

MALDON DISTRICT  
COUNCIL

# STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED  
31 MARCH 2018



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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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**\* 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 Council's 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 themselves 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 valuing 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:

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

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.

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

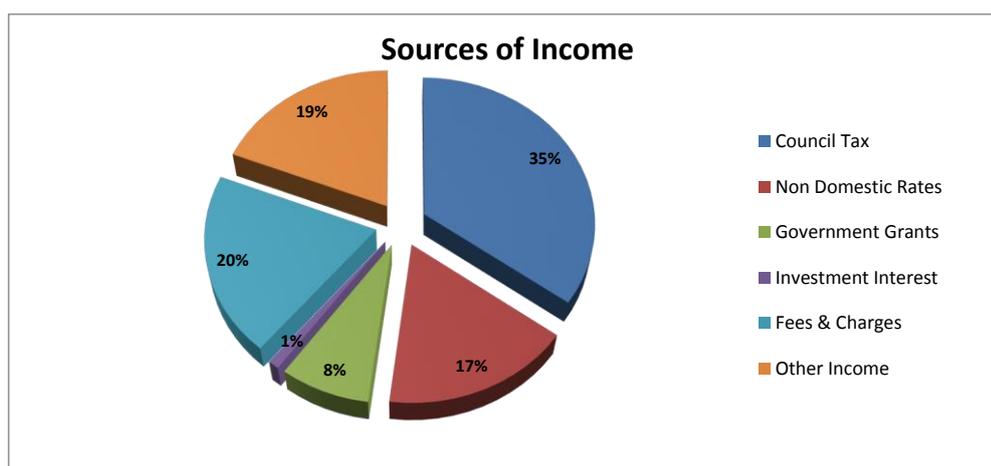
### Revenue Expenditure and Sources of Finance

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.

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

### 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 £000	Actual Expenditure £000	Variance £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 Directorate	2,213	2,221	(8)
<b>Net Cost of Services</b>	<b>9,469</b>	<b>8,968</b>	<b>501</b>
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	-
<b>Transfer to / (from) Earmarked Reserves</b>	<b>(605)</b>	<b>838</b>	<b>(1,443)</b>
<b>Transfer to / (from) General Fund</b>	<b>(1,168)</b>	<b>(1,112)</b>	<b>(56)</b>

\* 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
	£000	March 2018 £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	-
99 Wood Road	70	62
Purchase of bins	69	15
St Cedds Project	9	8
<b>Total</b>	<b>1,378</b>	<b>1,021</b>

\* 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**

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

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**

The biggest risk to the authority is the future uncertainty around funding. There 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](http://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)  
Date:

**EXPENDITURE FUNDING ANALYSIS (Not a primary statement)**

2016/17			2017/18		
<b>Net Expenditure Chargeable to the General Fund</b>	<b>Adjustments Between Funding and Accounting Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>	<b>Net Expenditure Chargeable to the General Fund</b>	<b>Adjustments Between Funding and Accounting Basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
802	-	802	1,031	2	1,033
		<b>Chief Executive</b>			
2,694	302	2,996	2,772	80	2,852
		<b>Resources Directorate</b>			
1,285	552	1,837	2,081	781	2,862
		<b>Customers and Community Directorate</b>			
2,017	463	2,480	1,878	343	2,221
		<b>Planning and Regulatory Directorate</b>			
(517)	517	-	(1,176)	1,176	-
		<b>Absence Accrual and IAS19 Adjustments included in the above</b>			
<u>6,281</u>	<u>1,834</u>	<u>8,115</u>	<u>6,586</u>	<u>2,382</u>	<u>8,968</u>
		<b>Net Cost of Service</b>			
(6,876)	(928)	(7,804)	(6,310)	(2,705)	(9,015)
		Other Income and Expenditure			
<u>(595)</u>	<u>906</u>	<u>311</u>	<u>276</u>	<u>(323)</u>	<u>(47)</u>
		<b>Surplus or Deficit</b>			
<u>6,396</u>			<u>6,991</u>		
		<b>Opening General Fund Balance at 1 April</b>			
595		Add surplus / (deficit) on General Fund in year	(276)		
<u>6,991</u>		<b>Closing General Fund balance at 31 March</b>	<u>6,715</u>		

**Notes to the Expenditure and Funding Analysis**

Note 1.

