial assumptions	(18,494)
-	Other Actuarial (gains) and losses on assets	(448)
-	Experience and other (gains) and losses	(3,496)
(11,395)	Re-measurements recognised in Other Comprehensive Income	(11,121)
(4,566)	Total Post Employment-Benefits Charged to the CI+ES	(5,282)
	<u>Movement in Reserves Statement</u>	
(6,829)	Reversal of the net charge made to the (Surplus) or Deficit on the Provision of Services	(5,839)
2,438	Employers' contributions charged against the General Fund balance	2,566
(4,391)	Net Adjustments in the MIRS	(3,273)

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:

2018/19 £000		2019/20 £000
163,374	Fair value of employer assets	151,315
(214,178)	Present value of funded liabilities	(194,230)
(8,793)	Present value of unfunded liabilities	(8,836)
(59,597)	Net Liability	(51,751)

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

	Funded liabilities Local Government Pension Scheme		Unfunded liabilities Discretionary Benefits	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
Opening balance at 1 April	211,451	214,178	9,427	8,793
Current service cost	3,966	4,306	-	-
Interest cost	5,320	5,068	233	204
Contributions from scheme participants	732	771	-	-
<i>Re-measurement (gains) and losses:</i>				
Changes in demographic assumptions	(11,682)	(907)	(466)	4
Changes in financial assumptions	9,164	(18,083)	214	(411)
Experience (gain) or loss	-	(4,362)	-	866
Past service cost	1,204	-	-	-
Losses on curtailment	170	83	-	-
Benefits paid	(5,646)	(6,824)	(615)	(620)
Liabilities extinguished on settlements	(501)	-	-	-
Closing balance at 31 March	214,178	194,230	8,793	8,836

Notes to the Accounts

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

2018/19 £000		2019/20 £000
154,270	Opening fair value of scheme assets	163,374
3,888	Interest income	3,871
	<i>Re-measurement gain/ (loss):</i>	
8,625	Return on assets less interest	(12,220)
-	Other actuarial gains/ (losses)	448
(63)	Administration expenses	(50)
2,445	Contributions from employer	2,565
732	Contributions from employees	771
(6,261)	Benefits paid	(7,444)
(262)	Settlement prices paid	-
163,374	Closing balance at 31 March	151,315

Pension scheme assets:

31-Mar-19			31-Mar-20	
Fair value £000	% of Total		Fair value £000	% of Total
101,717	62%	Equities	88,570	59%
8,671	5%	Gilts	6,522	4%
9,548	6%	Other bonds	9,168	6%
14,526	9%	Property	13,607	9%
4,302	3%	Cash	6,290	4%
15,929	10%	Alternative assets	17,429	12%
8,681	5%	Other managed funds	9,729	6%
163,374	100%		151,315	100%

At the 31 March 2020, 66.3% (72.1% 31 March 2019) 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. An allowance was made for the potential impact of the McCloud & Sargeant judgement in the results provided to the Council at the last accounting date. This followed the Court of Appeal ruling in December 2018 that transitional protection offered to some members of public service pension schemes amounted to unlawful discrimination. It was subsequently acknowledged by government that it would have to amend all public service pension schemes, including the LGPS. This allowance is therefore incorporated in the roll forward approach adopted by the actuary and is remeasured at the accounting date along with the normal LGPS liabilities.

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table below:

<u>31-Mar-19</u>		<u>31-Mar-20</u>
	Financial assumptions:	
3.45%	Rate of RPI inflation	2.75%
2.45%	Rate of CPI inflation	1.95%
3.95%	Rate of increase in salaries	2.95%
2.45%	Rate of increase in pensions	1.95%
2.40%	Rate for discounting liabilities	2.35%
	Longevity from age 65 (years):	
22.9 (25.4)	Male (female) Retiring in 20 years	23.2 (25.2)
21.3 (23.6)	Male (female) Retiring today	21.8 (23.7)

