



Braintree District Council

# Statement of Accounts

2021 - 2022

(Unaudited)

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## **Narrative Report**

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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 155,200 (March 2021 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 2022, the political make-up of the Council was: Conservative Party 33, Green Party 7, Halstead Residents Association 4, Independents 3 and Labour Party 2.

The Council is a multifunctional organisation. Its policies are directed by the political leadership and implemented by its Management Board and Officers of the Council. The Council has adopted the Leader and Cabinet model as its political management structure. The Leader of the Council, Councillor Graham Butland, has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions. Cabinet Members are held to account by a system of scrutiny which is set out in the Council's Constitution available on the Council's website at [www.braintree.gov.uk](http://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 444 full-time equivalent employees.

### **Corporate Strategy**

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.
- **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

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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 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 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.

Following the removal of restrictions, the Council replaced the annual plan with the “Bouncing Back Together” plan in October 2021 given the significant change the global pandemic has had on our community. This plan runs until 2023 and identifies four priorities in how we carefully transition into a time of recovery, build on the sense of community and encourage more residents to get involved in their communities to strengthen the places we call home. We are committed to listening to what our communities need and we will work to strengthen and support them. Ultimately, we want to bounce back together.

As part of Bouncing Back Together, there are a number of threads running through the work we want to accomplish and those threads can be distilled into four priorities:

- Sustainable growth and prosperity
- Strengthening our communities
- Unlocking more chances for all residents
- Protecting our environment for future generations

These priorities are reflected in the Council’s Corporate Strategy priorities:

## Bouncing Back Together - October 2021 to March 2023

### Connecting People and Places



- Grow the district in a sustainable way, supported by health, leisure and community facilities
- Develop our infrastructure, leading to improved journeys in and across the district
- Deliver good quality, affordable homes for local people
- Create thriving town centres for everyone to enjoy
- Improve the district's digital connectivity and use innovation in technology

### Enhancing our environment



- Ensure our district is clean and well maintained with high quality parks and green spaces
- Encourage others to change their behaviour to protect and enhance the environment
- Minimise pollution by promoting sustainable energy sources, construction and transport
- Ensure Braintree District Council reduces its own environmental impact and be carbon neutral, where practical, by 2030
- Support residents and businesses to reduce, re-use and recycle

### Supporting our communities



- Build on the strengths of our communities and what they can do to support themselves and help each other
- Help people to make positive lifestyle choices, increasing their physical and emotional wellbeing
- Focus on prevention and early intervention so residents can lead independent and active lives
- Provide support and protection to our most vulnerable residents, their families and carers
- Support and inspire young people to raise their aspirations and reach their full potential

### Promoting Prosperity



- Make use of the competitive advantage of our location to attract new business
- Support the growth of key employment sectors
- Enable businesses to thrive with access to business support and key networks
- Ensure skills and training provision align to meet the needs of the local economy now and in the future
- Develop our culture and heritage offer in shaping opportunities for tourism and investment

### Delivering and Innovating



- Listen to our residents and businesses more and use this information to improve our services
- Involve communities in the design, development and delivery of services
- Build strong, effective partnerships across the public, private, voluntary and community sector, taking a place based approach to achieve more for the district
- Modernise the way we work to ensure we continue to deliver high quality services
- Consider new ways to generate income achieving financial self-sufficiency and investment

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### **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 Scrutiny Committee. In addition, at each meeting of the Governance and Audit Scrutiny Committee, a suite of key financial indicators is reported. These highlight actual spending against profiled capital and revenue budgets, collection performance on local tax and other debt, and treasury management activities. The performance reports can be viewed on the Council's website at [www.braintree.gov.uk](http://www.braintree.gov.uk).

### **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
4. Community resilience
5. Service and project delivery
6. Affordable housing and homelessness
7. Return on the Council's investments
8. Emergency planning
9. Information management and cyber security
10. Strategic (capital) investments
11. Climate change

Further details on these risks and the actions/ controls in place to manage them are available on the Council's website [here](#). In addition to the Strategic Risk Register, the Council's overall approach to the management of risk also encompasses the identification and recording by all services of operational risks and preparation of related action plans; along with risk registers for all major projects. The Council also undertakes both business continuity planning and wider emergency planning.

### **Financial Performance**

#### **Revenue Budget**

For reporting purposes, the Council's budget for 2021/22 was £15.4m. The budget included an estimated net withdrawal from General Fund unallocated balances of £636k, which included £1.1m set aside as a contingency against the potential impact of the coronavirus pandemic on the Council's activities, and to meet other one-off priorities. This budget amount was financed from business ratepayers (£4.9m), council taxpayers (£10.1m) and Central Government Grants (£362k).

The total Band D Council Tax rate for the District was £1,854.90 of which the Council's portion was £184.68. In setting its budget, the Council identified £0.207m of savings and additional income expected to be achieved in the year.

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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 Manager.

For internal reporting purposes, managers are held accountable for a Controllable Budget, including planned movements on earmarked reserves. This 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 financial year 2021/22 saw a continuation of the unprecedented global pandemic and the many challenges it brought. The Council had to adapt to evolving events both locally and nationally in order to support communities and businesses.

The Council received significant funding in respect of Covid-19 in order to mitigate not only the significant costs and loss in income but also additional burdens placed on the Council to administer a number of grant schemes. Details of the grants received can be seen in the note to the accounts.

The pandemic continued to have a widespread impact on the workforce of the Council and the way in which services had to be delivered. Technology allowed office based staff to continue to work from home to minimise disruption to services, and 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.

Business Rate Reliefs were administered for retail, leisure, hospitality and nursery sector at 100% from April to June 2021 and then at 66% for the remainder of the financial year. The Council's collection rates for Council Tax and business rates continued to be below pre Covid levels however collection was higher than 2020/21. During this time our Revenues team assisted taxpayers, agreeing revised payments plans where appropriate. Whilst Magistrate Courts were closed, soft reminders, telephone calls and text messaging were all used to encourage taxpayers to make payment with positive outcomes. Courts reopened in the first quarter of the year with recovery action commencing in July.

Grants and business rate reliefs were administered in line with the guidance received from the relevant government department (or Essex County Council) and, where this dictated the eligibility for support under a grant scheme, this effectively meant the authority was acting as agent. Further grants were provided to the Council including Business Restart grants, Omicron Grants as well as additional restrictions grants in order to support business and the community. In some cases, the Council was able to exercise some discretion over how funding would be allocated, 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. The full scale of the funding and activity involved can be seen in the following table:

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Grant scheme	Balance of funding at 31-Mar-21 £000	Funding allocated 2021/22 £000	Expenditure incurred at 31-Mar-22 £000 <sup>(1)</sup>	Balance of funding at 31-Mar-22 £000
<b>Support to Businesses – Council acting as agent</b>				
Small Business Grant Fund (Retail, Hospitality and Leisure Fund)	35	0	(38)	73
Local Restrictions Support Grant (Closed) - various schemes	2,620	0	128	2,492
Closed Business Lockdown Payment	1,701	0	40	1,661
Business Restart Grants	0	6,822	6,788	34
Omicron Grants	0	1,188	893	295
Christmas Support Payment for Wet-Led Pubs	1	0	1	0
Business adaptation grant (ECC)	18	1,447	1,465	0
<b>Sub-total</b>	<b>4,375</b>	<b>9,457</b>	<b>9,277</b>	<b>4,555</b>
<b>Council acting as principal</b>				
Additional Restrictions Grant	302	1,429	1,731	0
Local Restrictions Support Grant (Open) - various schemes	391	0	1	390
Reopening High Streets Safely Fund	0	0	267	(267)
<b>Sub-total</b>	<b>693</b>	<b>1,429</b>	<b>1,999</b>	<b>123</b>
<b>Support to Individuals - Council acting as agent</b>				
Test and Trace Self Isolation Payments	64	130	335	(141)
Test and Trace Self Isolation Payments (ECC)	308	0	263	45
<b>Sub-total</b>	<b>372</b>	<b>130</b>	<b>598</b>	<b>(96)</b>
<b>Council acting as principal</b>				
Council Tax Hardship Fund	44	0	0	44
Test and Trace Self Isolation Payments	96	245	313	28
<b>Sub-total</b>	<b>140</b>	<b>245</b>	<b>313</b>	<b>72</b>
<b>Funding for Increased Expenditure or Loss of Income</b>				
Contain Outbreak Management Fund	0	277	258	19
Protect and Vaccinate Grant	0	81	13	68
Track and Trace (ECC)	45	0	17	28
National Leisure Recovery Fund	180	0	180	0
Covid Emergency Funding	266	686	510	442
Sales, Fees and Charges Compensation Scheme	0	321	108	213
Local Tax Income Guarantee Scheme	84	0	84	0
New Burdens Grant - Business Support Grants (Admin.)	0	167	2	165
New Burdens Grant - Test and Trace Support Payments (Admin.)	0	45	0	45
<b>Sub-total</b>	<b>575</b>	<b>1,577</b>	<b>1,172</b>	<b>980</b>
<b>Total</b>	<b>6,155</b>	<b>12,838</b>	<b>13,359</b>	<b>5,634</b>

(1) Negative figure represents a repayment due / made to grant holding body.



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### Revenue Budget Outturn for the Year

The following table provides a summary of the budget outturn for 2021/22 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	(2,479)	(2,597)	19	(10)	(127)	-	(118)	G
Community & Leisure	754	975	(71)	92	200	15	236	R
Corporate Management Plan	1,496	1,436	(93)	25	8	-	(60)	G
Economic Development	216	200	1	(17)	-	-	(16)	G
Environment	774	662	(9)	(20)	(83)	94	(18)	G
Finance	1,425	1,368	(142)	133	(48)	35	(22)	G
Governance	1,210	1,088	(25)	(58)	(39)	2	(120)	G
Housing Services	956	861	(6)	39	(128)	111	16	A
Human Resources	351	352	(1)	2	-	-	1	A
ICT & Facilities	1,714	1,698	21	(33)	(4)	-	(16)	G
Marketing & Communications	614	558	(14)	(14)	(28)	-	(56)	G
Operations	6,340	6,018	(105)	209	(426)	409	87	R
Strategic Investment	23	23	-	-	-	-	-	G
Sustainable Development	1,031	1,166	(98)	134	99	58	193	R
<b>Service Total</b>	<b>14,425</b>	<b>13,808</b>	<b>(523)</b>	<b>482</b>	<b>(576)</b>	<b>725</b>	<b>108</b>	<b>R</b>
Corporate Financing	1,308	1,441	147	194	(208)	-	133	R
Efficiency	(300)	-	300	-	-	-	300	
<b>Total Budget Variance</b>	<b>15,433</b>	<b>15,249</b>	<b>(76)</b>	<b>676</b>	<b>(784)</b>	<b>725</b>	<b>541</b>	<b>R</b>
<b>COVID-19 general grant</b>					(510)	-	(510)	G
<b>COVID-19 specific grants &amp; income compensation</b>					(511)	-	(511)	G
<b>Net Total General Fund</b>	<b>15,433</b>	<b>14,414</b>	<b>(76)</b>	<b>676</b>	<b>(1,805)</b>	<b>725</b>	<b>(480)</b>	<b>G</b>

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

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:

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Reason for budget variance:	Adverse (positive) variance					RAG Status
	Staffing £'000	Other Expenditure £'000	Income £'000	Carry Forwards £'000	Total £'000	
Covid-19 (before Govt. funding)	194	446	381	-	1,021	R
Base budget	(270)	230	(1,165)	725	(480)	G
<b>Total Budget Variance</b>	<b>(76)</b>	<b>676</b>	<b>(784)</b>	<b>725</b>	<b>541</b>	<b>R</b>

The negative impact from Covid-19 has been estimated at just over £1m, 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 £480k, achieved mainly from increased income.

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

### Capital Investment

Capital investment in the year totalled £31.7m with key highlights including:

- Significant progress on regeneration of the Manor Street area of Braintree town centre, with parts now completed and others due for completion in early 2022/23. This includes delivering new housing apartments, a hotel, 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 infrastructure and roads at the new Horizon 120 (H120) Business and Innovation Park in Great Notley is now complete. Two serviced land plots were sold to private investors during the year to create new commercial premises bringing business and jobs into the district. Work on a new enterprise centre, 'The Plaza', at H120 is also nearing completion
- Works completed 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.
- 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 in 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.

Capital investment was primarily funded from a mixture of capital receipts (£18.4m), government grants and other third party contributions (£10.4m); and revenue resources (£83k), with the balance unfinanced and increasing the Council's prudential borrowing requirement. This increased borrowing requirement was 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 for a share of housing right-to-buy receipts and VAT recovered by Eastlight on certain development works.

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Actual capital receipts in the year totalled £15.8m, with £12.7m being as a result of the sale and transfer of land and property; and over £3m from housing right-to-buy sales, recovered VAT, and land sale clawback generated under agreements with Eastlight Community Housing.

### **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 2022, the Council's overall General Fund balances were £36.4m, a decrease from 31 March 2021 of £753k. Within this total, £30.3m was held as earmarked reserves (a net increase of £810k), with the remaining balance of £6.1m unallocated (an increase of £57k from last 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 2022 was £6.4m, a net reduction of £4.6m over the amount brought forward at the start of 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 £41.8m, mainly due to a reduction in the Net Liability in the Pension Reserve and an increase in the Capital Adjustment Account to reflect financing of capital expenditure, and increase in Revaluation Reserve for non-current assets.