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

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

**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.

Financing 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:

For 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.**

Income received in a segmental basis is recorded below:

<b>2016/17</b> <b>£000's</b>	<b>Income</b>	<b>2017/18</b> <b>£000's</b>
(20)	<b>Chief Executive</b>	(27)
(80)	<b>Resources Directorate</b>	(101)
(20,817)	<b>Customers and Community Directorate</b>	(19,924)
(1,777)	<b>Planning and Regulatory Directorate</b>	(1,624)
<u>(22,694)</u>	<b>Total income analysed in a segmental basis</b>	<u>(21,676)</u>

**Note 3.****EXPENDITURE AND INCOME ANALYSED BY NATURE**

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

<b>2016/17</b> <b>£000's</b>		<b>2017/18</b> <b>£000's</b>
	<b>Expenditure</b>	
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	-
<u>32,727</u>	<b>Total expenditure</b>	<u>32,691</u>
	<b>Income</b>	
(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 income	(8,990)
0	Gain on the disposal of assets	(608)
(17,775)	Government grants and contributions	(16,048)
<u>(32,415)</u>	<b>Total income</b>	<u>(32,739)</u>
<u>311</u>	<b>Surplus or Deficit on the Provision of Services</b>	<u>(47)</u>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17	2016/17	2016/17		2017/18	2017/18	2017/18
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
822	(20)	<b>802</b>	Chief Executive	1,060	(27)	<b>1,033</b>
3,076	(80)	<b>2,996</b>	Resources Directorate	2,953	(101)	<b>2,852</b>
22,654	(20,817)	<b>1,837</b>	Customers and Community Directorate	22,786	(19,924)	<b>2,862</b>
4,257	(1,777)	<b>2,480</b>	Planning and Regulatory Directorate	3,845	(1,624)	<b>2,221</b>
<b>30,809</b>	<b>(22,694)</b>	<b>8,115</b>	<b>COST OF SERVICES</b>	<b>30,644</b>	<b>(21,676)</b>	<b>8,968</b>
		1,261	Parish & Town Precepts			1,383
		20	Gains on the disposal of fixed assets			(608)
		<b>1,281</b>	<b>OTHER OPERATING EXPENDITURE</b>			<b>775</b>
		7	Interest payable and similar charges			6
		(210)	Interest on investments			(237)
		(29)	(Surplus)/deficit on trading undertakings			(13)
		821	Net interest on pension liability			825
		45	Revaluation of Available for Sale Financial Asset			(65)
		(167)	Rental Income from Investment Assets			(139)
		(236)	Revaluation Gain on Investment Assets			(101)
		<b>231</b>	<b>FINANCING AND INVESTMENT INCOME &amp; EXPENDITURE</b>			<b>276</b>
		(5,708)	Council Tax Income			(6,024)
		(1,471)	Government Grants (not attributable to specific services)			(1,076)
		(2,094)	Non-Domestic Rates			(2,966)
		(43)	Capital Grants and Contributions			-
		<b>(9,316)</b>	<b>TAXATION AND NON SPECIFIC GRANT INCOME</b>			<b>(10,066)</b>
		<b>311</b>	<b>(SURPLUS) / DEFICIT ON THE PROVISION OF SERVICES</b>			<b>(47)</b>
		7,755	Re-measurement of net defined liability for the pension fund			(5,562)
		(3,879)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(1,276)
		<b>3,876</b>	<b>OTHER COMPREHENSIVE INCOME AND EXPENDITURE (SURPLUS) / DEFICIT</b>			<b>(6,838)</b>
		<b>4,187</b>	<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE (SURPLUS) / DEFICIT</b>			<b>(6,885)</b>

