BRENTWOOD
BOROUGH COUNCIL

STATEMENT OF ACCOUNTS 2013/14

30th September 2014

CONTENTS

EXPLANATORY FOREWORD

Introduction

The Statement of Accounts summarises the financial performance of the Council for the year ended 31 March 2014. This foreword aims to provide an overview of the most significant aspects of the Council's financial performance and year-end financial position. A glossary to assist with some of the technical terms used within this document can be found at the back of the publication.

Contents

The Statement comprises the following:

- **Explanatory Foreword**
  The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts.
- **Statement of Responsibilities for the Statement of Accounts**
  This identifies the officer who is responsible for the proper administration of the Council's financial affairs. The purpose is for the Chief Finance Officer to sign under a statement that the accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year then ended.
- **Core Financial Statements**
  Movement in Reserves Statement
  This is a summary of the movements in the financial year within the different reserves held by the Council. The reserves are analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
  Comprehensive Income and Expenditure Statement
  This account brings together the expenditure and income relating to all of the services for which the Council is responsible and demonstrates how the net cost for the year has been financed.
  Balance Sheet
  This sets out the financial position of the Council as at 31 March 2014. The Balance Sheet reflects the balances and reserves, and net current assets employed in all of its operations, together with summarised information on any non-current assets (such as property, land and buildings) held.
  Cash Flow Statement
  This summarises the Council's cash transactions throughout the year.
- **Notes to the Core Financial Statements including Accounting Policies**
  These provide supporting analysis to the Core Financial Statements. The Accounting Policies outline the legislation and principles upon which the Statement of Accounts has been prepared.
- **Supplementary Financial Statements**
  Housing Revenue Account
  The Housing Revenue Account (HRA) summarises the resources that have been generated and consumed in providing services and managing the Council's housing stock during the last year. It

includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of non-current assets actually consumed.

Collection Fund

The Council is required to maintain a separate Collection Fund to receive monies as a billing authority in relation to Council Tax and National Non-Domestic Rates (Business Rates) and account for their distribution to preceptors (the County Council, Police and Crime Commissioner, Fire Authority and the Government) and the Council's own General Fund.

- **Notes to the Supplementary Statements**
  These provide supporting analysis to the Supplementary Statements which informs the reader and gives sufficient information to present a good understanding of the Council's activities.

The Annual Governance Statement is not part of the Statement of Accounts, but is provided as a supporting document to publish the governance arrangements in place within the Council to ensure that business is conducted in accordance with the law and proper standards and that public money is safeguarded.

Overview

During 2013/14 the Council operated under the direction of its Corporate Plan 2013-16, the key priorities of which are:

- **Street Scene and Environment** - Brentwood is a clean, green and pleasant borough. Maintaining and improving this involves not just the Council but also our communities and many partners. We will find new ways of working with our partners and communities, and improve the way we play our part, to enhance the environment and attractiveness of the borough.
- **Localism** – We believe that through bringing communities together and working effectively in collaboration with a range of groups and organizations we can better ensure the future wellbeing of our borough. We will work with local businesses, community groups and the voluntary sector to develop projects that will enhance and support the local community.
- **A Prosperous Borough** – A new Local Development Plan will shape the way our borough will change over the next fifteen years. We will work hard to get the best outcome and achieve a good balance for residents, business and the economy in a way that celebrates Brentwood's unique history and quality of life; both within the borough and influencing the outcome of regional developments that will affect Brentwood residents.
- **Housing, Health and Wellbeing** – Current legislative reforms will lead to significant changes to the way the Council supports people in housing need and in receipt of state benefits. We will develop different ways of working, both in the way we deliver services and with the voluntary sector, to make sure that the more vulnerable residents in Brentwood are protected, and help goes to those most in need of it.
- **A Safe Borough** - In this era of austerity, it has never been more important to work in partnership to tackle the borough's community safety issues. As the new Police and Crime Commissioners begin their work, we will involve ourselves in new ways of working and continue to work with Safer Brentwood (the statutory Community Safety Partnership for Brentwood). With our partners and communities, we will further reduce incidents of crime and anti-social behaviour in the borough.
- **A Modern Council** – Between 2013 and 2016 the way the Council looks and works will be transformed. We will make it easier for customers to access services and information, cut out bureaucracy that doesn't add value and make sure taxpayers money is spent even more wisely. We will become more entrepreneurial. We will have services delivered by those best placed to deliver excellence and value for

money, whilst holding onto and enhancing our role, duties and powers as local council and community leader.

General Fund Revenue Spend Analysis

General Fund spend is paid for by Council Tax, Business Rates, Government Grants and other income.

A new system of accounting for and distributing Business Rates income came into effect in 2013/14. Prior to then Business Rates were collected on behalf of and paid over to the Government which then redistributed it nationally in the form of grant. Under the new system the Government gets 50% of Business Rates, the Council 40%, Essex County Council 9% and Essex Fire Authority 1%. However, Brentwood has higher than average collectable business rates and pays most of its share back to the Government (£10.2 million in 2013/14). That results in what is deemed an unacceptable loss of income compared to previous years, so the Government tops the Council's income back up (by £0.56 million in 2013/14). The result is income to the Council of £1.34 million (included in "Revenue Support Grant and Business Rates" in the table below).

For 2013/14, the approved spending requirement for the Council's General Fund was £10.3 million. This included budget savings of £0.5 million as part of the Council's savings targets which were required to address the funding gap following further reductions in Government funding. These savings were derived from the first year implementation of the Council's New Ways of Working transformation programme.

The table below provides a summary of the actual spending and income for the General Fund compared to the budget. The figures shown are different from those in the Comprehensive Income and Expenditure Statement as many of the accounting adjustments and appropriations are reversed out in the Movement in Reserves Statement and therefore have no impact on the Council's actual budget position for the purpose of setting Council Tax.

	Budget £'000	Actual £'000	Variance £'000
Corporate Priorities – Service Expenditure			
Street Scene and Environment	3,184	2,831	(353)
Localism	1,317	1,266	(51)
A Prosperous Borough	685	719	34
Housing, Health and Wellbeing	463	556	93
A Safe Borough	1,161	1,212	51
A Modern Council	3,150	2,709	(441)
TOTAL SPEND ON CORPORATE PRIORITIES	**9,960**	**9,293**	**(667)**
Adjustments and appropriations	31	481	450
Payment to Parish Councils	282	282	0
TOTAL SPENDING REQUIREMENT	**10,273**	**10,056**	**(217)**

Funding:			
Council Tax	(5,547)	(5,547)	-
Revenue Support Grant and Business Rates	(3,628)	(4,246)	(618)
Council Tax Freeze Grant	(57)	(57)	-
Collection Fund Surplus	(243)	(243)	-
New Homes Bonus Grant	(798)	(811)	(13)
Other Government Grants	-	(14)	(14)
TOTAL COUNCIL FUNDING	**(10,273)**	**(10,918)**	**(645)**
Deficit / (Surplus) for General Fund Services	**-**	**(862)**	**(862)**

A number of underspends within service areas have been transferred to earmarked reserves, or are explained by a reallocation of central support services recharges. The table below provides a summary of the other key variances against the approved budget:

	£'000 Variance
Income:	
One week of Housing Benefit subsidy for 2012/13 accounted for in 2013/14	(150)
Higher than anticipated fees and charges	(41)
Additional Government funding in respect of welfare reform	(27)
Expenditure:	
Business Rates discretionary relief now subsumed in new arrangements	(110)
Reduction in vehicles running costs	(102)
Underspend on Waste Management equipment and materials	(67)
Increased spend on repairs and maintenance of buildings and cemeteries	87
Higher than anticipated spend on Corporate Support postages	39
Total Variation for 2013/14	**(371)**

In addition to service area variations from the budget, some key adjustments to the Council's earmarked reserves have been made:

- transferring £487,300 from the Single Status Reserve to the General Fund working balance, following the successful completion and implementation of the project from 1 October; and largely known associated equal pay claims.
- transferring £500,000 to the Funding Volatility Reserve in respect of a deficit on Business Rates following the introduction of the new retention arrangements.
- combining the ICT Contracts Reserve (£30,000) with the Organisational Transformation Reserve.

Details of the Council's earmarked reserves are shown in Note 8 to the Statement.

After taking the movements in reserves into consideration, the General Fund Working Balance at 31 March 2014 was £4.5 million.

Housing Revenue Account Spend Analysis

The Housing Revenue Account (HRA) has to be kept as a separate account for all the expenditure and income relating to the Council's function as a landlord of managing and maintaining Council owned dwellings. The table below provides a summary of the actual spending and income for the HRA compared to the budget. The figures shown are different from those in the HRA Income and Expenditure Statement due to the accounting adjustments required which do not have an effect on the actual budget position.

	Budget £'000	Actual £'000	Variance £'000
Expenditure:			
Repairs and Maintenance	2,952	3,597	645
Supervision and Management	3,046	3,178	132
Rents, Rates, Taxes and Other Charges	168	169	1
Share of Corporate Costs	460	454	(6)
Depreciation and Impairment	2,030	1,958	(72)
Increase in Bad Debts Provision	85	51	(34)
Interest and Debt Management	2,287	3,426	1,139
Appropriations	1,678	183	(1,495)
TOTAL EXPENDITURE	**12,706**	**13,016**	**310**
Income:			
Dwelling Income	(11,276)	(11,278)	(2)
Non Dwelling Income	(512)	(559)	(47)
Charges for Services and Facilities	(604)	(694)	(90)
Other	(315)	(328)	(13)
TOTAL INCOME	**(12,707)**	**(12,859)**	**(152)**
Deficit / (Surplus) for HRA Services	**(1)**	**157**	**158**

A number of variances are explained by a reallocation of central support services recharges. The table below outlines the other key variances against the approved budget:

	£'000 Variance
Income:	
Higher than anticipated service charges	(90)
Higher than anticipated income from garages and shops	(47)
Expenditure:	
Repairs and maintenance (R&M) backlog expenditure	631
Revenue contribution to finance capital expenditure	600
Amount set aside for the repayment of borrowing	500
Contribution to Equal Pay Reserve to reflect known claims	133
Severance payments arising from the R&M contract review	48
Payment of previously disputed energy bills	17
Reduced contribution to Council Dwellings fund to offset overspends	(1,640)
Reduction in provision for bad and doubtful debts	(34)
Total Variation for 2013/14	**118**

As at 31 March 2014, the HRA Working Balance was £1.7 million.

Capital Programme Spend Analysis

The Council's capital expenditure on the provision of new or enhanced assets is met from the Major Repairs Reserve, capital receipts, revenue contributions and Government and other grants and contributions. The table below provides a summary of the actual spending and funding position for the Capital Programme compared to the budget.

	Budget £'000	Actual £'000	Variance £'000
Corporate Priorities – Service Expenditure			
Street Scene and Environment	507	641	134
Localism	221	100	(121)
A Prosperous Borough	50	8	(42)
Housing, Health and Wellbeing	3,866	2,951	(915)
A Safe Borough	151	176	25
A Modern Council	1,146	568	(578)
TOTAL SPEND ON CORPORATE PRIORITIES	**5,941**	**4,444**	**(1,497)**
Funding			
Capital Receipts	2,026	1,522	(504)
Government Grants	159	243	84
Other Grants and Contributions	30	18	(12)
HRA Business Plan	3,536	2,569	(967)
Contributions from Revenue	190	92	(98)
TOTAL FUNDING	**5,941**	**4,444**	**(1,497)**

Underspending of £1.614 million will be carried forward to 2014/15 to provide continuous funding to those projects which are still in progress. The most significant was expenditure of £909,000 on the Council owned dwellings, where some projects were on hold as a result of backlog repairs work. The total underspend was offset by additional expenditure on the vehicle replacement programme, as a result of planned purchases for 2014/15 being completed early.

In addition to the vehicles referred to above, the Council repurchased a former right to buy dwelling during the year. The remaining capital spend was in respect of the refurbishment, improvement or enhancement of existing assets.

Current Borrowing Facilities and Capital Borrowing

At 31 March 2014 the Council had no current borrowing facility and was reliant on short-term investments. The position is kept under review in accordance with the Council's Treasury Management Strategy. The Council's Treasury position at the year end was as follows:

31 March 2013		Description	31 March 2014	
Principal	**Average Rate**		**Principal**	**Average Rate**
£ million	**%**		**£ million**	**%**
68.860	3.79	Fixed Interest Rate Debt	68.723	3.17
68.860	-	**Total Debt**	68.723	-
-	-	Fixed Interest Investments	-	-
2.162	0.90	Variable Interest Investments	0.546	0.60
2.162	-	**Total Investments**	0.546	-
66.698	-	**Net Borrowing Position**	68.177	-

It should be noted that total debt includes transferred debt from other councils (following reorganisation) of £0.588 million. Net borrowing has increased by £1.479 million. This is because of a reduction in short-term investments - no further borrowing was undertaken in the year. The investments of £0.546 million are all short term and are included in the Council's Balance Sheet as "Cash Equivalents" – see note 17 to the Statement.

Summary of Funds Available to Meet Capital Expenditure Plans

Description	2014/15 £'000	2015/16 £'000	2016/17 £'000
Expenditure			
General Fund	7,431	456	435
Housing Revenue Account	3,662	2,528	2,523
TOTAL EXPENDITURE	**11,093**	**2,984**	**2,958**
Financing			
Capital Receipts	7,311	336	315
Met from Reserves	2,938	2,029	2,029
Contributions from Revenue	724	499	494
Government Grants	120	120	120
TOTAL FINANCING	**11,093**	**2,984**	**2,958**

Expenditure and financing in 2014/15 include underspending of £1,614,000 carried forward from 2013/14.

Net Pension Liability and Reserve

The Council's Balance Sheet shows a net liability of £40.122 million at 31 March 2014, offset by a reserve of the same amount. Details of the required accounting for pension schemes are contained in Note 35 to the Statement. The liability shows the underlying commitment the Council has to paying pensions in the long run and has a substantial impact on the net worth of the Council. However, there are statutory arrangements in place for funding the deficit which means that the Council's financial position remains healthy. The liability reflects future payments. Contributions into the Pension Fund over the remaining working life of employees will increase, if required, to ensure that any deficit is made good before the payments become due.

Further Information

Further information about the accounts is available from the **Acting Chief Executive, Brentwood Borough Council, Town Hall, Ingrave Road, Brentwood, Essex CM15 8AY.**

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is currently the Acting Chief Executive (Section 151 officer).

- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.

- approve the Statement of Accounts.

The Acting Chief Executive's Responsibilities

The Acting Chief Executive is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the COP).

In preparing this Statement of Accounts, the Acting Chief Executive has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the COP

The Acting Chief Executive has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

The Statement of Accounts gives a true and fair view of the financial position of the Council as at 31 March 2014 and of its expenditure and income for the year then ended.

Jo-Anne Ireland
Acting Chief Executive
(Section 151 Officer)
26th September 2014

The Statement of Accounts was approved by the Council's Audit and Scrutiny Committee on 30th September 2014.

Councillor G. Clark
Chair
30th September 2014

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance *	Earmarked General Fund Reserves *	Housing Revenue Account *	Earmarked HRA Reserves *	Capital Receipts Reserve **	Capital Grants Unapplied Account **	Major Repairs Reserve **	**Total Usable Reserves**	Unusable Reserves ***	**Total Council Reserves**
Balance at 31 March 2012	**3,928**	**3,388**	**1,780**	**5**	**879**	**51**	**269**	**10,300**	**88,861**	**99,161**
Movement in reserves during 2012/13:										
Surplus/(deficit) on the provision of services	(1,401)	-	(15,114)	-	-	-	-	**(16,515)**	-	**(16,515)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**-**	9,642	**9,642**
Total Comprehensive Income and Expenditure	(1,401)	-	(15,114)	-	-	-	-	**(16,515)**	9,642	**(6,873)**
Adjustments between accounting basis and funding basis under regulations	1,084	-	15,656	-	714	(37)	(249)	**17,168**	(17,168)	**-**
Net increase/(decrease) before transfers to Earmarked Reserves	(317)	-	542	-	714	(37)	(249)	**653**	(7,526)	**(6,873)**
Transfers (to)/from Earmarked Reserves	38	(38)	(500)	500	-	-	-	**-**	-	**-**
Increase/(decrease) in 2012/13	(279)	(38)	42	500	714	(37)	(249)	**653**	(7,526)	**(6,873)**
Balance at 31 March 2013	**3,649**	**3,350**	**1,822**	**505**	**1,593**	**14**	**20**	**10,953**	**81,335**	**92,288**
Movement in reserves during 2013/14:										
Surplus/(deficit) on the provision of services	(4,175)	-	12,147	-	-	-	-	**7,972**	-	**7,972**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**-**	16,520	**16,520**
Total Comprehensive Income and Expenditure	**(4,175)**	**-**	**12,147**	**-**	**-**	**-**	**-**	**7,972**	**16,520**	**24,492**
Adjustments between accounting basis and funding basis under regulations	4,957	-	(12,120)	-	359	102	-	**(6,702)**	6,702	**-**
Net increase/(decrease) before transfers to Earmarked Reserves	**782**	**-**	**27**	**-**	**359**	**102**	**-**	**1,270**	**23,222**	**24,492**
Transfers (to)/from Earmarked Reserves	80	(80)	(184)	184	-	-	-	**-**	-	**-**
Increase/(decrease) in 2013/14	**862**	**(80)**	**(157)**	**184**	**359**	**102**	**-**	**1,270**	**23,222**	**24,492**
Balance at 31 March 2014	**4,511**	**3,270**	**1,665**	**689**	**1,952**	**116**	**20**	**12,223**	**104,557**	**116,780**

* Revenue Reserves ** Capital Reserves *** See Note 21

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2012/13					2013/14	
Gross Exp £'000	**Gross Income £'000**	**Net Exp £'000**	**Note**		**Gross Exp £'000**	**Gross Income £'000**	**Net Exp £'000**
6,917	(5,255)	1,662		Central services to the public	2,133	(875)	1,258
2,410	(518)	1,892		Cultural and related services	2,440	(629)	1,811
5,927	(2,529)	3,398		Environment and regulatory services	6,946	(2,771)	4,175
1,862	(653)	1,209		Planning services	4,168	(1,814)	2,354
1,301	(1,794)	(493)		Highways and transport services	1,085	(1,672)	(587)
25,275	(12,487)	12,788		Local authority housing (HRA)	(1,541)	(12,859)	(14,400)
18,716	(17,050)	1,666		Other housing services	19,929	(18,260)	1,669
2,678	(465)	2,213		Corporate and democratic core	3,071	(455)	2,616
13	(5)	8		Non distributed costs	62	-	62
65,099	**(40,756)**	**24,343**		**Cost of Services**	**38,293**	**(39,335)**	**(1,042)**
127	-	127	9	Other operating expenditure	592	(1,111)	(519)
6,626	(3,537)	3,089	10	Financing and investment income and expenditure	4,186	(377)	3,809
-	(11,044)	(11,044)	11	Taxation and non-specific grant income and expenditure	-	(10,220)	(10,220)
71,852	**(55,337)**	**16,515**		**(Surplus) /Deficit on Provision of Services**	**43,071**	**(51,043)**	**(7,972)**
-	(15,170)	(15,170)		(Surplus)/deficit on revaluation of Property, Plant and Equipment assets	-	(5,314)	(5,314)
5,530	-	5,530		Actuarial (gains)/losses on pension assets and liabilities	-	(11,206)	(11,206)
5,530	**(15,170)**	**(9,640)**		**Other Comprehensive Income and Expenditure**	**-**	**(16,520)**	**(16,520)**
77,382	**(70,507)**	**6,875**		**Total Comprehensive Income and Expenditure**	**43,071**	**(67,563)**	**(24,492)**

BALANCE SHEET

31 March 2013 £'000	Note			31 March 2014 £'000
	12	Property, Plant and Equipment		
167,620		Council dwellings	184,496	
32,584		Other land and buildings	28,814	
534		Infrastructure	520	
400		Surplus assets	706	
2,881		Community assets	2,935	
2,230		Vehicles, plant and equipment	2,218	
206,249				219,689
102		Intangible Assets		262
2,335	14	Investment Property		2,475
1,382	15.1	Long-term Debtors		1,359
210,068		**Long-term Assets**		**223,785**
395		Assets Held for Sale		-
68		Inventories		121
1,743	17	Cash and Cash Equivalents		118
5,329	16	Short-term Debtors		7,290
7,535		**Current Assets**		**7,529**
(2,106)		Short-term Borrowing		(2,088)
(4,127)	18	Short-term Creditors		(2,659)
(235)	30	Grants Receipts in Advance - Revenue		(414)
(6,468)		**Current Liabilities**		**(5,161)**

31 March 2013 £'000	Note		31 March 2014 £'000
(66,754)		Long-term Borrowing	(66,723)
(46)	15.1	Other Long-term Liabilities	(31)
(1,007)	30	Grants Receipts in Advance	(1,034)
(50,345)	35	Net Pension Liability	(40,122)
(695)	19	Provisions	(1,463)
(118,847)		**Long-term Liabilities**	**(109,373)**
92,288		**Net Assets**	**116,780**
1,593	20	Capital Receipts Reserve	1,952
20	HRA4	Major Repairs Reserve	20
3,855	8	Earmarked Reserves	3,959
14	20	Capital Grants Unapplied Account	116
1,822	20	Housing Revenue Account Balance	1,665
3,649	20	General Fund Balance	4,511
10,953		**Usable Reserves**	**12,223**
99,954	21.2	Capital Adjustment Account	109,519
30,858	21.1	Revaluation Reserve	35,188
870	21.5	Deferred Capital Receipts	864
(50,345)	21.4	Pension Reserve	(40,122)
(122)	21.7	Accumulated Absences Adjustment Account	(131)
308	21.6	Collection Fund Adjustment Account	(652)
(188)	21.3	Financial Instruments Adjustment Account	(109)
81,335		**Unusable Reserves**	**104,557**
92,288		**Total Reserves**	**116,780**

These financial statements replace the unaudited financial statements certified by the Director of Strategy and Corporate Services (Section 151 Officer) on 30th June 2014.