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### **Cash, Investments and Borrowing**

#### **Financial Investments & Cash**

Over the year, the investment balances averaged £60m, with a peak of over £74m. 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. This represents a substantial portion of the total amounts shown in the cash flow statement for the purchase and sale of investments (£153.5m and £140.5m 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 £825k of dividend income, a yield that was in excess of 4%. This relatively high return reflects the long-term nature of these investments. Returns on short-term investments remained close to zero percent due to the ultra-low interest rate environment, and generated only £31k of interest.

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. The value of the funds increased by £1.7m compared to the previous year. The total value of all the Council's funds was £25.9m at 31 March 2022, an unrealised gain of £2.9m. 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.

The principal sum invested at the end of the year was £56m.

#### **Investment Property**

Income from investment property was £2.8m in the year, and related expenses incurred were £331k resulting in a net gain of £2.5m. The fair value of the property portfolio increased in the year by £638k. The total fair value of property at the end of the year was £43.9m.

#### **Borrowing**

The Council has market debt outstanding amounting to £6m and on which interest of £282k 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 20 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 £3.1m (with £46k 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 £13,607m at 31 March 2022, a decrease on the previous year of £39.1m. This main reasons for this reduction were:

- Changes in the financial assumptions used by the actuary which decreased the liability by £11m, this being largely due to increasing 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 £14.5m, reflecting the strong asset performance experienced during the year, particularly from equities.
- Demographic and other experience gains contributed a net gain of £9.9m, part of which reflected the incorporation of the latest mortality data.

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- 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 £4.1m.

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 through to 31 March 2023, which included a one-off payment in April 2020 of £2.5m, 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 2021/22 totalled £3.2m, with a further £858k 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 £102.5m for the year, which, after paying precepts and making provision for non-collection, resulted in a net surplus for the year of £2.8m. A charge of £1.4m was also made to the Collection Fund, being a prior year estimate of the balance, and which was distributed to the Council and major 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 £3.4m. The budget for 2022/23 including that of the major preceptors, has already taken into account £1.6m 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 £43.2m and this sum has been paid across to the relevant bodies. The deficit for the year amounted to £6.9m which was as a result of government Covid reliefs. Funding from government has been received for these reliefs which has been credited to the Council's general fund and will be utilised to fund the deficit in 2022/23.

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 £5.4m, of which £2.2m is attributable to the Council.

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In 2021/22 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 £1.5m; however, based on provisional estimates made of all Essex authorities, £654k is then expected to be paid back to Council as its share of the government levy saved by the pooling arrangement.

### **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 2022/23, after the previous four-year settlement had ended in March 2020, and a one-year settlement was provided in 2020/21 and 2021/22; 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 2022/23 local government finance settlement.

In setting the budget for 2022/23, 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 meeting 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.

Full Council approved the budget for 2022/23 at its meeting in February 2022, and which included: an increase in the Council’s Band D Council Tax rate of £4.95 or less than 10p a week; newly identified savings and additional income of £589k; and a withdrawal from balances of £89k. 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:

	<u>£m</u>
2023/24	0.925
2024/25	0.119
2025/26	0.199
<b>Shortfall - saving required</b>	<b><u>1.243</u></b>

## Narrative Report

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To address the budget gap over the medium-term, the Council continues to develop its Investment and Development Programme, which comprises five 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** – growing our service income and identifying any savings or efficiencies
- **Treasury Management** – using our cash reserves better
- **Operations and Efficiency** – reviewing and assessing potential for savings and efficiencies across our services

The MTFS was based on assumptions using the best information available at the time. The longer term impact of the Covid pandemic remains uncertain across a number of the Council's services and activities, and since setting the budget for 2022/23 there has been a sharp increase in inflationary cost pressures.

The announcement on of the Local Government Finance Settlement for 2022/23 included a commitment by the government to ensuring that future funding allocations for councils are based on an up-to-date assessment of needs and resources, and that it would work closely with the sector and stakeholders, before consulting.

The financial horizon is one of great uncertainty, compounded by the lasting effects of the pandemic, the cost of living and other inflationary pressures; however, through prudent financial management the Council has built up the financial resilience to withstand short to medium term pressures, whilst it addresses the significant challenges ahead. It is in this context that we will begin to review plans for the 2023/24 budget and revisions to the MTFS covering the next four years.

## Guide to the Financial Statements

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### The Published Accounts for 2021/22

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year ended 31 March 2022. 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 Authority Accounting in the United Kingdom (the Code) supported by International Financial Reporting Standards (IFRS).

There are no significant changes introduced by the Code for 2021/22. 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.



## Guide to the Financial Statements

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- **Accounting Principles and Policies**

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

- **Notes to the Accounts**

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

- **Collection Fund**

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

- **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 2021/22 available on the Council's website at [www.braintree.gov.uk](http://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**

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### **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 Head of Finance 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 Head of Finance's Responsibilities**

The Head of Finance, 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 Head of Finance 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 Head of Finance 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 Head of Finance 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 2022.

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

Phil Myers  
Head of Finance (S151)  
Dated

## Comprehensive Income and Expenditure Account

2020/21				Note	2021/22		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Restated	Restated	Restated					
1,794	(833)	961	Asset Management		7,131	(870)	6,261
3,012	(425)	2,587	Community & Leisure		3,475	(637)	2,838
1,735	(5)	1,730	Corporate Management		1,725	(2)	1,723
2,491	(1,750)	741	Economic Development		2,251	(9)	2,242
2,328	(1,349)	979	Environment		3,081	(2,069)	1,012
32,530	(29,763)	2,767	Finance		29,452	(26,662)	2,790
1,413	(236)	1,177	Governance		1,516	(313)	1,203
1,345	(482)	863	Housing Services		1,551	(710)	841
479	(93)	386	Human Resources		488	(78)	410
1,786	(11)	1,775	ICT & Facilities		2,217	(6)	2,211
780	(91)	689	Marketing & Communications		848	(122)	726
15,545	(4,776)	10,769	Operations		14,094	(5,938)	8,156
1,102	(377)	725	Strategic Investment		1,667	(264)	1,403
3,231	(1,462)	1,769	Sustainable Development		3,741	(1,699)	2,042
7,186	(6,671)	515	Covid-19 Central Fund		3,845	(3,749)	96
(184)	(2)	(186)	Corporate Financing		(314)	(334)	(648)
<b>76,573</b>	<b>(48,326)</b>	<b>28,247</b>	<b>Cost of Services</b>	1/6	<b>76,768</b>	<b>(43,462)</b>	<b>33,306</b>
		(1,537)	Other Operating Expenditure	2			(6,319)
		(10,891)	Financing and Investment Income & Expenditure	3			(4,324)
		(24,757)	Taxation and Non-Specific Grant Income	4/5			(29,088)
		<b>(8,938)</b>	<b>(Surplus) /Deficit on Provision of Services</b>	6			<b>(6,425)</b>
			<i>Items that will not be reclassified to the (Surplus) or Deficit on Provision of Services:</i>				
		(1,548)	Revaluation gains	27			(8,953)
		(450)	Re-measurement of the pension scheme net defined benefit liability	26			(43,180)
		3	Other gains / losses				(3)
		<b>(1,995)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(52,136)</b>
		<b>(10,933)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(58,561)</b>

## Movement in Reserves Statement

2021/2022	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2021</b>	<b>37,143</b>	<b>8,536</b>	<b>2,428</b>	<b>48,107</b>	<b>72,585</b>	<b>120,692</b>
<b><u>Movement in Reserves during 2021/22</u></b>						
Total Comprehensive Income and Expenditure	6,425			<b>6,425</b>	52,136	<b>58,561</b>
Adjustments between accounting basis & funding basis under regulations	(7,178)	(2,575)	(2,025)	<b>(11,778)</b>	11,778	-
<b>Increase in 2021/22</b>	<b>(753)</b>	<b>(2,575)</b>	<b>(2,025)</b>	<b>(5,353)</b>	<b>63,914</b>	<b>58,561</b>
<b>Balance at 31 March 2022</b>	<b>36,390</b>	<b>5,961</b>	<b>403</b>	<b>42,754</b>	<b>136,499</b>	<b>179,253</b>

Note 12

Note 27

### Comparative Year 2020/21

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2020</b>	<b>28,813</b>	<b>18,445</b>	<b>2,299</b>	<b>49,557</b>	<b>60,202</b>	<b>109,759</b>
<b><u>Movement in Reserves during 2020/21</u></b>						
Total Comprehensive Income and Expenditure	8,938	-	-	<b>8,938</b>	1,995	<b>10,933</b>
Adjustments between accounting basis & funding basis under regulations	(608)	(9,909)	129	<b>(10,388)</b>	10,388	-
<b>Increase in 2020/21</b>	<b>8,330</b>	<b>(9,909)</b>	<b>129</b>	<b>(1,450)</b>	<b>12,383</b>	<b>10,933</b>
<b>Balance at 31 March 2021</b>	<b>37,143</b>	<b>8,536</b>	<b>2,428</b>	<b>48,107</b>	<b>72,585</b>	<b>120,692</b>

Note 12

Note 27

## Balance Sheet

31 March 2021		Note	31 March 2022
£000			£000
107,955	Property, Plant & Equipment	13	119,420
2,735	Infrastructure Assets	13	9,095
883	Heritage Assets	14	892
43,231	Investment Property	15	43,951
597	Intangible Assets	16	452
20,222	Long Term Investments	20	21,952
2,417	Long Term Debtors	24	2,057
<b>178,039</b>	<b>Long Term Assets</b>		<b>197,819</b>
14,015	Short Term Investments	20	36,998
-	Assets Held for Sale	17	1,984
144	Inventories		158
18,968	Short Term Debtors	24	11,943
3,071	Restricted Cash		-
2,039	Cash and Cash Equivalents	20	(35)
<b>38,237</b>	<b>Current Assets</b>		<b>51,048</b>
(28,611)	Short Term Creditors	25	(39,217)
-	Short Term Borrowing	20	(6,000)
(46)	Finance Lease Liabilities	23	(186)
(1,877)	Provisions	CF6	(2,174)
<b>(30,534)</b>	<b>Current Liabilities</b>		<b>(47,577)</b>
(6,000)	Long Term Borrowing	20	-
(1,916)	Finance Lease Liabilities	23	(2,953)
(39)	Long-Term Creditors		(46)
(52,720)	Pension Fund Liability	26	(13,607)
(4,375)	Capital Grants & Contributions Receipts in Advance	7	(5,431)
<b>(65,050)</b>	<b>Long Term Liabilities</b>		<b>(22,037)</b>
<b>120,692</b>	<b>Net Assets</b>		<b>179,253</b>
48,107	Usable Reserves		42,754
72,585	Unusable Reserves	27	136,499
<b>120,692</b>	<b>Total Reserves</b>		<b>179,253</b>

## Cash Flow Statement

2020/21 £000		Note	2021/22 £000
<b>(8,938)</b>	<b>(Surplus)/ Deficit on the Provision of Services</b>		<b>(6,425)</b>
(9,609)	Adjustment for non-cash movements	28	(26,735)
10,116	Adjustment for items that are investing and financing activities	28	25,790
<b>(8,431)</b>	<b>Net Cash (Inflow)/ Outflow from Operating Activities</b>		<b>(7,370)</b>
	<b>Investing Activities:</b>		
23,155	Purchase of property, plant and equipment, investment property, and intangible assets		26,022
860,500	Purchase of short-term and long-term investments		194,000
147	Other payments for investing activities		1,433
(4,564)	Proceeds from the sale of PPE, investment property, and intangible assets		(15,796)
(880,000)	Proceeds from sale of short-term and long-term investments		(171,000)
(5,312)	Other receipts from investing activities		(12,921)
<b>(6,074)</b>	<b>Net Cash (Inflow)/ Outflow from Investing Activities</b>		<b>21,738</b>
	<b>Financing Activities:</b>		
218	Cash payments to reduce outstanding finance lease liabilities		46
13,408	Other payments from Financing Activities		113
(4,422)	Other payments for financing activities		(4,556)
-	Energy rebates grant (received)/paid		(7,897)
<b>9,204</b>	<b>Net Cash Outflow from Financing Activities</b>	29	<b>(12,294)</b>
<b>(5,301)</b>	<b>Net (Increase) Decrease in Cash &amp; Cash Equivalents</b>		<b>2,074</b>
191	Cash & Cash Equivalents at beginning of reporting period		(2,039)
3,071	Restricted Cash		-
<b>(2,039)</b>	<b>Cash &amp; Cash Equivalents at end of reporting period (incl. restricted cash)</b>		<b>35</b>

## Accounting Principles and Policies

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### 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:

<b>Class of Assets</b>	<b>Valuation Basis</b>
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:

<b>Income/ Expense Item</b>	<b>Accounting Basis in CIES</b>	<b>Funding Basis in MIRS</b>	<b>Adjustment Account</b>
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
Infrastructure Assets	Depreciation and impairment losses	Revenue provision to cover historical cost determined in accordance with statute.	Capital 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



## Accounting Principles and Policies

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

### Changes to Accounting Policies

There are no significant changes to accounting policies for 2021/22.