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

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

## BALANCE SHEET

31-Mar-17 £000		Note	31-Mar-18 £000
	<b>NON CURRENT ASSETS</b>		
27,407	Property Plant & Equipment	9	28,609
2,658	- Land & Buildings		2,458
2,936	- Vehicles Plant & Equipment		2,905
624	- Infrastructure		624
18	- Community Assets		16
95	- Assets Under Construction		95
1,833	Heritage Assets		1,997
105	Investment Property	11	121
2,854	Intangible Assets	12	4,932
189	Long Term Investments	14	226
	Long Term Debtors		
<b>38,719</b>	<b>TOTAL LONG TERM ASSETS</b>		<b>41,983</b>
	<b>CURRENT ASSETS</b>		
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	12	1,001
12,483			11,010
(4,001)	<b>LESS CURRENT LIABILITIES</b>		
(553)	Short term creditors	16	(4,276)
(4,554)	Provisions	29	(651)
<b>7,929</b>	<b>NET CURRENT ASSETS</b>		<b>6,083</b>
(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)
<b>(33,844)</b>	<b>TOTAL LONG TERM LIABILITIES</b>		<b>(28,386)</b>
<b>12,804</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>19,680</b>
	<b>FINANCED BY</b>		
(3,510)	Usable Reserves		
(207)	- Usable Capital Receipts Reserve		(3,545)
(6,992)	- Capital Grants Unapplied Account		(131)
<b>(10,709)</b>	- Revenue Reserves	7	(6,716)
	- <b>Total Usable Reserves</b>		<b>(10,392)</b>
(12,358)	Unusable Reserves	17	(13,609)
(21,920)	- Revaluation Reserve		(22,107)
(19)	- Capital Adjustment Account		-
31,833	- Deferred Capital Receipts Account		26,460
112	- Pensions Reserve	27	(224)
178	- Collection Fund Adjustment Account		113
79	- Available for Sale Reserve		79
<b>(2,095)</b>	- Accumulated Absences Account		
<b>(12,804)</b>	- <b>Total Unusable Reserves</b>		<b>(9,288)</b>
	<b>TOTAL NET WORTH</b>		<b>(19,680)</b>

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

**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.

<b>2016/17</b> £000		<b>2017/18</b> £000
311	<b>Net (surplus) or deficit on the provision of services</b>	(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
<u>(705)</u>	<b>Net cash (inflows)/outflows from operating activities</b>	<u>28</u>
	<b>Investing activities</b>	
	Purchase of property, plant and equipment, investment property and	
1,120	intangibles	419
10,000	Purchase of short and long term investments	10,000
	- Other payments made for investing activities	45
	Proceeds of sale of property, plant and equipment, investment	
(655)	property and intangibles	-
(13,000)	Proceeds of sale of short and long term investments	(11,000)
(527)	Other receipts from investing activities	(288)
<u>(3,062)</u>	<b>Net cash (inflow)/outflow from investing activities</b>	<u>(824)</u>
	<b>Financing activities</b>	
(32)	Repayment of finance lease	226
	- Repayment of short and long term borrowing	-
233	Other payments for financing activities	221
(13)	Cash receipts of short and long term borrowing	(13)
	- Other receipts from financing activities	(592)
<u>188</u>	<b>Net cash (inflow)/outflow from financing activities</b>	<u>(158)</u>
<u>(3,578)</u>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<u>(954)</u>
<u>2,291</u>	<b>Cash and cash equivalents at the beginning of the year</b>	<u>5,869</u>
<u>5,869</u>	<b>Cash and cash equivalents at the end of the year</b>	(note C) <u>6,823</u>

## Notes to the Cash Flow Statement

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

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
(600)	Depreciation, impairments and amortisation	(765)
31	Carrying amount of non-current assets sold	-
5	Increase / (decrease) in inventories	(4)
(26)	(Increase) / decrease in impairment for bad debts	(37)
(192)	Increase / (decrease) in debtors	172
(171)	(Increase) / decrease in creditors	315
(66)	(Increase) / decrease in provisions	(99)
(2,020)	Pension costs	(2,816)
1,476	Pension charges	2,636
-	Revaluation gains on the value of investment properties	65
<b><u>(1,563)</u></b>		<b><u>(533)</u></b>

### Note B: adjustments for items that are financing or investing activities

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
20	Proceeds of sale of property, plant and equipment, investment property and intangibles	608
527	Capital grants received	-
<b><u>547</u></b>		<b><u>608</u></b>

### Note C: cash & cash equivalent components

<b>As at 31</b>		<b>As at 31</b>
<b>March 17</b>		<b>March 18</b>
<b>£000</b>		<b>£000</b>
4,501	Call accounts	5,503
1,365	Cash	1,316
3	Cash floats	4
<b><u>5,869</u></b>		<b><u>6,823</u></b>

