



Braintree District Council

Statement of Accounts

2020 - 2021

(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 153,091 (mid-year 2020 estimate) a small increase 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 2021, the political make-up of the Council was: Conservative Party 32, Green Party 7, Halstead Residents Association 4, Independents 2, Labour Party 2, and 2 seats vacant.

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

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 442 full-time equivalent employees.

Corporate Strategy

Building on the previous four years, a new Corporate Strategy was approved setting out our objectives and priorities for the district over the period 2020 to 2024. The Corporate Strategy had been considered by the Cabinet on 9th March 2020, and commended to Council; however, due to the rapidly evolving Covid-19 pandemic and the temporary suspension of council meetings, the strategy was formally approved by the Chief Executive under his urgency powers. Our corporate plan looks to a future where we will help connect people and places, enhance and protect our environment, support our communities to reach their potential, promote prosperity and, importantly, continue to deliver and innovate:

- **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** – In 2019 the Council 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.

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- **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 our 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 our 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 Corporate Strategy sets out our priorities up to 2024. To deliver this, we have an Annual Plan which sets out our actions against each priority together with how we will measure our success. Underneath our Annual Plan sits our business plans for each service. They set out how the service will meet the priorities and actions required of it over the year to support the delivery of the Annual Plan and the Corporate Strategy. We also have a number of Strategies and Plans that will support the delivery of actions.

Our original Annual Plan for 2020/21 was developed before the Coronavirus (Covid-19) pandemic, the impact from which resulted in an even greater task for us, our communities, the way we work, and what support our residents and businesses need from us. Consequently we adapted our Annual Plan for the year, to run until 30 September 2021, to recognise the restrictions on the lives and workings of the district that have been in place over the last year meaning that the needs of our community had changed dramatically.

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 to the Cabinet and the Performance Management Board. In addition, at each meeting of the Governance and Audit Scrutiny Committee (formerly known as 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 2020/21 can be found on the Council's website (or by clicking [here](#)).

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. Members have previously agreed that the main strategic risks are:

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

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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 2020, the Council agreed a budget of £15.226m for the year together with an updated Medium Term Financial Strategy (MTFS) covering the period 2020/21 to 2023/24. The budget included an estimated net withdrawal from General Fund unallocated balances of £1.559m, which included £1.645m to be used to pay a single lump sum into the Council's pension fund covering the period 2020/21 to 2022/23. In 2021/22 and 2022/23 the General Fund balances will be replenished, with the overall effect from this arrangement being a saving to the Council across the three year period. The budget was to be financed from a mixture of government revenue support grants (£0.022m), business ratepayers (£5.192m), and council taxpayers (£10.012m).

The total Band D Council Tax rate for the District was £1,823.57 of which the Council's portion was £184.68, an increase of 2.75% over the previous year. In setting its budget the Council identified £0.556m of savings and additional income expected to be achieved in the year.

Shortly after the budget was agreed, it became evident that the emerging Covid-19 pandemic would have significant consequences on the Council's finances for 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.

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.

Covid-19 Pandemic

The 2020/21 financial year brought about unprecedented challenges due to the Covid-19 pandemic. Following the imposition of the first national lockdown from 24th March 2020, and then evolving circumstances which led to the country moving in and out of lockdown and various tiered

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restrictions, the pandemic influenced every aspect of the work of the Council. The Council has had to play a vital role in helping bring the whole community together, supporting residents and businesses.

Some of the work the Council has undertaken to support its community and residents, include:

- Distributing tests to residents from Causeway House as part of a community testing venue.
- Helping with referrals for a variety of support including food shopping, collection and delivery of food parcels, prescription delivery, mental health calls and befriending.
- Supporting individuals deemed clinically extremely vulnerable and those identified as shielding.
- Distributing funds as part of its Councillor Community Grant scheme focusing on recovery from Coronavirus in communities across the district.
- Working in partnership with Community 360, to distribute funding from the DEFRA Emergency Assistance Grant for food and supplies to groups across the district to assist them in providing food and essential supplies to individuals most in need.
- Working in partnership with Essex Council for Voluntary Youth Services, to distribute funding to children and young people groups to support them with re-mobilisation. Further funding was distributed to voluntary groups to enable them to continue to provide support to those deemed clinically extremely vulnerable within the Braintree District.
- Transporting individuals to their Covid vaccination appointment through our community transport scheme. The community transport team also made welfare calls to customers.
- Supporting young people by promoting schemes such as the Kickstart scheme which provides funding to employers to create job placements for 16 to 24 year olds who have been impacted by the pandemic.
- Providing temporary accommodation for rough sleepers and those that were considered at risk of homelessness.

In recognition of the financial challenges that some residents were experiencing, the Council also froze its share of the council tax bill for the 2021/22 financial year.

The Council supported businesses in a variety of ways, including:

- Providing ongoing support by keeping businesses updated of changes to legislation while offering advice and support.
- Employing Covid ambassadors to keep the town centres as safe as possible, making sure both businesses and residents are able to follow all Covid secure measures.
- Administering business rate reliefs and grants to support businesses and help keep them going throughout the pandemic.
- Launching a shop local campaign to encourage residents to support local businesses in a safe way.
- Administering new pavement licences to give businesses more options and space to place tables and chairs outside of cafes, restaurants and bars to enable staff and customers to social distance.
- Investing in 'Click it Local' which helps local businesses compete with national delivery companies.

The pandemic has had a widespread impact on the workforce of the Council and the way in which services have had to be delivered. Technology has allowed office based staff to work from home to minimise disruption to services, and has allowed the Member democratic and governance processes to continue through virtual meetings. For those officers who could not work from home, such as those engaged in front-line services, working practices were adapted to ensure their health and safety. Some services were stopped or closed for periods of time, and the Council worked closely with its leisure partner over the safe operation of facilities as restrictions were eased and then re-introduced. Where appropriate, staff were redeployed to services such as the Community Hub and to support the wider response to Covid-19.

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Looking ahead, it is clear that some of these changes will continue to influence the way the Council works in future. The new opportunities provided by technology show that home working can be successful for many of the Council's services and therefore will continue under a hybrid model where services will adopt the most appropriate service delivery arrangements for their customers, whether they be external or internal. The Council continues to invest and improve its digital services offering, meaning that, whilst the Council is always mindful of the need to ensure equality and fair access for all, more and more of the interactions with the Council can be done online.

One of the consequences of the pandemic has been a reduction in collection performance of both council tax and business rates, increasing the level of arrears at the end of the year. Residents' livelihoods were undoubtedly affected over the last year and businesses equally struggled under lockdown and other restrictions. The Council received government funding to provide financial assistance to those council taxpayers of working age and in receipt of local council tax support. The majority of this grant funding was applied in the year, which not only helped individuals but also provided revenue to the Collection Fund in lieu of council tax. During this time our Revenues team have assisted taxpayers, agreeing revised payments plans where appropriate. Whilst Magistrate Courts were closed, soft reminders, telephone calls and text messaging have all been used to encourage taxpayers to make payment with positive outcomes. Where debts remain outstanding, the Council will continue to seek recovery in line with its normal debt recovery processes.

Sales, fees and charges from services such as car parking, planning, leisure management, and community transport were all disrupted. Whilst offsetting savings were made, the Council also benefitted from support provided by the government's Sales, Fees and Charges grant compensation scheme, which provided compensation of 75p in the £ for all net losses that exceeded 5% of the original service budget for defined income areas. The uncertainty over the Council's future finances will be whether or not these income streams recover to pre-covid levels as restrictions are lifted, or whether there will be a longer-term reduction in usage and demand for services and facilities. The success in restoring this source of income will not become evident for some time.

The Council received a significant amount of grant funding from central government, which increased the amount of cash balances that were managed on a day-to-day basis by the central treasury management team. To support businesses, the government announced increases to business rate retail and nursery reliefs, and also introduced multiple business support grant schemes, all of which required extensive administration under circumstances where the imperative was to distribute grants as quickly as possible to eligible businesses. Funding was also received to provide financial support to individuals, e.g. hardship funding to those on local council tax support, or payments to those required to self-isolate. To assist the Council, extra funding was provided towards the additional unbudgeted expenditure incurred by the Council as it responded to the effects of the pandemic as well as compensating for losses in income. Whilst the majority of this funding was provided by government departments, there were elements that were provided by Essex County Council (ECC).

Grants and business rate reliefs were administered in line with the guidance received from the relevant government department (or ECC) and, where this dictated the eligibility for support under a grant scheme, this effectively meant the authority was acting as agent. However, in some cases the Council was able to exercise some discretion over how funding would be allocated and, therefore, in these instances the Council was acting as principal. Consequently, the accounting arrangements and presentation in the Statement of Accounts for these grant schemes varies in accordance with accounting requirements. However, the full scale of the funding and activity involved can be seen in the following table:

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Grant scheme	Funding allocated 2020/21 £000	Expenditure incurred at 31-Mar-21 £000	Balance of funding at 31-Mar-21 £000
Support to Businesses - Council acting as agent			
Small Business Grant Fund (Retail, Hospitality and Leisure Fund)	29,370	29,335	35
Local Restrictions Support Grant (Closed) - various schemes	9,680	7,060	2,620
Closed Business Lockdown Payment	6,147	4,446	1,701
Christmas Support Payment for Wet-Led Pubs	77	76	1
Business Improvement Districts - COVID Support	7	7	-
Business Adaptation Grant (ECC)	198	180	18
Sub-total	45,479	41,104	4,375
Support to Businesses - Council acting as principal			
Local Authority Discretionary Grant Fund	1,526	1,526	-
Additional Restrictions Grant	4,408	4,106	302
Local Restrictions Support Grant (Open) - various schemes	652	261	391
Reopening High Streets Safely Fund	51	51	0
Sub-total	6,637	5,944	693
Support to Individuals - Council acting as agent			
Test and Trace Self Isolation Payments	191	127	64
Test and Trace Self Isolation Payments (ECC)	308	-	308
Sub-total	499	127	372
Support to Individuals - Council acting as principal			
Council Tax Hardship Fund	892	848	44
Test and Trace Self Isolation Payments	185	89	96
Sub-total	1,077	937	140
Funding for Increased Expenditure or Loss of Income			
Compliance and Enforcement Grant	62	62	-
Track and Trace (ECC)	142	97	45
National Leisure Recovery Fund	353	173	180
National Leisure Recovery Fund (monitoring grant)	2	2	-
Covid Emergency Funding	1,952	1,686	266
Sales, Fees and Charges Compensation Scheme	735	735	-
Local Tax Income Guarantee Scheme (net of levy)	84	-	84
New Burdens Grant - various	483	483	-
Sub-total	3,813	3,238	575
Total	57,505	51,350	6,155

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Where a balance of funding was held at 31 March 2021 and the Council was either acting as agent and/ or there were conditions attached to funding that meant unspent balances may have to be repaid, these were shown in the Balance Sheet as creditors (£5.459m). Where funding was unringfenced or where conditions were being met, balances were transferred to earmarked reserves (£0.696m). In both cases, funding is expected to be required in 2021/22 as the impacts from the pandemic continue to affect the Council, businesses and the wider community.

Despite Covid-19, the Council has been able to continue with its ambitious capital investment programme, with major capital schemes well underway. These projects will be essential to providing the infrastructure and other capital assets that will support the recovery across our district as restrictions continue to be lifted and we adjust to a new norm.

Revenue Budget Outturn for the Year

The following table provides a summary of the budget outturn for 2020/21 by service area and incorporates the financial impact from Covid-19 including the related additional funding received:

Service	Updated Budget £'000	Actual Spend £'000	Adverse (Positive) variance				Total £'000	RAG Status
			Staffing £'000	Other Exp. £'000	Gross Income £'000	Carry forwards £'000		
Asset Management	(2,471)	(2,498)	(11)	40	(56)	-	(27)	G
Community Services	399	429	(9)	(40)	79	-	30	A
Corporate Management	1,462	1,457	(5)	(9)	5	-	(5)	G
Economic Development	200	206	0	6	0	-	6	A
Environment & Leisure	992	1,139	(111)	(84)	342	-	147	R
Finance	1,480	1,708	(216)	(64)	475	33	228	R
Governance	1,176	1,078	(26)	(63)	(17)	8	(98)	G
Housing Services	932	826	(19)	(64)	(63)	40	(106)	G
Human Resources	369	378	14	(22)	(3)	20	9	A
ICT & Facilities	1,651	1,633	29	(55)	(9)	17	(18)	G
Marketing and Communications	560	537	5	(54)	26	-	(23)	G
Operations	6,161	6,786	(38)	(46)	679	30	625	R
Strategic Investment	23	23	-	-	-	-	-	G
Sustainable Development	965	1,158	(211)	49	285	70	193	R
Service Total	13,899	14,860	(594)	(406)	1,743	218	961	R
Corporate Financing	1,627	1,744	-	(33)	150	-	117	R
Covid-19 central fund	0	973	69	904	-	-	973	R
Efficiency target	(300)	-	300	-	-	-	300	
Total Budget Variance	15,226	17,577	(225)	465	1,893	218	2,351	R
Emergency funding & grants		(2,255)	-	-	(2,521)	266	(2,255)	G
National Leisure Recovery Fund		(173)	-	-	(173)	-	(173)	G
Income compensation		(735)	-	-	(735)	-	(735)	G
Net Total General Fund	15,226	14,414	(225)	465	(1,536)	484	(812)	G

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

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It is difficult to be precise about the exact impact on the budget position from Covid-19 as based on past experience it would be expected that there would be some variance against the approved budget. An assessment of the impact of Covid-19 has been made in terms of the amount of unbudgeted expenditure and losses of income, after taking into account mitigating savings. This assessment is summarised in the table below:

Reason for budget variance:	Adverse (positive) variance					RAG Status
	Staffing £'000	Other Expenditure £'000	Income £'000	Carry Forwards £'000	Total £'000	
Covid-19 pandemic impact	119	969	2,075	-	3,163	R
Base budget	(344)	(504)	(182)	218	(812)	G
Total Budget Variance	(225)	465	1,893	218	2,351	R

The negative impact from Covid-19 has been estimated at £3.163m, which has been managed through the additional government funding and other income received or claimed. Aside from the impact of the pandemic, there was a positive variance for the year against the Council's base budget of £0.812m, achieved mainly from staffing underspends and reduced operational expenditure.