### 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 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

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### 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 decreased by £39.1m, with the following items having the most significant impact:

- Changes in the financial assumptions used by the actuary which decreased the liability by a net £11m, this being largely due to increasing 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 £14.5m, reflecting the strong asset performance experienced during the year, particularly from equities.
- Demographic and other experience gains contributed a net gain of £9.9m, 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 £4.1m

#### **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 £5.434m has been made, of which £2.174m 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.

## **Accounting Principles and Policies**

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### **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 2021/22 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:

## **Accounting Principles and Policies**

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- 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.

### **Infrastructure Assets**

The Council has elected to adopt a statutory override and Code amendment relating to the accounting for infrastructure assets. The Council does not report gross book value and accumulated depreciation for infrastructure assets, because the information is unlikely to faithfully represent the asset position to the users of the financial statements. Assets replaced are derecognised at nil value.

### **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

## **Accounting Principles and Policies**

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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
- 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 2.6% 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

## Accounting Principles and Policies

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maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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

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

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

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

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

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

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

## **Accounting Principles and Policies**

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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 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.

### **Rounding**

It is not the Council's policy to adjust for immaterial cross-casting differences between the main statements and disclosure notes.



## Notes to the Accounts

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## Notes to the Accounts

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

2021/22	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	6,595	60	-	2,435	9,090
Community & Leisure	1,666	150	-	(10)	1,806
Corporate Management	-	287	-	-	287
Economic Development	1,749	42	-	(3)	1,788
Environment	67	279	-	6	352
Finance	55	547	-	578	1,180
Governance	2	112	-	(6)	108
Housing Services	4	211	-	(1)	214
Human Resources	-	55	-	(1)	54
ICT & Facilities	317	184	-	(8)	493
Marketing & Communications	-	102	-	33	135
Operations	1,072	1,037	-	12	2,121
Strategic Investment	922	32	-	-	954
Sustainable Development	140	422	-	(5)	557
Covid-19 Central Fund	-	19	-	968	987
Corporate Financing	(590)	(493)	(63)	2,337	1,191
<b>Net Cost of services</b>	<b>11,999</b>	<b>3,046</b>	<b>(63)</b>	<b>6,335</b>	<b>21,317</b>
Other Income and Expenditure	(16,689)	1,023	(6,494)	(6,335)	(28,495)
<b>Total</b>	<b>(4,690)</b>	<b>4,069</b>	<b>(6,557)</b>	<b>0</b>	<b>(7,178)</b>

## Notes to the Accounts

2020/21	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Re-allocation & other items	Total Adjustments
	£000	£000	£000	£000	£000
	Restated	Restated	Restated	Restated	Restated
Asset Management	1,224	58	-	2,150	3,432
Community & Leisure	1,539	111	-	(4)	1,646
Corporate Management	-	259	-	-	259
Economic Development	402	37	-	(2)	437
Environment	63	256	-	7	326
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)
<b>Net Cost of services</b>	<b>6,006</b>	<b>70</b>	<b>106</b>	<b>7,564</b>	<b>13,746</b>
Other Income and Expenditure	(12,510)	1,346	4,374	(7,564)	(14,354)
<b>Total</b>	<b>(6,504)</b>	<b>1,416</b>	<b>4,480</b>	<b>0</b>	<b>(608)</b>

## 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>2020/21</u>				<u>2021/22</u>			
	Revenues from External Customers £000	Government Grants £000	Interest Revenue £000	Interest & MRP Expenses £000	Revenues from External Customers £000	Government Grants £000	Interest Revenue £000	Interest & MRP Expenses £000
	Restated	Restated	Restated	Restated				
Asset Management	(3,430)	-	-	93	(3,729)	-	-	92
Community & Leisure	(425)	(1)	-	-	-	-	-	-
Corporate Management	(5)	-	-	-	(2)	-	-	-
Economic Development	0	(10)	-	-	-	(9)	-	-
Environment	(631)	(2)	-	-	17	177	-	-
Finance	(990)	(28,773)	(901)	282	(1,471)	(25,191)	(863)	282
Governance	(217)	(19)	-	-	(271)	(43)	-	-
Housing Services	(153)	(329)	-	-	(189)	(538)	-	-
Human Resources	(8)	(85)	-	-	(6)	(72)	-	-
ICT & Facilities	(11)	-	-	-	(6)	-	-	-
Marketing & Communications	(89)	-	-	-	(121)	-	-	-
Operations	(4,777)	(1)	-	224	(5,916)	-	-	163
Strategic Investment	-	-	-	-	-	-	-	-
Sustainable Development	(1,438)	(20)	-	-	(1,658)	(40)	-	-
Covid-19 Central Fund	(278)	(9,994)	-	-	(3,062)	(3,068)	-	-
Corporate Financing	(1,201)	(915)	-	503	(1,507)	(1,629)	-	507
<b>Net Cost of services</b>	<b>(13,653)</b>	<b>(40,149)</b>	<b>(901)</b>	<b>1,102</b>	<b>(17,921)</b>	<b>(30,413)</b>	<b>(863)</b>	<b>1,044</b>

## Notes to the Accounts

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### 2. Other Operating Expenditure

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
13	Change in corporate provision for doubtful debts	(5)
2,416	Parish and town council precepts	2,519
(2,247)	Gains on the disposal of non-current assets	(5,759)
(1,719)	Gains from other capital receipts	(3,074)
<b>(1,537)</b>	<b>Total</b>	<b>(6,319)</b>

### 3. Financing and Investment Income and Expenditure

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
1,345	Net interest on the pension net defined liability	1,023
381	Interest payable	387
(901)	Interest & dividends receivable	(863)
(3,509)	(Gain) / loss on financial assets held at Fair Value through Profit and Loss	(1,713)
(8,207)	Net income and other gains from investment property	(3,158)
<b>(10,891)</b>	<b>Total</b>	<b>(4,324)</b>

### 4. Taxation and Non Specific Grant Income

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
(12,314)	Council Tax income	(12,783)
4,238	Business Rates income (see Note 5)	(475)
(14,022)	General government grants	(8,522)
(2,659)	Capital grants and contributions	(7,308)
<b>(24,757)</b>	<b>Total</b>	<b>(29,088)</b>

## Notes to the Accounts

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### 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).

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
	<b>Credited to Taxation and Non-Specific Grant Income</b>	
(9,586)	Business Rate income	(14,546)
13,240	Tariff	13,240
1,232	Levy due to the Pool	1,475
(648)	Share of growth received from the Pool	(644)
<b>4,238</b>	<b>Business Rate income</b>	<b>(475)</b>
(9,997)	Compensation grants included in general government grants	(5,560)
<b>(5,759)</b>	<b>Net Retained Income relating to Business Rates</b>	<b>(6,035)</b>
<b>3,487</b>	Baseline funding allocation	<b>3,487</b>
<b>3,225</b>	Safety Net (92.5%)	<b>3,225</b>

## Notes to the Accounts

### 6. Subjective Analysis of Expenditure and Income

	2020/21			2021/22		
	Net Cost of Services £000	Corporate amounts £000	Total £000	Net Cost of Services £000	Corporate amounts £000	Total £000
<b>Expenditure</b>						
Employee benefit expenses	20,655	1,345	22,000	21,340	1,023	22,363
Housing benefits	27,613	-	27,613	24,974	-	24,974
Other service expenses	19,127	13	19,140	16,583	(5)	16,578
Depreciation, amortisation and impairment	5,162	-	5,162	10,652	-	10,652
Revenue expenditure funded from capital	4,016	-	4,016	3,219	-	3,219
Interest payable	-	381	381	-	388	388
Investment property expenses	-	354	354	-	330	330
Business rate retention scheme tariff and net levy	-	13,824	13,824	-	14,071	14,071
Local precepts	-	2,416	2,416	-	2,519	2,519
<b>Total Expenditure</b>	<b>76,573</b>	<b>18,333</b>	<b>94,906</b>	<b>76,768</b>	<b>18,326</b>	<b>95,094</b>
<b>Income</b>						
Fees, charges and other service income	(10,110)	-	(10,110)	(14,077)	-	(14,077)
Income and gains from investment property	-	(8,561)	(8,561)	-	(3,489)	(3,489)
Interest and dividend receivable	-	(901)	(901)	-	(863)	(863)
(Gain)/ loss on the fair value of financial assets	-	(3,509)	(3,509)	-	(1,714)	(1,714)
Council Tax	-	(12,314)	(12,314)	-	(12,782)	(12,782)
Business rates	-	(9,586)	(9,586)	-	(14,546)	(14,546)
Government grants and other third party contributions	(38,216)	(16,681)	(54,897)	(29,385)	(15,830)	(45,215)
Gain on disposal of non-current assets & other gains	-	(3,966)	(3,966)	-	(8,833)	(8,833)
<b>Total Income</b>	<b>(48,326)</b>	<b>(55,518)</b>	<b>(103,844)</b>	<b>(43,462)</b>	<b>(58,057)</b>	<b>(101,519)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>28,247</b>	<b>(37,185)</b>	<b>(8,938)</b>	<b>33,306</b>	<b>(39,731)</b>	<b>(6,425)</b>



## Notes to the Accounts

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### 7. Grant Income

The following grants and contributions were credited to the CIES:

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
	<b>Credited to Services</b>	
	Government grants:	
27,849	• Housing Benefit and Localised Council Tax Support Admin. Subsidy	25,135
7,463	• Covid-19 grants	2,370
1,000	• Department for Transport (Pedestrianisation)	-
523	• Better Care Fund - Disabled Facilities grant	1,034
320	• Homelessness grants	412
219	• Other government grants	385
750	Essex County Council contribution (Pedestrianisation)	-
92	Other grants and contributions	49
<b>38,216</b>		<b>29,385</b>
	<b>Credited to Taxation and Non-Specific Grant</b>	
	Government grants:	
9,914	• Compensation for business rate reliefs	5,560
3,170	• Covid-19 grants	970
907	• New Homes Bonus	1,621
31	• Other government grants	371
2,351	Capital grants and developer contributions	7,308
308	Assets transferred under Planning S106 Agreements or donated	-
<b>16,681</b>		<b>15,830</b>
<b>54,897</b>	<b>Total</b>	<b>45,215</b>

## Notes to the Accounts

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

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
	<b>Covid-19 grants breakdown</b>	
	<b>Credited to Services</b>	
6,195	• Business Support Grants (discretionary)	1,429
892	• Hardship Grant	-
89	• Self Isolation Grants (discretionary)	313
287	• General (service related)	628
<b>7,463</b>		<b>2,370</b>
	<b>Credited to Taxation and Non-Specific Grant</b>	
1,952	• Local Authority Funding	686
735	• Fees & Charges Income Compensation	108
483	• Payments administration	176
<b>3,170</b>		<b>970</b>

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

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
	<b>Grants &amp; Contributions Receipts in Advance – within Short Term Creditors</b>	
30	Unilateral undertakings	30
56	Recreational disturbance avoidance mitigation (RAMs) contributions	130
747	Developer & other contributions	1,031
<b>833</b>		<b>1,191</b>
	<b>Capital Grants &amp; Contributions Receipts in Advance</b>	
4,351	Developer contributions	5,431
24	Partner contributions	-
<b>4,375</b>		<b>5,431</b>

## Notes to the Accounts

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### 8. External Audit Costs

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

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
46	External audit services	46
14	Certification of grant claims and returns	14
4	Prior year adjustments	-
<b>64</b>	<b>Total Fees Payable for the Year</b>	<b>60</b>

### 9. Members' Allowances and Expenses

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

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
245	Basic allowances	251
19	Communication allowances	19
16	Development allowances	15
179	Special responsibility allowances	158
1	Expenses reimbursed	1
<b>460</b>	<b>Total</b>	<b>444</b>

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 2021/22	Gross salary	Benefits in Kind	Total Remuneration	Contributions to Pension Fund	Total Remuneration including Pension Contributions
	£	£	£	£	£
Chief Executive	156,441	-	<b>156,441</b>	29,006	<b>185,447</b>
Corporate Director (P/T) (to 14/04/2022)	68,518	-	<b>68,518</b>	13,909	<b>82,427</b>
Corporate Director (wef 21/02/2022)	10,994	-	<b>10,994</b>	2,232	<b>13,226</b>
Corporate Director	112,674	-	<b>112,674</b>	22,873	<b>135,547</b>
Corporate Director	105,160	4,242	<b>109,402</b>	21,348	<b>130,750</b>
Head of Finance (P/T) (to 30/09/2021)	29,606	957	<b>30,563</b>	-	<b>30,563</b>
Head of Finance (wef 01/09/2021)	43,391	-	<b>43,391</b>	8,808	<b>52,199</b>
Head of Operations	78,972	4,962	<b>83,934</b>	16,031	<b>99,965</b>
Head of Governance	69,122	-	<b>69,122</b>	14,032	<b>83,154</b>
Head of Housing and Community (to 30/09/2021)	36,176	-	<b>36,176</b>	7,344	<b>43,520</b>
Head of Housing and Community (wef 10/11/2021)	25,775	-	<b>25,775</b>	5,232	<b>31,007</b>
Head of Environment (to 31/10/2021)	41,552	-	<b>41,552</b>	8,554	<b>50,106</b>
Head of Environment (wef 16/12/2021)	21,200	-	<b>21,200</b>	4,304	<b>25,504</b>
Head of Planning & Economic Growth	79,735	-	<b>79,735</b>	16,031	<b>95,766</b>

#### NOTE:

The Council also incurred the following costs in the following roles which were occupied on an interim basis:

Head of Strategic Investment – cost to the Council was £181,513 for the period April 21 to March 22

<sup>1</sup>The Chief Executive received £13,554.82 as the Returning Officer and is included in the gross salary shown above.

