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CHIEF EXECUTIVE'S OFFICE

CHIEF EXECUTIVE Fiona Marshall

18 July 2018

Dear Councillor

You are summoned to attend the meeting of the;

AUDIT COMMITTEE

on THURSDAY 26 JULY 2018 at 3.00 pm.

in the Council Chamber. Maldon District Council Offices, Princes Road, Maldon.

A copy of the agenda is attached.

Yours faithfully

Chief Executive

COMMITTEE MEMBERSHIP CHAIRMAN Councillor P G L Elliott

VICE-CHAIRMAN Councillor E L Bamford

COUNCILLORS A S Fluker

B E Harker M S Heard Miss M R Lewis A K M St. Joseph Mrs M E Thompson

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AGENDA AUDIT COMMITTEE

THURSDAY 26 JULY 2018

- 1. Chairman's notices (please see overleaf)
- 2. **Apologies for Absence**
- 3. **Minutes of the last meeting** (Pages 5 14)

To confirm the Minutes of the special meeting of the Audit Committee held on 21 June 2018 (copy enclosed).

4. **Disclosure of Interest**

To disclose the existence and nature of any Disclosable Pecuniary Interests, other Pecuniary Interests or Non-Pecuniary Interests relating to items of business on the agenda having regard to paragraphs 6-8 inclusive of the Code of Conduct for Members.

(Members are reminded that they are also required to disclose any such interests as soon as they become aware should the need arise throughout the meeting).

5. **Annual Governance Statement 2017 / 18** (Pages 15 - 28)

To consider the report of the Director of Resources, (copy enclosed).

6. **Annual Results Report 2017 / 18** (Pages 29 - 72)

To consider the report of the Director of Resources, (copy enclosed).

7. **Statement of Accounts 2017 / 18** (Pages 73 - 148)

To consider the presentation from the Director of Resources, (copy enclosed).

8. **Annual Audit and Certification of Fees 2018 / 19** (Pages 149 - 152)

To consider the report of the Director of Resources, (copy enclosed).

9. **Performance Against the 2018/19 Internal Audit Plan** (Pages 153 - 170)

To consider the report from the Director of Resources, (copy enclosed)

10. Any other items of business that the Chairman of the Committee decides are urgent

Reports for noting:

In accordance with the Council decision on 2 November 2017 (Minute No. 542 refers), the following report is for noting and a copy has been placed in the Members' Room and on the I drive for Members' information.

• External Audit – Local Government Briefing

NOTICES

Sound Recording of Meeting

Please note that the Council will be recording any part of this meeting held in open session for subsequent publication on the Council's website. At the start of the meeting an announcement will be made about the sound recording. Members of the public attending the meeting with a view to speaking are deemed to be giving permission to be included in the recording.

Fire

In event of a fire, a siren will sound. Please use the fire exits marked with the green running man. The fire assembly point is outside the main entrance to the Council Offices. Please gather there and await further instruction.

Health and Safety

Please be advised of the different levels of flooring within the Council Chamber. There are steps behind the main horseshoe as well as to the side of the room.

Closed-Circuit Television (CCTV)

This meeting is being monitored and recorded by CCTV.

Agenda Item 3



MINUTES of AUDIT COMMITTEE 21 JUNE 2018

PRESENT

Chairman Councillor P G L Elliott

Vice-Chairman Councillor E L Bamford

Councillors A S Fluker, B E Harker, M S Heard, Miss M R Lewis,

A K M St. Joseph and Mrs M E Thompson

202. CHAIRMAN'S NOTICES

The Chairman drew attention to the list of notices published on the back of the agenda.

The Chairman welcomed Councillor Miss M R Lewis to this meeting as a new member of the Committee and Councillor S J Savage who was in attendance.

203. APOLOGIES FOR ABSENCE

There were none.

204. MINUTES OF THE LAST MEETING

RESOLVED

(i) that the Minutes of the meeting of the Committee held on 26 March 2018 be received.

Minute No. 930 – Review of Risk Management Policy

In response to a question, it was clarified that the Risk Management Policy would be reviewed every three years.

Minute 935 – Internal Audit Update

It was noted that reference to 2015 / 16 in the fourth paragraph under the heading 'Revised Strategic Internal Audit Plan 2018-2021' should be amended to 2016 / 17.

It was noted that resolution (i) of this Minute should be amended to refer to the 2017 / 18 Internal Audit Plan.

RESOLVED

(ii) that subject to the above amendments, the Minutes of the meeting of the Committee held on 26 March 2018 be confirmed.

205. DISCLOSURE OF INTEREST

Councillor M S Heard declared a non-pecuniary interest in Agenda Item 5 – Quarterly Review of Risk as he was employed by Essex Police as an Auditor.

206. QUARTERLY REVIEW OF CORPORATE RISK

The Committee considered the report of the Director of Resources providing an update on the position at the end of Quarter 4 (31 March 2018) on the corporate risks included within the Corporate Risk Register 2017 / 18.

Councillor M S Heard referred to his earlier declaration of interest at this point.

There was some discussion regarding the last quarterly review and the resolutions made by the Committee at its meeting in March 2018 (as detailed in the Minutes). Members were advised that these had been considered by the Corporate Leadership Team (CLT) when assessing the risk scores for Quarter 4. In particular the following risks were discussed:

• Risk 03 – Failure to target services and influence partners effectively to meet the health and wellbeing needs of the vulnerable population

The Customers Manager provided an update on the activities being developed, such as a new live well Health and Wellbeing and Strengthening Communities Strategy, along with multi-agency partnership working and the work being done to target vulnerable groups. Members were reminded that this risk related to failure to identify and target and not about the specific policy.

The Customers Manager confirmed that an update on the various activities and projects being undertaken to support both health and wellbeing and strengthening communities formed part of the Strengthening Communities Vision report being considered by the Council.

Members felt that until there was some evidence that the services were making a difference that the score should not be reduced.

The Director of Resources suggested that the title of this risk be amended to include "and have an effective outcome to meet the health and wellbeing needs of the vulnerable population". This was agreed.

Following further discussions it was agreed that this Committee would recommend that the CLT review this risk taking into consideration how it referred to an outcome rather than specific targeting.

• Risk 05 – Failure to have a clear shared vision regarding Strengthening Communities

It was noted that this risk was not being carried over to the 2018 / 19 Corporate Risk Register on the assumption that a new Strengthening Communities Vision would be adopted. Concern was expressed that this risk was being removed prior to the adoption of the vision. The Director of Customers and Community explained that a Working Group made up of both Officers and Members had been working on the Community Strategy which was due to be considered by the Council at its July meeting. If the Council did not agree that the risk should be removed then it would be revisited at that stage.

In response to a question, the Director of Customers and Community advised that the risk could be held in the risk register until the Council had considered the vison in July and revisit it at the next meeting of this Committee.

• Risk 06 – Failure to deliver the required infrastructure to support development arising from the Local Development Plan

The Director of Customers and Community reported that this risk had not been split in two, as recommended by the Committee. He provided an update on the North Heybridge Flood Alleviation and how the developer was coming forward with an alternative plan and further work with the Environment Agency would be required. It was noted that the wording around this risk would need revising given the current circumstances.

It was felt by Members that due to the importance of this risk it should still be split into two.

The Community Infrastructure Levy was raised as a large risk to the Authority and in particular how this impacted on the whole of the Local Development Plan and should therefore be included within this risk. The Director of Planning and Regulatory Services agreed and advised that delivery of Section 106 agreements was also important. He advised that this would need to be clarified within this risk.

• Risk 07 – Failure to have a clear shared plan regarding strategic ownership of coastal, fluvial and surface water flood mitigation and long term maintenance responsibilities

Members were advised that meetings were still to take place with partners on coastal fluvial flooding and would be reported back to this Committee once these had taken place.

Councillor Miss M R Lewis raised particular concern, as a Heybridge Ward Member, regarding this risk and the need for communication with Ward Members. She referred to reputational damage to the Council and questioned whether this should be a separate risk along with the Flood Alleviation Scheme. The Director of Resources advised that she had noted these concerns and others raised by Members during the debate.

• Risk 11 – Failure to have a co-ordinated approach to supporting new and existing businesses

The Director of Planning and Regulatory Services reported on ongoing work planned to look at mitigation, improving targets and he commented that the

Economic Strategy was shortly due to be reviewed. Members noted that whilst the impact in relation to this risk had increased the Director of Planning and Regulatory Services hoped that the planned work would be embedded and address the mitigation.

In response to a question regarding Economic Development and businesses looking to expand, the Director of Planning and Regulatory Services advised that economic growth was important within the planning process and how planning applications had to comply with the National Planning Policy Framework.

In light of further comments, the Director of Resources suggested that when the CLT meet to review this risk that a note was taken so that Members were able to clearly see the discussion that had taken place.

Members' discussed Appendix 1 to the report which provided further information on individual risks including comments by the risk owners outlining the rationale for the current scoring and any movement in the risk scores. A debate ensued during which a number of comments and questions were raised by Members and the following information provided:

• Risk 9 – Failure to maintain a 5 year supply of Housing Land – In response to a question regarding the Housing Delivery Test, the Director of Planning and Regulatory Services commented that this could potentially be another risk because there would be greater implications to deliver the housing function.

A question was raised about when the Five Year Housing Land Supply position statement submitted to the Secretary of State would be available to Members and in response the Director of Planning and Regulatory Services explained that surveys were currently being undertaken and once the statement had been prepared this would be made available to Members.

• Risk 10 – Failure to meet the affordable housing need – In response to a question regarding the drop in risk score, the Director of Planning and Regulatory Services advised that community housing schemes were being developed and would be reported to the Council. He highlighted other factors which had led to the reduction in score.

It was noted that in accordance with the approved Risk Management Policy, a review of the Corporate Risk Register for 2018 / 19 had been undertaken by CLT and managers. The risks identified and agreed along with the mitigating actions established were detailed in Appendix 2 to the report.

In response to a question regarding whether the Council had a suicide prevention policy, the Director of Customers and Community advised that Broader Essex were developing a global policy which the Council would be looking to adopt. Members were advised that some front line staff had received suicide training and others were due to attend a conference on identifying suicide. The Director also outlined some of the ongoing work being undertaken to identify, signpost and support the public.

Members were advised that training for Members on safeguarding including emerging issues such as drugs etc. was currently being put together. This would be delivered by December 2018.

A number of comments were raised regarding Appendix 2 and in response the following information was provided:

- Risk 2 Failure to target services and influence partners effectively to meet the identified health and wellbeing needs of the vulnerable population It was confirmed that the total risk score for this risk should be 9.
- Risk 4 Failure to influence Community Safety partners to address the key areas of public concern and the negative perception of crime A Member commented that the Nuclear Regulatory Authority had recently reported that it could not take Bradwell A into care and maintenance as it was not satisfied that the Police could respond in a timely manner to an incident at the Power Station and how this would impact on public perception of crime. In response, the Director of Customers and Community explained that this risk had been designed to look at the corporate risk and the matter referred to related to services not provided by the Council. The Director agreed to speak to Essex Police on the basis of public concern and public perception of the risk around the power station and reported that concerns could also be addressed through the Community Safety Partnership.

In response to a question regarding the inclusion of reference to rural areas in the description of this risk, the Director of Customers and Community agreed to amend the risk description accordingly.

Members were reminded that the Overview and Scrutiny Committee when it met as the Crime and Disorder Committee reviewed the performance of Essex Police. It was further agreed that this matter be referred to the Chairman of the Overview and Scrutiny Committee for consideration.

- Risk 5 Failure to deliver the required infrastructure to support development arising from the LDP It was clarified that risks in relation to lone workers etc. were included as part of service registers.
- Risk 6 Failure to have a clear shared plan regarding strategic ownership of coastal, fluvial and surface water flooding mitigation and long term maintenance responsibilities The Director of Customers and Community explained how this risk ensured that the Council was engaging with relevant strategic partnerships to demonstrate that they were addressing long term flood concerns for the District. He highlighted the specific work carried out regarding coastal flooding making particular reference to the Southminster railway line. The Director advised that the Council was currently considering planning issues relating to an expected planning application in relation to the Southminster railway line.

It was recognised that this risk was about applying leverage and holding partners to account and although the Council may not be a statutory partner on a project it could have an interest for residents of the District and would in this role be required to hold partners to account.

Following further discussion it was agreed that the Committee would

recommend to the CLT that it review this risk with a view to segregating the risks within it and following this review it be brought back to the Committee for consideration.

- Risk 13 Failure to manage impact of organisational change In light of the possible forthcoming changes to the Council, Members discussed rescoring both the likelihood and Impact scores for this risk. It was noted that this would be done by the CLT as part of its review of the first quarter for 2018 / 19.
- Risk 16 Corporate Policies not managed and reviewed A new policy documents database containing all Council policies was currently being populated and a link to this would be sent to all Members following a final review by the CLT at the end of June. It was noted that the CLT would review the risk score at the end of June when carrying out its review of the first quarter for 2018 / 19.
- Risk 17 Failure to maximise effectiveness of services through promotion and engagement The Director of Resources highlighted that this was a new risk which would involve some work around engagement consultation as the Council started to work through the transformation strategy.

In response to a suggestion that if a 'new look Council' was agreed that it should look at zero basing all risks, the Director of Resources agreed and suggested that consideration of this should be looked at after the May 2019 elections.

RESOLVED that having reviewed the information set out in the report and Appendices the Corporate Leadership Team be requested to action the following:

- (i) Risk 04 Failure to target services and influence partners effectively to support the increasing ageing population (regarding housing needs)
 - The title of this risk be amended to include "and have an effective outcome to meet the health and wellbeing needs of the vulnerable population"
 - Review this risk taking into consideration how it referred to an outcome rather than a specific target.
- (ii) Risk 06 Failure to deliver the required infrastructure to support development arising from the Local Development Plan
 - That Members' concerns regarding not splitting this risk into two be noted.
 - The importance of the Community Infrastructure Levy and the risk to the authority in relation to this be noted.
 - That the delivery of Section 106 agreements be clarified within this risk.
- (iii) Risk 07 Failure to have a clear shared plan regarding strategic ownership of coastal, fluvial and surface water flood mitigation and long term maintenance responsibilities
 - Concerns regarding communications with Ward Members be considered;

- The Council's reputational damage be considered and whether there was a requirement for a separate risk around this along with the Flood Alleviation Scheme;
- (iv) Risk 11 Failure to have a co-ordinated approach to supporting new and existing businesses That when this risk was reviewed by the Corporate Leadership Team that a note be taken so that Members were able to clearly see the discussion that had taken place.
- (v) Risk 2 Failure to target services and influence partners effectively to meet the identified health and wellbeing needs of the vulnerable population The error in the total risk score for this risk be corrected to show 9.
- (vi) Risk 4 Failure to influence Community Safety partners to address the key areas of public concern and the negative perception of crime
 - The Director of Resources to speak to Essex Police on the basis of public concern and public perception of the risk around the power station.
 - The title of the risk be amended to include reference to rural areas.
 - The concerns of this Committee be reported to the Chairman of the Overview and Scrutiny Committee (meeting as the Crime and Disorder Committee) for consideration when it reviewed the performance of Essex Police.
- (vii) Risk 6 Failure to have a clear shared plan regarding strategic ownership of coastal, fluvial and surface water flooding mitigation and long term maintenance responsibilities Review this risk with a view to segregating the risks within it and following this review the results be brought back to the Audit Committee for consideration.

207. DRAFT ANNUAL GOVERNANCE STATEMENT

The Committee considered the report of the Director of Resources presenting the draft Annual Governance Statement (AGS) (attached at Appendix 1 to the report) for approval.

It was noted that the purpose of the AGS was to provide assurance that the Council's governance framework was adequate and effective. For 2017 / 18 it reflected on governance issues identified as a result of the review of arrangements and by the work of external and internal audit and other agencies. It also included references to processes currently in place and operating successfully to mitigate the risks associated with those weaknesses.

The Director of Resources advised Members that the format of the AGS had been reviewed following benchmarking with other authorities. Members were requested to send any presentational queries they may have to the Director of Resources.

The Committee was advised that the Chairman of the Committee had at the agenda meeting raised the issue of potentially including a risk regarding the Police risk. In response the Chairman reiterated his request for a risk regarding the Police risk to be included.

Councillor M S Heard declared an interest in this item of business at this point due to being employed by Essex Police.

The Director of Resources highlighted three key areas which whilst not considered a significant governance issue were scrutinised by the Committee and therefore they may wish to refer to them within the AGS. Some suggested wording was then presented to Members. It was proposed, duly seconded and agreed that the following wording be added as a new section (Section 6) to the AGS:

6 OTHER ISSUES

- 6.1 The Overview and Scrutiny Committee met eight times in 2017/18. As part of its Programme of Work, the Committee scrutinised a number of areas and whilst none of the matters discussed were considered a significant governance issue, i.e. one that could affect the future of the Council, some of these areas have been summarised below for transparency:
 - procurement of capital projects, as detailed in paragraph 4.4 above;
 - administration of leases and licences, to ensure the maximum realisable financial benefits for Council assets;
 - agreement of final terms of a lease following delegation by a Committee.
- 6.2 The areas for continued review by the Overview and Scrutiny Committee form part of its 2018 / 19 Programme of Work which is reviewed at each meeting.

In response to a question regarding the production of a flow chart detailing the process of decision making, including delegations, the Director of Resources advised that a review of the Council's constitution was currently underway and this would be considered as part of that review.

Following the discussion, the Director of Resources advised that a final version of the AGS would be brought to the next meeting of the Committee for signature. Between now and the next meeting any issues Members have would be addressed and circulated to the Committee in consultation with the Leader and Deputy of the Council and Chairman of this Committee. It was noted that attendance by the Leader of the Council and Chief Executive at the next meeting would be required to sign the final version of the AGS.

RESOLVED

- (i) that the draft Annual Governance Statement 2017 / 18 be amended according to the above amendments:
- (ii) that following any further amendments (circulated to the Committee in consultation with the Leader and Deputy of the Council and Chairman of this Committee) the final Annual Governance Statement 2017 / 18 be brought to the next meeting of this Committee for signature.

208. INTERNAL AUDIT ANNUAL REPORT

The Committee considered the report of the Director of Resources presenting the Annual Opinion of the Head of Internal Audit (BDO LLP) on the results of and assurance gained from the 2017 /18 internal audit work (attached as Appendix 1 to the report).

It was noted that the annual report provided an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance process. The Director of Resources reported that overall a moderate assurance had been given. It was noted that in order to achieve the highest level of assurance (substantial assurance) additional work and evidence would be required, which would have a cost implication to the Council.

The Director of Resources highlighted the Elections Improvement Plan referred to within the report and advised Members that she had only received the draft of this report from Internal Audit a few hours prior to the start of this meeting. It had not been agreed or reviewed by the Council at this stage and the Director of Resources advised she would like to bring it to the next meeting of this Committee. This was agreed.

In response to a question regarding the number of outstanding internal audit recommendations the Director of Resources highlighted what each of these were and provided an update in respect of them.

It was requested and agreed that the wording of the recommendation be amended to include the word 'reflecting'.

RESOLVED

- (i) that the Head of Internal Audit Opinion reflecting on the results of and assurance gained from the 2017 / 18 Internal Audit work be noted;
- (ii) that a report on the Internal Audit report on the Elections Improvement Plan be brought to the next meeting of this Committee.

There being no further items of business the Chairman closed the meeting at 4.55 pm.

P G L ELLIOTT CHAIRMAN



Agenda Item 5



REPORT of DIRECTOR OF RESOURCES

AUDIT COMMITTEE 26 JULY 2018

ANNUAL GOVERNANCE STATEMENT 2017 / 18

1. PURPOSE OF THE REPORT

1.1 To present the Annual Governance Statement for Member approval.

2. **RECOMMENDATIONS**

- (i) that the Annual Governance Statement 2017 / 18, attached at **APPENDIX 1** be approved;
- (ii) that the Annual Governance Statement 2017 / 18 be certified by the Leader of the Council and the Chief Executive.

3. SUMMARY OF KEY ISSUES

- 3.1 The Accounts & Audit (England) Regulations 2015 requires the Council to be responsible for ensuring that financial management is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk. The regulations further require the Council to conduct a review at least once in a year of the effectiveness of its system of internal control, the findings of which must be considered by Members meeting as a whole or by Committee, and that following the review the Council must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.
- 3.2 The principal purpose of the Annual Government Statement (AGS) is to provide assurance that the Council's governance framework is adequate and effective. The AGS should demonstrate the extent to which the Council complies with its own code of corporate governance on an annual basis, including how the effectiveness of the governance arrangements have been monitored and an outline of actions taken or proposed to deal with any significant governance issues.
- 3.3 The AGS for 2017 / 18 is attached as **APPENDIX 1**

4. **CONCLUSIONS**

4.1 The AGS for 2017 / 18 reflects on governance issues identified as a result of the review of arrangements and by the work of external and internal audit and other agencies, and includes reference to processes currently in place and operating successfully to mitigate the risks associated with those weaknesses.

5. IMPACT ON CORPORATE GOALS

5.1 The report links to the Maldon District Council goal of 'Delivering good quality, cost effective and valued services'.

6. IMPLICATIONS

- (i) <u>Impact on Customers</u> None.
- (ii) <u>Impact on Equalities</u> None.
- (iii) <u>Impact on Risk</u> None.
- (iv) <u>Impact on Resources (financial)</u> None.
- (v) <u>Impact on Resources (human)</u> –None.
- (vi) <u>Impact on the Environment</u> None.

Background papers: None.

Enquiries to: Emma Foy, Director of Resources, (Tel: 01621 875762).

MALDON DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2017/18

1. SCOPE OF RESPONSIBILITY

- 1.1 Maldon District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Under the Local Government Act 1999 it has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.
- 1.2 Maldon District Council has approved and adopted a local Code of Corporate Governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / the Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering Good Governance in Local Government'. The code forms part of the Council's constitution and can be found on our website www.maldon.gov.uk. This Statement explains how Maldon District Council has complied with the Code and also how it meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and the activities through which it is accountable to, engages with and leads the community. 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.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is, in part, based on an ongoing process of risk management, designed to identify and rank the risks to the achievement of the Council's priorities, plans and policies. Risk management is designed to evaluate the likelihood of those risks occurring, to consider their impact should they materialise and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Maldon District Council for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

3.1 The Council adopted a revised Code of Corporate Governance in line with guidance provided by CIPFA and SOLACE. The Code describes how the District Council discharges its responsibilities for putting in place proper arrangements for the governance of its affairs, incorporating the six core principles of effective governance

identified by CIPFA / SOLACE. The governance framework that the Council has put in place to encourage adherence to the Code is set out below together with the key areas of evidence of delivery,

3.1.1 Focusing on the purpose of the Authority and on the outcomes for the community and creating and implementing a vision for the local area

- After the implementation of the Senior Management Review, the Council undertook significant amount of work during 2014/15 to develop a new Corporate Plan and Vision covering the period 2015-2019. In developing the new corporate plan, a consultation exercise was carried out to elicit the views of the local community and of partner agencies.
- On February 2015, the Council approved and adopted a Corporate Plan covering the period 2015 2019. Subsequent annual updates have been undertaken with the 2018/19 update approved by Council on 8th February 2018. The Corporate Plan details the vision, goals, objectives and core values that guide the direction, work and achievements of the authority. It is the Council's core internal strategic planning document, from which supporting strategies can be developed and published, including the Medium Term Financial Strategy, ICT Strategy and Workforce Development Plan, all of which underpin the Council's ambition to transform the way it delivers its services in the future.
 - Guided by the Corporate Plan, the corporate goals are underpinned by Key Corporate Activities (KCAs). These are the "flagship" activities for each goal that the Council is committed to progressing or achieving each year and provide a focus for the Council in delivering its priorities. The KCAs are subject to Council approval and are detailed in the Level 1 Business Plan for each Directorate. This plan is the cornerstone of the performance planning process and contains the aims and priorities for each Directorate and are submitted to the Programme Committees for notification.
 - At an operational level, each service produces a Level 2 business plan. These are not submitted to Committee, but facilitate effective performance and risk management within the Directorates including the setting of individual objectives and completion of performance reviews.
 - Progress of the KCAs and performance on selected indicators and measures are monitored quarterly by the Corporate Leadership Team (CLT) based upon updates recorded on TEN, the Council's Performance and Risk Management System.
 - Corporate performance and risk is considered and challenged by CLT together
 with the Service Managers at quarterly performance and risk clinics. The
 outcomes of the clinics inform the quarterly performance reports to the
 Council's Overview & Scrutiny Committee and the risk reports to the Audit
 Committee.
 - Six monthly performance reports are also provided to the Programme Committees.

• Staff objectives flow from, and contribute to, achieving the Level 1 and 2 Business Plan objectives.

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

- The Council has adopted constitutional arrangements for its operation and the discharge of its responsibilities and functions. It has three service Committees, an Overview and Scrutiny Committee, an Audit Committee, a Joint Standards Committee, three Area Planning Committees, an Investigating and Disciplinary Committee and an Appointments Committee.
- The constitutional arrangements include terms of reference for each Committee which define those matters which Committees can deal with in contrast to those matters on which they have to report (recommend) to the Council. Also included is a scheme of delegation which enables matters to be dealt with by designated Officers of the Council. The Council sets the policy framework and annual budget, and determines strategic and other matters as required by law. Each Committee has a specific portfolio of responsibilities requiring them to work closely with senior management to achieve the Council's ambitions. The principal decision making body is the Council.
- The Council has adopted a number of codes and protocols affecting the way it operates, in particular a Member/Officer Relations Protocol intended to clarify roles and promote effective communication.
- The Council's Corporate Leadership Team (CLT), comprising of the Chief Executive and the three service Directors, provides corporate leadership. CLT meets weekly on a formal basis, to steer and co-ordinate arrangements for the delivery of the Council's vision and goals.
- A Leader and Chief Executive forum is conducted through six-weekly meetings of the Chief Executive and Directors with the Leader of the Council, Deputy Leader of the Council and Chairmen of the service Committees. This acts as a sounding board on the best approach to deal with new and emerging issues and a ready-made reporting mechanism does not exist.
- The Constitution details the role of the Head of Paid Service, whose function is carried out by the Chief Executive of the Council.
- 3.1.3 Promoting values for the Authority and demonstrating the values of good governance through upholding standards of conduct and behaviour.
- The Council has a Standards Committee, the terms of reference of which include promoting, monitoring and enforcing probity and high ethical standards of conduct for elected Members. The arrangements for the Committee and the process for dealing with conduct complaints have been reviewed and updated during 2017.