CASH FLOW STATEMENT

2012/13 £'000	Note		2013/14 £'000
(16,515)		**Net Surplus or (deficit) on the provision of services**	**7,972**
21,802	22.1	Adjustment to surplus or deficit on the provision of services for non cash movements	(7,052)
(1,968)	22.2	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(2,405)
3,319		Net cash flows from Operating Activities	(1,485)
(1,170)	23	Investing Activities	(1,336)
(4,049)	24	Financing Activities	1,196
(1,900)		Net increase or decrease in cash and cash equivalents	(1,625)
3,643		Cash and cash equivalents at the beginning of the reporting period	1,743
1,743	17	**Cash and cash equivalents at the end of the reporting period**	**118**

NOTES TO THE ACCOUNTS

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NOTES TO THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. These require the accounts to be prepared in accordance with proper accounting practices which primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the "COP") and the Service Reporting Code of Practice 2013/14 (the "SeRCOP"), supported by 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.

1.2 Accruals of Income and Expenditure

We account for activity in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, and where the amounts are significant, 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 respectively as expenditure and income on the basis of the effective interest rate for the relevant financial instrument 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 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 highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.4 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year end) such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following financial year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination Benefits are amounts payable as a result of a decision by the Council 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 and are charged on an accruals basis to the relevant service line (or where applicable to the Non Distributed Costs 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 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 relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional 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 but unpaid at the year-end.

Post-employment Benefits

Employees of the Council are members of the Local Government Pension Scheme (LGPS) which provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The LGPS Fund is administered by Essex County Council and is accounted for as a defined benefits scheme:

- The liabilities of the 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 projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using, the 17 year point of the Merrill Lynch AA-rated corporate bond curve which has been chosen to meet the requirements of IAS 19 and with consideration of the duration of each employer's liabilities. This is consistent with the approach used at the last accounting date.

- The assets of the fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – average of the bid and offer rates
  - 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 years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment the effect of which relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) 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 (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - Remeasurements comprising:
    - the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
    - actuarial gains or losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - contributions paid to the fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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 standards. In the Movement in Reserves Statement, this means that there are transfers 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 and pensioners and any such amounts payable but unpaid at the year-end. 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.

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 for 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.

1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made where required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting policies have been applied in 2013-14 as follows:

- there has been a change in accounting policy in respect of defined benefit pension schemes (see note 35) as a result of the adoption, with effect from 1 April 2013, of the 2011 amendments to International Accounting Standard 19. There are new classes of components of defined benefit cost (viz. net interest on the net defined benefit liability (asset), remeasurements of the net defined benefit liability (asset) and administration expenses) and new criteria for service costs (e.g. past service costs) which are required to be recognised in the financial statements. The changes are presentational and comparative amounts for 2012-13 have not been restated. A Balance Sheet as at the beginning of the comparative period (1 April 2012) has not been prepared as the relevant amounts remain unchanged.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.6 Financial Instruments

Financial Liabilities

Financial liabilities 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 are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of 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) and interest credited to the Comprehensive Income and Expenditure Statement is 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 relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. 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 asset’s original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.7 Government Grants and Contributions

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

- the Council will comply with the conditions attached to the payments, and
- the grant or contribution 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. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies received 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 (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure 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 once they have been applied to fund capital expenditure.

1.8 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 is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s length. Properties are not depreciated but are revalued regularly according to market conditions at the year end. 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 and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory provisions 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 (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.9 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 components 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.

The Council as Lessee

<u>Finance Leases</u>

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the leases's inception or (if lower) 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.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – this is applied to reduce the lease liability, and

- a finance charge (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 are 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 (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

<u>Operating Leases</u>

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

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. A gain, representing the Council's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal 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. 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 Capital Receipts Reserve.

The written off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

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. Initial indirect costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payment (e.g. there is a premium paid at the commencement of the lease).

1.10 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the SeRCOP. The total absorption costing principle is used – the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.11 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation, or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The Council does not have a *de minimis* limit below which expenditure is written off to revenue as it is incurred (notwithstanding that the expenditure meets the definition of capital expenditure).

Measurement

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; and
- 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 capitalise borrowing costs incurred while assets are under construction.

The cost of assets acquired otherwise than by purchase is deemed to be its fair value, unless the acquisition does not have any 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 by an exchange, the cost of acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets - fair value determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services 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.

Impairment

Assets are assessed at each 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 in the same way as decreases in value.

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.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight line allocation over the useful life of the property as estimated by the valuer (see also Note 12.3)
- infrastructure – straight-line allocation over a period determined for each class of asset, as advised by a suitably qualified officer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.

Where a Property, Plant and Equipment asset has major components the cost of which is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale – adjusted for depreciation, amortisation or revaluations that that would have been recognised had they not been classed as Held for Sale - and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, 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. Receipts from disposals (if any) 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.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.12 Provisions and Contingent Liabilities

Provisions

Provisions are made 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. For example, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income of the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation the existence of which 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 are disclosed in a note to the accounts.

1.13 Reserves

The Council sets 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 to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or 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 that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.14 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 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 by borrowing, 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.

1.15 VAT

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

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted in 2013/14. A change in accounting policy adopted in 2014/15 must be applied retrospectively unless the COP specifies alternative transitional arrangements. The Council is required to apply and initially adopt the following standards by and as at 1 April 2014.

IFRS 10 – Consolidated Financial Statements – establishes revised principles for the presentation and preparation of consolidated financial statements when the Council controls one or more other entities. Consolidation requires the financial activities of the Council, as parent, and its subsidiaries to be presented as those of a single economic entity ("Group Accounts")

IFRS 11 – Joint Arrangements – classifies arrangements between the Council and other entities as either joint operations or joint ventures. These are narrowly defined and require the Council to account for its interest in the arrangement differently. The application of IFRS11 is dependent on the new definition of control in IFRS 10.

IFRS 12 – Disclosure of Interests in Other Entities – combines disclosure requirements for councils' interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard designed to help users of the financial statements evaluate the nature of, and risks associated with, a council's interests in other entities; and the effects of those interests on its financial position, performance and cash flows.

IAS 27 – Separate Financial Statements – prescribes the accounting for investments in subsidiaries, joint ventures and associates when a council prepares separate financial statements (those prepared by a parent – i.e. an investor with control of a subsidiary – or an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost).

IAS 28 – Investments in Associates and Joint Ventures – prescribes the accounting for investments in associates (entities over which the investor has significant influence) and requires the application of the equity method (the investment is initially recognised at cost then varied by the investors share of profit or loss) to account for investments.

The above standards are interrelated and, as at 30 June 2014, will have no impact on the Council's financial statements. The potential impact resulting from events in the period to 31 March 2015 is not known or reasonably estimable.

IAS 32 – Financial Instruments: Presentation – establishes principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. A financial instrument is any contract that results in a financial asset of one party and a financial liability or equity instrument of the other.

This standard will not have a significant impact on the Council's financial statements, although the position for 2013/14 could require restating in 2014/15.

"Annual Improvements to IFRS 2009-11 Cycle" affects a number of standards the most significant of which are:

IFRS 1 – First-time adoption of International Reporting Standards – addresses repeated application of IFRS 1.

IAS 1 – Presentation of Financial Statements – clarifies that related notes to an additional statement of financial position are not required in the event of a change in accounting policy, reclassification or restatement.

IAS 34 – Interim Financial Reporting – clarifies the requirement to disclose the total assets and liabilities for segment purposes is only where also required at year end.

IAS 32 – Financial Instruments: Presentation – clarifies that income tax relating to distributions to holders of an equity interest and to transactions costs should be accounted for in accordance with IAS 12.

The annual improvements cycle is designed to make necessary, but non-urgent, amendments to IFRSs which are largely of the nature of clarifications or removals of unintended inconsistencies. Their application is unlikely to have any effect on the Council's financial statements. CIPFA/LASACC considers it possible but unlikely that the amendments contain a change in accounting policy.

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 critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future 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.
- Although the Council has identified two Heritage Assets, the Council considers that the cost of obtaining valuations of the assets in order to recognize them on the Balance Sheet outweighs the benefit of such recognition to the users of the financial statements.
- The Brentwood Leisure Trust manages Brentwood Leisure Centre and the Council's Community Halls. Although the Trust is deemed to be significantly influenced by the Council through its representation on the Trust Board, the Council does not control the Trust and nor does it have the power to govern the Trust's financial and operating policies so as to benefit from its activities. The Council has therefore determined that the Trust is neither a subsidiary nor an associate of the Council and that it is not an entity that is jointly controlled by the Council. As such, the Council has determined that it is not required to consolidate the financial statements of the Council and the Trust.

- International Financial Reporting Standards require that component accounting should be applied as far as possible within the Housing Revenue Account, although the degree of componentization is a matter for the Council. The Council has determined that a basic land and buildings apportionment is sufficient, especially given that the Council housing stock is not broken down into its component parts for depreciation purposes.
- New arrangements for the retention of business rates (NNDR) came into force on 1 April 2013 at which date the Council assumed the liability for refunding ratepayers who successfully appeal against the rateable value of their properties. The Council has made provision for potential claims to 31 March 2014 (see also notes 4, 11 and 19).

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows.

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. In addition, asset values carried in the balance sheet are in the main related to property market values.

The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. It also makes uncertain market values, bringing into doubt whether the values of Council assets will be impaired.

If the useful lives of assets are reduced, depreciation increases and the carrying value of the assets falls. If assets are impaired the carrying amount of the assets also falls.

It is estimated that the annual depreciation charges for Council dwellings would increase by £26,000 and for other buildings by £31,000 for every year that useful lives had to be reduced. The value of Council dwellings would reduce by £1.25 million and other buildings by £0.17 million for every 1% of impairment.

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 expected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The effects on the gross pension liability and projected service cost of changes in individual assumptions can be measured. A 0.5% increase in the assumed discount rate would reduce the liability by £8.3 million and the service cost by £160,000; in the assumed long term salary increase, increase the liability by £760,000;

and in the assumed pension increase and deferred revaluation increase the liability by £7.8 million and the service cost by £175,000. A 5 years increase in the mortality age rating assumption would reduce the liability by £17.8 million and the service cost by £250,000.

Debtors

At 31 March 2014 the Council had a balance of debtors of £7.29 million, or £2.39 million excluding central and local government bodies. The latter sum is net of an average impairment of debtors of 31.3% (£1.09 million). However, in the current economic climate it is not certain that such an allowance would be sufficient.

If collection rates were to deteriorate, a 50% increase in the amount of the estimated impairment of debts would require an additional £0.545 million to be set aside as an allowance.

Business Rates (NNDR) appeals

At 31 March 2014 there is a total provision of £2.054 million for refunding business ratepayers who successfully appeal against the rateable values on the rating list. The Council's share of the provision is £0.822 million. Of the £2.054 million potential refunds £1.531 million is in respect of 12 properties in the borough; and £1.406 million is in respect of 7 properties. Should any of the appeals fail completely, then the provision would be reduced by between £17,200 and £790,300. An overall 1% error rate would change the total estimate by £20,500 and an error rate of 29% (which is most unlikely) would be required for the resultant change to be material to the Council's financial statements.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

Material items of income and expense are either disclosed separately on the face of the Comprehensive Income and Expenditure Statement or included in the appropriate notes to the accounts.

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Acting Chief Executive on 26th September 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted to reflect the impact of this information.

In particular, the Property, Plant and Equipment (Other land and buildings) line in the Balance Sheet has been reduced by a net amount of £3.687 million as a result of the receipt of valuation reports in August 2014 which indicated that the values of the assets carried in the Balance Sheet as at 31 March 2014 were under or overstated.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following is a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which the receipts of a council are required to be paid, and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover at the end of the financial year). However, the balance is not available to be applied to funding Housing Revenue Account (HRA) services.

Housing Revenue Account Balance

The Housing Revenue Account (HRA) Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act which is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) which is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources which have yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

Adjustments **Usable Reserves**

2013/14	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation of non-current assets	1,042	1,950	-	-	-	2,992	(2,992)
Reversal of impairment and losses previously charged	-	(13,481)	-	-	-	(13,481)	13,481
Revaluation losses on Property, Plant and Equipment	2,605	2,503	-	-	-	5,108	(5,108)
Movements in the fair value of Investment Properties	(140)	-	-	-	-	(140)	140
Amortisation of intangible assets	141	8	-	-	-	149	(149)
Capital grants and contributions applied	(182)	(64)	-	-	-	(246)	246
Revenue expenditure funded from capital under statute	379	331	-	-	-	710	(710)
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES*	85	970	-	-	-	1,055	(1,055)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for the financing of capital investment	(49)	(500)	-	-	-	(549)	549
Capital expenditure charged direct to revenue	(72)	(618)	-	-	-	(690)	690
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the CIES*	(116)	-	-	-	116	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(14)	(14)	14

Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the CIES*	(720)	(1,438)	2,158	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(1,524)	-	-	(1,524)	1,524
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	305	-	(305)	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	5	-	-	5	(5)
Transfer of repayments of capital grants	(25)	-	25				
Adjustments primarily involving the Major Repairs Reserve:							
Transfer of depreciation charged to the HRA	-	(1,950)	-	1,950	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(1,950)	-	(1,950)	1,950
Adjustments primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the CIES* are different from finance costs chargeable in the year in accordance with statutory requirements	(79)	-	-	-	-	(79)	79
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES*	3,042	662	-	-	-	3,704	(3,704)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,228)	(493)	-	-	-	(2,721)	2,721
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which Council Tax and NNDR income credited to the CIES* is different from Council Tax and NNDR income calculated for the year in accordance with statutory requirements	960	-	-	-	-	960	(960)
Adjustments primarily involving the Accumulated Absences Account:							
Amount by which staff remuneration charged to the CIES* on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	9	-	-	-	-	9	(9)
Total Adjustments	**4,957**	**(12,120)**	**359**	**-**	**102**	**(6,702)**	**6,702**

*Comprehensive Income and Expenditure Statement

2012/13	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	1,051	372	-	-	-	1,423	(1,423)
Revaluation losses / (gains) on Property, Plant and Equipment	152	18,806	-	-	-	18,958	(18,958)
Movements in the fair value of Investment Properties	(225)	-	-	-	-	(225)	225
Amortisation of intangible assets	69	8	-	-	-	77	(77)
Capital grants and contributions applied	(716)	-	-	-	-	(716)	716
Income in relation to donated assets	(472)	-	-	-	-	(472)	472
Revenue expenditure funded from capital under statute	1,130	394	-	-	-	1,524	(1,524)
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES*	399	784	-	-	-	1,183	(1,183)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	(116)	(1,550)	-	-	-	(1,666)	1,666
Adjustments primarily involving the Capital Grants Unapplied Account:							
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	(37)	(37)	37
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the CIES*	(360)	(1,112)	1,472	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(515)	-	-	(515)	515
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	269	-	(269)	-	-	-	-

Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	5	-	-	5	(5)
Transfer of repayments of capital grants	(21)		21			-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES*	-	(100)	-	-	-	(100)	(100)
Adjustments primarily involving the Major Repairs Reserve:							
Transfer of depreciation charged to the HRA	-	(1,963)	-	1,963	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(2,212)	-	(2,212)	2,212
Adjustments primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the CIES* are different from finance costs chargeable in the year in accordance with statutory requirements	(78)	-	-	-	-	(78)	78
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CIES	2,254	480	-	-	-	2,734	(2,734)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,152)	(458)	-	-	-	(2,610)	2,610
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which Council Tax income credited to the CIES* is different from Council Tax income calculated for the year in accordance with statutory requirements	(106)	-	-	-	-	(106)	106
Adjustments primarily involving the Accumulated Absences Adjustment Account:							
Amount by which staff remuneration charged to the CIES* on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	6	(5)	-	-	-	1	(1)
Total Adjustments	**1,084**	**15,656**	**714**	**(249)**	**(37)**	**17,168**	**(17,168)**

*Comprehensive Income and Expenditure Statement

8. TRANSFERS TO AND FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2013/14.

	Balance at 1 April 2012 £'000	Amount out 2012/13 £'000	Amount in 2012/13 £'000	Balance at 31 March 2013 £'000	Amount out 2013/14 £'000	Amount in 2013/14 £'000	Balance at 31 March 2014 £'000
General Fund:							
Asset Management	150	(32)	-	118	-	-	118
Asset Valuations	-	-	-	-	-	17	17
Brentwood Art Trail Sparks Will Fly	4	(4)	-	-	-	-	-
Brentwood Community Fund	-	-	79	79	(30)	21	70
Brentwood Community Hospital	-	-	-	-	-	49	49
Brentwood's Gone Global	15	(15)	-	-	-	-	-
Building Control	73	(9)	-	64	(16)	-	48
CCTV	-	-	-	-	-	4	4
Community Alarms	274	(15)	-	259	-	18	277
Community Rights	-	-	13	13	-	17	30
Community Safety	-	-	-	-	-	9	9
Duchess of Kent/Nightingale	377	(10)	-	367	(12)	-	355
Economic Development	30	(15)	-	15	-	-	15
Electoral Registration	-	-	29	29	-	14	43
Environmental Change	10	(2)	-	8	(8)	-	-
Financial Management System	-	-	69	69	(69)	-	-
Funding Volatility	750	-	-	750	-	500	1,250
Housing Benefit Subsidy Clawback	200	-	-	200	-	-	200
Housing Development Fund	-	-	50	50	-	50	100
ICT Contracts	-	-	30	30	(30)	-	-
Insurance Claims	298	(298)	-	-	-	-	-
Insurance Risk Management	5	(5)	-	-	-	-	-
Litter Bins	3	(3)	-	-	-	-	-
Neighbourhood Action Scheme	-	-	30	30	(30)	-	-
Neighbourhood Plan	16	-	5	21	-	-	21
Organisational Transformation	250	-	203	453	-	30	483
Parking Equipment and Machinery	5	-	5	10	(10)	-	-
Parking Maintenance and Uniforms	5	(5)	-	-	-	-	-
Planning Delivery Grant	110	(62)	-	48	-	54	102
Preventing Homelessness	-	-	-	-	-	15	15
Preventing Repossession	-	-	30	30	(30)	-	-
Public Consultation	-	-	-	-	-	10	10
Renaissance Group	27	(9)	-	18	(18)	-	-
Single Status	700	(84)	-	616	(586)	-	30
Street Scene Training	12	(10)	-	2	-	-	2
Taxi Licensing	73	(53)	-	20	(20)	-	-
Town Twinning	1	(1)	-	-	-	-	-
Ward Based Budgets	-	-	22	22	(22)	21	21
Welfare Reform	-	-	29	29	(29)	-	-
Total	**3,388**	**(632)**	**594**	**3,350**	**(910)**	**829**	**3,269**
Housing Revenue Account							
Carpets for Sheltered Schemes	5	-	-	5	-	8	13

Council Dwellings Investment Fund	-	-	500	500	-	-	500
Equal Pay	-	-	-	-	-	176	176
Total	**5**	**-**	**500**	**505**		**184**	**689**

The **Asset Management** reserve has been established to meet the cost of developing and implementing the Asset Management Strategy.