## Notes to the Accounts

Senior Officers 2020/21	Gross salary	Benefits in Kind	Total Remuneration	Contributions to Pension Fund	Total Remuneration including Pension Contributions
	£	£	£	£	£
Chief Executive	138,219		<b>138,219</b>	28,058	<b>166,277</b>
Corporate Director (part-time)	70,081		<b>70,081</b>	14,227	<b>84,308</b>
Corporate Director	109,968		<b>109,968</b>	22,323	<b>132,291</b>
Corporate Director	101,056	5,222	<b>106,278</b>	20,514	<b>126,792</b>
Head of Finance (part-time wef 01/01/21)	76,135	2,494	<b>78,629</b>	12,121	<b>90,750</b>
Head of Operations	77,613	6,167	<b>83,780</b>	15,755	<b>99,535</b>
Head of Governance (wef 27/04/2020)	61,859		<b>61,859</b>	12,557	<b>74,416</b>
Head of Housing	71,106		<b>71,106</b>	14,435	<b>85,541</b>
Head of Environment	71,764		<b>71,764</b>	14,568	<b>86,332</b>
Head of Economic Development and Planning Policy	75,711		<b>75,711</b>	15,494	<b>91,205</b>

### NOTE:

The Council also incurred the following costs in the following roles which were occupied on an interim basis:

Head of Strategic Investment – £188,542 for the whole of 2020/21

Head of Governance & Monitoring Officer - £18,072 for the period April to May 2020

## Notes to the Accounts

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### Other Employees

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

<b>2020/21 Number of employees Total</b>	<b>Remuneration Bands</b>	<b>2021/22 Number of employees Total</b>
11	£50,000 to £54,999	10
4	£55,000 to £59,999	7
2	£60,000 to £64,999	1
-	£65,000 to £69,999	-
1	£70,000 to £74,999	-
<b>18</b>	<b>Total</b>	<b>18</b>

### Exit Packages

There were no exit packages (including any compulsory / voluntary redundancies) agreed in 2021/22 or 2020/21.

## Notes to the Accounts

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### **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

**2021/22**

	Usable Reserves			Movement in Unusable Reserves	Relevant Unusable Reserve
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account		
	£000	£000	£000		
Depreciation and revaluation losses	10,481	-	-	(10,481)	Capital Adjustment Account
Amortisation of intangible assets	170	-	-	(170)	
Changes in the fair value of investment properties	(638)	-	-	638	
Revenue expenditure funded from capital under statute	3,219	-	-	(3,219)	
Net gain/ loss on disposal of non-current assets & from other receipts	(8,801)	15,796	-	(6,995)	
Capital grants and contributions	(8,382)	-	37	8,345	
Donated Capital Assets	-	-	-	-	
Provision for repayment of debt	(657)	-	-	657	
Capital expenditure charged to revenue	(83)	-	-	83	
<b>Capital Adjustments</b>	<b>(4,691)</b>	<b>15,796</b>	<b>37</b>	<b>(11,142)</b>	
Use of capital receipts reserve to finance capital expenditure	-	(18,382)	-	18,382	Capital Adjustment Account
Use of capital grants to finance capital expenditure	-	-	(2,062)	2,062	
Repayment of capital loans and mortgages	-	11	-	(11)	Deferred Capital Receipts Reserve
<b>Financing Adjustments</b>	<b>-</b>	<b>(18,371)</b>	<b>(2,062)</b>	<b>20,433</b>	
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on provision of services	7,236	-	-	(7,236)	Pension Reserve
Employer's contributions to the Essex Pension Fund	(3,167)	-	-	3,167	
<b>Pension Adjustments</b>	<b>4,069</b>	<b>-</b>	<b>-</b>	<b>(4,069)</b>	
Statutory reversal of loss on pooled fund investments	(1,713)	-	-	1,713	Pooled Investments Adjustment Account
Council Tax and Business Rates	(4,780)	-	-	4,780	Collection Fund Adjustment Account
Accrued officer leave	(63)	-	-	63	Accumulated Absences Account
<b>Other Adjustments</b>	<b>(6,556)</b>	<b>-</b>	<b>-</b>	<b>6,556</b>	
<b>Total Adjustments between Accounting Basis and Funding Basis</b>	<b>(7,178)</b>	<b>(2,575)</b>	<b>(2,025)</b>	<b>11,778</b>	



## Notes to the Accounts

<u>2020/21</u>	Usable Reserves			Movement in Unusable Reserves £000	Relevant Unusable Reserve
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account		
	£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)	
Net gain/ loss on disposal of non-current assets & from other receipts	(3,958)	5,080	-	(1,122)	
Capital grants and contributions	(4,688)	-	139	4,549	
Donated Capital Assets	(307)	-	-	307	
Provision for repayment of debt	(721)	-	-	721	
Capital expenditure charged to revenue	(39)	-	-	39	
<b>Capital Adjustments</b>	<b>(6,504)</b>	<b>5,080</b>	<b>139</b>	<b>1,285</b>	
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
<b>Financing Adjustments</b>	<b>-</b>	<b>(14,989)</b>	<b>(10)</b>	<b>14,999</b>	
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	
<b>Pension Adjustments</b>	<b>1,416</b>	<b>-</b>	<b>-</b>	<b>(1,416)</b>	
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
<b>Other Adjustments</b>	<b>4,480</b>	<b>-</b>	<b>-</b>	<b>(4,480)</b>	
<b>Total Adjustments between Accounting Basis and Funding Basis</b>	<b>(608)</b>	<b>(9,909)</b>	<b>129</b>	<b>10,388</b>	

## Notes to the Accounts

### 12. General Fund Balances

	Balance 31-Mar 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance 31-Mar 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance 31-Mar 2022 £000
<b>Capital Investment:</b>							
Capital reserve (general)	410	(235)	3,720	3,895	(592)	3,267	6,570
District Investment Strategy	6,051	(3,054)	-	2,997	-	-	2,997
I-Construct Project	1,214	(443)	-	771	(771)	-	-
Financial systems replacement	121	(67)	109	163	(1)	-	162
Vehicle replacement	165	(76)	104	193	(270)	96	19
Plant replacement	169	-	51	220	-	52	272
New Homes Bonus	2,887	(1,266)	1,006	2,627	(1,071)	1,822	3,378
Business Rate Pool	1,344	-	648	1,992	(1,500)	644	1,136
Discovery Centre All Weather Pitch	75	(28)	-	47	(5)	-	42
ICT	253	-	-	253	-	-	253
	<b>12,689</b>	<b>(5,169)</b>	<b>5,638</b>	<b>13,158</b>	<b>(4,210)</b>	<b>5,881</b>	<b>14,829</b>
<b>Risk Management:</b>							
Insurance & Risk Management	107	(16)	-	91	(10)	15	96
Treasury Management	1,272	-	-	1,272	(203)	-	1,069
Housing Benefit overpayments	1,044	(44)	-	1,000	(46)	-	954
Business Rate Retention Scheme	1,359	-	7,794	9,153	(7,369)	3,172	4,956
	<b>3,782</b>	<b>(60)</b>	<b>7,794</b>	<b>11,516</b>	<b>(7,628)</b>	<b>3,187</b>	<b>7,075</b>
<b>Service Reserves:</b>							
Community projects	242	(26)	3	219	(78)	17	158
Elections	111	-	50	161	-	42	203
Business Development	309	-	66	375	(15)	288	648
Apprenticeships	71	-	10	81	-	43	124
Commuted Maintenance	527	(106)	-	421	(106)	-	315
Unilateral undertakings	508	-	38	546	(93)	64	517
Community Grants scheme	103	(67)	-	36	-	12	48
Procurement Hub	66	-	29	95	(4)	-	91
Discretionary Business rate relief	68	-	-	68	(68)	-	-
Local Plan	266	-	76	342	(49)	-	293
Local Council Tax Support	376	(100)	66	342	-	198	540
Leisure	128	(55)	-	73	(6)	-	67
Planned maintenance (Revenue)	73	(16)	-	57	-	22	79

## Notes to the Accounts

Planning Appeals	440	(155)	-	285	(99)	96	282
Public Health Agenda	123	(14)	14	123	(13)	15	125
Homelessness	618	(222)	366	762	(244)	479	997
Development Control	275	(124)	-	151	(121)	150	180
Housing Development & Local Growth	150	-	600	750	(639)	-	111
Land Charges Data Cleansing	100	-	-	100	-	-	100
Covid-19 General	-	-	266	266	-	1,394	1,660
Covid-19 Business Support Grants	-	-	302	302	(302)	-	-
Climate Change Strategy	-	-	-	-	(11)	467	456
Planning Enforcement	-	-	-	-	-	150	150
Recycling Income	-	-	-	-	-	361	361
Other reserves less than £50k	327	(32)	25	320	(151)	6	175
Approved budget carry forwards	302	(138)	178	342	(238)	364	468
	<b>5,183</b>	<b>(1,055)</b>	<b>2,089</b>	<b>6,217</b>	<b>(2,237)</b>	<b>4,168</b>	<b>8,148</b>
<b>Change Management:</b>							
Management training & organisational development	70	(5)	-	65	(5)	-	60
Corporate Improvement Programme	207	(34)	15	188	(22)	56	222
	<b>277</b>	<b>(39)</b>	<b>15</b>	<b>253</b>	<b>(27)</b>	<b>56</b>	<b>282</b>
<b>Total Earmarked Reserves</b>	<b>21,931</b>	<b>(6,323)</b>	<b>15,536</b>	<b>31,144</b>	<b>(14,102)</b>	<b>13,292</b>	<b>30,334</b>
Unallocated balance	6,882	(1,917)	1,034	5,999	(1,459)	1,516	6,056
<b>Total General Fund</b>	<b>28,813</b>	<b>(8,240)</b>	<b>16,570</b>	<b>37,143</b>	<b>(15,561)</b>	<b>14,808</b>	<b>36,390</b>

**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. Significant additions were made to the BRRS reserve in 2020/21 and 2021/22 which reflect section 31 grants received to meet the shortfall in business rate income as a result of government reliefs to businesses for the impact of the coronavirus pandemic. The shortfall in income due to these reliefs were accounted for in subsequent years and offset by these grants

**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	Community Assets	Surplus Assets Not for Sale	Assets Under Construction	Total Property, Plant, and Equipment
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
At 1 April 2021	423	58,034	13,137	2,808	6,011	36,538	116,951
Additions	-	536	1,940	101	-	25,583	28,160
Transfers and reclassifications	-	26,395	-	-	2,660	(42,023)	(12,968)
Revaluations	-	(3,058)	-	-	2,797	-	(261)
Disposals & derecognition	-	(1)	(1,792)	-	-	(2,717)	(4,510)
<b>At 31 March 2022</b>	<b>423</b>	<b>81,906</b>	<b>13,285</b>	<b>2,909</b>	<b>11,468</b>	<b>17,381</b>	<b>127,372</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2021	-	(81)	(8,097)	(503)	-	(316)	(8,997)
Depreciation charge	(4)	(1,986)	(1,007)	(1)	-	-	(2,998)
Transfers and reclassifications	-	-	-	-	-	-	-
Write out of depreciation on revaluation	-	1,971	-	-	-	-	1,971
Impairments	-	-	-	-	-	-	-
Disposals & derecognition	-	-	1,756	-	-	316	2,072
<b>At 31 March 2022</b>	<b>(4)</b>	<b>(96)</b>	<b>(7,348)</b>	<b>(504)</b>	<b>-</b>	<b>-</b>	<b>(7,952)</b>
<b>Net Book Value:</b>							
<b>At 31 March 2022</b>	<b>419</b>	<b>81,810</b>	<b>5,937</b>	<b>2,405</b>	<b>11,468</b>	<b>17,381</b>	<b>119,420</b>
At 31 March 2021	423	57,953	5,040	2,305	6,011	36,222	107,954

## Notes to the Accounts

### Comparative Movements in 2020/21

	Council Dwellings	Other Land and Building	Vehicles, Plant & Equipment	Community Assets	Surplus Assets Not for Sale	Assets Under Construction	Total Property, Plant, and Equipment
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
At 1 April 2020	320	56,938	13,135	2,383	7,993	12,124	92,893
Additions	-	566	357	181	318	25,902	27,324
Transfers and reclassifications	-	(9)	52	244	57	(460)	(116)
Revaluations	103	539	-	-	(2,357)	-	(1,715)
Disposals & derecognition	-	-	(407)	-	-	(1,028)	(1,435)
<b>At 31 March 2021</b>	<b>423</b>	<b>58,034</b>	<b>13,137</b>	<b>2,808</b>	<b>6,011</b>	<b>36,538</b>	<b>116,951</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2020	-	(81)	(7,248)	(502)	-	-	(7,831)
Depreciation charge	(4)	(1,772)	(1,181)	(1)	-	-	(2,958)
Transfers and reclassifications	-	-	-	-	-	-	-
Write out of depreciation on revaluation	4	1,772	-	-	-	-	1,776
Impairments	-	-	-	-	-	(316)	(316)
Disposals & derecognition	-	-	332	-	-	-	332
<b>At 31 March 2021</b>	<b>-</b>	<b>(81)</b>	<b>(8,097)</b>	<b>(503)</b>	<b>-</b>	<b>(316)</b>	<b>(8,997)</b>
<b>Net Book Value:</b>							
<b>At 31 March 2021</b>	<b>423</b>	<b>57,953</b>	<b>5,040</b>	<b>2,305</b>	<b>6,011</b>	<b>36,222</b>	<b>107,954</b>
At 31 March 2020	320	56,857	5,887	1,881	7,993	12,124	85,062

### 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

2020/21 £000		2021/22 £000
	<b><u>Infrastructure Assets:</u></b>	
<b>2,744</b>	<b>Net Book Value (modified historical cost) at 1 April</b>	<b>2,735</b>
110	Additions	171
-	- Derecognition	(779)
(235)	Depreciation	(238)
-	- Depreciation written out on derecognition	779
116	Other Movements	6,427
<b>2,735</b>	<b>Net Book Value at 31 March</b>	<b>9,095</b>

In accordance with the temporary relief offered by the Update to the Code on Infrastructure Assets, this note does not include disclosure of gross cost and accumulated depreciation because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

## 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).. The effective date of valuations conducted in the year was 31 March 2022. 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

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Surplus Asset</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Carried at historical cost		398	13,285		<b>13,683</b>
Valued at Fair Value as at:					
31-Mar-18	-	-	-	-	-
31-Mar-19	-	356	-	-	<b>356</b>
31-Mar-20	-	113	-	-	<b>113</b>
31-Mar-21	423	1,364	-	5,710	<b>7,497</b>
31-Mar-22	-	79,675	-	5,757	<b>85,432</b>
<b>Total Cost or Valuation</b>	<b>423</b>	<b>81,906</b>	<b>13,285</b>	<b>11,467</b>	<b>107,081</b>

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

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### 14. 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 2021/22 there was £11k of expenditure on enhancements, but no additions or disposals (2020/21 enhancements totalled £8k).