- The Council's Monitoring Officer is responsible for advising if any proposal would give rise to unlawfulness or maladministration, and therefore performs a key function in ensuring lawfulness and fairness in the operation of the Council's decision making process. The Monitoring Officer has appointed deputies to act in her stead when necessary. The interim senior solicitor is the Council's Monitoring Officer.
- The work of the Audit Committee is intended to enhance public trust in the corporate governance of the Council. It has a key role to provide assurance to the Council on the adequacy of governance and internal control arrangements, and review the adequacy of the internal audit arrangements, and advise the Council accordingly. Since 2016 / 17, the Council's Internal Audit function has been provided by BDO LLP. The Committee works closely with the Council's External Auditor and Internal Audit provider, receiving their respective annual opinions. The Committee considers and formally approves the annual Statement of Accounts.
- Corporate Governance arrangements in the form of Procedure Rules to regulate Council proceedings and business, and Terms of Reference, including a Scheme of Delegation, are embodied in the Council's constitutional documentation.
- Adopted Financial Regulations provide the framework for managing the Council's financial affairs. They identify the financial responsibilities of the Council, the Committees, and key officers. The Section 151 Officer (under the Local Government Act 1972), is responsible for ensuring that sound financial management systems are maintained and expenditure is lawful and appropriate and this appointment is held by the Director of Resources. The Council considers that its financial management arrangements conform with the governance requirements of the CIPFA "Statement on the role of the Chief Financial Officer in Local Government 2015" as set out in the Application Note to "Delivering Good Governance in Local Government: Framework".
- All Council Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value. The Director of Resources is responsible for maintaining a continuous review of the financial regulations and for reporting, where appropriate, any breaches. The Section 151 Officer considers the Council's Finance function to be adequately resourced.
- The Council's constitutional arrangements include a Code of Conduct for elected Members based on the Principles of Public Life (the Nolan Principles). This was originally adopted in 2012 and revised in 2016.. Officers are subject to a Code of Conduct, the policy for which was refreshed and adopted with effect from 18 November 2013. The Council has also adopted the procedures laid down in the Joint Negotiating Committee (JNC) for Local Authority Chief Executives model for use in connection with the exercise by the Investigating and Disciplinary Committee of its remit in relation to the posts of Head of Paid Service, Section 151 Officer and Monitoring Officer.

- Registers of gifts and hospitality are maintained for both Members and Officers. A
 statutory register of interests is maintained for Members, and the Code of Conduct
 requires staff to disclose interests. Periodic reminders are issued about the need to
 avoid potential conflicts of interest and protocols for the acceptance of gifts and
 hospitality.
- The Council has a series of approved policies and strategies relating to good governance, including, for example, the Code of Corporate Governance, anti-fraud and corruption, whistle-blowing, data quality, Freedom of Information, and corporate equality policies, all of which are accessible via the Council's intranet.
- BDO LLP under their remit of Internal Auditors consider fraud as part of their audit workplan. This ensures we confirm to the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014).

3.1.4 Taking informed and transparent decisions which are subject to effective scrutiny, and managing risk.

- The Council's constitutional arrangements include protocols and procedures to guide the management of business and decision-making, for example the Access to Information Procedure Rules. The Codes of Conduct seek to safeguard Members and Officers against conflicts of interest.
- The Council has implemented and reviewed its Whistle Blowing Policy, which provides arrangements for employees to disclose allegations of malpractice internally, in relation to staff, Members, contractors, suppliers or consultants in the course of their work for the Council, without fear of victimisation, discrimination or disadvantage.
- Council and committee meetings are open to the public (with the exception of items of business considered during private session due to the likely disclosure of exempt information under the Access to Information Act 1985). Committee agendas and reports are available online at least five working days before the date of the meeting, and are also available to view at the Council Offices. The Council makes every effort to advertise meetings, and to publish decisions whether taken by Councillors or by Officers under delegated powers. The Minutes of Council and Committee meetings are also published and made available to the public.
- The Council provides an opportunity for members of the public to speak at committee meetings. For Area Planning Committees this is in respect of a relevant planning application and for the service Committees as well as the Overview and Scrutiny Committees the public can speak on any agenda item. At meetings of the Council the public may ask questions of the Leader of the Council (or via the Leader to a Chairman of a Committee) on any topic.
- The Council records all public Council and Committee meetings held in the Council Chamber at the Council Offices. These can be listened to using the links on the Council's website.
- The Council's Feedback Procedure has been designed to ensure that it is easy for the public to express their views and for all complaints and comments to be handled in a prompt, fair and efficient manner. The procedure and complaint form are available on the Council's website.

- The Overview and Scrutiny Committee provides a scrutiny function and reviews and examines decisions and performance of Committees and Council Officers.
- The Audit Committee, whose role is to have an independent oversight of control and governance arrangements. Audit Committee members undertake annual reviews both of the sources of information which they access in order to perform their role, and of the Committee's performance against its Terms of Reference. The Terms of Reference are subject to regular review against recommended best practice.
- Identifying and recording service risks on TEN (the Council's Performance Management system) complements and links directly with the Council's corporate risk management framework. It evaluates the adequacy and effectiveness of existing controls and identifies any required actions to address Service risks highlighted during the year. The risks are included in each service's business plan which is subject to regular review by the manager and their Director. This process also provides an invaluable opportunity to identify any risks of a corporate nature on a timely basis.
- The Audit Committee is responsible for oversight of the Council's risk management arrangements as one source of control assurance. The Council's approach to risk management is set out in the Risk Management Policy.
- The Council maintains a focus on a relatively small number of key corporate risks. These are kept under constant scrutiny and changes are made in year as necessary. Corporate risks in excess of the Council's defined risk tolerance levels have identified mitigating actions, progress on which is regularly reported to the Audit Committee. The Corporate Risk Register and associated actions are recorded and updated on the TEN Performance and Risk Management system, so integrating them with the Council's standard approach.
- The Council employ the services of BDO LLP to carry out the function of Internal Audit. The service provided conforms with the requirements of the CIPFA Statement on the Role of the Head of Internal Audit 2010. Recommendations arising from the internal audits undertaken by BDO are recorded on the TEN Performance and Risk Management System and are subject to quarterly updates. Any that are not updated are reported to CLT as part of the quarterly performance and risk clinics.

3.1.5 Developing the capacity and capability of Members and Officers to be effective.

- The Council aims to ensure that Members and Officers have the necessary knowledge, capacity and skills to undertake their duties.
- The Council's Performance Management Framework ensures that the links between the Council's corporate goals, Business Plans and key activities, performance data and targets, risk and staff objectives are clear. Staff have an annual Personal Performance Review discussion with the aim of identifying learning and development needs and gaps are addressed through training and development opportunities. Regular team meetings and Performance Conversations between staff and their line managers and are held where work objectives are discussed.

- The Corporate Training Plan prioritises training by corporate need. After corporate priorities have been funded the remaining funds are available to services to meet identified training needs for Personal Development Plans.
- Compulsory E-learning is used to inform staff of essential information and expectations regarding statutory responsibilities for such matters as Safeguarding and Data Protection. This programme will be steadily extended to cover a wider range of training and other information.
- Training events as well as Members seminars are held regularly to provide information on a variety of topics for Members. The Council has decided to introduce mandatory training for Members of Planning Committees.
- The Corporate Induction process ensures that new staff has the chance to meet the Leader of the Council, who speaks about the role of elected Members. It also introduces all officers, including senior officers to the framework of the authority under which they will be working.
- The Senior Management Review which took place during 2014 / 15 has created a more focussed Corporate Leadership Team, thereby strengthening the strategic decision making to enable the organisational improvement and change required to meet longer term challenges ahead.
- The Council has a workforce development strategy in place. The Strategy sets out the Council's innovative plans to ensure that we have highly skilled people in place to deliver high quality services.

3.1.6 Engaging with local people and other stakeholders to ensure robust public accountability.

- The Council is committed to encouraging members of the local community to contribute to, and participate in, the work of the Council.
- The Council seeks to undertake meaningful public consultation in order to inform its decisions, to help make the best decisions based on the views of the local community and the wider information available to the Council. The Council undertakes consultations using a variety of techniques as appropriate.
- The Council undertake consultation with particular interest groups, including our Friends Groups, Parish Clerks' Forum, Developer Forum, Landlord Forum, Business Forums, Community Safety Partnership and Park Watch scheme members.
- The Council engages with the appropriate equality groups in order to ensure that it meets its obligations under the Equality Act 2010. The Council produces Equality Impact Assessments (EIA) in line with legislation.
- The Council launched a new website in July 2016 which now includes a range of information about the work that the Council and its partners are undertaking.
- Council officers commit to provide timely support, information and responses to external auditors to ensure the timely and relevant review of the Statement of Accounts. Any audit findings and recommendations from an audit are properly considered and processes reviewed where applicable.

4. REVIEW OF EFFECTIVENESS

- 4.1 Maldon District Council is responsible for conducting, at least annually, a review of its governance framework including the effectiveness of systems of internal control. The review is informed by Directors who are responsible for developing and maintaining the internal control environment. It also considers the work of the Council's Internal Audit service provider and comments made by the External Auditor, and other external review agencies and inspectorates.
- 4.2 In the Audit Report for the period 2016 / 17, the external auditor, EY, stated that:
 - "We concluded that you have put in place proper arrangements to secure value for money in your use of resources" for the year ended 31 March 2017.
- 4.3 The Council continuously reviews and seeks to improve its governance arrangements. Amongst the processes during 2017 / 18 that have contributed to the review are:
 - The annual opinion of the Head of Internal Audit to the Audit Committee on the assurance gained from the Internal Audit work. The report to the Audit Committee on 23 June 2017 (with regard to 2016 / 17) detailed background information relating to the protocols, scope of work and assessed quality of the Audit function, and highlighted areas where concerns had been identified through audit work, and where audit work was not completed.
 - The approach to obtaining assurance from Directors and managers in respect of the annual review of internal controls. The Performance & Risk Officer engages staff by inviting them to consider what are the biggest risks, of any type, facing them and what controls they have in place to deal with those risks. This assists service staff to understand the relevance of the process. This process is embedded with actions to update, monitor and report on progress and has proved effective.
- 4.4 This table shows the progress on the control weaknesses identified in the 2016/17 AGS.

| SIGNIFICANT ISSUE IDENTIFIED IN 16/17 AGS | ACTION TAKEN IN 2017/18 TO ADDRESS THIS ISSUE |
|--|---|
| PROCUREMENT A control weakness was identified in respect of the procurement and delivery of the St Cedd's project. This was a project involving the demolition of temporary | Overview & Scrutiny reviewed procurement and capital programme in 17/18. There was as in depth review of the programme for 2017/18 for |
| buildings and the creation of an overflow car park. The contractors delivering the car park did not meet the requirements of the specification, there was a lack of capital monitoring and the project overspent by £50,000. | deliverability. Eight recommendations were agreed for implementation to address weaknesses identified. |
| DEBTORS | |
| The Council has identified required improvements in the raising, collection and monitoring of Sundry Debt. | The debtors policy was reviewed and updated and reviewed by Members. Monthly reporting to management on aged debtors has been updated to ensure that the data is clear and relevant and reflects the policy. |

4.5 The annual opinion on the effectiveness of the system of internal control for 2017/18 produced by BDO LLP as the Council's internal audit service provider concluded that:

"Overall, we are able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently.

In forming our view we have taken into account that:

- The majority of audits provided moderate assurance opinions for the period 1 April 2017 to 31 March 2018
- The Council has achieved their budget for 2017-18 and has plans in place to ensure that the budget gap is addressed in their budget plans. The Council has recognised the ongoing reduction of government funding in their future financial plans
- Some areas of weakness have been identified through our reviews, including opportunities for improvement in delivery of the Elections Improvement Plan (which was the only report to receive limited assurance), Economic Development and Business Rates Growth, Information Management, Contracts Procurement Management and Purchasing, Business Resilience and Business Continuity and Disaster Recovery. The Council is working to address the issues identified."
- 4.6 The Council and all its Committees met regularly throughout the year and were effective in their work.

4.7 There were no serious information security breaches within the year. The ICT Manager and GDPR principle advisor have raised data security awareness to staff and members to ensure that they are aware of their responsibilities in this respect.

5. SIGNIFICANT GOVERNANCE ISSUES – 2017/18

- 5.1 The Corporate Risk Register details the key risk areas facing the Council, together with the proposed mitigating actions and progress made on these. The Council is satisfied that these actions will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the regular review of those risks.
- 5.2 Internal Audits work, and the Councils own internal processes have not identified any key risks in 2017/18 that require noting in this statement.

6. OTHER ISSUES

- 6.1 The Overview and Scrutiny Committee met eight times in 2017/18. As part of its Programme of Work, the Committee scrutinised a number of areas and whilst none of the matters discussed were considered a significant governance issue, i.e. one that could affect the future of the Council, some of these areas have been summarised below for transparency:
 - procurement of capital projects, as detailed in paragraph 4.4 above;
 - administration of leases and licences, to ensure the maximum realisable financial benefits for Council assets;
 - agreement of final terms of a lease following delegation by a Committee.
- 6.2 The areas for continued review by the Overview and Scrutiny Committee form part of its 2018 / 19 Programme of Work which is reviewed at each meeting.

7. CONCLUSION

7.1 Steps will be taken in 2018/19 to address the weaknesses identified by officers, internal and external audit in their reviews of effectiveness. These steps will aid to strengthen the Governance Framework already in existence at Maldon District Council and their implementation will be monitored as part of the 2018/19 annual review.

8. CERTIFICATION BY THE LEADER OF THE COUNCIL AND THE CHIEF EXECUTIVE

Signed:

Councillor M F L Durham Leader of the Council Date: Ms. F Marshall Chief Executive

Date:



Agenda Item 6



REPORT of DIRECTOR OF RESOURCES

to AUDIT COMMITTEE 26 JULY 2018

ANNUAL RESULTS REPORT 2017 / 18

1. PURPOSE OF THE REPORT

1.1 The purpose of this report is to provide the Council's External Auditors with the opportunity to report the key findings of their audit to those charged with governance, prior to issuing their opinion on the 2017 / 18 Statement of Accounts. The Draft External Audit Annual Results Report 2017 / 18 is attached at **APPENDIX 1**.

2. **RECOMMENDATIONS**

- (i) that Members agree to any uncorrected misstatements in Appendix B of the Annual Results Report (**APPENDIX 1**) remaining uncorrected;
- (ii) that Members formally note the opinion of the Auditors on the draft Statement of Accounts;
- (iii) that in all other respects the report of the External Auditors be noted.

3. SUMMARY OF KEY ISSUES

- 3.1 Ernst & Young LLP, the Council's External Auditors, have completed the majority of their work on the audit of the Council's 2017 / 18 Statement of Accounts. However, there are some areas still outstanding that have prevented the final report being issued. This report summarises the results of their work to date.
- 3.2 Detailed findings of the audit and recommended actions are provided in **APPENDIX**1 to those charged with Governance. External Audit representatives will be at the meeting to discuss their findings in detail.
- 3.3 The terms of reference of the Audit Committee include a requirement to review the external auditor's opinion. Members are asked to formally note the opinion in the draft Statement of Accounts (presented as a separate report to this Committee).

4. CONCLUSION

4.1 Detailed conclusions drawn from the audit work can be found in the report (**APPENDIX 1**).

Agenda Item no. 6

5. IMPACT ON CORPORATE GOALS

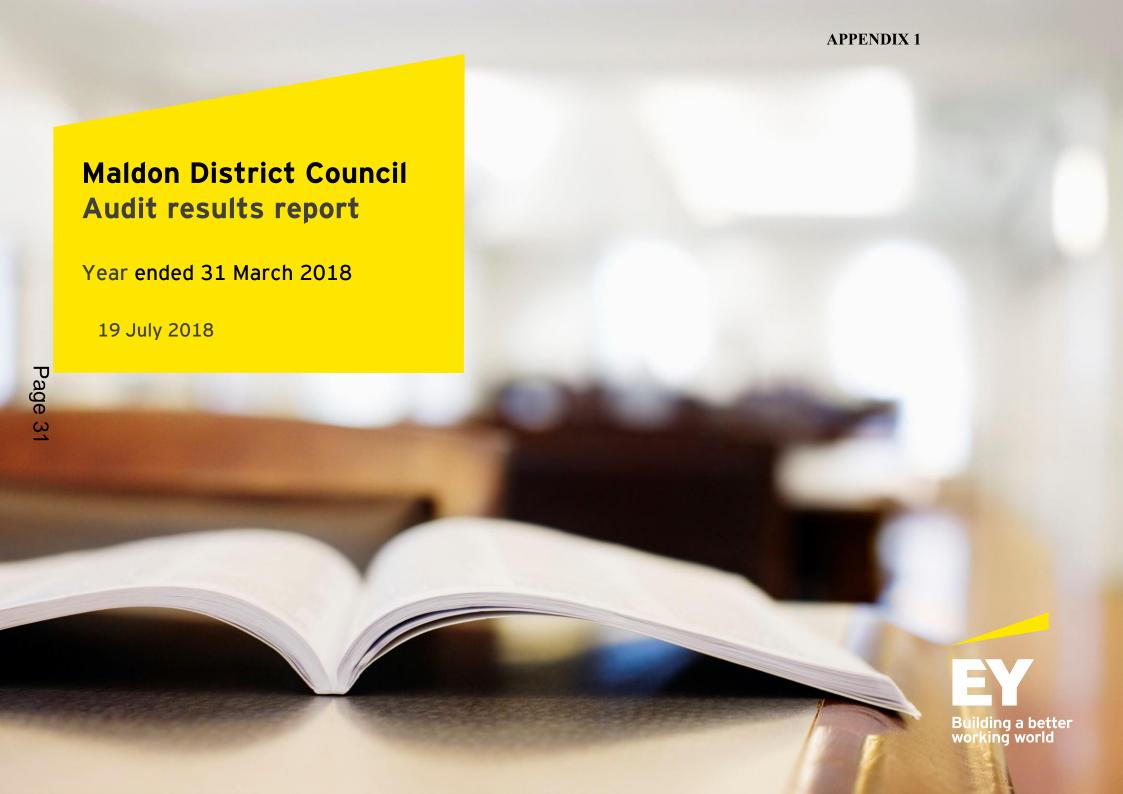
5.1 The report links to the Maldon District Council goal of 'Delivering good quality, cost effective and valued services'.

6. IMPLICATIONS

- (i) <u>Impact on Customers</u> None identified.
- (ii) Impact on Equalities None identified.
- (iii) <u>Impact on risk</u> The report summarises areas that required additional or special audit procedures in response to areas of significant risk.
- (iv) <u>Impact on Resources (Financial)</u> None identified.
- (v) <u>Impact on Resources (human)</u> None identified.
- (vi) **Impact on the Environment** None identified.

Background Papers: None.

Enquiries to: Emma Foy, Director of Resources, (Tel: 01621 875762).



Private and Confidential Maldon District Council Council Offices, Princes Road, Maldon CM9 5DL

Dear Audit Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Maldon District Council for 2017/18. We plan to issue our final report at the Audit Committee meeting scheduled for 26 July 2018.

19 July 2018

We have substantially completed our audit of Maldon District Council for the year ended 31 March 2018. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form in Section 3, before the statutory deadline of 31 July 2018.

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 26 July 2018.

Yours faithfully

Debbie Hanson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Maldon District in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Maldon District those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Maldon District for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



Executive Summary

Scope update

In our Audit Planning Report presented at the 28th March 2018 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exception:

Changes in materiality

We updated our planning materiality assessment using the draft accounts and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £657k (Audit Planning Report – £658k). This results in updated performance materiality, at 75% of overall materiality, of £492.9k, and an updated threshold for reporting misstatements of £32.8k.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

Remuneration disclosures including any severance payments, exit packages and termination benefits

Our audit strategy was to check the bandings reported in note 19 of the financial statements, test the completeness of the disclosure and make sure that the disclosure was compliant with the Code. We sample checked transactions back to the payroll system and supporting documentation. No issues have been noted.

Related party transactions

Our audit strategy was to obtain and review declarations from senior officers and members of the Council for any material disclosures and make sure that the disclosure in note 23 was compliant with the Code. We carried out a sample check of Companies House searches on contracts from the Council's contract register to identify whether any key decision-makers in the Council had an interest in the company. We carried out a sample check of Companies House searches between decision-makers in the Council and companies to which they were linked, to test the completeness of the disclosure. We obtained confirmation that there were no related party transactions within the declarations made by Member's at committee meetings they attended. No issues have been noted.

Members' allowances

Our audit strategy was to test the completeness of the disclosure note 18 and make sure that the disclosure was compliant with the Code by sample checking transactions back to the payroll system and the Council's Constitution. No issues have been noted.

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Executive Summary

Status of the audit

We have substantially completed our audit of Maldon District Council's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit Planning Report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 4. However until work is complete, further amendments may arise:

- Completion of subsequent events review.
- Receipt of the final signed version of the Statement of Accounts and Annual Governance Statement
- Receipt of the signed management representation letter.
- Completion and Manager and Associate Partner review of the completed audit work.
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

A further verbal update will be provided at the committee meeting.

We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

There are no unadjusted audit differences arising from our audit.

We have identified audit differences with an aggregated impact of £916k. This arose due to the fact that the Pension Fund asset value at year end was materially different from the figure estimated by the Actuary when they produced their initial IAS19 report. The Council obtained an updated IAS 19 report and updated the accounts to reflect these new figures. As a result the net liability in the balance sheet increased by £0.914 million from £25.539 million to £26.453 million.

Details can be found in Section 4 Audit Differences.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Maldon District Council's financial statements This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- ► There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

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Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we reported that we had not identified any significant risk related to these arrangements

We therefore expect to have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Refer to section 5 of this report for further details.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement (AGS) for consistency with our knowledge of the Authority. The AGS have been updated to reflect the weaknesses identified in the Digital Transformation Programme, and we do not have any matters to report as a result of this work.

The Council is below the testing threshold set by the National Audit Office (NAO) for procedures on the Whole of Government Accounts submission. Therefore we do not have any issues to report.

We have no other matters to report.

Independence

Please refer to Section 10 for our update on Independence.





Areas of Audit Focus

Significant risk

Misstatements due to fraud or error



What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

We focused on aspects of the financial statements where management could inappropriately inflate income or understate expenditure, primarily:

- Material accounting estimates.
 - Accruals near year end
 - > Journal entries.
 - Unusual transactions.

What did we do?

- > Wrote to the s151 officer, Chair of the Audit & Risk Committee, Head of Internal Audit and Monitoring Officer about risks of fraud and the controls in place to address those risks and reviewed their responses.
- > Documented our understanding of the controls relevant to this significant risk and considered if they have been appropriately designed.
- > Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.
- > Obtained breakdown of capital additions in the year and reviewed the descriptions to identify any items that could be revenue in nature. We amended our sample sizes when testing additions to reflect the existence of this risk and agreed samples to source documentation to ensure the capital/revenue split was reasonable.
- > Reviewed accounting estimates and year end manual accruals for evidence of management bias.
- > Evaluated the business rationale for any significant unusual transactions.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

We did not identify any capital expenditure which had been inappropriately capitalised.

Overall, our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicate that there has been any misreporting of the Authority's financial position or that management has overridden controls.



Areas of Audit Focus

Other areas of focus

Property, plant and equipment valuation

What is the risk?

Material misstatement of the net assets of the Authority as a result of inappropriate judgemental inputs and/or estimation techniques to calculate the year-end balances recorded in the balance sheet.

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What judgements are we focused on?

• We focused on the following:

- > The adequacy of the scope of the work performed by the value including their professional capabilities
- > The reasonableness of the underlying assumptions used by the Authority's expert valuer

What did we do?

- > Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- > Sample tested key asset information used by the valuers in performing their valuation.
- > Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also considered if there were any specific changes to assets that had occurred and that these had been communicated to the valuer.
- > Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated.
- > Considered changes to useful economic lives as a result of the most recent valuation.
- > Tested accounting entries had been correctly processed in the financial statements.

What are our conclusions?

Our testing to date has not identified any material misstatements from inappropriate judgements being applied to the property valuation estimates.

The expert valuers possess the relevant qualifications and experience, and undertook a review of all of the Authority's assets.

We considered the underlying assumptions made by the expert valuer and concluded that they were reasonable.



Areas of Audit Focus

Other areas of audit focus

Pension liability valuation

What is the risk?

The Code of Practice on Local Authority Accounting and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is a scheduled body.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body. Accounting for this scheme involves significant estimation and judgement.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What judgements are we focused on?

▶ We focused on the following:

- The reasonableness of the underlying assumptions used by the Authority's expert -Barnett Waddingham.
 - > Ensuring the information supplied to the actuary in relation to Maldon District Council was complete and accurate
 - > Ensuring the accounting entries and disclosures made in the financial statements were consistent with the report from Barnet Waddingham.

What did we do?

- > Liaised with the auditors of the administering authority (Essex County Council), to obtain assurances over the information supplied to the actuary in relation to Maldon District Council.
- > Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC -Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considering the review of these by the EY actuarial team.
- > Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our conclusions?

We have received reports from the Essex Pension Auditor and the EY actuarial team.

The report has identified material movements in the Authority's pension assets and related disclosures as a result of significant movements in the asset values between the date of the estimates used by the actuary to produce the IAS19 report and the year end.

The Council have obtained the revised IAS 19 report and made the relevant changes to the accounts.

The accounting entries and disclosures made within the Council's financial statements in relation to IAS19 are materially accurate and in line with our expectations.

Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MALDON **DISTRICT COUNCIL**

Opinion

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

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet.
- Cash Flow Statement, and associated notes A to D.
- Collection Fund, and
- the related notes 1 to 29 of the Authority Financial Statements and notes 1 to 4 of the Collection Fund

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Maldon District Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

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

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

Conclusions relating to going concern

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

- the S151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the S151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Draft audit report

Audit Report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The S151 Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Maldon District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Page

Draft audit report

Audit Report

Our opinion on the financial statements

Responsibility of the S151 Officer

As explained more fully in the Statement of the S151 Officer's Responsibilities set out on page 11, the S151Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the S151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Maldon District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Draft audit report

Audit Report

Our opinion on the financial statements

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

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

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

Certificate

We certify that we have completed the audit of the accounts of Maldon District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

Debbie Hanson (Key Audit Partner) Ernst & Young LLP (Local Auditor) Luton xx July 2018

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





In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of Audit differences

We highlight the following misstatement greater than our materiality of £657k which has been corrected by management that was identified during the course of our audit.

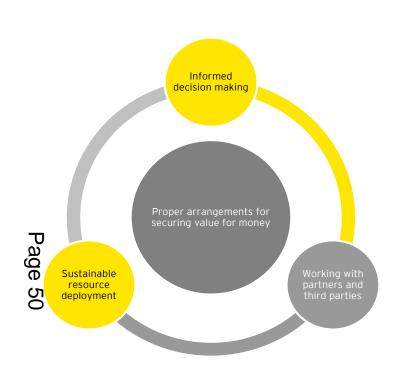
The actuary performed a roll forward technique to estimate the value of the Pension Fund scheme assets as at 31 March 2017 to be £6.63 million. The Pension Fund asset value at year end was however materially greater than that estimated by the Actuary when they produced their initial IAS19 report. The Council obtained an updated IAS 19 report and updated the accounts to reflect these new figures. As a result the net liability in the balance sheet increased by £0.914 million from £25.539 million to £26.453 million. Various figures in the CIES and note 27 have also changed as a result.