### Note D: Interest paid and received

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
(231)	Interest received	(240)
7	Interest paid	6
<b><u>(224)</u></b>	<b>Net cash (inflow) / outflow</b>	<b><u>(234)</u></b>

## COLLECTION FUND

2016/17			2017/18		
Business Rates £000	Council Tax £000	TOTAL £000	Business Rates £000	Council Tax £000	TOTAL £000
<b>Income</b>					
-	(38,414)	(38,414)	-	(40,202)	(40,202)
(14,851)	-	(14,851)	(13,942)	-	(13,942)
-	(10)	(10)	-	(11)	(11)
<b>(14,851)</b>	<b>(38,424)</b>	<b>(53,275)</b>	<b>(13,942)</b>	<b>(40,213)</b>	<b>(54,155)</b>
<b>Expenditure</b>					
Precepts Demands and Shares:					
6,889	-	6,889	6,353	-	6,353
1,240	26,507	27,747	1,144	27,776	28,920
-	3,568	3,568	-	3,748	3,748
138	1,587	1,725	127	1,648	1,775
5,511	5,539	11,050	5,082	5,855	10,937
Maldon DC & Parishes					
Redistributed Collection Fund previous year surplus					
340	-	340	(443)	-	(443)
61	337	398	(79)	1,104	1,025
-	46	46	-	149	149
7	21	28	(9)	66	57
272	70	342	(354)	231	(123)
<b>14,458</b>	<b>37,675</b>	<b>52,133</b>	<b>11,821</b>	<b>40,577</b>	<b>52,398</b>
Charges to Collection Fund:					
(10)	97	87	113	38	151
47	-	47	321	-	321
94	-	94	93	-	93
571	-	571	601	-	601
<b>702</b>	<b>97</b>	<b>799</b>	<b>1,128</b>	<b>38</b>	<b>1,166</b>
<b>309</b>	<b>(652)</b>	<b>(343)</b>	<b>(993)</b>	<b>402</b>	<b>(591)</b>
<b>768</b>	<b>(1,473)</b>	<b>(705)</b>	<b>1,077</b>	<b>(2,125)</b>	<b>(1,048)</b>
<b>1,077</b>	<b>(2,125)</b>	<b>(1,048)</b>	<b>84</b>	<b>(1,723)</b>	<b>(1,639)</b>

(-) Surplus/Deficit arising during the year  
 (-) Surplus/Deficit b/fwd as at 1 April  
 (-) Surplus/Deficit c/fwd 31 March

\* 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
A *	-	2.10	5/9	1.2
A	2,322.0	1,343.90	6/9	895.9
B	3,657.0	2,659.00	7/9	2,068.1
C	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
H	175.0	156.30	18/9	312.6
	<u>27,567</u>	<u>22,929.80</u>		<u>24,281.5</u>
	Less adjustment for collection rate			(412.8)
	<b>Council Tax Base</b>			<b>23,868.7</b>

\* 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 & Rescue Service.

### 4. COLLECTION FUND BALANCES

	31-Mar-17 £000	Movement £000	31-Mar-18 £000
(Surplus) / Deficit (CT)	(2,125)	402	(1,723)
(Surplus) / Deficit (NDR)	1,077	(993)	84
		NDR	CT
Attributable to:			
Central Government		41	
Maldon District Council		34	(258)
Essex County Council		8	(1,227)
PFCC for Essex Policing and Community Safety		-	(165)
Essex PFCC Fire & Rescue Authority		1	(73)
		<u>84</u>	<u>(1,723)</u>

## **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.

**1. ACCOUNTING POLICIES cont.****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.

**1. ACCOUNTING POLICIES cont.****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
  - unlisted securities: current bid price
  - property: market value.
- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - Current service cost: 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.
    - Past service costs: 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 and 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.
  - Contributions paid to the Essex pension fund: 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.

**1. ACCOUNTING POLICIES cont.****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).

**1. ACCOUNTING POLICIES cont.****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:

- a charge for the acquisition of the interest in the property, plant or equipment which is applied to write down the lease liability, and
- 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.