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 2022 was £0.698m (£0.663m 31 March 2021).

Further information about the Council’s collection of heritage assets, including the Museum Collections Management Policy, can be found at [www.braintreemuseum.co.uk](http://www.braintreemuseum.co.uk)



## Notes to the Accounts

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### 15. Investment Property

Income from investment property was £2.850m in the year (£2.592m in 2020/21), and related expenses incurred were £0.330m (£0.354m in 2020/21) resulting in a net gain of £2.520m (£2.238m in 2020/21).

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.

The following table summarises the movement in carrying value:

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
37,246	Balance at 1 April	43,231
-	Additions	-
16	Enhancement expenditure	82
-	Disposals	-
-	Category transfer	-
5,969	Net gain from change in fair value	638
<b>43,231</b>	<b>Balance at 31 March</b>	<b>43,951</b>

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

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### 16. Intangible Assets

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

2020/21 £000		2021/22 £000
	Balance at 1 April:	
1,618	Gross carrying amounts	1,701
(975)	Accumulated amortisation	(1,104)
<b>643</b>	<b>Net carrying amount at 1 April</b>	<b>597</b>
137	Additions and enhancements	25
(54)	Disposals - gross value	(32)
35	Disposals - accumulated amortisation	32
	Transfers and reclassifications	-
(164)	Amortisation for the period	(170)
<b>597</b>	<b>Net carrying amount at 31 March</b>	<b>452</b>
	Comprising:	
1,701	Gross carrying amounts	1,694
(1,104)	Accumulated amortisation	(1,242)
<b>597</b>		<b>452</b>

### 17. Assets Held for Sale

The movement on Assets Held for Sale during the year is as follows:

2020/21 £000		2021/22 £000
-	Balance at 1 April:	-
-	Asset Reclassification	6,541
-	Disposal	(4,557)
-	<b>Balance at 31 March</b>	<b>1,984</b>

## 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.

2020/21 £000		2021/22 £000
<b>12,803</b>	<b>Opening Capital Financing Requirement</b>	<b>23,799</b>
	Capital Investment:	
27,434	Property, plant and equipment	28,331
16	Investment properties	82
137	Intangible assets	25
8	Heritage Assets	11
4,016	Revenue expenditure funded from capital under statute (REFCUS)	3,219
<b>31,611</b>		<b>31,668</b>
	Sources of Finance:	
(14,989)	Capital receipts	(18,382)
(4,559)	Government grants and other contributions	(10,407)
(39)	Sums set aside from revenue (including earmarked reserves)	(83)
(307)	Donated Assets	-
(721)	Minimum Revenue Provision	(657)
<b>(20,615)</b>		<b>(29,529)</b>
	Repayment of long-term debtors	
<b>23,799</b>	<b>Closing Capital Financing Requirement</b>	<b>25,938</b>
	<b>Explanation of movements in the year:</b>	
11,717	Increase due to capital expenditure not yet financed	10,713
-	Repayment of prior year unfinanced expenditure	(7,918)
(721)	Minimum Revenue Provision	(657)
<b>10,996</b>	<b>Increase (Reduction) in Capital Financing Requirement</b>	<b>2,138</b>

## Notes to the Accounts

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### 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 £3.602m (£29.911m at 31 March 2021).

### 20. Financial Instruments

#### Income, Expense, Gains and Losses on Financial Instruments

2020/21 £000		2021/22 £000
	<b>Surplus or Deficit on the Provision of Services</b>	
	<b>Net (gains)/ losses on:</b>	
(3,509)	Financial assets measured at fair value through profit or loss	(1,713)
0	Change in carrying value of impaired deposit	0
<b>(3,509)</b>	<b>Total (gains)/ losses</b>	<b>(1,713)</b>
	<b>Interest &amp; dividend revenue:</b>	
(86)	Financial assets measured at amortised cost	(19)
(815)	Financial assets measured at fair value through profit or loss	(844)
<b>(901)</b>	<b>Total revenue</b>	<b>(863)</b>
	<b>Interest expense</b>	
381	Financial liabilities measured at amortised cost	387
<b>381</b>	<b>Total expense</b>	<b>387</b>
	<b>Loss allowances</b>	
8	Impairment losses (reversals)	(10)
<b>8</b>	<b>Total loss allowance</b>	<b>(10)</b>
<b>(4,021)</b>	<b>Net (Gains)/ Losses for the year</b>	<b>(2,199)</b>

## Notes to the Accounts

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

	Non-Current		Current	
	31-Mar-21 £000	31-Mar-22 £000	31-Mar-21 £000	31-Mar-22 £000
<b>Financial Assets</b>				
<b>Investments</b>				
<b>Amortised cost</b>				
Principal	-	-	-	13,000
<b>Fair Value through profit or loss</b>				
Money Market Funds	-	-	14,015	23,998
Pooled funds	20,222	21,952	-	-
Accrued dividends	-	-	171	183
<b>Total Investments</b>	<b>20,222</b>	<b>21,952</b>	<b>14,186</b>	<b>37,181</b>
<b>Debtors (amortised cost)</b>				
Trade receivables and other debtors	-	-	4,304	6,245
Loans made for service purposes	47	27	2	1
Accrued interest	-	-	-	-
Loss allowance	-	-	(66)	(55)
<b>Total Debtors</b>	<b>47</b>	<b>27</b>	<b>4,240</b>	<b>6,191</b>
<b>Restricted Cash</b>	-	-	3,071	-
<b>Cash and Cash Equivalents (amortised cost)</b>				
Cash and bank accounts	-	-	2,039	(35)
Accrued interest	-	-	-	-
<b>Total Cash and Cash Equivalents</b>	-	-	<b>2,039</b>	<b>(35)</b>
<b>Total Financial Assets</b>	<b>20,269</b>	<b>21,979</b>	<b>23,536</b>	<b>43,337</b>

The Balance Sheet includes £2.030m (31 March 2021 £2.370m) of Long-term Debtors and £5,405m (31 March 2021 £14.557m) of Short-term Debtors that do not meet the definition of a financial asset.

## Notes to the Accounts

	Non-Current		Current	
	31-Mar-21 £000	31-Mar-22 £000	31-Mar-21 £000	31-Mar-22 £000
<b>Financial Liabilities (at amortised cost)</b>				
<b>Borrowings</b>				
Principal sum borrowed	6,000	-	-	6,000
Accrued interest			8	8
<b>Total Borrowings</b>	<b>6,000</b>	<b>-</b>	<b>8</b>	<b>6,008</b>
<b>Other Long Term Liabilities</b>				
Finance leases	1,916	2,953	-	-
<b>Total Other Long Term Liabilities</b>	<b>1,916</b>	<b>2,953</b>	<b>-</b>	<b>-</b>
<b>Creditors</b>				
Trade payables and other creditors	39	46	7,897	9,851
<b>Total Creditors</b>	<b>39</b>	<b>46</b>	<b>7,897</b>	<b>9,932</b>
<b>Other Short Term Liabilities</b>				
Bank Overdraft	-	-	-	-
Finance leases	-	-	46	186
<b>Total Other Short Term Liabilities</b>	<b>-</b>	<b>-</b>	<b>46</b>	<b>186</b>
<b>Total Financial Liabilities</b>	<b>7,955</b>	<b>2,999</b>	<b>7,951</b>	<b>16,045</b>

The Balance Sheet total for Short-term Creditors includes £29.358m (31 March 2021 £20.706m) 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-21		31-Mar-22	
	Fair Value Level	Carrying Value £000	Fair Value £000	Carrying Value £000	Fair Value £000
<b>Financial Assets held at fair value:</b>					
Money Market Funds	1	14,015	14,015	24,004	24,004
Equity Multi-Asset Funds	1	14,176	17,199	18,399	18,399
Property Fund	2	3,023	3,023	3,553	3,553
<b>Total</b>		<b>31,214</b>	<b>34,237</b>	<b>45,956</b>	<b>45,956</b>
Asset for which fair value is not disclosed		12,591		19,360	
<b>Total Financial Assets</b>		<b>43,805</b>		<b>65,316</b>	
<i>Recorded on the Balance Sheet as:</i>					
Long Term Investments		20,222		21,952	
Long Term Debtors		47		26	
Short Term Investments		14,015		36,998	
Short Term Debtors		4,411		6,374	
Restricted Cash		3,071		-	
Cash and Cash Equivalents		2,039		(35)	
<b>Total Financial Assets</b>		<b>43,805</b>		<b>65,316</b>	

## Notes to the Accounts

		31-Mar-21		31-Mar-22	
	Fair Value Level	Carrying Value £000	Fair Value £000	Carrying Value £000	Fair Value £000
<b>Financial Liabilities held at amortised cost:</b>					
LOBO loans	2	6,008	8,935	6,008	8,066
Lease payables	2	1,962	3,664	3,139	4,055
<b>Total</b>		<b>7,970</b>	<b>12,599</b>	<b>9,147</b>	<b>12,121</b>
Liabilities for which fair value is not disclosed		7,936		9,897	
<b>Total Financial Liabilities</b>		<b>15,906</b>		<b>19,044</b>	
<i>Recorded on the Balance Sheet as:</i>					
Short Term & Long-Term Creditors		7,944		9,905	
Other Short-Term Liabilities		46		186	
Short Term Borrowing		-		6,000	
Long Term Borrowing		6,000		-	
Other Long Term Liabilities		1,916		2,953	
<b>Total Financial Liabilities</b>		<b>15,906</b>		<b>19,044</b>	

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.

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](http://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

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### 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:

	<b>31-Mar-21</b>	<b>31-Mar-22</b>
	<b>£000</b>	<b>£000</b>
<b>Credit Rated</b>		
AAA	14,015	23,998
BBB+	-	-
Debt Management Office (UK Government)	-	13,000
<b>Total</b>	<b>14,015</b>	<b>36,998</b>
Pooled Funds (unrated)	20,222	21,952
<b>Total Investments</b>	<b>34,237</b>	<b>58,950</b>

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

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Debtors include a total of £0.598m of trade receivables (£0.804m at 31 March 2021). The amount can be analysed by age of debt as follows:

<b>31-Mar-21</b>	<b>Aged debt analysis</b>	<b>31-Mar-22</b>
<b>£000</b>		<b>£000</b>
356	Less than 3 months	329
249	Three to six months	75
118	Six months to one year	22
81	More than one year	46
<b>804</b>	<b>Total due at 31 March</b>	<b>472</b>

A provision of £55k (£66k at March 2021) 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 £26k at the Balance Sheet date (£47k at 31 March 2021) 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 20 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 £21.952 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 (£18.399m) 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 (£3.553m) has monthly redemption

## Notes to the Accounts

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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:

	<b>£000</b>
Increase in interest payable on variable rate borrowings – assuming the option to repay was not exercised on the market loans	60
Increase in interest receivable on variable rate investments – based on the average amount invested in short-term financial assets during the year of £41,073 million	(417)
<b>Impact on the Surplus or Deficit on the Provision of Services</b>	<b>(357)</b>

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

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### 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 £0.386m 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 £0.507m 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:

<b>31-Mar-21</b>		<b>31-Mar-22</b>
<b>£000</b>		<b>£000</b>
18	PPE – Vehicles & plant	1,327
1,858	Investment property	1,849
<b>1,876</b>	<b>Total Carrying Value</b>	<b>3,176</b>

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:

<b>31-Mar-21</b>		<b>31-Mar-22</b>
<b>£000</b>		<b>£000</b>
	Finance lease liabilities:	
46	• Current	186
1,916	• Non-current	2,953
5,887	Finance costs	5,866
<b>7,849</b>	<b>Total Minimum Lease Payments</b>	<b>9,005</b>

## Notes to the Accounts

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31-Mar-21 £000	31-Mar-22 £000	31-Mar-21 £000	31-Mar-22 £000
Not later than one year	138	296	46	186
Over one year but not later than five years	373	1,177	11	766
Later than five years	7,338	7,532	1,905	2,187
	<b>7,849</b>	<b>9,005</b>	<b>1,962</b>	<b>3,139</b>

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.

### 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-21 £000		31-Mar-22 £000
1,080	Not later than one year	1,009
4,319	Later than one year and not later than five years	3,973
2,657	Later than five years	1,625
<b>8,056</b>		<b>6,607</b>

## Notes to the Accounts

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### 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:

<b>31-Mar-21</b>		<b>31-Mar-22</b>
<b>£000</b>		<b>£000</b>
304	Not later than one year	224
842	Later than one year and not later than five years	649
853	Later than five years	837
<b>1,999</b>		<b>1,710</b>

## Notes to the Accounts

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### 24. Long and Short-term Debtors

<b>31-Mar-21</b>		<b>31-Mar-22</b>
<b>£000</b>		<b>£000</b>
2,370	Deferred income from property leases	2,030
47	Mortgages & other advances	27
<b>2,417</b>	<b>Long-Term Debtors</b>	<b>2,057</b>

<b>31-Mar-21</b>		<b>31-Mar-22</b>
<b>£000</b>		<b>£000</b>
1,676	Central government bodies	928
7,175	Central government business rate agency	835
1,934	Essex County Council (ECC)	2,216
1,936	ECC business rate and council tax agency	150
517	Other local authorities	258
	Other entities and individuals:	
1,028	• Council Tax & business rate payers	817
1,000	• Housing Benefit overpayments & penalties	954
171	• Accrued interest & dividends	183
337	• Trade receivables	344
318	• Deferred income from property leases	340
2,876	• Other debtors and prepayments	4,870
<b>18,968</b>	<b>Short-Term Debtors</b>	<b>11,943</b>

## Notes to the Accounts

### 25. Long and Short-term Creditors

31-Mar-21 £000		31-Mar-22 £000
	Central government bodies:	
4,422	• Business grants agency (Covid-19)	4,556
-	• Business rate agency	
10,781	• Business rates compensation grant	7,133
-	• Energy rebate agency	7,668
2,135	• Other central government	6,893
1,792	Essex County Council (ECC)	1,635
-	- ECC business rate and council tax agency	276
193	Other local authorities	125
	Other entities and individuals:	
516	• Council Tax & business rates prepaid	459
8	• Accrued interest	8
2,114	• Supplier creditors	-
6,650	• Other creditors and receipts in advance	10,464
<b>28,611</b>	<b>Short-Term Creditors</b>	<b>39,217</b>
31-Mar-21 £000		31-Mar-22 £000
39	Rent Deposits	46
<b>39</b>	<b>Long-Term Creditors</b>	<b>46</b>



## 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:

2020/21 £000		2021/22 £000
	<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>	
	<b>Service cost included within the Cost of Services</b>	
5,561	Current service cost	6,119
-	Past service costs (including curtailments)	-
38	(Gains) or losses on settlements	-
95	Administration expenses	94
	<b>Financing and Investment Income and Expenditure</b>	
1,345	Net interest expense	1,023
<b>7,039</b>	<b>Post-employment Benefits Charged to Surplus or Deficit on the Provision of Services</b>	<b>7,236</b>
	<b>Re-measurement of the Net Defined Benefit Liability comprising:</b>	
(41,663)	Return on assets excluding amounts included in the net interest	(14,510)
(2,389)	Actuarial (gains) arising on changes in demographic assumptions	(5,646)
46,362	Actuarial (gains) and losses arising on changes in financial assumptions	(11,021)
-	Other Actuarial (gains) and losses on assets	(2,217)
(2,760)	Experience and other (gains) and losses	(9,786)
<b>(450)</b>	<b>Re-measurements recognised in Other Comprehensive Income</b>	<b>(43,180)</b>
<b>6,589</b>	<b>Total Post Employment-Benefits Charged to the CI+ES</b>	<b>(35,944)</b>
	<b><u>Movement in Reserves Statement</u></b>	
(7,039)	Reversal of the net charge made to the Surplus or Deficit for the Provision of Services	(7,236)
5,623	Employers' contributions charged against the General Fund balance	3,169
<b>(1,416)</b>	<b>Net Adjustments in the MIRS</b>	<b>(4,067)</b>

## 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:

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
195,408	Fair value of employer assets	213,113
(239,023)	Present value of funded liabilities	(218,926)
(9,105)	Present value of unfunded liabilities	(7,794)
<b>(52,720)</b>	<b>Net Liability</b>	<b>(13,607)</b>

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

	<b>Funded liabilities: Local Government Pension Scheme</b>		<b>Unfunded liabilities: Discretionary Benefits</b>	
	<b>2020/21</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening balance at 1 April</b>	<b>194,230</b>	<b>239,023</b>	<b>8,836</b>	<b>9,105</b>
Current service cost	5,561	6,119	-	-
Interest cost	4,030	4,727	161	176
Contributions from scheme participants	841	858	-	-
<i>Re-measurement (gains) and losses:</i>				
Changes in demographic assumptions	(2,273)	(5,384)	(116)	(262)
Changes in financial assumptions	45,386	(10,845)	976	(176)
Experience (gain) or loss	(2,620)	(9,324)	(140)	(462)
Past service cost	-	-	-	-
Losses on curtailment	-	-	-	-
Benefits paid	(6,235)	(6,248)	(612)	(587)
Liabilities extinguished on settlements	103	-	-	-
<b>Closing balance at 31 March</b>	<b>239,023</b>	<b>218,926</b>	<b>9,105</b>	<b>7,794</b>

## Notes to the Accounts

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

2020/21		2021/22	
£000		£000	
<b>151,315</b>	<b>Opening fair value of scheme assets</b>	<b>195,408</b>	
2,846	Interest income	3,880	
	<i>Re-measurement gain/ (loss):</i>		
41,663	Return on assets less interest	14,510	
-	Other actuarial gains/ (losses)	2,217	
(95)	Administration expenses	(94)	
5,620	Contributions from employer	3,169	
841	Contributions from employees	858	
(6,847)	Benefits paid	(6,835)	
65	Settlement prices paid	-	
<b>195,408</b>	<b>Closing balance at 31 March</b>	<b>213,113</b>	

### Pension scheme assets:

31-Mar-21		31-Mar-22	
Fair value	% of	Fair value	% of
£000	Total	£000	Total
123,610	63%	126,472	59%
4,979	2%	5,157	2%
9,506	5%	9,254	4%
13,771	7%	18,203	9%
4,922	3%	6,032	3%
22,459	11%	26,861	13%
16,161	8%	21,134	10%
<b>195,408</b>	<b>99%</b>	<b>213,113</b>	<b>100%</b>

At the 31 March 2022, 65% (67.3% 31 March 2021) of the assets of the fund were held in quoted securities/ investments.

## Notes to the Accounts

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### 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-21		31-Mar-22
	<b>Financial assumptions:</b>	
2.85%	Rate of CPI inflation	3.20%
3.85%	Rate of increase in salaries	4.20%
2.85%	Rate of increase in pensions	3.20%
2.00%	Rate for discounting liabilities	2.60%
	<b>Longevity from age 65 (years):</b>	
22.9 (25.1)	Male (female) Retiring in 20 years	22.3 (24.9)
21.6 (23.6)	Male (female) Retiring today	21 (23.5)

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 £4.139m (or +/-1.83%)
- Change in the long term salary increase by +/-0.1% - increases/ decreases the obligation by £0.389m (or +/-0.17%)
- Change in pension increases and deferred revaluations by +/-0.1% - increases/ decreases the obligation by £3.843m (or +/-1.70%)
- Change in the member life expectancy by +/- one year – increases/ decreases the obligation by £11.745m (or +/-5.18%)

### Risks associated with the defined benefit scheme

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

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

## Notes to the Accounts

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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 £35.688 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 2023 is £2.752m.

## Notes to the Accounts

### 27. Unusable Reserves

31-Mar-21 £000		31-Mar-22 £000
30,276	Revaluation Reserve	38,137
101,325	Capital Adjustment Account	111,720
37	Deferred Capital Receipts	27
(52,720)	Pensions Reserve	(13,607)
1,237	Pooled Investments Adjustment Account	2,950
(7,216)	Collection Fund Adjustment Account	(2,436)
(354)	Accumulating Absences Account	(292)
<b>72,585</b>	<b>Total Unusable Reserves</b>	<b>136,499</b>

### Revaluation Reserve

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

2020/21 £000		2021/22 £000	£000
<b>29,649</b>	<b>Balance at 1 April</b>	<b>30,276</b>	
9,052	Upward revaluation of assets	9,124	
(7,504)	Downward revaluation of assets and impairment losses	(171)	
1,548	Surplus on revaluation of non-current assets not posted to Surplus/ Deficit on the Provision of Services		8,953
(921)	Difference between fair value depreciation and historical cost depreciation	(1,091)	
-	Accumulated gains on assets disposed	(1)	
(921)	Amount written off to the Capital Adjustment Account		(1,092)
<b>30,276</b>	<b>Balance at 31 March</b>	<b>38,137</b>	

## 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.

2020/21		2021/22	
£000		£000	£000
<b>84,120</b>	<b>Balance at 1 April</b>		<b>101,325</b>
	Reversal of items relating to capital expenditure debited or credited to the CI+ES:		
(4,998)	• Depreciation and impairment of non-current assets	(10,481)	
(164)	• Amortisation of intangible assets	(170)	
(4,016)	• Revenue expenditure funded from capital under statute	(3,219)	
(1,122)	• Amounts of Non-current assets written off on disposal	(6,995)	
<u>(10,300)</u>		<u>(20,865)</u>	
921	Adjusting amounts written out of the Revaluation Reserve	1,091	
<b>(9,379)</b>	Net written out amount of the cost of non-current assets consumed in the year		<b>(19,774)</b>
	Capital financing applied in the year:		
14,989	• Capital Receipts	18,382	
4,549	• Grants and contributions received and applied in the year	10,408	
10	• Capital Grants Unapplied Account	-	
307	• Donated Assets	-	
721	• Minimum revenue provision	657	
39	• Capital expenditure charged to revenue	84	
<b>20,615</b>		<b>29,531</b>	
<b>5,969</b>	Movements in the market value of Investment Properties		<b>638</b>
<b>101,325</b>	<b>Balance at 31 March</b>		<b>111,720</b>

### 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 2021/22 the movement on this account was an unrealised gain of £1.713m (unrealised loss in 2020/21 £3.509m).

## Notes to the Accounts

### 28. Cash Flow Operating Activities

2020/21 £000		2021/22 £000
	<b>Cash flows for operating activities included the following items:</b>	
(946)	Interest & dividends received	(863)
380	Interest paid	388
<b>(566)</b>		<b>(475)</b>
	<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements:</b>	
(3,196)	Depreciation	(3,238)
(1,802)	Revaluation losses/ gains	(7,244)
(164)	Amortisation of intangibles	(170)
9,478	Change in fair value of investment property and financial assets	2,351
(10,883)	(Increase) in creditors	1,852
(205)	(Increase) in provisions	(296)
(283)	Increase/ (decrease) in debtors	(8,940)
(16)	Increase in inventories	13
(1,416)	Movement in pension liability	(4,069)
(1,122)	Carrying amount of non-current assets sold	(6,995)
<b>(9,609)</b>	<b>Total non-cash movements</b>	<b>(26,735)</b>
	<b>Adjustment for items included in the surplus or deficit on the provision of services that are investing and financing activities:</b>	
2,445	Net rental income from investment property	2,744
5,089	Proceeds from the sale of property, plant and equipment, investment property, and other capital receipts	15,796
2,582	Capital grants credited to surplus or deficit on the provision of services	7,250
<b>10,116</b>	<b>Total of items that are investing and financing activities</b>	<b>25,790</b>



## Notes to the Accounts

### 29. Cash Flow Reconciliation of Liabilities arising from Financing Activities

	01-Apr-21 £000	Financing cash flows £000	Non-cash change £000	31-Mar-22 £000
Long-term borrowings	(6,000)	-	6,000	-
Finance lease liabilities	(1,916)	(1,223)	186	(2,953)
<i>Short-term borrowing</i>				
Finance lease liabilities	(46)	46	(186)	(186)
Short-term borrowing	-		(6,000)	(6,000)
<b>Total Liabilities from Financing Activities</b>	<b>(7,962)</b>	<b>(1,177)</b>	<b>-</b>	<b>(9,139)</b>
Net change in agency debtor/ creditor		(11,117)		
<b>Net Cash outflow from Financing Activities</b>		<b>(12,294)</b>		

### Comparative Year 2020/21

	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	-			-
<b>Total Liabilities from Financing Activities</b>	<b>(8,180)</b>	<b>218</b>	<b>-</b>	<b>(7,962)</b>
Change in agency related creditors		8,986		
<b>Net Cash outflow from Financing Activities</b>		<b>9,204</b>		

## Notes to the Accounts

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### **30. Related Party Transactions**

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

#### **Braintree District Museum Trust (“the Museum Trust”)**

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

Payments were made to the Museum Trust amounting to £192,640 (£87,345 in 2020/21). This includes £6,000 reported within the Braintree District Councillors’ Grant Scheme below

A Braintree District Council Member is a director (non-remunerated) of the Warner Textile Archive, a subsidiary of the Museum Trust

At the Balance Sheet date there was no outstanding balance (£8,834 at 31 March 2021) on a loan made to Warner Textiles Ltd.