The **Assets Valuation** reserve carries forward unspent budget in respect of a service to be provided in the year 2014/15.

The **Brentwood Art Trail Sparks Will Fly** reserve carried forward unspent budget from 2011/12 to 2012/13 and was fully used in 2012/13.

The **Brentwood Community Fund** reserve contains unspent Local Strategic Partnership monies to fund agreed community projects between 2013/14 and 2015/16.

The **Brentwood Community Hospital** reserve is a section 106 developer contribution to be used for annual grounds maintenance of the former hospital site.

The **Brentwood's Gone Global** reserve carried forward unspent budgets from 2011/12 to 2012/13 and was fully used in 2012/13.

The **Building Control** reserve represents a trading account which balances to zero over a period of three financial years. Any surplus is taken into account when setting future years' fees and charges.

The **CCTV** reserve carries forward unspent budget to be used for expenditure on equipment in 2014/15.

The **Community Alarms** reserve is for the renewal and maintenance of equipment used for emergency call alarm system operated by the Council. Government Grant and residents' contributions are paid into the reserve.

The **Community Rights** reserve is a reserve which contains the Government grant provided to assist in the implementation of the Localism Act.

The **Community Safety** reserve carries forward unspent budget to be used to complete projects only part completed in 2013/14.

The **Duchess of Kent / Nightingale** reserve is a developer contribution provided to meet the cost of grounds maintenance at the new housing development.

The **Economic Development** reserve contains Government reward grant which will be used to fund evidence based studies to support the Economic Development Strategy in 2014/15.

The **Electoral Registration** reserve carried forward unspent budgets from 2012/13 and 2013/14 for use in the implementation of individual electoral registration.

The **Environmental Change** reserve was no longer required and was closed in 2013/14.

The **Financial Management System** reserve carried forward unspent budget from 2012/13 to 2013/14 to provide project management support in the implementation of the new income management system; and was fully used in the year.

The **Funding Volatility** reserve was established to mitigate financial risks from proposed changes in respect of the localisation of Business Rates and a Council Tax Support Scheme.

The **Housing Benefit Subsidy Clawback** reserve was established to meet the potential cost of repaying Government subsidy following the audit of claims.

The **Housing Development Fund** reserve carries forward from 2012/13 and 2013/14 a planned contribution towards the future cost of providing affordable housing.

The **ICT Contracts** reserve carried forward unspent budget from 2012/13 to 2013/14 to fulfill support contract requirements and provide training for supporting ICT technical infrastructure. No longer required for specific purposes it was transferred to the Organisational Transformation reserve in 2013-14.

The **Insurance Claims** reserve was to meet claims from the Council's previous insurers Municipal Mutual Insurance who are subject to a Scheme of Arrangement. The Council’s liability was clarified during 2012/13. As a result £112,000 was transferred from the reserve to a new provision; £45,000 was reclassified as a creditor; and the balance on the reserve was transferred to the General Fund.

The **Insurance Risk Management** reserve was established from a contribution from the Council's insurers towards risk management initiatives across the Council. The reserve was fully used during 2012/13.

The **Litter Bins** reserve carried forward unspent budget from 2011/12 to 2012/13 and was fully used in 2012/13.

The **Neighbourhood Action Scheme** reserve carried forward unspent budget from 2012/13 to 2013/14 to meet costs associated with the Neighbourhood Action team.

The **Neighbourhood Plan** reserve carries forward unspent budgets to be used in connection with Doddinghurst and West Horndon neighbourhood plans.

The **Organisational Transformation** reserve will meet the costs anticipated as the Council seeks to develop its vision and demonstrate continuous improvement in its services, employees and members.

The **Parking Equipment and Machinery** and **Parking Maintenance and Uniforms** reserves carried forward unspent budget from 2011/12 to 2012/13. Following review, the Maintenance and Uniforms reserve was no longer required and the balance was transferred to the Equipment and Machinery reserve in 2012/13 and fully used in 2013/14.

The **Planning Delivery Grant** reserve holds and carries forward unspent grant from previous years. The grant is a non-ringfenced reward grant.

The **Preventing Homelessness** reserve carries forward unspent budgets to be used for various initiatives in 2014/15.

The **Preventing Repossession** reserve carried forward unused Government grant from 2012/13 to 2013/14. The reserve was closed in 2013/14.

The **Public Consultation** reserve carries forward unspent budget to be used for a borough wide satisfaction survey in 2014/15.

The **Renaissance Group** reserve carried forward unspent budget from 2012/13 to 2013/14.

The **Single Status** reserve was a reserve established to meet potential costs from the Single Status Project. It was part used and the required amount reassessed and reduced in 2013/14.

The **Street Scene Training** reserve carries forward unspent budget for use in 2014/15.

The **Taxi Licensing** reserve represents a trading account which balances to zero over a period of three financial years. Any surplus or loss is taken into account when setting future years' fees and charges.

The **Town Twinning** reserve carried forward unspent budget from 2011/12 to 2012/13 and was fully used during 2012/13.

The **Ward Based Budgets** reserve carried forward unspent budget from 2012/13 to 2013/14 to meet the cost of agreed schemes. Although fully used in 2013/14, further unspent budget in 2013/14 has been carried forward.

The **Welfare Reform** reserve carried forward unused Government grant from 2012/13 to 2013/14 to meet the cost of future requirements.

The **Carpets for Sheltered Schemes** reserve carries forward unspent budget from 2012/13 and 2013/14. It will be used to fund new furniture to be delivered in 2014/15

The **Council Dwellings Investment Fund** reserve contains an annual contribution from the HRA, as included in its Business Plan, towards investment in the Council's housing stock.

The **Equal Pay** reserve is a new reserve required to meet known unequal pay claims in the pipeline.

9. OTHER OPERATING EXPENDITURE

2012/13		**2013/14**
£'000		**£'000**
245	Parish Council precepts	281
269	Payments to the Government Housing Capital Receipts Pool	310
(287)	(Gains) / losses on the disposal of non-current assets	(1,110)
(100)	Other	-
127	**Total**	**(519)**

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/13		**2013/14**
£'000		**£'000**
2,227	Interest payable and similar charges	2,180
1,347	Net interest on the pensions net defined benefit liability (asset)*	2,007
(121)	Interest receivable and similar income	(99)
(364)	Income and expenditure in relation to investment properties and changes in their fair value	(279)
3,089	**Total**	**3,809**

* See note 35 for further details

11. TAXATION AND NON-SPECIFIC GRANT INCOMES

2012/13		2013/14
£'000		**£'000**
(5,960)	Council Tax Income	(5,556)
(3,426)	Non-domestic rates (NNDR) income*	(1,134)
(690)	Non-ringfenced Government grants	(3,267)
(968)	Capital grants and contributions	(263)
(11,044)	**Total**	**(10,220)**

* A new system of accounting for and distributing NNDR (also known as Business Rates retention) came into effect in 2013/14. Prior to that year, the Council collected NNDR and paid it over (less an allowance for the cost of collection) to the Government which then redistributed it nationally in the form of grant. Under the new system the Council collects the income on behalf of the Government (which is entitled to a 50% share), itself (40%), Essex County Council (9%) and Essex Fire Authority (1%). The system is complex. It sets a level of income for each council and the council receives a "top up" payment if that level is not reached or pays a "tariff" if it is exceeded. This Council is a "tariff" authority and paid £10.2 million in 2013/14. In addition, each Council's retained income is not allowed to fall below a certain level (the "safety net") compared with previous years' grant. This Council's income fell below its safety net (£1.34 million) in 2013/14 and it received a payment of £0.55 million.

12. PROPERTY, PLANT AND EQUIPMENT

12.1 Movements on balances in 2013/14

	Total £'000	Council Dwellings £'000	Other Land and Buildings £'000	Infra-structure £'000	Vehicles, Plant and Equipment £'000	Surplus Assets £'000	Community Assets £'000
Cost or Valuation							
At 1 April 2013	**210,142**	**167,620**	**33,018**	**704**	**5,519**	**400**	**2,881**
Acquisitions	740	192	-	-	548	-	-
Additions	2,666	2,082	530	-	-	-	54
Impairment	(62)	(62)	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,534	4,436	(902)	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus or Deficit on the Provision of Services	8,090	11,198	(3,108)	-	-	-	-
Derecognition - disposals	(970)	(970)	-	-	-	-	-
Assets reclassified from Held for Sale	310	-	-	-	-	310	-
At 31 March 2014	**224,450**	**184,496**	**29,538**	**704**	**6,067**	**710**	**2,935**

Accumulated Depreciation and Impairment

	Total £'000	Council Dwellings £'000	Other Land and Buildings £'000	Infra-structure £'000	Vehicles, Plant and Equipment £'000	Surplus Assets £'000	Community Assets £'000
At 1 April 2013	**(3,893)**	**-**	**(434)**	**(170)**	**(3,289)**	**-**	**-**
Depreciation charge	(2,992)	(1,801)	(613)	(14)	(560)	(4)	-
Other movements in depreciation and impairment	2,124	1,801	323	-	-	-	-
At 31 March 2014	**(4,761)**	**-**	**(724)**	**(184)**	**(3,849)**	**(4)**	**-**

Net Book Value

	Total £'000	Council Dwellings £'000	Other Land and Buildings £'000	Infra-structure £'000	Vehicles, Plant and Equipment £'000	Surplus Assets £'000	Community Assets £'000
At 31 March 2014	**219,689**	**184,496**	**28,814**	**520**	**2,218**	**706**	**2,935**
At 31 March 2013	**206,249**	**167,620**	**32,584**	**534**	**2,230**	**400**	**2,881**

12.2 Comparative Movements on Balances in 2012/13

	Total £'000	Council Dwellings £'000	Other Land and Buildings £'000	Infra-structure £'000	Vehicles, Plant and Equipment £'000	Surplus Assets £'000	Community Assets £'000
Cost or Valuation							
At 1 April 2012	**212,449**	**169,800**	**32,855**	**704**	**5,157**	**1,170**	**2,763**
Additions	3,422	1,869	591	-	828	16	118
Revaluation increases or (decreases) recognised in the Revaluation Reserve	15,015	15,303	(121)	-	-	(167)	-
Revaluation increases or (decreases) recognised in the Surplus or Deficit on the Provision of Services	(18,958)	(18,556)	(307)	-	-	(95)	-
Derecognition - disposals	(1,262)	(796)	-	-	(466)	-	-
Reclassified assets	(524)					(524)	
At 31 March 2013	**210,142**	**167,620**	**33,018**	**704**	**5,519**	**400**	**2,881**

Accumulated Depreciation and Impairment

At 1 April 2012	(3,007)	(65)	-	(157)	(2,785)	-	-
Depreciation charge	(3,030)	(1,603)	(808)	(13)	(571)	(35)	-
Other movements in depreciation and impairment	2,144	1,668	374	-	67	35	-
At 31 March 2013	**(3,893)**	**-**	**(434)**	**(170)**	**(3,289)**	**-**	**-**

Net Book Value

At 31 March 2013	**206,249**	**167,620**	**32,584**	**534**	**2,230**	**400**	**2,881**
At 31 March 2012	**209,442**	**169,735**	**32,855**	**547**	**2,372**	**1,170**	**2,763**

12.3 Depreciation

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

Council Dwellings	70 years
Other Land and Buildings	5-70 years
Vehicles Plant and Equipment	5-10 years
Infrastructure Land Drainage Other	 50 years 10 years

12.4 Capital Commitments

At 31 March 2014, the Council had entered into a number of contracts for the enhancement of its council dwellings in 2014/15 and future years, budgeted to cost £0.950 million. Similar commitments at 31 March 2013 were £1.205 million. The major commitments are:

Scheme	**£'000**
Supported Housing	90
Rewiring - Decent Homes scheme	10
Kitchen and bathroom upgrades	750
Structural Work - balconies	50
Structural works	50
Total	**950**

12.5 Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings (as at 31 March 2014) were carried out by independent external Royal Institute of Chartered Surveyors (RICS) registered valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS. The bases for valuation are set out in accounting policy 1.11.

The significant assumptions applied in estimating the fair values are that:

in respect of housing dwellings (using the "beacon" approach)

- the beacon properties are assumed to be in reasonable repair and condition and have been valued on the basis of a desk top review
- there have been no material changes to the beacon properties at the date of valuation

in respect of other dwellings and non-current assets

- properties have been inspected internally where access was possible. Otherwise the valuer has relied on information on accommodation as provided

- a building survey has not been undertaken, nor has any woodwork been inspected or other parts of the property which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition
- the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good title can be shown
- assets the values of which are based on a “desktop” adjustment have not been inspected

Valuation history

	Council Dwellings £'000	Other Land and Buildings £'000	Infrastructure £'000	Vehicles, Plant and Equipment £'000	Surplus Assets £'000	Community Assets £'000	Total £'000
Carried at depreciated historical cost	-	-	520	2,218	-	2,935	5,673
Valued at fair value as at							
31 March 2008	442,659	43,257	-	-	-	-	485,916
31 March 2009	(267,936)	(1,960)	-	-	-	-	(269,896)
31 March 2010	15,113	(9,551)	-	-	-	-	5,562
31 March 2011	(25,191)	1,334	-	-	-	-	(23,857)
31 March 2012	5,090	(225)	-	-	1,170	-	6,035
31 March 2013	(2,115)	(271)	-	-	(770)	-	(3,156)
31 March 2014	16,876	(3,770)	-	-	306	-	13,412
Total Cost or Valuation	**184,496**	**28,814**	**520**	**2,218**	**706**	**2,935**	**219,689**

13. HERITAGE ASSETS

The COP requires heritage assets to be recognised in the Balance Sheet where information on the cost or value of the asset is available. Where such information is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the COP does not require that the asset is recognised in the Balance Sheet. It does, however, require that appropriate disclosure is made where the asset is not recognised. The Council has two heritage assets, the Shenfield War Memorial and the Heritage Column, which are not recognised in the Balance Sheet. Cost and valuation information is not available, and the Council considers that the cost of obtaining the information outweighs the benefit to users of the financial statements in recognising the assets in the Balance Sheet. The Council does not have a general or specific policy for the acquisition, preservation, management and disposal of heritage assets.

Shenfield War Memorial is situated on Chelmsford Road in Brentwood and is readily accessible to the public. A programme of renovation was completed in 2012/13 which has given an expected maintenance-free life of the memorial of twenty five years. Annual inspections will take place to ensure that appropriate maintenance will be carried out in the future.

The Heritage Column is a sculpture that depicts in steel, scenes of Brentwood's history. It sits at the junction of Kings Road and Brentwood High Street and is available for viewing by the public at all times. There is no specific maintenance programme for the Column, which will be inspected on an *ad hoc* basis.

14. 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:

	2012/13 £'000	**2013/14 £'000**
Rental Income from investment property	139	139
Net gain/(loss)	**139**	**139**

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

The following table summarises the movement in the fair value of investment properties over the year. Valuations were carried out by independent external Royal Institute of Chartered Surveyors (RICS) registered valuers.

	2012/13 £'000	**2013/14 £'000**
Balance at start of the year	2,110	2,335
Net gains or (losses) from fair value adjustments	225	140
Balance at end of the year	**2,335**	**2,475**

15. FINANCIAL INSTRUMENTS

15.1 Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2013 £'000	**31 March 2014 £'000**	**31 March 2013 £'000**	**31 March 2014 £'000**
Investments				
Loans and receivables	-	-	2,162	-
Total Investments	**-**	**-**	**2,162**	**-**
Debtors				
Loans and receivables	942	919	1,125	1,346
Financial assets carried at contract amounts	440	440	-	-
Total included in Debtors	**1,382**	**1,359**	**1,125**	**1,346**
Borrowings*				
Financial liabilities at amortised cost	66,166	66,166	2,076	2,058
Total included in Borrowings	**66,166**	**66,166**	**2,076**	**2,058**
Other Long-term Liabilities				
Finance lease liabilities	46	31	-	-
Total Other Long-term Liabilities	**46**	**31**	-	-
Creditors				
Financial liabilities carried at contract amounts	-	-	720	1,473
Total Creditors	**-**	**-**	**720**	**1,473**

Material soft loan made by the Council

A working capital loan of £613,000 was made to Brentwood Leisure Trust in 2010/11. Although this is deemed to be a soft loan - the loan is interest free - the nominal amount of the loan is carried in the Council's Balance Sheet as it is not materially different from the fair value of the loan. The balance of the loan at 31 March 2014 was £411,000 (£474,000 at 31 March 2013), £63,000 having been repaid during the year (£62,000 during 2012/13).

15.2. Income, Expense, Gains and Losses

	2012/13			2013/14		
	Financial Liabilities measured at amortised cost	Financial Assets - Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets - Loans and receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	2,227	-	2,227	2,180	-	2,180
Total expense in Surplus or Deficit on the Provision of Services	**2,227**	**-**	**2,227**	**2,180**	**-**	**2,180**
Interest income	-	(121)	(121)	-	(99)	(99)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(121)**	**(121)**	**-**	**(99)**	**(99)**
Net (gain) or loss for the year	**2,227**	**(121)**	**2,106**	**2,180**	**(99)**	**2,081**

15.3 Fair value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2014 of 1.24% to 8.875% for loans from the Public Works Loan Board and 0.35% for other loans based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2013		31 March 2014	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial liabilities	69,038	67,694	68,166	70,955

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2014) arising from a commitment to pay interest to lenders above current market rates.