The following 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 the discount rate by +/-0.1% - decreases/ increases the obligation by £3.554m (or +/-1.75%)
- Change in the long term salary increase by +/-0.1% - increases/ decreases the obligation by £0.341m (or +/-0.17%)
- Change in pension increases and deferred revaluations by +/-0.1% - increases/ decreases the obligation by £3.292m (or +/-1.62%)
- Change in the member life expectancy by +/- one year – increases/ decreases the obligation by £9.060m (or +/-4.46%)

Notes to the Accounts

Risks associated with the defined benefit scheme

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

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

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

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

Impact on the Council's Cash Flows

Contributions are set every three years as a result of the actuarial valuation of the Pension Fund required by the LGPS Regulations. The most recent actuarial valuation was carried out as at 31 March 2019, and set the Council's rate of contributions for the period 1 April 2020 to 31 March 2023. 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 £51.751 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 20.3% of pensionable pay (up from 16.5%), topped up with a single additional payment of £2.468 million to be made in April 2020. This was based on an overall deficit recovery period of 7.5 years. The total contribution estimated to be paid by the Council to the Pension Fund for the year to 31 March 2020 is £5.749m.

Notes to the Accounts

28. Unusable Reserves

31-Mar-19 £000		31-Mar-20 £000
30,750	Revaluation Reserve	29,649
81,689	Capital Adjustment Account	84,120
54	Deferred Capital Receipts	37
(59,597)	Pensions Reserve	(51,751)
1,309	Pooled Investments Adjustment Account	(2,272)
599	Collection Fund Adjustment Account	667
(176)	Accumulating Absences Account	(248)
54,628	Total Unusable Reserves	60,202

Revaluation Reserve

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

2018/19 £000		2019/20 £000 £000	
29,293	Balance at 1 April		30,750
5,058	Upward revaluation of assets	2,923	
(641)	Downward revaluation of assets and impairment losses	(2,552)	
4,417	Surplus on revaluation of non-current assets not posted to Surplus/ Deficit on the Provision of Services		371
(697)	Difference between fair value depreciation and historical cost depreciation	(828)	
(2,263)	Accumulated gains on assets disposed	(644)	
(2,960)	Amount written off to the Capital Adjustment Account		(1,472)
30,750	Balance at 31 March		29,649

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.

2018/19		2019/20	
£000		£000	£000
78,533	Balance at 1 April		81,689
	Reversal of items relating to capital expenditure debited or credited to the CI+ES:		
(2,524)	• Depreciation and impairment of non-current assets	(4,051)	
(150)	• Amortisation of intangible assets	(167)	
(1,627)	• Revenue expenditure funded from capital under statute	(1,213)	
<u>(2,535)</u>	• Amounts of Non-current assets written off on disposal	<u>(768)</u>	
(6,836)		(6,199)	
2,960	Adjusting amounts written out of the Revaluation Reserve	1,472	
(3,876)	Net written out amount of the cost of non-current assets consumed in the year		(4,727)
	Capital financing applied in the year:		
1,895	• Capital Receipts	1,004	
1,204	• Grants and contributions received and applied in the year	1,142	
77	• Capital Grants Unapplied Account	1,195	
222	• Donated Assets	-	
742	• Minimum revenue provision	698	
<u>1,842</u>	• Capital expenditure charged to revenue	<u>2,136</u>	
5,982			6,175
1,050	Movements in the market value of Investment Properties		983
81,689	Balance at 31 March		84,120

Notes to the Accounts

Pooled Investments Adjustments Account

The Pooled Investments Adjustment Account holds the balance of unrealised gains/ losses arising from the Council's financial assets held at fair value through profit and loss in accordance with the Code requirements, but for which statutory regulations prevent such balances being charged/ credited to the General Fund Balance. In 2019/20 the movement on this account was an unrealised loss of £3.581m, which reflected the sharp fall in financial markets at the end of the financial year primarily due to the COVID-19 pandemic.