#### **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 £61,259 was paid out (£70,561 in 2020/21) 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](#).

#### **Bridge Community Trust**

A Braintree District Council Corporate Director is a trustee of the Bridge Community Trust.

A Payment in relation to Health and Wellbeing funding was made to the Trust amounting to £900

## Notes to the Accounts

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### 31. 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.

### 32. 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.

### 33. Events after the Balance Sheet Date

As at the balance sheet date, the Council held two Lender Option Borrower Option loans amounting to £6m at a combined rate of 4.7%. In early 2022/23 these loans were repaid and refinanced using PWLB borrowing at a rate of 2.59%. As part of the refinancing a premium was paid amounting to £1.4m.

## Collection Fund

2020/21			Note	2021/22	
Business Rates £000	Council Tax £000			Business Rates £000	Council Tax £000
		<b><u>Income</u></b>			
	98,726	Council Tax receivable	1		102,522
25,225	-	Business Rates receivable	2	36,972	-
-	-	Transitional protection payment		70	-
-	-	Contributions towards previous year's estimated Collection Fund deficit		18,422	-
<b>25,225</b>	<b>98,726</b>	<b>Total Income</b>		<b>55,464</b>	<b>102,522</b>
		<b><u>Expenditure</u></b>			
		Precepts, Demands and Shares:			
17,082	12,273	· Braintree District Council		17,212	12,440
21,353	-	· Central Government		21,516	-
3,844	70,511	· Essex County Council		3,873	72,035
-	10,601	· Police & Crime Commissioner for Essex		-	11,202
427	3,944	· Essex Fire Authority		430	3,970
113	-	Payment to ECC for renewable energy disregard		97	-
83	-	Transfer to General Fund for BDC renewable energy disregards		93	-
183	-	Transitional protection payment		-	-
187	-	Allowance for business rate collection costs	2	189	-
390	1,057	Contribution to provision for impairment of debts	5	(210)	104
512	-	Change in provision for business rate valuation appeals:	6	741	-
472	1,229	Contributions from previous year's estimated Collection Fund surplus	3	-	1,355
<b>44,646</b>	<b>99,615</b>	<b>Gross Expenditure</b>		<b>43,941</b>	<b>101,106</b>
		<b><u>Collection Fund Balance</u></b>			
(764)	(2,861)	Balance at the beginning of the year		18,658	(1,971)
472	1,229	Contributions from previous year's estimated Collection Fund surplus/(deficit)		(18,422)	1,355
18,950	(339)	In-year (surplus) or deficit for the year		6,899	(2,771)
<b>18,658</b>	<b>(1,971)</b>	<b>Balance at the end of the year</b>	4	<b>7,135</b>	<b>(3,387)</b>

## 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 2021/22 was set at £1,854.90 (£1,823.57 in 2020/21). The tax base used to determine this rate was calculated at 53,721 equivalent number of Band D dwellings (53,373 in 2020/21), assuming a collection rate of 99%, as detailed in the table below:

Tax Band	Total Number of Dwellings in the District	Number of Chargeable Dwellings (after taking off Exemptions & Discounts)	Chargeable amount in relation to a Band D Property	Band D Equivalent Number of Chargeable Dwellings	Tax Base Band D Equivalents (after making allowance for non-collection)
A (Reduced)	-	-	5/9	2	2
A	6,106	5,726	6/9	2,525	2,500
B	17,131	16,873	7/9	10,119	10,018
C	19,203	18,997	8/9	14,433	14,289
D	9,766	9,680	9/9	8,795	8,707
E	7,402	7,343	11/9	8,408	8,324
F	4,337	4,312	13/9	5,954	5,894
G	2,270	2,260	15/9	3,602	3,566
H	215	214	18/9	390	386
Contributions in lieu				35	35
	<u>66,430</u>	<u>65,405</u>		<u>54,263</u>	<u>53,721</u>

Totals rounded to nearest whole number

## Notes to the Collection Fund

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

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
97,826	Council Taxpayers	102,460
900	Transfer from General Fund	62
<b>98,726</b>	<b>Council Tax Income</b>	<b>102,522</b>

### **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. In 2021/22 the multipliers were frozen at that same rate as for 2020/21: 49.9p where the property is eligible for small business relief; and 51.2p in all other cases. Businesses may have also been eligible for further small business rate relief, and other mandatory and discretionary reliefs to determine the net amount payable. Additional reliefs were also given to businesses to support them due to the impact of the coronavirus pandemic.

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 £43.031m (£42.706m in 2020/21), 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 £36.132m (£23.756m in 2020/21).

The main reason for the reduction in business rates income is due to the reliefs that were introduced as part of the government's support to businesses impacted by the coronavirus pandemic. To compensate for the reduction in this income the government paid additional grants to councils. At the start of the year there were 5,042 businesses with a total RV of £113.5m, and at the end of the year 5,014 businesses with a total RV of £113.1m.

### **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 / recovered during the year as follows:

2020/21			2021/22	
Business Rates	Council Tax		Business Rates	Council Tax
£000	£000		£000	£000
189	155	Braintree District Council	(7,369)	171
236	-	Central Government	(9,211)	-
42	888	Essex County Council	(1,658)	982
-	135	Police & Crime Commissioner for Essex	-	147
5	51	Essex Fire Authority	(184)	55
<b>472</b>	<b>1,229</b>	<b>Estimated Collection Fund Balance</b>	<b>(18,422)</b>	<b>1,355</b>

### 4. Collection Fund Balance

For the purposes of calculating and setting precepts and council tax rates for the 2022/23 financial year, an estimate of the balance on the Collection Fund for the period ending 31 March 2022 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 £7.135m of which £6.842m is being recovered in 2022/23. The difference of £293k to be recovered in 2023/24

The estimated balance in respect of council tax was a surplus of £1.310m (net of a shortfall carried over from 2020/21) and, therefore, £1.587m is being paid to the preceptors in 2022/23, with the difference of £277k to be recovered in 2023/24.

The difference between the estimated balance on the Collection Fund used to inform the amounts reflected for 2022/23 and the actual balance shown in the Income and Expenditure statement for the period ending 31 March 2022 will be taken into account when determining precepts and council tax for 2023/24.

**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.

2020/21				2021/22		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
131	1,038	1,169	<b>Balance at 1 April</b>	448	1,999	2,447
(73)	(96)	(169)	Amounts written off in the year	(17)	(253)	(270)
390	1,057	1,447	Contribution to provisions during year	(210)	104	(106)
<b>317</b>	<b>961</b>	<b>1,278</b>	<b>Net Increase (decrease) in provision</b>	<b>(227)</b>	<b>(149)</b>	<b>(376)</b>
<b>448</b>	<b>1,999</b>	<b>2,447</b>	<b>Balance at 31 March</b>	<b>221</b>	<b>1,850</b>	<b>2,071</b>

**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 £5.434 million at 31 March 2022 (£4.693m at 31 March 2021).

2020/21		2021/22
£000		£000
<b>4,181</b>	<b>Balance at 1 April</b>	<b>4,693</b>
(654)	Amounts refunded from the provision	(446)
1,166	Increase in provision	1,187
<b>512</b>	<b>Net change in provision</b>	<b>741</b>
<b>4,693</b>	<b>Balance at 31 March</b>	<b>5,434</b>

Under the BRRS only 40% or £2.174m (£1.877m at 31 March 2021) of the provision is attributable to Braintree DC and as such shown in the Balance Sheet.



### 1. Scope of Responsibility

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

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

The Council has approved and adopted a Local Code of Governance (the Code), which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework: *Delivering Good Governance in Local Government*. A copy of the Council’s Code is on our website: [Here](#)

The Code was approved by the Governance and Audit Scrutiny Committee on 22<sup>nd</sup> July 2021. The Code is reviewed as a minimum every two years or when there are significant changes to the Governance Standards.

The Annual Governance Statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations, which requires the Council to prepare an annual governance statement.

### 2. The Purpose of the Governance Framework

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

The core elements of the 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 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 for the four-year period 2020 to 2024. An Annual Plan details the agreed projects and initiatives to deliver each of the priorities of the Corporate Strategy as well as details of how the Council plans to measure progress against these objectives. Due to the Covid pandemic the plan for 2020/21 was extended to cover the 18 month period April 2020 to September 2021, with a revised plan ‘Bouncing back together’ focusing on post pandemic recovery agreed for the period October 2021 to March 2023.
- **The System of Internal Control**, which is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

- **The Local Code of Corporate Governance**, which sets out how the Council's strategies, policies, plans, procedures, processes, structures, attitudes and behaviours are in place to deliver good governance to all, as well as summarising the processes in place to support the delivery of strategic outcomes.

The core elements of the Council's governance framework are detailed against each principle in the CIPFA/SOLACE Framework:

### **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 (including the Financial Procedure Rules), Schemes of Delegation, and the Procurement Procedure Rules all of 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 Head of Governance is the Council's Monitoring Officer and is responsible for ensuring that the Council operates within the law and that decisions are administered correctly and in accordance with the Constitution.
- The Head of Finance is the Council's Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972.
- Corporate complaints policy agreed and published on the Council's website.
- Members and Officers are required to record any gifts and hospitality received in accordance with the Authority's agreed procedure.
- A Whistleblowing Policy which enables concerns to be raised in a confidential manner and dealt with in a proportionate manner.
- The Governance and Audit Scrutiny Committee may establish one or more Standards Sub-Committees with the aim of promoting high standards of conduct and to conduct a hearing into any allegation that a Member or Co-opted Member has breached the Member Code of Conduct.
- The Governance and Audit Scrutiny Committee members receive appropriate briefings supported by training from key officers and third parties to enhance the Governance Framework.

### **B. Ensuring openness and comprehensive stakeholder engagement**

- Council meetings are held in public unless one of the criteria in Schedule 12A of the Local Government Act 1972 are satisfied. Unless confidential, decisions made by Council, the Executive (Cabinet/Cabinet Members) or other Committees are documented in the public domain.
- Systems are in place to ensure that relevant decisions taken by officers are published in accordance with legislative requirements.
- A standard decision-making report format is used to ensure that the decision maker is presented with all of the information necessary to inform the decision, including outcomes of consultation and issues identified in the 'Corporate Implications' template.
- The views of the community are sought on a wide range of issues and regular consultation and engagement with residents and service users is undertaken.
- The Council demonstrates its openness by publishing the following:
  - A Pay Policy Statement;

- The Constitution;
- Council, Cabinet and Committee Reports;
- Delegated decisions; and
- Transparency information including: payments to suppliers, the remuneration of senior officers, Members' allowances and expenses, and gender pay reporting.
- A Councillor Community Grant Scheme is in place whereby voluntary and community groups can approach ward councillors for financial support for projects that benefit local residents. Each Member is provided with a financial allocation (currently £1500) which they can distribute as grants either individually or joint fund with another Member(s).
- The Council's Marketing and Communications Team proactively use all communication channels to ensure that key service and corporate messages are communicated effectively to residents and businesses.

### **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 Corporate Strategy is based on: public opinion about what is important in the district; issues which Members know to be of importance; data and research into key issues which affect the quality of life; and issues of national importance which need to be implemented at a local level.
- The 'Corporate Implications' template used in the decision making process considers risks and impacts for individuals and communities; safeguarding; and other legal or governance matters to ensure that fair access to services is not adversely affected. Changes to services are supported by an Equality Impact Assessment.
- The Council's Performance Management Framework.

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

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

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

- The Chief Executive (as the designated role of Head of Paid Service) is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.
- Performance reviews of staff ensure performance is managed and development needs are identified and monitored. These reviews may be undertaken as part of regular 1-2-1 discussions. 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 Scrutiny Committee.

- There are regular team meetings, staff and manager briefings, and 1-2-1s.
- 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. The content of the Member Development programme is reviewed and refreshed annually.
- The Learning & Development Team ensure an appropriate programme of training and development is available for staff and managers including via a new e-learning platform, the Learning Hive.
- The Council recognises the national agreements on pay and conditions of service. Where appropriate market supplements are paid to attract and retain staff.
- The Monitoring Officer provides training to officers on the application of the Constitution and other procedure rules.

### **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 Procedure Rules, 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 annual revenue and capital budgets are based on corporate priorities 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.
- A Programme and Project Assurance Team (PPAT) meet regularly to review progress on the Council's strategic capital projects where risks and issues are considered along with project budgets. Each project has its own project risks and issues tracker.
- A steering group which includes the Leader of the Council and other Cabinet Members, along with Management Board and senior managers provide overall oversight of the Council's Investment and Development Programme (IDP), the aim of which is to deliver savings for the Budget and Medium Term Financial Strategy.
- Progress on delivering the Corporate Strategy and Annual Plan is communicated through a performance management framework. The Cabinet and Performance Management Scrutiny Committee receive quarterly reports on both performance against the Corporate Plan/ Objectives and financial monitoring. These quarterly reports focus by exception and set out corrective measures where key performance indicators have not been met or where there is any overspending against budget.
- All Statutory Officers are appropriately skilled and experienced, undertake training and support to carry out their duties effectively and, as appropriate, participate in continuous professional development.
- Items for decision are published in the Decision Planner to enable the public to be aware of future decisions. All reports are required to set out how a matter will help the Council to demonstrate that it is achieving its corporate objectives. In the event of an urgent item requiring a

decision, the Chairman of the Performance Management Scrutiny Committee must agree that the decision is a matter of urgency, in accordance with the Access to Information Procedure Rules.

- The annual budget is supported by the Section 151 Officer commenting upon the robustness of the estimates made for the purposes of the budget requirement calculations, and the adequacy of the proposed financial reserves. The final accounts, of which this Statement is an integral part, outline the financial outturn of the Authority and are prepared in accordance with professional standards and are subject to external audit review.

### **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 accordance with the Public Sector Internal Audit Standards. The findings of Internal Audit are reported to the Governance and Audit Scrutiny Committee which includes an annual opinion on the internal control environment.
- 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.
- The Scrutiny process as detailed in the Constitution enables those who are not Cabinet Members to call in key decisions should this be required.

### **3. The impact of Covid-19 on the governance framework**

The Council's governance arrangements were impacted in 2020/21 by the outbreak of the coronavirus pandemic, with modifications having to be introduced much of which continued into 2021/22.

An active role in in the Essex Local Resilience Forum (LRF) was maintained contributing to the wider LRF response and recovery programmes. The Council's Cabinet continued to have the role of recovery sponsors, whilst enhanced management arrangements were continued with a structure based on Gold (strategic) and Silver (tactical) throughout the year. Individual services were responsible for the operational delivery of the Covid response, including public health measures to control outbreaks and enforce compliance with Covid regulations.

Members were provided with updates on the response and implications arising from the pandemic through the regular Cabinet Reports to Full Council which were provided at meetings held in June, July, October, December 2021, and February and March 2022.

Following the outbreak of the pandemic, changes to processes and controls were necessary to recognise the shift towards remote working which paved the way to hybrid working where arrangements have now been adopted that best suits the business needs of individual services.

Significant financial support continued to be paid through the Council either as agent of government or based on local discretionary schemes, which included Test and Trace Self-Isolation payments, Restart grants, a further round of Additional Restrictions Grant and Omicron Hospitality and Leisure

Grant. The Covid Additional Relief Fund, the details of which were not received until December 2021, will continue to be administered during 2022/23. Where appropriate, staffing resources have been reprioritised to ensure the administration processes used were sound and effective. Service managers responsible for areas of activity potentially exposed to the risk of fraud received relevant information and guidance, including from government departments issued as part of grant scheme conditions.

A process of post-payment assurance and reconciliation is now underway with the relevant government departments.

Public meetings continued to be held virtually whilst ensuring that transparency and good governance prevailed and allowed access to the public and press via the Council's YouTube Channel. With Regulations coming to an end in May 2021, meetings returned to being held in-person with arrangements put in place for the decision-makers to be present at the Council Chamber. These arrangements allowed for a broader participation using hybrid platforms to ensure that the matters were fully considered and debated. Following the easing of all restrictions related to the pandemic the Council's decision-making process has reverted to in-person meetings.

The longer-term financial impact on the Council from the pandemic remains uncertain, with some areas of income generating activity and local tax collection still below pre-pandemic levels despite some recovery in 2021/22. The position is further complicated by the recent emergence of high inflation which will impact on residents and businesses across the District that will then have an impact on Council services.

#### **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.

The key elements of the review of effectiveness are:

- a. Both in-year and year-end review processes have taken place. In-year review mechanisms include:
  - The Cabinet is responsible for monitoring overall financial performance and received comprehensive reports on a quarterly basis. Budgetary reports provided details of income and expenditure against profile together with a prediction of the financial position at the year-end. Key Performance Indicators and progress of projects are also included in the quarterly reports. 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 Section 151 Officer on the robustness of the budget and the adequacy of balances.
  - The work programme of the Performance Management Scrutiny Committee includes reviews of the Medium Term Financial Strategy and Budget Proposals for 2022/23, updates on the Investment and Development Programme, and a scrutiny review into the Commercialisation of Braintree Council Services.

- The Community Scrutiny Committee concluded its review into cycling and walking in the Braintree District, and has commenced a review of markets and associated events in the Braintree District; and the Partnership Scrutiny Committee received the Annual Report of the Braintree District Community Safety Partnership 2020/21, concluded a review into enforcement procedures at the Council, and commenced a review of litter management across the Braintree District.
  - Full Council received detail of the response from the Cabinet to previous scrutiny reviews into: leisure provision and access to sport in the district; childhood vaccination programmes in the district; and community woodlands.
  - 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 reports on risk management, internal control and governance matters.
  - The Governance and Audit Scrutiny Committee also met in April 2021 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 the Council's Annual General Meeting.
  - During the year there was a change to the membership of the Governance and Audit Scrutiny Committee, including the appointment of a new Chairman.
  - 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 21<sup>st</sup> April 2022.
  - 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 (BDO), continues to review the Council's arrangements for:
    - Preparing accounts in compliance with statutory and other relevant requirements
    - Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
    - Managing performance to secure economy, efficiency and effectiveness in the use of resources
- The results of the review for 2019/20 were reported to the Governance and Audit Scrutiny Committee at its meeting held on 28<sup>th</sup> October 2021; however, a formal opinion on the accounts and Annual Audit Letter have yet to be issued. The audit review of the 2020/21 accounts is also still in progress and therefore remains unreported by the External Auditor.
- BDO indicated in their Audit Completion Report for 2019/20 that they anticipate issuing an unmodified opinion on the financial statements; however, they are proposing to issue an "except for" use of resources conclusion due to issues that the Council had previously identified in relation to one of its major projects.
  - The Council's strategic risk register was reviewed by Management Board and by Members in May 2022. 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 11<sup>th</sup> July 2022, and reported to the Governance and Audit Scrutiny Committee on 21<sup>st</sup> July 2022.
  - External inspections during the year included:

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- On 20<sup>th</sup> 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 23<sup>rd</sup> June 2021. Both inspections found that the Council's working arrangements were satisfactory and in accord with the restrictions.
- On 24<sup>th</sup> June 2021, the Driver and Vehicle Standards Agency (DVSA) carried out an unannounced inspection of the Council's Transport Service. The Council was deemed to be a fully satisfactory operator and there were no recommendations or actions to be addressed.
- On 11<sup>th</sup> April 2022, Logistics UK undertook an audit of the Council's Operator Licence compliance. The audit covered a number of key areas of activity and performance was generally considered either satisfactory, good, or very good. Only three recommendations were made: 1 desirable, and 2 categorised as important, but not essential, and all recommended for implementation within the mid-range period of 1-2 months.
- The Council's Cyber Security capability was assessed by an external certificated company, Hytec. This assessment identified a number of areas where systems required upgrading which are due to complete in 2022/23 and which will enable the Council to be achieve Cyber Essentials certification.
- PSN (Public Service Network) compliant for 2022/23.
- Local Government and Social Care Ombudsman: In 2021/22 the Ombudsman resumed their pre-pandemic arrangements for the assessment and consideration of complaints. During the year the Ombudsman considered and determined a total of 7 matters. Of those matters the Ombudsman upheld one complaint against the Council, but did not require the Council to take any remedial action. The service in question had already made a service improvement which satisfied the Ombudsman. 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.
- The Audit, Insurance and Fraud Manager's Annual Report for 2021/22 was considered by the Governance and Audit Scrutiny Committee on 21<sup>st</sup> July 2022. The conclusion was that 'the Council's systems for internal control, risk management and governance as at 31<sup>st</sup> March 2022 generally provide adequate assurance that key business processes and financial systems accord with proper practice. Significant progress has been made in improving weaknesses previously identified, but there remain some areas where actions are yet to be fully addressed and embedded.

The previous year's Annual Governance Statement identified that focus would be placed on the significant governance issues during 2021/22 and these are detailed below together with progress and actions taken:

Governance Issues identified for 2021/22	Action taken to date
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	The Council fully considered the outcome of the High Court Challenge to the application of the Local Government Act 1972 to the decision-making process. The Council has ensured throughout that members of the Public are able to attend the public meetings both in person and through hybrid platforms, whilst ensuring that the decision makers are



**Annual Governance Statement**

<p>public and press. Despite councils wishing to continue these in 2021/22, emergency legislation is not to be extended beyond 7<sup>th</sup> 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.</p>	<p>physically in attendance at the time the decision is taken on any matter before the committee.</p>
<p>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.</p>	<p>A Hybrid Working Homeworking Policy and Guidance for managers and staff was introduced in the year. This sets out the framework for agreeing arrangements between employees and line managers which must take into consideration business needs, the impact on service delivery and customers, the wider team, and the individual.</p> <p>The Policy and Guidance includes a Homeworking Checklist and Initial Risk Assessment. A mandatory requirement is that a display screen equipment homeworking workstation self-assessment is carried out.</p> <p>All work carried out from home is subject to the Council's policies on security, confidentiality, information governance, and record management.</p> <p>A Remote Working Code of Practice applies to all users of Council and personal IT equipment when working on official business away from the Authority's premises.</p> <p>An internal audit review of homeworking and data security was undertaken which concluded that significant assurance could be obtained from the arrangements and policies in place and how these were generally being applied.</p>
<p>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.</p>	<p>Audits that were not completed in 2020/21 were considered in the review undertaken by the Audit, Insurance and Fraud Manager ahead of drafting the Internal Audit Plan for 2021/22, which was approved by the Governance and Audit Scrutiny Committee on 22<sup>nd</sup> July 2021.</p> <p>The audit planning process takes into account the Council's corporate risks and strategic priorities, along with a wider risk assessment undertaken through discussions with the Chief Executive, Directors, and other Senior Managers. The audit planning process was endorsed by the Governance and Audit Scrutiny Committee when approving the Internal Audit Plan.</p>

	<p>A number of 'back to basic' reviews of key systems and controls were included in the 2021/22 audit plan to ensure that appropriate controls continued to be in place and remained effective.</p> <p>Internal Audit were involved in a number of post-payment assurance reviews of Covid grant schemes. Reviews were also carried out by the Audit Team where there was a requirement to confirm that eligible expenditure had been incurred by the Authority that was being reclaimed from government under various Covid related initiatives.</p>
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**5. Assurance Statement**

The review as detailed above, provides good overall assurance that the Council's governance arrangements have remained fit for purpose, even when having to be modified as a result of the ongoing pandemic. There has been no significant detriment on the Council's ability to deliver its services.

**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.

Services have continued to be impacted by the coronavirus pandemic and the Emergency Response Plan and the Gold and Silver emergency command structure has remained in place to coordinate a response to ensure that resources have been prioritised to those areas most in need.

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 ongoing response to the pandemic 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 faces a number of areas of significant change that will require consideration and action as appropriate in 2022/23 and the medium-term. Significant issues identified include:

**Cost of living and inflationary pressures on the cost of services**

## Annual Governance Statement

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The Budget for 2022/23 was set before the rapid rise in inflationary costs which the country is facing. Consequently, the Council faces specific challenges on its day-to-day spending from price rises for goods and services, future energy costs, and potentially staff pay awards. The Council's capital programme is also likely to be adversely impacted as construction costs increase and supply chain shortages impact on delivery. Household incomes will fall and businesses are likely to face additional costs, with the real risk of an economic recession. There is increased risk to the Council's income streams and local tax collection performance, along with the potential for increased demand for support from services.

In the short-term, the Council may need to use its general balances and reserves to address any immediate financial impact that cannot be contained within the overall approved budget, whilst longer term actions are determined to address any ongoing budgetary pressures.

### Other governance risks or issues for 2022/23

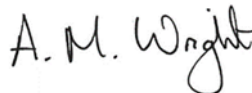
- There is continued uncertainty regarding central government funding of local government. The Local Government Finance Settlement for 2022/23 provided the fourth single-year financial settlement along with a commitment to ensuring that future funding allocations for councils are based on an up-to-date assessment of needs and resources. The detail of any proposed changes is still awaited. There are still, therefore, real challenges in terms of budget setting and medium term financial planning.
- CIPFA's Financial Management Code 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. Whilst it is anticipated that the Council will comply with many aspects of the Code, a formal assessment that was due to be undertaken in 2021/22 was postponed due to the continuing high workloads on the finance team and changes in senior finance management. This outstanding review will be picked up during 2022/23 to confirm the level of compliance and to identify where changes and improvements may be required that can be reflected in an action plan.
- The Council is reviewing the way it works with the aim of developing a new agile and flexible working policy. A new group, the Agile and Flexible working group, has been set-up and will be looking at changes that are needed, how the Authority works and organises working environments, new ways of working for staff, and new approaches to team work and management, including new measures of performance management.

### 8. Conclusion

The Council has in place strong governance arrangements which protect the Council's interests and provide the necessary assurance our residents and stakeholders. We propose over the coming year to take steps to address the matters identified above to further enhance our governance arrangements.



Graham Butland  
Leader of the Council



Andy Wright  
Chief Executive

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## Glossary & Abbreviations

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### **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

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### **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

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### **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

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### **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.