There were no uncorrected misstatements.





∀alue for Money



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

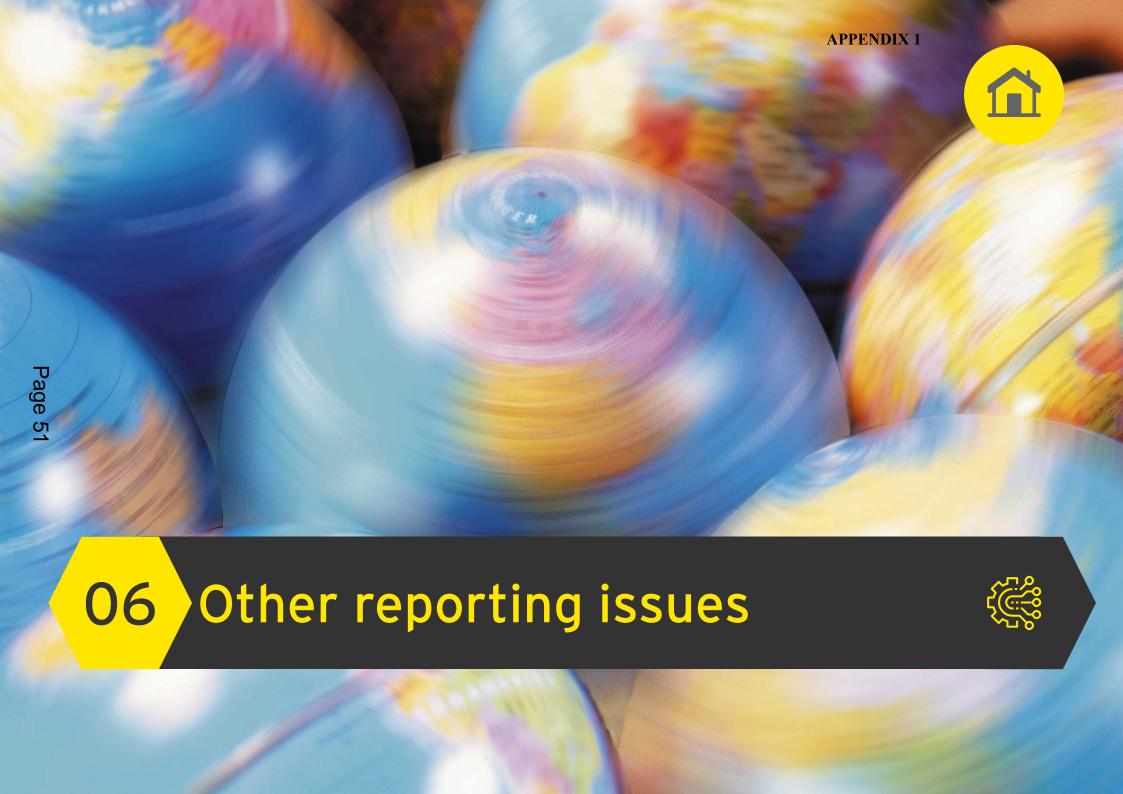
- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We did not identify any significant risks around these criteria.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/18 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

Maldon District Council are below the threshold therefore do not require procedures to be undertaken.

Other reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
 - Any significant matters arising from the audit that were discussed with management;
 - Written representations we have requested;
 - Expected modifications to the audit report:
 - Any other matters significant to overseeing the financial reporting process;
 - Related parties;
 - External confirmations;
 - Going concern; and
 - · Consideration of laws and regulations.

We have nothing to report in respect of these issues.



Other reporting issues

Other matters

Assessment of new Accounting Standards

The applicable accounting framework is CIPFA's annual Code of Practice on Local Authority Accounting in the United Kingdom (which is IFRS based as adapted for Local Authorities). The 2018/19 Code will apply to accounting periods starting on or after 1 April 2018 but has not yet been published. The 2018/19 Code will determine how IFRS 15 and IFRS9 will be adopted by local government bodies.

ບ IFRS 15 Revenue from Customers with Contracts:

The 2018/19 Code will determine how IFRS 15 will be adopted by local government bodies. Given the nature of the Council's income streams, it is unlikely that the future implementation of IFRS 15 will have a material impact on the financial statements of the Council. The vast majority of the Council's income streams are taxation or grant based, and are therefore outside the scope of IFRS15.

The following income streams which are within the scope of IFRS 15 may be considered material by the Council in making its assessment of the impact on IFRS 15 in its 2018/19 accounts:

- fees and charges for services under statutory requirements, .g. application fees for taxi licenses or planning fees;
- sale of goods provided by the authority e.g. retail sales at leisure centres, concessionary sale at local authority theatres; and
- charges for services provided by a local authority e.g. maintenance for council dwellings or transport fares

IFRS 9 Financial Instruments:

The Code will also introduce IFRS 9. The Council's view is that the impact of this standard on their financial statements will be immaterial. The Council will however need to keep this standard under review during 2018/19 because statutory overrides may be introduced by Central Government.



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

U We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

age





Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated March 2018.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 26 July 2018.

We confirm we have not undertaken non-audit work outside the PSAA Code requirements.

Independence



Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the non-audit services undertaken been provided on a contingent fee basis.

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As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm that we have undertaken non-audit work outside the PSAA Code requirements relating to grant claim certification. Non-audit work is work not carried out under the Code. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in March 2018.

| | Final Fee 2017/18 | Planned Fee 2017/18 | Scale Fee 2017/18 | Final Fee 2016/17 |
|-------------------------------|----------------------|------------------------|----------------------|----------------------|
| | £ | £ | £ | £ |
| Total Audit Fee - Code work | 49,275 | 49,275 | 49,275 | 54,965 |
| Non-audit work - Grant claims | TBC* | 13,200 | 13,200 | 13,283 |
| Total non-audit services | TBC* | 62,475 | 62,475 | 68,249 |

Note:

*The final fee for the Housing Benefit Subsidy certification will be confirmed upon completion by the 30 November deadline. We will report the final fee in our annual grant certification report.





Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

| | | | Our Reporting to you |
|------|-------------------------------------|---|--|
| | Required communications | What is reported? | When and where |
| Page | Terms of engagement | Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| 20.5 | Our recognishilities | Reminder of our responsibilities as set out in the engagement letter. | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| | Planning and audit approach | Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. | Audit planning report - March 2018 |
| | Significant findings from the audit | Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process | Audit results report - July 2018 |



| | | Our Reporting to you |
|---|---|----------------------------------|
| Required communications | What is reported? | When and where |
| Going concern | Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements | Audit results report - July 2018 |
| Misstatements U O O Subsequent events | Uncorrected misstatements and their effect on our audit opinion The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Material misstatements corrected by management | Audit results report - July 2018 |
| က် Subsequent events | Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. | Audit results report - July 2018 |
| Fraud | Enquiries of the Audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority Any fraud that we have identified or information we have obtained that indicates that a fraud may exist Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected Any other matters related to fraud, relevant to Audit Committee responsibility. | Audit results report - July 2018 |



| | | | Our Reporting to you |
|--------------------|----------------|---|----------------------------------|
| Required o | communications | What is reported? | When and where |
| Related pa | rties | Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations Difficulty in identifying the party that ultimately controls the Authority | Audit results report - July 2018 |
| Independer Page 64 | nce | Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place. | Audit results report - July 2018 |



| | | | Our Reporting to you | |
|------|---|---|----------------------------------|--|
| | Required communications | What is reported? | When and where | |
| | External confirmations | Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. | Audit results report - July 2018 | |
| Tage | Consideration of laws and regulations | Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of | Audit results report - July 2018 | |
| | Significant deficiencies in internal controls identified during the audit | ► Significant deficiencies in internal controls identified during the audit. | Audit results report - July 2018 | |



| | | | Our Reporting to you |
|--|---|--|--|
| | Required communications | What is reported? | When and where |
| | Written representations we are requesting from management and/or those charged with governance | Written representations we are requesting from management and/or those charged with governance | Audit results report - July 2018 |
| | Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | Audit results report - July 2018 |
| | | ► Any circumstances identified that affect the form and content of our auditor's report | Audit results report - July 2018 |
| | Fee Reporting | Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work | Audit planning report - March 2018 Audit results report - July 2018 |
| | Certification work | ► Summary of certification work | Annual Certification Report |

Management representation letter

[Insert specific management rep letter for the client]

Management Rep Letter

[To be prepared on the entity's letterhead] [Date]

Ernst & Young LLP 400 Capability Green Luton LU1 3LU

This letter of representations is provided in connection with your Maldon District Council ("the Council") for the year ended 31st March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Council's financial position of Maldon District Council as of 31st March 2018 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Council.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion there on and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify-nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

- 1. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Council.
- 2. We acknowledge, as members of management of the Company, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and are free of material misstatements, including omissions. We have approved the consolidated financial statements.
- 3. The significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in the Council financial statements.
- 4.As members of management of the Council, we believe that the Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Council that are free from material misstatement, whether due to fraud or error.
- 5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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Management representation letter

[Insert specific management rep letter for the client]

Management Rep Letter

B. Non-compliance with law and regulations, including fraud

- 1.We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
- 2.We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- 3.We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
- 4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistle blowers"), including non-compliance matters:

 •involving financial statements;
- •related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;

- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- •involving management, or employees who have significant roles in internal controls, or others; or
- •in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

- 1.We have provided you with:
- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- ►Additional information that you have requested from us for the purpose of the audit; and
- •Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 2.All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.
- 3.We have made available to you all minutes of the meetings of the Full Council, Cabinet and Finance Resources Audit and Governance committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: <ADD DATE>.

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Management representation letter

Management Rep Letter

- 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
- 5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

- All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
- 2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

- 3.We have recorded and/ or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed to you all guarantees that we have given to third parties.
- 4. No claims in connection with litigation have been or are expected to be received.

E. Subsequent Events

1. There have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

F. Other information

- 1.We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Governance Statement and Narrative Statement.
- 2.We confirm that the content contained within the other information is consistent with the financial statements.



Management representation letter

Management Rep Letter

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of non-current assets and pensions liabilities and disclosures and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Accounting Estimates Valuation of Pension Liabilities and Property, Plant and Equipment

- 1.We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate (s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- 2.We confirm that the significant assumptions used in making the estimated valuations of Pension Liabilities and Property, Plant and Equipment appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council.
- 3.We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

4.We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events.

J. Retirement benefits

1.On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for

Yours faithfully,

Director of Resources (S151 Officer)

Chair of the Audit Committee

Page 7

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

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Agenda Item 7



REPORT of DIRECTOR OF RESOURCES

to
AUDIT COMMITTEE

STATEMENT OF ACCOUNTS 2017 / 18

1. PURPOSE OF THE REPORT

1.1 To report to Members the position of the EY LLP audit of the statements and any amendments arising from the audit.

2. RECOMMENDATIONS

that the audited Statement of Accounts for 2017/18 as set out in APPENDIX
 1 be approved;

OR

that delegated authority is given to the Chairman of Audit Committee in consultation with the Director of Resources for the final approval of the 2017 / 18 Statement of Accounts and letter of representation.

3. SUMMARY OF KEY ISSUES

- 3.1 The content of the Statement of Accounts is largely determined by statutory requirements and mandatory professional standards as set out within The Code of Practice on Local Authority Accounting (The Code). The Council's unaudited Statement of Accounts for 2017 / 18 was signed off by the Director of Resources at the end of May 2018.
- 3.2 There is a statutory requirement to publish the approved and audited Statement of Accounts by 30 July 2018. Members should note that based on the work of the external audit so far, the 2017 / 18 accounts are expected to receive an unqualified opinion (i.e. the Council's financial records and statements are fairly and appropriately presented) and there have not been any changes to the primary statements in the final set of accounts compared to the unaudited version.
- 3.3 As the work has not been completed at the time of writing this report, it is hoped that approval can be given by Members on the Financial Statements at this meeting, however, if this is not possible, then it is recommended that delegated authority be given to the Chairman of Audit Committee and the Director of Resources to approve the final 2017 / 18 Statement of Accounts and the letter of representation in the form that appears in the Annual Results report.

4. **CONCLUSIONS**

4.1 Based on the work that EY LLP has completed, they have not identified any significant issues with the Council's accounts.

5. IMPACT ON CORPORATE GOALS

5.1 The report links to the Maldon District Council goal of 'Delivering good quality, cost effective and valued services'.

6. IMPLICATIONS

- (i) <u>Impact on Customers</u> None.
- (ii) <u>Impact on Equalities</u> None.
- (iii) <u>Impact on Risk</u> None.
- (iv) **Impact on Resources (financial)** None.
- (v) <u>Impact on Resources (human)</u> –None.
- (vi) <u>Impact on the Environment</u> None.

Background papers: None.

Enquiries to: Emma Foy, Director of Resources, (Tel: 01621 875762).



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To obtain a copy in an alternative format please contact:

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MALDON DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2017/18

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 $[\]boldsymbol{\ast}$ Please note that figures are rounded to the nearest thousand (where applicable) throughout the document and may not sum due to rounding

Narrative by Director of Resources Introduction

I am pleased to present the Statement of Accounts for Maldon District Council for 2017/18.

Our Purpose and Role

As a District Council we exist to:

- ensure the provision of good quality and improving local services accessible to all those who need them;
- promote improvement in the quality of life for all our residents;
- use our devolved powers of regulation for the wider good; and
- champion the needs of the District at local, regional and national levels.

District. In summary these roles are:

As Regulator – We hold various regulatory powers such as planning, licensing, and environmental health. Through these we can have both direct control and indirect influence over other organisations and their actions.

As Service Provider – In addition to our regulatory service provision, we also have a statutory duty to provide a number of other services that are vital to the local community including refuse and recycling collection, housing benefit provision, council tax collection, and assisting the homeless. Councils also have a role in advancing the health, economic, cultural and leisure agendas.

As Community Leader – As the democratically elected body for the District, we have a role in leading on issues important to our local communities, working with them to help shape their aspirations and explore ways in which they can be delivered; advocating on behalf of them at national, regional and county levels, and planning and safeguarding for the future of our District and its communities.

As Partner – We have a good track record of working in partnership with various organisations to deliver services and secure improvements for our local communities. Difficult financial times reinforce the need to review how we, and others, support and facilitate partnership working in the District in the future. Effective partnership working can be key to addressing some of the wider ranging issues and we will continue to work

Maldon is a rural District in the heart of Essex. The population is ageing, but also growing as there are a number of large housing developments in the area. These form key triggers for the Councils objectives around supporting the demographic and ensuring that there is the relevant infrastructure for the growing demand.

The purpose of the Statement of Accounts is to provide clear information to readers on how Maldon District Council has utilised available financial resources using CIPFA's code on Local Authority Accounting, based on International Financial Reporting Standards (IFRS). This document provides details of the Comprehensive Income and Expenditure for the financial year 2017/18. The report provides the accounting for the General Fund and Collection Fund and all other accounts for which the Council is responsible. The Council's Balance Sheet provides details of the assets and liabilities as at 31 March 2018. Other supporting statements are provided to help to explain the figures in the accounts. In addition, a glossary can be found at the back of this publication to help explain some of the technical terms.

The accounts and other relevant documents are subject to review by EY LLP who provide their opinion on the Council's accounts.

The Statement of Accounts

The accounts for the year ended 31 March 2018 consist of the following statements:

Statement of Responsibilities

The statement sets out the respective responsibilities of Maldon District Council (the Council) and the Director of Resources, who is responsible for Finance.

Annual Governance Statement

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

Independent Auditor's Report

The Independent Auditor is required to publish an opinion on whether the financial statements give a true and fair view of the financial position and the expenditure and income of the Council for the

year in question. The auditor also has a responsibility to satisfy themself that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources by review and examination of the Council's corporate performance management and financial management arrangements. The Comptroller & Auditor General (National Audit Office) prepares the code of audit practice which external auditors follow when carrying out their duties.

The Financial Statements:

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council taxpayers how the funding available to the authority (ie government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

PRIMARY STATEMENTS

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost for the year of providing services. This is different from the amount funded from taxation which is shown in the Movement in Reserves Statement.

Movement in Reserves Statement

This statement shows the change in the Council's financial resources over the year, including reconciling the accounting cost for the year of providing services 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 represents unrealised gains/ losses and timing differences between recognising amounts in accordance with accounting rules and statutory regulations.

Cash Flow Statement

This statement shows how the movement in resources has been reflected in cash flows of the Council and ultimately changes in cash and cash equivalents.

Accounting Policies (technically one of the Notes to the Accounts)

Accounting policies are the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting its financial statements. The accounting policy for the valuation of fixed assets has been amended to reflect the new practice of vaouing one fifth of the asset base each year.

Notes to the Accounts

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

Further supplementary financial statements and other additional information are the provided, comprising:

Collection Fund

The Collection Fund statement reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Summary of the Financial Outturn for the Year

The total change in the Council's net worth is reflected in the Movement in Reserves Statement (MiRS). The Comprehensive Income and Expenditure Statement (CIES) analyses the year on year change between costs and income incurred providing services and other changes in the fair value of non-current assets (property, plant and equipment) and pension fund liabilities.

The statement is prepared on a basis that is consistent with the requirements of International Financial Reporting Standards (IFRS) in so far as they are applied to UK local authorities according to the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy and LASAAC.

The overall CIES shows a surplus of £6.9m in the activities of the Council, comprising of the following:

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|--|-----------------|
| 311 | Deficit on Provision of Services | (47) |
| 3,876 | Other Comprehensive (Income) and Expenditure | (6,838) |
| 4,187 | Total Comprehensive Income and Expenditure | (6,885) |

The Council is required to determine its revenue (including amounts from Council Taxpayers) and capital resources according to statutory regulations rather than IFRS. Adjustments must therefore be made to the Surplus or Deficit on Provision of Services to reconcile the IFRS accounts to the actual change in the Council's resources available as reflected in the Usable Reserves.

| 2016/17 | | 2017/18 |
|---------|--|---------|
| £000 | | £000 |
| 311 | Deficit on Provision of Services | (47) |
| | Adjustments between accounting basis and funding basis | 362 |
| (183) | under regulations | 302 |
| | Reduction / (Increase) in Usable Reserves of the | |
| 128 | Council | 315 |
| | Comprising: | |
| (596) | (Increase)/Reduction in Revenue Balances and Reserves | 275 |
| 724 | (Increase)/Reduction in Capital Balances and Reserves | 42 |

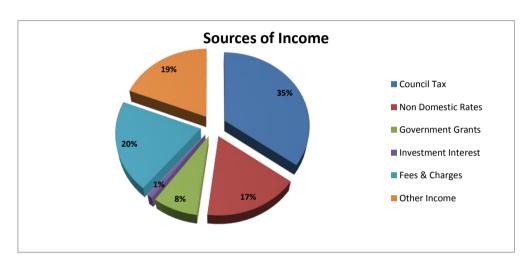
Revenue Expenditure and Sources of Finance

Revenue expenditure reflects the cost (on an IFRS basis) to the Council of providing services to the community. Revenue expenditure totalled £30.6m for the year ended 31 March 2018.

| 2016 | 5/17 | | 2017 | 7/18 |
|--------|-------|------------------|-------|--------|
| Gross | s Exp | Service | Gross | s Exp |
| £000 | % | | % | £000 |
| 822 | 3 | Chief Executive | 3 | 1,060 |
| | | Resources | | |
| 3,076 | 10 | Directorate | 10 | 2,953 |
| | | Customers and | | |
| | | Community | | |
| 22,654 | 74 | Directorate | 74 | 22,786 |
| | | Planning and | | |
| | | Regulatory | | |
| 4,257 | 13 | Directorate | 12 | 3,845 |
| 30,809 | | Cost of Services | 3 | 30,644 |

Revenue Expenditure and Sources of Finance (Cont.)

Funding for the revenue expenditure comes from a variety of sources:



Performance against net revenue budget

The estimated net revenue expenditure for the Council for 2017/18 was originally £8,833,000 Subsequent to the original budget being agreed this was revised to £9,301,000 Actual net expenditure for the year was £8,967,561, the detail of which is shown below.

| | Revised Budget | Actual Expenditure | Variance |
|---|-------------------|-----------------------|----------|
| | £000 | £000 | £000 |
| Chief Executive | 1,007 | 1,033 | (26) |
| Resources Directorate* | 2,875 | 2,852 | 23 |
| Customers and Community Directorate * | 3,374 | 2,862 | 513 |
| Planning and Regulatory Direcorate | 2,213 | 2,221 | (8) |
| Net Cost of Services | 9,469 | 8,968 | 501 |
| Investment, Trading & Rental Income | (384) | (383) | (1) |
| Statutory Adjustments | 464 | 37 | 427 |
| General Grants & Other Income | (868) | (907) | 39 |
| Council Tax Receipts | (5,856) | (6,024) | 168 |
| Revenue Support Grant | (169) | (169) | - |
| Business Rate Income | (2,036) | (2,966) | 930 |
| Collection Fund Adjustment | (231) | 336 | (567) |
| Parish Precepts | 1,383 | 1,383 | - |
| Transfer to / (from) Earmarked Reserves | (605) | 838 | (1,443) |
| Transfer to / (from) General Fund | (1,168) | (1,112) | (56) |

^{*} Budget figure has been adjusted for Rental Income disclosed in Investment, Trading and Rental Income of £142,000 and £26,000 respectively.

Capital Expenditure

Capital expenditure for 2017/18 was £1,021,000 (£1,710,000 for 2016/17). This compares with a revised budget of £1,378,000

A summary of the key capital schemes for 2017/18 is shown below:

| Scheme | 2017/18 Budget | Actual spend to 31 March 2018 |
|-------------------------------------|----------------|----------------------------------|
| | £000 | £000 |
| Vehicle and Plant replacement | 87 | 62 |
| Information and Computer Technology | 125 | 78 |
| Maldon Promenade Park | 200 | 108 |
| Leisure and Sports Centres | 164 | 160 |
| Parks and Open Spaces | 40 | 15 |
| Housing * | 460 | 385 |
| Cemeteries | 58 | 46 |
| Rivers | 18 | 71 |
| Car Parks | 53 | 11 |
| Replacement polling booths | 25 | 1 |
| 99 Wood Road | 70 | 62 |
| Purchase of bins | 69 | 15 |
| St Cedds Project | 9 | 8 |
| Total | 1,378 | 1,021 |

^{*} The actual figure includes external contributions to works

Capital expenditure was financed from Usable capital receipts applied (£573k), Government grants (£426k) and Other grants and contributions (£22k)

Pension Fund

The Council's share of the assets and liabilities of the Pension Fund is a net liability. The net liability has decreased by £5,374k to £26,460k a further explanation can be found in note 27 to the Core Financial Statements. It is important to understand that the net pension liability is a position taken at just one point in time. Market prices can move up as well as down in the short term and it is therefore not possible to quantify what long term effect the movement in market prices will have on the Pension Fund.

Provisions/Contingencies

The Council makes provisions for Bad Debts and for Business Rate Appeals that have been assessed as having a "probable" success rate. Very few appeals were settled by the Valuation Office during 2017/18. The increase in provision therefore reflects a further possible year of backdated claims.

There were no material write off's during 2017/18.

The Council also has earmarked reserves set aside for contingent liabilities ie "possible" obligations.

Future Outlook Revenue

The Council approved a three year Medium Term Financial Strategy covering the period from 1 April 2018 to 31 March 2021 in February 2018. This strategy addresses the financial challenges posed by the reduction in current and future government grant. The Council's Medium Term Financial Strategy will be reviewed on an ongoing basis to take into account further developments in funding, charging strategies and economic conditions generally.

The Council continues to work prudently to manage financial risks and is embarking upon a programme of transformational change to address future financial challenges to provide further medium term financial sustainability. It continues to hold robust levels of reserves.

The Council's general fund balances totalled £3.227m at 31 March 2018 (£4.339m at 31 March 2017) and cash balances were £6.823m at 31 March 2018 (5.869m at 31 March 2017).

Capital

| mated Future Capital Spending plans | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--|---------|---------|---------|---------|
| Project Title | £000 | £000 | £000 | £000 |
| Vehicle & Plant Replacement | 12 | 22 | 22 | 22 |
| Information & Communication Technology | 60 | 35 | 35 | 35 |
| Maldon Promenade Park | 90 | 10 | 10 | - |
| Parks & open Spaces | 30 | ı | - | - |
| Housing | 420 | 420 | 420 | 420 |
| Cemeteries | 24 | ı | 1 | - |
| Other New Projects | 115 | - | - | - |
| Total Capital Programme | 751 | 487 | 487 | 477 |
| Financed by: | | | | |
| Capital Receipts | 331 | 67 | 67 | 57 |
| Government Grant | 420 | 420 | 420 | 420 |
| Total Funding | 751 | 487 | 487 | 477 |

The above table shows the capital spending plans of the Council in line with the Medium Term Financial Strategy approved on 8 February 2018.

As part of the annual budget process, services will put forward capital budget requests for projects in their service areas. The items that are included several years in advance are rolling programmes, to ensure that assets are refreshed before they impact on service delivery.

The £420k planned expenditure for Housing relates to the Disabled Facilities Grant Programme which gives money to claimants for disabled adaptations on their home. This is funded by Central Government.

Risks

Ine Diggest risk to the authority is the ruture uncertainty around runding. Inere is already a significant funding gap identified in the Medium Term Financial Strategy, however it is believed that the fairer funding review will create changes that will see a further reduction in funding for Maldon as will support social and adult care services that are not provided by Maldon District Council. There will also be the new system for Business Rates retention that is being moved away from the 100% retention scheme originally proposed to a lower percentage and with a baseline rates reset removing the greater potential for retained growth income.

Opportunities

The Council are always looking at opportunities for joint working with other bodies, this could be something as simple as joint procurement of a service, or on a larger scale the joint provision of a service.

With the greater freedoms now available to Local Government, Maldon District Council are starting to explore commercial opportunities to assist in meeting the gaps in future finances.

Performance Information

The Corporate Plan covering the period 2015/2019 was updated and adopted by the Council in April 2017. The Plan sets the vision and corporate goals and provides strategic direction for the planning and delivery of the Council's work. For each goal, the Plan details the objectives the Council is striving to achieve.

Each year the Corporate Leadership Team (CLT), together with managers, identifies the key corporate activities that will be taken forward to contribute to the achievement of the priorities and objectives. These are approved by Council and are monitored quarterly at a corporate level by CLT at performance and risk clinics which also involves the service managers. Targets for a number of key performance indicators are also agreed by Council and monitored corporately to manage performance and track the impact of the actions/provide evidence of achievements. Quarterly performance reports are submitted to the Overview and Scrutiny Committee which scrutinises decisions made by, and the performance of Committees and Council Officers.