29. Cash Flow Operating Activities

2018/19 £000		2019/20 £000
	Cash flows for operating activities included the following items:	
(1,185)	Interest & dividends received	(1,334)
431	Interest paid	396
(754)		(938)
	Adjustments to (Surplus) or Deficit on the Provision of Services for non-cash movements:	
(3,281)	Depreciation	(3,327)
757	Revaluation losses/ gains	(724)
(150)	Amortisation of intangibles	(167)
1,424	Change in fair value of investment property and financial assets	(2,598)
(2,207)	(Increase) in creditors	(320)
(156)	(Increase) in provisions	(436)
(279)	Increase/ (decrease) in debtors	356
47	Increase/ (decrease) in inventories	(33)
(4,391)	Movement in pension liability	(3,273)
(16)	Net loss on non-current assets sold	(768)
(8,252)	Total non-cash movements	(11,290)
	Adjustment for items included in the (Surplus) or Deficit on the Provision of Services that are investing and financing activities:	
2,368	Net rental income from investment property	2,378
4,307	Proceeds from the sale of PPE, Investment Property, and other capital receipts	3,620
654	Capital grants	530
7,329	Total of items that are investing and financing activities	6,528

Notes to the Accounts

30. Cash Flow Reconciliation of Liabilities arising from Financing Activities

2019/20	01-Apr-19 £000	Financing cash flows £000	Non-cash change £000	31-Mar-20 £000
Long-term borrowings	(6,000)	-	-	(6,000)
Finance lease liabilities	(2,194)	14	203	(1,977)
<i>Short-term borrowings:</i>				
Finance lease liabilities	(305)	305	(203)	(203)
Other liabilities	-	-	-	-
Total Liabilities from Financing Activities	(8,499)	319	-	(8,180)
Change in agency related creditors		(949)		
Net Cash outflow from Financing Activities		(630)		
Comparative Year 2018/19	01-Apr-18 £000	Financing cash flows £000	Non-cash change £000	31-Mar-19 £000
Long-term borrowings	(6,000)	-	-	(6,000)
Finance lease liabilities	(2,506)	7	305	(2,194)
<i>Short-term borrowings:</i>				
Finance lease liabilities	(355)	355	(305)	(305)
Other liabilities	(1,000)	1,000	-	-
Total Liabilities from Financing Activities	(9,861)	1,362	-	(8,499)
Change in agency related creditors		839		
Net Cash outflow from Financing Activities		2,201		

Notes to the Accounts

31. Related Party Transactions

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

Braintree District Museum Trust (“the Museum Trust”)

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

Payments were made to the Museum Trust amounting to £298,035 (£324,332 in 2018/19) of which £99,345 was in advance for the 2020/21 year.

At the Balance Sheet date there was £17,154 including interest (£24,991 at 31 March 2019) outstanding on a loan made to Warner Textiles Ltd, a subsidiary of the Museum Trust.

Braintree District Councillors’ Community Grant Scheme

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

In total £56,636 was paid out (£55,205 in 2018/19) to organisations under the scheme.

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

The Active Braintree Foundation Trust

A Braintree District Cabinet Member is a Trustee of The Active Braintree Foundation Trust

Payments were made to the Trust amounting to £8,229 (Nil in 2018/19).

32. 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 trading activities of the company were limited and therefore as its accounts are not material they have not been incorporated into the Group Accounts of any of the four owning authorities for the 2019/20 financial year. Subsequent to the year end, the Board of Directors agreed to cease trading of the company on 31 August 2020, and thereafter to commence procedures towards a voluntary striking off and dissolving the company and its three subsidiaries.

Notes to the Accounts

33. Contingent Assets & Liabilities

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

- i. As part of the transfer of its housing stock in November 2007, the Council warranted to Greenfields Community Housing (GCH):
 - Settlement of claims arising from environmental pollution on property and land transferred to GCH for a period of twenty two years from the date of transfer (i.e. to 2029). The maximum liability is £90m against which the Council has environmental insurance (currently running to 2027) for individual/aggregate losses up to £10m, subject to an excess of £100,000 on each claim.
 - Settlement of costs incurred in dealing with asbestos found in properties that have transferred, including any claims arising from exposure to asbestos. The warranty is to meet any costs above an aggregate sum of £9.6m (indexed annually) and is for a period of twenty two years up to 2029.
 - Excess maintenance costs incurred on sewers not within the curtilage of dwellings that transferred to GCH. The warranty provides that the Council shall meet 50% of the costs incurred above an annual index linked with accumulating provision of £85,000 and is for a period of thirteen years to 2020.

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

- ii. As part of the arrangements for the leisure management contract the Council entered into a guarantee with Essex County Council covering the contractor's admission to the Essex Pension Fund. The guarantee would be invoked if the admission agreement is prematurely terminated and amounts remain outstanding to the pension fund, which cannot be collected from the contractor. The risk is mitigated by the admission being a 'closed' fund which means only staff that transferred to the contractor and were either active members or eligible for membership can be included. The Council also retains the right to request the contractor to provide an indemnity bond at any time. The Council has also guaranteed the admission of the Braintree District Museum Trust to the Essex Pension Fund. The risks associated with this guarantee are similarly limited by the admission being a 'closed' fund, and only covers a small number of employees.

34. Accounting Standards issued but not yet adopted

There are no standards issued but yet to be adopted by the Code which will impact materially on the Council's accounts for 2020/21.

35. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director on 30 June 2020. Events taking place after this date are not reflected in the financial statements or notes. Whilst the impact of the COVID-19 pandemic could be significant to the Council's finances the event is deemed a non-adjusting event for the purposes of these accounts. Where uncertainty exists this has been highlighted within the notes to the accounts and Narrative Report.

Collection Fund

2018/19			Note	2019/20	
Business Rates £000	Council Tax £000			Business Rates £000	Council Tax £000
		Income			
-	88,335	Council Tax receivable	1	-	94,255
42,864	-	Business Rates receivable	2	43,023	-
219	-	Transitional protection payment	2	221	-
43,083	88,335	Total Income		43,244	94,255
		Expenditure			
		Precepts, Demands and Shares:			
16,757	11,132	· Braintree District Council		16,659	11,652
20,946	-	· Central Government		20,823	-
3,770	63,507	· Essex County Council		3,748	66,725
-	8,786	· Police & Crime Commissioner for Essex		-	10,134
419	3,658	· Essex Fire Authority		416	3,805
105	-	Payment to ECC for renewable energy disregard	2	110	-
97	-	Transfer to General Fund for BDC renewable energy disregards	2	(36)	-
193	-	Allowance for business rate collection costs	2	189	-
161	23	Contribution to provision for impairment of debts	2/5	163	307
395	-	Change in provision for business rate valuation appeals	2/6	1,091	-
1,814	1,399	Contributions from previous year's estimated Collection Fund surplus	3	143	889
44,657	88,505	Gross Expenditure		43,306	93,512
		Collection Fund Balance			
(2,400)	(2,288)	Balance at the beginning of the year		(826)	(2,118)
1,814	1,399	Contributions from previous year's estimated Collection Fund surplus		143	889
(240)	(1,229)	In-year surplus for the year		(81)	(1,632)
(826)	(2,118)	Balance at the end of the year	4	(764)	(2,861)

Notes to the Collection Fund

1. Council Tax

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

The average Band D Council Tax for 2019/20 was set at £1,757.70 (£1,675.32 in 2018/19). The tax base used to determine this rate was calculated at 52,521 equivalent number of Band D dwellings (51,980 in 2018/19), assuming a collection rate of 99%, as detailed in the table below:

Tax Band	Total Number of Dwellings in the District	Number of Chargeable Dwellings (after taking off Exemptions & Discounts)	Chargeable amount in relation to a Band D Property	Band D Equivalent Number of Chargeable Dwellings	Tax Base Band D Equivalents (after making allowance for non-collection)
A (Reduced)	-	-	5/9	1	1
A	5,994	5,671	6/9	2,541	2,516
B	16,831	16,620	7/9	10,038	9,938
C	18,888	18,718	8/9	14,240	14,098
D	9,377	9,313	9/9	8,470	8,385
E	7,146	7,094	11/9	8,152	8,070
F	4,134	4,113	13/9	5,690	5,633
G	2,203	2,188	15/9	3,497	3,462
H	212	212	18/9	388	384
Contributions in lieu				35	35
	<u>64,785</u>	<u>63,929</u>		<u>53,052</u>	<u>52,521</u>

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:

2018/19 £000		2019/20 £000
88,320	Council Taxpayers	94,227
(15)	Adjustments to previous year Council Tax Benefit	(1)
30	Transfer from General Fund	29
88,335	Council Tax Income	94,255