Loans and receivables, long-term debtors; and short term debtors and creditors are carried at cost as this is a fair approximation of their value.

16. DEBTORS

	31 March 2013 £'000	31 March 2014 £'000
Central Government bodies	3,219	4,206
Other local authorities	445	689
Other entities and individuals:		
Housing rents	386	589
Prepayments	323	244
Council Tax payers	307	338
Business Rates payers*	-	854
Sundry	1,260	1,459
Less impairment allowance	(611)	(1,089)
Total	**5,329**	**7,290**

* See note 11

17. CASH AND CASH EQUIVALENTS

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

	31 March 2013 £'000	31 March 2014 £'000
Cash held by the Council	4	3
Bank current accounts	(423)	(430)
Short-term deposits with banks	2,162	545
Total Cash and Cash Equivalents	**1,743**	**118**

18. CREDITORS

	31 March 2013 £'000	31 March 2014 £'000
Central Government bodies	664	338
Other local authorities	1,560	180
Public corporations and trading funds	1	-
Other entities and individuals		
Council Tax payers	23	45
Business Rates payers*	-	184
Sundry	1,597	1,508
Receipts in advance	282	404
Total	**4,127**	**2,659**

* See note 11

19. PROVISIONS

	Insurance Claims £'000	Legal Costs £'000	NNDR Appeals £'000	Rent Deposit Scheme £'000	Total £'000
Balance at 31 March 2013	**112**	**569**	**-**	**14**	**695**
Additional provisions made in 2013/14			822		822
Amounts used in 2013/14		(8)		(1)	(9)
Unused amounts reversed in 2013/14	(45)				(45)
Balance at 31 March 2014	**67**	**561**	**822**	**13**	**1,463**

Insurance Claims – provision to meet claims from the Council's previous insurers Municipal Mutual Insurance who are subject to a Scheme of Arrangement. The Council's liability was clarified during the year. As a result £45,000 has been transferred back to services.

Legal Costs - provision for the cost of various legal proceedings against the Council. This is by way of a general provision albeit in respect of specific issues. It is considered that further disclosure of the nature, amounts or timing of potential settlements would seriously prejudice the position of the Council.

NNDR Appeals – under the new Business Rates retention scheme (see note 11) the Council is required to make provision for refunding ratepayers who successfully appeal against the rateable value of their properties on the rating list. This includes amounts relating to NNDR charged to businesses under the old arrangements in 2012/13 and earlier years. A total provision of £2.054 million has been made, the Council's share being £0.822 million.

Rent Deposit Scheme - provision for the cost of compensating landlords for tenant damage. This is an ongoing provision and although amounts are anticipated to be required annually, the annual amount required will remain uncertain depending on events.

20. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

21. UNUSABLE RESERVES

31 March 2013 £'000		31 March 2014 £'000
30,858	Revaluation Reserve	35,188
99,954	Capital Adjustment Account	109,519
(188)	Financial Instruments Adjustment Account	(109)
870	Deferred Capital Receipts Reserve	864
(50,345)	Pensions Reserve	(40,122)
308	Collection Fund Adjustment Account	(652)
(122)	Accumulated Absences Account	(131)
81,335	Total Unusable Reserves	**104,557**

21.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost; used in the provision of services and gains are consumed through depreciation; or disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2012/13 £'000		2013/14 £'000
16,126	**Balance at 1 April**	**30,858**
15,824	Upward revaluation of assets	7,351
(654)	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(2,037)
15,170	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**5,314**
(438)	Difference between fair value depreciation and historical cost depreciation	(522)
-	Accumulated gains on assets sold or scrapped	(125)
-	Adjustments in respect of previous years*	(337)
(438)	**Amount written off to the Capital Adjustment Account**	**(984)**
30,858	**Balance at 31 March**	**35,188**

*These are in respect of the treatment of impairment in 2011/12 (with a small amount in respect of 2012/13). As the amount is not material prior years have not been restated.

21.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation and impairment losses are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to an historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. It also contains revaluation gains accumulated to Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

2012/13 £'000		**2013/14 £'000**
116,656	**Balance at 1 April**	**99,954**
181	Recognition of previously undisclosed assets	**-**
-	Adjustments in respect of previous years*	337
	Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,423)	Charges for depreciation and impairment of non-current assets	(3,054)
(18,958)	Revaluation losses on Property, Plant and Equipment	(5,047)
	Reversal of previous revaluation losses	13,481
(77)	Amortisation of Intangible assets	(149)
(1,524)	Revenue Expenditure Funded from Capital under Statute*	(729)
472	Income from donated assets	-
(1,183)	Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	(1,055)
(22,693)	**Sub Total**	**3,784**
438	Adjusting amounts written out of the Revaluation Reserve	647
(22,255)	**Net written out amount of the cost of non-current assets consumed in the year**	**4,431**
	Capital Financing applied in the year	
515	Use of the Capital Receipts Reserve to finance new capital expenditure	1,522
2,213	Use of the Major Repairs Reserve to finance new capital expenditure	1,952
716	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	247

37	Application of grants to capital financing from the Capital Grants Unapplied Account	14
-	Revenue contributions to capital expenditure	710
1,666	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	549
5,147	**Sub Total**	**4,994**
225	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	140
99,954	**Balance at 31 March**	**109,519**

*These are in respect of the treatment of impairment in 2011/12 (with a small amount in respect of 2012/13). As the amount is not material prior years have not been restated.

21.3 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains in accordance with statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2012 will be charged to the General Fund Balance over the next three years.

2012/13 £'000		**2013/14 £'000**
(266)	**Balance at 1 April**	**(188)**
78	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	79
(188)	**Balance at 31 March**	**(109)**

21.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned, to be financed as the Council makes employer's contributions to the Pension Fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. See also note 35.

2012/13 £'000		2013/14 £'000
(44,691)	**Balance at 1 April**	**(50,345)**
(4,870)	*Remeasurements of the net defined benefit liability / (asset)	11,206
(3,394)	*Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,704)
2,610	Employer's pensions contributions and direct payments to pensioners payable in the year	2,721
(50,345)	**Balance at 31 March**	**(40,122)**

*2012/13 restated – see note 1.5.

21.5 Deferred Capital Receipts Reserve

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. Under statutory arrangements, 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 Capital Receipts Reserve.

2012/13 £'000		2013/14 £'000
775	**Balance at 1 April**	**870**
100	Transfer of deferred sale proceeds credited as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	-
(5)	Transfer to the Capital Receipts Reserve upon receipt of Cash	(6)
870	**Balance at 31 March**	**864**

21.6 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and NNDR income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and NNDR payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2012/13 £'000		2013/14 £'000
202	**Balance at 1 April**	**308**
106	Amount by which Council Tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and NNDR income calculated for the year in accordance with statutory requirements	(960)
308	**Balance at 31 March**	**(652)**

21.7 Accumulated Absences Adjustment Account

The Accumulated Absences Adjustment Account absorbs the difference that would otherwise arise on the General Fund or HRA balances from accruing for compensated absences earned but not taken in the year, for example annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the balances is neutralised by transfers to and from the Account.

2012/13 £'000		**2013/14 £'000**
(121)	**Balance at 1 April**	**(122)**
(1)	(Increase) or decrease in the amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(9)
(122)	**Balance at 31 March**	**(131)**

22. <u>CASH FLOW STATEMENT - OPERATING ACTIVITIES</u>

22.1 Adjustment to surplus or deficit on the provision of services for non-cash movements

2012/13 £'000		**2013/14 £'000**
3,016	Depreciation	2,992
17,365	Impairment and downward valuations	(8,372)
77	Amortisation	149
232	Increase / (decrease) in impairment provision for bad debts	478
185	Increase / (decrease) in creditors (including revenue grants received in advance and excluding Collection Fund agencies)	(562)
84	(Increase) / decrease in debtors (including long-term and excluding impairment provision and Collection Fund agencies)	(4,380)
(6)	(Increase) / decrease in inventories	(52)
124	Movement in pensions liability	983
1,183	Carrying amounts of non-current assets sold	1,055
(458)	Other non-cash movements	657
21,802		**(7,052)**

22.2 Adjustment for items Included in the net surplus or deficit on the provision of services that are Investing and Financing Activities

2012/13 £'000		2013/14 £'000
(1,472)	Proceeds from the sale of non-current assets	(2,159)
(496)	Other items for which the cash effects are investing or financing cash flows	(246)
(1,968)		**(2,405)**

23. <u>CASH FLOW STATEMENT - INVESTING ACTIVITIES</u>

2012/13 £'000		2013/14 £'000
(3,138)	Purchase of Property, Plant and Equipment and Intangible assets	(3,713)
1,472	Proceeds from the sale of Property, Plant and Equipment	2,158
496	Other Receipts from Investing Activities	219
(1,170)	**Net cash flows from Investing Activities**	**(1,336)**

24. <u>CASH FLOW STATEMENT - FINANCING ACTIVITIES</u>

2012/13 £'000		2013/14 £'000
(1,438)	Other receipts from financing activities	1,261
(59)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(16)
(2,552)	Repayments of short-term and long-term borrowing	(49)
(4,049)	**Net cash flows from Financing Activities**	**1,196**

25. <u>AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS</u>

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified in the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across priority areas (segments). These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement)

- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to departments.

Income and expenditure for each priority area for the year (segment reporting analysis) was as follows:

Priority Area Income and Expenditure	Street Scene and Environment £'000	Localism £'000	A Prosperous Borough £'000	Housing, Health and Wellbeing £'000	A Safe Borough £'000	A Modern Council £'000	Total £'000
2013/14							
Government grants	(133)	(16)	-	(173)	-	(16,670)	(16,992)
Fees, charges and other service income	(4,349)	(36)	(854)	(13,468)	(320)	(1,142)	(20,169)
Total Income	**(4,482)**	**(52)**	**(854)**	**(13,641)**	**(320)**	**(17,812)**	**(37,161)**
Employee expenses	3,047	181	841	1,652	776	3,713	10,210
Other service expenses	2,481	602	746	5,351	209	20,414	29,803
Support service recharges	468	481	672	1,740	517	(4,030)	(152)
Depreciation, impairment and revaluations	626	55	4	1,976	30	424	3,115
Total Expenditure	**6,622**	**1,319**	**2,263**	**10,719**	**1,532**	**20,521**	**42,976**
Net Expenditure	**2,140**	**1,267**	**1,409**	**(2,922)**	**1,212**	**2,709**	**5,815**
2012/13							
Government grants	(14)	-	(5)	(30)	(1)	(20,822)	(20,872)
Fees, charges and other service income	(4,963)	(135)	(781)	(13,863)	(307)	(894)	(20,943)
Total Income	**(4,977)**	**(135)**	**(786)**	**(13,893)**	**(308)**	**(21,716)**	**(41,815)**
Employee expenses	2,737	158	798	1,630	811	3,628	9,762
Other service expenses	3,459	784	354	5,102	338	24,509	34,546
Support service recharges	249	146	543	1,710	482	(3,130)	-
Depreciation, impairment and revaluations	612	91	-	2,018	28	344	3,093
Total Expenditure	**7,057**	**1,179**	**1,695**	**10,460**	**1,659**	**25,351**	**47,401**
Net Expenditure	**2,080**	**1,044**	**909**	**(3,433)**	**1,351**	**3,635**	**5,586**

25.1 Reconciliation of Segment Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the segment analysis of income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2012/13 £'000	**2013/14 £'000**
Net expenditure in the Segment Analysis	5,586	5,815
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	18,757	(6,857)
Cost of Services in Comprehensive Income and Expenditure Statement	**24,343**	**(1,042)**

25.2 Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the segment analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14

	Segment Analysis	**Amounts not reported to management for decision making**	**Cost of services**	**Corporate Amounts**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Government grants and contributions	(16,992)	-	(16,992)	(4,276)	(21,268)
Council Tax income	-	-	-	(5,556)	(5,556)
Financing and Investment Income	-	-	-	(378)	(378)
Gain or Loss on Disposal of Non-current Assets etc.	-	-	-	(1,111)	(1,111)
Fees, charges and other service income	(20,169)	-	(20,169)	(388)	(20,557)
Total Income	**(37,161)**	**-**	**(37,161)**	**(11,709)**	**(48,870)**
Employee expenses	10,210	906	11,116	-	11,116
Other service expenses	29,803	-	29,803	-	29,803
Support service recharges	(152)	-	(152)	-	(152)
Depreciation, impairment and revaluations	3,115	(7,763)	(4,648)	-	(4,648)
Financing and investment expenditure	-	-	-	4,187	4,187
Precepts and Levies	-	-	-	282	282
Payment of Housing Capital Receipts to the Government	-	-	-	310	310
Total Expenditure	**42,976**	**(6,857)**	**36,119**	**4,779**	**40,898**
Surplus or Deficit on the Provision of Services	**5,815**	**(6,857)**	**(1,042)**	**(6,930)**	**(7,972)**

2012/13

	Segment Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Allocation of Recharges	Cost of services	Corporate Amounts	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Government grants and contributions	(20,872)	-	(160)	-	(21,032)	(3,765)	(24,797)
Council Tax income	-	-	-	-	-	(5,960)	(5,960)
Financing and Investment Income	-	-	-	-	-	(485)	(485)
Gain or Loss on Disposal of Non-current Assets etc.	-	-	-	-	-	(387)	(387)
Fees, charges and other service income	(20,943)	-	(82)	-	(21,025)	(1,319)	(22,344)
Total Income	**(41,815)**	**-**	**(242)**	**-**	**(42,057)**	**(11,916)**	**(53,973)**
Employee expenses	9,762	-	504	-	10,266	-	10,266
Other service expenses	34,546	-	1,130	-	35,676	-	35,676
Support service recharges	-	-	-	-	-	-	-
Depreciation, impairment and revaluations	3,093	-	17,365	-	20,458	-	20,458
Financing and investment expenditure	-	-	-	-	-	3,574	3,574
Precepts and Levies	-	-	-	-	-	245	245
Payments to Housing Capital Receipts Pool	-	-	-	-	-	269	269
Total Expenditure	**47,401**	**-**	**18,999**	**-**	**66,400**	**4,088**	**70,488**
Surplus or Deficit on the Provision of Services	**5,586**	**-**	**18,757**	**-**	**24,343**	**(7,828)**	**16,515**

26. TRADING OPERATIONS

The Council operates car parks which generate income from the public or other third parties. Details of income and expenditure (which are included in Highways and transport services in the Comprehensive Income and Expenditure Statement) are as follows:

		2012/13		2013/14	
		£'000	**£'000**	**£'000**	**£'000**
Car Parks					
	Income	1,508		1,468	
	Expenditure	828		777	
	Surplus		**680**		**691**

27. MEMBERS' ALLOWANCES

The Council paid the following amounts to Members of the Council during the year.

	2012/13 £'000	2013/14 £'000
Allowances	291	283
Total	**291**	**283**

28. OFFICERS' REMUNERATION

The remuneration paid to the Council's senior employees is as follows:

2013/14

Title	Note	Salary, Fees and Allowances	Bonuses	Benefits in Kind	Expenses Allowance	Compensation for loss of Office	Pension Contribution	Total
		£	£	£	£	£	£	£
Managing Director		102,000	13,800	-	2,601	-	12,266	**130,667**
Head of Street Scene		58,902	-	-	-	-	7,068	**65,970**
Head of Performance and Improvement	1	35,602	-	-	-	41,776	4,062	**81,440**
Head of Legal and Governance	2	21,685	-	-	-	63,333	2,270	**87,288**
Head of Localism and Partnerships	**3**	22,347	-	-	-	-	2,588	**24,935**

Head of Housing		59,142		711			7,078	**66,931**
Head of Borough Health, Safety and Localism		57,335					6,873	**64,208**
Head of Planning	4	45,132					5,755	**50,887**
Director of Strategy and Corporate Services (Section 151 officer)		83,044						**83,044**
Head of Business Transformation	5	23,167						**23,167**
Total		**508,356**	**13,800**	**711**	**2,601**	**105,109**	**47,960**	**678,537**

Note 1. The Head of Performance and Improvement left the Council on 31 October 2013 and the post was deleted. The annualised salary was £59,826.

Note 2. The Head of Legal and Governance left the Council on 19 July 2013. The annualised salary was £71,953. The post has been covered by an agency interim team at a cost of £40,000.

Note 3. The Head of Localism and Partnerships left the Council on 28 August 2013 and the post was deleted. The annualised salary was £54,373.

Note 4. The Head of Planning left the Council on 5 December 2013. The annualised salary was £66,158. The post was covered by an interim agency worker until 31 March 2014 at a cost of £31,270.

Note 5. The Head of Business Transformation started in this new post on 4 November 2013. The annualised salary is £57,135.

2012/13

Title	Note	Salary, Fees and Allowances	Bonuses	Benefits in Kind	Expenses Allowance	Pension Contribution	Total
		£	**£**	**£**	**£**	**£**	**£**
Managing Director	**1**	102,000	20,800	-	2,601	12,240	**137,641**
Head of Street Scene		56,275	-	-	-	6,753	**63,028**
Head of Resources	**2**	12,952	-	134	-	1,235	**14,321**
Head of Corporate Finance	**3**	-	-	-	-	-	**-**

Head of Performance and Improvement		56,878	-	-	-	6,825	**63,703**
Head of Legal and Governance		61,091	-	2,514	4	7,331	**70,940**
Head of Localism and Partnerships	**4**	21,486	-	-	1	2,578	**24,065**
Head of Housing		56,878	-	950	-	2,848	**60,676**
Head of Environmental Health and Licensing		53,639	-	-	-	6,437	**60,076**
Head of Planning		60,541	-	-	-	7,265	**67,806**
Director of Strategy and Corporate Services	**4**	48,828	-	-	3	5,860	**54,691**
Director of Strategy and Corporate Services (Section 151 officer)	**3**	61,462	-	-	-	-	**61,462**
Total		**592,030**	**20,800**	**3,598**	**2,609**	**59,372**	**678,409**

Note 1. The figure for bonuses includes an amount of £7,000 in respect of the 2011/12 financial year.

Note 2. The Head of Resources left the Council on 27 May 2012. The annualised salary was £66,015. The post was subsequently deleted and replaced by a post of Head of Corporate Finance.

Note 3. The Head of Corporate Finance post was covered by an interim agency worker between 9 May 2012 and 9 December 2012 at a cost of £38,091. The post was then deleted and incorporated into the post of Director of Strategy and Corporate Services (Section 151 officer).

Note 4. The Head of Localism and Partnerships post was occupied between 1 April 2012 and 22 April 2012 and between 10 December 2012 and 31 March 2013 at an annualised salary of £58,000. In the intervening period the post was incorporated into the post of Director of Strategy and Corporate Services. The latter post was occupied between 23 April 2012 and 9 December 2012 at an annualised salary of £76,000 (increased to £82,000 from 1 October 2012). The post was then deleted and incorporated into the post of Director of Strategy and Corporate Services (Section 151 officer).

Note 5. There were no Compensation for Loss of Office payments incurred during the year.