The key corporate activities are detailed in the Level 1 Business Plan for each Directorate. This plan is the cornerstone of the performance planning process and contains the aims and priorities for each Directorate and are submitted to the Programme Committees for notification. At an operational level, each service produces a Level 2 business plan. These are not submitted to Committee, but facilitate effective performance and risk management within the Directorates including the setting of individual objectives and completion of performance reviews.

Updates on the key corporate activities and the performance indicators are recorded by the responsible officers on TEN, the Council's corporate performance and risk management system. These updates form the basis of the quarterly performance reports to CLT and the Overview and Scrutiny Committee. Six monthly performance reviews are also undertaken by the Programme Committees

Individual staff objectives flow from the key corporate and service activities.

Quarterly performance information is published on the Council's website and all the performance reports submitted to the Committees are accessible via the website.

The Key Performance Indicators monitored include:

| Key Performance Indicator/Measure | 2016 | /17 | 2017/18 | 2018/19 | |
|---|------------------------|-----------|----------|---|--|
| | Target | Actual | Target | Target | |
| Level of reported crime (no. of incidents) | <2,241 | 2,422 | <2,422 | Tracking measure w.e.f. 18/19 - no target to be set | |
| Total number of long term empty homes (i.e. longer than 6 months) returned to use through Council intervention (no.) | 90 | 78 | 80 | Reporting to change w.e.f. 18/19 to number of long term empty properties as a % of total stock | |
| Percentage of Council Tax collected | 98.30% | 98.37% | 98.30% | 98.30% | |
| Percentage of Non-domestic Rates collected | 97.80% | 98.42% | 98% | 98% | |
| Time taken to process Housing Benefit/Council Tax Support - new claims (days) | 15 days | 14.8 days | 15 days | 15 days | |
| Time taken to process Housing Benefit/Council Tax Support – change of circumstances (days) | 9 days | 4.99 days | 8.5 days | 6.5 days | |
| Percentage of major planning applications processed within 13 weeks | 75% | 92.42% | 80% | 90% | |
| Percentage of minor planning applications processed within 8 weeks | 70% | 86.71% | 75% | 90% | |
| Percentage of other planning applications processed within 8 weeks | 80% | 94.60% | 85% | 90% | |
| Quality of decisions: percentage of the total number of decisions on applications made during the assessment period overturned at appeal (major applications) | 3% | 8.33% | 8.50% | 8.50% | |
| Quality of decisions: percentage of the total number of decisions on applications made during the assessment period overturned at appeal (non-major applications) | New indicator 17/18 | N/A | 8.50% | 8.50% | |
| Total Kilogrammes of household waste arising per household (annual) | 820 kg | 818 kg | 790 kg | 750 kg (subject to final review) | |
| Percentage of household waste sent for reuse, recycling and composting | 52% | 57.80% | 58% | 59% | |
| Total Kilogrammes of residual household waste per household | 400 kg | 345 kg | 350 kg | 340 kg (subject to final review) | |
| Average number of working days lost due to sickness per FTE | 7 days | 12.4 days | 8 days | 8 days | |

Other measures that are not wholly within the Council's control are also "tracked" during the year.

These are linked to the corporate goals and objectives. Monitoring the performance of these provides evidence of progress towards achieving our goals and outcomes.

Further Information

Further information about the accounts is available from the Director of Resources, Maldon District Council, Princes Road, Maldon, Essex, CM9 5DL.

Transparency information concerning the Council's spend with suppliers is detailed on the website (www.maldon.gov.uk).

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- (i) 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 Director of Resources;
- (ii) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- (iii) approve the Statement of Accounts.

The Section 151 Officer's Responsibilities

The 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 Chartered Institute of Public Finance and Accountancy's (CIPFA) / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing this Statement of Accounts the S151 Officer has:

- (i) selected suitable accounting policies and then applied them consistently;
- (ii) made judgements and estimates that were reasonable and prudent;
- (iii) complied with the local Authority Code.

The Section 151 Officer has also:

- (i) kept proper accounting records which were up to date;
- (ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that this Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2018 and its income and expenditure for the year then ended.

| Signed | Ms Emma Foy (FCCA) Director of Resources (s151 Officer) |
|--------|---|
| | Director of Resources (S131 Officer) |
| | Date: |

EXPENDITURE FUNDING ANALYSIS (Not a primary statement)

2016/17 2017/18

| Expenditure Chargeable | Adjustments Between Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | | Net Expenditure Chargeable to the General Fund | Adjustments Between Funding and Accounting Basis | Expenditure in the Comprehensive Income and Expenditure Statement |
|---------------------------|--|---|---|--|--|---|
| 802 | - | 802 | Chief Executive | 1,031 | 2 | 1,033 |
| 2,694 | 302 | 2,996 | Resources Directorate | 2,772 | 80 | 2,852 |
| 1,285 | 552 | 1,837 | Customers and Community Directorate | 2,081 | 781 | 2,862 |
| 2,017 | 463 | 2,480 | Planning and Regulatory Directorate | 1,878 | 343 | 2,221 |
| (517) | 517 | - | Absence Accrual and IAS19 Adjustments included in the above | (1,176) | 1,176 | - |
| 6,281 | 1,834 | 8,115 | Net Cost of Service | 6,586 | 2,382 | 8,968 |
| (6,876) | (928) | (7,804) | Other Income and Expenditure | (6,310) | (2,705) | (9,015) |
| (595) | 906 | 311 | Surplus or Deficit | 276 | (323) | (47) |
| 6,396 | | | Opening General Fund Balance at 1 April | 6,991 | <u>-</u> | |
| 595 | | | Add surplus / (deficit) on General Fund in year | (276) | | |
| 6,991 | | | Closing General Fund balance at 31 March | 6,715 | - : | |

Net change for Other

Notes to the Expenditure and Funding Analysis

Note 1.

ADJUSTMENTS FROM GENERAL FUND TO ARRIVE AT THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

| Adjustments for Capital Purposes | Net change for the Pensions Adjustments | Other Differences | Total Adjustment | ıs | Adjustments for Capital Purposes | the Pensions Adjustments (Included in service cost for members outturn) | Differences (Included in service cost for members outturn) | Total Adjustments |
|--|--|----------------------|------------------|---|--|--|---|-------------------|
| - | 38 | 3 (2) | 36 | Chief Executive | 2 | 88 | - | 90 |
| 302 | 117 | 7 1 | . 420 | Resources Directorate | 80 | 266 | - | 346 |
| 551 | 180 |) (4) | 727 | Customers and Community Directorate | 781 | 412 | - | 1,193 |
| 463 | 188 | 3 (1) | 650 | Planning and Regulatory Directorate | 343 | 410 | - | 753 |
| 1,316 | 523 | 3 (6) | 1,833 | Net Cost of Services | 1,205 | 1,176 | - | 2,382 |
| (1,019) | 21 | 71 | . (927) | Other Income and Expenditure from the Funding Analysis | (1,309) | (996) | (400) | (2,705) |
| 297 | 544 | l 65 | 906 | Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statements Surplus or Deficit | (104) | 180 | (400) | (323) |

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Elinancing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure - Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

Eur services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure -- the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference

Note 2.

| | eived in a segmental basis is recorded below: | 2017/10 |
|-------------------|---|-------------------|
| 2016/17 £000's | Income | 2017/18 £000's |
| (20) | Chief Executive | (27) |
| (80) | Resources Directorate | (101) |
| (20,817) | Customers and Community Directorate | (19,924) |
| (1,777) | Planning and Regulatory Directorate | (1,624) |
| (22,694) | Total income analaysed in a segmental basis | (21,676) |

Note 3.

EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

| 2016/17 £000's | 2017/18 £000's |
|--|-------------------|
| Expenditure | |
| 8,202 Employee benefits expenses | 8,940 |
| 20,637 Other services expenses | 19,774 |
| 653 Direct cost recharges | 694 |
| 1,126 Depreciation, amortisation, impairment | 1,070 |
| 828 Interest payments | 831 |
| 1,261 Precepts and levies | 1,383 |
| 20 Loss on the disposal of assets | - |
| 32,727 Total expenditure | 32,691 |
| Income | |
| (6,433) Fees, charges and other service income | (6,705) |
| (406) Interest and investment income | (389) |
| (7,801) Income from council tax, nondomestic rates, district rate inco | . , , |
| 0 Gain on the disposal of assets | (608) |
| (17,775) Government grants and contributions | (16,048) |
| (32,415) Total income | (32,739) |
| 311 Surplus or Deficit on the Provision of Services | (47) |

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2016/17 2016/17 2016/ | 17 | | | 2017/18 | 2017/18 | 2017/18 |
|---|---|--|----------|-----------------------------------|--------------------------------------|---|
| Gross Gross Net Expenditure Income Expendi £000 £000 £000 | | | Note | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 22,654 (20,817) 1 | ,996 ,837 | Chief Executive Resources Directorate Customers and Community Directorate Planning and Regulatory Directorate | | 1,060 2,953 22,786 3,845 | (27) (101) (19,924) (1,624) | 2,852 2,862 |
| 30,809 (22,694) 8 | ,115 | COST OF SERVICES | : | 30,644 | (21,676) | 8,968 |
| 1 (((5, (1, | 20 (281 (29) (29) (821 (45) (236) (231 (708) (471) (6) (4) (4) (4) (4) (4) (4) (4) (4) (4) (4 | Parish & Town Precepts Gains on the disposal of fixed assets OTHER OPERATING EXPENDITURE Interest payable and similar charges Interest on investments (Surplus)/deficit on trading undertakings Net interest on pension liability Revaluation of Available for Sale Financial Asset Rental Income from Investment Assets Revaluation Gain on Investment Assets FINANCING AND INVESTMENT INCOME & EXPENDITURE Council Tax Income Government Grants (not attributable to specific services) Non-Domestic Rates | 12 12 | | | 1,383 (608) 775 6 (237) (13) 825 (65) (139) (101) 276 (6,024) (1,076) (2,966) |
| | (43) 316) | Capital Grants and Contributions TAXATION AND NON SPECIFIC GRANT INCOME (SURPLUS) / DEFICIT ON THE PROVISION OF SERVICES | 22 | | | (10,066) (47) |
| 7 | ,755 I | Re-measurement of net defined liability for the pension fund Surplus or deficit on revaluation of Property, Plant and | | | | (5,562) |
| (3, | | Equipment assets | | | | (1,276) |
| 3 | ,876 | OTHER COMPREHENSIVE INCOME AND EXPENDITURE (S | SURPLU | S) / DEFICIT | | (6,838) |
| 4 | ,187 | TOTAL COMPREHENSIVE INCOME AND EXPENDITURE (S | SURPLU | S) / DEFICIT | | (6,885) |

MOVEMENT IN RESERVES STATEMENT

| | Notes | General Fund Balance | Earmarked General Fund Reserves | Capital Grants Unapplied Account | Capital Receipts Reserve | Total Usable Reserves | Revaluation Reserve | Capital Adjustment Account | Deferred Capital Receipts Account | Pensions Reserve | Collection Fund Adjustment Account | Available for Sale Reserve | Accumulated Absences Account | Total Unusable Reserves | Total Authority Reserves |
|--|----------|--|---------------------------------------|--|-----------------------------|---|------------------------|---|--------------------------------------|---------------------|--|-------------------------------|------------------------------------|---|-----------------------------|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 01 April 2016 Brought Forward | - | (3,961) | (2,435) | (179) | (4,262) | (10,837) | (8,501) | (21,491) - | | * 23,534 | 86 | 133 | 85 | (6,154) | (16,991) |
| Movements in reserves during 2016/17 (Surplus)/Deficit on provision of services Other Comprehensive Income & Expenditure - Revaluation gain on Non Current Assets - Actuarial gains/losses on pension assets/liabilities | 27 | 311 | | | | 311 - - | (3,879) | | | 7,755 | | | | - (3,879) 7,755 | 311 (3,879) 7,755 |
| Total Comprehensive Income & Expenditure Adjustments relating to the Capital Adjustment Account Reversal of items debited of credited to the Comprehensive Income & Expenditure Statement | | 311 | - | - | - | 311 | (3,879) | - | - | 7,755 | - | - | - | 3,876 | 4,187 |
| Amortisation of intangible fixed assets Depreciation of fixed assets Loss on Revaluation Revaluation gain on Non Current assets Reversal of Capital Grants & Contributions Credited straight to services Revenue Expenditure Funded From Capital Under Statute Revaluation of Investment Assets National Statute of Fixed assets National Comprehensive Income & | 9 25 | (43) (743) (726) 722 459 (527) 236 (20) | | | (411) | (43) (743) (726) 722 459 (527) 236 (431) | 6 | 43 737 726 (722) (440) 527 (236) 415 | (19) | | | | | 43 743 726 (722) (459) 527 (236) 431 | : |
| The tion of items not debited or credited to the Comprehensive Income & Expenditure Statement Statutory provision for financing Adjustments relating to the Capital Grants Unapplied Account New Capital Grants Received Reversed to CAA or Capital Grants Unapplied | | 259 85 | | (28) | | - 259 - 57 | | (259) (57) | | | | | | (259) - (57) | - - - |
| Adjustments Relating to Capital Receipts Capital receipts applied Adjustments relating to the Pensions Reserve Net charges made for retirement benefits in accordance with IAS19 | 25 27 | (2.020) | | | 1,163 | 1,163 | | (1,163) | | 2,020 | | | | (1,163) - 2,020 | - |
| Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners | 27 | (2,020) 1,476 | | | | (2,020) 1,476 | | | | (1,476) | | | | (1,476) | _ |
| Adjustments relating to the Collection Fund Adjustment Account Transfers to (from) Collection Fund Adjustment Account Adjustments relating to the Available for Sale Reserve | | (26) | | | | (26) | | | | | 26 | | | - 26 | - |
| Transfers to (from) Available for Sale Reserve Adjustments relating to the Accumulated Absences Account | | (45) 85 | | | | (45) 85 | | | | | | 45 | (85) | 45 (85) | - |
| Employee Benefits Accrued (prior year adjustment) Employee Benefits Accrued (current year adjustment) Total adjustments between accounting basis & funding basis under regransfers to/from Earmarked Reserves | ulatioi | (79) (907) 218 | (218) | (28) | 752 | (79) (183) | 22 | (429) | (19) | 544 | 26 | 45 | (85) 79 (6) | 79 183 | - - - |
| Increase/Decrease in the year | | (378) | (218) | (28) | 752 | 128 | (3,857) | (429) | (19) | 8,299 | 26 | 45 | (6) | 4,059 | 4,187 |
| Balance at 31 March 2017 Carried Forward | | (4,339) | (2,653) | (207) | (3,510) | (10,709) | (12,358) | (21,920) | (19) | 31,833 | 112 | 178 | 79 | (2,095) | (12,804) |

MOVEMENT IN RESERVES STATEMENT

| | Notes | General Fund Balance | Earmarked General Fund Reserves | Capital Grants Unapplied Account | Capital Receipts Reserve | Total Usable Reserves | Revaluation Reserve | Capital Adjustment Account | Deferred Capital Receipts Account | Pensions Reserve | Collection Fund Adjustment Account | Available for Sale Reserve | Accumulated Absences Account | Total Unusable Reserves | Total Authority Reserves |
|--|-------|--|---------------------------------------|--|-----------------------------|---|------------------------|---|--------------------------------------|---------------------------|--|-------------------------------|------------------------------------|---|---------------------------------|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 01 April 2017 Brought Forward | | (4,339) | (2,653) | (207) | (3,510) | (10,709) | (12,358) | (21,920) | (19) | 31,833 | 112 | 178 | 79 | (2,095) | (12,804) |
| Movements in reserves during 2017/18 (Surplus)/Deficit on provision of services Other Comprehensive Income & Expenditure - Revaluation gain on Non Current Assets | | (47) | | | | (47) | (1,276) | | • | · | | | | (1,276) | (47) |
| - Actuarial gains/losses on pension assets/liabilities Total Comprehensive Income & Expenditure Adjustments relating to the Capital Adjustment Account Reversal of items debited of credited to the Comprehensive Income & Expenditure Statement | 27 _ | (47) | - | - | - | (47) | (1,276) | - | - | (5,562) (5,562) | - | - | - | (5,562) (6,838) | (5,562) (6,885) |
| Amortisation of intangible fixed assets Depreciation of fixed assets Loss on Revaluation Revaluation gain on Non Current assets Reversal of Capital Grants & Contributions Credited straight to services Revenue Expenditure Funded From Capital Under Statute Revaluation of Investment Assets Netgain/loss on sale of fixed assets Ingerion of items not debited or credited to the Comprehensive Income & | 9 | (38) (760) (142) 74 373 (341) 101 608 | | | (608) | (38) (760) (142) 74 373 (341) 101 | 25 | 38 735 142 (74) (392) 341 (101) | 19 | | | | | 38 760 142 (74) (373) 341 (101) | - - - - - - - |
| Example Statement September Provision for financing Adjustments relating to the Capital Grants Unapplied Account New Capital Grants Received Reversed to CAA or Capital Grants Unapplied | | 227 | | - | | 227 | | (227) | | | | | | (227) - | - |
| Adjostments Relating to Capital Receipts Capital receipts applied | 25 | | | 76 | 573 | 649 | | (649) | | | | | | (649) | - |
| Adjustments relating to the Pensions Reserve Net charges made for retirement benefits in accordance with IAS19 | 27 | (2,818) | | | | (2,818) | | | | 2,818 | | | | 2,818 | - |
| Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners | 27 | 2,636 | | | | 2,636 | | | | (2,636) | | | | (2,636) | - |
| Adjustments relating to the Collection Fund Adjustment Account Transfers to (from) Collection Fund Adjustment Account | | 336 | | | | 336 | | | | | (336) | | | (336) | - |
| Adjustments relating to the Available for Sale Reserve Transfers to (from) Available for Sale Reserve | | 65 | | | | 65 | | | | | | (65) | | (65) | - |
| Adjustments relating to the Accumulated Absences Account Employee Benefits Accrued (prior year adjustment) Employee Benefits Accrued (current year adjustment) | | 79 (79) | | | | 79 (79) | | | | | | | (79) 79 | (79) 79 | |
| Total adjustments between accounting basis & funding basis under regulations | | 321 | - | 76 | (35) | 362 | 25 | (187) | 19 | 182 | (336) | (65) | - | (362) | - |
| Transfers to/from Earmarked Reserves Increase/Decrease in the year | 7 | 838 1,112 | (838) (838) | 76 | (35) | 315 | (1,251) | (187) | 19 | (5,380) | (336) | (65) | | (7,200) | (6,885) |
| | | • | - | | | | | | | | | | | | |
| Balance at 31 March 2018 Carried Forward | | (3,227) | (3,491) | (131) | (3,545) | (10,394) | (13,609) | (22,107) | - | 26,453 | (224) | 113 | 79 | (9,295) | (19,689) |

BALANCE SHEET

| 31-Ma | r-17 | | Note | 31-M | ar-18 |
|----------|----------|---|------|----------------|----------|
| £000 | | NON CURRENT ASSETS | | £0 | 00 |
| | | Property Plant & Equipment | 9 | | |
| 27,407 | | - Land & Buildings | | 28,609 | |
| 2,658 | | - Vehicles Plant & Equipment | | 2,458 | |
| 2,936 | | - Infrastructure | | 2,905 | |
| 624 | | - Community Assets | | 624 | |
| | | | | | |
| 18 | | - Assets Under Construction | | 16 | |
| 95 | | Heritage Assets | | 95 | |
| 1,833 | | Investment Property | 11 | 1,997 | |
| 105 | | Intangible Assets | | 121 | |
| 2,854 | | Long Term Investments | 12 | 4,932 | |
| 189 | | Long Term Debtors | 14 | 226 | |
| | 38,719 | TOTAL LONG TERM ASSETS | | | 41,983 |
| | 55,7 25 | | | | 1-,500 |
| | | CURRENT ASSETS | | | |
| 2,013 | | Short Term Investments | 12 | - | |
| 21 | | Inventories | | 16 | |
| 2,574 | | Short Term Debtors | 13 | 3,170 | |
| 5,869 | | Cash and Cash Equivalents | 15 | 6,823 | |
| 2,006 | | Available for Sale | | 1,001 | |
| 12.402 | | Available for Sale | 12 | 1,001 | |
| 12,483 | | | | 11,010 | |
| | | LESS CURRENT LIABILITIES | | | |
| (4,001) | | Short term creditors | 16 | (4,276) | |
| (553) | | Provisions | 29 | (651) | |
| (4,554) | | | | (4,927) | |
| , , , | 7,929 | NET CURRENT ASSETS | | | 6,083 |
| | ĺ | | | | • |
| (1,358) | | Long Term Creditors | 26 | (1,131) | |
| (31,833) | | Liability related to Pension Scheme | 27 | (26,460) | |
| (100) | | Provisions | 29 | (100) | |
| (553) | | Capital Grants Receipts in Advance | | (695) | |
| ` | (33,844) | TOTAL LONG TERM LIABILITIES | | ` | (28,386) |
| | 12,804 | TOTAL ASSETS LESS LIABILITIES | | | 19,680 |
| | 12,004 | TOTAL ASSETS LESS LIABILITIES | | | 19,000 |
| | | FINANCED BY | | | |
| | | Usable Reserves | | 1 | |
| (3,510) | | - Usable Capital Receipts Reserve | | (3,545) | |
| (207) | | - Capital Grants Unapplied Account | | (131) | |
| | | | _ | | |
| (6,992) | (40 -00) | - Revenue Reserves | 7 | (6,716) | (40.000) |
| | (10,709) | - Total Usable Reserves | | 1 | (10,392) |
| | | Unusable Reserves | 17 | | |
| (12,358) | | - Revaluation Reserve | | (13,609) | |
| (21,920) | | Capital Adjustment Account | | (22,107) | |
| (19) | | Deferred Capital Receipts Account | | - | |
| 31,833 | | - Pensions Reserve | 27 | 26,460 | |
| 112 | | - Collection Fund Adjustment Account | | (224) | |
| 178 | | - Available for Sale Reserve | | 113 | |
| 79 | | - Accumulated Absences Account | | 79 | |
| / / | (2,095) | - Total Unusable Reserves | | ''' | (9,288) |
| | | | | | |
| | (12,804) | TOTAL NET WORTH | | | (19,680) |

These financial statements replace the unaudited financial statements certified by Emma Foy (Director of Resources) on 31 May 2018.

18

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash flows have been made from resources which are intended to contribute to the authority's future service delivery. Financing activities summarises cash flows from where we have offered or received loans or finance leases during the year.

| 2016/17 £000 | | | 2017/18 £000 |
|------------------------|--|----------|----------------------------------|
| 311 | Net (surplus) or deficit on the provision of services | | (47) |
| (1,563) | Adjustments to net (surplus) or deficit for non-cash movements | (note A) | (533) |
| 547 | Adjustments for items that are financing or investing activities | (note B) | 608 |
| (705) | Net cash (inflows)/outflows from operating activities | | 28 |
| | Investing activities | | |
| 10,000 | Purchase of property, plant and equipment, investment property and intangibles Purchase of short and long term investments Other payments made for investing activities Proceeds of sale of property, plant and equipment, investment property and intangibles | | 419 10,000 45 |
| (13,000) | Proceeds of sale of short and long term investments Other receipts from investing activities | | (11,000) (288) |
| (3,062) | Net cash (inflow)/outflow from investing activities | | (824) |
| | Financing activities | | |
| 233 (13) | Repayment of finance lease Repayment of short and long term borrowing Other payments for financing activities Cash receipts of short and long term borrowing Other receipts from financing activities | | 226 - 221 (13) (592) |
| 188 | Net cash (inflow)/outflow from financing activities | | (158) |
| (3,578) | Net (increase) or decrease in cash and cash equivalents | | (954) |
| 2,291 | Cash and cash equivalents at the beginning of the year | | 5,869 |
| 5,869 | Cash and cash equivalents at the end of the year | (note C) | 6,823 |

Notes to the Cash Flow Statement

Note A: adjustments to net (surplus) or deficit for non-cash movements

| 2016/17 £000 (600) 31 5 (26) (192) (171) (66) (2,020) 1,476 (1,563) | Depreciation, impairments and amortisation Carrying amount of non-current assets sold Increase / (decrease) in inventories (Increase) / decrease in impairment for bad debts Increase / (decrease) in debtors (Increase) / decrease in creditors (Increase) / decrease in provisions Pension costs Pension charges Revaluation gains on the value of investment properties | 2017/18 £000 (765) (4) (37) 172 315 (99) (2,816) 2,636 65 (533) |
|--|--|--|
| Note B: adjust | ments for items that are financing or investing activities | |
| 2016/17 £000 | Proceeds of sale of property, plant and equipment, investment property and intangibles | 2017/18 £000 608 |
| 527 547 | Capital grants received | 608 |
| Note C: cash & | cash equivalent components | |
| As at 31 March 17 £000 4,501 1,365 3 5,869 | Call accounts Cash Cash floats | As at 31 March 18 £000 5,503 1,316 4 6,823 |
| Note D: Intere | st paid and received | |
| 2016/17 £000 (231) 7 (224) | Interest received Interest paid Net cash (inflow) / outflow | 2017/18 £000 (240) 6 (234) |

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COLLECTION FUND

| 2016/17 | | | | | 2017/18 | |
|---|--|--|--|---|--|---|
| Business Rates £000 | Council Tax £000 | TOTAL £000 | Income | Business Rates £000 | Council Tax £000 | TOTAL £000 |
| - | (38,414) | (38,414) | Council Tax Receivable (CT) | - | (40,202) | (40,202) |
| (14,851) | - | (14,851) | Business Rates Receivable (NDR) | (13,942) | - | (13,942) |
| - | (10) | (10) | Annex Discount Grant (CT) | - | (11) | (11) |
| (14,851) | (38,424) | (53,275) | Expenditure | (13,942) | (40,213) | (54,155) |
| 6,889 1,240 - 138 5,511 | - 26,507 3,568 1,587 5,539 | 3,568 1,725 | Precepts Demands and Shares: Central Government Essex County Council PFCC for Essex Policing and Community Safety* Essex PFCC Fire & Rescue Authority* Maldon DC & Parishes Redistributed Collection Fund previous year surplus | 6,353 1,144 - 127 5,082 | 27,776 3,748 1,648 | 3,748 |
| 340 61 - 7 272 14,458 | 337 46 21 70 37,675 | 340 398 46 28 342 52,133 | Central Government Essex County Council PFCC for Essex Policing and Community Safety* Essex PFCC Fire & Rescue Authority* Maldon DC & Parishes | (443) (79) - (9) (354) 11,821 | 1,104 149 66 231 40,577 | (443) 1,025 149 57 (123) 52,398 |
| (10) 47 94 571 | 97 - - - 97 | 87 47 94 571 | Charges to Collection Fund: Increase /Decrease (-) in Bad Debt Provision Increase/Decrease (-) in Provision for Appeals Costs of Collection Disregarded Amounts | 113 321 93 601 | 38 - - - - | 151 321 93 601 |
| 309 | (652) | (343) | (-) Surplus/Deficit arising during the year | (993) | 402 | (591) |
| 768 1,077 | (1,473) (2,125) | (705) (1,048) | (-) Surplus/Deficit b/fwd as at 1 April (-) Surplus/Deficit c/fwd 31 March | 1,077 | (2,125) (1,723) | (1,048) (1,639) |

^{*} PFCC is the abbreviation for Police and Crime Commissioner

Notes to the Collection Fund

1. COUNCIL TAX INCOME

The average Band D Council Tax for the year was £1,635.11 (£1,586.04 in 2016-17).

2. COUNCIL TAX BASE

The Council's tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

| Band | Chargeable Dwellings | Estimated Properties after discounts exemptions etc. | Ratio to Band D | Band D Equivalent Dwellings |
|-------------------------|-------------------------|---|--------------------|-----------------------------------|
| - | | • | = 10 | |
| A * | - | 2.10 | 5/9 | 1.2 |
| A | 2,322.0 | 1,343.90 | 6/9 | 895.9 |
| В | 3,657.0 | 2,659.00 | 7/9 | 2,068.1 |
| С | 7,866.0 | 6,309.10 | 8/9 | 5,608.1 |
| D | 5,098.0 | 4,522.10 | 9/9 | 4,522.1 |
| E | 4,336.0 | 4,018.00 | 11/9 | 4,910.9 |
| F | 2,692.0 | 2,563.10 | 13/9 | 3,702.3 |
| G | 1,421.0 | 1,356.20 | 15/9 | 2,260.3 |
| н | 175.0 | 156.30 | 18/9 | 312.6 |
| | 27,567 | 22,929.80 | | 24,281.5 |
| Less adjustment for | collection rate | | | (412.8) |
| Council Tax Base | | | | 23,868.7 |

^{*} Band A properties entitled to a disabled relief reduction

3. NON DOMESTIC RATES

Rates are charged on each of the district's 2,434 commercial properties.

| Rateable value at 31 March 2018 | £39,824,393 |
|--|-------------|
| Multiplier: Business Rate Relief | 49.3 |
| Small Business Rate Relief | 48.0 |
| The multiplier is set by Central Government. | |

A business rates retention scheme was introduced in April 2013.

The Local Authority retains 100% of NDR income for their Renewable Energy sites then, after allowances and expenditure retains 40%, with 50% being paid to Central Government, 9% to Essex County Council and 1% to Essex County Fire & Rescuse Service.

4. COLLECTION FUND BALANCES

| | | 31-Mar-17 £000 | Movement £000 | 31-Mar-18 £000 |
|----------------------------------|---------------|---------------------------------|------------------|-------------------|
| (Surplus) / D (Surplus) / Det | | (2,125) 1,077 | 402 (993) | (-/:/ |
| Attributable to: | Centr | al Government | NDR 41 | СТ |
| | | District Council County Council | 34 | (258) |
| PFCC for Essex Pol | icing and Com | nmunity Safety | | - (165) |
| Essex F | FCC Fire & Re | scue Authority | 1 84 | (73) (1,723) |

NOTES TO THE CORE ACCOUNTING STATEMENTS

1. ACCOUNTING POLICIES

General Principles and Accounting Concepts

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year end of 31 March. The Council is required to prepare an annual Statement of Accounts, prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The main accounting policies adopted by the Council in preparing the Statement of Accounts are as follows:

1) Accruals of Income and Expenditure

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

- Fees, charges and rents are accounted for as income for the period that the Council provides goods or services, except in the case of building control, planning fees and licence fees which are accounted for on a cash basis.
- Supplies are recorded as expenditure when they are consumed, when there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instruments rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- In the case of periodic receipts and payments, where it does not materially affect the accounts and a full year's income and expenditure is recorded, an accrual does not need to be raised

2) Cash and Cash Equivalents

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

3) Exceptional items

When specific items of income and expenditure are individually material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement (CIES) or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

4) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non current assets during the year:

- Depreciation attributable to the assets used by the relevant service.

Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

- Amortisation of intangible assets attributable to the relevant service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. Depreciation, revaluation and impairment losses and amortisation are replaced by an equal contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account, recorded in the Movement in Reserves Statement (MiRS).

5) Government Grants and Other Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account.

6) Employee Benefits

- Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and non-monetary benefits for current employees. They are recognised as an expense for services in the year in which employees render their services to the Council.

An accrual is made for the cost of holiday entitlements, flexi time and time off in lieu earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is an estimation based on the historical cost of outstanding leave after giving consideration to the risk of any material misstatement. The accrual is charged to Surplus/Deficit on the Provision of Services in the financial year in which the absences are accrued and it is then reversed out through the Movement in Reserves Statement so there is no impact on Council Tax.

- Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the accounting basis debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable unpaid at the year end.

6) Employee Benefits cont'd

- Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Essex County Council. The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Essex pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates etc. and earnings for current employees).
- Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on high quality corporate bonds).
- The assets of Essex pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities: current bid price
 - unquoted securities: professional estimate
 - unitised securities: current bid price
 - property: market value.
- The change in the net pensions liability is analysed into the following components: Service cost comprising:
 - <u>Current service cost:</u> the increase in liabilities as a result of the year of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the services for which the Council employees worked.
 - <u>Past service costs:</u> the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. These are debited to the surplus/deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Resources Directorate.
 - Net interest on the net defined benefit liability (asset): the change during the period in the net defined benefit liability that arises from the passage of time, charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income an Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period; taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.

Remeasurements comprising:

- The return on plan assets: excluding amounts included in net interest on the defined benefit liability. This is 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. These are charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

<u>Contributions paid to the Essex pension fund:</u> cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense for the Council, in the CIES, but charged to the General Fund through the MiRS.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standard. This means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension fund. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

6) Employee Benefits cont'd

- Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7) Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period (on 31 March) and the date when the Statement of Accounts are authorised for issue.

Two types of post Balance Sheet events can be identified:

- Adjusting events are those that provide evidence of conditions that existed at the Balance Sheet date. Where material, the Statement of Accounts is adjusted to reflect the impact of such events.
- Non-adjusting events are those that are indicative of conditions that arose after the Balance Sheet date. The Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, additional disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date the Statement of Accounts is authorised for issue are not reflected in the Statement of Accounts.

8) Financial Instruments

- Financial Liabilities

The Council does not have any borrowing. Trade payables (creditors) are disclosed at face value.

- Financial Assets

Financial assets are classified into two types:

- Loans and receivables: assets that have fixed or determinable payments but are not quoted in an active market (e.g. short/long term deposits, trade debtors).
- Available for sale assets: assets that have a quoted market price and / or do not have fixed or determinable payments (e.g. money market funds).

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value, and subsequently, at their amortised cost. Annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest shown on debtors) and interest credited to the CIES as the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the assets original effective interest rate.

Available for sale assets are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where fixed and determinable payments exist, annual credits made to the financing and investment income within the CIES for interest receivable are based on amortised cost of the asset multiplied by the effective interest rate. The fair value of available for sale assets is based on market price. As the Council only used stable net asset value funds fair value is the same as nominal value. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

9) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or if the asset is held for sale. Investment properties are measured initially at cost and subsequently at Fair Value (see below).

Properties are not depreciated but are revalued or reviewed annually to a year-end value.

As a minimum investment properties, regardless of leases, will be revalued every 5 years along with other classes of assets.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line. Directly attributable operating expenses related to investment properties are debited to the Financing and Investment Income line. Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve (for the sale proceeds).

10) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible assets are held by the Council which meet this criteria, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. Intangible assets are depreciated using the straight line method over 3 – 7 years.

11) Fair Value (FV) Measurement

The authority measures some of its non-financial assets, eg surplus assets and investment properties and certain financial instruments at FV at each reporting date. See the Glossary for the definition of FV. This authority had only 3 investment properties for 2017/18.

The authority is required to measure the FV of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

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

Level 3 – unobservable inputs for the asset or liability

1. ACCOUNTING POLICIES CONT.

12) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

a) Finance Leases - Lessee

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at the lower of its fair value measured at the lease inception and the present value of the minimum lease payments. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Finance lease payments are apportioned between:

- \cdot a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the lease liability, and
- \cdot a finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life and where ownership of the asset does not transfer to the Council at the end of the lease period.

b) Operating Leases - Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment.

c) Finance Leases - Lessor

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The written-off value is appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement, so as to mitigate any impact on Council Tax.

A gain on disposal, representing the Council's net investment in the lease, is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement, matched by a long-term debtor asset in the Balance Sheet. The gain is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

12) Leases cont'd

Finance lease rentals receivable are apportioned between:

- \cdot a charge for the acquisition of the interest in the property which is applied to write down the lease debtor including any premiums received, and
- \cdot finance income which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Usable Capital Receipts Reserve.

The Authority do not currently have any finance leases where they act as the lessor.

d) Operating Leases - Lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

14) Property Plant and Equipment (PPE)

Expenditure on the acquisition, creation and enhancement of fixed assets is capitalised in accordance with the accruals concept. The Council's de minimis level for capital expenditure is £10,000. Expenditure on PPE is capitalised, provided that the fixed asset yields benefit to the Council and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance on PPE, which does not enhance the asset and is charged direct to service revenue accounts.

14) Property Plant and Equipment (PPE) cont'd

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not have any borrowing costs. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Large assets are divided into their component parts only if the components have materially different useful lives compared to the rest of the asset. This allows depreciation charges for assets to more accurately reflect the consumption of economic benefit which takes place at different rates for each component. The Council has considered the componentisation of all significant assets and has started to bring this into effect.

The Council has only been able to componentise assets where the valuation information of each component was supplied to them already, or the components have since been replaced subsequent to the componentisation rules coming into effect.

Assets are subsequently carried in the Balance Sheet using the following measurement bases:

- Plant, Vehicles, Furniture and Equipment assets, Infrastructure assets and Community assets: Depreciated Historic Cost
- Other (operational) land and buildings: Current Value, determined as the amount that would be paid for the asset in its Existing Use (EUV).
- Surplus Assets: Fair Value = highest and best use.
- Components of buildings: Depreciated Historic Cost

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of Current Value. Where non-property assets (Plant, Vehicles, Furniture and Equipment assets) that have short useful lives or low values (or, both) depreciated historical cost basis is used as a proxy for Current Value.

14) Property Plant and Equipment (PPE) cont'd

Assets included in the Balance Sheet at current or fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their value at the financial year end, but as a minimum every five years. Between quinquennial external valuations views are sought from External Valuers to ensure that the asset values reported in the Statement of Accounts remain materially accurate. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service. 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 the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

15) Impairment

Assets are assessed at each financial year end as to whether there is any indication that an asset 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.

Where impairment losses 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 the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

16) Depreciation

Depreciation is provided for on assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- Newly acquired assets are not depreciated in the first year and assets in the course of construction are not depreciated until they are brought into use.
- Where depreciation is provided for, assets are depreciated using the straight line method over the following periods:

- Buildings (where appropriate) 5 - 60 years
- Infrastructure 5 - 30 years
- Vehicles, Plant & Equipment 3 -10 years
- Land, including car parks Not depreciated

17) Disposals of Plant, Property and Equipment.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

All amounts for disposal of assets currently recognised on the balance sheet are categorised as capital receipts. Amounts for other asset disposals in excess of £10,000 are also categorised as capital receipts.

18) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

19) Contingent Assets

A contingent asset arises where an event had taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

20) Reserves

The Council has the power to keep reserves for certain purposes by setting aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure is incurred that is to be financed from a reserve, it is charged to the appropriate service in that year to be included as expenditure in the Surplus / Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so there is no charge against the General Fund for the expenditure incurred.

Separate earmarked reserves are held by the Council.

Certain reserves are kept by the Council to manage the accounting processes for non-current assets (e.g. Revaluation Reserve and Capital Adjustment Account), retirement benefits (e.g. Pensions Reserve) and employee benefits (e.g. Accumulated Absences Account) and do not represent usable resources for the Council.

21) Provision for Bad and Doubtful Debts

Impairment allowances have been made in the accounts for potential bad and doubtful debts where there is a likelihood arising based on past events and experience that cash received will be lower than

the carrying amount for receivables. Known uncollectable debts have been written off. Allowances are typically estimated on a percentage basis, with the older the outstanding debt the higher the percentage of the debt that is provided for. All allowances are reviewed and recalculated at the end of the accounting period. Allowances are generally netted off against short term debtors on the Balance Sheet.

22) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset and has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or government Grant, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

23) Value Added Tax (VAT)

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

24) Council Tax and Non Domestic Rates

Maldon District Council is a billing authority and acts as agent, collecting council tax and non-domestic rates (NDR) on behalf of Essex County Council, Essex Fire Authority, Council Tax for Essex Police and Crime Commissioner, NDR for government and, as principals, collecting council tax and NDR for themselves. A separate fund (the Collection Fund) is required to be maintained for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the authority's share of the end

of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

25) Provisions for Appeals against the rateable value of Business Properties

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. Billing authorities act as agents on behalf of the major preceptors, central government and themselves and are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts relating to non-domestic rates charged to businesses in 2012-2013 and earlier financial years.

The Council has established a provision in the accounts for an appeal if it meets the following criteria:

- the authority has a present obligation (legal or constructive) as a result of a past event it is probable that an outflow of resources embodying economic benefits or service
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate at the Balance Sheet Date of the expenditure required to settle the present obligation taking risks and uncertainties into account.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2018/19 Code that under the code, come into effect from 1 April 2018:

IFRS9 - Financial Instruments

IFRS 9 specifies the classification, treatment and disclosure of financial assets and liabilities. There is a requirement that certain classes of assets should be held at amortised cost, and the ability to charge gains and losses on certian financial assets has been removed. This means a potential impact on General Fund Balances, that previously wouldn't have been accounted for until the asset was sold.

There is current uncertainty on the impact of IFRS9 and the resulting accounting transactions, this is likely to be informed by a potential statutory override. The S151 intends to make an irrevocable election that allows the investments in the Local Authority Property Fund and the Investec Diversified Income fund to be treated at fair value through Other Comprehensive Income and Expenditure. This removes any direct impact on the General Fund. All other impacts of this standard are expected to be immaterial. We cannot currently assess the impact on the authority's financial statements.

IFRS9 has been adopted such that there is no requirement to provide financial information relating to the impact of IFRS 9 for the 2017/18 year in the 2017/18 accounts.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 introduces five steps of revenue recognition:

Identifying the contract

Identifying performance obligations (a promise to transfer the goods or services)

Determine the transaction price

Allocate the transaction price to performance obligations

Recognise the revenue when the perofrmance obligation is satsified.

It is not expected that this will have material impact, however all arrangements will be considered to ensure the correct timing of revenue recognition.

Amendments to IAS12 Income taxes

IAS12 relates to the recognition of deferred tax assets for unrealised losses. There is not expected to be any impact on the Council's accounts from this amendment.

Amendments to IAS7 Cash Flows

The changes to IAS7 related to additional disclosure requirements only, to state the changes in liabilities arising from financial liabilities between those from cash flows and non cash changes.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The only critical judgement made in the Statement of Accounts is in relation to the high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. ASSUMPTIONS 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 events that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ From Assumptions |
|-------------------------------------|---|---|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependant on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate provides the uncertainty that the Council may not be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. | If the useful life of the property, plant and equipment assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £0.159 million if the useful lives of the Council's buildings were reduced by 1 year. |
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Barnett Waddingham, is engaged to provide expert advice regarding the assumptions applied in calculating the Council's net pension liability. | The effect on the net pension liability of changes in individual assumptions can be measured. For instance: A 0.1% increase in the discount rate assumption at 31 March 2018 would result in a decrease in the pension obligation, reducing this to £73.174 million. - a 1 year addition to the life expectancy assumption at 31 March 2018 would result in an increase in the net pension obligation, increasing this to £77.346 million. |
| Bad Debt Provisions | At 31 March 2018, the Council has included in it's accounts a provision for the impairment of doubtful debts of £0.839 million. However, in the current economic climate this allowance may not be sufficient. | If collection rates were to deteriorate, an increase in the impairment for doubtful debts of 10% would require the Council to set aside an additional £0.143 million as an allowance. |
| NDR Appeals Provision | At 31 March 2018, the Council has included in it's accounts a provision for appeals on NNDR rates of £0.577 million. However, appeals vary hugely in size and therefore this may not be sufficient. | If the predicted success rate was to alter by just 1%, an additional £0.013 million would be required. |

5. MATERIAL ITEMS OF INCOME OR EXPENSE

No other material items of income or expense have occurred that are not already disclosed on the face of the CIES.

6. EVENTS AFTER THE BALANCE SHEET DATE

There have been no events occurring after the reporting date that would have a material impact on these financial statements

7. TRANSFERS (TO)/FROM EARMARKED RESERVES

Separate

- Transformation Reserve: To provide funds to meet the one-off investment costs of
 efficiency savings or service reductions to be realised in future years. Also to enable the
 upfront costs ofpotential income generating projects.
- <u>Community Grants</u>: The Council previously had schemes for awarding grants. The time limits on these grants exceed the financial year in which the budget provision was made, necessitating a reserve to cover the outstanding liabilities.
- Community Sports Network: A grant was received from the Government in 2011/12 to support sports networks; this is being utilised year by year as necessary.
- Heritage Projects: The Council gives grants in support of environmental initiatives and historic buildings. The time limits for payment of these grants exceed the financial year in which budget provision is made, necessitating a reserve to be set aside to cover the outstanding liabilities.
- Insurance: The Council maintains external insurance policies to cover major risks. In many cases the policies have excess clauses that require the Council to meet the first part of each claim. The Council has established this reserve to cover its liabilities under policy excesses and finance any claims for small risks not insured externally.
- <u>Repairs & Renewals Fund:</u> To provide funds to support additional revenue / capital costs arising from the need to maintain the Council's asset base.
- Revenue Commitments: This reserve exists to smooth out the timing differences between monies being earmarked to fund expenditure from the annual revenue budget and the expenditure actually occurring.
- Community Infrastructure Levy (CIL) and Local Development Plan (LDP) review:
 Following the adoption of the Local Development Plan, this reserve will now fund the work to enable implementation of the CIL, and also to meet the regulations to ensure that the LDP is reviewed regularly.
- <u>Land Charges:</u> Government Grant received and has been put aside to support the cost of resolving the legal dispute concerning refunds of local search fees.
- Preventing Repossessions: A grant was received from the Government in 2011/12. This
 funding has been set aside to support future work to be undertaken as part of the
 Council's Strategic Homeless strategy.
- Localisation of Council Tax and Business Rates: The new business rate funding and council
 tax localisation regime provides significant risk to the Council, especially in the first few
 years whilst funding cuts are experienced. This reserve has been set up to mitigate the
 impact of these changes.
- Business Continuity: To provide funding for emergency requirements such as salt, sand bags or other business continuity requirements as they arise.
- <u>Sports Development:</u> Reserve set aside to fund Sports Development activities.
- <u>Community Safety:</u> Reserve set aside to fund Community Safety activities.
- Economic Development: Reserve set aside to support economic development activities in the District.
- <u>Electoral Registration</u>: Reserve set aside to support Electoral works.
- $\underline{\mathsf{LSIP}\;\mathsf{Capacity}} \colon \mathsf{Reserve}\;\mathsf{set}\;\mathsf{aside}\;\mathsf{to}\;\mathsf{support}\;\mathsf{Large}\;\mathsf{Scale}\;\mathsf{Infrastructure}\;\mathsf{Projects}.$
- <u>Neighbourhood Plan Applications</u>: Funding to be utilised in the preparation of neighbourhood plans.
- <u>Waste Contract Implementation:</u> Contributions towards the procurement and mobilisation of the new waste contract.
- <u>Custom and Self Build Grant:</u> Reserve to support the resource required to maintain and develop the self build and custom housebuilding register
- Brownfield Grant: New Burdens funding relating to dealing with development orders for housing development on brownfield land
- Community Housing Fund Grant: Reserve to support Community-led housing delivery.
 Objective is to help deliver affordable housing aimed at first time buyers in response to the problem second homes can cause in reducing supply.
- FDO External Funding from Plume: Specific external funding towards the post of Football Development Officer
- Homeless reduction Act Grant: Reserve set up to use three years of grant funding for Homlessness Reduction Officer.
- Pensions Reserve: To provide a reserve to enable the Authority to forward fund the pension
- deficit for 3 years in 2020.
- Business Rates Equalisation Reserve: This reserve is to counter the timing differences see in
- Business Rates funding.

7. TRANSFERS (TO)/FROM EARMARKED RESERVES cont.

The following table details the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from the earmarked reserve to meet General Fund expenditure in 2017/18

| | Balance | Transfers (In)/Out | Balance | Transfers (In)/Out | Balance |
|--|-----------|-----------------------|-----------|--------------------|-----------|
| | 31-Mar-16 | 2016/17 | 31-Mar-17 | 2017/18 | 31-Mar-18 |
| | £000's | £000's | £000's | £000's | £000's |
| Transformation | (765) | - | (765) | (948) | (1,713) |
| Community grants | (1) | - | (1) | ` - | (1) |
| Community Sports Network | (9) | - | (9) | 1 | (8) |
| Heritage | (14) | 6 | (8) | - | (8) |
| Insurance liability | (60) | - | (60) | - | (60) |
| Repairs & renewals fund | (64) | (161) | (225) | - | (225) |
| Revenue commitments | (321) | 21 | (300) | 166 | (134) |
| Community Infrastructure levy and LDP re | (464) | 58 | (406) | 171 | (235) |
| Land Charges | (18) | 12 | (6) | 6 | - |
| Preventing Repossessions | (32) | - | (32) | 32 | - |
| Localisation of CT & NDR | (336) | (33) | (369) | 369 | - |
| Business Continuity | (10) | | (10) | - | (10) |
| Sports Development | (7) | (6) | (13) | - | (13) |
| Community Safety | (71) | (21) | (92) | 11 | (81) |
| Economic Development | (20) | (27) | (47) | (44) | (91) |
| Electoral Registration | (20) | - | (20) | - | (20) |
| Neighbourhood Plan Applications | (26) | 9 | (17) | (12) | (29) |
| Waste Contract Implementation | (197) | 153 | (44) | 19 | (25) |
| Custom & Self Build Grant | - | (21) | (21) | 21 | - |
| FDO external funding from Plume | - | (2) | (2) | (1) | (3) |
| Brown Field grant | - | (15) | (15) | 15 | - |
| Homeless reduction Act Grant | - | - | - | (30) | (30) |
| Business Rates equalisation | - | - | - | (533) | (533) |
| Pensions Reserve | - | - | - | (116) | (116) |
| Community Housing Fund Grant | - | (191) | (191) | 35 | (156) |
| Total Specific Reserves | (2,435) | (218) | (2,653) | (838) | (3,491) |
| General Fund balance | (3,961) | (378) | (4,339) | 1,112 | (3,227) |
| Total Revenue Reserves | (6,396) | (596) | (6,992) | 274 | (6,718) |

8. PROPERTY PLANT AND EQUIPMENT VALUATION

All freehold and leasehold properties which comprise the Council's property portfolio were valued as at 31 December 2017 by an external independent valuer - Valuation Office Agency in accordance with the RICS Appraisal and Valuation Manual as published by the Royal Institution of Chartered Surveyors.

A statement of reassurance has been provided by the Valuation Office that there will have been no material change in values between the 31 Dec 17 and 31 March 2018 so no further revaluations are required.

The value of plant and machinery that is integral to a building is included in the valuation of the building. Properties regarded by the Council as operational are valued on the basis of open market value for the existing use or, where this could not be assessed because there is no market for the subject asset, the depreciated replacement cost. Properties regarded by the Council as non-operational have been valued on the basis Fair Value (open market value). Community assets are assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. These are valued at historic cost.

9. PROPERTY, PLANT AND EQUIPMENT MOVEMENT ON BALANCES

| Movements in 2017/18 | Other Land & Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Tangible Assets |
|---|---------------------------|--------------------------------|--------------------------|---------------------|-------------------|---------------------------|--------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation | | | | | | | |
| At 1 April 2017 | 27,421 | 5,997 | 6,868 | 624 | - | 18 | 40,929 |
| Additions | 43 | 322 | 155 | - | - | = | 520 |
| Reclassifications | = | - | 2 | - | = | (2) | - |
| Revaluations | 1,276 | - | = | - | = | = | 1,276 |
| Impairments | (60) | - | (7) | - | - | - | (67) |
| At 31 March 2018 | 28,680 | 6,319 | 7,018 | 624 | - | 16 | 42,657 |
| Depreciation and impairs At 1 April 2017 Depreciation for year | ments (14) (57) | (3,339) (522) | (3,932) (181) | - - | - - | - - | (7,285) (759) |
| At 31 March 2018 | (71) | (3,861) | (4,113) | - | - | - | (0.04=) |
| | | | | | | | |
| Balance Sheet amount a t 3 1 March 2018 | 28,609 | 2,458 | 2,905 | 624 | - | 16 | 34,612 |
| Bance Sheet amount api April 2017 | 27,407 | 2,658 | 2,936 | 624 | - | 18 | 33,644 |

9. PROPERTY, PLANT AND EQUIPMENT MOVEMENT ON BALANCES cont.

| Movements in 2016/17 | Other Land & Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Tangible Assets |
|--|---------------------------|-----------------------------|--------------------------|---------------------|----------------|------------------------------|--------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation | | | | | | | |
| At 1 April 2016 | 23,423 | 5,363 | 6,853 | 624 | 7 | 13 | 36,283 |
| Additions | 412 | 658 | 31 | - | _ | 5 | 1,106 |
| Disposals | (33) | = | - | = | - | - | (33) |
| Reclassifications | 7 | (24) | - | - | (7) | - | (24) |
| Revaluations | 3,687 | - | - | - | - | - | 3,687 |
| Impairments | (75) | - | (16) | - | - | - | (91) |
| At 31 March 2017 | 27,421 | 5,997 | 6,868 | 624 | - | 18 | 40,929 |
| Depreciation and impairn | nents | | | | | | |
| At 1 April 2016 | (270) | (2,825) | (3,727) | - | _ | - | (6,822) |
| Depreciation for year | (13) | (514) | (217) | - | - | - | (743) |
| Depreciation on disposals | ` ź | - | - | - | _ | - | ` ź |
| Restated Depreciation | 267 | - | 12 | - | - | - | 279 |
| At 31 March 2017 | (14) | (3,339) | (3,932) | - | - | - | (7,285) |
| Balance Sheet amount at-31 March 2017 | 27,407 | 2,658 | 2,936 | 624 | - | 18 | 33,644 |
| Bance Sheet amount aहा April 2016 | 23,153 | 2,538 | 3,125 | 624 | 7 | 13 | 29,460 |

10. CAPITAL COMMITMENTS

At 31 March 2018 the Council has the following outstanding contracts for the construction or enhancement of Property, Plant and Equipment.