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: 49.1p (48.0p in 2018/19) where the property is eligible for small business relief; or 50.4p (49.3p in 2018/19) 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 that Non-Domestic Rating Income net would be £41.646 million (£41.892 million in 2018/19), 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 Authority). The actual amount was £41.727 million (£42.132 million in 2018/19) – an additional £0.081 million to that estimated and which is retained in the Collection Fund for the benefit of future years. This is summarised in the table below:

	Estimated £000	Actual £000
Net payable by business ratepayers	43,149	43,023
Transitional protection grant	215	221
Sub-total	43,364	43,244
Less:		
Renewable energy disregards	206	74
Allowance for collection costs	189	189
Impairment of arrears	243	163
Change in provision for valuation appeals	1,080	1,091
Non-Domestic Rating Income	41,646	41,727

Notes to the Collection Fund

At the start of the year there were 4,911 businesses with a total RV of £110.6 million, and at the end of the year 4,982 businesses with a total RV of £111.4 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.

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

2018/19			2019/20	
Business Rates	Council Tax		Business Rates	Council Tax
£000	£000		£000	£000
726	182	Braintree District Council	57	114
907	-	Central Government	71	-
163	1,019	Essex County Council	13	648
-	138	Police & Crime Commissioner for Essex	-	90
18	60	Essex Fire Authority	2	37
1,814	1,399	Estimated Collection Fund Balance	143	889

4. Collection Fund Balance

For the purposes of calculating and setting the precepts and Council Tax rates for 2020/21, estimated balances of £1.229 million (Council Tax) and £0.472 million (business rates) were taken into account. The difference between these estimated amounts and the actual balances at 31 March 2020, will be taken into account when determining precepts and Council Tax for 2021/22.

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.

2018/19				2019/20		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
178	1,034	1,212	Balance at 1 April	94	916	1,010
(245)	(141)	(386)	Amounts written off in the year	(127)	(184)	(311)
161	23	184	Contribution to provisions during year	163	307	470
(84)	(118)	(202)	Net Increase (decrease) in provision	36	123	159
94	916	1,010	Balance at 31 March	130	1,039	1,169

6. Provision for Business Rates Valuation Appeals

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

The Council has calculated a total provision of £4.181 million at 31 March 2020 (£3.090 million at 31 March 2019).

2018/19		2019/20
£000		£000
2,695	Balance at 1 April	3,090
(253)	Amounts refunded from the provision	(143)
648	Increase in provision	1,234
395	Net change in provision	1,091
3,090	Balance at 31 March	4,181

Note: Under the BRRS only 40% of the provision is attributable to Braintree DC and as such shown in the Balance Sheet

1. Council responsibility for Good Governance

Braintree District Council (“the Council”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement (AGS) reporting on the review with the Statement of Accounts.

2. The Council’s Governance Framework

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

Key elements of the Council’s Governance Framework are:

- The **Council Constitution** which sets out how the Council operates and how it makes decisions. The Constitution details the process through which the Council is able to make decisions efficiently, transparently and accountably. The statutory Monitoring Officer undertakes a review of the Constitution annually to ensure the Council’s arrangements remain compliant with legislative requirements and is fit for purpose in supporting the Council’s Corporate Strategy.
- The Council **Corporate Strategy**, sets out the vision and priorities for the Braintree District for the four-year period 2016 to 2020 and was agreed by Full Council on 22nd February 2016. The Corporate Strategy for 2020 to 2024 was recommended for approval by the Cabinet on 9th March 2020 and was formally adopted by the Chief Executive as a delegated decision under the urgency provisions on 8th April 2020 (a consequence of the cancellation of Full Council meeting scheduled for 20th April 2020 due to the Coronavirus pandemic). 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 the Council plan to measure progress against these objectives.
- The **System of Internal Control** which is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- The **Local Code of Corporate Governance**, which sets out how the Council’s strategies, policies, plans, procedures, processes, structures, attitudes and behaviours are in place to deliver good governance to all, as well as summarising the processes in place to support the delivery of strategic outcomes.