The numbers of the Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were as follows:

		2012/13		2013/14
Remuneration Band		**Number of employees**		**Number of employees**
£50,000 - £54,999		3		3
£55,000 - £59,999		-		-

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £	2013/14 £
£0 – £20,000	2	3	2	4	4	7	10,278	88,167
£20,001 - £40,000	-	1	-	3	-	4	-	111,178
£40,001 - £60,000	-	1	-	1		2	-	84,597
£60,001 - £80,000	-	1	-	-	-	1	-	63,333
Total	**2**	**6**	**2**	**8**	**4**	**14**	**10,278**	**347,275**

29. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and other services provided by the Council's external auditors.

2012/13		2013/14
£'000		**£'000**
90	Fees payable in respect of external audit services carried out by the appointed auditor for the year	90
54	Fees payable for the certification of grant claims and returns for the year	16
144	**Total**	**106**

In addition to the above, a net total of (£5,926) is included in the 2013/14 Comprehensive Income and Expenditure Statement, comprising £10,062 additional fee for 2012/13, £8,798 in respect of taxi licence correspondence and objection work and refunds from the Audit Commission relating to 2012/13 (£12,286) in respect of audit fees and Ernst & Young (£12,500) relating to grant fees.

30. GRANT INCOME

	2012/13 £'000	2013/14 £'000
Credited to Taxation and Non-specific Grant Income:		
Assizes Trust Capital Grant	114	-
Brentwood Share Fund	-	3
Capitalisation Grant	-	11
Council Tax Freeze Grant	143	57
Developer's Section 106	-	116
Donated Asset – Hutton Community Centre	300	-
Donated Asset – Pepperell House	172	-
Homes and Communities Agency Grant	-	64
Local Service Support Grant	50	-
New Burden (Localised Council Tax Scheme)	75	-
New Homes Bonus Scheme	431	811
NNDR Entitlement	3,426	-
Pilgrims Hatch Partnership	-	15
Revenue Support Grant	66	2,179
Skateboard Park Association	30	40
Small Business Rate Relief Grant	-	207
Transparency Code Set Up Grant	-	3
Weekly Collection Support Scheme	277	-
Total	**5,084**	**3,506**

Credited to Services:	2012/13 £'000	2013/14 £'000
Assizes Trust Contributions	13	-
Brentwood's Gone Global	7	-
Bright Sparks	22	-
Business Rate Relief Grant	3	-
Community Right to Bid	5	-
Community Right to Challenge	9	16
Council Tax Benefit	4,178	-
Countrywide Stewardship	4	3
Disabled Facilities Grant	160	125
Discretionary Housing Payment Grant	39	110
Employment Support Allowance	1	-
Food Standards Agency	1	-
Food Waste Grant	389	402
Former Warley Hospital site development	10	-
Housing Benefit and Council Tax Administration Grant	357	341
Improvement East - EEDA	30	-

Local Strategic Partnership	73	-
Neighborhood Planning	5	-
New Burden (Localised Council Tax Scheme)	9	38
Preventing Repossession	30	-
Rent Allowances	9,831	9,705
Rent Rebates	6,333	6,449
Supporting People	148	173
Transitional Funding	28	27
Weekly Collection Support Scheme	9	130
Total	**21,694**	**17,519**

Grants Receipts in Advance (Revenue Grants)	**31 March 2013 £'000**	**31 March 2014 £'000**
Current Liabilities		
Developer Contribution - Hatch Road	23	-
Developer contribution - Hutton Polo Field	20	-
Developer Contribution - Sainsbury's	11	-
Weekly Collection Support Scheme	181	414
Total	**235**	**414**

Grants Receipts in Advance (Capital Grants)	**31 March 2013 £'000**	**31 March 2014 £'000**
Developers Contributions		
Former Warley Hospital site development	898	875
Inter Authority Agreement - Food Waste	10	-
Land at Brentwood Community Hospital -Crescent Road, Shenfield	49	49
Phase 4a former British Gas site - St James Road	50	50
Willowbrook School	0	60
Total	**1,007**	**1,034**

31. RELATED PARTIES

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 to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government
Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of the funding in the form of grants and prescribes the terms of many of the transactions the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from Government departments are set out in the subjective analysis in Note 25 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2014 are shown in Note 30.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2013/14 is shown in Note 27. In addition, grants totaling £107,573 were paid to voluntary organisations the governing bodies of which included at least one Member representing the Council. In all instances the grants were made with proper consideration of declarations of interest.

Entities in which Members have a controlling interest
Members of the Council are required to review and complete a register of Members Financial interests. In 2013/14 the Council made payments of £12,283 for work carried out by a company in which one Member had an interest. The contract was entered into in full compliance with the Council’s standing orders.

Other Public Bodies
Four Members of the Council were elected to serve on Essex County Council during the financial year. One of those Members also sits on Essex Fire Authority. In 2013/14 the Council paid grants totaling £126,973 to Parish Councils within its area. The Council paid Essex County Council £694,711 for the provision of professional services. The Council was paid £1,770,000 by Essex County Council during the year. Of that amount, £740,000 was in respect of recycling and waste disposal, £360,000 was in respect revenue funding under the Inter Authority Agreement, £102,000 was in respect of the highways ranger service and £75,000 for the rental of Council properties. The balance was in respect of a number of other services ranging from the provision of community alarms to grass cutting and weed spraying. In addition, the Council paid the London Borough of Barking and Dagenham £154,956 during the year for the provision of professional services.

Entities Controlled or Significantly Influenced by the Council
The Brentwood Leisure Trust is deemed to be significantly influenced by the Council through its representation on the Trust board, although the Council does not control the Trust and nor does it have the power to govern the Trust's financial and operating policies so as to benefit from its activities. The Trust manages Brentwood Leisure Centre and the Council's Community Halls in addition to using the premises for its own purposes. The Council paid the Trust a total of £250,300 in 2013/14 (£316,000 in 2012/13). The Trust was a debtor of the Council at 31 March 2014 in the amount of £349,158 (£473,620 at 31 March 2013) in respect of a loan to the Trust.

32. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2012/13 £'000		2013/14 £'000
78,839	**Opening Capital Financing Requirement**	**78,353**
	Capital Investment	
2,959	Property, Plant and Equipment	3,407
179	Intangible Assets	307
1,523	Revenue Expenditure Funded from Capital under Statute	730
	Sources of Finance	
(515)	Capital receipts	(1,522)
(754)	Government grants and other contributions*	(260)
(2,212)	Major Repairs Reserve*	(1,952)
-	Revenue contributions to capital expenditure	(710)
(1,666)	Sums set aside from revenue for the repayment of debt	(549)
78,353	**Closing Capital Financing Requirement**	**77,804**
	Explanation of Movements in the Year	
(370)	Increase (decrease) in the underlying need to borrow (unsupported by Government financial assistance)	(500)
(116)	Assets acquired under finance leases	(49)
(486)	**Increase or (Decrease) in Capital Financing Requirement**	**(549)**

*These amounts were aggregated in the 2012/13 Statement of Accounts, as "Government grants and other contributions". They have been disaggregated for comparison purposes.

33. LEASES

Council as Lessor

Finance Leases

The Council has leased out Thorndon Court and Becketts Court on a finance lease with remaining terms of 80 years and 82 years respectively.

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2013 £'000	31 March 2014 £'000
Finance lease debtors (net present value of minimum lease payments):		
Current	1	-
Non-current	25	25
Unearned finance income	2,088	2,061
Unguaranteed residual value	415	415
Gross investment in the lease	**2,529**	**2,501**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross investment in lease		Minimum Lease Payments	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	1	-	27	27
Later than one year and not later than five years	25	25	107	107
Later than five years	2,503	2,476	2,395	2,367
Total	**2,529**	**2,501**	**2,529**	**2,501**

The minimum lease payments do not include rents that are contingent on the events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/14 no contingent rents were receivable by the Council (none in 2012/13).

Operating Leases

The Council leases out premises under operating leases for the following purposes:

- for the provision of community services, such as sports facilities and community centres;
- for economic development purposes to provide suitable affordable accommodation for local businesses

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

	31 March 2013 £'000	**31 March 2014 £'000**
Not later than one year	244	234
Later than one year and not later than five years	761	709
Later than five years	1,038	876
Total	**2,043**	**1,819**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/14 no contingent rents were receivable by the Council (none in 2012/13).

34. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2013/14, incurring liabilities of £347,275 (£10,278 in 2012/13) - see Note 28 for the number of exit packages and total cost per band. Of the total, £160,950 was payable to employees of the Council who were made redundant as part of the Council's back office review; and £186,325 was in respect of agreed voluntary redundancy.

35. DEFINED BENEFIT PENSION SCHEMES

35.1 Participation in Pension Schemes

As part of the terms and conditions of employment of its staff, the Council makes contributions towards 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 (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

(i) The Local Government Pension Scheme, administered locally by Essex County Council. This is a funded defined benefit final salary 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.

(ii) Arrangements for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

35.2 Actuary

The Fund assets and liabilities information and disclosures are in accordance with Barnett Waddingham, an independent firm of actuaries, estimates for the Essex County Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

35.3 Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. See also Note 1.5. 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:

Local Government Pension Scheme	Discretionary Benefits Arrangements		Local Government Pension Scheme	Discretionary Benefits Arrangements
2012/13 £'000	**2012/13 £'000**		**2013/14 £'000**	**2013/14 £'000**
		Comprehensive Income and Expenditure Statement		
		Cost of Services		
		Service cost comprising		
1,387	-	Current service cost	1,635	-
-	-	Past service costs including curtailments	52	-
-	-	Administration	10	-
		Financing and Investment Income and Expenditure		
4,231	168	Interest cost	-	-
(3,052)	-	Expected return on scheme assets	-	-
-	-	Net interest expense	1,857	150
2,566	**168**	*Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services*	**3,554**	**150**
		Other Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement		
5,435	95	Actuarial gains and losses	-	-
		Remeasurement of the net defined benefit comprising		
-	-	Return on plan assets (excluding the amount included in the net interest expense)	(2,445)	-
-	-	Other actuarial (gains) / losses on assets	1,848	-
-	-	Actuarial gains and losses arising on changes in demographic assumptions	(5,554)	(144)
-	-	Actuarial gains and losses arising on changes in financial assumptions	(2,074)	(32)

-	-	Experience (gain) / loss on defined benefit obligation	(2,805)	-
8,001	**263**	***Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement***	**(7,476)**	**(26)**
		Movement in Reserves Statement		
(2,566)	(168)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(3,554)	(150)
		Actual Amount Charged against the General Fund and HRA Balances for the Year		
2,366	**244**	Employer's contributions payable to scheme	**2,477**	**244**
1.951	201	Contributions / payments charged to the General Fund	2,028	200
415	43	Contributions / payments charged to the Housing Revenue Account	449	44
2,366	**244**		**2,477**	**244**

35.4 Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2012/13	**2013/14**	**2012/13**	**2013/14**
	£'000	**£'000**	**£'000**	**£'000**
Present Value of the defined benefit obligation	(105,223)	(97,730)	(3,783)	(3,513)
Fair value of plan assets	58,661	61,121	-	-
Net liability arising from defined benefit obligation	**(46,562)**	**(36,609)**	**(3,783)**	**(3,513)**

35.5 Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme	
	2012/13	**2013/14**
	£'000	**£'000**
Opening fair value of scheme assets	**52,316**	**58,661**
Interest income	2,405	2,398
Remeasurement of the return on plan assets (excluding the amount included in the net interest expense)	4,118	2,445
Other actuarial gains / (losses)	-	(1,848)
Administration expenses	(13)	(10)
Contributions from employer	2,610	2,721
Contributions from employees into the scheme	426	427
Benefits paid	(3,201)	(3,673)
Closing fair value of scheme assets	**58,661**	**61,121**

35.6 Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

	Funded liabilities: Local Government Pension Scheme	Unfunded liabilities: Discretionary Benefits	Funded liabilities: Local Government Pension Scheme	Unfunded liabilities: Discretionary Benefits
	2012/13	**2012/13**	**2013/14**	**2013/14**
	£'000	**£'000**	**£'000**	**£'000**
Opening balance at 1 April	**(93,243)**	**(3,764)**	**(105,223)**	**(3,783)**
Current service cost	(1,387)	-	(1,635)	-
Interest cost	(4,231)	(168)	(4,255)	(150)
Contributions from scheme participants	(426)	-	(427)	-
Remeasurement actuarial gains and losses				
Arising from changes in demographic assumptions			5,554	144
Arising from changes in financial assumptions	(8,893)	(178)	2,074	32
Experience gains / losses		83	2,805	-
Benefits paid	2,957	244	3,429	244
Past service cost	-	-	(52)	-
Closing balance at 31 March	**(105,223)**	**(3,783)**	**(97,730)**	**(3,513)**

35.7 Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2014 is estimated to be 8%. The actual return on the Fund assets over the year may be different. The estimated asset allocation for the Council as at 31 March is as follows:

Asset Share – Bid Value	**31 March 2013**		**31 March 2014**	
	£'000	**%**	**£'000**	**%**
Equities	37,544	64	40,951	67
Gilts	4,106	7	4,890	8
Other Bonds	4,693	8	4,890	8
Property	7,039	12	6,723	11
Cash	2,346	4	1,222	2
Alternative Assets	2,933	5	2,445	4
Total	**58,661**	**100**	**61,121**	**100**

To calculate the asset share the actuary has rolled forward the assets allocated to the Council at 31 March 2013 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Council and its employees.

Bid values have been estimated by the actuary where necessary and the final asset allocation of the Fund assets as at 31 March 2014 is likely to be different from that shown as a result of estimation techniques. Based on the above the Council's share of the assets of the Fund is approximately 1%.

Information provided by the administering authority of the Fund (Essex County Council) shows that:

- of the equities allocation above, 22% are UK investments, 78% are overseas investments, 93% of equities are listed and 7% are not
- the gilts allocation consists entirely of UK index linked government securities
- the other bonds allocation consist entirely of UK corporate bonds
- of the property allocation above 49% is listed
- the alternative assets allocation is made up of 71% in infrastructure (of which 53% is in the UK and 47% overseas(, 8% in a financing fund, 19% in timber and 2% in currency

35.8 Liabilities

To calculate the liabilities the actuary has rolled forward the value of the Council's liabilities for the funding valuation as at 31 March 2013, using financial assumptions that comply with International Accounting Standard 19 (IAS 19). The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the schemes as well as pensions and lump sums that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

As required under IAS 19 the projected unit method of valuation has been used to calculate the service cost.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2014 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2014 should not introduce any material distortions in the results provided that the actual experience of the Council and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the last formal valuation. From the information received by the actuary there appears to be no evidence that this approach is inappropriate.

The demographic assumptions used by the actuary have been:

	2012/13	**2013/14**
Mortality assumptions		
Life expectancy from age 65 (years)		
Retiring today		
Men	22.7	22.7
Women	25.3	25.1
Retiring in 20 years		
Men	24.2	24.9
Women	26.9	27.4

The actuary has also made the following assumptions:

- members will exchange 60% of their commutable pension for cash at retirement
- members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- 10% of active members will take up the option under the new scheme to pay 50% of contributions for 50% of benefits

The financial assumptions used by the actuary have been:

Assumption as at	31 March 2012		31 March 2013		31 March 2014	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI Increases	3.3	-	3.3	-	3.5	-
CPI Increases	2.5	-0.8	2.5	-0.8	2.7	-0.8
Salary Increases	4.3	1.0	4.3	1.0	4.5	1.0
Pension Increases	2.5	-0.8	2.5	-0.8	2.7	-0.8
Discount Rate	4.6	1.3	4.1	0.8	4.4	0.9

The actuary’s estimate of the duration of the Council’s liabilities is 17 years. The discount rate is the annualised yield at the 17 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS 19 and with consideration of the duration of the Council’s liabilities. This is consistent with the approach used at the last accounting date.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 17 year point on the BoE spot inflation curve. This measure has historically overestimated future increases in the RPI and so, in the past, the actuary has made a deduction of 0.25% to get the RPI assumption. However, the evidence for this in more recent periods is weaker and so no such deduction has been made at 31 March 2014.

35.9 Sensitivity Analysis

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analysis below has 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 analysis changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis	**£'000**	**£'000**	**£'000**
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	99,585	101,243	102,930
Projected Service Cost	1,438	1,470	1,504
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	101,396	101,243	101,090
Projected Service Cost	1,470	1,470	1,470
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	102,803	101,243	99,709
Projected Service Cost	1,505	1,470	1,437
Adjustment to mortality age rating assumption	+1 Year	None	- 1 Year
Present Value of Total Obligation	97,676	101,243	104,842
Projected Service Cost	1,420	1,470	1,521

35.10 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve and then maintain a funding level of 100%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earning schemes to pay pensions and other benefits to certain public servants.

35.11 2014-15

The Council's projected pension expense for 2014/15 is:

	£'000
Service Cost	1,470
Net Interest on the defined benefit liability (asset)	1,712
Administration expenses	10
Total	**3,192**
Employer Contributions	**2,301**

36. CONTINGENT LIABILITIES

The Council had no contingent liabilities at 31 March 2014.

37. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's management of treasury risks actively works to minimise its exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Revised Code of Practice on Treasury Management through its Treasury Management Policy Statement and Strategy.

Credit Risk

This risk reflects the possibility that lending counterparties may fail to repay sums arising from the short-term lending of surplus funds to banks, building societies and other authorised institutions, in addition to credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy which requires that deposits are not made with financial institutions that do not meet specified minimum credit criteria.

In accordance with its Treasury Management Strategy the primary principle governing the Council's investment criteria is the security of its investments although the yield or return on the investments is also a key consideration. The Council's policy is to place deposits only with a limited number of UK banks and building societies each of which is classified as an Eligible Institution for the HM Treasury Credit Guarantee Scheme and whose credit ratings, as assessed by an appropriate independent ratings agency, are at a level specified in the strategy. Additionally the Council is prepared to lend to top rated money market funds, the UK Government and other local authorities. Whilst credit ratings remain a key source of information the Council recognises their limitations and takes into account market intelligence.

Deposits are limited to £3 million in the case of banks, building societies and money market funds (with the exception of Bank of Scotland, Royal Bank of Scotland, Nationwide Building Society and other local authorities where the limit is £5 million). No limit is placed on loans to the UK Government. Time limits are also specified for counterparties of varying types and ratings.

The following analysis summarises the Council's potential maximum exposure to credit risk for 2013/14 based on past and current market conditions. No credit limits were exceeded during 2013/14 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

	Amount at 31 March 2014	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2014	Estimated maximum exposure at 31 March 2014	Estimated maximum exposure at 31 March 2013
	£'000	%	%	£'000	£'000
Deposits with banks and other institutions	546	-	-	-	-
Customers	1,346	32	32	431	371
Brentwood Leisure Trust - Loan	411	-	-	-	-
	2,303			**431**	**371**

The outstanding customer balances as at 31 March 2014 are analysed by age as follows:

	31 March 2013	31 March 2014
	£'000	£'000
Less than three months	112	135
Three to six months	225	269
Six months to one year	338	404
More than one year	450	538
	1,125	**1,346**

Customer debts can be further analysed as follows:

	31 March 2013	31 March 2014		
	Carrying amount	Customer debt	Provision for impairment	Carrying amount
	£'000	£'000	£'000	£'000
Dwellings rents	151	589	254	335
Other	469	757	282	475
	620	**1,346**	**536**	**810**

Liquidity Risk

The Council ensures it has adequate but not excessive cash resources, borrowing arrangements and overdraft facilities to enable it, at all times, to have the level of funds available which are necessary for the achievement of its business objectives. Specifically the Council seeks to ensure that short-term deposits of at least £1 million are available with a week’s notice.

As the Council has ready access to borrowing from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. However, there is a risk that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates, though such risks are managed as far as possible through prudential treasury management.

The maturity analysis of financial liabilities is as follows:

	31 March 2013	31 March 2014
	£'000	£'000
Less than one year	2,826	2,031
Between one and two years	-	65
Between two and five years	5,046	5,098
Between five and ten years	5,000	5,158
Between ten and twenty years	25,400	25,501
Between twenty and thirty years	29,166	29,191
More than 30 Years	1,600	1,710
	69,038	**68,754**

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

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

- borrowings at variable rates: the interest charged to the Comprehensive Income and Expenditure Account would rise
- borrowings at fixed rates: the fair value of the liabilities borrowings would fall
- investments at variable rates: the interest credited to the Comprehensive Income and Expenditure Account would rise
- investments at fixed rates: the fair value of the assets would fall

Borrowings and investments are not carried at fair value so nominal gains and losses on fixed rate instruments would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments would be posted to the Surplus or Deficit in the Provision of Services and affect the General Fund Balance.

The Council manages its exposure to interest rate risks specifically through four treasury activity limits:

- variable interest rate exposure
- fixed interest rate exposure
- maturity structures of borrowing to limit the Council's exposure to excessively large sums falling due for refinancing at a time of high interest rates
- total invested for periods greater than 364 days.

The Council has an effective strategy for assessing interest rate exposure that informs the setting of the annual budget and is used to update the budget during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, if interest rates had been ½% higher at 31 March 2014, with all other variables held constant, the annualised interest receivable on the Council's variable rate investments would have increased by £27,250. The movements would be reversed if interest rates had been ½% lower. A ½% Movement would have had a negligible effect on the fair value of the Council's investments.

All the Council's borrowings are at a fixed rate. As a result, a 1% movement in interest rates at 31 March 2014 would have had no effect on interest payable. However, a 1% change in the fair value of the borrowings would result in movement of £709,000..

Price Risk and Foreign Exchange Risk

The Council does not invest in instruments such as equity shares as part of its treasury function and thus has no exposure to loss arising from movements in price. The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

HRA INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and Government grants. Councils charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the HRA Statement.

2012/13			2013/14	
£'000	**Note**		**£'000**	**£'000**
		Expenditure		
3,036		Repairs and maintenance	3,597	
2,616		Supervision and management	3,842	
189		Rent, rates, taxes and other charges	169	
47	HRA 3	Negative HRA subsidy payable	-	
19,178		Depreciation and impairment of non-current assets	(9,200)	
209		Movement in the allowance for bad debts	51	
25,275		**Total Expenditure**		**(1,541)**
		Income		
(10,876)		Dwelling rents	(11,278)	
(522)		Non-dwelling rents	(559)	
(775)		Charges for services and facilities	(694)	
(314)		Contributions towards expenditure	(328)	
(12,487)		**Total Income**		**(12,859)**
12,788		Net Expenditure of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		**(14,400)**
461		HRA share of Corporate and Democratic Core		453
-		HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		2
13,249		**Net Expenditure of HRA Services**		**(13,945)**
		HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement		
(427)		(Gain) or loss on sale of HRA non-current assets		(476)
2,166		Interest payable and debt management expenses		2,062
(110)		Interest and investment income		(88)
236		Pensions net interest expense		364
-		Other non-specific grants		(64)
15,114		**(Surplus) or deficit for the year on HRA services**		**(12,147)**

Movement on the HRA Statement

2012/13			2013/14	
£'000	**Note**		**£'000**	**£'000**
1,780		Balance on the HRA at the end of the previous year		**1,822**
(15,114)		Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	12,147	
15,656	HRA1	Adjustments between accounting basis and funding basis under the legislative framework	(12,120)	
542		Increase or (decrease) before transfers to or from reserves		**27**
(500)	HRA1	Transfers (to) or from earmarked reserves		(184)
42		Increase or (decrease) in the year on the HRA		**(157)**
1,822		**Balance on the HRA at the end of the current year**		**1,665**

Notes to the HRA

HRA1 - Movement on the HRA Statement

	Note	2012/13	2013/14
		£'000	**£'000**
Adjustments between accounting basis and funding basis under the legislative framework			
Gain or loss on sale of HRA non-current assets		(427)	(468)
HRA share of contributions to or from the Pensions Reserve		22	169
Transfers to or from the Major Repairs Reserve		(1,963)	(1,950)
Transfers to or from the Capital Adjustment Account (including Revenue Expenditure Funded from Capital under Statute)		18,029	(9,871)
Transfers to or from the Accumulated Absences Adjustment Account		(5)	-
Total adjustments between accounting basis and funding basis under the legislative framework		**15,656**	**(12,120)**
Transfers (to) or from earmarked reserves		(500)	(184)
Total Movement		**15,156**	**(12,304)**

HRA2 - Housing Stock

The type and number of dwellings in the Council's housing stock at 31 March were as follows:

	2013	2014
Flats		
1 Bedroom	602	600
2 Bedroom	509	507
3 Bedroom	62	62
Houses and Bungalows		
1 Bedroom	290	289
2 Bedroom	397	393
3 Bedroom	643	638
4 Bedroom	14	14
Equity share properties		
1 Bedroom	6	6
2 Bedroom	2	2
Total	**2,525**	**2,511**

HRA3 - HRA Non-current Assets

The Balance Sheet values at 31 March of assets within the Council's HRA were as follows:

	2013	2014
	£'000	**£'000**
Dwellings	165,244	181,399
Other land and buildings	8,543	8,398
Vehicles, furniture, plant and equipment	6	9
Total	**173,793**	**189,806**

The Balance Sheet values of the land, houses and other property within the Council’s HRA were as follows:

	Dwellings	Other Land and Buildings	Vehicles, Furniture, Plant and Equipment	Total
	£'000	**£'000**	**£'000**	**£'000**
Net Book Value at 1 April 2012	**167,328**	**9,418**	**9**	**176,755**
Changes during the year	(2,084)	(875)	(3)	(2,962)
Net Book Value at 31 March 2013	**165,244**	**8,543**	**6**	**173,793**
Changes during the year	16,355	(145)	3	16,213
Net Book Value at 31 March 2014	**181,599**	**8,398**	**9**	**190,006**

Depreciation and impairment charges during the year were as follows:

	2012/13	2013/14
	£'000	**£'000**
Depreciation		
Dwellings	1,570	1,770
Other land and buildings	391	176
Vehicles, furniture, plant and equipment	4	12
Total	**1,965**	**1,958**
Impairment		
Dwellings	(1,593)	(11,158)
Other land and buildings	-	-
Total	**(1,593)**	**(11,158)**
Dwellings	(23)	(9,388)
Other land and buildings	391	176
Vehicles, furniture, plant and equipment	4	12
Total	**372**	**(9,200)**

In 2013/14 the housing stock was revalued resulting in a total of £2.3 million being charged to the HRA as a revaluation loss and an amount of £13.5 million being credited as a reversal of losses and impairment in previous years. In 2012/13 a total of £18.6 million was charged to the HRA as a revaluation loss.

The vacant possession value of dwellings within the Council's HRA was £465.128 million in 2013/14 (£423.702 million in 2012/13). The difference between the vacant possession value and the Balance Sheet value shows the economic cost to the Government of providing council housing at less than open market rents.

HRA4 - Major Repairs Reserve

	2012/13	2013/14
	£'000	**£'000**
Balance at 1 April	269	20
Amount transferred to the reserve during the year	1,963	1,950
Financing of capital expenditure	(2,212)	(1,950)
Balance at 31 March	**20**	**20**

HRA5 - Capital Transactions

(i) Capital Expenditure and Financing

	2012/13	2013/14
	£'000	£'000
Capital Expenditure - Enhancements	1,910	2,304
Capital Expenditure – Revenue Expenditure Funded from Capital Under Statute (REFCUS)*	394	331
Total Capital Expenditure	**2,304**	**2,635**
Sources of Finance:		
Major Repairs Reserve	1,818	1,619
Major Repairs Reserve – REFCUS	394	331
Capital Receipts	92	-
Grants	-	65
Revenue contribution to capital expenditure	**-**	620
Total Financing	**2,304**	**2,635**

*REFCUS is expenditure which would normally be classified as revenue but is treated as capital as a result of statute. Expenditure in 2012/13 and 2013/14 was in respect of Disabled Adaptations on Council Dwellings.

(ii) Capital Receipts

	2012/13	2013/14
	£'000	£'000
Capital receipts from disposals of land, houses and other property		
Sale of dwellings – Usable Receipts	**380**	**488**

HRA6 - Rent Arrears

	2012/13 £'000	2013/14 £'000
Gross rent arrears at 31 March	323	484
Provision for doubtful debts	(141)	(188)
Net Rent Arrears at 31 March	**182**	**296**

HRA7 - Pension Costs

The following figures represent the cost of pensions attributable to the HRA and explain the HRA share of contributions to or from the Pensions Reserve. Further details of the treatment of pension costs are shown in Note 35 of the Core Financial Statements (see also Note 1.5), together with details of the assumptions made in calculating the figures included in this note.

	2012/13 £'000	**2013/14 £'000**
HRA Income and Expenditure Statement		
Net Expenditure on HRA Services		
Service cost comprising		
Current service cost	243	296
Administration expenses	-	2
HRA Share of Operating Income and Expenditure		
Interest Cost	772	-
Expected return on assets in the scheme	(536)	-
Net interest cost	-	364
Net Charge to the Income and Expenditure Statement	**479**	**662**
Movement on the HRA Statement		
Adjustments between accounting basis and funding basis under statute		
Reversal of net charges made for retirement benefits	(479)	(662)
Employer's Contribution to the Scheme	**458**	**493**
HRA share of contributions to or from the Pensions Reserve	**(21)**	**(169)**

COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities such as the Council to maintain a separate fund. The statement below 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 National Non-Domestic Rates (NNDR or “Business Rates”).

2012/13	Note		2013/14	2013/14
£'000			**£'000**	**£'000**
		Amounts required by statute to be credited to the Fund		
45,415	1 & 3	Council Tax receivable (net of discounts)		46,105
4,176	1	Transfers from the General Fund - Council Tax Benefits		-
28,059	2	NNDR receivable		27,914
-	2	NNDR transitional protection payments		41
77,650		**Total**		**74,060**
		Amounts required by statute to be debited to the Fund		
		Precepts and Demands Council Tax		
35,589		Essex County Council	33,523	
4,477		Essex Police Authority	4,364	
2,175		Essex Fire Authority	2,049	
5,836		Brentwood Borough Council	5,547	45,483
	2	Shares of NNDR Income		
-		Brentwood Borough Council	11,468	
-		Essex County Council	2,580	
-		Essex Fire Authority	287	14,335
		NNDR		
27,953	2	Payment to the National Pool		-
-	2	Central Share payment to Government		14,335
106		Costs of Collection		105
		Impairment of Debts		
		Council Tax		
244		Write-offs	28	
231		Allowance for Impairment	507	535
		NNDR		
-		Write-offs	694	
-		Allowance for Impairment	302	996
		Distribution of Previous Year's Collection Fund Surplus		
		Council Tax		
111		Essex County Council	1,481	
13		Essex Police Authority	186	
7		Essex Fire Authority	90	
19		Brentwood Borough Council	243	2,000
76,761		**Total**		**77,789**

		COLLECTION FUND BALANCES			
2012/13	**Note**			**2013/14**	**2013/14**
£'000				**£'000**	**£'000**
		Total Movement on Fund Balance in the year			**(3,729)**
		Council Tax			
889		**Movement on Fund Balance in the year**		**(1,913)**	
1,636		**Opening Fund Balance**		**2,525**	
2,525		**Closing Fund Balance**		**612**	
	2	**NNDR**			
-		**Movement on Fund Balance in the year**		**(1,816)**	
-		**Opening Fund Balance**		-	
-		**Closing Fund Balance**		**(1,816)**	

NOTES TO THE COLLECTION FUND

1. Council Tax benefits were abolished by the Government for 2013/14 onwards and replaced by a localised tax reduction scheme designed by the Council (but with certain mandatory reductions) which applies discounts to the tax liability of certain classes or groups of taxpayers. The amount of Council Tax receivable in 2013/14 is shown net of those discounts.

2. Up to 2012/13 NNDR was collected by councils and paid into a centralised Government "pool" before being redistributed back to councils on a formula basis by way of Government grant. The system was replaced in 2013/14 by a Business Rates retention scheme. The Council retains 40% of NNDR collected and pays Essex County Council 9% and Essex Fire Authority 1%. The remaining 50% (the "Central Share") is paid over to the Government. The scheme incorporates a system of tariffs – whereby retained business rates are redistributed from high business rate yield councils to low business rate yield councils – and safety nets – which protect councils from significant reductions in income as a result of the scheme. The scheme also incorporates arrangements to help ratepayers who faced large increases in business rates bills when properties were revalued. The Council is compensated for its loss of income from these arrangements by way of "transitional protection payments". Regulations require that the balance on the Fund is disaggregated between NNDR and Council Tax. NNDR receivable is net of a provision of £2.054 million for successful appeals against rateable values. See note 19.

3. Council Tax income comes from charges made on domestic properties. Each property is placed in one of eight valuation bands depending on its capital value. The Council works out the Council Tax charge by estimating the amount of income it and the preceptors need for the coming year, and dividing this amount by the Council Tax base. The Council Tax base is the total number of properties in each band, adjusted for discounts, exemptions and reliefs, and by a proportion of the Band D charge, multiplied by the collection rate assumption for the year (98.0% for 2013/14). In 2013/14 the council tax base (number of band D equivalent properties) was 30,847.00. The basic amount of council tax for a property in band D (£1,465.35 for 2013/14) is multiplied by the appropriate proportion for the particular band to give the individual amount due from the property. The number of properties by band is as follows.

Band	Range of Property Values	Number of properties	Proportion of Band D charge	Number of Band D equivalent properties
A	Up to £40,000	347.55	6/9	231.70
B	£40,001 - £52,000	1,604.41	7/9	1,247.90
C	£52,001 - £68,000	4,567.65	8/9	4,060.10
D	**£68,001 - £88,000**	**6,747.80**	**9/9**	**6,747.80**
E	£88,001 - £120,000	4,888.22	11/9	5,974.50
F	£120,001 - £160,000	4,008.76	13/9	5,790.40
G	£160,001 - £320,000	3,481.17	15/9	5,801.90
H	More than £320,000	496.33	18/9	992.70
Total		**26,141.89**		**30,847.00**

4. The Gross Non-Domestic Rateable Value for the Brentwood Borough Council area at 31 March 2014 was £75,187,130 (£75,333,708 at 31 March 2013) and the standard NNDR multiplier for the year was 47.1p (45.8p in 2012/13), whilst the small business multiplier was 46.2p (45.0p in 2012/13).

BRENTWOOD BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT 2013/14

1. Scope of Responsibility

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

In discharging this overall responsibility the Council must put in place proper arrangements for the governance of its affairs and ensure that there is a sound system of internal control which facilitates the effective exercise of its functions and management of risk.

The Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the code can be obtained by contacting the Director of Strategy and Corporate Services at Brentwood Borough Council. This statement explains how Brentwood Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit [Amendment] (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. Purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and the activities through which it accounts and engages with the community. It enables the Council to monitor the achievement of its strategic priorities and to consider whether or not those objectives have led to the delivery of appropriate cost effective services.

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 priorities and can therefore only provide reasonable – and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies and priorities; to evaluate the likelihood of those risks being realized and their impact should they be realized; and to manage them efficiently, effectively and economically.

The governance framework described below has been in operation at the Council for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts.

3. <u>Governance framework</u>

Brentwood Borough Council's governance framework derives from six core principles identified in the CIPFA/SOLACE publication entitled *'Delivering Good Governance in Local Government – Framework'.* The six core principles are:

1. Focusing on the purpose of the Council and on outcomes for the community, and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behavior.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing of risk.
5. Developing the capacity and capability of Members and officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of each of these core principles, as applied within Brentwood Borough Council, are detailed below.

Principle 1: Focusing on the purpose of the Council and on outcomes for the community, and creating and implementing a vision for the local area.

Brentwood Borough Council is responsible for a number of key services and functions, including:

- Community Grants and Events
- Council Tax, Business Rates (NNDR) and Benefits
- Environmental (Street) Services
- Housing
- Leisure and Culture
- Regulation i.e. Planning, Building Control, Environmental Health & Licensing
- Car Parking
- Economic Development
- Land Charges
- Community Safety and CCTV

During 2013/14, the Council operated under the direction of its approved Corporate Plan. The key priorities for the Council outlined in the Corporate Plan for the period 2013 – 2016 are:

- **Street Scene and Environment** - Brentwood is a clean, green and pleasant Borough. Maintaining and improving this involves not just the Council but also our communities and many partners. We will find new ways of working with our partners and communities, and improve the way we play our part, to enhance the environment and attractiveness of the Borough.

- **Localism** – We believe that through bringing communities together and working effectively in collaboration with a range of groups and organizations we can better ensure the future wellbeing of our Borough. We will work with local businesses, community groups and the voluntary sector to develop projects that will enhance and support the local community.

- **A Prosperous Borough** – A new Local Development Plan will shape the way our Borough will change over the next fifteen years. We will work hard to get the best outcome and achieve a good balance for residents, business and the economy in a way that celebrate Brentwood's unique history and quality of life; both within the Borough and influencing the outcome of regional developments that will affect Brentwood residents.

- **Housing, Health and Wellbeing** – Current legislative reforms will lead to significant changes to the way the Council supports people in housing need and in receipt of state benefits. We will develop different ways of working, both in the way we deliver services and with the voluntary sector, to make sure that the more vulnerable residents in Brentwood are protected, and help goes to those most in need of it.

- **A Safe Borough**- In this era of austerity, it has never been more important to work in partnership to tackle the Borough's community safety issues. As the new Police and Crime Commissioners begin their work, we will involve ourselves in new ways of working and continue to work with Safer Brentwood (the statutory Community Safety Partnership for Brentwood). With our partners and communities, we will further reduce incidents of crime and anti-social behavior in the borough.

- **A Modern Council** – Between 2013 and 2016 the way the Council looks and works will be transformed. We will make it easier for customers to access services and information, cut out bureaucracy that doesn't add value and make sure taxpayers money is spent even more wisely. We will become more entrepreneurial. We will have services delivered by those best placed to deliver excellence and value for money, whilst holding onto and enhancing our role, duties and powers as Local Council and Community Leader.

Service Plans and Appraisals systems have also been strengthened in order to achieve the "golden thread" approach to ensure individual and service priorities and ambitions are fully aligned to the Corporate Plan. The "golden thread" will be the essential link between the Council's high level priorities and the individual employee/service contribution towards the achievement of these priorities.

The Council is a key partner for many external organizations. These include:

- Chamber of Commerce – an organization which provides representation for businesses in the Borough and looks for opportunities to develop and promote business in the Borough.
- Brentwood for Growth - an initiative launched by Brentwood Council, which brings together the Borough's blue chip businesses, who are passionate about promoting and strengthening the local economy.
- Brentwood CVS - Council for Voluntary Service is a local independent voluntary organisation formed and run by the local voluntary groups to promote, support and develop effectiveness of voluntary action.
- Brentwood Community Transport – providing transport for Brentwood residents unable to access public transport.
- Brentwood Renaissance Group – a group of stakeholders meeting to consider improvement of High Street and shopping areas in Brentwood.
- Citizens Advice Bureau – providing advice and empowerment to citizens.
- Community Safety Partnership - Brentwood Community Safety Partnership is the local statutory Community Safety Partnership (CSP) for Brentwood. The Statutory partners include Essex Police, Essex County Fire & Rescue, Essex Probation, and Health. The purpose of the Partnership is to provide a strategic and co-operative approach to addressing local crime and disorder within the Borough by reducing the levels of disorder including crime, anti-social behaviour, the misuse of drugs and reducing re-offending.

During 2013/14, the Council has continued with its established partnership arrangements with Essex County Council in areas such as:

- Internal Audit
- Human Resources

- Legal Services
- Emergency Planning

The Council has also started a 12 month trial with Barking & Dagenham and Thurrock Councils (which is a shared legal services team known as ‘BDT Legal’) for the provision of Legal and Governance Support.

Other joint working arrangements enable the Council to provide cost effective services in areas which require specialist skills and knowledge. The Council is working in partnership with Essex County Council’s Trading Standards to deliver certain licensing functions where possible to avoid duplication of effort and lift the burden on businesses. There is also a Service Level Agreement in place with Chelmsford City Council to deliver the Council’s air quality management reporting to Defra. The Council is also part of an Essex wide procurement deal with the same provider for analysing air pollution. Apart from obvious gains through economies of scale there are consistency benefits regarding analysis techniques ensuring more accuracy with benchmarking between areas within the County.

The Council has a Performance Management Framework. Performance is reported to Overview and Scrutiny on a quarterly basis with any matters of concern referred to relevant Panels/Committees. Performance is also reported to Heads of Service on a monthly basis and to the Corporate Leadership Board on a quarterly basis prior to committee. In addition, progress on key projects is reported to the Corporate Leadership Board on a monthly basis.

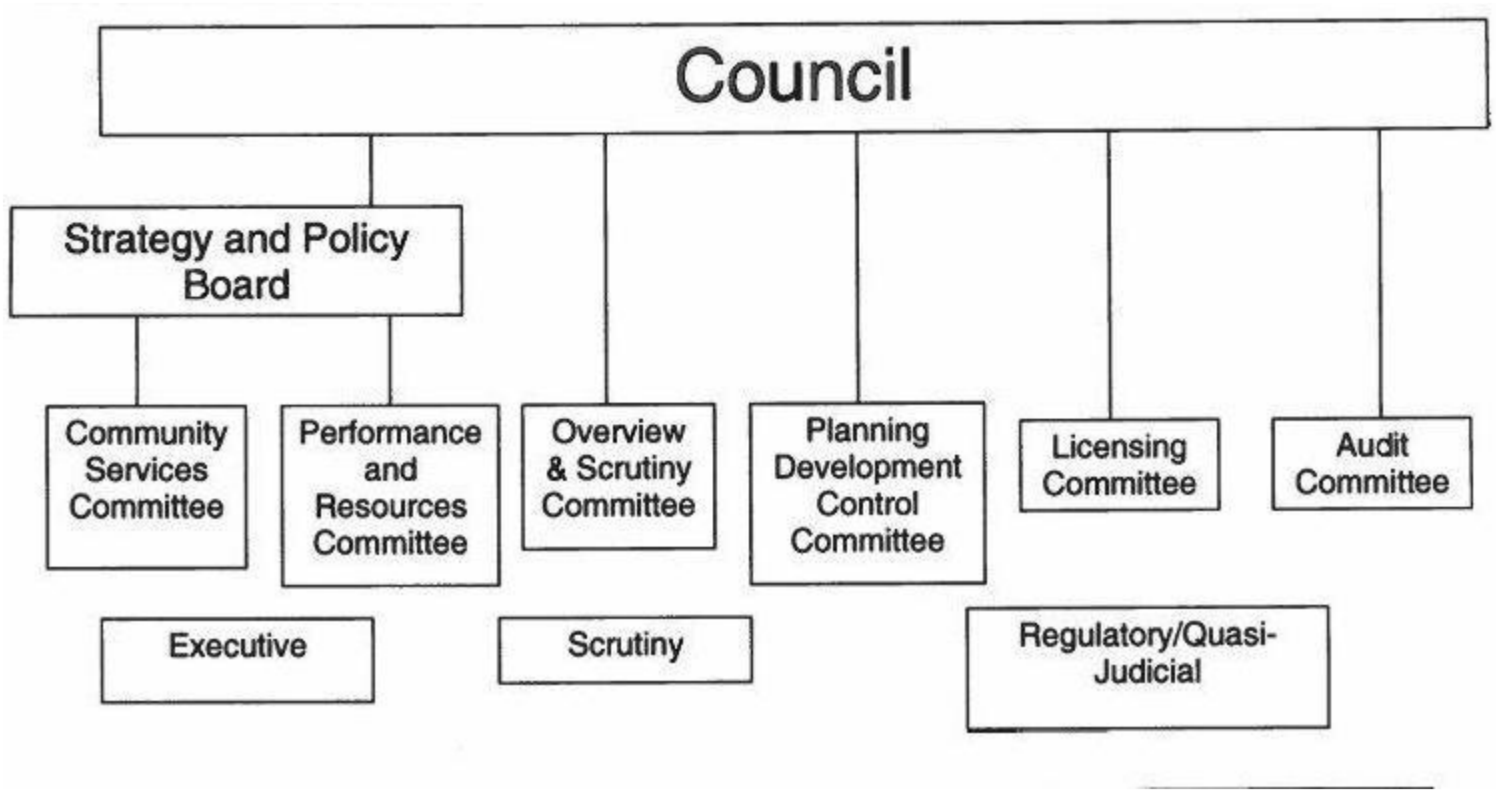
The Council has a Medium Term Financial Plan (MTFP) which forms the framework for the Council’s financial planning. The MTFP details the budget setting process to ensure that the Council’s resources are managed effectively in order to meet its statutory responsibilities and deliver the aspirations of the Council, over the medium term. In addition to this, as part of the Medium Term Financial Planning process, a Savings Strategy has been developed as part of the Council’s New Ways of Working Transformation Programme, which clearly identifies a number of key savings which are to be achieved in order to maintain a balanced budget. These are monitored by the Corporate Leadership Board and Members of Performance & Resources Committee/Strategy and Policy Board.

Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Brentwood Borough Council has adopted a Constitution which sets out how the Council operates, and how decisions are made and the procedures which are followed to ensure these are fit for purpose. It includes protocols on member/officer relations and communications between the two parties.

The committee structure in place during 2013-14 for the Council is shown overleaf.

<u>**Committee Structure**</u>



The Constitution details the roles and functions relative to these bodies, Panels and officers. A Forward Plan is prepared for each Committee/Panel which outlines the key decisions which will be made during the year.

The Corporate Leadership Board (CLB), consisting of the Managing Director, Director of Strategy and Corporate Services and each Head of Service meet on a regular basis and support the Council in providing the strategic direction for delivering the policies and priorities. It also considers other governance issues including risk management, performance management and financial management. The purpose of CLB is:

- To provide clear and visible strategic leadership to the Council
- To develop strategies to achieve Members' priorities for the borough and Council
- To provide coherent and sound advice and support to elected Members
- To drive, manage and monitor the Council's work programme, resource planning and performance
- To manage and minimize risks to the Council
- To drive and steer modernization and change to ensure the Council is efficient and effective
- To shape and drive the culture of the organisation

The Council invited the Local Government Association (LGA) to conduct a follow up Peer Review from the 2011 review in November 2013.

The Peer Team considered:

- The progress the Council has made since the 2011 Peer Review;
- The impact and effectiveness of the Council re-structure;
- The impact and effectiveness of the new governance arrangements;
- How the Council might adopt a more entrepreneurial and commercial approach.

The outcome letter from the review highlighted a number of positive areas:

- Major projects have been advanced;
- Finances are much improved, with a clean bill of health for the accounts and less dependency on reserves in setting the revenue budget;
- Efficiency savings have been delivered;
- Staff are loyal and committed.

There were also a number of areas of concern that the Council needs to address in order to meet the challenge of delivering on our commitment to change:

- Poor ethical behaviour among Members;
- Leaders of the organisation need to display respect for each other and demonstrate that values are being upheld throughout the organisation;
- Develop constructive relationships between Officers and Members and CLB;
- Disproportionate amount of time spent on Member issues; Officers need to be released to focus on the needs of the business rather than day to day involvement in governance issues;
- CLB need to act as a single team with a strategic focus.

An action plan to tackle these issues has been developed and was agreed at an extraordinary Council meeting on 7th April 2014.

Principle 3: Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behavior.

The Council operates to a prescribed set of organisational values which underpin individual and collective behavior and are reflected in discussion, communication and decision making processes. The values and behaviours are:

- One team – trust, support, respect, accessible, speak as one.
- Leadership – own the vision and priorities, promote a positive culture and, challenge if you're not convinced; take responsibility and ownership and positively promote colleagues, staff and Members of the Council.
- Focus on delivery – accountable, performance focused, outcome led, customer centred, partnership working.
- Learning – no blame culture, innovation and creativity, opportunities, engagement, continuous improvement.

In addition, throughout the year the Council has been engaged in a detailed and ongoing review of its new Constitution, introduced in May 2013, so that the document may continue to be developed in the light of experience and feedback from a range of stakeholders including Members, the Constitution Working Group, Group Leaders, Chairs of Committees and staff.

Consequently Members adopted in October 2013 and April 2014 amendments to the new Constitution aimed at ensuring improved clarity, transparency and good governance. In particular the Council revisited its Codes and Protocols affecting Members, Staff, Members/Staff Relations, Politically Restricted Posts, Licensing and the Members' Planning Code of Good Practice to ensure both clarity and robustness of process.

Further the Authority's Independent Persons have been awarded an annual allowance of £500 in recognition of the valuable contribution of their work and input to the Council's governance.

These new processes will assist to promote and maintain the high ethical standards of conduct by the Members and co-opted Members and staff of the Council.

The conduct of Members and officers is further regulated through a number of plans, policies, procedures and strategies. A copy of the Council’s plans, policies, procedures and strategies is available to all staff on the Intranet.

A specific example of this is the Council’s Anti Fraud and Corruption Strategy. Through this policy, the Council is committed to the prevention, detection, investigation, reporting and action in connection with all fraud and corruption affecting Brentwood Borough Council, its partners and those involved in supplying services to the Council.

In addition to the above, the Managing Director (Head of Paid Services), Director of Strategy and Corporate Services(Section 151 Officer) and Head of Legal and Governance (Monitoring Officer) each have specified roles to ensure reports and decisions comply with financial regulations and are lawful.

Each Member receives copies of meeting agendas in advance. As part of the Agenda, it is a requirement for Members to declare any interests at the outset of the meeting.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing of risk.

A key feature of the formal decision making process is within the format and content of the report and supporting papers which outlines the subject matter on which a decision is required. These reports and papers are subject to review by the three Statutory Officers of the Council (Head of Paid Service, Section 151 Finance Officer and Monitoring Officer).

Each report also considers the separate implications arising in the following areas:

- Legal
- Finance
- Staff
- Risk Management
- Asset Management
- Health and Safety
- Equality and Diversity

During 2013-14 the Council held a number of Panels which carry out regulatory or scrutiny functions. This included (for 2013-14) a specific Overview and Scrutiny Committee. The main aim of Overview and Scrutiny is to act as a 'critical friend' to the Council in order to promote better services, policies and decisions. Overview and Scrutiny makes a difference by ensuring that local decision-making is better, that local services are improved and that local democracy is strengthened. Scrutiny ensures that the committees and panels are held to account for the decisions that they make and their impact upon the Borough and its residents. The Council has an Overview and Scrutiny Committee that performs all overview and scrutiny functions on behalf of the Council. No Member may be involved in scrutinising a decision in which he/she has been directly involved.

The Overview and Scrutiny Committee is responsible for setting its own work programme based on key policy development arising from the Corporate Plan or any issues as requested by the Executive Committees (Strategy and Policy Board, Community Services Committee and/or Performance and Resources Committee). The Overview and Scrutiny Committee only considers referrals concerning the Planning Development Control and Licensing Committee if they relate to an emerging trend.

The Overview and Scrutiny Committee may hold enquiries and investigate the available options for future policy development and may appoint advisers and assessors to assist them. They may go on site visits, conduct public surveys, hold public meetings, commission research and do all other things that they reasonably consider necessary to inform their deliberation. They may ask witnesses to attend to address them on any matter under consideration. Scrutiny is outward looking, and aims to involve all stakeholders as far as possible, taking careful

account of the views of service users in particular. The Overview and Scrutiny Committee aims to involve Members of the public in every aspect of its work.
Once it has formed recommendations on proposals for development, the Overview and Scrutiny Committee will prepare a formal report and submit it to the Strategy and Policy Board, or appropriate Panel/Committee or to Council as appropriate. The Overview and Scrutiny Committee also produces an Annual Report to be presented to Council summarising its investigation and findings.

Five committee meetings took place during the 2013/14 municipal year and six task and finish groups were commissioned.

Task & Finish Groups:

1. Review of outside organizations
2. Member training
3. Funding Strategy 2013-16
4. Local Council Tax Support Scheme
5. Planning
6. Member & Officer Communications.

The Committee also considered the following reports:

- Budget Scrutiny Role
- Quarterly Performance Indicators
- Staff Morale
- Ground Maintenance
- Customer Service Transformation – Project Update
- Community Safety Partnership update
- Update on William Hunter Way Working Group
- Update on Crossrail working Group

Call In

Two executive committee decisions were called in and additional meetings arranged accordingly:

7.10.13 - consideration was given to the decision made at the 4.9.2013 Strategy and Policy Board meeting regarding the Hallsford Bridge Development Brief (Minute 134 refers).

16.12.13 – consideration was given to the decision made at the 6.11.2013 Performance and Resources Committee meeting regarding Hutton Community Centre (Minute 237 refers).

The Council also has a planning Development Control and Licensing Committee which discharges the following regulatory functions:

- Decisions on planning applications and enforcement items.
- Regulation of taxis and private hire vehicles, premises used for licensable activities and other licenses.

The Audit Committee provides advice to the Council on the effectiveness of the arrangements for the proper administration of the Council's financial affairs. The Audit Committee also has the specific responsibility to provide robust challenge and review of the Statement of Accounts.

Risk Management is a key consideration across the Council. The objectives of the Council's Risk Management Strategy are to:

Support the Council's aims to:

- Deliver services effectively and efficiently.
- Develop its future plans and strategies.

Enabling the Council to:

- Review its strategic position regularly.
- Escalate those risks to a level were mitigation and responsibility should be taken.
- Identifying potential future threats and opportunities.

Improve our customers' lives by:

- Ensuring the Council takes appropriate action against risk to minimise impact on customer services.
- Reducing financial impact to the Council by mitigating, reducing, transferring or treating risk.
- Ensure the Council takes appropriate action to enable events to be co-ordinated and delivered safely and within the financial constraints of the Council.

In attempting to achieve these objectives CLB and the Audit Committee oversee and manage risk in accordance with the Council's corporate aims and objectives. Their aim is to:

- Regularly review strategic and operational risks.

- Ensure consistency of approach to risk across the Council.
- Act as central point for co-ordination and dissemination of information on risk.
- Update risks and risk management systems in response to new developments e.g. new strategic risks, major change, legislative change, if required.
- Support Managers through sharing expertise on risk and control issues and providing advice and training on best practice.

Principle 5: Developing the capacity and capability of Members and officers to be effective.

An improved induction programme for new Members in 2012/13 was developed and successfully used to introduce the newly elected Members who joined during that year with very positive feedback. This enabled them to familiarize themselves with the processes within the Council and their duties and responsibilities.

Training has been provided during 2013/14 to implement the new Governance arrangements and the different disciplines required for different Committees. Additionally joint training with other authorities has taken place covering such matters as governance structures, division of functions, decision making, Data Protection and Freedom of Information Management, and the requirements imposed by the Regulation of Investigatory Powers Act.

In addition, the Council has introduced a monthly email update from Legal Services to all Members and Managers alerting them to key changes in legislation, consultation and national policies affecting local government.

The Council is committed to work-life balance and offers a range of schemes for its staff, including:

- Flexible working hours
- Job sharing
- Part-time working
- Home working
- Flexible retirement
- One2One Appraisals

The Council is committed to managing and developing it's people, which enables it to be successful in achieving it's corporate priorities, as well as developing the capability of individual employees and capacity overall. The

Council's Corporate Training Budget enables prioritised employee training to ensure we have the right people with the right skills and knowledge. The Council has recently partnered with a training provider to provide a Strategic Leadership Course for its top tier and middle management level of staff. The course will be designed to help the authority shape high performing individuals and teams that can move the Council on to face the challenging agenda ahead.

Key principles of training and development at the Council are:

- All training and development must meet our corporate priorities
- All members of staff should discuss their learning and development with their line manager through performance review, team meetings etc
- Learning and development must represent value for money to the Council
- Learning and development opportunities are offered to staff in a fair and equitable manner

Brentwood Vine East is the Council's own e-learning platform and enables employees to be trained in a number of subjects in a cost effective and timely manner. Brentwood is part of the Vine East network, which aims to promote collaboration and sharing in order to provide e-learning opportunities for staff. Many of the courses here have been written by other authorities in the eastern region and repurposed for Brentwood Borough Council staff.

The Council is also committed to investment in core systems to help streamline processes and increase the efficiency and effectiveness of the delivery of Council Services. This includes the investment and implementation of a new Financial Management System, and continued development of Orchard (Housing Services) and Northgate (Revenues and Benefits).

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

The Council is committed to eliminating discrimination within the workplace and the community and has achieved the "developing" level of the Equality Standard for Local Government. The Council has published an Equality and Diversity Journey and compliance with its Equality Act duties document.

The Council has a Customer Complaints Policy which states that a complaint will be acknowledged within 5 working days, giving details of the contact officer. The key stages of the Policy are:

- In the first instance (Stage 1), all formal complaints will be referred to the appropriate Director or Head of Service concerned, in order that he/she has an opportunity to seek to resolve the matter.

- We aim to respond in writing within 20 working days of receipt of the complaint.
- If after receiving a reply from the relevant Director or Head of Service, the complaint is not satisfied then it is referred to the Complaints Coordinator.
- Any complaint referred to the Complaints Co-ordinator (Stage 2) will be acknowledged within 5 working days and a written response will be sent as quickly as possible, generally within 20 working days of receipt.
- If we are unable to resolve the problem, the Complaints Co-ordinator will arrange, if required, guidance on bringing the matter before the Local Government Ombudsman for independent investigation.

Regular reports on Corporate Complaints are monitored by the Audit Committee. The process is robust and the Council has never had a finding made of Maladministration against it.

All Council meetings are open to the public, except where personal or confidential matters are to be discussed. All agendas and minutes are placed on the Council's public website, and are also available by contacting the Council direct, should electronic access not be possible.

The Council engages in formal consultation on specific issues affecting the residents, businesses and other organisations of Brentwood to ensure the decisions we make represent public opinion and are informed by the feedback received. During 2013/14, this included:

- Vision and Priorities for the Borough
- Draft Local Council Tax Support Scheme
- Chatham Way Car park
- Tenancy Strategy
- Funding Strategy
- High Street Market

4. <u>Review of effectiveness</u>

Brentwood Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Panel for Complaints against Members, Audit Committee, Overview and Scrutiny, Corporate Leadership Board, External Auditors, Head of Internal Audit's Annual Report, performance management and other working groups within the Council who have responsibility for the development and maintenance of the governance environment.

Constitution

This is the key formal document governing the governance framework. All decision making is made in accordance with the requirements of the Constitution and the Schemes of Delegation contained within it. Formal rules governing the way in which the Panels, Committees, officers and Members conduct their business is also contained within the Constitution and include:

- Financial Regulations and Standing Orders
- The Constitution and Standing Orders for the regulation of business
- Codes of conduct for Members and officers

The Monitoring Officer has a duty to monitor and review the Constitution to ensure that its aims and principles are current and effective.

Extensive work has been undertaken on the Council's Constitution during 2013/14

Following the adoption of the new Constitution in May 2013. An ongoing review began in September 2013 and continued in 2014 to ensure, in the light of stakeholder experience and feedback that the new Constitution continued to develop and improve towards the aspirations of:

- clearly set out how the Council works, how decisions are made and the procedures to be followed to ensure that decisions are efficient, transparent and accountable through Members to local residents and local communities;
- being clear about the rules, functions and responsibilities of both Members and the Council's staff;
- being clear about the rights which residents have in their dealings with the Council; and
- being accessible to everyone.

As result of this work and feedback the Council agreed in October 2013 amendments to the following parts of the Constitution:

- Public Questions (Part 4.1)
- Access to Information Rules (Part 4.2)
- Budget and Policy Framework Rules (Part 4.3)
- Financial Regulations (Part 4.5)
- Staff Employment Procedure Rules (Part 4.7)

- Members Planning Code of Good Practice (Part 5.2)
- Staff Code of Conduct (Part 5.3)
- Member / Staff Relations Protocol (Part 5.4)
- Delegations to Staff General Principles and Monitoring Officer (Article 12)

This detailed work of review and incremental improvement continued throughout the year and in April 2014 Council agreed further amendments to the following areas of the Constitution:

- Contract Standing Orders
- Proceedings at Council and its Committees
- Licensing Committee Procedure Rules
- Members' Code of Conduct
- Politically Restricted Posts

It is envisaged that the next steps will be to address a review of the Scheme of Delegations to Staff and the Planning Committee Procedure Rules which will be reported to a future meeting of Council in 2014/15.

At all stages of this ongoing review and feedback process the cross-party Constitution Working Group, Leaders of the Political Parties, Chairs of Committees and staff were invited to participate in the consultation process.

Standards

As part of the ongoing review of the new Constitution, Council in April 2014 agreed a revised Members' Complaint Procedure which introduced a 3 stage process and clarified the roles of the Independent Persons, Monitoring Officer, Group Leaders and Council as follows:

Filter Stage**:**

Upon receiving a complaint, the Monitoring Officer in consultation with the Independent Person will decide whether the complaint warrants investigation. Save where the Monitoring Officer accepts there are exceptional circumstances, it is unlikely that a complaint which does not satisfy the new filter / threshold criteria would be investigated.

At the filter stage, the Monitoring Officer, in consultation with the Independent Person, will decide either:

(a) that the complaint is not suitable for investigation, or

(b) the allegations are of a criminal nature and therefore, the matter should be referred to the Police, or

(c) that the complaint should be investigated further and should move to the next stage of the complaints procedure.

Throughout the process, the Monitoring Officer will try to seek an informal resolution where possible. The Group Leader will be informed of the complaint and of the Monitoring Officer's decision.

Investigations and decision making process:

If the Monitoring Officer decides that an investigation is warranted, he/she may investigate or appoint someone to investigate. A hearing would then be conducted by the Monitoring Officer in consultation with the Independent Person at which the parties would submit their evidence in accordance with the principles of natural justice.

Sanction:

The Monitoring Officer's and Independent Person's findings would be reported to the Group Leader who will decide on an appropriate sanction in consultation with the Independent Person. If the Independent Person is satisfied with the Group Leader's response and the Member complies with the sanction, the Monitoring Officer will take no further action.

If the Independent Person is dissatisfied with the Group Leader's response or the Member does not comply with the agreed sanction, the Independent Person would prepare a report to Council for decision.

The advantages of this revised procedure were seen as an opportunity to clarify the roles of the respective parties, especially the Independent Persons as well clearly defining the stages of the process - ensuring transparency, ownership and good governance in accordance with the principles of natural justice.

Complaints Against Members Panel

Council also approved in April 2014 a nominal allowance of £500 per annum for the authority's three Independent Persons in recognition of their work and commitment to the authority's aspirations of transparent and robust good governance. During 2013 / 2014 there have been 7 meetings of the Panel which have considered 17 complaints in total.

It is built into the process that minor matters can be resolved through the parties with serious matters being referred to Ordinary Council and Criminal Matters passed to the Police. The Independent Persons provide the checks and balances to the process to ensure fairness in decision making.

Audit Committee

The Audit Committee met 4 times during the year. The key items considered by the Committee were:

- Strategic and Operational Risks
- Business Continuity Plans
- Fraud Statistics
- Statement of Accounts 2012/13
- External Audit Results Report
- Annual Audit Letter and External Audit Updates
- Internal Audit Progress Reports
- Internal Audit Annual Report 2012/13
- Internal Audit Plan
- Internal Audit Charter
- External Audit Plan
- Audit and Certification Fees 2013/14
- Annual Certification Report
- Corporate Complaints Monitoring Reports

Internal Audit

The role of Internal Audit is to provide an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. It is a key part of the Council's internal control system and integral to the framework of assurance that the Audit Committee can place reliance on to assess its internal control system.

The Internal Audit service is provided to the Council under contract with Essex County Council.

The Internal Audit opinion for the year ended 31 March 2014 is one of **Adequate Assurance** which means that there is a sound system of internal control in operation in most systems, adequately designed to meet the Council's objectives, and controls are generally being applied consistently. This is the second year that the

Council has received an Adequate Assurance opinion, the opinion for the prior 3 years being one of Limited Assurance.

A summary of the finalised Audit reports is as follows:-

- 2 Audit reviews received an opinion of **Full Assurance**.
- 19 areas received **Substantial Assurance** opinions, 11 of which related to key fundamental systems.
- 3 Audit reviews received a **Limited Assurance** opinion, 2 of which demonstrated a deterioration since 2012/13. These were:
    - Risk Management
    - Accounts Receivable
- There were no critical recommendations made during the year and there were no reviews that received a **No Assurance** opinion.

Where weaknesses have been identified remedial actions have been agreed and the Council has in place robust processes for tracking and reporting on the implementation of the recommendations made to mitigate the associated risks.

External Audit

The External Auditor's Annual Audit and Inspection Letter for 2012/13 contained the following key messages:

- Ernst & Young issued an unqualified opinion on the 2012/13 financial statements including the Statement of Accounts.
- Ernst & Young concluded that the Council had in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- Assurance statement in respect of the work undertaken on the Whole of Government Accounts (WGA).

5. <u>Significant Governance Issues</u>

There are a number of key issues which are currently under review which need to be highlighted within this Statement:

- **Peer Review Report –** the Council must deliver the improvements identified in the Action Plan in order to meet the challenge of delivering on our commitment to change.
- **Future funding levels –** further reductions in Government funding is inevitable. In addition, the changes to Local Government Finance arrangements through the Localisation of Business Rates and Localised

Council Tax Support will continue to have significant risk implications to the levels and stability of future funding levels.

- **Organisational Transformation** – as part of the medium term financial planning process an outline business case was approved in February 2013. The New Ways of Working Model is based on 4 key strands:
    - **Customer Excellence** – a customer transformation project which will promote a channel shift for customer enquiries, supported by a multi-skilled front of house reception team.
    - **Efficiency Reviews** – primarily focused on reducing back office costs by streamlining processes and exploring different service delivery models.
    - **Management Restructure** – a flexible, interim structure will be required to support the transformation. However, a further reduction in Senior Management posts is anticipated to mirror the new organisational model.
    - **Entrepreneurial Activities** – generation of additional income through commercial activities, better use of our assets and improved performance (e.g. recycling rates)

  Delivery of this transformation programme will continue to present a challenge for the Council and its employees.

The delivery of the Peer Review Action Plan will be monitored throughout the year and reported to Council. The financial challenges will continue to be monitored and addressed as part of the medium term financial planning process to ensure that valuable resources support the delivery of the Corporate Plan. The delivery of the New Ways of Working will be divided into separate workstreams and monitored by both CLB and Members. The Council is therefore satisfied that our work during the coming year will demonstrate continuous improvement and we will evaluate the effectiveness of the changes as part of our next annual review.

Signed: **……………………………………………………..**

Leader of the Council

……………………………………………………..

Acting Chief Executive

Glossary of Terms

Accounting period	The period of time covered by the accounts, normally a period of twelve months starting on 1st April and ending on 31st March the following year. The end of the accounting period is the balance sheet date.
Accounting policies	Those principles, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in the financial statements through: • recognising • selecting measurement bases for and • presenting assets, liabilities, gains, losses and changes to reserves.
Accrual	A sum included in the accounts to cover income or expenditure attributable to an accounting period for goods received or works done, for which payment has not been received or made by the end of that accounting period. In other words, income and expenditure are recognised when they are earned or incurred, not when money is received or paid.
Actuary	A suitably qualified independent consultant employed to advise Essex councils on the financial position of the Pension Fund.
Actuarial gains and losses	Actuarial gains or losses for defined benefit pension schemes arise because events have not coincided with the actuarial assumptions made, or the actuarial assumptions have changed.
Agency	Agreement that the Council can undertake services on behalf of other authorities or the Government in its area.
Appropriation	The transfer of resources between the revenue or capital accounts and reserves held by the Council.
Asset	An item having value measurable in monetary terms. Assets can either be defined as non-current or current. A non-current asset has use and value for more than one year whereas a current asset (e.g. stocks or short term debtors) can more readily be converted into cash.
Audit	An independent examination of an organisation's activities, either by an internal audit section or equivalent or the organisation's external auditor.
Balance Sheet	This is a summary of the financial position of the Council. It shows the long-term and current assets and liabilities of the Council and its reserves.

Billing Authority	This is the Council as the body responsible for billing and collecting the Council Tax from all residential properties within the borough on behalf of itself, Essex County Council, Essex Fire Authority, Essex Police Authority and Parish Councils. The Council is also responsible for the billing and collection of National Non-Domestic Rates (NNDR or Business Rates) from commercial properties in the borough.
Budget	A budget is a financial statement that expresses the Council's service delivery plans and capital programmes in monetary terms.
Capital Adjustment Account	This account represents amounts set aside from revenue resources or capital receipts to finance expenditure on non-current assets, or for the repayment of external loans.
Capital Charge	A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services.
Capital Expenditure	Expenditure on the acquisition or refurbishment of non-current assets and other eligible items that will be of benefit to the Council in providing its services for more than one year.
Capital Financing	The raising of money to pay for capital expenditure. Capital financing methods include borrowing, direct revenue funding, use of capital receipts, capital grants, capital contributions and revenue reserves.
Capital Programme	The Council's plans for capital expenditure and funding over future years, including the purchase or improvement of buildings and the acquisition of vehicles and major items of equipment.
Capital Receipts	Proceeds from the sale of assets, which may be used to finance new capital expenditure, set aside for the repayment of external loans or paid to a national pool (if from the sale of HRA dwellings).
Capitalise	To treat expenditure as capital expenditure, including some expenditure which would normally be classed as revenue expenditure (see also REFCUS).
Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is the lead professional accountancy body for the public sector. CIPFA produces guidance in relation to various matters concerning the public sector including financial and governance issues.
Code of Practice (COP)	Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Collection Fund	A fund administered by the Council which accounts for the collection of Council Tax and National Non-Domestic Rates (NNDR or Business Rates). Council Tax is paid into this fund and distributed to the Council, Essex County Council, Essex Police Authority, Essex County Fire Authority and Parish Councils. NNDR is paid over to the Government (less an allowance for the costs of collection) which distributes it nationally on the basis of population.
Comprehensive Income and Expenditure Statement (CI&ES)	A statement which records all the day to day income and expenditure of the Council on General Fund or Housing Revenue Account services provided during the financial year.
Contingent Liability	A possible or present obligation that arises from past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. A contingent liability is 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 which is used to help finance the budget requirement of the Council and Preceptors for the year.
Creditors	Amounts owed by the Council, for work done, or goods or services received for which no payments have been made by the Council at the Balance Sheet date.
Current Asset	An asset held which will be used, or received, within the next financial year.
Current Liability	An amount which will become payable within the next financial year.
Debtors	Amounts owed to the Council for goods or services provided, for which no payments have been received by the Council at the Balance Sheet date.
Deferred Liability	A liability which is not fully paid at the current time, but is due for payment either some time in the future, or over a period of time.
Deferred Receipt	Income still to be received where the Council has agreed that amounts are payable beyond the next year, either at some point in the future, or by an annual sum over a period of time.
Defined Benefit Pension Scheme	A pension scheme other than a defined contribution scheme. Usually the scheme rules define the benefits (annual pensions and retirement lump sums) 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).

Depreciation	A measure of the amount of a non-current asset that has been consumed during the period. Consumption includes any reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through technical or other changes.
Discretionary Benefits	Retirement benefits which the Council has no legal, contractual, or constructive obligation to award but are awarded under discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.
Earmarked Reserve	A reserve held for a specific future purpose, including to carry forward a revenue underspend in one financial year to the next.
Equity Instrument	A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (such as an equity share in a company).
Fees and Charges	Amounts paid by the public for a variety of services such as parking, letting of community halls and the hire of sporting facilities.
Finance Lease	Such a lease transfers all the risks and rewards of ownership of a non-current asset to the lessee, and is included as a non-current asset in the Balance Sheet of the lessee. (See, for comparison, “Operating Lease”).
Financial Asset	A right to future economic benefits controlled by the Council that is represented by cash, the equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity, or a contractual right to exchange financial assets and/or liabilities with another entity under conditions that are potentially favourable to the Council.
Financial Instrument	A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial Liability	An obligation to transfer economic benefits controlled by the Council that is represented by a contractual obligation to deliver cash or another financial asset to another entity, or a contractual obligation to exchange financial assets and/or liabilities with another entity under conditions that are potentially unfavourable to the Council.
Financial Reporting Standards (FRS's)	Issued by the Accounting Standards Board and provide standards for the preparation of financial statements. The Council’s accounts are prepared in accordance with FRS’s (or SSAP’s where these remain in force) where they apply to local authorities.
General Fund (GF)	The main revenue account of a local authority from which revenue payments are made to meet the costs of providing services.

Housing Revenue Account (HRA)	A separate ring-fenced account within the General Fund which contains the expenditure and income arising from the provision of housing accommodation by the Council as landlord.
Impairment	The amount by which the recoverable amount of a non-current asset is lower than the carrying value amount.
Intangible Asset	A non-current asset such as a software licence which has no physical substance.
Interest	An amount received or paid for the use of a sum of money when it is invested or borrowed.
International Financial Reporting Standards (IFRS)	Standards which prescribe or have been adapted to prescribe the way in which a local authority Statement of Accounts is constructed.
Inventories	Raw materials and stores which the Council has bought and holds in stock for use as required.
Lease	A method of financing capital expenditure where a rental charge is paid for an asset for a specified period of time.
Major Repairs Allowance (MRA)	Government Subsidy to the HRA to fund major repairs to the Council's housing stock.
Minimum Revenue Provision (MRP)	The minimum amount which must be charged to the Council’s revenue accounts and set aside as a provision for repaying borrowing or other credit liabilities.
National Non-Domestic Rates (NNDR)	A tax on local businesses paid into a national pool and then redistributed to councils as a Government grant to help finance services.
Net Assets	The difference between long-term and current assets and liabilities, equivalent to total reserves on the Council’s Balance Sheet.
Non-Current Assets – Intangible	Assets such as software licences that do not have physical substance but are identifiable and controlled by the Council and will bring benefits to the Council for more than one financial year.
Non-Current Assets – Tangible	Assets that have physical substance and are held for the provision of services or for administration purposes on a continuing basis.

Non-Operational Assets	Non-current assets not directly used or consumed in the delivery of services or for the administration of the Council. Examples include assets that are surplus to requirements, pending sale or redevelopment, and assets under construction.
Operating Lease	An agreement for the rental of an asset where the rewards and risks of ownership of the asset remain with the lessor. The annual rentals are charged to the Comprehensive Income and Expenditure Statement (see, for comparison, "Finance Lease").
Operational Assets	Non-current assets held and occupied, used or consumed in the direct delivery of those services for which the Council has a statutory or discretionary responsibility or for the administration of the Council.
Outturn	The actual expenditure and income for the financial year in question.
Precept	The net amount paid to each preceptor from Council Tax income collected and paid into the Collection Fund.
Precepting Authority	Essex County Council, Essex Police Authority, Essex Fire Authority and Parish Councils.
Preceptor	Another word for "Precepting Authority".
Premium	An amount payable on the premature repayment of a loan, generally equivalent to the difference between the present value of the remaining payments of principal and interest due on the original loan and that calculated based on the rates of interest in force when the repayment is confirmed.
Provision	An amount set aside to provide for a liability that is likely to be incurred but where the exact amount or the date on which it will arise is uncertain.
Public Works Loan Board (PWLB)	A Government agency that provides longer-term loans to local authorities at interest rates marginally above the Government's own borrowing rate.
Remuneration	All amounts paid or payable to an employee, including sums due by way of expense allowances and the estimated money value of any other benefits otherwise than in cash. It excludes employers' pension contributions to the Pension Fund.
Related Party Transaction	A transaction where one of the parties involved has control or influence over the financial and operational policies of the other party.
Reserves - Usable	The Council's accumulated surplus income over expenditure which can be used to finance future spending and is available to meet unforeseen events.
Reserves - Unusable	Reserves which exist for technical accounting reasons and do not represent amounts that can be used to finance expenditure.

Retirement Benefits	Consideration payable after the completion of employment given by an employer in exchange for services rendered by employees. Does not include termination benefits 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.
Revaluation Reserve	An account representing the balance of the net surpluses arising on the revaluation of fixed assets.
Revenue Expenditure	Day-to-day expenditure on items such as salaries and wages, running expenses and capital and interest charges.
Revenue Expenditure Funded from Capital under Statute (REFCUS)	Revenue expenditure which may be properly capitalised under statute or Government direction but which does not result in a non-current asset,
Section 106 Agreement	Section 106 of the Town and Country Planning Act 1990 empowers a local planning authority such as the Council to enter into a legally binding agreement or planning obligation with a land developer to undertake works, provide affordable housing or provide additional funding for services.
Section 151 Officer	Section 151 of the Local Government Act 1972 requires the Council to appoint an officer responsible for the proper administration of the Council's financial affairs. The Director of Strategy and Corporate Services is the Council's Section 151 Officer.
Service Reporting Code of practice (SeRCOP)	CIPFA code which establishes proper practice with regard to consistent financial reporting below the Statement of Accounts level. Given statutory force by regulations made under the Local Government Act 2003.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRENTWOOD BOROUGH COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Brentwood Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, related notes 1 to 37, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, related notes HRA1 to HRA7, Collection Fund and the related notes 1 to 4. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Brentwood Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Acting Chief Executive and auditor

As explained more fully in the Statement of the Acting Chief Executive's Responsibilities set out on page 13, the Acting Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Acting Chief Executive; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2013/14 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Brentwood Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

In our opinion, the information given in Statement of Accounts 2013/14 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Brentwood Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the accounts of Brentwood Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Debbie Hanson
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
30September 2014