The accounts for the year ended 31 March 2018 consist of the following statements:

| | £000 |
|-----------------------------------|------|
| Prom Park Winter Car Parking | 98 |
| CCTV upgrades | 39 |
| Riverside Park Information Boards | 20 |
| Replacement of Polling Booths | 25 |
| Prom Park Road Repairs | 1 |
| E-mail replacement Project | 18 |
| Waste Contract purchase of bins | 22 |
| Heybridge Cemetery Roof | 1 |
| | 224 |

Similar commitments at 31 March 2017 totalled £301,000

The Council has committed to contributing £45,000 to Essex County Council towards a project bringing Superfast Broadband across the district.

11. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|---------------------------|-----------------|
| (168) | Rental Income | (142) |
| ĺ | Direct Operating Expenses | . á |
| (167) | Net Gain | (139) |

The Council's ability to realise the values inherent in investment property are restricted by tenants security under the Landlords and Tenant Act 1954 and long lease terms with commercial tenants. The Council also has obligations to maintain the fabric of the buildings along with road ways and drainage on two investment properties.

All investment properties are subject to operating leases and rental income is received as above. The value of a leased investment is determined based on the Fair Value which is reviewed each year.

The following table summarises the fair value of investment properties:

| | 2017/18 £000 |
|---|---|
| Balance at the start of the year | 1,833 |
| Capital Expenditure | 63 |
| Gain / (Loss) from fair value adjustments | 101 |
| Balance at the end of the year | 1,997 |
| | Capital Expenditure Gain / (Loss) from fair value adjustments |

12. FINANCIAL INSTRUMENTS

Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The councils non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- trade payables for goods and services received
- finance leases

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are held under the following two classifications.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- cash in hand
- bank current and deposit accounts with NatWest bank
- fixed term deposits with banks
- trade receivables for goods and services delivered

Available for sale financial assets (those that are quoted in an active market) comprising

- money market funds
- certificates of deposit and covered bonds issued by banks and building societies

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

(a) Financial Instrument - Balances

The financial instruments disclosed in the balance sheet are measured at Amortised Cost and are analysed across the following categories:

| | 31-Mar-17 | | | | 31-Mar-18 | |
|-----------|-----------|---------|---------------------------------|-----------|-----------|-----------------|
| Long Term | Current | Total | | Long Term | Current | Total |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| | | | Financial Liabilities: | | | |
| - | (1,853) | (1,853) | Trade Payables (Creditors) | - | (1,247) | (1,247) |
| (1,358) | (226) | (1,584) | | (1,131) | (226) | (1,357) |
| (1,358) | (2,079) | (3,437) | Total Financial Liabilities | (1,131) | (1,473) | (2,604) |
| | | | Financial Assets: | | | |
| 2,822 | 2,000 | 4,822 | Investments | 4,888 | - | 4,888 |
| · - | 2,000 | 2,000 | Available for Sale | - | 1,000 | 1,000 |
| 32 | 19 | , 51 | Accrued Interest | 44 | 4 | [′] 48 |
| 2,854 | 4,019 | 6,873 | Total Investments | 4,932 | 1,004 | 5,936 |
| - | 5,869 | 5,869 | Cash (inc Bank Accounts) | - | 6,823 | 6,823 |
| 189 | 1,364 | 1,553 | Trade Receivables (Debtors): | 226 | 1,692 | 1,918 |
| 3,043 | 11,252 | 14,295 | Total Financial Assets | 5,158 | 9,519 | 14,677 |
| | | | | | | |

12. FINANCIAL INSTRUMENTS cont.

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and its intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The council had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

(b) Financial Instruments - Gains & Losses

The income & expenditure recognised in the surplus or deficit on the provision of services in relation to financial instruments consists of the following items:

| 2016/17 | | | 2017/18 | | |
|-------------|--------------|-------------------------------|-------------|--------------|--|
| | Financial | | | Financial | |
| Financial | Assets | | Financial | Assets | |
| Liabilities | (loans & | | Liabilities | (loans & | |
| 5000 | receivables) | | | receivables) | |
| £000 | £000 | | £000 | £000 | |
| (7) | 210 | Interest (payable)/receivable | (6) | 237 | |
| (7) | 210 | Total | (6) | 237 | |

(C) Financial Instruments - Fair Values and Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2018, using the following methods and assumptions:

- The fair value of long term loans and investments would have been discounted at the market rates for similar instruments with similar remaining terms to maturity.
- No early repayment or impairment is recognised for any financial instrument.
- Where an instrument will mature in the next 12 months, the amortised cost amount is assumed to be fair value.
- Finance lease liabilities are measured at their present value discounted using the interest rate implicit within the lease agreement.
- The fair value of short term instruments, including trade payables and receivables is assumed to approximate to the carrying value.

The amortised cost and fair values of the Council's Investments are as follows:

| 2016/17 | | | 2017/1 | L 8 |
|-----------|-------|------------------------|-----------|------------|
| Amortised | Fair | | Amortised | Fair |
| Cost | Value | | Cost | Value |
| £000 | £000 | Financial Assets | £000 | £000 |
| 2,854 | 2,810 | Long Term Investments | 4,932 | 4,925 |
| 2,006 | 2,007 | Available for Sale | 1,001 | 1,001 |
| 2,013 | 2,018 | Short Term Investments | | |
| 6.873 | 6.835 | Total Financial Assets | 5.933 | 5,926 |

(d) Nature and Extent of Risks arising from Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management and complies with The Prudential Code of Capital Finance for Local Authorities.

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Government's Investment Guidance to local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The Council's activities in financial instruments expose it to a variety of risks:

- Credit Risk: The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.
- Liquidity Risk: The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments.
- Market Risk: The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

The Council's overall risk management procedures focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on resources available to fund services. Risk Management is carried out by the exchequer team under the direction of the Director of Resources

12. FINANCIAL INSTRUMENTS cont.

Credit Risk: Investments

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long term credit rating of A-, UK government, other Local authorities and organisations without credit ratings upon which the Council has received independent investment advice

The table below summarises the nominal value of the Council's investment portfolio at the end of each financial year:

| Credit Rating* | Short Term Balance as at 31-Mar-17 | LongTerm Balance as at 31-Mar-17 | Investments | Short Term Balance as at 31-Mar-18 | Long Term Balance Invested as at 31-Mar-18 | Credit Rating* |
|----------------|---|---|---------------------------------|---|---|-------------------|
| | £000 | £000 | Money Market Funds | £000 | £000 | |
| Unrated | - | 2,823 | Local Authorities Property Fund | - | 2,911 | Unrated |
| | | | Investec Diversified Inc Fund | - | 1,977 | Unrated |
| | 2,500 | - | GSAM | 1,500 | - | AA- |
| | | | Federated | 2,000 | - | A+ |
| | | | Banks | | | |
| Α | 2,000 | - | Lloyds / Bank of Scotland | - | - | Α |
| Α | 2,000 | - | Barclays | 2,000 | - | Α |
| | 6,500 | 2,823 | Total Banks | 5,500 | 4,888 | |
| Credit | Short Term Balance as at | Long Term Balance as at | | Short Term Balance as at | Long Term Balance Invested as at | Credit |
| Rating* | 31-Mar-17 £000 | 31-Mar-17 £000 | Available for Sale | 31-Mar-18 £000 | 31-Mar-18 £000 | Rating* |
| | | | Certificates of Deposit | | | |
| A+ | 2,000 | | Rabobank | 1,000 | | A+ |
| | 2,000 | | Total Banks | 1,000 | <u> </u> | |

For Deposits held as cash and cash equivalents please refer to note 15.

A limit of £2m is placed on the amount of money that can be invested with a single counterparty (other than the UK government or Money Market Funds) The Council also sets limits on investments in certain sectors. No more than £5m in total can be invested for a period longer than one year.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £7m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Councils deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

The table below summarises the credit risk exposure of the council's investment portfolio by credit rating.

| | Long Term | | Short Term | |
|----------------------|-----------------------|-----------------------|-----------------------|--------------------------|
| Credit Rating | 31-Mar-18 £000 | 31-Mar-17 £000 | 31-Mar-18 £000 | 31-Mar-17 £000 |
| AA- | - | - | 1,500 | 2,500 |
| A+ | - | - | 3,000 | 2,000 |
| Α | - | - | 2,000 | 4,000 |
| Unrated pooled Funds | 4,888 | 2,823 | - | - |
| Total Investments | 4,888 | 2,823 | 6,500 | 8,500 |

^{*} This reflects the lowest Credit Rating (or equivalent rating) from those provided by Fitch, Moody and S&P.

12. FINANCIAL INSTRUMENTS cont.

Credit Risk: Investments (cont.)

The Council has no historical experience of counterparty default.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council generally allows 14 days credit for its debtors; £433,128 is past its due date for payment at the 31st March 2018. The past due amount can be analysed as follows:

| Less than three months Inree to | £000 364 |
|---------------------------------|--------------------|
| twelve | |
| months | 53 |
| More than a year | 16 |
| Total | 433 |

Liquidity

Liquidity risk is managed by cash flow forecasting of the current financial year, combined with limits on fixed investments for periods of more than a year and an authorised borrowing limit for unforeseen emergencies. Both are specified annually in accordance with the prudential indicator requirements.

The Council does not currently have any borrowing, but should it be needed can access funds from the Public Works Loan Board (PWLB). There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

Market Risk

(1) Interest Rate Risk:

The Council is exposed to risk in terms of its exposure to investment interest rate movements. Most investments are made for fixed periods and therefore changes in market rates during the investment period can lead to the fair value of an investment being higher or lower than its carrying value. Investment decisions through Treasury Management activity seek to manage this risk as much as possible by taking a view on investment interest rate trends. Investment deposits are committed only for short term thus minimising this risk.

Sensitivity Analysis

If variable interest rates had been 1% higher with all other variables held constant the financial effect would be a decrease in the deficit on the provision of services in the CIES of £77K. If there was a decrease in variable interest rates from 0.309% to 0% there would be an increase in the deficit on the provision of services in the CIES of £24K.

(2) Price risk:

The Council does not invest in equity shares or gilts and therefore is not subject to any price risk (i.e. the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments).

(3) Foreign exchange risk

The Council has no financial asset or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

13 Debtors

| 31-Mar-17 £000 | | 31-Mar-18 £000 |
|-------------------|---------------------------------|-------------------|
| 212 | Central government bodies | 484 |
| 823 | Other local authorities | 735 |
| | Other entities and individuals: | |
| 364 | Council tax and NDR | 320 |
| 502 | Housing benefit recoveries | 499 |
| 528 | Service debtors | 941 |
| 133 | Prepayments | 175 |
| 12 | Other debtors | 16 |
| 2,574 | | 3,170 |

14. LONG TERM DEBTORS

| | Balance 31-Mar-17 | New Advances | To Short Term Debtors | Balance 31-Mar-18 |
|--------------------------|----------------------|-----------------|-----------------------------|----------------------|
| | £000 | £000 | £000 | £000 |
| Loans issued | 75 | - | (12) | 63 |
| Charges against Property | 114 | 49 | ` - | 163 |
| | 189 | 49 | (12) | 226 |

226

15. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

| 31-Mar-17 | | 31-Mar-18 |
|-----------|---------------------------------|-----------|
| £000 | Cash held by the Council | £000 |
| 1,365 | Bank Current Accounts | 1,316 |
| 3 | Cash in Hand | 4 |
| 4,501 | Short term deposits | 5,503 |
| 5,869 | Total Cash and Cash Equivalents | 6,823 |

16. CREDITORS

| | 31-Mar-18 £000 |
|---------------------------------|---|
| Central government bodies | 813 |
| Other local authorities | 1,822 |
| Other entities and individuals: | |
| Council tax prepaid | 115 |
| NNDR Prepaid | 128 |
| Supplier creditors | 854 |
| Receipts in advance | 152 |
| Other creditors | 392 |
| - = | 4,276 |
| | Other local authorities Other entities and individuals: |

17. UNUSABLE RESERVES

Opening and closing balances for all the Unusable Reserves detailed below are disclosed on the face of the Balance Sheet while full movements for the year are detailed in the Movement In Reserves Statement

Revaluation Reserve

The revaluation reserve holds individual balances for each asset where an increase in value has occurred. These balances are reduced when the assets are revalued downwards, impaired, used in the provision of services or disposed of and the balance realised. The revaluation reserve only contains gains accumulated since 1 April 2007, the date it was created. Gains before this date are consolidated into the Capital Adjustment Account. This reserve is not available to support spending.

Capital Adjustment Account

The Capital adjustment account contains the difference between amounts provided for depreciation and impairment of assets and the capital expenditure financed from capital receipts. It also contains revaluation gains accumulated prior to 1 April 2007, the date the revaluation reserve was created. The Capital Adjustment Account is not available to support spending.

Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. The Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Usable Capital Receipts Reserve.

Pensions Reserve

The Pensions Reserve is an adjustment account that manages the effects of IAS19 charges made to the Comprehensive Income and Expenditure Statement against the statutory requirements for meeting the cost of retirement benefits from local taxes, as well as absorbing the impact of actuarial gains and losses.

Collection Fund Adjustment Account

Replaces the collection fund surplus balance attributable to this Authority and reflects the adjustment needed to allow accounting requirements to be reconciled to statutory requirements.

Accumulated Absences Account

This account holds the balance of leave/lieu time earned by employees but not taken at 31 March 2018. Accounting arrangements require leave due to employees to be charged to the Comprehensive Income and Expenditure Statement but not the General Fund.

Available for Sale Reserve

Changes in the Fair Value of Available for Sale Assets are balanced by a entry in the Available for Sale Reserve.

18. MEMBERS' ALLOWANCES

The total attendance allowances paid to Members were as follows:

| 2016/17 | | 2017/18 |
|---------|-----------------|---------|
| £000 | | £000 |
| 213 | Basic Allowance | 219 |
| 7 | Other Allowance | 14 |
| 13_ | Expenses | 16 |
| 233 | Total | 249 |

19. REMUNERATION OF SENIOR STAFF

The following table shows the remuneration for the Council's senior officers

| <u>2017/18</u> Name | Salaries, Fees & Allowances | Total Remuneration excluding Pension Contributions | Pension Contributions | Total Remuneration including Pension Contributions |
|--|--------------------------------|--|--------------------------|--|
| Job Title | £000 | £000 | £000 | £000 |
| Chief Executive | 106 | 106 | 17 | 123 |
| Director of Customers & Community | 78 | 78 | 12 | 90 |
| Director of Planning & Reg Servs (from 02/01/08) | 19 | 19 | 3 | 22 |
| Director of Resources (from 06/04/2017) | 72 | 72 | 11 | 83 |

The post of Director of Planning and Regulatory Services was covered with Interim Consultant arrangements until 30 June 2017.

| <u>2016/17</u> Name | Salaries, Fees & Allowances | Total Remuneration excluding Pension Contributions | Pension Contributions | Total Remuneration including Pension Contributions |
|---|--------------------------------|--|--------------------------|--|
| Job Title | £000 | £000 | £000 | £000 |
| Chief Executive | 105 | 105 | 14 | 119 |
| Director of Customers & Community | 81 | 81 | 10 | 91 |
| Director of Planning & Reg Servs up to 11/12/16 | 62 | 62 | 8 | 70 |
| Director of Resources up to 7/11/16 | 46 | 46 | 6 | 52 |

The posts of Director of Planning and Regulatory Services, and Director of Resources were covered with Interim Consultant arrangements and internal staffing for the remainder of 2016/17.

For this purpose 'remuneration' means all amounts paid to or receivable by an employee and includes employer pension contributions, sums due by way of expenses allowance (so far as those sums are chargeable to UK income tax) and the estimated money value of any other benefits received by an employee other than in cash.

The number of employees - other than senior officers shown in the table above - whose remuneration was in excess of £50,000 was as follows:

| 2016/17 | | 2017/18 |
|---------|-------------------|---------|
| 3 | £50,000 - £54,999 | 1 |
| 4 | £55,000 - £59,999 | 1 |
| 1 | £60,000 - £64,999 | 4 |
| 8 | , | 6 |

For this purpose 'remuneration' means all amounts paid to or receivable by an employee excluding employer pension contributions and including sums due by way of expenses allowance (so far as those sums are chargeable to UK income tax) and the estimated money value of any other benefits received by an employee other than in cash. Part time or temporary posts would be included at annualised cost.

20. TERMINATION BENEFITS

Termination benefits are amounts payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

£2,618 was paid out in termination benefits in 2017/18. There were no payments in the prior year.

21. AUDIT AND INSPECTION COSTS

The Council incurred the following fees relating to external audit and inspection work. The appointed auditors were Ernst & Young (EY) LLP.

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|--|-----------------|
| 50 | Fees payable to EY LLP with regard to external audit services carried out for the year | 49 |
| 13 | Fees payable to EY LLP for the certification of Grant claims and returns for the year | 13 |
| 3 | Fees payable in respect of other services | 3 |
| 66 | Total | 65 |

22. GRANT INCOME

The Council credited the following Capital grants and contributions to the Comprehensive Income and Expenditure Statement - Taxation and Non Specific Grant Income:

| 2016/17 | · | 2017/18 |
|---------|--------------------------|---------|
| £000 | Capital Grants | £000 |
| 43 | Coastal Communities Fund | - |
| 43 | Total | |

It also credited the following Revenue grants and contributions to the Comprehensive Income and Expenditure Statement - Cost of Services:

| 2016/17 | | 2017/18 |
|---------|--|---------|
| £000 | Revenue Grants Credited to Services | £000 |
| 95 | NDR Admin Grant | 93 |
| 61 | Council Tax Admin Grant | 58 |
| 30 | Council Tax Benefit / LCTS Transition | 27 |
| 172 | Housing Benefit Admin Grant | 145 |
| 14,759 | Housing Benefits | 14,123 |
| - | Welfare Reform Changes | 11 |
| 8 | Housing Benefit Transition | - |
| 14 | Other DWP Benefit Grants | - |
| - | Transparency New Burdens | 8 |
| 231 | DCLG New Burdens Grant | 42 |
| - | Fraud & Error Reduction Incentive Scheme | 11 |
| 5 | LSIP Capacity Grant Income | - |
| 5 | Neighbourhood Plan Pilot Income | 20 |
| - | DCLG Homelessness Grant | 46 |
| 146 | Coastal Communities Grant | 1 |
| 422 | S31 NDR relief grants | - |
| 18 | Electoral Registration | 13 |
| 15,966 | Total | 14,598 |

Revenue

23. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or be controlled or influenced by the Council. The most significant related party transactions with these bodies are disclosed in the precepting bodies in the Collection Fund. Details of financial transactions with these bodies are disclosed in the Comprehensive Income and Expenditure Statement and associated notes.

The UK Government exerts significant influence through legislation and grant funding. Unringfenced grant from Central Government received in the year was £1.076m.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in Note 18.

In 2013/14 the Council advanced a 10 year loan, totalling £100,000 to Stow Maries Great War Aerodrome Ltd, of which Cllr. A Fluker is a Trustee.£75,000 was outstanding and shown in the balance sheet as at 31/3/18.

Senior Offices with budgetary control had interests in the following companies where we had financial transactions in the year.

Fiona Marshall - shareholder in a local boat yard from whom we received £5,150 foreshore rent in 2017/18. Shirley Hall - D Hall Electrical (owned by officers son) expenditure in 2017/18 of £2,791

A Register of Members Interests is held by the Council; in this document members set out details of their interests, as required by the Localism Act 2011 and also by the Council's Code of Conduct. This information is published on the Council's website (www.maldon.gov.uk), using the search term 'Register of Interests'.

24. CAPITAL EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2018

| | Vehicles, Plant & Equipment | Intangible Assets (Software Licences) | Land and Buildings | Infra- structure | Revenue Funded from Capital Under Statute | Renovation Loans | Total |
|------------------------------------|-----------------------------------|--|-----------------------|---------------------|---|---------------------|-------|
| Operational Assets | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Parks Vehicles & Mowers | 14 | - | - | - | - | - | 14 |
| Prom Park entrance Refurbishment | 7 | - | = | - | - | - | 7 |
| Leisure Centre Heating Unit | 117 | - | = | - | - | - | 117 |
| Coastal Path Signage | 60 | - | = | - | - | - | 60 |
| Depot Gates | 15 | - | - | - | - | - | 15 |
| Waste Contract Purchase of Bins | 15 | - | - | - | - | - | 15 |
| PC & Printer Replacement Programme | 35 | - | - | - | - | - | 35 |
| Maintenance Team Vehicle | 34 | - | - | - | - | - | 34 |
| Mobile Welfare Facility Trailer | 14 | - | - | - | - | - | 14 |
| Car Parks signage | 11 | - | - | - | - | - | 11 |
| E Mail Replacement Project | - | 43 | - | - | - | - | 43 |
| Coastal Communities Website | - | 11 | - | - | - | - | 11 |
| Leisure Centre Contract | - | - | 27 | - | - | - | 27 |
| St Cedds Shared Accomodation | - | - | - | 8 | - | - | 8 |
| Leisure Centre Changing Facility | - | - | 16 | - | - | - | 16 |
| Sea Wall Path Resurfacing | - | - | - | 6 | - | - | 6 |
| Burnham Cemetery Roadway | - | - | - | 46 | - | - | 46 |
| Riverside Pk Footpaths | - | - | - | 9 | - | - | 9 |
| Prom Park Road Repairs | - | - | - | 54 | - | - | 54 |
| All Weather Prom Car Parking | _ | _ | _ | 32 | _ | _ | 32 |
| Improvements | - | - | - | 32 | - | - | 32 |
| Disabled Facilities Grants | - | - | - | - | 373 | - | 373 |
| Home Renovation Loans | - | - | - | - | - | 12 | 12 |
| Investment Properties 99 Wood Road | - | - | 62 | - | - | - | 62 |
| Total for Y/E 31 March 18 | 322 | 54 | 105 | 155 | 373 | 12 | 1,021 |
| Total for Y/E 31 March 17 | 661 | 27 | 412 | 31 | 563 | 16 | 1,710 |

25. FINANCING OF CAPITAL EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2017

The above expenditure was financed in the following ways:

| | 2016/17 | | | | 2017 | '/18 |
|---------|---------|-------|---------------------------------|---------|--------|-------------|
| Capital | REFCUS | Total | | Capital | REFCUS | Total |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 1,133 | 30 | 1,163 | Usable capital receipts applied | 573 | - | 573 |
| - | 496 | 496 | Government grants | 53 | 373 | 426 |
| - | 51 | 51 | Other grants and contributions | 22 | - | 22 |
| 1,133 | 577 | 1,710 | | 648 | 373 | 1,021 |

Capital Financing Requirement (CFR):

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|---------------------|-----------------|
| 32 | Opening CFR | - |
| 1,710 | Capital Investments | 1,021 |
| (1,710) | Capital Financing | (1,021) |
| (32) | MRP | - |
| | Closing CFR | |

26. LEASES.

OPERATING LEASES

The Council as a Lessor

The Council leases out property and equipment under operating leasing for the following purposes:

- for economic development purposes to provide suitable affordable accommodation for local businesses
- for the provision of community services such as river leases.

Income the Council is expecting to receive from minimum lease rental payments is analysed as:

| 31-Mar-17 £000 | | 31-Mar-18 £000 |
|-------------------|---|-------------------|
| 398 | Not later than one year | 420 |
| 926 | Later than one, and not later than five years | 1,392 |
| 7,822 | Later than five years | 11,216 |
| 9,146 | Total | 13,028 |

FINANCE LEASES

The Council as a Lessee

The Council effectively "leases" Refuse vehicles indirectly through its contract with Suez as they use their vehicles soley on the Council's behalf. These are known as "embedded leases".

The Council's exposure to these minimum "embedded" lease payments is summarised below:

| 31-Mar-17 | | 31-Mar-18 |
|-----------|---|-----------|
| £000 | | £000 |
| 226 | Not later than one year | 226 |
| 905 | Later than one, and not later than five years | 905 |
| 453 | Later than five years | 226 |
| 1,584 | Total | 1,357 |

27. DEFINED BENEFIT PENSION SCHEME

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions to the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments, which needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Essex County Council. This is a funded defined benefits final salary/career average scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

<u>Transactions Relating to Post-Employment Benefits</u>

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required against Council Tax is based on the cash contributions payable to the Pension Fund in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

| 2016/17 £000 | | 2017/18 £000 |
|-----------------|--|-----------------|
| | Service Cost | |
| 1,182 | Current service cost | 1,976 |
| 17 | Past service cost (including curtailments and administration) | 17 |
| 1,199 | Total Service Cost | 1,993 |
| | Financing and Investment Income and Expenditure | |
| 821 | Net Interest on the Net Pension Liability | 825 |
| | Total Post Employment Benefits Charged to the Surplus or Deficit on the | |
| 2,020 | Provision of Services | 2,818 |
| (5,866) | Remeasurements of the Net Defined Liability Comprising: Return on plan assets excluding amounts included in net interest | (2,020) |
| (1,181) | Changes in demographic assumptions | 0 |
| 14,710 92 | | (3,542) |
| 7,755 | Total remeasurements recognised in other comprehensive income | (5,562) |
| 9,775 | Total Post Employment Benefits Charged to the Comprehensive Income and | (2,744) |
| | Movement in Reserves Statement | |
| | Reversal of net changes made to the surplus or deficit on the | |
| (2,020) | · | (2,818) |
| | Employers' Contributions Payable to the Scheme | 2,636 |
| (544) | <u>-</u> | (182) |

Future Employer Contributions will be subject to the trienniel review that is currently underway.

27. DEFINED BENEFIT PENSION SCHEME cont.

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit scheme is as follows:

| 2016/17 | 2017/18 |
|--|----------|
| £000 | £000 |
| (74,003) Present value of funded liabilities | (73,025) |
| 43,770 Fair value of employer assets | 48,068 |
| (1,600) Present value of unfunded liabilities | (1,496) |
| (31,833) Net Liability Arising From Defined Benefit Obligation | (26,453) |

Reconcilliation of the Movements in Fair Value of Scheme Assets Transactions Relating to Post-Employment Benefits

| 2016/17 | 2017/18 |
|--|---------|
| £000 | £000 |
| 36,836 Opening fair value of scheme assets | 43,766 |
| 1,322 Interest income | 1,196 |
| Remeasurement gain | |
| 5,854 Return on plan assets excluding amounts included in net interest | 2,020 |
| 15 Other actuarial gains/(losses) | - |
| (15) Administration expenses | (17) |
| 1,473 Contributions from employer | 2,636 |
| 333 Contributions from employees into the scheme | 347 |
| (2,052) Benefits paid | (1,884) |
| 43,766 Closing Fair Value of Scheme Assets | 48,064 |

Reconciliation of Present Value of Scheme Liabilities (Defined Benefit Obligation)

| 2016/17 | | 2017/18 |
|---------|--|---------|
| £000 | | £000 |
| 60,370 | Opening fair value of scheme liabilities | 75,602 |
| 1,182 | Current service cost | 1,976 |
| 2,143 | Interest cost | 2,021 |
| 333 | Contributions from scheme participants | 347 |
| | Remeasurement gain | |
| (1,181) | Changes in demographic assumptions | - |
| 14,710 | Changes in financial assumptions | (3,542) |
| 95 | Other | - |
| 2 | Past service cost | - |
| | Benefits paid | (1,884) |
| 75,602 | Closing Fair Value of Scheme Liabilities | 74,520 |
| | | |

Defined Benefit Pension Scheme Risks

2016/17

In general, participating in a defined benefit pension scheme means that the Council is exposed to a number of risks:

- <u>Investment risk:</u> the Fund holds investment 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.
- <u>Interest rate risk:</u> 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.
- <u>Inflation risk:</u> 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.
- <u>Longevity risk:</u> on the event that the members live longer than assumed a deficit will emerge on the Fund. There are also other demographic risks.

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

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

27. DEFINED BENEFIT PENSION SCHEME cont.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the Essex County Council Fund being based on the latest valuation of the scheme.

The principal assumptions used by the actuary have been:

| 2016/17 | | | |
|------------|--|------------|--|
| | Long term expected rate of return on assets in the scheme: | · | |
| | Longevity at 65 for current pensioners: | | |
| 22.1 Years | Men | 22.2 Years | |
| 24.6 Years | Women | 24.7 Years | |
| | Longevity at 65 for future pensioners: | | |
| 24.3 Years | Men | 24.4 Years | |
| 26.9 Years | Women | 27.0 Years | |
| | Financial assumptions: | · | |
| 3.6% | RPI increases | 3.3% | |
| 2.7% | CPI increases | 2.3% | |
| 4.2% | Rate of increase in salaries | 3.8% | |
| 2.7% | 2.7% Rate of increase in pensions | | |
| 2.7% | Rate for discounting scheme liabilities | 2.6% | |

The Discretionary Benefits arrangements have no assets to cover its liabilities.

The Scheme's assets consist of the following categories, by proportion of the total assets held:

| 2016/17 | | | 2017/18 | В |
|---------|-----|--------------------|---------|-----|
| £000 | % | | £000 | % |
| 29,889 | 68 | Equities | 31,366 | 65 |
| 1,656 | 4 | Gilts | 3,197 | 7 |
| 1,779 | 4 | Other Bonds | 1,785 | 4 |
| 4,257 | 10 | Property | 4,559 | 9 |
| 1,317 | 3 | Cash | 1,653 | 4 |
| 2,919 | 7 | Alternative Assets | 3,550 | 7 |
| 1,944 | 4 | Other | 1,949 | 4 |
| 43,761 | 100 | Total | 48,059 | 100 |

Based on the above, Maldon District Council's share of the assets of the total Essex Pension Fund is approximately 1%.

Sensitivity Analysis: present value of total obligation

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysees below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| 2016/17 | | Adjustment to: | 2017/18 | | | |
|---------|--------|----------------|---------------------------|---------|--------|---------|
| £000 | £000 | £000 | Adjustment to: | £000 | £000 | £000 |
| +0.1% | 0.0% | -0.1% | discount rate | +0.1% | 0.0% | -0.1% |
| 74,239 | 75,603 | 76,994 | discount rate | 73,174 | 74,521 | 75,893 |
| +0.1% | 0.0% | -0.1% | long term salary increase | +0.1% | 0.0% | -0.1% |
| 75,809 | 75,603 | 75,399 | long term salary increase | 74,668 | 74,521 | 74,375 |
| +0.1% | 0.0% | -0.1% | pension increases & | +0.1% | 0.0% | -0.1% |
| 76,786 | 75,603 | 74,442 | deferred revaluation | 75,749 | 74,521 | 73,316 |
| +1 Year | None | -1 Year | mortality age rating | +1 Year | None | -1 Year |
| 78,471 | 75,603 | 72,843 | assumption | 77,346 | 74,521 | 71,802 |

28. CONTINGENT LIABILITIES

<u>Planning Appeals (Award of Costs)</u>
As a local planning authority, decisions are made in relation to planning applications; there is a process in place which enables appeals to be made against these decisions. Historically some of the appeals that have been lodged have been upheld and have resulted in costs being awarded against the Council. A provision has been made, below, in relation to appeals that have been upheld and where there is an expectation of costs being awarded against the Council. Where an appeal decision has not yet been made there is also potential that the Council may incur future costs, however at this stage it remains improbable and is not quantifiable.

29. PROVISIONS

| | 2016/17 | Additional Provisions made | Amounts Utilised in 2017/18 | Unused amounts reversed | 2017/18 |
|-----------------------|---------|----------------------------------|-----------------------------------|-------------------------------|---------|
| | £000 | £000 | £000 | £000 | £000 |
| Short Term: < 1 year | | | | | |
| Insurance | - | - | - | - | - |
| Planning Appeals | 104 | 12 | (16) | (26) | 74 |
| Business Rate Appeals | 449 | 255 | (127) | - | 577 |
| Total Short Term | 553 | 267 | (143) | (26) | 651 |
| Long Term: > 1 year | | | | | |
| Insurance | 100 | - | - | - | 100 |
| Total Long Term | 100 | _ | | | 100 |
| Total Provisions | 653 | 267 | (143) | (26) | 751 |

Insurance

This provison is for the coverage of probable insurance claims under the Municipal Mutual Insurance Scheme (MMI) Clawback Scheme of Arrangement. MMI ceased accepting new claims in 1992, however under the scheme of arrangement, the Council are liable for a proportion of costs that aren't covered in full by MMI.

Planning Appeals

See also above, provision is made where there is a probable obligation.

Business Rates Appeals

Provision is made for outstanding rating appeals based on information supplied by the Valuation Office, as well as for appeals which are as yet unlodged.

GLOSSARY

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in it's financial statements through:

- recognising:
- selecting measurement bases for; and
- presenting

assets, liabilities, gains, losses and changes to reserves

Accruals Concept

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

Accumulated Absences

Holiday entitlements, or any other form of leave such as time off in lieu earned by employees, which has not been taken by the end of the financial year and can be carried forward to the next financial year.

Actuarial Gains and Losses

For a defined benefit pension scheme, actuarial gains and losses are the changes in the actuarial surplus/deficits which arise because either events have not coincided with previous actuarial assumptions or where actuarial assumptions have changed.

Actuary

An expert who advises on the cost of pensions and determines whether the Pension fund is adequate to meet its commitments.

Amortisation

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

Appropriations

The transfer of resources between revenue/capital accounts and the reserves held by the Council.

Assets Held for Sale

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

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 assets.

Capital Expenditure

Expenditure relating to the acquisition or enhancements of property, plant & equipment assets, heritage assets, intangible assets and investment property and certain other items meeting the definition of capital expenditure under statute.

Capital Financing Requirement

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

Capital Receipts

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

Capital Programme

The council's budget for capital expenditure and resources over the current and future years. Income generated from the sale of capital assets and the repayment of grants/loans given for capital purposes. The government prescribes the amount of the receipt which must be set aside to repay debt and the usable amount which may be used for finance capital expenditure.

Cash and Cash Equivalents

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

Collection Fund

A fund administered by the Council recording receipts from Council Tax and Business Rates, and payments to the General Fund and other public authorities, including Central Government.

GLOSSARY CONT.

Commitments

Budget provision for specific items that are committed or planned for a year where the specific goods or services are not received by 31 March and for which there is no provision in the following year. Such budgets may be formally 'carried forward' to the following year to match the committed or planned expenditure.

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.

<u>Contingen</u>t

Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Council Tax

A local tax charged to the occupiers of residential properties used to finance the budget of the Council for the year.

Creditors

Amounts owed by the Council for goods, services and works that have been received by the Council for which no payments have been made by the Council at the Balance Sheet date.

<u>Current Asset</u>

Asset held which will be realised, sold or consumed within the next financial year.

Current Liability

Amounts which will be settled within the next financial year.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits

<u>Debtors</u>

Amounts owed to the Council for goods, services and works that have been provided by the Council for which payments have not been received by the Council at the Balance Sheet date.

Defined Benefit Pension Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

GLOSSARY CONT.

Depreciation

The measure of the loss in the value of an asset during the period due to age, wear and tear, deterioration or obsolescence. This charge is spread over the useful life of the asset.

Earmarked Reserves

Amounts set aside for future commitments or potential liabilities.

Effective Intrest 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 the original principal invested or borrowed.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

Financial Instruments

These are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The financial instruments held by the Council include borrowings, investments, creditors and debtors.

Finance Lease

A lease which effectively transfers the risk of ownership of a non-current asset from a lessor to a 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 Year

The period of twelve months covered by the accounts, which commences on 1st April.

General Fund

The main revenue fund of the Council, which summarises the cost of all services the Council provides.

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the income and expenditure accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

Gross Book Value

This represents the original price paid for an asset adjusted for subsequent revaluations, acquisitions, enhancements and disposals.

Heritage Assets

A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Impairment

A reduction in the value of a non current asset caused by a specific event occurring to the asset.

Intangible Assets

Assets which do not have a physical substance but are identifiable and are controlled by the Council through custody or legal rights. Examples of such asset are software licences.

Inventory

The amount of unused or unconsumed inventory held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Inventories comprise the following categories:

- · goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long-term contract balances; and
- · finished goods.

GLOSSARY CONT.

Investment Property

Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of operations.

<u>Leases</u>

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

Business Rates

This is a levy paid by the occupiers of non residential properties within the Council's district. It is charged on the rateable value of each non residential property multiplied by a uniform amount set annually by central government. This levy contributes to the cost of providing local authority services. The NDR income collected is redistributed between Maldon District Council, Central Government, Essex County Council and Essex Fire & Rescue Service.

Non Distributed Costs

These are overhead costs which provide no benefits to services and are therefore not distributed to services. These include pensions arising from discretionary added years service.

Net Book Value (NBV)

The Net Book Value of an asset is equivalent to its gross book value, less cumulative depreciation and impairment charges. Assets are included in the Balance Sheet at their net book value.

Precept

This is the amount that local authorities providing services within the Maldon District require to be paid from the Collection fund to meet the net cost of their services. The Council Tax requirement is made up of the sum of all the precepts levied on the Billing Authority. For the Maldon district – precepts are raised by Maldon District Council, Essex County Council, PFCC for Essex Policing and Community Safety, Essex PFCC Fire & Rescue Authority and Town and Parish Councils.

Principal Amount

The original amount of debt or investment on which interest is calculated.

Property, Plant and Equipment (PPE)

Assets held by the Council, which are directly used or occupied by the Council in the delivery of the Council's services. These are tangible assets (e.g. land, buildings, vehicles etc.) which yield benefit to the Council for a period of more than a year.

Provision

Amounts set aside where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Prudential Code

This Code is developed by CIPFA and sets out the system of capital financing and capital controls for local authorities. Prudential limits apply to all borrowing, qualifying credit arrangements and other long-term liabilities – whether supported by government or entirely self-financed. The system is designed to encourage authorities that need, and can afford, to borrow for capital investment to do so. The Code seeks to ensure that local authorities' capital investment plans are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.

Revaluation

A technique used to adjust the value of certain classes of Property, Plant and Equipment assets to their fair value.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset.

Revenue Support Grant (RSG)

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

Useful Life

The period over which benefits will be derived from the use of Property, Plant and equipment asset.

MALDON DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2017/18

1. SCOPE OF RESPONSIBILITY

- 1.1 Maldon District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Under the Local Government Act 1999 it has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.
- 1.2 Maldon District Council has approved and adopted a local Code of Corporate Governance which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / the Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering Good Governance in Local Government'. The code forms part of the Council's constitution and can be found on our website www.maldon.gov.uk. This Statement explains how Maldon District Council has complied with the Code and also how it meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and the activities through which it is accountable to, engages with and leads the community. 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.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is, in part, based on an ongoing process of risk management, designed to identify and rank the risks to the achievement of the Council's priorities, plans and policies. Risk management is designed to evaluate the likelihood of those risks occurring, to consider their impact should they materialise and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Maldon District Council for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

3.1 The Council adopted a revised Code of Corporate Governance in line with guidance provided by CIPFA and SOLACE. The Code describes how the District Council discharges its responsibilities for putting in place proper arrangements for the governance of its affairs, incorporating the six core principles of effective governance

identified by CIPFA / SOLACE. The governance framework that the Council has put in place to encourage adherence to the Code is set out below together with the key areas of evidence of delivery,

3.1.1 Focusing on the purpose of the Authority and on the outcomes for the community and creating and implementing a vision for the local area

- After the implementation of the Senior Management Review, the Council undertook significant amount of work during 2014/15 to develop a new Corporate Plan and Vision covering the period 2015-2019. In developing the new corporate plan, a consultation exercise was carried out to elicit the views of the local community and of partner agencies.
- On February 2015, the Council approved and adopted a Corporate Plan covering the period 2015 2019. Subsequent annual updates have been undertaken with the 2018/19 update approved by Council on 8th February 2018. The Corporate Plan details the vision, goals, objectives and core values that guide the direction, work and achievements of the authority. It is the Council's core internal strategic planning document, from which supporting strategies can be developed and published, including the Medium Term Financial Strategy, ICT Strategy and Workforce Development Plan, all of which underpin the Council's ambition to transform the way it delivers its services in the future.
 - Guided by the Corporate Plan, the corporate goals are underpinned by Key Corporate Activities (KCAs). These are the "flagship" activities for each goal that the Council is committed to progressing or achieving each year and provide a focus for the Council in delivering its priorities. The KCAs are subject to Council approval and are detailed in the Level 1 Business Plan for each Directorate. This plan is the cornerstone of the performance planning process and contains the aims and priorities for each Directorate and are submitted to the Programme Committees for notification.
 - At an operational level, each service produces a Level 2 business plan. These are not submitted to Committee, but facilitate effective performance and risk management within the Directorates including the setting of individual objectives and completion of performance reviews.
 - Progress of the KCAs and performance on selected indicators and measures are monitored quarterly by the Corporate Leadership Team (CLT) based upon updates recorded on TEN, the Council's Performance and Risk Management System.
 - Corporate performance and risk is considered and challenged by CLT together
 with the Service Managers at quarterly performance and risk clinics. The
 outcomes of the clinics inform the quarterly performance reports to the
 Council's Overview & Scrutiny Committee and the risk reports to the Audit
 Committee.
 - Six monthly performance reports are also provided to the Programme Committees.

• Staff objectives flow from, and contribute to, achieving the Level 1 and 2 Business Plan objectives.

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

- The Council has adopted constitutional arrangements for its operation and the discharge of its responsibilities and functions. It has three service Committees, an Overview and Scrutiny Committee, an Audit Committee, a Joint Standards Committee, three Area Planning Committees, an Investigating and Disciplinary Committee and an Appointments Committee.
- The constitutional arrangements include terms of reference for each Committee which define those matters which Committees can deal with in contrast to those matters on which they have to report (recommend) to the Council. Also included is a scheme of delegation which enables matters to be dealt with by designated Officers of the Council. The Council sets the policy framework and annual budget, and determines strategic and other matters as required by law. Each Committee has a specific portfolio of responsibilities requiring them to work closely with senior management to achieve the Council's ambitions. The principal decision making body is the Council.
- The Council has adopted a number of codes and protocols affecting the way it operates, in particular a Member/Officer Relations Protocol intended to clarify roles and promote effective communication.
- The Council's Corporate Leadership Team (CLT), comprising of the Chief Executive and the three service Directors, provides corporate leadership. CLT meets weekly on a formal basis, to steer and co-ordinate arrangements for the delivery of the Council's vision and goals.
- A Leader and Chief Executive forum is conducted through six-weekly meetings of the
 Chief Executive and Directors with the Leader of the Council, Deputy Leader of the
 Council and Chairmen of the service Committees. This acts as a sounding board on
 the best approach to deal with new and emerging issues and a ready-made reporting
 mechanism does not exist.
- The Constitution details the role of the Head of Paid Service, whose function is carried out by the Chief Executive of the Council.
- 3.1.3 Promoting values for the Authority and demonstrating the values of good governance through upholding standards of conduct and behaviour.
- The Council has a Standards Committee, the terms of reference of which include promoting, monitoring and enforcing probity and high ethical standards of conduct for elected Members. The arrangements for the Committee and the process for dealing with conduct complaints have been reviewed and updated during 2017.

- The Council's Monitoring Officer is responsible for advising if any proposal would give rise to unlawfulness or maladministration, and therefore performs a key function in ensuring lawfulness and fairness in the operation of the Council's decision making process. The Monitoring Officer has appointed deputies to act in her stead when necessary. The interim senior solicitor is the Council's Monitoring Officer.
- The work of the Audit Committee is intended to enhance public trust in the corporate governance of the Council. It has a key role to provide assurance to the Council on the adequacy of governance and internal control arrangements, and review the adequacy of the internal audit arrangements, and advise the Council accordingly. Since 2016 / 17, the Council's Internal Audit function has been provided by BDO LLP. The Committee works closely with the Council's External Auditor and Internal Audit provider, receiving their respective annual opinions. The Committee considers and formally approves the annual Statement of Accounts.
- Corporate Governance arrangements in the form of Procedure Rules to regulate Council proceedings and business, and Terms of Reference, including a Scheme of Delegation, are embodied in the Council's constitutional documentation.
- Adopted Financial Regulations provide the framework for managing the Council's financial affairs. They identify the financial responsibilities of the Council, the Committees, and key officers. The Section 151 Officer (under the Local Government Act 1972), is responsible for ensuring that sound financial management systems are maintained and expenditure is lawful and appropriate and this appointment is held by the Director of Resources. The Council considers that its financial management arrangements conform with the governance requirements of the CIPFA "Statement on the role of the Chief Financial Officer in Local Government 2015" as set out in the Application Note to "Delivering Good Governance in Local Government: Framework".
- All Council Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value. The Director of Resources is responsible for maintaining a continuous review of the financial regulations and for reporting, where appropriate, any breaches. The Section 151 Officer considers the Council's Finance function to be adequately resourced.
- The Council's constitutional arrangements include a Code of Conduct for elected Members based on the Principles of Public Life (the Nolan Principles). This was originally adopted in 2012 and revised in 2016.. Officers are subject to a Code of Conduct, the policy for which was refreshed and adopted with effect from 18 November 2013. The Council has also adopted the procedures laid down in the Joint Negotiating Committee (JNC) for Local Authority Chief Executives model for use in connection with the exercise by the Investigating and Disciplinary Committee of its remit in relation to the posts of Head of Paid Service, Section 151 Officer and Monitoring Officer.

- Registers of gifts and hospitality are maintained for both Members and Officers. A
 statutory register of interests is maintained for Members, and the Code of Conduct
 requires staff to disclose interests. Periodic reminders are issued about the need to
 avoid potential conflicts of interest and protocols for the acceptance of gifts and
 hospitality.
- The Council has a series of approved policies and strategies relating to good governance, including, for example, the Code of Corporate Governance, anti-fraud and corruption, whistle-blowing, data quality, Freedom of Information, and corporate equality policies, all of which are accessible via the Council's intranet.
- BDO LLP under their remit of Internal Auditors consider fraud as part of their audit workplan. This ensures we confirm to the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014).

3.1.4 Taking informed and transparent decisions which are subject to effective scrutiny, and managing risk.

- The Council's constitutional arrangements include protocols and procedures to guide the management of business and decision-making, for example the Access to Information Procedure Rules. The Codes of Conduct seek to safeguard Members and Officers against conflicts of interest.
- The Council has implemented and reviewed its Whistle Blowing Policy, which provides arrangements for employees to disclose allegations of malpractice internally, in relation to staff, Members, contractors, suppliers or consultants in the course of their work for the Council, without fear of victimisation, discrimination or disadvantage.
- Council and committee meetings are open to the public (with the exception of items of business considered during private session due to the likely disclosure of exempt information under the Access to Information Act 1985). Committee agendas and reports are available online at least five working days before the date of the meeting, and are also available to view at the Council Offices. The Council makes every effort to advertise meetings, and to publish decisions whether taken by Councillors or by Officers under delegated powers. The Minutes of Council and Committee meetings are also published and made available to the public.
- The Council provides an opportunity for members of the public to speak at committee meetings. For Area Planning Committees this is in respect of a relevant planning application and for the service Committees as well as the Overview and Scrutiny Committees the public can speak on any agenda item. At meetings of the Council the public may ask questions of the Leader of the Council (or via the Leader to a Chairman of a Committee) on any topic.
- The Council records all public Council and Committee meetings held in the Council Chamber at the Council Offices. These can be listened to using the links on the Council's website.
- The Council's Feedback Procedure has been designed to ensure that it is easy for the public to express their views and for all complaints and comments to be handled in a prompt, fair and efficient manner. The procedure and complaint form are available on the Council's website.

- The Overview and Scrutiny Committee provides a scrutiny function and reviews and examines decisions and performance of Committees and Council Officers.
- The Audit Committee, whose role is to have an independent oversight of control and governance arrangements. Audit Committee members undertake annual reviews both of the sources of information which they access in order to perform their role, and of the Committee's performance against its Terms of Reference. The Terms of Reference are subject to regular review against recommended best practice.
- Identifying and recording service risks on TEN (the Council's Performance Management system) complements and links directly with the Council's corporate risk management framework. It evaluates the adequacy and effectiveness of existing controls and identifies any required actions to address Service risks highlighted during the year. The risks are included in each service's business plan which is subject to regular review by the manager and their Director. This process also provides an invaluable opportunity to identify any risks of a corporate nature on a timely basis.
- The Audit Committee is responsible for oversight of the Council's risk management arrangements as one source of control assurance. The Council's approach to risk management is set out in the Risk Management Policy.
- The Council maintains a focus on a relatively small number of key corporate risks. These are kept under constant scrutiny and changes are made in year as necessary. Corporate risks in excess of the Council's defined risk tolerance levels have identified mitigating actions, progress on which is regularly reported to the Audit Committee. The Corporate Risk Register and associated actions are recorded and updated on the TEN Performance and Risk Management system, so integrating them with the Council's standard approach.
- The Council employ the services of BDO LLP to carry out the function of Internal Audit. The service provided conforms with the requirements of the CIPFA Statement on the Role of the Head of Internal Audit 2010. Recommendations arising from the internal audits undertaken by BDO are recorded on the TEN Performance and Risk Management System and are subject to quarterly updates. Any that are not updated are reported to CLT as part of the quarterly performance and risk clinics.

3.1.5 Developing the capacity and capability of Members and Officers to be effective.

- The Council aims to ensure that Members and Officers have the necessary knowledge, capacity and skills to undertake their duties.
- The Council's Performance Management Framework ensures that the links between the Council's corporate goals, Business Plans and key activities, performance data and targets, risk and staff objectives are clear. Staff have an annual Personal Performance Review discussion with the aim of identifying learning and development needs and gaps are addressed through training and development opportunities. Regular team meetings and Performance Conversations between staff and their line managers and are held where work objectives are discussed.

- The Corporate Training Plan prioritises training by corporate need. After corporate priorities have been funded the remaining funds are available to services to meet identified training needs for Personal Development Plans.
- Compulsory E-learning is used to inform staff of essential information and expectations regarding statutory responsibilities for such matters as Safeguarding and Data Protection. This programme will be steadily extended to cover a wider range of training and other information.
- Training events as well as Members seminars are held regularly to provide information on a variety of topics for Members. The Council has decided to introduce mandatory training for Members of Planning Committees.
- The Corporate Induction process ensures that new staff has the chance to meet the Leader of the Council, who speaks about the role of elected Members. It also introduces all officers, including senior officers to the framework of the authority under which they will be working.
- The Senior Management Review which took place during 2014 / 15 has created a more focussed Corporate Leadership Team, thereby strengthening the strategic decision making to enable the organisational improvement and change required to meet longer term challenges ahead.
- The Council has a workforce development strategy in place. The Strategy sets out the Council's innovative plans to ensure that we have highly skilled people in place to deliver high quality services.

3.1.6 Engaging with local people and other stakeholders to ensure robust public accountability.

- The Council is committed to encouraging members of the local community to contribute to, and participate in, the work of the Council.
- The Council seeks to undertake meaningful public consultation in order to inform its decisions, to help make the best decisions based on the views of the local community and the wider information available to the Council. The Council undertakes consultations using a variety of techniques as appropriate.
- The Council undertake consultation with particular interest groups, including our Friends Groups, Parish Clerks' Forum, Developer Forum, Landlord Forum, Business Forums, Community Safety Partnership and Park Watch scheme members.
- The Council engages with the appropriate equality groups in order to ensure that it meets its obligations under the Equality Act 2010. The Council produces Equality Impact Assessments (EIA) in line with legislation.
- The Council launched a new website in July 2016 which now includes a range of information about the work that the Council and its partners are undertaking.
- Council officers commit to provide timely support, information and responses to external auditors to ensure the timely and relevant review of the Statement of Accounts. Any audit findings and recommendations from an audit are properly considered and processes reviewed where applicable.

4. REVIEW OF EFFECTIVENESS

- 4.1 Maldon District Council is responsible for conducting, at least annually, a review of its governance framework including the effectiveness of systems of internal control. The review is informed by Directors who are responsible for developing and maintaining the internal control environment. It also considers the work of the Council's Internal Audit service provider and comments made by the External Auditor, and other external review agencies and inspectorates.
- 4.2 In the Audit Report for the period 2016 / 17, the external auditor, EY, stated that:
 - "We concluded that you have put in place proper arrangements to secure value for money in your use of resources" for the year ended 31 March 2017.
- 4.3 The Council continuously reviews and seeks to improve its governance arrangements. Amongst the processes during 2017 / 18 that have contributed to the review are:
 - The annual opinion of the Head of Internal Audit to the Audit Committee on the assurance gained from the Internal Audit work. The report to the Audit Committee on 23 June 2017 (with regard to 2016 / 17) detailed background information relating to the protocols, scope of work and assessed quality of the Audit function, and highlighted areas where concerns had been identified through audit work, and where audit work was not completed.
 - The approach to obtaining assurance from Directors and managers in respect of the annual review of internal controls. The Performance & Risk Officer engages staff by inviting them to consider what are the biggest risks, of any type, facing them and what controls they have in place to deal with those risks. This assists service staff to understand the relevance of the process. This process is embedded with actions to update, monitor and report on progress and has proved effective.
- 4.4 This table shows the progress on the control weaknesses identified in the 2016/17 AGS.

| SIGNIFICANT ISSUE IDENTIFIED IN 16/17 AGS | ACTION TAKEN IN 2017/18 TO ADDRESS THIS ISSUE |
|--|---|
| PROCUREMENT A control weakness was identified in respect of the procurement and delivery of the St Cedd's project. This was a project involving the demolition of temporary buildings and the creation of an overflow car park. The contractors delivering the car park did not meet the requirements of the specification, there was a lack of capital monitoring and the project overspent by £50,000. | Overview & Scrutiny reviewed procurement and capital programme in 17/18. There was as in depth review of the programme for 2017/18 for deliverability. Eight recommendations were agreed for implementation to address weaknesses identified. |
| DEBTORS The Council has identified required improvements in the raising, collection and monitoring of Sundry Debt. | The debtors policy was reviewed and updated and reviewed by Members. Monthly reporting to management on aged debtors has been updated to ensure that the data is clear and relevant and reflects the policy. |

4.5 The annual opinion on the effectiveness of the system of internal control for 2017/18 produced by BDO LLP as the Council's internal audit service provider concluded that:

"Overall, we are able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently.

In forming our view we have taken into account that:

- The majority of audits provided moderate assurance opinions for the period 1 April 2017 to 31 March 2018
- The Council has achieved their budget for 2017-18 and has plans in place to ensure that the budget gap is addressed in their budget plans. The Council has recognised the ongoing reduction of government funding in their future financial plans
- Some areas of weakness have been identified through our reviews, including opportunities for improvement in delivery of the Elections Improvement Plan (which was the only report to receive limited assurance), Economic Development and Business Rates Growth, Information Management, Contracts Procurement Management and Purchasing, Business Resilience and Business Continuity and Disaster Recovery. The Council is working to address the issues identified."
- 4.6 The Council and all its Committees met regularly throughout the year and were effective in their work.

4.7 There were no serious information security breaches within the year. The ICT Manager and GDPR principle advisor have raised data security awareness to staff and members to ensure that they are aware of their responsibilities in this respect.

5. SIGNIFICANT GOVERNANCE ISSUES – 2017/18

- 5.1 The Corporate Risk Register details the key risk areas facing the Council, together with the proposed mitigating actions and progress made on these. The Council is satisfied that these actions will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the regular review of those risks.
- 5.2 Internal Audits work, and the Councils own internal processes have not identified any key risks in 2017/18 that require noting in this statement.

6. OTHER ISSUES

- 6.1 The Overview and Scrutiny Committee met eight times in 2017/18. As part of its Programme of Work, the Committee scrutinised a number of areas and whilst none of the matters discussed were considered a significant governance issue, i.e. one that could affect the future of the Council, some of these areas have been summarised below for transparency:
 - procurement of capital projects, as detailed in paragraph 4.4 above;
 - administration of leases and licences, to ensure the maximum realisable financial benefits for Council assets;
 - agreement of final terms of a lease following delegation by a Committee.
- 6.2 The areas for continued review by the Overview and Scrutiny Committee form part of its 2018 / 19 Programme of Work which is reviewed at each meeting.

7. CONCLUSION

7.1 Steps will be taken in 2018/19 to address the weaknesses identified by officers, internal and external audit in their reviews of effectiveness. These steps will aid to strengthen the Governance Framework already in existence at Maldon District Council and their implementation will be monitored as part of the 2018/19 annual review.

8. CERTIFICATION BY THE LEADER OF THE COUNCIL AND THE CHIEF EXECUTIVE

Signed:

Councillor M F L Durham Leader of the Council Date: Ms. F Marshall Chief Executive Date:

Agenda Item 8



REPORT of DIRECTOR OF RESOURCES

AUDIT COMMITTEE 26 JULY 2018

ANNUAL AUDIT AND CERTIFICATION OF FEES 2018 / 19

1. PURPOSE OF THE REPORT

1.1 This report is to inform the Audit Committee the external audit fee payable to Deloitte LLP for 2018 / 19.

2. RECOMMENDATION

That the content of this report be noted.

3. SUMMARY OF KEY ISSUES

- 3.1 The audit and certification work that Deloitte LLP is due to undertake for the 2018 / 19 financial year at Maldon District Council includes:
 - Audit of the financial statements:
 - Value for money conclusion; and
 - Whole of Government accounts.
- The indicative external audit fee payable by the Council for 2018/19 as per the letter received from Deloitte LLP on the 27 April is expected to be approximately £37,942. This is a reduction of approximately 20 % from the estimate of £49,275 for 2017 / 18. The fee is set by Public Sector Audit Appointments Ltd (PSAA). The fee letter is included at **APPENDIX 1**.
- 3.3 We are also required to make arrangements for the certification of housing benefit subsidy claim. The cost of this is expected to be approximately £14,000 and the Council is currently out to procurement to secure a supplier for this work.

4. **CONCLUSIONS**

4.1 This report updates Audit Committee Members on the external audit fee for the current year.

5. IMPACT ON CORPORATE GOALS

5.1 The report links to the Maldon District Council goal of 'Delivering good quality, cost effective and valued services'.

6. IMPLICATIONS

- (i) <u>Impact on Customers</u> None.
- (ii) <u>Impact on Equalities</u> None.
- (iii) <u>Impact on Risk</u> None.
- (iv) <u>Impact on Resources (financial)</u> The indicative audit fee for 2018/19 is expected to be £37,942. This is contained within the budget.
- (v) <u>Impact on Resources (human)</u> None.
- (vi) <u>Impact on the Environment</u> None.

Background Papers: None.

Enquiries to: Emma Foy, Director of Resources, (Tel: 01621 875762).



APPENDIX 1

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27 April 2018

Ms E Foy

Maldon District Council,
Council Offices
Princes Road
Maldon
Essex
CM9 5DL

Dear Ms Foy,

Fee for the audit of the accounts of Maldon District Council for the year ending 31 March 2019

We are writing to set out our fee for the audit of the accounts of Maldon District Council for the year ending 31 March 2019.

Proposed fee for the audit

The scale fee for the audit published by Public Sector Audit Appointments Limited (PSAA) in respect of the year ending 31 March 2019 is £37,942. This compares to the published fee scale for 2017/18 of £49,275.

We do not propose any variations to the scale fee.

Work programme

Our audit work will be undertaken under the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The Code sets the overall scope of the audit, requiring the auditor to give an opinion on the financial statements of a principal body subject to audit under the 2014 Act, and a conclusion on the arrangements for value for money.

The audited body is responsible for putting in place appropriate arrangements to support the proper conduct of public business, and for ensuring that public money is safeguarded, properly accounted for and used with due regard to value for money.

The Code requires that the auditor's work should be risk-based and proportionate. We tailor our work to reflect local circumstances and their assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and evaluating the arrangements it has put in place to manage those risks.

This is the first year of our appointment and our predecessor has not yet completed their audit for 2017/18. Our risk assessment is therefore necessarily very limited at this stage. [Based on our preliminary procedures, we have not identified planned pieces of risk-based value for money work.

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Deloitte.

Once we have completed our detailed planning and risk assessment procedures, we will present our initial audit plan to those charged with governance and provide an explanation for any variances to the published scale rate set out in this letter and following the approval process described below.

Assumptions on which the fee is based

The 2018/19 scale fee and our proposed fee is based on the following assumptions:

- there are no significant changes (compared to that applying to 2017/18 and reflected in the published fee scale for that year) in NAO guidance for auditors, professional standards, or CIPFA/LASAAC financial reporting requirements that would affect materially the amount of audit work to be undertaken for our 2018/19 audit;
- the authority is able to provide us with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes; and
- audit risk and complexity are similar to the level identified and reflected in the scale fee for 2018/19, including that: the authority maintains a strong control environment; and our detailed risk assessment work does not identify the need to undertake pieces of risk-based value for money work.

The proposed fee does not include fees for considering objections or any special investigations, such as those arising from disclosures under the Public Interest Disclosure Act 1998. These will be charged as a variation to the scale fee using the procedure described below.

From 2018/19, certification work is no longer covered by PSAA's audit contract and is therefore not within the scope of this letter. Where such work is requested, a separate tripartite engagement between the relevant department, the audited body and a reporting accountant is needed.

The fees exclude value added tax (VAT), which will be charged at the prevailing rate of 20 per cent on all work done.

Variations to the proposed fee

Where it becomes clear that the amount of work required is significantly different to that which would be expected based on these assumptions (and reflected in the above fees), we will request a variation to the proposed fee.

We will first discuss the reasons for the additional fee with you and then submit a request to PSAA for a variation in the fee. PSAA has the power to determine the audit fee payable, which may vary from the prescribed scale fee, where it concludes that substantially more or less audit work was required than envisaged by the scale fee.

I look forward to working with the authority over the coming years.

Yours sincerely

Deloitte LLP

Delothe LLP

Agenda Item 9



REPORT of DIRECTOR OF RESOURCES

to AUDIT COMMITTEE 26 JULY 2018

PERFORMANCE AGAINST THE 2018 / 19 INTERNAL AUDIT PLAN

1. PURPOSE OF THE REPORT

1.1 To report progress to date with regard to work completed and any deviances to, or slippage, on the Internal Audit Plan 2018 / 19.

2. RECOMMENDATION

That the progress against the 2018 / 19 Internal Audit Plan is noted

3. SUMMARY OF KEY ISSUES

3.1 Details of the progress to date against the 2018/19 Internal Audit Plan are attached at **APPENDIX 1** to this report.

4. CONCLUSIONS

4.1 This report updates Audit Committee Members on the progress against the 2018 / 19 Internal Audit Plan.

5. IMPACT ON CORPORATE GOALS

5.1 The report links to the Maldon District Council goal of 'Delivering good quality, cost effective and valued services'.

6. IMPLICATIONS

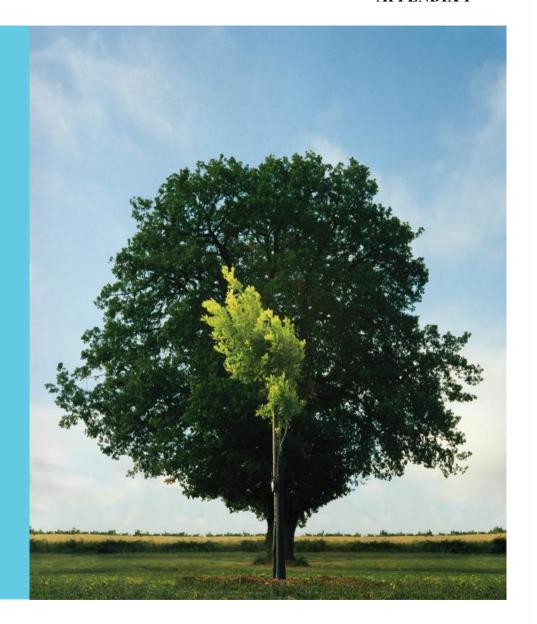
- (i) **Impact on Customers** None.
- (ii) <u>Impact on Equalities</u> None.
- (iii) <u>Impact on Risk</u> None.
- (iv) **Impact on Resources (financial)** None.
- (v) <u>Impact on Resources (human)</u> –None.

(vi) **Impact on the Environment** – None.

Background papers: None.

<u>Enquiries to:</u> Emma Foy, Director of Resources, (Tel: 01621 875762) or Andrew Barnes, Audit Manager (BDO LLP)

Maldon District Council INTERNAL AUDIT PROGRESS REPORT July 2018





APPENDIX 1

3

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INTRODUCTION

Internal Audit

This report is intended to inform the Audit Committee of progress made against the 2017/18 internal audit plan which was approved by this Committee in March 2017. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

Internal Audit Methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in section 2 of this report, and are based on us giving either "substantial", "moderate", "limited" or "no". The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment. Our definitions are set out on page 4.

Work outside of the Internal Audit Plan

We assisted with the provision of a Risk Management briefing to the Audit Committee in December 2017.

We will also be performing the Council's Annual Fraud Risk Assessment.

Audits Completed Since Last Report

See page 5 for details of the audits completed since the previous Audit Committee.

Overview of 2017/18 work to date

See pages 6 and 7 for a summary of the progress of 2017/18 planned work.

DEFINITIONS OF ASSURANCE

| LEVEL OF ASSURANCE | DESIGN of internal control framework | (| OPERATIONAL EFFECTIVENESS of internal controls | | |
|-----------------------|--|--|--|--|--|
| ASSURANCE | Findings from review | Design Opinion | Findings from review | Effectiveness Opinion | |
| Substantial | Appropriate procedures and controls in place to mitigate the key risks. There is a sound system of internal control designed to achieve system objectives. | | No, or only minor, exceptions found in testing of the procedures and controls. | The controls that are in place are being consistently applied. | |
| Moderate | In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective. | Generally a sound system of internal control designed to achieve system objectives with some exceptions. | A small number of exceptions found in testing of the procedures and controls. | Evidence of non compliance with some controls, that may put some of the system objectives at risk. | |
| Limited | A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year. | System of internal controls is weakened with system objectives at risk of not being achieved. | A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year. | Non-compliance with key procedures and controls places the system objectives at risk. | |
| No | For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework. | Poor system of internal control. | Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address inyear affects the quality of the organisation's overall internal control framework. | Non compliance and/or compliance with inadequate controls. | |

| Recommendation | Significance |
|----------------|--|
| High | A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently. |
| Medium | A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action. |
| Low | Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency. |

PROGRESS SINCE MARCH 2018 AUDIT COMMITTEE

| Area | No. of days | Manager Responsible | Assurance - System Design | Assurance - Operating Effectiveness | No. of High priority recommend ations | No. of Medium priority recommend ations | No. of Low priority recommen dations | Ref to Executive Summary |
|----------------------------|-------------|------------------------|------------------------------|---|--|---|---|-----------------------------|
| Attendance management | 10 | Dawn Moyse | Substantial | Moderate | | 1 | 1 | Appendix A |
| Business resilience | 15 | Karen Bomford | Moderate | Moderate | | 4 | 2 | Appendix B |
| Elections improvement plan | 8 | Melissa Kelly | Limited | Limited | | 3 | | Appendix C |

PROGRESS AGAINST 2017/18 PLAN

| Area | 2017/18 days | Date work to be undertaken | Progress Update | Assurance - System Design | Assurance - Operating Effectiveness |
|---|-----------------|-------------------------------|--|---------------------------|--|
| Core Audits | | | | | |
| Main Financial Systems | 40 | Final report | Complete | Moderate | Moderate |
| Budget Setting (High Level Review) | 9 | Final report | Complete | Substantial | Moderate |
| Policy Review | 13 | Deferred | Deferred at the request of management Resources to be used to deliver Fraud Risk Assessment | | |
| Counter Fraud | 10 | Q4 | Fraud risk assessment Initiation meeting with Director of Resources held 17 April. Work currently in progress. | | |
| | 72 | | | | |
| Other Key Areas | | | | | |
| Economic Development / Business Rates growth | 15 | Final report | Complete | Moderate | Moderate |
| Attendance Management | 10 | Final report | Complete | Substantial | Moderate |
| Business Resilience | 15 | Final report | Complete | | |
| Contract Procurement Management and Purchasing | 25 | Final report | Complete | Moderate | Moderate |
| Partnership Working | 15 | Final report | Complete | Moderate | Moderate |
| Elections Improvement Plan (High level Review) | 8 | Final report | Complete | Limited | Limited |
| Information Management (Advisory review) | 30 | Final report | Complete | N/A | N/A |
| | 118 | | | | |

PROGRESS AGAINST 2017/18 PLAN

| Area | 2015/16 days | Date work to be undertaken | Progress Update | Assurance - System Design | Assurance - Operating Effectiveness |
|--|-----------------|-------------------------------|-----------------|---------------------------|--|
| IT Audit | | | | | |
| Disaster Recovery and Business Continuity | 15 | Final report | Complete | Moderate | Moderate |
| | 15 | | | | |

| Planning, Reporting, Follow-up and | Planning, Reporting, Follow-up and Contingency | | | | | | |
|------------------------------------|--|--|---|--|--|--|--|
| Planning / liaison / management | 20 | Complete for 2017/18 | | | | | |
| Recommendation follow up | 10 | For reporting in September 2017 and March 2018 | Reported in September 2017 Reported in March 2018 | | | | |
| Contingency | 5 | Utilised | Risk Management briefing to the Audit Committee December 2017 | | | | |
| Total | 35 | | | | | | |

Appendix A - Attendance Management

| CLIENT S | CLIENT STRATEGIC OBJECTIVE | | | SUMMARY OF RECOMMENDATIONS (SEE APPENDIX IV FOR DEFINITIONS) | | |
|-----------|--|--|-----|--|--|--|
| Risk | Risk Delivering good quality, cost effective and valued services | | | | | |
| LEVEL OF | LEVEL OF ASSURANCE (SEE APPENDIX IV FOR DEFINITIONS) | | | 1 | | |
| Design | | There is a sound system of internal control designed to achieve system objectives. | Low | 1 | | |
| Effective | eness | Evidence of non compliance with some controls, that may put some of the system objectives at risk. | | er of recommendations: 2 | | |

OVERVIEW

Background

The Council recognises the need to treat employees fairly, consistently and compassionately, and that there are a number of factors which impact on employee attendance, therefore the policy seeks to ensure appropriate support for staff, whilst at the same time maintaining effective service delivery.

The Council monitors the days lost due to sickness and set a challenging target of 8 days per Full Time Equivalent (FTE) for 2017/18 (this target is lower than the public sector average). The half year position (as reported to the Overview & Scrutiny Committee and the Finance & Corporate Services Committee in November 2017) identified 5.22 days sickness per FTE, of which 3.12 days related to long term sickness absence. The level of sickness absence is lower than for the equivalent periods in 2015/16 and 2016/17, and the Council continues to implement measures to further improve attendance. The Council is looking into the possibility of First Day Reporting (FDR) with their Occupational Health provider. Appendix I provides detail from other Councils that we consulted about whether they have FDR in place - only one has used it and it was not successful in reducing sickness levels. The purpose of our review was to consider the design and effectiveness of the controls around attendance management to highlight any areas where the controls might be improved.

Areas of good practice identified were:

- Regular in-depth reporting of sickness absence levels to both the Finance and Corporate Services Committee and the Corporate Leadership Team
- An up to date Managing Attendance Policy with associated Toolkits is in place to ensure consistency and awareness across the Council with roles and responsibilities clearly defined, appropriate thresholds for formal meetings recorded and appropriate and relevant guidance provided to staff
- Regular monitoring of required controls as per the Policy with HR having a good awareness of outstanding items and using this to chase staff to ensure completion of forms and recording meetings
- There are a number of wellbeing initiatives within the Council including recently winning an award for the Active Essex Workplace of the Year.

Appendix A - Attendance Management

OVERVIEW

However, we identified the following areas for improvement:

- The levels of compliance with the Managing Attendance Policy varies across the Council with services taking too long to complete self certification, Return To Work meetings and formal meetings (Medium Finding 1)
- The Council is not yet signed up to the Workplace Wellbeing Charter which acts as a form of best practice (Low Finding 2)

Conclusion

We found that whilst the design of the Council's controls in this area were strong, improvements could be made to the operational effectiveness of the controls in place with greater focus on ensuring compliance with operational procedures across the Council. This has led us to a final assessment of substantial assurance over the control design and moderate assurance over the control effectiveness.

LOOKING FORWARD: SUPPORTING THE COUNCIL'S JOURNEY FROM MODERATE TO SUBSTANTIAL ASSURANCE



Add controls to implement the following recommendations:

- Remind staff of the importance of completing key policy controls in relation to staff sickness including reporting of compliance levels to Committees and CLT to act as a deterrent for not completing them in a timely manner
- The benefits of adopting the Workplace Wellbeing Charter should be explored.

Appendix B - Business Resilience

| CLIENT S | CLIENT STRATEGIC RISK | | | SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS) |
|-----------|---|----------|--|--|
| Risk | k Inability to maintain key services during incidents (business resilience) | | | High |
| LEVEL O | LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS) | | | Medium 4 |
| Design | | Moderate | In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective. | Low 2 Total number of recommendations: 6 |
| Effective | eness | Moderate | A small number of exceptions found in testing of the procedures and controls. | |

OVERVIEW

Background

The purpose of this review was to assess the adequacy and effectiveness of the Council's arrangements for business resilience and the plans to continue provision of key services in the event of unforeseen circumstances that cause disruption.

The Council performs many essential and statutory functions. Having effective business resilience enables the Council to maintain those functions in the event that key staff or other resources are not available and normal operations are affected by unplanned events. Planning and prioritisation of response activities, identification of key staff and substitutes, identification of resources and clear procedures all support continued service provision in the event of unforeseen circumstances causing disruption.

The Council is constantly evolving in response to changing resources and staffing, new technology, new legislation and changing demand for services. It therefore follows that business resilience arrangements must keep pace with other changes to maintain effective service provision. To enhance resilience the Council has worked with Chelmsford City Council since 2005 for the provision of Emergency Planning functions, including Business Continuity and Disaster Recovery arrangements and the Council partly funds an Emergency Planning Officer employed by Chelmsford City Council. These arrangements provide shared resources, expertise and cross Council incident support, through an increased pool of trained staff.

An audit of the Council's Business Continuity and Disaster Recovery arrangements was undertaken as part of the 2015/16 Internal Audit Plan. This assessed the adequacy of arrangements for determining the Council's response to Business Continuity and Disaster Recovery events and this has been followed up during 2017/18. The 2017/18 audit of Business Resilience will review the extent of reliance on key resources, key staff and the effectiveness of cover arrangements for those staff.

Appendix B - Business Resilience

OVERVIEW

Good practice:

Across the review a number of good practice points were identified. These points demonstrate the commitment to strong internal controls and have helped inform the final audit opinion. Specifically:

- A Business Continuity Policy is in place that sufficiently addresses business continuity requirements across the Council
- The Council has identified the risks that could affect the key resources and how the risks can be managed to within agreed tolerances
- The Council has procedure notes that support key officers or their substitutes to carry out effective operations
- The Council has tested its disaster response arrangements using mock scenarios.

Areas for improvement:

However, certain areas for improvement have been identified and are highlighted in more detail in this report. In summary these are:

- Some of the Council's Business Continuity Plans were incomplete or inaccurate, including some that did not clearly identify the plan approver, plan manager and plan owner, increasing the risk that the Council might not be able to provide its critical services in the event of an incident (Finding 1)
- Some staff were not made aware of the Council's Business Continuity arrangements, especially who the responsible officers are (Finding 2)
- An official training programme for staff involved with Business Continuity managements could not be evidenced (Finding 3)
- Appropriate substitute officers were not nominated or lacked essential training (Finding 4)
- The Business Continuity Management Strategy has yet to be approved by the Corporate Leadership team (Finding 5)
- The Council's Business Continuity plans were not sorted into high, medium or low risk plans which is a requirement of the Business Continuity Policy (Finding 6).

Appendix B - Business Resilience

OVERVIEW

Conclusion:

In conclusion, the audit has evidenced that there is a robust system of internal controls in place relating to Business Continuity and Resilience arrangements across the different areas audited. However, a number of areas of improvement have been identified, with four medium and two low level findings being raised. Consequently, this report concludes moderate assurance over both the design and operational effectiveness of the internal controls in place.

We would like to thank all those from Maldon District Council that contributed towards our work and for their assistance throughout the audit process.

LOOKING FORWARD: SUPPORTING THE COUNCIL'S JOURNEY FROM MODERATE TO SUBSTANTIAL ASSURANCE

| Design | Moderate | Substantial |
|---------------|----------|-------------|
| Effectiveness | Moderate | Substantial |

- Assign key and substitute officers to all service functions
- Implement a training programme for staff involved in Business Resilience operations
- · Revise and update existing Business Continuity Plans to include all relevant information
- Update the Business Continuity Plan testing schedule and nominated substitute spreadsheet
- Formally approve the Business Continuity management strategy

Appendix C - Elections Improvement Plan

| | | | • | | |
|------------|--|--|------------|---------------------------------|------------------|
| CLIENT ST | CLIENT STRATEGIC RISKS | | | F RECOMMENDATIONS (SEE APPENDIX | FOR DEFINITIONS) |
| Risk | Delivering good q | uality, cost effective and valued services | High | | |
| LEVEL OF | LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS) | | | 3 | |
| Design | Limited | The elections improvement plan does not clearly define business critical activities. | Low | | |
| ŭ | There is no formal monitoring of implementation | | Total numb | er of recommendations: 3 | |
| Effectiver | ness Limited | The plan has not been implemented in a timely manner | | | |

OVFRVIFW

Background

The purpose of our review was to perform a high level assessment of the Council's delivery of the Elections Improvement Plan to provide improved delivery of elections.

The Council's Elections function reports to the Legal and Democratic Services Manager and sits within the Resources Directorate. The Returning Officer responsible for delivery of elections is Fiona Marshall (Chief Executive). The function is responsible for ensuring the preparation, production and publication of the Electoral Register and for the smooth running of elections for:

- Parish Councillors
- District Councillors
- County Councillors
- · Members of Parliament
- The Police and Crime Commissioner
- Referendums (such as for the United Kingdom European Union membership in June 2016 and the Burnham-on-Crouch Neighbourhood Plan in July 2017)
- Additional elections as representative vacancies arise
- · Formerly the UK Members of the European Parliament

In July 2015 the Electoral Commission conducted an assessment of the performance of Returning Officers at the combined May 2015 elections. The Council performed a further review of the processes and procedures adopted for elections and identified improvements that should be made relating to system documentation, project planning, training and service resilience. The results of the review were reported to the Overview and Scrutiny Committee.

Appendix C - Elections Improvement Plan

OVERVIEW

Key Findings:

- The elections improvement plan that has been prepared has not yet been fully delivered. 38% of the plan has not yet been sufficiently delivered or evidenced at the time of audit
- Progress with implementing the elections improvement plan has not been formally monitored by either the leadership team
- Election service business critical activities had not been clearly outlined or defined in a set of procedure notes at the time of audit.

Conclusion:

Our audit work has confirmed that the elections improvement plan has not been actively monitored and implementation of the plan has not been prioritised. At the time of audit it was also evident that insufficient active work had been done to deliver the actions agreed to be implemented, to provide the improvements highlighted in the plan.

In addition there were significant delays in the provision of supporting information to the audit team that required much chasing by both internal audit and senior officers.

As such, we can only offer limited assurance that the key risks have been addressed.

LOOKING FORWARD: SUPPORTING THE COUNCIL'S JOURNEY FROM LIMITED TO SUBSTANTIAL ASSURANCE

| Design | Limited | Substantial |
|---------------|---------|-------------|
| Effectiveness | Limited | Substantial |

- Ensure that there are detailed briefing notes where needed in the elections planning documentation
- Ensure that the elections improvement plan is being regularly monitored by the leadership team
- Ensure that business critical activities are defined in the procedure notes
- Ensure that the elections improvement plan is being actively monitored and that documents relating to the plan are being produced and retained.
- Ensure that any outstanding areas of the plan are completed.

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