The Council's Local Code of Corporate Governance was approved by the Corporate Governance Group in April 2019 and is based on the guidance provided by the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) "Delivering Good Governance in Local Government – a Framework" (April 2016). It is subject to annual review and the revisions will be considered for approval by the Governance Committee in July 2020.

The Governance Framework has been in place at Braintree District Council for the year ended 31st March 2020 and for the majority of the year was unaffected by the Coronavirus pandemic. However, Coronavirus has impacted on governance during March 2020 and has continued to have an impact during the period up to the date of publication. This AGS therefore reflects the impact on governance as a consequence of the Coronavirus.

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

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

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

B. Ensuring openness and comprehensive stakeholder engagement

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

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

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

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

- Corporate Strategy covers a four-year period. An Annual Plan details the agreed projects and initiatives to deliver each of the priorities of the Corporate Strategy in the forthcoming year, as well as details of how the Council plan to measure progress against these objectives.
- In determining how services and other courses of action should be planned and delivered the Council has well established engagement frameworks with internal and external stakeholders which is undertaken at a strategic, service and individual level.
- The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local residents as stated in the Council's Corporate Strategy, values and priorities.

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

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

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

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

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

- The Audit, Insurance and Fraud Manager provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance. This is carried out by an in-house Internal Audit team in conformance with the Public Sector Internal Audit Standards.
- The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies. The Corporate Governance Group is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.
- The Council's scrutiny arrangements are well established and provide challenge and review and promote service improvement.

3. Review of Effectiveness of the Governance Framework

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. 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 and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The review of effectiveness is informed by the work of the senior managers within the council who have responsibility for the development and maintenance of the governance environment, the audit manager's annual report, and by comments made by the external auditors and other review agencies and inspectorates.

The key elements of the review of effectiveness are:

a) 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 Performance Management Board included reviews of the Medium Term Financial Strategy and Budget Proposals for 2020/21 and a report on Local Plan Project and Risk Management.
- The work programmes of the two new Development Groups: the Community Group met on three occasions and commenced scrutiny reviews into vaccinations and community woodlands; and the Partnership Group met on four occasions and received the Annual Report of the Braintree District Community Safety Partnership 2018/19 and commenced a review into leisure provision across the District – access to sport.
- A small number of complaints were raised under the Member Code of Conduct and these have been reviewed in line with the Council's processes by the Monitoring Officer. The issues raised are particular to their circumstances and do not reflect a wider or systemic issue within the Council and are not regarded as significant governance issues within the meaning of the Annual Governance Statement. There were no complaints referred to the Standards Sub Committee during the year. One complaint was referred for the investigation stage and will be considered further in accordance the Council's processes once that investigation has been concluded. The 2018/19 Annual

Governance Statement indicated that there was an investigation being undertaken at that time. This Investigation has been conducted and no further action was required due to the resignation of the complaint subject.

- The Corporate Governance Group provided independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. The Group met three times during the year and received regular reports on risk management, internal control and governance matters.
- The Council's Internal Audit Charter, as required under the Public Sector Internal Audit Standards, was reviewed and updated by the Corporate Governance Group on 25th July 2019.
- Internal Audit, as an independent and objective assurance service to the management of the Council, completed a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangements. The effectiveness of Internal Audit and its conformance with the Public Sector Internal Audit Standards was externally assessed during 2017/18. The initial outcome was that it partially conforms to the Standards and an action plan was agreed to deliver improvement and achieve conformance. Significant progress against the action plan has been made and reported to the Corporate Governance Group.
- The external auditors reviewed the Council's arrangements for:
 - Preparing accounts in compliance with statutory and other relevant requirements
 - Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
 - Managing performance to secure economy, efficiency and effectiveness in the use of resourcesThe results of the review, which included: an unqualified true and fair opinion of the financial statements; and satisfactory conclusion with the Annual Governance Statement, Whole of Government Accounts and Value for Money arrangements for 2018/19, were presented to the Corporate Governance Group on 25th July 2019.
- A positive Annual Audit Letter for 2018/19 was received from the External Auditor, BDO LLP, with no significant issues to be raised with Members, key stakeholders or members of the public.
- Members reviewed the Council's strategic risk register in November 2019. The strategic risk register together with details of Management Board's action plans to manage those strategic risks which have a high risk rating was agreed by Cabinet on 10th February 2020.
- The Action Plan from the Local Government Association (LGA) Cyber Security Stocktake 2018 was implemented with all staff undergoing Cyber-Security Training; Management Board and Portfolio Holder receiving quarterly Cyber Security updates and a Corporate Director has been appointed as Cyber Security Representative on Management Board.
- External inspections during the year included:
 - An external audit of the Council's undertakings and declarations to ensure compliance with its Operators Licence was undertaken by the Freight Transport Association in September 2019. The outcome of the audit was an action plan to address one area which was judged to be unsatisfactory and to deliver two minor improvements (these three areas were out of a total of thirty reviewed under the audit). All three areas requiring improvement were addressed and resolved following the audit.
 - The Council's Cyber Security capability was assessed by an external certificated company, Hytec. The Council successfully obtained its Cyber Essentials grading.
 - PSN (Public Service Network) compliant for 2020/21.
 - The SOCITM website measure focused on accessibility, the Council received a score of 6 out of 10 (the highest score awarded was 7, to a small number of authorities).
- Local Government and Social Care Ombudsman: in 2019/20 the Ombudsman received a total of 8 matters, out of which 4 were investigated as complaints. The Ombudsman upheld 1 complaint with a finding of maladministration and injustice in favour of the Complainant. The Ombudsman made some recommendations to the Council which sought to remedy the issues and the Council has fully complied with these to the satisfaction Ombudsman. These included conducting a review of the Council's service process, which

resulted in a revised documented process for Officers, a review of the Complainants' case via the service process and to take any necessary action identified, for the Council to issue an apology to the Complainants and pay financial compensation of £200.

- b) 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 2019/20 was considered by the Corporate Governance Group on 23rd July 2020. The conclusion was that the Council's systems for internal control, risk management and governance as at 31st March 2020 generally provide adequate assurance that key business processes and financial systems accord with proper practice, although some improvements are required to address areas of weakness and non-compliance which may put achievement of objectives at risk.
 - The Council's Local Code of Corporate Governance has been reviewed and updated for 2020/21 by the Corporate Governance Group on 23rd July 2020.

Last year's Annual Governance Statement identified no areas for improvement/development.

4. Assurance Statement

The review, as detailed above, provides good overall assurance of the council's system of internal control and that the arrangements are fit for purpose in accordance with the governance framework.

Since March 2020, the Council has been impacted by the coronavirus pandemic, issues of assurance are raised in the 'Governance issues' section and have been highlighted in the 'Areas of Significant Change' section. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have changed the accounting timetable, extending the deadline for the draft accounts to 31st August 2020 and the final audited accounts to 30th November 2020. However, the Council intends to work to a revised timetable of 30th June 2020 and 31st October 2020 respectively.

5. Governance Issues

Specific opportunities for improvement in governance and internal controls identified as part of the assurance processes have been addressed, or are included, in action plans for the relevant managers.

There has been a significant impact on Council services of the coronavirus pandemic from March 2020. The Council activated its Emergency Response Plan and the Councils Gold and Silver emergency command structure to coordinate a response to ensure that resources were prioritised to those most in need.

And despite the challenges, the Council has maintained consistent essential services for residents, whilst adapting to provide alternative virtual services wherever possible. The Council's strong collaborative approach has been effective at achieving a unified response, working with key partners in the NHS, police and voluntary and community sectors. The response to the crisis has added assurance to the effectiveness of the Council's business continuity plans, communications strategy and governance arrangements.

The risks moving forward have been detailed in the Areas of Significant Change.

Focus will be placed on the following significant governance issues during 2020/21:

- a) The nature of the council's business activities means that there are ongoing information governance risks, including cyber security and IT network security, which continues to require careful management. The continuing need to improve services and enhance customer access to those services means that integration, optimisation and security of the use of data held and managed by Council departments continues to be of paramount importance.
- b) The overriding scale, complexity and challenge of the Council's investment programme demands management rigour in ensuring continuous, strong and effective governance.

6. Areas of Significant Change

The Council also faces a number of areas of significant change that will require consideration and action as appropriate in 2020/21 and the medium-term. Significant issues identified include:

Impact of Coronavirus pandemic on Council services

- a) The Council is adhering and responding at pace to government guidance in response to the pandemic. Priorities have necessarily been changed to focus on the need to distribute emergency funding to vulnerable residents and to businesses and to support essential services. Business as usual has changed to accommodate this but key processes and functions have been maintained. An ongoing assessment of the impact of the coronavirus pandemic on Council services and Council systems will be needed to ensure good governance.
- b) The Medium-Term Financial Strategy 2020 to 2024 will be updated in the light of the impact of the pandemic.
- c) Current analysis suggests that the resources announced so far from central government do not cover the full costs of the pandemic. The Council needs to ensure that the additional spending and loss of income (particularly from council tax and business rates) are fully recovered from central government. The Council is maintaining a log of all spending commitments and income losses relating to the pandemic to enable full accountability. A full review of the impact of the coronavirus will be ongoing in 2020/21.
- d) There are early indications that there will be financial stress on the leisure management services contract that will need to be assessed in the medium and longer term.
- e) The Coronavirus Act (2020) and the Local Authorities and Police and Crime Panels (Coronavirus) (flexibility of Local Authority and Police and crime Panel Meetings) (England and Wales) Regulations 2020, allows the Council to make provisions for remote attendance at and remote access to, council meetings held on or before 7 May 2021. This enables the Council to conduct meetings and take decisions through the use of various virtual platforms and ensures that decisions can still be made to maintain good governance, principles of openness and accountability. The Council has adapted its approach by assessing which decisions can be delayed and re-scheduled and which decisions

need to be made at pace to deal with the pandemic. Virtual meetings have now been instigated to ensure transparency and good governance prevails and allows access to the public and press via the Council's YouTube Channel.

- f) Demands on IT systems and staff will be considerable as most office based staff will continue to work remotely.

Other significant risks

- g) A highlighted risk last year was the continued financial uncertainty regarding government funding of local government beyond 2020/21. This has since been over-ridden by the financial challenge of funding the effects of the coronavirus pandemic. The government have delayed the review of relative needs and resource and the 75% business rates retention will no longer be implemented in 2021/22 to allow councils to focus on meeting the immediate public health challenge posed by the pandemic. However there is still a risk due to the uncertainty of the government funding of local government which creates a challenge in terms of budget setting and medium term financial planning.
- h) There is a high level of uncertainty about the implications of Britain leaving the European Union. The government have not delayed the Brexit deadline of 31st December 2020, but the current priorities have changed in response to the pandemic and there is some doubt as to whether the deadline can be met or whether an extension will be necessary. Again, there are a number of possible scenarios for how and when the country will depart.

Based upon the assurance systems in place and the council's approach to continuous learning through external and internal review, there are no significant governance issues that have arisen during the year. Notwithstanding inherent risks facing local government and strategic risks that have been identified and reviewed throughout the year, the Council's governance arrangements provide robust mechanisms to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

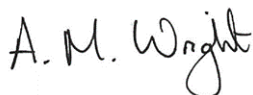
7. Conclusion

The Council has been impacted by the coronavirus pandemic. Governance arrangements have been tested and have been found to be robust in 2019/20, whilst recognising that the pandemic will bring substantial risks to the Council in 2020/21. There will be an ongoing review of the financial impact as well as the impact on procedures and processes relating to the emergency.

The Council is satisfied that appropriate governance arrangements are in place and that the Corporate Strategy and Medium-Term Financial Strategy will continue to be updated to adapt to the new situation. The Council propose over the coming year to take steps to address the matters identified above to further enhance our governance arrangements in these challenging times.



Graham Butland
Leader of the Council



Andy Wright
Chief Executive

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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 not plan to sell and which have no definite useful life.

Examples of community assets are parks and historic buildings.

Contingent Assets and Liabilities

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

Council Tax

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

Creditors

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

Current Assets

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

Current Liabilities

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

Debtors

Money that is owed to the Council for services provided in the financial year which have 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 cycleways.

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.

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.

Glossary & Abbreviations

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.

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.