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

Capital Investment

The Council currently has a capital programme which totals £74m. As a number of the significant projects are being delivered over a number of years the actual outturn spend in 2020/21 was £31.611m a significant increase on the amount spent in the previous year of £6.809m. Key highlights in the programme delivery in the year include:

- Significant progress on regeneration of the Manor Street area of Braintree town centre, with work very much underway to complete the Victoria Square development which will deliver new housing apartments, a hotel and an improved bus interchange, health facilities, additional commercial space, new car parking and public toilets, and improvements to public realm.
- Allied to the Victoria Square development is the pedestrianisation of other key parts of the town centre to create a safer environment, more space for markets and events, improved paving, reduced pollution, and a more enjoyable visitor experience to the town.
- Construction works on the roads at the new Horizon 120 (H120) Business and Innovation Park in Great Notley is well underway, with two plots of land sold in the year to private investors to create new commercial premises bringing business and jobs into the district. Work on a new enterprise centre at H120 also started in the year.
- Works commenced on the building of the I-Construct Innovation Centre at Springwood Industrial Estate. This is a joint project with the Haven Gateway Partnership that has European funding, and which will facilitate the development of innovation in the construction sector and related services.
- An investment into a recycling facility used to process material collected from households resulting in savings to the Council.
- Following a successful bid for funding from the Football Foundation, a new artificial grass pitch is being installed at the Halstead Leisure Centre.
- The Council continues to invest in community facilities across the district, and to provide grants for home improvements including for adaptations to homes for people with disabilities. Investment into council owned properties is maintained through an annual planned maintenance programme, and we continue to improve our back-office systems and digital on-line services available to the public.

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Capital expenditure was primarily funded from a mixture of capital receipts (£14.989m), government grants and other third party contributions (£4.867m); and revenue resources (£0.038m). The unfinanced element of £11.717m represents an increase in prudential borrowing, which is currently met by using the Council's own cash balances held for other reasons, commonly referred to as internal borrowing.

Capital Resources

The main sources of new capital resources anticipated for the year were from the sale of assets, and continuing arrangements with Eastlight Community Homes (formerly Greenfields Community Housing) for a share of housing right-to-buy receipts and VAT recovered by Eastlight on certain development works.

Actual capital receipts in the year totalled £5.080m, which included £1.704m from preserved right-to-buys, recovered VAT and land sale clawback via Eastlight. Land sales by the Council netted £3.351m, which included the first two sales of serviced land at Horizon 120. Other minor receipts amounted to £0.025m.

The Council has been highly successful in obtaining external funding towards a number of its capital projects, including: £1m from the Department for Transport, plus a further £0.750m from Essex County Council, towards the pedestrianisation of Braintree town centre; a successful bid through the South East Local Enterprise Partnership (SELEP) for £7m of funding from the government's 'Getting Building Fund' which will contribute towards the cost of a new enterprise centre at Horizon 120; and £0.543m of funding awarded to the Council by the Football Foundation towards an artificial grass pitch at the Halstead Leisure Centre. The Council was awarded £1.056m in total as funding towards delivering its disabled facilities grant programme, and further Section 106 developer contributions totalling £0.961m were received, with a land transfer at nil cost to the Council for the future provision of healthcare facilities in Sible Hedingham.

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 2021, the Council's overall General Fund balances were £37.143m, an increase over that at 31 March 2020 of £8.330m. Within this total, £31.144m was held as earmarked reserves, a net increase of £9.213m, with the remaining balance of £5.999m unallocated (a reduction of £0.883m from last year).

The main reason for the increase in General Fund balances, as reflected in the business rate retention scheme earmarked reserve, is the addition of government compensation grant for loss of income arising from extended business rate retail and nursery relief granted to businesses as part of the

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package of support for the impact of the pandemic. The grant was provided to councils in 2020/21 but, under statute, the loss of business rate income is not accounted for until the 2021/22 financial year, at which point the Council has a budgeted drawdown from this reserve of £7.369m to balance the budget for that year.

Capital Reserves

Capital reserves relate to the balance of funds generated from the disposal of non-current assets and other capital receipts, and grants and contributions received which have conditions that funds should only be used for capital expenditure. The balance of usable capital reserves at 31 March 2021 was £10.964m, a net reduction of £9.780m over the amount brought forward at the start of the year, primarily due to a net application of capital receipts to finance the capital programme spend for the year.

Significant proportions of both earmarked reserves and capital reserves are committed against the Council's current capital investment programme.

Unusable Reserves

Unusable reserves hold the value of unrealised gains or losses of the Council either relating to the financing of capital investment, or reflecting timing differences between recognition of assets and liabilities under accounting rules and that required under statutory regulations for the purposes of setting Council Tax. These reserves increased in the year by a net £11.406m, mainly due to movements in the Capital Adjustment Account that reflect financing of current and past capital expenditure (+£11.236m), along with the increase in the fair value of investment properties (+£5.969m). Gains made on pooled fund investments also added £3.509m to unusable reserves. These were partially offset by a deficit on the Collection Fund Adjustment Account (-£7.883m), which relates mainly to the position in respect of business rates where, as a result of Covid-19 reliefs, there was a significant drop in rates payable for the year. This shortfall is mitigated by the increase in usable reserves from government compensation grant.

Cash, Investments and Borrowing

Financial Investments & Cash

Over the year the investment balances averaged £62.573m, with a peak of over £94m. Cash flows were increased during the year as government passported business grants and other support through local authorities. As a result of this grant funding and the need to keep funds safe and liquid for disbursement, a high volume of short dated deposits were made with the Debt Management Office Account Facility, which represents a substantial portion of the total amounts shown in the cash flow statement for the purchase and sale of investments (£860.5m and £880m respectively). All investments were managed in accordance with the Council's approved Treasury Management Strategy. A proportion of the investment portfolio included a mixture of equity, property, and multi-asset pooled funds. These funds generated £0.775m of dividend income, achieving an income yield in excess of 4%. This relatively high return reflects the long-term nature of these investments. Returns on short-term investments remained low due to the current ultra-low interest rate environment, generating £0.113m of interest, equivalent to a return of 0.26%.

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. Following the sharp fall in values experienced at the end of the previous financial year, fund values recovered over the course of 2020/21 as market sentiment generally improved with the development of vaccines and signs of improving economic conditions, which led to an overall valuation gain of £3.509m. The total value of all the Council's funds was £24.237m at 31 March 2021, an unrealised gain of £1.237m. This gain is held in unusable reserves and is only realisable if investments were to be sold, at which time the amount realised would reflect pricing at that point.

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The carrying value of investments held at the end of the year was £34.237m, with a further £2.039m held as cash and cash equivalents. A restricted cash balance of £3.071m is also shown in the Balance Sheet, which is a proportion of capital receipts received from the sale of serviced land plots at Horizon 120, where the Council was required to set aside a sum until such time it has met the condition to provide certain infrastructure works. These works were in progress at the Balance Sheet date and it is fully expected that this balance will be released to the Council in the first half year of 2021/22.

Investment Property

Income from investment property was £2.592m in the year, and related expenses incurred were £0.354m resulting in a net gain of £2.238m. The fair value of the property portfolio increased in the year by £5.969m, mainly reflecting a reduction in investor yield expectations for the types of properties held by the Council e.g. industrial land which is subject to ground rents. The total fair value of property at the end of the year was £43.231m.

Borrowing

The Council has market debt outstanding amounting to £6m and on which interest of £0.282m was paid. This debt is in the form of two Lender's Option, Borrower's Option (LOBO) loans, which had initial terms of 40 years (subject to the exercise of the options) and which now have 21 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 £1.962m (with £0.046m shown under short-term liabilities) where the Council has acquired the use of buildings, vehicles and plant.

Pension Fund Liabilities

The accounts reflect an updated view of the Council's share of the assets and liabilities of the Essex Pension Fund. This shows an estimated net liability of £53.697m at the 31 March 2021, an increase on the previous year of £1.946m. This net change masks some significant changes which included:

- Changes in the financial assumptions used by the actuary which increased the liability by a net £46.362m – this being largely due to increasing inflation expectations feeding through into higher increases assumed in future salaries and pensions, coupled with a fall in corporate bond yields that means a lower discount rate being applied in calculating the present value of future cash flows.
- Higher investment returns than that assumed by the actuary had a positive effect of £40.686m, reflecting the strong asset performance experienced during the year, particularly from equities.
- Demographic and other experience gains contributed a net improvement of £5.149m, part of which reflected the incorporation of the latest mortality data, adjusted to discount the exceptional impact caused by the Covid-19 pandemic over the last year.
- The cost of post-employment benefits charged to the Surplus on Provision of Services was higher than the actual amount of employer contributions assessed by the actuary at the last valuation review increasing the net liability by £1.416m. .

Assumptions and investment returns are dependent upon market conditions at the Balance Sheet date and, therefore, the pension fund net liability is susceptible to significant year-on-year changes.

Whilst the net liability has a significant impact on the reported net worth of the Council, an agreed strategy is in place following the last triennial review of the fund as at 31 March 2019. There are no minimum funding requirements for the pension fund, but employer contributions are generally set to target a funding level of 100% using agreed actuarial assumptions. Contribution levels for the Council have been set for the period 1 April 2020

Narrative Report

through to 31 March 2023, which included a one-off payment in April 2020 of £2.468m, and an increase in the normal rate of contribution applied to salaries from 16.5% of pensionable pay to 20.3%. The period over which the Council's share of the fund deficit is being recovered is 7.5 years and the position will be reassessed following the next review as at 31 March 2022.

Actual pension contributions in 2020/21 totalled £5.623m, with a further £0.841m paid by 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 £98.276m for the year, which after paying precepts and making provision for non-collection, resulted in a net surplus for the year of £0.339m. A charge of £1.229m was also made to the Collection Fund, being a prior year estimate of the balance, and which was distributed to the Council and precepting bodies. After taking into account the balance brought forward, the Collection Fund balance in respect of council tax at the end of the year was £1.971m. The budget for 2021/22, including that of the major preceptors, has already taken into account £1.355m of this balance with the difference to be accounted for in future years.

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 estimated amount of business rates collectable for the year was £42.706m and this sum has been paid across to the relevant bodies. The actual amount of business rates due for the year was £23.756m resulting in a deficit for the year of £18.950m. The main reason for this deficit was the extended retail and nursery reliefs that were introduced by government to support businesses through the coronavirus pandemic, resulting in a drop in the net rates payable. To compensate for the reduction in this income the government paid additional grants to local authorities.

Partially offsetting this deficit was a net surplus on prior year balances brought forward, leaving a deficit balance on the Collection Fund in respect of business rates at 31 March 2021 of £18.658m, of which £18.422m will be recovered in the 2021/22 financial year from the Council, major preceptors and government. The difference will be taken into account in future financial years.

Local authorities are required to finance a proportion of appeals made against rateable values set by the Valuation Office Agency (VOA). Appeals, made by or on behalf of businesses, are lodged for a variety of reasons and can, subject to certain rules, be backdated to the start of the Valuation List. The current process for appeals involves a three stage system: Check, Challenge, and Appeal, with the final stage of appeal being considered by the Valuation Tribunal Service. 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 has been made leading to an overall provision of £4.693m, of which £1.877m is attributable to the Council.

In 2020/21 the Council participated in the Essex Business Rate Pool ("the Pool") in order to ensure that the benefit of growth was retained locally rather than being paid to government as a levy. 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 into the Pool £1.232m; however, based on provisional estimates made of all Essex authorities, £0.648m is then expected to be paid back to Council as its share of the government levy saved by the pooling arrangement.

Narrative Report

Medium Term Financial Outlook

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

The Council had hoped that a new multi-year financial settlement might be introduced from 2021/22, after the previous four-year settlement had ended in March 2020, and a one-year settlement was provided in 2020/21; however, with the advent of the coronavirus pandemic and the huge uncertainty and demands this caused on the government's finances, the Chancellor of the Exchequer announced a further one-year Spending Review which was reflected in the 2021/22 local government finance settlement.

In setting the budget for 2021/22, the Council reaffirmed its core strategy of:

- 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.

The Council approved the budget for 2021/22 in February 2021 which included: freezing the rate of the Council's share of the overall Council Tax bill; planned savings/additional income of £0.207m (taking the total over the last five years to £3.860m); and a withdrawal from balances of £0.320m. 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
2022/23	1.262
2023/24	0.299
2024/25	0.096
Shortfall – savings required	1.657

To address the budget gap over the medium-term, the Council is developing its Investment and Development Programme, which comprises four workstreams aimed at generating increased income or achieving savings:

- **Strategic Investments** - capital build projects
- **Asset Management** – using our existing property portfolio of assets, and potentially new ones
- **Commercial and Organisational Review** – growing our service income and identifying any savings or efficiencies
- **Treasury Management** – using our cash reserves better

Narrative Report

Under each workstream a pipeline of projects is being developed which, subject to business case, will aim to deliver the £1.657m of budget savings.

The MTFS was based on assumptions using the best information available at the time. Clearly, in light of the impact of the pandemic, and also the on-going uncertainty as we come out of the latest national lockdown and activity begins to resume, plans will need to be kept under close review.

Government has indicated it would continue to work with councils on the best approach to the future for local government financing including how to treat accumulated business rates growth, for which currently the Council's budget is reliant to the amount of £1.492m. Government has also recently sought views on potential changes to the New Homes Bonus, which over the last 11 years has been a major source of funding for the Council's capital investment strategy.

At present it is still relatively early days since the UK's exit from the European Union and the transition period ended on 31 December 2020 with a trade deal. The success of the exit and impact on the longer term economic prosperity of the country has yet to be established. This will influence public finances and the resources available in future to local government.

The financial horizon is one of great uncertainty, compounded by the effects of the pandemic and, whilst through prudent financial management the Council has built up the financial resilience to withstand short to medium term pressures, significant challenges remain. It is in this context that we will begin to review plans for the 2022/23 budget and revisions to the MTFS covering the next four years.

Guide to the Financial Statements

The Published Accounts for 2020/21

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year ended 31 March 2021. 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 2020/21. 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 2020/21 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 2021.

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



Chris Fleetham
Corporate Director (Finance)
27 July 2021

Comprehensive Income and Expenditure Account

2019/20					2020/21		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
1,335	(799)	536	Asset Management		1,794	(833)	961
732	(254)	478	Community Services		822	(212)	610
1,734	(6)	1,728	Corporate Management		1,735	(5)	1,730
503	(5)	498	Economic Development		2,491	(1,750)	741
4,696	(2,030)	2,666	Environment & Leisure		4,518	(1,562)	2,956
32,461	(30,293)	2,168	Finance		32,530	(29,763)	2,767
1,683	(327)	1,356	Governance		1,413	(236)	1,177
1,209	(334)	875	Housing Services		1,345	(482)	863
477	(90)	387	Human Resources		479	(93)	386
1,795	(16)	1,779	ICT & Facilities		1,786	(11)	1,775
790	(151)	639	Marketing & Communications		780	(91)	689
13,192	(5,503)	7,689	Operations		15,545	(4,776)	10,769
729	(292)	437	Strategic Investment		1,102	(377)	725
3,360	(1,657)	1,703	Sustainable Development		3,231	(1,462)	1,769
-	-	-	Covid-19 Central Fund		7,186	(6,671)	515
104	(208)	(104)	Corporate Financing		(184)	(2)	(186)
64,800	(41,965)	22,835	Cost of Services	1/6	76,573	(48,326)	28,247
		(628)	Other Operating Expenditure	2			(1,537)
		833	Financing and Investment Income & Expenditure	3			(10,891)
		(19,198)	Taxation and Non-Specific Grant Income	4			(24,757)
		3,842	(Surplus) /Deficit on Provision of Services	6			(8,938)
			<i>Items that will not be reclassified to the (Surplus) or Deficit on Provision of Services:</i>				
		(371)	Revaluation gains	27			(1,548)
		(11,121)	Re-measurement of the pension scheme net defined benefit liability	26			527
		2	Other gains				3
		(11,490)	Other Comprehensive (Income) and Expenditure				(1,018)
		(7,648)	Total Comprehensive (Income) and Expenditure				(9,956)

Movement in Reserves Statement

2020/21

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 1 April 2020	28,813	18,445	2,299	49,557	60,202	109,759
<u>Movement in Reserves during 2020/21</u>						
Total Comprehensive Income and Expenditure	8,938	-	-	8,938	1,018	9,956
Adjustments between accounting basis & funding basis under regulations (Note 11)	(608)	(9,909)	129	(10,388)	10,388	-
Increase in 2020/21	8,330	(9,909)	129	(1,450)	11,406	9,956
Balance at 31 March 2021	37,143	8,536	2,428	48,107	71,608	119,715
	Note 12			Note 27		

Comparative Year 2019/20

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 1 April 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 (Note 11)	4,243	2,602	(929)	5,916	(5,916)	-
Increase 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
	Note 12			Note 27		

Balance Sheet

31 March 2020		Note	31 March 2021
£000			£000
87,806	Property, Plant & Equipment	13	110,689
878	Heritage Assets	15	883
37,246	Investment Property	16	43,231
643	Intangible Assets	17	597
-	Non-current Assets Held for Sale		-
16,744	Long Term Investments	20	20,222
2,743	Long Term Debtors	24	2,417
146,060	Long Term Assets		178,039
33,484	Short Term Investments	20	14,015
161	Inventories		144
8,173	Short Term Debtors	24	18,968
-	Restricted Cash	30	3,071
(191)	Cash		2,039
41,627	Current Assets		38,237
(11,992)	Short Term Creditors	25	(28,611)
(203)	Finance Lease Liabilities	23	(46)
(1,672)	Provision	CF6	(1,877)
(13,867)	Current Liabilities		(30,534)
(6,000)	Long Term Borrowing	20	(6,000)
(1,977)	Finance Lease Liabilities	23	(1,916)
(34)	Long-Term Creditors	25	(39)
(51,751)	Pension Fund Liability	26	(53,697)
(4,299)	Capital Grants & Contributions Receipts in Advance	7	(4,375)
(64,061)	Long Term Liabilities		(66,027)
109,759	Net Assets		119,715
49,557	Usable Reserves	MIRS	48,107
60,202	Unusable Reserves	27	71,608
109,759	Total Reserves		119,715

Cash Flow Statement

2019/20 £000		Note	2020/21 £000
3,842	(Surplus)/ Deficit on the Provision of Services		(8,938)
(11,290)	Adjustment for non-cash movements	28	(9,609)
6,528	Adjustment for items that are investing and financing activities	28	10,116
(920)	Net Cash (Inflow) from Operating Activities		(8,431)
	<u>Investing Activities:</u>		
5,717	Purchase of PPE, investment property, and intangible assets		23,155
125,500	Purchase of short-term and long-term investments		860,500
205	Other payments for investing activities		147
(5,491)	Proceeds from the sale of PPE, investment property, and intangible assets		(4,564)
(118,000)	Proceeds from sale of short-term and long-term investments		(880,000)
(4,663)	Other receipts from investing activities		(5,312)
3,268	Net Cash (Inflow)/ Outflow from Investing Activities		(6,074)
	<u>Financing Activities:</u>		
319	Cash payments to reduce outstanding finance lease liabilities		218
-	Other payments from financing activities		13,408
(949)	Other receipts from financing activities		(4,422)
(630)	Net Cash (Inflow)/ Outflow from Financing Activities	29	9,204
1,718	Net (Increase) Decrease in Cash		(5,301)
1,527	Cash at beginning of reporting period		(191)
-	Restricted cash	30	3,071
(191)	Cash at end of reporting period		2,039

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 Dwellings are valued on a depreciated replacement cost basis reflecting their use for homelessness accommodation
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
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)
Pooled Investments	Movements in the fair value of pooled fund investments	Historical cost gains/ losses for 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
Council Tax	Accrued income for the year	Demand on the Collection Fund for the year plus recovery of estimated deficit or share of estimated surplus for the previous year	Collection Fund Adjustment Account

Accounting Principles and Policies

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

Changes to Accounting Policies

There are no significant changes to accounting policies for 2020/21.

Critical Judgements in Applying Accounting Policies

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

- The Council has plans in place to manage known and anticipated future reductions in funding for local government, however, the Council has determined that these do not provide an indication that its non-current assets might be impaired because of a need to close facilities and reduce levels of service provision.
- The Council has a number of significant leases both as lessor and lessee for which it has undertaken assessments to determine whether the leases should be treated as finance or operating leases.
- Non-current assets have been categorised as Investment Properties where it is the current intention of the Council to hold such assets solely for the purpose of income generation and/ or capital appreciation. The review and assessment of these assets could be subject to interpretation.
- The Council has borrowings totalling £6 million that are held on Lender Option, Borrower Option (LOBO) terms and which provide for six monthly call option dates. Under the current interest rate environment it is considered unlikely that the lender will seek to exercise their options in the short to medium term and therefore the debt has been categorised as long-term borrowing based on their contracted maturity dates.
- The Council has investments in a number of pooled funds investing in equities, bonds, property, and other financial instruments. Whilst the units or shares held by the Council in these funds are potentially redeemable at relatively short-notice, it is the Council's objective to maintain the investments for the medium-long term for income generation and therefore the investments are shown as long-term investments in the Balance Sheet.

Accounting Principles and Policies

- The Council had an interest in North Essex Garden Communities Ltd, but determined that there is no requirement to prepare Group Accounts as the activities of the company in 2020/21 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 and is subject to market conditions at the reporting date meaning that results can be very volatile from year to year. A firm of consulting actuaries (Barnet Waddingham) provides the Council with expert advice about the assumptions to be applied. The actuary has advised that the net pension liability increased by £1.946m, with the following items having the most significant impact:

- Changes in the financial assumptions used by the actuary which increased the liability by a net £46.362m – this being largely due to increasing inflation expectations feeding through into higher increases assumed in future salaries and pensions, coupled with a fall in corporate bond yields that means a lower discount rate being applied in calculating the present value of future cash flows.
- Higher investment returns than was assumed by the actuary had a positive effect of £40.686m, reflecting the strong asset performance experienced during the year, particularly from equities.
- Demographic and other experience gains contributed a net improvement of £5.149m, part of which reflected the incorporation of the latest mortality data.
- The cost of post-employment benefits charged to the Surplus on Provision of Services was higher than the actual amount of employer contributions assessed by the actuary at the last valuation review increasing the net liability by £1.416m.

The net liability assessed by the actuary includes an allowance originally made at 31 March 2019 that has been rolled forward and remeasured, which reflects a Court of Appeal judgement on cases that related to age discrimination within other public sector pension schemes. Government published a consultation on a proposed remedy to be applied to LGPS benefits in light of these cases and which has now closed. The actuary does not consider that there are any material differences between the approach taken for the estimated allowance included in the net liability and the remedy that was being proposed.

As a result of a recent High Court's ruling on the equalisation of Guaranteed Minimum Pensions (GMP) between genders, a number of pension schemes have made adjustments to reflect the effect this ruling has on the value of pension liabilities; however, HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes".

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. 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. Based on past experience and also applying this to potential future appeals, a total provision of £4.693m has been made, of which £1.877m 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, experts are engaged 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 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 Covid-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of Covid-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact. The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally and its effect on the property market is an evolving situation. The Royal Institution of Chartered Surveyors (RICS) consider that property markets are mostly functioning again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, non-current asset valuations, including those used for pension fund disclosures, are not reported as being subject to 'material valuation uncertainty' as defined by Valuation and Technical Performance Standard (VPS) 3 and Valuation Practical Guidance Application (VPGA) 10 of the RICS Valuation – Global Standards.

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, Business Rates and Business Grants 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. A separate fund (the Collection Fund) is maintained 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.

For 2020/21 the Council has also acted as agent for many of the business support schemes that government introduced as a consequence of the coronavirus pandemic. This included payment of business grants where the eligibility for payment were set by government. Funding was provided by government (and other third parties) to meet the cost of these schemes, and where funds remained unspent at the Balance Sheet date these are presented as a creditor balance.

Financial Instruments

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

Financial Liabilities

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

Financial Assets

Financial assets are subsequently measured in one of two ways:

- 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 are held 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 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 are not credited to the CIES until all conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that, if not met, mean the grant must be repaid.

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

Intangible Assets

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

Accounting Principles and Policies

- financing charges and contingent rents (debited to the Financing and Investment Income and Expenditure line in the CIES)

Rentals paid 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 Balance Sheet, no long-term debtor has been recognised as the amounts involved would be immaterial – instead lease rentals, where received, are credited directly to the CIES.

Where the Council grants an operating lease over an item of PPE, the asset is retained in the 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 internal management reporting arrangements.

Post-Employment Benefits

Employees 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 2.00% (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 or loss on Settlement** – credited to the Surplus or Deficit on the Provision of Services in the CIES as part of the Corporate Financing segment
- **Net interest on the defined benefit liability** - charged to the Financing and Investment Income and Expenditure line of the CIES.
- **Re-measurements comprising:**
 - **The return on plan assets** - excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - **Actuarial gains and losses** - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Contributions paid to the Pension Fund** - not accounted for as an expense in the CIES.

When determining any past service cost or gain or loss on settlement the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event.

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.

Accounting Principles and Policies

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

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

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

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

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

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

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

Provisions

Provisions are charged as an expense where an event has taken place that gives 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

Revenue is recognised from contracts with service recipients when a performance obligation is satisfied by the transfer of 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

Accounting Principles and Policies

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. Expenditure is charged to the relevant service in the CIES but transferred to the CAA in the MIRS to reflect the use of capital resources to fund the item rather than council tax. REFCUS may be offset in the relevant service by capital grants received to part/fully fund the related expenditure where conditions of this funding have been met.

Notes to the Accounts

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Notes to the Accounts

1. Expenditure and Funding Analysis (EFA)

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

2019/20				2020/21		
Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between Funding and Accounting basis £000	Net Expenditure in the CIES £000		Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between Funding and Accounting basis £000	Net Expenditure in the CIES £000
(2,175)	2,711	536	Asset Management	(2,471)	3,432	961
398	80	478	Community Services	521	89	610
1,523	205	1,728	Corporate Management	1,471	259	1,730
300	198	498	Economic Development	304	437	741
787	1,879	2,666	Environment & Leisure	1,073	1,883	2,956
755	1,413	2,168	Finance	1,656	1,111	2,767
1,274	82	1,356	Governance	1,081	96	1,177
725	150	875	Housing Services	683	180	863
348	39	387	Human Resources	338	48	386
1,558	221	1,779	ICT & Facilities	1,632	143	1,775
539	100	639	Marketing & Communications	570	119	689
5,599	2,090	7,689	Operations	6,730	4,039	10,769
426	11	437	Strategic Investment	696	29	725
1,286	417	1,703	Sustainable Development	1,299	470	1,769
-	-	-	Covid-19 Central Fund	(2,653)	3,168	515
622	(726)	(104)	Corporate Financing	1,571	(1,757)	(186)
13,965	8,870	22,835	Net Cost of Services	14,501	13,746	28,247
(14,366)	(4,627)	(18,993)	Other Income and Expenditure	(22,831)	(14,354)	(37,185)
(401)	4,243	3,842	(Surplus)/ Deficit on the Provision of Services	(8,330)	(608)	(8,938)
(28,412)			General Fund Balance at 1 April	(28,813)		
(28,813)			General Fund Balance at 31 March	(37,143)		

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.

2020/21	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other Differences £000	Re-allocation & other items £000	Total Adjustments £000
Asset Management	1,224	58	-	2,150	3,432
Community Services	19	71	-	(1)	89
Corporate Management	-	259	-	-	259
Economic Development	402	37	-	(2)	437
Environment & Leisure	1,583	296	-	4	1,883
Finance	48	449	-	614	1,111
Governance	6	93	-	(3)	96
Housing Services	4	176	-	-	180
Human Resources	-	49	-	(1)	48
ICT & Facilities	(4)	154	-	(7)	143
Marketing & Communications	-	84	-	35	119
Operations	3,135	905	-	(1)	4,039
Strategic Investment	-	29	-	-	29
Sustainable Development	131	343	-	(4)	470
Covid-19 Central Fund	-	15	-	3,153	3,168
Corporate Financing	(542)	(2,948)	106	1,627	(1,757)
Net Cost of services	6,006	70	106	7,564	13,746
Other Income and Expenditure	(12,510)	1,346	4,374	(7,564)	(14,354)
Total	(6,504)	1,416	4,480	-	(608)

Notes to the Accounts

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	-	4,243

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>2019/20</u>				<u>2020/21</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	(3,379)	-	-	93	(3,430)	-	-	93
Community Services	(211)	(43)	-	-	(212)	(1)	-	-
Corporate Management	(6)	-	-	-	(5)	-	-	-
Economic Development	(6)	-	-	-	-	(10)	-	-
Environment & Leisure	(1,100)	0	-	-	(844)	(2)	-	-
Finance	(1,361)	(28,932)	(1,317)	283	(990)	(28,773)	(901)	282
Governance	(248)	(79)	-	-	(217)	(19)	-	-
Housing Services	(80)	(254)	-	-	(153)	(329)	-	-
Human Resources	(7)	(83)	-	-	(8)	(85)	-	-
ICT & Facilities	(16)	-	-	-	(11)	-	-	-
Marketing & Communications	(147)	-	-	-	(89)	-	-	-
Operations	(5,514)	-	-	337	(4,777)	(1)	-	224
Strategic Investment	-	-	-	-	-	-	-	-
Sustainable Development	(1,578)	(60)	-	-	(1,438)	(20)	-	-
Covid-19 Central Fund	-	-	-	-	(278)	(9,994)	-	-
Corporate Financing	(1,322)	(1,367)	-	379	(1,201)	(915)	-	503
Net Cost of services	(14,975)	(30,818)	(1,317)	1,092	(13,653)	(40,149)	(901)	1,102

Notes to the Accounts

2. Other Operating Expenditure

2019/20		2020/21
£000		£000
(3)	Change in corporate provision for doubtful debts	13
2,212	Parish and town council precepts	2,416
(561)	Gains on the disposal of non-current assets	(2,247)
(2,276)	Gains from other capital receipts	(1,719)
(628)	Total	(1,537)

3. Financing and Investment Income and Expenditure

2019/20		2020/21
£000		£000
1,400	Net interest on the pension net defined liability	1,345
394	Interest payable	381
(1,317)	Interest & dividends receivable	(901)
(8)	Reversal of impairment on financial asset	-
3,581	(Gain) / loss on financial assets held at Fair Value through Profit and Loss	(3,509)
(3,217)	Net income and other gains from investment property	(8,207)
833	Total	(10,891)

4. Taxation and Non Specific Grant Income

2019/20		2020/21
£000		£000
(11,858)	Council Tax income	(12,314)
(3,118)	Business Rates income (see Note 5)	4,238
(3,708)	General government grants	(14,022)
(514)	Capital grants and contributions	(2,659)
(19,198)	Total	(24,757)

Notes to the Accounts

5. Business Rate Income

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 growth generated by all participating authorities, which would otherwise be paid to government as a levy. The Council is protected by a safety net, below which its retained income cannot fall (subject to the overall position of the Pool).

2019/20 £000		2020/21 £000
	Credited to Taxation and Non-Specific Grant Income	
(16,655)	Business Rate income	(9,586)
13,028	Tariff	13,240
1,182	Levy due to the Pool	1,232
(673)	Share of growth received from the Pool	(648)
(3,118)	Business Rate income	4,238
(2,320)	Compensation grants included in general government grants	(9,997)
(5,438)	Net Retained Income relating to Business Rates	(5,759)
3,431	Baseline funding allocation	3,487
3,174	Safety Net (92.5%)	3,225

Notes to the Accounts

6. Subjective Analysis of Expenditure and Income

	2019/20			2020/21		
	Net Cost of Services £000	Corporate amounts £000	Total £000	Net Cost of Services £000	Corporate amounts £000	Total £000
Expenditure						
Employee benefit expenses	18,342	1,400	19,742	20,655	1,345	22,000
Housing benefits	28,597	-	28,597	27,613	-	27,613
Other service expenses	12,430	(3)	12,427	19,127	13	19,140
Depreciation, amortisation and impairment	4,218	-	4,218	5,162	-	5,162
Revenue expenditure funded from capital	1,213	-	1,213	4,016	-	4,016
Interest payable	-	386	386	-	381	381
Investment property expenses	-	342	342	-	354	354
Business rate retention scheme tariff and net levy	-	13,537	13,537	-	13,824	13,824
Local precepts	-	2,212	2,212	-	2,416	2,416
Total Expenditure	64,800	17,874	82,674	76,573	18,333	94,906
Income						
Fees, charges and other service income	(11,626)	-	(11,626)	(10,110)	-	(10,110)
Income and gains from investment property	-	(3,559)	(3,559)	-	(8,561)	(8,561)
Interest and dividend receivable	-	(1,317)	(1,317)	-	(901)	(901)
(Gain)/ loss on the fair value of financial assets	-	3,581	3,581	-	(3,509)	(3,509)
Council Tax	-	(11,858)	(11,858)	-	(12,314)	(12,314)
Business rates	-	(16,655)	(16,655)	-	(9,586)	(9,586)
Government grants and other third party contributions	(30,339)	(4,222)	(34,561)	(38,216)	(16,681)	(54,897)
Gain on disposal of non-current assets & other gains	-	(2,837)	(2,837)	-	(3,966)	(3,966)
Total Income	(41,965)	(36,867)	(78,832)	(48,326)	(55,518)	(103,844)
(Surplus) or Deficit on Provision of Services	22,835	(18,993)	3,842	28,247	(37,185)	(8,938)

Notes to the Accounts

7. Grant Income

The following grants and contributions were credited to the CIES:

2019/20 £000		2020/21 £000
	Credited to Services	
	Government grants:	
28,898	• Housing Benefit and Localised Council Tax Support Admin. Subsidy	27,849
-	• Covid-19 grants	7,463
	• Department for Transport (Pedestrianisation)	1,000
843	• Better Care Fund - Disabled Facilities grant	523
254	• Homelessness grants	320
299	• Other government grants	219
	Essex County Council contribution (Pedestrianisation)	750
45	Other grants and contributions	92
30,339		38,216
	Credited to Taxation and Non-Specific Grant	
	Government grants:	
2,320	• Compensation for business rate reliefs	9,914
61	• Covid-19 grants	3,170
1,250	• New Homes Bonus	907
77	• Other government grants	31
514	Capital grants and developer contributions	2,352
-	Assets transferred under Planning S106 Agreements or donated	307
4,222		16,681
34,561	Total	54,897

Notes to the Accounts

The following table provide further analysis of the Covid-19 grants shown in the table above:

2019/20		2020/21
£000		£000
	Credited to Services	
-	• Business support grants (discretionary)	6,195
-	• Hardship grant	892
	• National Leisure Recovery Fund	175
-	• Self isolation grants (discretionary)	89
-	• General (service related)	112
-		7,463
	Credited to Taxation and Non-Specific Grant	
61	• Local authority emergency funding	1,952
-	• Fees & Charges Income Compensation	735
-	• Payments administration	483
61		3,170

Developer and other contributions received that have yet to be recognised as income, as they have conditions attached to them are as follows:

2019/20		2020/21
£000		£000
	Grants & Contributions Receipts in Advance – within Short Term Creditors	
99	Unilateral undertakings	30
16	Recreational disturbance avoidance mitigation (RAMs) contributions	56
658	Developer & other contributions	747
773		833
	Capital Grants & Contributions Receipts in Advance	
4,295	Developer contributions	4,351
4	Partner contributions	24
4,299		4,375

Notes to the Accounts

8. External Audit Costs

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

2019/20		2020/21
£000		£000
46	External audit services	46
13	Certification of grant claims and returns	14
4	Prior year adjustments	4
1	Prior year adjustments (EY LLP)	-
64	Total Fees Payable for the Year	64

9. Members' Allowances and Expenses

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

2019/20		2020/21
£000		£000
239	Basic allowances	245
23	Communication allowances	19
14	Development allowances	16
158	Special responsibility allowances	179
10	Expenses reimbursed	1
444	Total	460

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

Notes to the Accounts

10. Officers' Remuneration & Exit Packages

Senior Officers 2020/21	Gross salary	Benefits in Kind	Total Remuneration	Contributions to Pension Fund	Total
	£	£	£	£	£
Chief Executive	138,219	-	138,219	28,058	166,277
Corporate Director (part-time)	70,081	-	70,081	14,227	84,308
Corporate Director	109,968	-	109,968	22,323	132,291
Corporate Director	101,056	5,222	106,278	20,514	126,792
Head of Finance (part-time from 1 Jan 2021)	76,135	2,494	78,629	12,121	90,750
Head of Operations	77,613	5,654	83,267	15,755	99,022
Head of Governance (from 27 Apr 2020)	61,859	-	61,859	12,557	74,416
Head of Housing	71,106	-	71,106	14,435	85,541
Head of Environment	71,764	-	71,764	14,568	86,332
Head of Economic Development and Planning Policy	75,711	-	75,711	15,494	91,205

Comparators for 2019/20	Gross salary	Benefits in Kind	Total Remuneration	Contributions to Pension Fund	Total
	£	£	£	£	£
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 (from 2 Mar 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 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 Gross salary includes £16,878 paid in relation to Returning Officer duties for district and parish elections and neighbourhood plan referendums

Notes to the Accounts

Interim Staff occupying Senior Officer Roles in 2020/21 (prior year comparators if applicable)

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

Head of Strategic Investment – £170,717 for the whole of 2020/21 (£148,684 for the period July 2019 to March 2020)

Head of Governance - £18,072 for the period April to May 2020 (£23,361 for the period February to March 2020)

Other Employees

Employees whose remuneration in the year was £50,000 or more:

2019/20 Number of employees		Remuneration Bands	2020/21 Number of employees	
Total	Left in the year		Total	Left in the year
9	1	£50,000 to £54,999	12	-
2	-	£55,000 to £59,999	3	-
1	-	£60,000 to £64,999	2	-
1	-	£65,000 to £69,999	-	-
-	-	£70,000 to £74,999	1	-
13	1	Total	18	-

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	
	2019/20	2020/21	2019/20 £000	2020/21 £000
Up to £20,000	-	-	-	-
£40,000-£60,000	1	-	49	-
Totals	1	-	49	-

There were no compulsory redundancies in 2020/21 or 2019/20.

The amount assessed on an IAS19 basis was £nil in 2020/21 (£83,333 in 2019/20).

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 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 these Notes.

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

2020/21

	Usable Reserves			Movement in Unusable Reserves	Relevant Unusable Reserve
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account		
	£000	£000	£000	£000	
Depreciation and revaluation losses	4,998	-	-	(4,998)	Capital Adjustment Account
Amortisation of intangible assets	164	-	-	(164)	
Changes in the fair value of investment properties	(5,969)	-	-	5,969	
Revenue expenditure funded from capital under statute	4,016	-	-	(4,016)	
Gain on disposal of non-current assets & from other receipts	(3,958)	5,080	-	(1,122)	
Capital grants and contributions	(4,688)	-	139	4,549	
Capital assets transferred or donated	(307)	-	-	307	
Provision for repayment of debt	(721)	-	-	721	
Capital expenditure charged to revenue	(39)	-	-	39	
Capital Adjustments	(6,504)	5,080	139	1,285	
Use of capital receipts reserve to finance capital expenditure	-	(14,989)	-	14,989	Capital Adjustment Account
Use of capital grants to finance capital expenditure	-	-	(10)	10	
Repayment of capital loans and mortgages	-	-	-	-	Deferred Capital Receipts Reserve
Financing Adjustments	-	(14,989)	(10)	14,999	
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on provision of services	7,039	-	-	(7,039)	Pension Reserve
Employer's contributions to the Essex Pension Fund	(5,623)	-	-	5,623	
Pension Adjustments	1,416	-	-	(1,416)	
Statutory reversal of loss on pooled fund investments	(3,509)	-	-	3,509	Pooled Investments Adjustment Account
Council Tax and Business Rates	7,883	-	-	(7,883)	Collection Fund Adjustment Account
Accrued officer leave	106	-	-	(106)	Accumulated Absences Account
Other Adjustments	4,480	-	-	(4,480)	
Total Adjustments between Accounting Basis and Funding Basis	(608)	(9,909)	129	10,388	

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	£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)	
Gain on disposal of non-current assets & from other receipts	(2,821)	3,589	-	(768)	
Capital grants and contributions	(1,408)	-	266	1,142	
Capital assets transferred or donated	-	-	-	-	
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	
Repayment of capital loans and mortgages	-	17	-	(17)	Deferred Capital Receipts Reserve
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

12. General Fund Balances

	Balance 31-Mar 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance 31-Mar 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance 31-Mar 2021 £000
Capital Investment:							
Capital reserve	661	(311)	60	410	(235)	3,720	3,895
District Investment Strategy	7,728	(1,677)	-	6,051	(3,054)	-	2,997
I-Construct Project	1,447	(233)	-	1,214	(443)	-	771
Financial systems replacement	84	-	37	121	(67)	109	163
Vehicle replacement	39	(32)	158	165	(76)	104	193
Plant replacement	114	-	55	169	-	51	220
New Homes Bonus	2,640	(1,003)	1,250	2,887	(1,266)	1,006	2,627
Essex Business Rate Pool	671	-	673	1,344	-	648	1,992
Discovery Centre All Weather Pitch	155	(80)	-	75	(28)	-	47
ICT	253	-	-	253	-	-	253
	13,792	(3,336)	2,233	12,689	(5,169)	5,638	13,158
Risk Management:							
Insurance & Risk Management	130	(23)	-	107	(16)	-	91
Treasury Management	985	-	287	1,272	-	-	1,272
Housing Benefit overpayments	1,077	(33)	-	1,044	(44)	-	1,000
Business Rate Retention Scheme	1,425	(122)	56	1,359	-	7,794	9,153
	3,617	(178)	343	3,782	(60)	7,794	11,516
Service Reserves:							
Community projects	56	(19)	205	242	(26)	3	219
Elections	282	(198)	27	111	-	50	161
Business Development	293	(17)	33	309	-	66	375
Apprenticeships	75	(4)	-	71	-	10	81
Commuted Maintenance	638	(111)	-	527	(106)	-	421
Unilateral undertakings	537	(30)	1	508	-	38	546
Community Grants scheme	147	(44)	-	103	(67)	-	36
Procurement Hub	62	-	4	66	-	29	95
Discretionary Business rate relief	68	-	-	68	-	-	68
Local Plan	431	(180)	15	266	-	76	342
Local Council Tax Support	376	-	-	376	(100)	66	342
Leisure	108	-	20	128	(55)	-	73
Planned maintenance (Revenue)	73	-	-	73	(16)	-	57

Notes to the Accounts

	Balance 31-Mar 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance 31-Mar 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance 31-Mar 2021 £000
Planning Appeals	-	-	440	440	(155)	-	285
Public Health Agenda	103	(76)	96	123	(14)	14	123
Homelessness	505	(141)	254	618	(222)	366	762
Operations	55	(24)	6	37	(24)	-	13
Development Control	-	(90)	365	275	(124)	-	151
Housing Development & Local Growth	-	(350)	500	150	-	600	750
Land Charges Data Cleansing	-	-	100	100	-	-	100
Covid-19 General	-	-	-	-	-	266	266
Covid-19 Business Support Grants	-	-	-	-	-	302	302
Other reserves less than £50k	336	(64)	18	290	(8)	25	307
Approved budget carry forwards	811	(716)	207	302	(138)	178	342
	4,956	(2,064)	2,291	5,183	(1,055)	2,089	6,217
Change Management:							
Management training & organisational development	69	(4)	5	70	(5)	-	65
Corporate Improvement Programme	191	(15)	31	207	(34)	15	188
	260	(19)	36	277	(39)	15	253
Total Earmarked Reserves	22,625	(5,597)	4,903	21,931	(6,323)	15,536	31,144
Unallocated balance	5,787	(399)	1,494	6,882	(1,917)	1,034	5,999
Total General Fund	28,412	(5,996)	6,397	28,813	(8,240)	16,570	37,143

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 (BRRS), and housing benefit overpayments. A significant addition is being made to the BRRS reserve in 2020/21 which largely reflects section 31 grant received by the Council to meet the shortfall in business rate income that arose in the year from extended retail and nursery reliefs provided as part of the government's Covid-19 support to businesses. The shortfall in income to the Council from this relief will be accounted for in 2021/22 and will be offset by this grant.

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 accountable body for a joint project.

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

Notes to the Accounts

13. Property, Plant and Equipment (PPE)

	Council Dwellings	Other Land and Building	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets Not for Sale	Assets Under Construction	Total Property, Plant, and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2020	320	56,938	13,135	6,740	2,383	7,993	12,124	99,633
Additions	-	566	357	110	181	318	25,902	27,434
Transfers and reclassifications	-	(9)	52	116	244	57	(460)	-
Revaluations	103	539	-	-	-	(2,357)	-	(1,715)
Disposals & derecognition	-	-	(407)	-	-	-	(1,028)	(1,435)
At 31 March 2021	423	58,034	13,137	6,966	2,808	6,011	36,538	123,917
Accumulated Depreciation and Impairment								
At 1 April 2020	-	(81)	(7,248)	(3,996)	(502)	-	-	(11,827)
Depreciation charge	(4)	(1,772)	(1,181)	(235)	(1)	-	-	(3,193)
Transfers and reclassifications	-	-	-	-	-	-	-	-
Write out of depreciation on revaluation	4	1,772	-	-	-	-	-	1,776
Impairments	-	-	-	-	-	-	(316)	(316)
Disposals & derecognition	-	-	332	-	-	-	-	332
At 31 March 2021	-	(81)	(8,097)	(4,231)	(503)	-	(315)	(13,228)
Net Book Value:								
At 31 March 2021	423	57,953	5,040	2,735	2,305	6,011	36,222	110,689
At 31 March 2020	320	56,857	5,887	2,744	1,881	7,993	12,124	87,806

Notes to the Accounts

Comparative Movements in 2019/20

	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

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, NPS Property Consultants Ltd, 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). Due to the circumstances of the coronavirus pandemic, property inspections were unable to be made and therefore desk-top valuations were provided based on all available information. The effective date of valuations conducted in the year was 31 March 2021. 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.
- Unless information was available to the contrary, each property was assumed not to be subject to any unusual or onerous covenants or restrictions that would have an effect on value and is held with vacant possession

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Surplus Asset	Total
	£000	£000	£000	£000	£000
Carried at historical cost	-	394	13,137	-	13,531
Valued at Fair Value as at:					
31-Mar-17	-	-	-	-	-
31-Mar-18	-	-	-	-	-
31-Mar-19	-	367	-	-	367
31-Mar-20	-	714	-	-	714
31-Mar-21	423	56,559	-	6,011	62,993
Total Cost or Valuation	423	58,034	13,137	6,011	77,605

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

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

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

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

Notes to the Accounts

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

Total impairment losses of £0.316m were incurred, including losses on assets demolished as part of a regeneration scheme, and the write-down of costs that were being carried in relation to a number of vacant sites for which the Council was originally seeking planning permission prior to their disposal and which are now to be sold subject to planning.

15. Heritage Assets

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 PPE 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 2020/21 additions to heritage assets totalled £7,500 through donations. (Enhancement in 2019/20 totalled £16,816).

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 2021 was £0.663m (£0.756m 31 March 2020).

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 £2.592m in the year (£2.575m in 2019/20), and related expenses incurred were £0.354m (£0.342m in 2019/20) resulting in a net gain of £2.238m (£2.233m in 2019/20).

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

Lease held on investment properties 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:

2019/20 £000		2020/21 £000
36,303	Balance at 1 April	37,246
-	Additions	-
-	Enhancement expenditure	16
-	Disposals	-
(40)	Category transfer	-
983	Net gain from change in fair value	5,969
37,246	Balance at 31 March	43,231

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:

2019/20 £000		2020/21 £000
	Balance at 1 April:	
2,088	Gross carrying amounts	1,618
(1,379)	Accumulated amortisation	(975)
709	Net carrying amount at 1 April	643
101	Additions and enhancements	137
(571)	Disposals - gross value	(54)
571	Disposals - accumulated amortisation	35
-	Transfers and reclassifications	-
(167)	Amortisation for the period	(164)
643	Net carrying amount at 31 March	597
	Comprising:	
1,618	Gross carrying amounts	1,701
(975)	Accumulated amortisation	(1,104)
643		597

Notes to the Accounts

18. Capital Expenditure and Financing

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

2019/20 £000		2020/21 £000
12,215	Opening Capital Financing Requirement	12,803
	Capital Investment:	
5,479	Property, plant and equipment	27,434
-	Investment properties	16
101	Intangible assets	137
16	Heritage Assets	8
1,213	Revenue expenditure funded from capital under statute (REFCUS)	4,016
6,809		31,611
	Sources of Finance:	
(1,004)	Capital receipts	(14,989)
(2,337)	Government grants and other contributions	(4,559)
(2,136)	Sums set aside from revenue (including earmarked reserves)	(39)
-	Donated Assets	(307)
(698)	Minimum Revenue Provision	(721)
(6,175)		(20,615)
(46)	Repayment of long-term debtors	-
12,803	Closing Capital Financing Requirement	23,799
	Explanation of movements in the year:	
1,332	Increase due to capital expenditure not yet financed	11,717
(46)	Repayment of long-term debtors	-
(698)	Minimum Revenue Provision	(721)
588	Increase in Capital Financing Requirement	10,996

Notes to the Accounts

19. Capital Commitments

At the Balance Sheet date the Council had entered into a number of contracts for the construction or enhancement of PPE which resulted in a commitment in future years to budgeted costs of £29.911m (£25.569m at 31 March 2020), including £114,000 in respect of disabled facilities grants and housing renovation grants that, whilst approved, had not yet been claimed. Commitments remain high due to a number of significant construction contracts that are in progress.

20. Financial Instruments

Income, Expense, Gains and Losses on Financial Instruments

2019/20 £000		2020/21 £000
	Surplus or Deficit on the Provision of Services	
	Net (Gains)/ Losses on:	
3,581	Financial assets held at Fair Value through Profit or Loss	(3,509)
(8)	Change in carrying value of impaired deposit	-
3,573	Total (Gains)/ Losses	(3,509)
	Interest & Dividends:	
(246)	Financial assets measured at amortised cost	(86)
(1,071)	Financial assets measured at fair value through profit or loss	(815)
(1,317)	Total Income	(901)
	Interest Expense	
394	Financial liabilities measured at amortised cost	381
394	Total Expense	381
	Loss Allowances	
(3)	Impairment losses (reversals)	8
(3)	Total Loss Allowance	8
2,647	Net (Gains)/ Losses for the year	(4,021)

Notes to the Accounts

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

	Non-Current		Current	
	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21
	£000	£000	£000	£000
Financial Assets				
Investments				
Amortised cost				
Principal	-	-	15,500	-
Accrued interest	-	-	16	-
Fair Value through Profit or Loss				
Money Market Funds	-	-	17,984	14,015
Pooled funds	16,744	20,222	-	-
Accrued dividends	-	-	199	171
Total Investments	16,744	20,222	33,699	14,186
Debtors				
Trade receivables and other debtors	-	-	3,562	4,304
Loans made for service purposes	55	47	-	2
Loss allowance	-	-	(58)	(66)
Total Debtors	55	47	3,504	4,240
Restricted Cash	-	-	-	3,071
Cash and Cash Equivalents	-	-	(191)	2,039
Total Financial Assets	16,799	20,269	37,012	23,536

The Balance Sheet includes £2.370m (31 March 2020 £2.688m) of Long-term Debtors and £14.557m (31 March 2020 £4.454m) of Short-term Debtors that do not meet the definition of a financial asset.

Notes to the Accounts

	Non-Current		Current	
	31-Mar-20 £000	31-Mar-21 £000	31-Mar-20 £000	31-Mar-21 £000
Financial Liabilities (Amortised Cost)				
Borrowings				
Principal sum borrowed	6,000	6,000	-	-
Accrued interest	-	-	7	8
Total Borrowings	6,000	6,000	7	8
Other Long Term Liabilities				
Finance leases	1,977	1,916	-	-
Total Other Long Term Liabilities	1,977	1,916	-	-
Creditors				
Trade payables and other creditors	34	39	2,666	7,897
Total Creditors	34	39	2,666	7,897
Other Short Term Liabilities				
Finance leases	-	-	203	46
Total Other Short Term Liabilities	-	-	203	46
Total Financial Liabilities	8,011	7,955	2,876	7,951

The Balance Sheet total for Short-term Creditors includes £20.706m (31 March 2020 £9.319m) of items that do not meet the definition of a financial liability.

21. Fair Value of Financial Assets and Liabilities

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

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

- Discount rates for “Lender’s Option Borrower’s Option” (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software maintained by the Council’s treasury management advisors.
- 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.

		31-Mar-20		31-Mar-21	
	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	17,990	17,990	14,015	14,015
Equity and Multi-Asset Funds	1	13,700	13,700	17,200	17,200
Property Fund	2	3,044	3,044	3,022	3,022
Total		34,734	34,734	34,237	34,237
Assets for which fair value is not disclosed		19,077		9,568	
Total Financial Assets		53,811		43,805	
<i>Recorded on the Balance Sheet as:</i>					
Long Term Investments		16,744		20,222	
Long Term Debtors		55		47	
Short Term Investments		33,484		14,015	
Short Term Debtors		3,719		4,411	
Restricted Cash		-		3,071	
Cash		(191)		2,039	
Total Financial Assets		53,811		43,805	

Notes to the Accounts

		31-Mar-20		31-Mar-21	
	Fair Value Level	Carrying Value £000	Fair Value £000	Carrying Value £000	Fair Value £000
Financial Liabilities at Amortised Cost:					
Borrowing	2	6,007	8,902	6,008	8,935
Finance Leases	2	2,180	3,290	1,962	3,664
Total		8,187	12,192	7,970	12,599
Liabilities for which fair value is not disclosed		2,700		7,936	
Total Financial Liabilities		10,887		15,906	
<i>Recorded on the Balance Sheet as:</i>					
Short and Long-Term Creditors		2,707		7,944	
Finance Lease Liabilities (current)		203		46	
Long Term Borrowing		6,000		6,000	
Finance Lease Liabilities (non-current)		1,977		1,916	
Total Financial Liabilities		10,887		15,906	

The fair value of financial liabilities is higher than the carrying amount because borrowing 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 a penalty would be incurred were the providers of the finance to agree early repayment. Over the life of the loans it is likely that the fair value will fluctuate as market interest rates vary.

22. Nature and Extent of Risks arising from Financial Instruments

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

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

Notes to the Accounts

Credit Risk

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

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

A limit of up to £5 million was placed on the amount that could be invested with a single counterparty (other than UK government). The Council also set a limit of £10 million on amounts invested for a period longer than a year, and separate aggregate limits of £25 million for both pooled fund investments and short-term money market funds. 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 treasury management portfolio based on market values analysed by credit rating:

	31-Mar-20	31-Mar-21
	£000	£000
Credit Rating		
AAAmf	17,984	14,015
Sub-total	17,984	14,015
Unrated		
Local authorities	15,500	-
Pooled Funds	16,744	20,222
Sub-total	32,244	20,222
Total Investments	50,228	34,237

Credit risk is not applicable to the 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 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. Credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults.

Notes to the Accounts

Debtors include a total of £0.804m of trade receivables (£0.734m at 31 March 2020). The amount can be analysed by age of debt as follows:

31-Mar-20	Aged debt analysis	31-Mar-21
£000		£000
597	Less than 3 months	356
52	Three to six months	249
34	Six months to one year	118
51	More than one year	81
734	Total due at 31 March	804

A provision of £66,000 (£58,000 at March 2020) 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 service objectives, the Council has lent money to a number of organisations, for which the balance outstanding totals £47,000 at the Balance Sheet date (£55,000 at 31 March 2020) which is being repaid on agreed terms. 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 21 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 £20.222 million invested across seven pooled funds – four equity funds, two multi-asset funds, and one property fund. It is intended that these investments will be held for the medium-long term; however, the equity and multi-asset funds (£17.200m) 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 (£3.022m) has monthly redemption

Notes to the Accounts

dates for which at least 90 days' notice is required. As the valuation of these funds are subject to market fluctuations, in the event the Council wishes to withdraw its money, the value of its investment at that time could be higher or lower than the original sum invested.

Market Risk – Interest Rate Risk

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

- Increase the likelihood that the lender of the 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 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 £.

A central treasury team seeks to mitigate fixed and variable interest rate risks and monitors market and forecast interest rates within the year, adjusting exposures as deemed appropriate. A treasury management reserve is maintained which can provide some level of protection to the revenue budget from both changes in interest rates and fluctuations in the fair values of pooled funds.

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 £43.573m	(436)
Impact on the Surplus or Deficit on the Provision of Services	(376)

Under the current low interest rate environment it is not anticipated that a general 1% increase in rates would necessarily trigger an option call on the LOBOs.

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

Investment in a property fund is subject to the risk of falling commercial property prices. A 5% fall in commercial property prices would result in a £0.147m charge to the CIES.

Investments in equity funds are subject to the risk of falling share prices. A 5% fall in share prices would result in a £0.670m charge to the CIES.

Investments in diversified funds are subject to the risk of falling share prices. A 1% rise in interest rates and 5% fall in commercial property and equity prices would result in a £0.057m charge to the CIES.

Current statutory regulations mean that changes in the fair value of pooled funds does not constitute a charge (or credit) when setting council tax and has no immediate impact on General Fund balances until such investments are sold.

23. Leases

Finance Leases – Council as Lessee

Assets acquired under leases are carried in the Balance Sheet at the following net amount:

31-Mar-20		31-Mar-21
£000		£000
215	PPE – Vehicles & plant	18
1,670	Investment property	1,858
1,885	Total Carrying Value	1,876

Minimum lease payments, comprising settlement of the long-term liability for the interest in the assets acquired, and the finance costs that will be payable whilst the liability remains outstanding are:

31-Mar-20		31-Mar-21
£000		£000
	Finance lease liabilities (net present value of minimum lease payments):	
203	• Current	46
1,977	• Non-current	1,916
5,986	Finance costs payable in future years	5,887
8,166	Total Minimum Lease Payments	7,849

Notes to the Accounts

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-20 £000	31-Mar-21 £000	31-Mar-20 £000	31-Mar-21 £000
Not later than one year	302	138	203	46
Over one year but not later than five years	433	373	69	11
Later than five years	7,431	7,338	1,908	1,905
	8,166	7,849	2,180	1,962

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

Lease have been granted which are considered 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.

At the Balance sheet date legal agreements for the transfer of residential dwellings, currently being developed by the Council, had been completed. The related lease has been determined as a finance lease. Payments were received in 2020/21 in accordance with the legal agreements; however, as the lease will not commence until the dwellings have been completed and handed over to the lessee, the sums received at the Balance Sheet date were treated as receipts in advance.

Operating Leases – Council as Lessor

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

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

31-Mar-20 £000		31-Mar-21 £000
987	Not later than one year	1,080
3,949	Later than one year and not later than five years	4,319
2,742	Later than five years	2,657
7,678		8,056

Notes to the Accounts

Operating Leases – Council as a Lessee

Vehicles and property are being used under arrangements classified as operating leases.

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

31-Mar-20		31-Mar-21	
£000		£000	
306	Not later than one year	304	
975	Later than one year and not later than five years	842	
1,024	Later than five years	853	
2,305		1,999	

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 total £0.930m (£0.946m at 31 March 2020).

Expenditure charged to services in the CIES relating to these leases was £0.112m in the year (£0.142m in 2019/20), with £15,500 of income being received under a sub-lease (£15,500 in 2019/20).

Notes to the Accounts

24. Long and Short-term Debtors

31-Mar-20		31-Mar-21
£000		£000
2,688	Deferred income from property leases	2,370
55	Mortgages & other advances	47
2,743	Long-Term Debtors	2,417

31-Mar-20		31-Mar-21
£000		£000
1,225	Central government bodies	1,676
-	Central government Collection Fund agency	7,175
1,003	Essex County Council (ECC)	1,934
-	ECC Collection Fund agency	1,936
173	Other local authorities	517
	Other entities and individuals:	
519	• Council tax & business rate payers	1,028
1,044	• Housing benefit overpayments & penalties	1,000
215	• Accrued interest & dividends	171
275	• Trade receivables	337
318	• Deferred income from property leases	318
3,401	• Other debtors and prepayments	2,876
8,173	Short-Term Debtors	18,968

Notes to the Accounts

25. Long and Short-term Creditors

31-Mar-20 £000		31-Mar-21 £000
	Central government bodies:	
-	• Covid-19 grants agency	4,422
2,484	• Collection Fund agency	-
2,289	• Business rates compensation grant	10,781
486	• Other central government	2,135
1,121	Essex County Council (ECC)	1,792
1,328	ECC Collection Fund agency	-
615	Other local authorities	193
	Other entities and individuals:	
320	• Council tax & business rates prepaid	516
7	• Accrued interest	8
608	• Supplier creditors	2,114
2,734	• Other creditors and receipts in advance	6,650
11,992	Short-Term Creditors	28,611
31-Mar-20 £000		31-Mar-21 £000
34	Rent & dilapidations deposits	39
34	Long-Term Creditors	39

Notes to the Accounts

26. Pension Scheme

Transactions relating to Post-employment Benefits

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

2019/20 £000		2020/21 £000
	<u>Comprehensive Income & Expenditure Statement</u>	
	Service cost included within the Cost of Services	
4,306	Current service cost	5,561
83	Past service costs	-
-	Loss on settlement	38
50	Administration expenses	95
	Financing and Investment Income and Expenditure	
1,400	Net interest expense	1,345
5,839	Charged to Surplus or Deficit on the Provision of Services	7,039
	Re-measurement of the Net Defined Benefit Liability comprising:	
12,220	(Gains)/ Losses on assets excluding amounts included in the net interest	(40,686)
(903)	Actuarial (gains) arising on changes in demographic assumptions	(2,389)
(18,494)	Actuarial (gains) and losses arising on changes in financial assumptions	46,362
(448)	Other Actuarial (gains) and losses on assets	-
(3,496)	Experience and other (gains) and losses	(2,760)
(11,121)	Re-measurements recognised in Other Comprehensive Income	527
(5,282)	Total Charged (Credited) to the CI+ES	7,566
	<u>Movement in Reserves Statement</u>	
(5,839)	Reversal of the net charge made to the Surplus or Deficit for the Provision of Services	(7,039)
2,566	Actual contributions charged against the General Fund balance	5,623
(3,273)	Net Adjustments in the MIRS	(1,416)

Notes to the Accounts

Pension Assets and Liabilities in the Balance Sheet

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

2019/20		2020/21
£000		£000
151,315	Fair value of employer assets	194,431
(194,230)	Present value of funded liabilities	(239,023)
(8,836)	Present value of unfunded liabilities	(9,105)
(51,751)	Net Liability	(53,697)

Reconciliation of the present value of the defined benefit scheme liabilities:

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Opening Balance at 1 April	214,178	194,230	8,793	8,836
Current service cost	4,306	5,561	-	-
Interest cost	5,068	4,030	204	161
Contributions from scheme participants	771	841	-	-
<i>Re-measurement (gains) and losses:</i>				
Changes in demographic assumptions	(907)	(2,273)	4	(116)
Changes in financial assumptions	(18,083)	45,386	(411)	976
Experience (gain) or loss	(4,362)	(2,620)	866	(140)
Past service cost	-	-	-	-
Losses on curtailment	83	-	-	-
Benefits paid	(6,824)	(6,235)	(620)	(612)
Liabilities extinguished on settlements	-	103	-	-
Closing Balance at 31 March	194,230	239,023	8,836	9,105

Notes to the Accounts

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

2019/20		2020/21
£000		£000
163,374	Opening Fair Value at 1 April	151,315
3,871	Interest income	2,846
	<i>Re-measurement gain/ (loss):</i>	
(12,220)	Return on assets less interest	40,686
448	Other actuarial gains/ (losses)	-
(50)	Administration expenses	(95)
2,565	Employer contributions	5,620
771	Employee contributions	841
(7,444)	Benefits paid	(6,847)
-	Settlement prices paid	65
151,315	Closing Fair Value at 31 March	194,431

Pension scheme assets:

31-Mar-20			31-Mar-21		
Fair value	% of		Fair value	% of	
£000	Total		£000	Total	
88,570	59%	Equities	120,139	62%	
6,522	4%	Gilts	5,016	2%	
9,168	6%	Other bonds	9,753	5%	
13,607	9%	Property	13,843	7%	
6,290	4%	Cash	9,175	5%	
17,429	12%	Alternative assets	22,463	12%	
9,729	6%	Other managed funds	14,042	7%	
151,315	100%		194,431	100%	

At the 31 March 2021, 67.3% (66.3% 31 March 2020) of the assets of the fund were held in quoted securities/ investments.

Notes to the Accounts

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis, using the projected unit method, which estimates the amounts payable in future years by applying certain assumptions. Barnett Waddingham, an independent firm of actuaries, has assessed the pension scheme liabilities.

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

31-Mar-20		31-Mar-21
	Financial assumptions:	
2.75%	Rate of RPI inflation	3.25%
1.95%	Rate of CPI inflation	2.85%
2.95%	Rate of increase in salaries	3.85%
1.95%	Rate of increase in pensions	2.85%
2.35%	Rate for discounting liabilities	2.00%
	Longevity from age 65 (years):	
23.2 (25.2)	Male (female) Retiring in 20 years	22.9 (25.1)
21.8 (23.7)	Male (female) Retiring today	21.6 (23.6)

Financial assumptions were updated mid-year as at 31 August 2020 due to a settlement event. The updated assumptions used at that point were:

- Discount rate 1.55%
- Pension increases 2.35%

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:

- Change in the discount rate by +/-0.1% - decreases/ increases the obligation by £4.358m (or +/-1.76%)
- Change in the long term salary increase by +/-0.1% - increases/ decreases the obligation by £0.453m (or +/-0.18%)
- Change in pension increases and deferred revaluations by +/-0.1% - increases/ decreases the obligation by £3.945m (or +/-1.59%)
- Change in the member life expectancy by +/- one year – increases/ decreases the obligation by £13.737m (or +/-5.54%)

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;

Notes to the Accounts

- 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 to the Fund are set every three years following an actuarial valuation, the most recent being as at 31 March 2019, and which established the 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%, whilst also aiming to keep employers' contributions reasonably constant.

The liabilities show the underlying commitments that exists to pay current and future retirement benefits. The net liability of £53.697 million has a substantial impact on the net worth 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 periodically by the scheme actuary; and
- Finance is only required to be raised to cover any discretionary benefits when the pensions are actually paid.

The ongoing employer's contribution rate is currently set at 20.3% of pensionable pay, topped up with a single additional payment of £2.468m which was paid in April 2020. This was based on an overall deficit recovery period of 7.5 years. The total amount estimated to be paid into the Pension Fund for the financial year ending 31 March 2022 is £3.243m.

Notes to the Accounts

27. Unusable Reserves

31-Mar-20		31-Mar-21
£000		£000
29,649	Revaluation Reserve	30,276
84,120	Capital Adjustment Account	101,325
37	Deferred Capital Receipts	37
(51,751)	Pensions Reserve	(53,697)
(2,272)	Pooled Investments Adjustment Account	1,237
667	Collection Fund Adjustment Account	(7,216)
(248)	Accumulating Absences Account	(354)
60,202	Total Unusable Reserves	71,608

Revaluation Reserve

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

2019/20		2020/21	
£000		£000	£000
30,750	Balance at 1 April		29,649
2,923	Upward revaluation of assets	9,052	
(2,552)	Downward revaluation of assets and impairment losses	(7,504)	
371	Surplus on revaluation of non-current assets not posted to Surplus/ Deficit on the Provision of Services		1,548
(828)	Difference between fair value depreciation and historical cost depreciation	(921)	
(644)	Accumulated gains on assets disposed	-	
(1,472)	Amount written off to the Capital Adjustment Account		(921)
29,649	Balance at 31 March		30,276

Notes to the Accounts

Capital Adjustment Account

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

2019/20		2020/21	
£000		£000	£000
81,689	Balance at 1 April		84,120
	Reversal of items relating to capital expenditure debited or credited to the CI+ES:		
(4,051)	• Depreciation and impairment of non-current assets	(4,998)	
(167)	• Amortisation of intangible assets	(164)	
(1,213)	• Revenue expenditure funded from capital under statute	(4,016)	
(768)	• Amounts of non-current assets written off on disposal	(1,122)	
(6,199)		(10,300)	
1,472	Adjusting amounts written out of the Revaluation Reserve	921	
(4,727)	Net written out amount of the cost of non-current assets consumed in the year		(9,379)
	Capital financing applied in the year:		
1,004	• Capital receipts	14,989	
1,142	• Grants and contributions received and applied in the year	4,549	
1,195	• Capital Grants Unapplied Account	10	
-	• Assets transferred or donated	307	
698	• Minimum revenue provision	721	
2,136	• Capital expenditure charged to revenue	39	
6,175			20,615
983	Movements in the market value of Investment Properties		5,969
84,120	Balance at 31 March		101,325

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 2020/21 the movement on this account was an unrealised gain of £3.509m (unrealised loss in 2019/20 £3.581m), which when added to the £2.272m negative balance brought forward on this account at 1 April, meant that the closing balance at 31 March 2021 was a positive £1.237m.

28. Cash Flow Operating Activities

2019/20 £000		2020/21 £000
	Cash flows for operating activities included the following items:	
(1,334)	Interest & dividends received	(946)
396	Interest paid	380
(938)		(566)
	Adjustments to net surplus or deficit on the provision of services for non-cash movements:	
(3,327)	Depreciation	(3,196)
(724)	Revaluation losses/ gains	(1,802)
(167)	Amortisation of intangibles	(164)
(2,598)	Change in fair value of investment property and financial assets	9,478
(320)	Increase in creditors	(10,883)
(436)	Increase in provisions	(205)
356	Increase/ (decrease) in debtors	(283)
(33)	Decrease in inventories	(16)
(3,273)	Movement in pension liability	(1,416)
(768)	Carrying amount of non-current assets sold	(1,122)
(11,290)	Total non-cash movements	(9,609)
	Adjustment for items included in the surplus or deficit on the provision of services that are investing and financing activities:	
2,378	Net rental income from investment property	2,445
3,620	Proceeds from the sale of PPE, investment property, and other capital receipts	5,089
530	Capital grants credited to surplus or deficit on the provision of services	2,582
6,528	Total of items that are investing and financing activities	10,116

Notes to the Accounts

29. Cash Flow Reconciliation of Liabilities arising from Financing Activities

	01-Apr-20 £000	Financing cash flows £000	Non-cash change £000	31-Mar-21 £000
Long-term borrowings	(6,000)	-	-	(6,000)
Finance lease liabilities	(1,977)	15	46	(1,916)
<i>Short-term borrowings:</i>				
Finance lease liabilities	(203)	203	(46)	(46)
Other liabilities	-	-	-	-
Total Liabilities from Financing Activities	(8,180)	218	-	(7,962)
Net change in agency debtors/ creditors		8,986		
Net Cash Outflow from Financing Activities		9,204		

Comparative Year 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 Inflow from Financing Activities		(630)		

30. Restricted Cash

In 2020/21 the sale and transfer of ownership of two serviced land plots were completed at the Horizon 120 Business Park site. The legal agreements covering the sales require the Council to provide certain infrastructure works, and until such time that this work is completed a proportion of the sales value amounting to £3.071m was to be paid into an escrow account. The conditions relating to the provision of the necessary works are expected to be fully met in 2021/22 releasing these funds to the Council.

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 £87,345 (£298,035 in 2019/20 of which £99,345 was in advance for the 2020/21 year).

At the Balance Sheet date there was £8,834 including interest (£17,154 at 31 March 2020) outstanding on a loan made to Warner Textiles Ltd, a subsidiary of the Museum Trust.

Braintree District Councillors’ Community Grant Scheme

A community grants scheme is operated 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 a Grants Panel and Councillors are obliged to consider the Members Code of Conduct when making grant decisions.

In total £70,561 was paid out (£56,636 in 2019/20) 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 £10,656 (£8,229 in 2019/20).

32. Interest in Companies

The Council had an interest in North Essex Garden Communities Limited (NEGC), a joint strategic entity which was equally owned by the Council along with Essex County Council, Colchester Borough Council, and Tendring District Council. The company was 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 2020/21 financial year. During the year the Board of Directors agreed to cease trading on 31 August 2020, and thereafter to commence procedures towards a voluntary striking off and dissolution of the company and its three subsidiaries, all of which was completed on 8 June 2021.

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 (now Eastlight Community Homes):
 - Settlement of claims arising from environmental pollution on property and land 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, 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.

The transfer agreement provided for a major programme of improvement works 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. The proportion of RTB sales received is subject to property type, and is based on a reducing scale to allow for the cumulative effect of investment since properties were transferred.

- ii. As part of the arrangements for the leisure management contract the Council entered into a guarantee with Essex County Council covering the contractor's admission to the Essex Pension Fund. The guarantee would be invoked if the admission agreement is prematurely terminated and amounts remain outstanding to the pension fund, which cannot be collected from the contractor. The risk is mitigated by the admission being a 'closed' fund which means only staff that transferred to the contractor and were either active members or eligible for membership can be included. The Council also retains the right to request the contractor to provide an indemnity bond at any time. The Council has also guaranteed the admission of the Braintree District Museum Trust to the Essex Pension Fund. The risks associated with this guarantee are similarly limited by the admission being a 'closed' fund, and only covers a small number of employees.
- iii. A public liability claim has been received relating to exposure to asbestos of an employee of a contractor whom it is suggested had carried out works on properties previously owned by the Council where asbestos may have been present. The claim is currently being assessed.

34. Accounting Standards issued but not yet adopted

There are no changes in accounting requirements for 2021/22 that are anticipated to have a material effect on the Council's financial performance or financial position.

35. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director on 27 July 2021. Events taking place after this date are not reflected in the financial statements or notes.

Collection Fund

2019/20			Note	2020/21	
Business Rates	Council Tax			Business Rates	Council Tax
£000	£000			£000	£000
<u>Income</u>					
-	94,255	Council Tax receivable	1		98,726
43,023	-	Business Rates receivable	2	25,225	-
221	-	Transitional protection payment		-	-
43,244	94,255	Total Income		25,225	98,726
<u>Expenditure</u>					
Precepts, Demands and Shares:					
16,659	11,652	· Braintree District Council		17,082	12,273
20,823	-	· Central Government		21,353	-
3,748	66,725	· Essex County Council		3,844	70,512
-	10,134	· Police & Crime Commissioner for Essex		-	10,601
416	3,805	· Essex Fire Authority		427	3,944
110	-	Payment to ECC for renewable energy disregard		113	-
(36)	-	Transfer to General Fund for renewable energy disregards		83	-
-	-	Transitional protection payment		183	-
189	-	Allowance for collection costs	2	187	-
163	307	Contribution to provision for impairment of debts	5	390	1,057
1,091	-	Change in provision for valuation appeals:	6	512	-
143	889	Payment of previous year's estimated surplus	3	472	1,229
43,306	93,512	Gross Expenditure		44,646	99,616
<u>Collection Fund Balance</u>					
(826)	(2,118)	Balance at the beginning of the year		(764)	(2,861)
143	889	Payment of previous year's estimated surplus		472	1,229
(81)	(1,632)	In-year (surplus) or deficit for the year		18,950	(339)
(764)	(2,861)	Balance at the end of the year	4	18,658	(1,971)

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 2020/21 was set at £1,823.57 (£1,757.70 in 2019/20). The tax base used to determine this rate was calculated at 53,373 equivalent number of Band D dwellings (52,521 in 2019/20), 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	Chargeable amount in relation to a Band D Property	Band D Equivalent Number of Chargeable Dwellings	Tax Base Band D Equivalents
A (Reduced)	-	-	5/9	1	1
A	6,028	5,675	6/9	2,554	2,528
B	17,081	16,840	7/9	10,201	10,099
C	19,039	18,845	8/9	14,366	14,222
D	9,643	9,572	9/9	8,736	8,649
E	7,292	7,241	11/9	8,304	8,221
F	4,230	4,207	13/9	5,814	5,756
G	2,213	2,200	15/9	3,510	3,475
H	214	214	18/9	391	387
Contributions in lieu				35	35
	65,740	64,794		53,912	53,373

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:

2019/20		2020/21
£000		£000
94,227	Council Taxpayers	97,826
28	Transfer from General Fund	900
94,255	Council Tax Income	98,726

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: 49.9p (49.1p in 2019/20) where the property is eligible for small business relief; or 51.2p (50.4p in 2019/20) 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. In 2020/21 additional retail and nursery reliefs were granted as additional support due to the impact of the coronavirus pandemic and restrictions placed on businesses.

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 would be £42.706m (£41.646m in 2019/20), 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 £23.756m (£41.727m in 2019/20).

The main reason for the reduction in Non-Domestic Rating Income is largely due to the extended retail and nursery reliefs that were introduced as part of the government's support to businesses through the coronavirus pandemic, resulting in a drop in the net rates payable by businesses. To compensate for the reduction in this income the government paid additional grants to councils.

At the start of the year there were 4,982 businesses with a total RV of £111.4m, and at the end of the year 5,042 businesses with a total RV of £113.5m.

3. Payment of Previous Year's Collection Fund Surplus

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

Notes to the Collection Fund

A share of the estimated balance was paid during the year as follows:

2019/20			2020/21	
Business Rates £000	Council Tax £000		Business Rates £000	Council Tax £000
57	114	Braintree District Council	189	155
71	-	Central Government	236	-
13	648	Essex County Council	42	888
-	90	Police & Crime Commissioner for Essex	-	135
2	37	Essex Fire Authority	5	51
143	889	Total Paid	472	1,229

4. Collection Fund Balance

For the purposes of calculating and setting precepts and council tax rates for the 2021/22 financial year, an estimate of the balance on the Collection Fund for the period ending 31 March 2021 was made and which is either being recovered from or paid to the major preceptors, the Council, and, for business rates, the government.

The estimated balance at that time in respect of business rates was a deficit of £19.282m of which £18.422m is being recovered in 2021/22. The difference of £0.860m is to be recovered in equal instalment in 2022/23 and 2023/24 in accordance with statutory regulations.

The estimated balance in respect of council tax was a net surplus of £0.801m (which comprised a surplus of £1.632m brought forward from 2019/20 and an estimated in-year deficit of £0.831m). The amount being paid to the respective local authorities in 2021/22 is a surplus of £1.355m, with the remaining deficit from the 2020/21 financial year of £0.554m to be recovered in two equal instalments in 2022/23 and 2023/24 in accordance with regulations.

The difference between the estimated balance on the Collection Fund used to inform the amounts reflected for 2021/22 and the actual balance shown in the Income and Expenditure statement for the period ending 31 March 2021 will be taken into account when determining precepts and council tax for 2022/23.

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.

2019/20			2020/21		
Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
£000	£000	£000	£000	£000	£000
94	916	1,010	131	1,038	1,169
(126)	(185)	(311)	(73)	(96)	(169)
163	307	470	390	1,057	1,447
37	122	159	317	961	1,278
131	1,038	1,169	448	1,999	2,447

Balance at 1 April

Amounts written off in the year

Contribution to provisions during year

Net Increase in provision

Balance at 31 March

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. A three-stage system, Check, Challenge, and Appeal (CCA) is in place in which ratepayers can query and ultimately appeal against the 2017 Valuation List. Under this system appeals are ultimately submitted to Valuation Tribunal. 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, has been made resulting in a total provision of £4.693 million at 31 March 2021 (£4.181m at 31 March 2020).

2019/20		2020/21
£000		£000
3,090	Balance at 1 April	4,181
(143)	Amounts refunded from the provision	(654)
1,234	Increase in provision	1,166
1,091	Net change in provision	512
4,181	Balance at 31 March	4,693

Under the BRRS only 40% or £1.877m (£1.672m at 31 March 2020) 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 2021, 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. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 have also changed the accounting timetable, extending the deadline for the draft accounts to 31st July 2021 and the final audited accounts to 30th September 2021

2. The Council's Governance Framework

The Council's governance arrangements have been significantly impacted by the coronavirus pandemic during 2020/21. Response and Recovery Plans have been established and the Council has put in place robust and effective measures for managing these impacts including:

- Taking an active role in the Essex Local Resilience Forum (LRF) contributing to the wider LRF response and recovery programmes.
- Establishing clear roles and responsibilities with the Council's Cabinet, who are the recovery sponsors, and the Management Board, meeting specifically as a response and recovery programme group (Gold Command) to review and guide the delivery of the action plans derived from the strategic priorities set out in the recovery plan.
- Continuing to support community response and recovery through funding and bringing together community partners on a regular basis.
- Working with its strategic partners to support testing and vaccination centres in operation within the District.
- Identifying priorities and work streams and fully assessing and regularly reviewing the impacts and mitigating actions.

The Chief Executive was authorised under urgency powers to take urgent decisions following consultation with the Leader of the Council and the relevant portfolio holder in respect of executive matters and the Chairman (or Vice Chairman) of Council or the relevant committee in respect of non-executive functions. Decisions taken by the Chief Executive included items that had been due for consideration at the meeting of Full Council on 23rd March 2020, which was subsequently cancelled. Decisions also related to the impact of Covid-19. All decisions were reported to Full Council on 1st June 2020.

Local authorities in England were granted new powers to hold public meetings virtually by using video or telephone conferencing technology from 4th April 2020. From the end of April 2020, virtual meetings were instigated to ensure transparency and good governance and to allow access to the public and press via the Council's YouTube Channel. This came to an end in May 2021. Regulations which allowed local authorities to meet remotely during the Covid-19 pandemic do not apply to meetings after 6th May 2021.

Key Council services, including all statutory services, continued during lockdown although some processes were amended to allow for remote working, for example the payment of supplier invoices. Whilst some services were paused, for example Community Transport, some new activities were undertaken, such as distribution of the government's Covid-19 related business grants by the Revenues and Economic Development Teams, Test and Trace payments by the Housing Benefits Team and the provision of Covid-19 regulatory advice to businesses by the Environmental Health Team.

3. The Council's Governance Framework

The Council's governance framework comprises 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 **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 **Corporate Strategy** which sets out the vision and priorities for the Braintree District. The Strategy for the four-year period 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. It evaluates the likelihood and potential impact of those risks being realised, and aims 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 Coronavirus pandemic and social distancing requirements have necessitated some interim amendments to processes and controls in response to an increase in remote working and access to meetings. These are being delivered in a controlled manner with appropriate advice to managers regarding the risk of error and fraud. The crisis has required the Council to be innovative and flexible in releasing funds in a swift and controlled way. Interim processes have been put in place to maximise the benefits to residents and businesses. Crises like this will inevitably attract individuals who see the opportunity for fraud. Service managers responsible for services potentially exposed to the risk of fraud have received information on the various forms it may take. Interim processes are designed with this particular risk in mind.

The Council's Local Code of Corporate Governance was approved by the Corporate Governance Group (now the Governance and Audit Scrutiny Committee) on 23rd July 2020 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 and Audit Scrutiny Committee on 22nd July 2021.

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 decisions taken by officers are published in accordance with legislative requirements.
- A standard decision-making report format is used to ensure 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 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 are 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 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 Governance and Audit Scrutiny Committee 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.

4. 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.

Both in-year and year-end review processes have taken place.

a. Key in-year review mechanisms include:

- The Cabinet is responsible for monitoring overall financial performance and receives 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. The Budgetary reports also included details of the additional expenditure and reduced income due to the pandemic together with details of the funding streams provided from Central Government to help address the impact on the Council's finances.
- 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 2021/22 and commenced a scrutiny review into the Commercialisation of Braintree Council Services.
- The work programmes of the two Development Scrutiny Committees: the Community Committee met on two occasions concluding scrutiny reviews into vaccinations and community woodlands and commenced a review of cycling and walking in the Braintree District; and the Partnership Committee met on four occasions and received the Annual Report of the Braintree District Community Safety Partnership 2019/20, concluded a review into leisure provision across the District – access to sport, and commenced a review of enforcement procedures at the Council.
- 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.
- The Governance and Audit Scrutiny Committee provided independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. The Committee met three times during the year and received regular reports on risk management, internal control and governance matters.
- The Governance and Audit Scrutiny Committee also met on a further four occasions during the year to consider a review of the Council's Constitution, suggesting amendments and making comment for consideration prior to the final approval of the Constitution at Full Council on 1st April 2021. A further meeting was held to consider the Local Government Association Draft Model Code of Conduct and to develop the Council's response to the consultation questions.
- The Council's Internal Audit Charter, as required under the Public Sector Internal Audit Standards, was reviewed and updated by the Governance and Audit Scrutiny Committee on 22nd July 2021.

- 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 Governance and Audit Scrutiny Committee.
 - The External Auditor, BDO LLP, 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 for 2019/20 and the Annual Audit Letter are currently outstanding.
 - 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.
 - The Council's strategic risk register was reviewed by Management Board in July/August 2020 and by Members in May 2021. 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 7th September 2020 and 12th July 2021, respectively.
 - External inspections during the year and in the period up to completion of the audit of the Statement of Accounts included:
 - On 20th April 2021, the Health and Safety Executive (HSE) attended Causeway House on an unannounced inspection to ensure the Council's operations were in accord with the Covid-19 restrictions in place at that time. A further unannounced inspection was also made to the Town Hall on 23rd June 2021. Both inspections found that the Council's working arrangements were satisfactory and in accordance with the restrictions.
 - On 24th June 2021, the Driver and Vehicle Standards Agency (DVSA) carried out an unannounced inspection of the Council's Transport Service. DVSA officers inspected 6 vehicles for roadworthiness and the following day the vehicle files of 6 different vehicles were reviewed for compliance with the Council's Operator's Licence. The Council was deemed to be a fully satisfactory operator and there were no recommendations or actions to be addressed.
 - The Council's Cyber Security capability was assessed by an external certificated company, Hytec. The Council successfully retained its Cyber Essentials grading.
 - PSN (Public Service Network) compliant for 2021/22.
 - The company, Siteimprove, was engaged during the year to measure the Council's website accessibility. Prior to the new website launch in November 2020, the accessibility score was 67.4 out of 100. After the launch the score was 83.7 out of 100.
 - Local Government and Social Care Ombudsman: In 2020/21 the Ombudsman, in response to the pandemic, put in place arrangements to allow for their services to continue; however this had an impact on the time taken for the Ombudsman to consider and determine complaints. In 2020/21 the Ombudsman received a total of 10 matters. Of those matters the Ombudsman has considered, no complaints were upheld against the Council. There are 3 matters awaiting decision. The substantive area of complaint was parties being aggrieved by the decision of the Local Planning Authority in respect of Planning Applications.
- b. The year-end review of the governance arrangements and the control environment included:
- Signed Service Assurance Statements from senior managers, who report to a member of the Management Board, that key elements of the control framework were in place during the year in their areas of responsibility.

Annual Governance Statement

- The Audit, Insurance and Fraud Manager's Annual Report for 2020/21 was considered by the Governance and Audit Scrutiny Committee on 22nd July 2021. The conclusion was that 'the Council's systems for internal control, risk management and governance as at 31st March 2021 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 some objectives at risk'.
- The Council's Local Code of Corporate Governance has been reviewed and updated for 2020/21 by the Governance and Audit Scrutiny Committee on 22nd July 2021.

The previous year's Annual Governance Statement identified that focus would be placed on the following significant governance issues during 2020/21:

Governance Issues identified for 2020/21	Action taken to date
The nature of the Council's business activities means there are ongoing information governance risks, including cyber security and IT network security, which continue 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.	Internal audit reviews conducted in 2020/21 concluded: Information Management – Significant Assurance Information Technology Governance – Full Assurance General Data Protection Regulation (GDPR) Document Retention – Significant Assurance Payment Card Industry Data Security Standard (PCI DSS) Compliance – Limited Assurance – Actions now completed With effect from July 2021, the Council has changed its Microsoft licensing to provide more secure methods for protecting access to devices and for managing the data held on them to prevent loss/theft. This is critical where mobile working is involved and where people use their personal devices (tablets and smartphones) to access council information and emails.
The overriding scale, complexity and challenge of the Council's investment programme demands management rigour in ensuring continuous, strong and effective governance.	New Constitution and Code of Governance approved by full Council on 19th April 2021. The new Code of Governance includes the Council's Procurement Procedure Rules. As part of the full Constitution and Governance review, a full scheme of delegations has been brought back into the Constitution. This sets out clearly any financial limits assigned to Officers in terms of Contract sign off, and is linked to the Council's Procurement Procedure Rules and the Council's Financial Procedure Rules, and will ensure the relevant governance process is followed from the early concept stage of a project through to contract award and sealing/signing of the contracts. Staff training on the new Constitution is planned for September 2021.

5. Assurance Statement

Despite coronavirus, this Annual Governance Statement demonstrates that the Council's governance arrangements have remained fit for purpose, even when flexed, for example, by invoking the Council's emergency powers and holding Cabinet, Council and committee meetings virtually. There has been no significant detriment on the Council's ability to deliver its services.

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.

6. 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 Council's Gold and Silver emergency command structure to coordinate a response to ensure that resources were prioritised to support those most in need.

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.

7. Areas of Significant Change

The Council also faces a number of areas of significant change that will require consideration and action as appropriate in 2021/22 and the medium-term. Significant issues identified include:

Impact of Coronavirus pandemic on council services 2021/22

- The Coronavirus Act (2020) allowed authorities to conduct meetings and take decisions in ways other than face to face so that decisions could be made to maintain good governance, principles of openness and accountability. Virtual meetings were instigated to ensure transparency and good governance whilst also facilitating extensive access to the public and press. Despite councils wishing to continue these in 2021/22, emergency legislation is not to be extended beyond 7th May 2021. As restrictions will not have been fully lifted at this date, the Council will have to plan carefully for how to hold meetings in person.
- Additional demands were made on IT systems and staff with most office-based staff continuing to work remotely throughout 2020/21. Changes to ways of working will need careful management as lockdown continues to ease in 2021/22.
- For 2021/22, there will be a focus on ensuring that audit work not completed in 2020/21 due to the Covid-19 pandemic is prioritised, where this is still appropriate. However, the overall plan is set within the context of a multi-year approach to internal audit planning, such that all

areas of key risks are reviewed over a three to five year audit cycle. The impact of the pandemic was routinely considered throughout the year. There will be a review of the control framework, compliance, policies and procedures, operating in 2020/21, to see what impact the changes necessitated during the pandemic had on both risk and efficiency. Audit work will also focus on the recovery processes and review those areas, such as the distribution of Covid-19 grants, where risks have unavoidably increased.

Other governance risks for 2021/22

- A highlighted risk last year was the continued financial uncertainty regarding government funding of local government. The government have again delayed the review of relative needs and resources and the implementation of the 75% business rates retention scheme to allow councils to focus on meeting the 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.
- The Climate Emergency is a major focus for the Council, working in partnership with stakeholders, partners, staff and residents to tackle the effects of global warming. The Council is due to consider a Climate Emergency Strategy in autumn 2021 setting out how the council will become carbon neutral by 2030.
- Financial Management Code review. CIPFA's Financial Management Code 2019 was introduced in 2020/21. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. An assessment will be undertaken to ensure the Council can demonstrate compliance with the Code; if there are deficiencies, an action plan will be developed to address these.
- The pandemic saw a temporary increase in universal credit, which is set to finish in September 2021. If there is no managed or gradual transition to the lower rates of universal credit, post pandemic, this will create direct and indirect financial pressures on the Council through increased demand for all services by those affected by the changes and council tax collection may worsen.

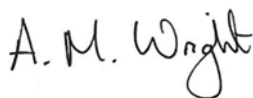
8. Conclusion

The Council has been hugely impacted by the Covid-19 pandemic. Governance arrangements have been tested in 2020/21 but have been found to be robust and resilient. Recognising that the pandemic will continue to bring substantial risks to the council in 2021/22, there will be an ongoing review of the financial ramifications as well as the impact on procedures and processes.

The Council is satisfied that appropriate governance arrangements are in place. We 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.