**1. ACCOUNTING POLICIES cont.****12) Leases cont'd**

Finance lease rentals receivable are apportioned between:

- 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
- 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.

**1. ACCOUNTING POLICIES cont.****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.

**1. ACCOUNTING POLICIES cont.****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.

**1. ACCOUNTING POLICIES cont.****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

**1. ACCOUNTING POLICIES cont.**

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 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 certain 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 performance obligation is satisfied.

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:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ From Assumptions</b>
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 of potential income generating projects.
- Community Grants: 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.
- Repairs & Renewals Fund: 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.
- Land Charges: 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.
- Sports Development: Reserve set aside to fund Sports Development activities.
- Community Safety: Reserve set aside to fund Community Safety activities.
- Economic Development: Reserve set aside to support economic development activities in the District.
- Electoral Registration: Reserve set aside to support Electoral works.
- LSIP Capacity: Reserve set aside to support Large Scale Infrastructure Projects.
- Neighbourhood Plan Applications: Funding to be utilised in the preparation of neighbourhood plans.
- Waste Contract Implementation: Contributions towards the procurement and mobilisation of the new waste contract.
- Custom and Self Build Grant: 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 Homelessness 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 seen 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 31-Mar-16 £000's	Transfers (In)/Out 2016/17 £000's	Balance 31-Mar-17 £000's	Transfers (In)/Out 2017/18 £000's	Balance 31-Mar-18 £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)
<b>Total Specific Reserves</b>	<b>(2,435)</b>	<b>(218)</b>	<b>(2,653)</b>	<b>(838)</b>	<b>(3,491)</b>
General Fund balance	(3,961)	(378)	(4,339)	1,112	(3,227)
<b>Total Revenue Reserves</b>	<b>(6,396)</b>	<b>(596)</b>	<b>(6,992)</b>	<b>274</b>	<b>(6,718)</b>

**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**

<b>Movements in 2017/18</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Tangible Assets</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>							
At 1 April 2017	27,421	5,997	6,868	624	-	18	<b>40,929</b>
Additions	43	322	155	-	-	-	<b>520</b>
Reclassifications	-	-	2	-	-	(2)	-
Revaluations	1,276	-	-	-	-	-	<b>1,276</b>
Impairments	(60)	-	(7)	-	-	-	<b>(67)</b>
<b>At 31 March 2018</b>	<b>28,680</b>	<b>6,319</b>	<b>7,018</b>	<b>624</b>	-	<b>16</b>	<b>42,657</b>
<b>Depreciation and impairments</b>							
At 1 April 2017	(14)	(3,339)	(3,932)	-	-	-	<b>(7,285)</b>
Depreciation for year	(57)	(522)	(181)	-	-	-	<b>(759)</b>
<b>At 31 March 2018</b>	<b>(71)</b>	<b>(3,861)</b>	<b>(4,113)</b>	-	-	-	<b>(8,045)</b>
<b>Balance Sheet amount at 31 March 2018</b>	<b>28,609</b>	<b>2,458</b>	<b>2,905</b>	<b>624</b>	-	<b>16</b>	<b>34,612</b>
<b>Balance Sheet amount at 1 April 2017</b>	27,407	2,658	2,936	624	-	18	<b>33,644</b>

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

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

**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:**

	<b>£000</b>
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
	<b>224</b>

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.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
(168)	Rental Income	(142)
1	Direct Operating Expenses	3
<b>(167)</b>	<b>Net Gain</b>	<b>(139)</b>

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:

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
1,597	Balance at the start of the year	1,833
-	Capital Expenditure	63
236	Gain / (Loss) from fair value adjustments	101
<b>1,833</b>	Balance at the end of the year	<b>1,997</b>



**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 Liabilities	Financial Assets (loans & receivables)		Financial Liabilities	Financial Assets (loans & receivables)
£000	£000		£000	£000
(7)	210	Interest (payable)/receivable	(6)	237
<b>(7)</b>	<b>210</b>	<b>Total</b>	<b>(6)</b>	<b>237</b>

**( 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			2017/18	
Amortised Cost	Fair Value		Amortised Cost	Fair Value
£000	£000		£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	-	-
<b>6,873</b>	<b>6,835</b>	<b>Total Financial Assets</b>	<b>5,933</b>	<b>5,926</b>

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

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.

Credit Rating	Long Term		Short Term	
	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
A	-	-	2,000	4,000
Unrated pooled Funds	4,888	2,823	-	-
<b>Total Investments</b>	<b>4,888</b>	<b>2,823</b>	<b>6,500</b>	<b>8,500</b>

\* 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:

	<b>£000</b>
Less than three months	364
More than three to twelve months	53
More than a year	16
<b>Total</b>	<b><u>433</u></b>

**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**

<b>31-Mar-17</b>		<b>31-Mar-18</b>
<b>£000</b>		<b>£000</b>
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
<b>2,574</b>		<b>3,170</b>

**14. LONG TERM DEBTORS**

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

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**15. CASH AND CASH EQUIVALENTS**

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

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

**16. CREDITORS**

<b>31-Mar-17</b>		<b>31-Mar-18</b>
<b>£000</b>		<b>£000</b>
192	Central government bodies	813
1,937	Other local authorities	1,822
	Other entities and individuals:	
155	Council tax prepaid	115
224	NNDR Prepaid	128
1,004	Supplier creditors	854
110	Receipts in advance	152
378	Other creditors	392
<b>4,001</b>		<b>4,276</b>

**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:

<b>2016/17</b> <b>£000</b>		<b>2017/18</b> <b>£000</b>
213	Basic Allowance	219
7	Other Allowance	14
<u>13</u>	Expenses	<u>16</u>
<b><u>233</u></b>	<b>Total</b>	<b><u>249</u></b>

**19. REMUNERATION OF SENIOR STAFF**

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

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

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

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

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 :

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

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.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
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
<b><u>66</u></b>	<b>Total</b>	<b><u>65</u></b>

**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:

<b>2016/17</b>	<b>Capital Grants</b>	<b>2017/18</b>
<b>£000</b>		<b>£000</b>
43	Coastal Communities Fund	-
<b><u>43</u></b>	<b>Total</b>	<b><u>-</u></b>

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

<b>2016/17</b>	<b>Revenue Grants Credited to Services</b>	<b>2017/18</b>
<b>£000</b>		<b>£000</b>
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
<b><u>15,966</u></b>	<b>Total</b>	<b><u>14,598</u></b>

**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](http://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
	£000	£000	£000	£000	£000	£000	£000
<b>Operational Assets</b>							
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 Improvements	-	-	-	32	-	-	32
Disabled Facilities Grants	-	-	-	-	373	-	373
Home Renovation Loans	-	-	-	-	-	12	12
<b>Investment Properties</b>							
99 Wood Road	-	-	62	-	-	-	62
<b>Total for Y/E 31 March 18</b>	<b>322</b>	<b>54</b>	<b>105</b>	<b>155</b>	<b>373</b>	<b>12</b>	<b>1,021</b>
<b>Total for Y/E 31 March 17</b>	<b>661</b>	<b>27</b>	<b>412</b>	<b>31</b>	<b>563</b>	<b>16</b>	<b>1,710</b>

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

The above expenditure was financed in the following ways:

<b>2016/17</b>				<b>2017/18</b>		
<b>Capital £000</b>	<b>REFCUS £000</b>	<b>Total £000</b>		<b>Capital £000</b>	<b>REFCUS £000</b>	<b>Total £000</b>
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
<b>1,133</b>	<b>577</b>	<b>1,710</b>		<b>648</b>	<b>373</b>	<b>1,021</b>

Capital Financing Requirement (CFR):

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

**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:

<b>31-Mar-17 £000</b>		<b>31-Mar-18 £000</b>
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
<b>9,146</b>	<b>Total</b>	<b>13,028</b>

**FINANCE LEASES****The Council as a Lessee**

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

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

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

**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.

**Transactions Relating to Post-Employment Benefits**

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:

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
	<b>Service Cost</b>	
1,182	Current service cost	1,976
17	Past service cost (including curtailments and administration)	17
<b>1,199</b>	<b>Total Service Cost</b>	<b>1,993</b>
	<b>Financing and Investment Income and Expenditure</b>	
821	Net Interest on the Net Pension Liability	825
	<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,818</b>
	<b>Remeasurements of the Net Defined Liability Comprising:</b>	
(5,866)	Return on plan assets excluding amounts included in net interest	(2,020)
(1,181)	Changes in demographic assumptions	0
14,710	Changes in financial assumptions	(3,542)
92	Other	
<b>7,755</b>	<b>Total remeasurements recognised in other comprehensive income</b>	<b>(5,562)</b>
<b>9,775</b>	<b>Total Post Employment Benefits Charged to the Comprehensive Income and</b>	<b>(2,744)</b>
	<b>Movement in Reserves Statement</b>	
(2,020)	Reversal of net changes made to the surplus or deficit on the provision of services	(2,818)
1,476	Employers' Contributions Payable to the Scheme	2,636
<b>(544)</b>		<b>(182)</b>

Future Employer Contributions will be subject to the triennial 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:

<b>2016/17</b>	<b>2017/18</b>
<b>£000</b>	<b>£000</b>
(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)
<b><u>(31,833) Net Liability Arising From Defined Benefit Obligation</u></b>	<b><u>(26,453)</u></b>

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

<b>2016/17</b>	<b>2017/18</b>
<b>£000</b>	<b>£000</b>
36,836 Opening fair value of scheme assets	43,766
1,322 Interest income	1,196
<b>Remeasurement gain</b>	
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)
<b><u>43,766 Closing Fair Value of Scheme Assets</u></b>	<b><u>48,064</u></b>

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

<b>2016/17</b>	<b>2017/18</b>
<b>£000</b>	<b>£000</b>
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
<b>Remeasurement gain</b>	
(1,181) Changes in demographic assumptions	-
14,710 Changes in financial assumptions	(3,542)
95 Other	-
2 Past service cost	-
(2,052) Benefits paid	(1,884)
<b><u>75,602 Closing Fair Value of Scheme Liabilities</u></b>	<b><u>74,520</u></b>

**Defined Benefit Pension Scheme Risks**

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

- Investment risk: 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.
- Interest rate risk: the Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk: all of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk: 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	Assumptions	2017/18
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%	Rate of increase in pensions	2.3%
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	
£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
<b>43,761</b>	<b>100</b>	<b>Total</b>	<b>48,059</b>	<b>100</b>

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 analyses 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		£000	£000	£000
+0.1%	0.0%	-0.1%	discount rate	+0.1%	0.0%	-0.1%
74,239	75,603	76,994		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		74,668	74,521	74,375
+0.1%	0.0%	-0.1%	pension increases & deferred revaluation	+0.1%	0.0%	-0.1%
76,786	75,603	74,442		75,749	74,521	73,316
+1 Year	None	-1 Year	mortality age rating assumption	+1 Year	None	-1 Year
78,471	75,603	72,843		77,346	74,521	71,802

**28. CONTINGENT LIABILITIES****Planning Appeals (Award of Costs)**

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
<b>Short Term: &lt; 1 year</b>					
Insurance	-	-	-	-	-
Planning Appeals	104	12	(16)	(26)	74
Business Rate Appeals	449	255	(127)	-	577
Total Short Term	553	267	(143)	(26)	651
<b>Long Term: &gt; 1 year</b>					
Insurance	100	-	-	-	100
Total Long Term	100	-	-	-	100
Total Provisions	653	267	(143)	(26)	751

**Insurance**

This provision 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.

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**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 its 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.

**Contingent 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.

**Current Asset**

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

**Curtailement**

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

**Debtors**

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 Interest Rate (EIR)**

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

**Leases**

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](http://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 8<sup>th</sup> 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.

<b>SIGNIFICANT ISSUE IDENTIFIED IN 16/17 AGS</b>	<b>ACTION TAKEN IN 2017/18 TO ADDRESS THIS ISSUE</b>
<p><b>PROCUREMENT</b></p> <p>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.</p>	<p>Overview &amp; Scrutiny reviewed procurement and capital programme in 17/18. There was an in depth review of the programme for 2017/18 for deliverability. Eight recommendations were agreed for implementation to address weaknesses identified.</p>
<p><b>DEBTORS</b></p> <p>The Council has identified required improvements in the raising, collection and monitoring of Sundry Debt.</p>	<p>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.</p>

- 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: