



# STATEMENT OF ACCOUNTS 2014/15

September 2015



## **CONTENTS**

	<b>Page</b>
<b>EXPLANATORY FOREWORD</b>	<b>4</b>
<b>STATEMENT OF RESPONSIBILITIES</b>	<b>13</b>
<b>MOVEMENT IN RESERVES STATEMENT</b>	<b>14</b>
<b>COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>	<b>15</b>
<b>BALANCE SHEET</b>	<b>16</b>
<b>CASH FLOW STATEMENT</b>	<b>18</b>
<b>NOTES TO THE ACCOUNTS</b>	<b>19</b>
<b>HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT</b>	<b>85</b>
<b>MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT</b>	<b>86</b>
<b>NOTES TO THE HOUSING REVENUE ACCOUNT</b>	<b>86</b>
<b>COLLECTION FUND</b>	<b>91</b>
<b>NOTES TO THE COLLECTION FUND</b>	<b>92</b>
<b>ANNUAL GOVERNANCE STATEMENT</b>	<b>94</b>
<b>GLOSSARY</b>	<b>111</b>
<b>INDEPENDENT AUDITOR'S OPINION</b>	<b>118</b>

# EXPLANATORY FOREWORD

## Introduction

The Statement of Accounts summarises the financial performance of the Council for the year ended 31 March 2015. 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 shows the movement in the year on the different reserves held by the Council analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax setting and housing rents setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves by the Council.
  - Comprehensive Income and Expenditure Statement*  
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations – this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
  - Balance Sheet*  
This shows the value at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are either usable or unusable. Usable reserves are those that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve can only be used to fund capital expenditure or repay debt). Unusable reserves cannot be used to provide services. Included are reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

### Cash Flow Statement

This shows the changes in cash and cash equivalents of the Council during the year. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities. The amount of net cash flow arising from operating activities is a key indicator of the extent to which operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been used to contribute to future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows as a result of borrowing.

- **Notes to the Core Financial Statements including significant Accounting Policies**  
These provide supporting analysis to the Core Financial Statements. The significant 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) Income and Expenditure Statement shows the economic cost for the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and other income. Councils charge rents to cover expenditure in accordance with regulations - this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

#### Collection Fund

This is an agent's statement that reflects the statutory obligation for billing authorities such as the Council to maintain a separate Collection Fund. It shows the transactions of the Council in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates (NDR).

- **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 2014/15 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 (£10.4million in 2014/15).

For 2014/15, the approved spending requirement for the Council's General Fund was £10.0 million. 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
<b>Corporate Priorities – Service Expenditure</b>			
Street Scene and Environment	3,303	3,366	63
Localism	1,301	1,251	(50)
A Prosperous Borough	634	457	(177)
Housing, Health and Wellbeing	506	427	(79)
A Safe Borough	1,224	1,306	82
A Modern Council	3,052	3,153	101
<b>TOTAL SPEND ON CORPORATE PRIORITIES</b>	<b>10,020</b>	<b>9,960</b>	<b>(60)</b>
Adjustments and appropriations	(304)	(380)	(76)
Payment to Parish Councils	282	282	-
<b>TOTAL SPENDING REQUIREMENT</b>	<b>9,998</b>	<b>9,862</b>	<b>(136)</b>
<b>Funding:</b>			
Council Tax	(5,476)	(5,476)	-
Revenue Support Grant and Business Rates	(3,197)	(3,073)	124
Council Tax Freeze Grant	(56)	(56)	-
Collection Fund Surplus	(37)	(37)	-
New Homes Bonus Grant	(1,215)	(1,220)	(5)
<b>TOTAL COUNCIL FUNDING</b>	<b>(9,981)</b>	<b>(9,862)</b>	<b>119</b>
<b>Deficit / (Surplus) for General Fund Services</b>	<b>17</b>	<b>-</b>	<b>(17)</b>

The table below details variances against the approved budget:

	£'000 Variance
<b>Income:</b>	
Higher than anticipated planning applications fees	(96)
Higher than anticipated parking income	(82)
Lower than anticipated golf course income	31
<b>Expenditure:</b>	
Higher than anticipated postage expenditure	42
Additional one-off costs of new banking arrangements	29
Additional one-off costs of new telephone system	20

Costs incurred on additional Awareness Events in the borough	19
Additional works and running expenses in cemeteries	14
Underspends on Finance and HR systems	(29)
Other	(8)
<b>Total Variation for 2014/15</b>	<b>(60)</b>

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

- transferring £362,300 from the Funding Volatility reserve to the General Fund working balance following a reassessment of the future funding position.
- transferring reserve balances no longer required from the Housing Benefit Subsidy Clawback reserve (£200,000) and the Housing Development Fund (£100,000) to the General Fund working balance.
- transferring the balance on the HRA Equal Pay reserve (£176,000) to the HRA to fund successful claims.
- increasing the Council Dwellings Investment Fund by £500,000.
- putting £400,000 into a Council Dwellings Repairs and Maintenance reserve to fund backlog works in future years.

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 2015 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.



	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
<b>Expenditure:</b>			
Repairs and Maintenance	2,584	3,075	491
Supervision and Management	2,898	3,021	123
Rents, Rates, Taxes and Other Charges	189	184	(5)
Share of Corporate Costs	446	464	18
Depreciation and Impairment	2,026	2,059	33
Increase in Bad Debts Provision	85	102	17
Interest and Debt Management	1,988	1,999	11
Appropriations and Other Charges	2,938	2,511	(427)
<b>TOTAL EXPENDITURE</b>	<b>13,154</b>	<b>13,415</b>	<b>261</b>
<b>Income:</b>			
Dwelling Income	(11,870)	(11,866)	4
Non-Dwelling Income	(524)	(542)	(18)
Charges for Services and Facilities	(638)	(781)	(143)
Other	(231)	(320)	(89)
<b>TOTAL INCOME</b>	<b>(13,263)</b>	<b>(13,509)</b>	<b>(246)</b>
<b>Deficit / (Surplus) for HRA Services</b>	<b>(109)</b>	<b>(94)</b>	<b>15</b>

The table below details variances against the approved budget:

	<b>£'000 Variance</b>
<b>Income:</b>	
Higher than anticipated service charges	(143)
Insurance claims	(89)
<b>Expenditure:</b>	
Repairs and maintenance (R and M) expenditure, mainly on void properties	491
Contribution to R and M Reserve for future backlog expenditure	400
Equal pay claim not budgeted for	62
Increased depreciation	33
Net increase in employer's pension payments	20
Increase in provision for bad and doubtful debts	18
Other	3

Lower revenue contribution to finance capital expenditure required	(780)
<b>Total Variation for 2014/15</b>	<b>15</b>

As at 31 March 2015, the HRA Working Balance was £1.8 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, borrowing, 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.

	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
<b>Corporate Priorities – Service Expenditure</b>			
Street Scene and Environment	621	260	(361)
Localism	259	203	(56)
A Prosperous Borough	236	70	(166)
Housing, Health and Wellbeing	3,952	2,247	(1,705)
A Safe Borough	168	124	(44)
A Modern Council	1,513	441	(1,072)
<b>TOTAL SPEND ON CORPORATE PRIORITIES</b>	<b>6,749</b>	<b>3,345</b>	<b>(3,404)</b>
<b>Funding</b>			
Capital Receipts	3,876	1,051	2,825
Government Grants	120	122	(2)
Other Grants and Contributions	-	95	(95)
HRA Business Plan	2,753	2,077	676
<b>TOTAL FUNDING</b>	<b>6,749</b>	<b>3,345</b>	<b>3,404</b>

Of the underspending, £210,000 was a result of the cessation of the cesspool service, the postponement of vehicle replacements and Section 106 schemes. A total of £3.135 million will be carried forward to 2015-16 to provide continuous funding to a number of continuing projects, including the following:

	<b>£'000</b>
Investment in HRA properties	1,586
Town Hall re-modeling	964
Vehicle replacement programme	150
Asset Management Strategy	126
Car park refurbishment and upgrade	95
Golf course irrigation	50
Hutton Community Centre	50

#### Current Borrowing Facilities and Capital Borrowing

At 31 March 2015 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:

<b>31 March 2015</b>		
	<b>Principal</b>	<b>Average Rate</b>
	<b>£ million</b>	<b>%</b>
Fixed Interest Rate Debt	2.000	8.075
HRA Self-financing resultant debt	64.166	3.101
<b>Total Debt</b>	66.166	-
<b>Total Investments</b>	8.822	0.328
<b>Net Borrowing Position</b>	57.344	-

It should be noted that total debt excludes transferred debt from other councils (following reorganisation) of £0.525 million. Net borrowing has reduced by £8.277 million since last year. This is because of cash surpluses and a consequent increase in short-term investments on 31 March 2015. The investments of £8.822 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	2015/16 £'000	2016/17 £'000	2017/18 £'000
<b>Expenditure</b>			
General Fund	5,056	1,529	660
Housing Revenue Account	4,535	5,154	4,555
<b>TOTAL EXPENDITURE</b>	<b>9,591</b>	<b>6,683</b>	<b>5,215</b>
<b>Financing</b>			
Capital Receipts	2,917	646	466
Borrowing	2,485	1,399	510
Met from Reserves	2,184	2,184	2,184
Contributions from Revenue	1,885	2,334	1,935
Government Grants	120	120	120
<b>TOTAL FINANCING</b>	<b>9,591</b>	<b>6,683</b>	<b>5,215</b>

### Net Pension Liability and Reserve

The Council's Balance Sheet shows a net liability of £47.0 million at 31 March 2015, 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 **Finance Director, 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 the Finance Director.
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- approve the Statement of Accounts.

### The Finance Director's Responsibilities

The Finance Director 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).

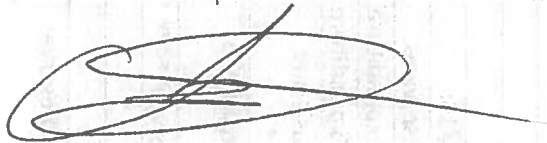
In preparing this Statement of Accounts, the Finance Director has:

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

The Finance Director has also:

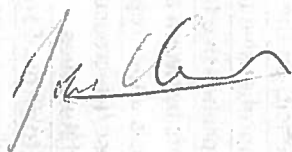
- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts gives a true and fair view of the financial position of the Council as at 31 March 2015 and of its expenditure and income for the year then ended.



Chris Leslie  
Finance Director  
11<sup>th</sup> September 2015

The Statement of Accounts was approved by the Council's Audit, Scrutiny and Transformation Committee on 29<sup>th</sup> September 2015.



Councillor J. Kerslake  
Chair  
29<sup>th</sup> September 2015

# MOVEMENT IN RESERVES STATEMENT

	General Fund Balance *	Earmarked General Fund Reserves *	Housing Revenue Account *	Earmarked HRA Reserves *	Capital Receipts Reserve **	Capital Grants Unapplied **	Major Repairs Reserve **	Total Usable Reserves	Unusable Reserves ***	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2013</b>	3,649	3,350	1,822	505	1,593	14	20	10,953	81,335	92,288
<b>Movement in reserves during 2013/14:</b>										
Surplus/(deficit) on the provision of services	(4,175)	-	12,147	-	-	-	-	7,972	-	7,972
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	16,520	16,520
<b>Total Comprehensive Income and Expenditure</b>	<b>(4,175)</b>	<b>-</b>	<b>12,147</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,972</b>	<b>16,520</b>	<b>24,492</b>
Adjustments between accounting basis and funding basis under regulations. ****	4,957	-	(12,120)	-	359	102	-	(6,702)	6,702	-
<b>Net increase/(decrease) before transfers to Earmarked Reserves</b>	<b>782</b>	<b>-</b>	<b>27</b>	<b>-</b>	<b>359</b>	<b>102</b>	<b>-</b>	<b>1,270</b>	<b>23,222</b>	<b>24,492</b>
Transfers (to)/from Earmarked Reserves *****	80	(80)	(184)	184	-	-	-	-	-	-
<b>Increase/(decrease) in 2013/14</b>	<b>862</b>	<b>(80)</b>	<b>(157)</b>	<b>184</b>	<b>359</b>	<b>102</b>	<b>-</b>	<b>1,270</b>	<b>23,222</b>	<b>24,492</b>
<b>Balance at 31 March 2014</b>	<b>4,511</b>	<b>3,270</b>	<b>1,665</b>	<b>689</b>	<b>1,952</b>	<b>116</b>	<b>20</b>	<b>12,223</b>	<b>104,557</b>	<b>116,780</b>
<b>Movement in reserves during 2014/15:</b>										
Surplus/(deficit) on the provision of services	(1,882)	-	6,838	-	-	-	-	4,956	-	4,956
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	9,005	9,005
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,882)</b>	<b>-</b>	<b>6,838</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,956</b>	<b>9,005</b>	<b>13,961</b>
Adjustments between accounting basis and funding basis under regulations. ****	1,194	-	(6,018)	-	367	(2)	(20)	(4,479)	4,478	(1)
<b>Net increase/(decrease) before transfers to Earmarked Reserves</b>	<b>(688)</b>	<b>-</b>	<b>820</b>	<b>-</b>	<b>367</b>	<b>(2)</b>	<b>(20)</b>	<b>477</b>	<b>13,483</b>	<b>13,960</b>
Transfers (to)/from Earmarked Reserves *****	686	(686)	(724)	724	-	-	-	-	-	-
<b>Increase/(decrease) in 2014/15</b>	<b>(2)</b>	<b>(686)</b>	<b>96</b>	<b>724</b>	<b>367</b>	<b>(2)</b>	<b>(20)</b>	<b>477</b>	<b>13,483</b>	<b>13,960</b>
<b>Balance at 31 March 2015</b>	<b>4,509</b>	<b>2,584</b>	<b>1,761</b>	<b>1,413</b>	<b>2,319</b>	<b>114</b>	<b>-</b>	<b>12,700</b>	<b>118,040</b>	<b>130,740</b>

\*\*\* See Note 21

\*\*\*\* See Note 7

\*\*\*\*\* See Note 8

\*\* Capital Reserves

\* Revenue Reserves

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2013/14			2014/15		
Gross Exp £'000	Gross Income £'000	Net Exp £'000	Note	Gross Exp £'000	Gross Income £'000	Net Exp £'000	
2,133	(875)	1,258		1,797	(807)	990	
2,440	(629)	1,811		2,941	(579)	2,362	
6,946	(2,771)	4,175		6,513	(2,865)	3,648	
4,168	(1,814)	2,354		3,480	(2,059)	1,421	
1,085	(1,672)	(587)		1,115	(1,757)	(642)	
(1,541)	(12,859)	(14,400)		4,271	(13,510)	(9,239)	
19,929	(18,260)	1,669		18,970	(17,533)	1,437	
3,071	(455)	2,616		2,640	(509)	2,131	
62	-	62		86	-	86	
<b>38,293</b>	<b>(39,335)</b>	<b>(1,042)</b>		<b>41,813</b>	<b>(39,619)</b>	<b>2,194</b>	
592	(1,111)	(519)	9	725	(445)	280	
4,186	(377)	3,809	10	3,868	(551)	3,317	
-	(10,220)	(10,220)	11	-	(10,747)	(10,747)	
<b>43,071</b>	<b>(51,043)</b>	<b>(7,972)</b>		<b>46,406</b>	<b>(51,362)</b>	<b>(4,956)</b>	
-	(5,314)	(5,314)	21.1	-	(15,571)	(15,571)	
-	(11,206)	(11,206)	35.5/ 35.6	6,566	-	6,566	
-	(16,520)	(16,520)		<b>6,566</b>	<b>(15,571)</b>	<b>(9,005)</b>	
<b>43,071</b>	<b>(67,563)</b>	<b>(24,492)</b>		<b>52,972</b>	<b>(66,933)</b>	<b>(13,961)</b>	

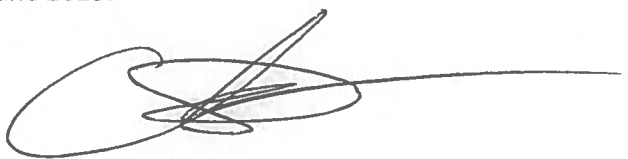
## BALANCE SHEET

31 March 2014 £'000	Note	31 March 2015 £'000
	12	
	Property, Plant and Equipment	
184,496	Council dwellings	201,224
28,814	Other land and buildings	29,002
520	Infrastructure	506
706	Surplus assets	1,350
2,935	Community assets	2,956
2,218	Vehicles, plant and equipment	2,377
<hr/> 219,689		<hr/> 237,415
262	Intangible Assets	173
2,475	14	3,045
1,359	15.1	973
<hr/> 223,785	<b>Long-term Assets</b>	<hr/> 241,606
121	Inventories	160
118	17	6,799
7,290	16	4,363
<hr/> 7,529	<b>Current Assets</b>	<hr/> 11,322
(2,088)	Short-term Borrowing	(89)
(2,659)	18	(5,332)
(414)	30	(690)
<hr/> (5,161)	<b>Current Liabilities</b>	<hr/> (6,111)



31 March 2014 £'000	Note		31 March 2015 £'000
(66,723)		Long-term Borrowing	(66,691)
(31)	15.1	Other Long-term Liabilities	(13)
(1,034)	30	Grants Receipts in Advance	(893)
(40,122)	35	Net Pension Liability	(46,969)
(1,463)	19	Provisions	(1,511)
<b>(109,373)</b>		<b>Long-term Liabilities</b>	<b>(116,077)</b>
<b>116,780</b>		<b>Net Assets</b>	<b>130,740</b>
1,952	20	Capital Receipts Reserve	2,319
20	HRA4	Major Repairs Reserve	-
3,959	8	Earmarked Reserves	3,997
116	20	Capital Grants Unapplied Account	114
1,665	20	Housing Revenue Account Balance	1,761
4,511	20	General Fund Balance	4,509
<b>12,223</b>		<b>Usable Reserves</b>	<b>12,700</b>
109,519	21.2	Capital Adjustment Account	114,586
35,188	21.1	Revaluation Reserve	49,836
864	21.5	Deferred Capital Receipts	601
(40,122)	21.4	Pension Reserve	(46,969)
(131)	21.7	Accumulated Absences Adjustment Account	(102)
(652)	21.6	Collection Fund Adjustment Account	118
(109)	21.3	Financial Instruments Adjustment Account	(30)
<b>104,557</b>		<b>Unusable Reserves</b>	<b>118,040</b>
<b>116,780</b>		<b>Total Reserves</b>	<b>130,740</b>

These financial statements replace the unaudited financial statements certified by the Finance Director on 26<sup>th</sup> June 2015.



# CASH FLOW STATEMENT

2013/14	Note		2014/15
£'000			£'000
7,972		<b>Net Surplus or (deficit) on the provision of services</b>	4,956
(7,052)	22.1	Adjustment to surplus or deficit on the provision of services for non cash movements	5,433
(2,405)	22.2	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,701)
<u>(1,485)</u>		<b>Net cash flows from Operating Activities</b>	<u>8,688</u>
(1,336)	23	Investing Activities	(1,614)
1,196	24	Financing Activities	(393)
<u>(1,625)</u>		<b>Net increase or decrease in cash and cash equivalents</b>	<u>6,681</u>
1,743		Cash and cash equivalents at the beginning of the reporting period	118
<u>118</u>	17	<b>Cash and cash equivalents at the end of the reporting period</b>	<u>6,799</u>

## NOTES TO THE ACCOUNTS

### INDEX

Note		Page
1	Significant accounting policies	20
2	Accounting standards that have been issued but have not yet been adopted	31
3	Critical judgements in applying accounting policies	32
4	Assumptions made about the future and other major sources of estimation uncertainty	33
5	Material items of income and expense	34
6	Events after the reporting period	34
7	Adjustments between accounting basis and funding basis under regulations	34
8	Transfers to and from earmarked reserves	40
9	Other operating expenditure	42
10	Financing and investment income and expenditure	42
11	Taxation and non-specific grant incomes	43
12	Property, plant and equipment	44
13	Heritage assets	48
14	Investment properties	48
15	Financial instruments	49
16	Debtors	51
17	Cash and cash equivalents	51
18	Creditors	52
19	Provisions	52
20	Usable reserves	52
21	Unusable reserves	53
22	Cash Flow Statement - Operating activities	57
23	Cash Flow Statement - Investing activities	57
24	Cash Flow Statement - Financing activities	57
25	Amounts reported for resource allocation decisions	58
26	Trading operations	63
27	Members' allowances	63
28	Officers' remuneration	64
29	External Audit costs	67
30	Grant income	67
31	Related parties	70
32	Capital expenditure and capital financing	71
33	Leases	72
34	Termination benefits	73
35	Defined benefit pension schemes	74
36	Contingent liabilities	81
37	Nature and extent of risks arising from financial instruments	81

# NOTES TO THE ACCOUNTS

## 1. SIGNIFICANT ACCOUNTING POLICIES

### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15 (the "COP") and the Service Reporting Code of Practice 2014/15 (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 Pension 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

Most 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 yield 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 on a bid value to bid value basis, estimated by the actuary where necessary.

- The change in the net pension 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, curtailment or settlement 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 – 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 Pension 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 Pension 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 Pension 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 Pension 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.

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.

### **Available-for-Sale Assets**

Such assets are reclassified subsequently to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement, when specific conditions are met. The Council does not hold available-for-sale assets. As such the Council has not grouped the items in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement into amounts that may be reclassifiable in the Surplus or Deficit on Provision of Services and amounts that are not.

## **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. Amounts in the Capital Grants Unapplied Reserve are transferred 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**

##### Finance Leases

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 lease'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.

#### Operating Leases

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 Cost of 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 a 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 highly 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, and 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**

If it is anticipated that there will be a material impact on its financial statements, 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 2014/15. The Council is required to apply (retrospectively unless otherwise required) and initially adopt the following standards by and as at 1 April 2015.

IFRS 13 – Fair Value Measurement – defines fair value (as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants); sets out in a single IFRS a framework for measuring fair value; and requires disclosures about fair value measurements. The standard is applied prospectively from 2015-16.

IFRIC 21 – Levies – clarifies when the liability to pay a levy (imposed by the Government or other public authorities) arises and should be recognised.

Annual Improvements to IFRS's 2011-13 Cycle – deals with a collection of narrow scope amendments to IFRS's:

IFRS 1 – First-time adoption of International Reporting Standards – clarifies the meaning of "each IFRS effective at the end of [a]....reporting period".

IFRS 3 – Business Combinations – clarifies scope exceptions for joint ventures.

IFRS 13 – Fair Value Measurement – clarifies the scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the “portfolio” exception).

IAS 40 – Investment Property – clarifies the interrelationship of IFRS 3 – Business Combinations, and IAS 40 when classifying property as investment property or owner-occupied property.

It is not anticipated that any of the above changes will have a material impact on the Council’s financial statements.

### **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 recognise 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. The Council has determined that, under IFRS10, the Trust is not a subsidiary or an associate of, nor a part of a joint venture with, the Council. As such, the Council considers 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 to the Council’s non-current assets, although the degree of componentisation is a matter for the Council. The Council has determined that, in all material aspects, a basic land and buildings apportionment is sufficient, especially given that the Council’s 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 successful appeals to 31 March 2015 (see also notes 4 and 19).
- The Council has examined its leases and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive, and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership to the lessor.
- Investment properties have been classified by the Council using the identifiable criteria under International Financial Reporting Standards of being solely held for rental income or for capital appreciation. This review and assessment may be subject to interpretation.



#### **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 £28,000 and for other buildings by £37,000 for every year that useful lives had to be reduced. The value of Council dwellings would reduce by £1.43 million and other buildings by £0.14 million for every 1% of impairment of the buildings element of the assets.

##### *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 £9.7 million and the service cost by £175,000; in the assumed long term salary increase, increase the liability by £875,000 and the service cost by £5,000; and in the assumed pension increase and deferred revaluation increase the liability by £9.0 million and the service cost by £175,000. A 5 years increase in the mortality age rating assumption would reduce the liability by £20.5 million and the service cost by £260,000.

##### *Debtors*

At 31 March 2015 the Council had a balance of debtors of £4.36 million, or £2.25 million excluding central and local government bodies. The latter sum is net of an average impairment of debtors of 40.0% (£1.5 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 £0.75 million to be set aside as an allowance.

#### *Business Rates (NNDR) appeals*

At 31 March 2015 there is a total provision of £2.264 million for refunding business ratepayers who successfully appeal against the rateable values on the rating list. The Council's share of the provision is £0.905 million. Of the £2.264 million potential refunds £1.554 million is in respect of 9 properties in the borough; and £1.423 million is in respect of 7 properties. Should any of those appeals fail completely, then the provision would be reduced by between £43,000 and £610,000. An overall 1% error rate would change the total estimate by £22,600 and an error rate of 26.5% (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 Finance Director on 11 September 2015. Events taking place after this date are not reflected in the financial statements or notes. No events have taken place before this date but after 31 March 2015 which provided information which required the financial statements and notes to be amended.

#### **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 against which the adjustments are made.

##### **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 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

2014/15	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
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Charges for depreciation of non-current assets	1,083	2,016	-	-	-	3,099	(3,099)
Reversal of impairment and losses previously charged	(95)	(4,855)	-	-	-	(4,950)	4,950
Revaluation losses on Property, Plant and Equipment	740	685	-	-	-	1,425	(1,425)
Movements in the fair value of Investment Properties	(331)	-	-	-	-	(331)	331
Amortisation of intangible assets	163	8	-	-	-	171	(171)
Capital grants and contributions applied	(225)	-	-	-	-	(225)	225
Revenue expenditure funded from capital under statute	177	(6)	-	-	-	171	(171)
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES*	-	1,133	-	-	-	1,133	(1,133)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>							
Provision for the financing of capital investment	(16)	(1,500)	-	-	-	(1,516)	1,516
Capital expenditure charged direct to revenue	-	(34)	-	-	-	(34)	34
Other**	(1)	-	-	-	-	(1)	-
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the CIES*	2	-	-	-	(2)	-	-

<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the CIES*	(85)	(1,493)	1,578	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(1,051)	-	-	(1,051)	1,051
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	423	-	(423)	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	263	-	-	263	(263)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>							
Transfer of depreciation charged to the HRA	-	(2,015)	-	2,015	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	(2,035)	-	(2,035)	2,035
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>							
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
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CIES*	2,468	527	-	-	-	2,995	(2,995)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,234)	(480)	-	-	-	(2,714)	2,714
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
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	(770)	-	-	-	-	(770)	770
<b>Adjustments primarily involving the Accumulated Absences Account:</b>							
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	(26)	(4)	-	-	-	(30)	30
<b>Total Adjustments</b>	<b>1,194</b>	<b>(6,018)</b>	<b>367</b>	<b>(20)</b>	<b>(2)</b>	<b>(4,479)</b>	<b>4,478</b>

\*Comprehensive Income and Expenditure Statement

\*\* Rounding adjustment

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
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>							
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)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>							
Provision for the financing of capital investment	(49)	(500)	-	-	-	(549)	549
Capital expenditure charged direct to revenue	(72)	(618)	-	-	-	(690)	690
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
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
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
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				
<b>Adjustments primarily involving the Major Repairs Reserve:</b>							
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
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>							
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
<b>Adjustments primarily involving the Pensions Reserve:</b>							
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
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
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)
<b>Adjustments primarily involving the Accumulated Absences Adjustment Account:</b>							
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)
<b>Total Adjustments</b>	<b>4,957</b>	<b>(12,120)</b>	<b>359</b>	<b>-</b>	<b>102</b>	<b>(6,702)</b>	<b>6,702</b>

\*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 2014/15.

	Balance at 1 April 2013 £'000	Amount out 2013/14 £'000	Amount in 2013/14 £'000	Balance at 31 March 2014 £'000	Amount out 2014/15 £'000	Amount in 2014/15 £'000	Balance at 31 March 2015 £'000
<b>General Fund</b>							
Asset Management	118	-	-	118	-	-	118
Asset Valuations	-	-	17	17	(17)	-	-
Brentwood Community Fund	79	(30)	21	70	(45)	10	35
Brentwood Community Hospital	-	-	49	49	(4)	-	45
Building Control	64	(16)	-	48	-	-	48
CCTV	-	-	4	4	(4)	-	-
Community Alarms	259	-	18	277	-	14	291
Community Rights	13	-	17	30	-	16	46
Community Safety	-	-	9	9	(9)	-	-
Duchess of Kent/Nightingale	367	(12)	-	355	(13)	-	342
Economic Development	15	-	-	15	-	14	29
Electoral Registration	29	-	14	43	-	-	43
Environmental Change	8	(8)	-	-	-	-	-
Financial Management System	69	(69)	-	-	-	-	-
Funding Volatility	750	-	500	1,250	(417)	55	888
Housing Benefit Subsidy Clawback	200	-	-	200	(200)	-	-
Housing Development Fund	50	-	50	100	(100)	-	-
ICT Contracts	30	(30)	-	-	-	-	-
Neighbourhood Action Scheme	30	(30)	-	-	-	-	-
Neighbourhood Plan	21	-	-	21	-	5	26
Organisational Transformation	453	-	30	483	-	-	483
Parking Equipment and Machinery	10	(10)	-	-	-	-	-
Planning Delivery Grant	48	-	54	102	-	15	117
Preventing Homelessness	-	-	15	15	-	23	38
Preventing Repossession	30	(30)	-	-	-	-	-
Public Consultation	-	-	10	10	(5)	-	5
Renaissance Group	18	(18)	-	-	-	-	-
Single Status	616	(586)	-	30	-	-	30
Street Scene Training	2	-	-	2	(2)	-	-
Taxi Licensing	20	(20)	-	-	-	-	-
Ward Based Budgets	22	(22)	21	21	(21)	-	-
Welfare Reform	29	(29)	-	-	-	-	-
<b>Total</b>	<b>3,350</b>	<b>(910)</b>	<b>829</b>	<b>3,269</b>	<b>(837)</b>	<b>152</b>	<b>2,584</b>
<b>Housing Revenue Account</b>							
Carpets for Sheltered Schemes	5	-	8	13	-	-	13
Council Dwellings Investment Fund	500	-	-	500	-	500	1,000
Equal Pay	-	-	176	176	(176)	-	-
Repairs and Maintenance	-	-	-	-	-	400	400
<b>Total</b>	<b>505</b>	<b>-</b>	<b>184</b>	<b>689</b>	<b>(176)</b>	<b>900</b>	<b>1,413</b>



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

The **Assets Valuation** reserve carried forward unspent budget in respect of a service paid for in 2014-15.

The **Brentwood Community Fund** reserve contains unspent Local Strategic Partnership monies to fund agreed community projects in 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 **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 carried forward unspent budget from 2013/14 and was fully used 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 carried forward unspent budget from 2013/14 and was fully used in 2014/15.

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 and underspent budget which will be used to fund projects to support the Economic Development Strategy in 2015/16.

The **Electoral Registration** reserve carried forward unspent budgets from 2012/13 and 2013/14 for use in the implementation of individual electoral registration in 2015/16 and 2016/17.

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

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

The **Housing Development Fund** reserve carried forward from 2012/13 and 2013/14 a planned contribution towards the future cost of providing affordable housing. It was fully used in 2014/15.

The **Neighbourhood Plan** reserve carries forward Government grants 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 **Planning Delivery Grant** reserve holds and carries forward unspent grant and budget from previous years and will be used for work associated with the Local Development Plan.

The **Preventing Homelessness** reserve carries forward unspent budgets and Government grant to be used for various initiatives in 2015/16.

The **Public Consultation** reserve carries forward unspent budget to be used for a borough wide satisfaction surveys.

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 carried forward unspent budget in 2013/14 and was fully used in 2014/15.

The **Ward Based Budgets** reserve carried forward unspent budget from 2012/13 to 2013/14 to meet the cost of agreed schemes. It was fully used in 2014/15.

The **Carpets for Sheltered Schemes** reserve carries forward unspent budget from 2012/13 and 2013/14. It will be fully used in 2015/16.

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 was a reserve to meet known unequal pay claims. It was fully used in 2014/15.

The **HRA Repairs and Maintenance** reserve is a new reserve which carries forward unspent budget in 2014/15.

#### 9. OTHER OPERATING EXPENDITURE

2013/14		2014/15
£'000		£'000
281	Parish Council precepts	302
310	Payments to the Government Housing Capital Receipts Pool	423
(1,110)	(Gains) / losses on the disposal of non-current assets	(445)
<b>(519)</b>	<b>Total</b>	<b>280</b>

#### 10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013/14		2014/15
£'000		£'000
2,180	Interest payable and similar charges	2,176
2,007	Net interest on the pensions net defined benefit liability (asset)*	1,692
(99)	Interest receivable and similar income	(67)
(279)	Income and expenditure in relation to investment properties and changes in their fair value	(484)
<b>3,809</b>	<b>Total</b>	<b>3,317</b>

\* See note 35 for further details

**11. TAXATION AND NON-SPECIFIC GRANT INCOME**

<b>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
(5,556)	Council Tax Income	(5,631)
(1,134)	Non-domestic rates (NNDR) income	(1,576)
(3,267)	Non-ringfenced Government grants	(3,406)
(263)	Capital grants and contributions	(134)
<b>(10,220)</b>	<b>Total</b>	<b>(10,747)</b>

## 12. PROPERTY, PLANT AND EQUIPMENT

### 12.1 Movements on balances in 2014/15

Cost or Valuation	Total £'000	Council Dwellings £'000	Other Land and Buildings £'000	Infra-structure £'000	Vehicles, Plant and Equipment £'000	Surplus Assets £'000	Community Assets £'000
<b>At 1 April 2014</b>	<b>224,450</b>	<b>184,496</b>	<b>29,538</b>	<b>704</b>	<b>6,067</b>	<b>710</b>	<b>2,935</b>
Acquisitions	747	-	-	-	747	-	-
Additions	2,353	2,066	227	-	-	39	21
Revaluation increases/(decreases) recognised in the Revaluation Reserve	13,280	11,241	1,392	-	-	647	-
Revaluation increases/(decreases) recognised in the Surplus or Deficit on the Provision of Services	3,226	4,566	(1,294)	-	-	(46)	-
Derecognition - disposals	(1,145)	(1,145)	-	-	-	-	-
Asset reclassified to Investment Property	(285)	(285)	(285)	-	-	-	-
<b>At 31 March 2015</b>	<b>242,626</b>	<b>201,224</b>	<b>29,578</b>	<b>704</b>	<b>6,814</b>	<b>1,350</b>	<b>2,956</b>

### Accumulated Depreciation and Impairment

<b>At 1 April 2014</b>	<b>(4,761)</b>	-	<b>(724)</b>	<b>(184)</b>	<b>(3,849)</b>	<b>(4)</b>	-
Depreciation charge	(3,099)	(1,872)	(611)	(14)	(588)	(14)	-
Other movements in depreciation and impairment	2,649	1,872	759	-	-	18	-
<b>At 31 March 2015</b>	<b>(5,211)</b>	-	<b>(576)</b>	<b>(198)</b>	<b>(4,437)</b>	-	-

### Net Book Value

<b>At 31 March 2015</b>	<b>237,415</b>	<b>201,224</b>	<b>29,002</b>	<b>506</b>	<b>2,377</b>	<b>1,350</b>	<b>2,956</b>
<b>At 31 March 2014</b>	<b>219,689</b>	<b>184,496</b>	<b>28,814</b>	<b>520</b>	<b>2,218</b>	<b>706</b>	<b>2,935</b>

12.2 Comparative Movements on Balances in 2013/14

Cost or Valuation	Total £'000	Council Dwellings £'000	Other Land and Buildings £'000	Infra-structure £'000	Vehicles, Plant and Equipment £'000	Surplus Assets £'000	Community Assets £'000
<b>At 1 April 2013</b>	<b>210,142</b>	<b>167,620</b>	<b>33,018</b>	<b>704</b>	<b>5,519</b>	<b>400</b>	<b>2,881</b>
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	-
<b>At 31 March 2014</b>	<b>224,450</b>	<b>184,496</b>	<b>29,538</b>	<b>704</b>	<b>6,067</b>	<b>710</b>	<b>2,935</b>

Accumulated Depreciation and Impairment

<b>At 1 April 2013</b>	<b>(3,893)</b>	-	<b>(434)</b>	<b>(170)</b>	<b>(3,289)</b>	-	-
Depreciation charge	(2,992)	(1,801)	(613)	(14)	(560)	(4)	-
Other movements in depreciation and impairment	2,124	1,801	323	-	-	-	-
<b>At 31 March 2014</b>	<b>(4,761)</b>	-	<b>(724)</b>	<b>(184)</b>	<b>(3,849)</b>	<b>(4)</b>	-

Net Book Value

<b>At 31 March 2014</b>	<b>219,689</b>	<b>184,496</b>	<b>28,814</b>	<b>520</b>	<b>2,218</b>	<b>706</b>	<b>2,935</b>
<b>At 31 March 2013</b>	<b>206,249</b>	<b>167,620</b>	<b>32,584</b>	<b>534</b>	<b>2,230</b>	<b>400</b>	<b>2,881</b>

### 12.3 Depreciation

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

Council Dwellings	69 years
Other Land and Buildings	5-70 years
Vehicles Plant and Equipment	5-10 years
Infrastructure	
Land Drainage	50 years
Other	10 years

### 12.4 Capital Commitments

At 31 March 2015, the Council had entered into the following contract for the enhancement of its council dwellings in 2015/16 and future years. Similar commitments at 31 March 2014 were £950,000.

Scheme	£'000
Structural works - balconies	347

### 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. The valuation of the Council's golf course as at 31 March 2015 was 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. All other valuations as at that date were carried out by internal RICS registered valuers on the same bases. 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) and other dwellings*

- the 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 properties at the date of valuation

*in respect of other non-current assets*

- where possible the assets have been examined internally and copies of occupational leases reviewed. Otherwise the valuer has relied on information on accommodation as provided
- a building survey has not been carried out, nor has 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. The assets have not been inspected for the purposes of condition or structural stability
- the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing and that good title can be shown
- the values of asset classes has been assessed on the basis of local knowledge, publicized data and advice received by other surveyors and valuers.

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	-	-	506	2,377	-	2,956	5,839
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
31 March 2015	16,728	188	-	-	644	-	17,560
<b>Total Cost or Valuation</b>	<b>201,224</b>	<b>29,002</b>	<b>506</b>	<b>2,377</b>	<b>1,350</b>	<b>2,956</b>	<b>237,415</b>

### 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:

	2013/14 £'000	2014/15 £'000
Rental Income from investment property	139	153
<b>Net gain/(loss)</b>	<b>139</b>	<b>153</b>

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 internal Royal Institute of Chartered Surveyors (RICS) registered valuers.

	2013/14 £'000	2014/15 £'000
Balance at start of the year	2,335	2,475
Net gains or (losses) from fair value adjustments	140	331
Transfers (to) or from Property Plant and Equipment	-	239
<b>Balance at end of the year</b>	<b>2,475</b>	<b>3,045</b>



## 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 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
<b>Investments / Cash Equivalents</b>				
Loans and receivable*	-	-	546	8,822
<b>Total Investments / Cash Equivalents</b>	-	-	546	8,822
<b>Debtors</b>				
Loans and receivables	919	665	1,346	1,108
Financial assets carried at contract amounts	440	308	-	-
<b>Total included in Debtors</b>	<b>1,359</b>	<b>973</b>	<b>1,346</b>	<b>1,108</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	66,166	66,166	2,058	58
<b>Total included in Borrowings</b>	<b>66,166</b>	<b>66,166</b>	<b>2,058</b>	<b>58</b>
<b>Other Long-term Liabilities</b>				
Finance lease liabilities	31	13	-	-
<b>Total Other Long-term Liabilities</b>	<b>31</b>	<b>13</b>	<b>-</b>	<b>-</b>
<b>Creditors</b>				
Financial liabilities carried at contract amounts	-	-	1,473	1,699
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>1,473</b>	<b>1,699</b>

\*The 31 March 2014 amount of £546,000 was omitted, in error, from the 2013-14 Statement of Accounts. The omission had no effect on any other figure in the Statement of Accounts.

#### 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 2015 was £349,258 (£411,214 at 31 March 2014).

## 15.2. Income, Expense, Gains and Losses

	2013/14			2014/15		
	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	2,180	-	2,180	2,176	-	2,176
Total expense in Surplus or Deficit on the Provision of Services	2,180	-	2,180	2,176	-	2,176
Interest income	-	(99)	(99)	-	(67)	(67)
Total income in Surplus or Deficit on the Provision of Services	-	(99)	(99)	-	(67)	(67)
Net (gain) or loss for the year	2,180	(99)	2,081	2,176	(67)	2,109

## 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 facts or assumptions:

- range of interest rates at 31 March 2015 of 1.24% to 8.875% for loans from the Public Works Loan Board
- 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 2014		31 March 2015	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial liabilities	68,166	70,955	66,166	81,391

The fair value of the liabilities is higher than the carrying amount because the loans taken out to finance Housing Revenue Account reform were at a discounted rate. The fair value includes a premium that would have to be paid if the loans were repaid, to reflect the discount.

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 2014 £'000	31 March 2015 £'000
Central Government bodies	4,206	1,606
Other local authorities	689	509
Other entities and individuals:		
Housing rents	589	590
Prepayments	244	448
Council Tax payers	338	349
Business Rates payers	854	912
Sundry	1,459	1,449
Less impairment allowance	(1,089)	(1,500)
<b>Total</b>	<b>7,290</b>	<b>4,363</b>

#### 17. CASH AND CASH EQUIVALENTS

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

	31 March 2014 £'000	31 March 2015 £'000
Cash held by the Council	3	5
Bank current accounts	(430)	(2,028)
Short-term deposits with banks	545	8,822
<b>Total Cash and Cash Equivalents</b>	<b>118</b>	<b>6,799</b>

## 18. CREDITORS

	31 March 2014 £'000	31 March 2015 £'000
Central Government bodies	338	1,557
Other local authorities	180	1,107
Other entities and individuals		
Council Tax payers	45	57
Business Rates payers	184	233
Sundry	1,508	1,904
Receipts in advance	404	474
<b>Total</b>	<b>2,659</b>	<b>5,332</b>

## 19. PROVISIONS

	Insurance Claims £'000	Legal Costs £'000	NNDR Appeals £'000	Rent Deposit Scheme £'000	Total £'000
Balance at 31 March 2014	67	561	822	13	1,463
Additional provisions made in 2014/15	-	-	83	-	83
Amounts used in 2014/15	-	(12)	-	(1)	(13)
Unused amounts reversed in 2014/15	(22)	-	-	-	(22)
Balance at 31 March 2015	45	549	905	12	1,511

**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 further clarified during the year. As a result £22,000 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 current Business Rates retention scheme 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 £2.264 million has been made, the Council's share being £0.905 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 2014 £'000		31 March 2015 £'000
35,188	Revaluation Reserve	49,836
109,519	Capital Adjustment Account	114,586
(109)	Financial Instruments Adjustment Account	(30)
864	Deferred Capital Receipts Reserve	601
(40,122)	Pensions Reserve	(46,969)
(652)	Collection Fund Adjustment Account	118
(131)	Accumulated Absences Account	(102)
<b>104,557</b>	<b>Total Unusable Reserves</b>	<b>118,040</b>

### 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.

2013/14 £'000		2014/15 £'000
30,858	Balance at 1 April	35,188
7,351	Upward revaluation of assets	16,794
(2,037)	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(1,223)
5,314	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>15,571</b>
(522)	Difference between fair value depreciation and historical cost depreciation	(573)
(125)	Accumulated gains on assets sold or scrapped	(160)
(337)	Adjustments in respect of previous years*	(190)
(984)	<b>Amount written off to the Capital Adjustment Account</b>	<b>(923)</b>
<b>35,188</b>	<b>Balance at 31 March</b>	<b>49,836</b>

\*These are in respect of the treatment of impairment in 2011/12 (with a small amount in respect of 2012/13).

### 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.

<b>2013/14</b>		<b>2014/15</b>
<b>£'000</b>		<b>£'000</b>
99,954	<b>Balance at 1 April</b>	<b>109,519</b>
337	Adjustments in respect of previous years*	189
	<b>Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(3,054)	Charges for depreciation and impairment of non-current assets	(3,099)
(5,047)	Revaluation losses on Property, Plant and Equipment	(1,424)
13,481	Reversal of previous revaluation losses	4,950
(149)	Amortisation of Intangible assets	(171)
(729)	Revenue Expenditure Funded from Capital under Statute	(171)
(1,055)	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	(1,133)
<b>3,784</b>	<b>Sub Total</b>	<b>(859)</b>
647	Adjusting amounts written out of the Revaluation Reserve	734
4,431	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(125)</b>
	<b>Capital Financing applied in the year</b>	
1,522	Use of the Capital Receipts Reserve to finance new capital expenditure	1,051
1,952	Use of the Major Repairs Reserve to finance new capital expenditure	2,035
247	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	225
14	Application of grants to capital financing from the Capital Grants Unapplied Account	-
710	Revenue contributions to capital expenditure	34
549	Provision for the financing of capital investment charged against the General Fund and HRA balances	1,516
<b>4,994</b>	<b>Sub Total</b>	<b>4,861</b>
140	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	331
<b>109,519</b>	<b>Balance at 31 March</b>	<b>114,586</b>

\*These are in respect of the treatment of impairment in previous years.

### 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. The balance on the Account at 31 March 2015 will be fully charged to the General Fund Balance in 2015/16.

2013/14 £'000		2014/15 £'000
(188)	Balance at 1 April	(109)
79	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	79
(109)	Balance at 31 March	(30)

### 21.4 Pension Reserve

The Pension 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.

2013/14 £'000		2014/15 £'000
(50,345)	Balance at 1 April	(40,122)
-	Adjustment to opening balance**	372
11,206	Remeasurements of the net defined benefit liability / (asset)	(6,938)
(3,704)	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	(2,995)
2,721	Employer's pensions contributions and direct payments to pensioners payable in the year	2,714
(40,122)	Balance at 31 March	(46,969)

\*\*Adjustment in respect of a revised 2013-14 actuary's report which was not reflected in the 2013-14 accounts on the basis that the amount involved was not material.

## 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.

2013/14 £'000		2014/15 £'000
870	Balance at 1 April	864
(6)	Transfer to the Capital Receipts Reserve upon receipt of Cash	(263)
864	Balance at 31 March	601

## 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.

2013/14 £'000		2014/15 £'000
308	Balance at 1 April	(652)
(960)	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	770
(652)	Balance at 31 March	118

## 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.

2013/14 £'000		2014/15 £'000
(122)	Balance at 1 April	(131)
(9)	(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	29
(131)	Balance at 31 March	(102)



## 22. CASH FLOW STATEMENT - OPERATING ACTIVITIES

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

2013/14 £'000		2014/15 £'000
2,992	Depreciation	3,099
(8,372)	Impairment and downward valuations	(3,525)
149	Amortisation	171
478	Increase / (decrease) in impairment provision for bad debts	411
(562)	Increase / (decrease) in creditors (including revenue grants received in advance and excluding Collection Fund agencies)	2,083
(4,380)	(Increase) / decrease in debtors (including long-term and excluding impairment provision and Collection Fund agencies)	2,111
(52)	(Increase) / decrease in inventories	(39)
983	Movement in pensions liability	281
1,055	Carrying amounts of non-current assets sold	1,133
657	Other non-cash movements	(292)
(7,052)		5,433

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

2013/14 £'000		2014/15 £'000
(2,159)	Proceeds from the sale of non-current assets	(1,578)
(246)	Other items for which the cash effects are investing or financing cash flows	(123)
(2,405)		(1,701)

## 23. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2013/14 £'000		2014/15 £'000
(3,713)	Purchase of Property, Plant and Equipment and Intangible assets	(3,173)
2,158	Proceeds from the sale of Property, Plant and Equipment	1,578
219	Other Receipts from Investing Activities	(19)
(1,336)	<b>Net cash flows from Investing Activities</b>	<b>(1,614)</b>

## 24. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2013/14 £'000		2014/15 £'000
1,261	Other receipts from financing activities	1,656
(16)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(18)
(49)	Repayments of short-term and long-term borrowing	(2,031)
1,196	<b>Net cash flows from Financing Activities</b>	<b>(393)</b>

## **25. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

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	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
<b>2014/15</b>							
Government grants	(41)	(16)	(5)	(195)	-	(16,499)	(16,756)
Fees, charges and other service income	(3,018)	(30)	(2,608)	(13,870)	(269)	(1,153)	(20,948)
<b>Total Income</b>	<b>(3,059)</b>	<b>(46)</b>	<b>(2,613)</b>	<b>(14,065)</b>	<b>(269)</b>	<b>(17,652)</b>	<b>(37,704)</b>
Employee expenses	2,752	133	1,214	1,555	843	3,847	10,344
Other service expenses	2,347	619	1,036	4,791	238	20,655	29,686
Support service recharges	712	416	718	1,488	458	(4,021)	(229)
Depreciation, impairment and revaluations	615	129	102	(2,741)	36	323	(1,536)
<b>Total Expenditure</b>	<b>6,426</b>	<b>1,297</b>	<b>3,070</b>	<b>5,093</b>	<b>1,575</b>	<b>20,804</b>	<b>38,265</b>
<b>Net Expenditure</b>	<b>3,367</b>	<b>1,251</b>	<b>457</b>	<b>(8,972)</b>	<b>1,306</b>	<b>3,152</b>	<b>561</b>
<b>2013/14</b>							
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)
<b>Total Income</b>	<b>(4,482)</b>	<b>(52)</b>	<b>(854)</b>	<b>(13,641)</b>	<b>(320)</b>	<b>(17,812)</b>	<b>(37,161)</b>
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
<b>Total Expenditure</b>	<b>6,622</b>	<b>1,319</b>	<b>2,263</b>	<b>10,719</b>	<b>1,532</b>	<b>20,521</b>	<b>42,976</b>
<b>Net Expenditure</b>	<b>2,140</b>	<b>1,267</b>	<b>1,409</b>	<b>(2,922)</b>	<b>1,212</b>	<b>2,709</b>	<b>5,815</b>

### 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.

	2013/14 £'000	2014/15 £'000
Net expenditure in the Segment Analysis	5,815	561
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(6,857)	1,633
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>(1,042)</b>	<b>2,194</b>

## 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 Provision of Services included in the Comprehensive Income and Expenditure Statement.

2014/15

	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	(16,756)	(446)	(17,202)	(4,981)	(22,183)
Council Tax income	-	-	-	(5,631)	(5,631)
Financing and Investment Income	-	-	-	(552)	(552)
Gain or Loss on Disposal of Non-current Assets etc.	-	-	-	(445)	(445)
Fees, charges and other service income	(20,948)	(1,469)	(22,417)	(134)	(22,551)
<b>Total Income</b>	<b>(37,704)</b>	<b>(1,915)</b>	<b>(39,619)</b>	<b>(11,743)</b>	<b>(51,362)</b>
Employee expenses	10,344	316	10,660	-	10,660
Other service expenses	29,686	(60)	29,626	-	29,626
Support service recharges	(229)	1,846	1,617	-	1,617
Depreciation, impairment and revaluations	(1,536)	1,446	(90)	-	(90)
Financing and investment expenditure	-	-	-	3,868	3,868
Precepts and Levies	-	-	-	302	302
Payment of Housing Capital Receipts to the Government	-	-	-	423	423
<b>Total Expenditure</b>	<b>38,265</b>	<b>3,548</b>	<b>41,813</b>	<b>4,593</b>	<b>46,406</b>
<b>Surplus or Deficit on Provision of Services</b>	<b>561</b>	<b>1,633</b>	<b>2,194</b>	<b>(7,150)</b>	<b>(4,956)</b>

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)
<b>Total Income</b>	<b>(37,161)</b>	<b>-</b>	<b>(37,161)</b>	<b>(11,709)</b>	<b>(48,870)</b>
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
<b>Total Expenditure</b>	<b>42,976</b>	<b>(6,857)</b>	<b>36,119</b>	<b>4,779</b>	<b>40,898</b>
<b>Surplus or Deficit on Provision of Services</b>	<b>5,815</b>	<b>(6,857)</b>	<b>(1,042)</b>	<b>(6,930)</b>	<b>(7,972)</b>

## 26. TRADING OPERATIONS

The Council operates car parks and collects trade waste' 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:

		2013/14		2014/15	
		£'000	£'000	£'000	£'000
<b>Car Parks</b>					
	Income	1,468		1,602	
	Expenditure	777		891	
	Surplus		691		711
<b>Trade Waste Collection*</b>					
	Income	523		671	
	Expenditure	434		369	
	Surplus		89		302

\*Note - Information was not included in the 2013-14 Statement of Accounts on the basis that figures were below the Council's materiality threshold.

## 27. MEMBERS' ALLOWANCES

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

	2013/14 £'000	2014/15 £'000
Allowances	283	281
<b>Total</b>	<b>283</b>	<b>281</b>

## 28. OFFICERS' REMUNERATION

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

2014/15

Title	Note	Salary, Fees and Allowances	Bonuses	Benefits in Kind	Expenses Allowance	Compensation for loss of Office	Pension Contribution	Total
		£	£	£	£	£	£	£
Managing Director	1	30,729	12,600	-	692	84,000	3,912	131,933
Head of Street Scene		61,005	-	-	-	-	8,663	69,668
Head of Customer Services	2	33,097	-	-	-	-	3,972	37,069
Head of Housing	3	38,946	-	524	-	-	3,963	43,433
Head of Borough Health, Safety and Localism		61,005	-	-	-	-	8,663	69,668
Head of Planning	4	31,791	-	-	-	-	3,815	35,606
Director of Strategy and Corporate Services (Section 151 officer)	5	13,329	-	-	-	-	-	13,329
Chief Executive	6	96,352	-	-	-	-	-	96,352
Monitoring Officer and Head of Support Services	7	40,831	-	-	-	-	4,900	45,731
Head of Business Transformation	8	17,912	-	-	-	-	-	17,912
<b>Total</b>		<b>424,997</b>	<b>12,600</b>	<b>524</b>	<b>692</b>	<b>84,000</b>	<b>37,888</b>	<b>560,701</b>

Note 1. The Managing Director left the Council on 6 July 2014. The annualised salary was £102,000. The post was deleted.

Note 2. The Head of Customer Services was a new post filled on 17 September 2014. The annualised salary is £61,005.

Note 3. The Head of Housing left the Council on 17 October 2014 due to ill health. The annualised salary is £60,522. The post was covered by an interim agency worker to the end of the year at a cost of £77,902.

Note 4. The Head of Planning was appointed with effect from 13 October 2014. The annualised salary is £66,005. Up until that date, the post was covered by an interim agency worker at a cost of £58,628.

Note 5. The post of Director of Strategy and Corporate Services (Section 151 officer) became vacant from 1



June 2014. The duties of the post were then covered by the Acting Chief Executive. The annualised salary was £79,974.

Note 6. An Acting Chief Executive was appointed on 1 June 2014. The annualised salary is £103,680. An interim Chief Executive was appointed on a part time basis from 1 March 2015 at a cost of £4,130.

Note 7. The Monitoring Officer and Head of Support Services is a new post filled on 1 August 2014. The annualised salary is £61,005. Prior to that date, part of the duties of the post were covered by an interim agency team at a cost of £20,000.

Note 8. The Head of Business Transformation left the Council on 18 July 2014 and the post was deleted. The annualised salary was £58,902.

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
<b>Total</b>		<b>508,356</b>	<b>13,800</b>	<b>711</b>	<b>2,601</b>	<b>105,109</b>	<b>47,960</b>	<b>678,537</b>

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.

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

Remuneration Band	2013/14	2014/15
	Number of employees	Number of employees
£50,000 - £54,999	3	1

The number and total cost of exit packages within cost bands 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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14 £	2014/15 £
£0 - £20,000	3	2	4	-	7	2	88,167	25,492
£20,001 - £40,000	1	1	3	-	4	1	111,178	29,537
£40,001 - £60,000	1	-	1	-	2	-	84,597	-
£60,001 - £80,000	1	1	-	-	1	1	63,333	84,000
<b>Total</b>	<b>6</b>	<b>4</b>	<b>8</b>	<b>-</b>	<b>14</b>	<b>4</b>	<b>347,275</b>	<b>139,029</b>

### 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.

2013/14		2014/15
£'000		£'000
90	Fees payable in respect of external audit services carried out by the appointed auditor for the year	90
16	Fees payable for the certification of grant claims and returns for the year	31
<b>106</b>	<b>Total</b>	<b>121</b>

In addition to the above, a net total of £3,254 is included in the 2014/15 Comprehensive Income and Expenditure Statement, comprising of £900 additional fee for 2013/14, £9,381 in respect of additional Housing Benefit grant claim work, £2,200 for the payment of National Fraud Initiative and a refund of (£9,227) from the Audit Commission relating to 2013/14 in respect of audit fees.

### 30. GRANT INCOME

The Council has credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

	2013/14 £'000	2014/15 £'000
<b>Credited to Taxation and Non-specific Grant Income:</b>		
Brentwood Share Fund	3	-
Business Rates		
Inflation Cap	-	16
New Burden Administrative Costs	-	10
Reoccupation Relief	-	3
Retail Relief	-	145
Small Business Relief	207	230
Capitalisation Grant	11	-
Council Tax Freeze Grant	57	57
Developers' Section 106	116	141
Homes and Communities Agency Grant	64	(7)
New Homes Bonus Scheme	811	1,219
Pilgrims Hatch Partnership	15	-
Revenue Support Grant	2,179	1,719
Skateboard Park Association	40	-
Transparency Code Set Up Grant	3	6
<b>Total</b>	<b>3,506</b>	<b>3,539</b>

<b>Credited to Services:</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Asset of Community Value	-	9
Bulk Data Matching Initiative	-	3
Community Right to Bid	-	8
Community Right to Challenge	16	-
<b>Council Tax</b>		
Family Annexes Discount	-	1
Local Support Scheme	-	64
Local Support Scheme Administration	-	67
New Burden (Localised Council Tax Scheme)	38	-
Countrywide Stewardship	3	6
Disabled Facilities Grant	125	130
Discretionary Housing Payment Grant	110	67
Food Waste Grant	402	407
Fraud and Error Reduction Incentive Scheme	-	4
Housing Benefit Administration	-	232
Housing Benefit and Council Tax Administration Grant	341	-
Inspire Annex III	-	7
Internship Funding	-	3
Keep Safe Funding	-	1
Local Authority Data Sharing	-	11
Migrants' Access to Housing Benefits Changes	-	2
Neighbourhood Planning Grant	-	5
Rent Allowances	9,705	9,342
Rent Rebates	6,449	6,595
Single Fraud Investigation service	-	1
Supporting People	173	195
Transitional Funding	27	7
Weekly Collection Support Scheme	130	35
<b>Total</b>	<b>17,519</b>	<b>17,202</b>

The Council received a number of grants and contributions that have yet to be recognised as income because they have conditions attached to them which could require the monies to be returned to the grantor. The balances at the year end were as follows:

Grants Receipts in Advance (Revenue Grants)	31 March 2014 £'000	31 March 2015 £'000
<b>Current Liabilities</b>		
Weekly Collection Support Scheme	414	690
<b>Total</b>	<b>414</b>	<b>690</b>

Grants Receipts in Advance (Capital Grants)	31 March 2014 £'000	31 March 2015 £'000
<i>Developers Contributions</i>		
Former Warley Hospital Site	808	808
Former British Gas Site*	29	18
Former Highwoods Hospital Site*	38	27
Land at Brentwood Community Hospital	49	-
Phase 4a former British Gas site	50	-
Willowbrook School	60	40
<b>Total</b>	<b>1,034</b>	<b>893</b>

\*Included in Former Warley Hospital in the 2013-14 Statement of Accounts

## **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 (for example 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 2015 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 2014/15 is shown in Note 27. In addition, grants totaling £113,021 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. All Members submitted a nil return for 2014/15.

### **Other Public Bodies**

Four Members of the Council were also Members of Essex County Council during the financial year. One of those Members also sits on Essex Fire Authority. In 2014/15 the Council paid grants totaling £131,635 to Parish Councils within its area. The Council paid Essex County Council a total of £441,730, of which £248,159 was for the provision of professional services, £148,816 was for trade waste and £35,640 was for planning and land charges services. The Council was paid £1,731,041 by Essex County Council during the year. Of that amount, £1,536,950 was in respect of recycling and waste disposal and £85,000 was in respect of the highways ranger service. 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 £316,615 during the year for the provision of professional services.

### **Entities Controlled or Significantly Influenced by the Council**

The Council has an arrangement with Brentwood Leisure Trust whereby the company provides sport and leisure services within the borough. The Trust manages Brentwood Leisure Centre and the Council's community halls, in addition to using the premises for its own purposes. The Council does not have power over the Trust, is not an investor in it and does not share control of its activities. As such the Council has no interest in the Trust as a subsidiary, associate or joint venture respectively. The Council paid the Trust a total of £177,119 in 2014/15 (£250,300 in 2013/14). The Trust was a debtor of the Council at 31 March 2015 in the amount of £349,258 (£411,214 at 31 March 2014) 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.

2013/14 £'000		2014/15 £'000
78,353	Opening Capital Financing Requirement	77,804
	<i>Capital Investment</i>	
3,407	Property, Plant and Equipment	3,100
307	Intangible Assets	73
730	Revenue Expenditure Funded from Capital under Statute *	172
	<i>Sources of Finance</i>	
(1,522)	Capital receipts	(1,051)
(260)	Government grants and other contributions	(217)
(1,952)	Major Repairs Reserve	(2,035)
(710)	Revenue contributions to capital expenditure	(42)
(549)	Sums set aside from revenue for the repayment of debt	(1,516)
<b>77,804</b>	<b>Closing Capital Financing Requirement</b>	<b>76,288</b>
	<i>Explanation of Movements in the Year</i>	
(500)	Increase (decrease) in the underlying need to borrow (unsupported by Government financial assistance)	(1,500)
(49)	Assets acquired under finance leases	(16)
<b>(549)</b>	<b>Increase or (Decrease) in Capital Financing Requirement</b>	<b>(1,516)</b>

\*See note HRA5 (i)

### 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 79 years and 81 years respectively.

The Council has a gross investment in the leases, 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.

In the case of Thorndon Court, a number of lessees extended the term of the lease by payment of a capital sum to the Council with the result that no further lease payments are due. Most of the lease extensions occurred in the year 2012-13. The resultant loss of future years' income would have had a significant effect on the minimum lease payments and gross investment in the leases as at 31 March 2014 if the change had been made in 2013-14. The second column in the table below illustrates the effect. There is no change to prior year amounts nor balances.

The gross investment is made up of the following amounts:

	31 March 2014 £'000	31 March 2014 Revised £'000	31 March 2015 £'000
Finance lease debtors (net present value of minimum lease payments):			
Non-current	25	312	297
Unearned finance income	2,061	1,462	1,418
Unguaranteed residual value	415	-	-
Gross investment in the lease	2,501	1,774	1,715

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 2014 £'000	31 March 2014 Revised £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2014 Revised £'000	31 March 2015 £'000
Not later than one year	-	23	22	27	23	22



Later than one year and not later than five years	25	91	89	107	91	89
Later than five years	2,476	1,660	1,604	2,367	1,660	1,604
<b>Total</b>	<b>2,501</b>	<b>1,774</b>	<b>1,715</b>	<b>2,501</b>	<b>1,774</b>	<b>1,715</b>

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 2014/15 no contingent rents were receivable by the Council (none in 2013/14).

#### *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 2014 £'000	31 March 2015 £'000
Not later than one year	234	211
Later than one year and not later than five years	709	650
Later than five years	876	726
<b>Total</b>	<b>1,819</b>	<b>1,587</b>

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 2014/15 no contingent rents were receivable by the Council (none in 2013/14).

#### **34. TERMINATION BENEFITS**

The Council terminated the contracts of a number of employees in 2014/15, incurring liabilities of £139,029 (£347,275 in 2013/14) - see Note 28 for the number of exit packages and total cost per band. Of the total, £84,000 was payable to an employee of the Council who was made redundant as part of the Council's back office review; and £55,029 was in respect of agreed departures of employees following other service reviews.

## 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 1.4. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund and HRA Balances via the Movement in Reserves Statement during the year:

Local Government Pension Scheme	Discretionary Benefits Arrangements		Local Government Pension Scheme	Discretionary Benefits Arrangements
2013/14 £'000	2013/14 £'000		2014/15 £'000	2014/15 £'000
Comprehensive Income and Expenditure Statement				
		<i>Cost of Services</i>		
		Service cost comprising		
1,635	-	Current service cost	1,263	-
52	-	Past service costs including curtailments	34	-

-	-	Gain on settlements	(22)	-
10	-	Administration	28	-
		<i>Financing and Investment Income and Expenditure</i>		
1,857	150	Net interest expense	1,543	149
<b>3,554</b>	<b>150</b>	<b>Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,846</b>	<b>149</b>
		<i>Remeasurement of the net defined benefit comprising</i>		
(2,445)	-	Return on plan assets (excluding the amount included in the net interest expense)	(5,732)	-
1,848	-	Other actuarial (gains) / losses on assets	-	-
(5,554)	(144)	Actuarial gains and losses arising on changes in demographic assumptions	-	-
(2,074)	(32)	Actuarial gains and losses arising on changes in financial assumptions	12,499	223
(2,805)	-	Experience (gain) / loss on defined benefit obligation	(52)	-
<b>(7,476)</b>	<b>(26)</b>	<b>Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>9,561</b>	<b>372</b>
		<i>Movement in Reserves Statement</i>		
(3,554)	(150)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(2,846)	(149)
		<i>Actual Amount Charged against the General Fund and HRA Balances for the Year</i>		
<b>2,477</b>	<b>244</b>	Employer's contributions payable to scheme	<b>2,472</b>	<b>242</b>
2,028	200	Contributions / payments charged to the General Fund	2,035	199
449	44	Contributions / payments charged to the Housing Revenue Account	437	43
<b>2,477</b>	<b>244</b>		<b>2,472</b>	<b>242</b>

### 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	
	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000
Present Value of the defined benefit obligation	(97,730)	(113,073)	(3,513)	(3,591)
Fair value of plan assets	61,121	69,695	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(36,609)</b>	<b>(43,378)</b>	<b>(3,513)</b>	<b>(3,591)</b>

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

	Local Government Pension Scheme	
	2013/14	2014/15
	£'000	£'000
Opening fair value of scheme assets	58,661	61,121
Adjustment to opening fair value**	-	372
Interest income	2,398	2,698
Remeasurement of the return on plan assets (excluding the amount included in the net interest expense)	2,445	5,732
Other actuarial gains / (losses)	(1,848)	-
Administration expenses	(10)	(28)
Contributions from employer	2,721	2,714
Contributions from employees into the scheme	427	444
Benefits paid	(3,673)	(3,296)
Settlements made	-	(62)
<b>Closing fair value of scheme assets</b>	<b>61,121</b>	<b>69,695</b>

\*\*Adjustment in respect of a revised 2013-14 actuary's report which was not reflected in the 2013-14 accounts on the basis that the amount involved was not material.

### 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
	2013/14	2013/14	2014/15	2014/15
	£'000	£'000	£'000	£'000
<b>Opening balance at 1 April</b>	<b>(105,223)</b>	<b>(3,783)</b>	<b>(97,730)</b>	<b>(3,513)</b>
Current service cost	(1,635)	-	(1,263)	-
Interest cost	(4,255)	(150)	(4,241)	(149)
Contributions from scheme participants	(427)	-	(444)	-
Remeasurement actuarial gains and losses				
Arising from changes in demographic assumptions	5,554	144	-	-
Arising from changes in financial assumptions	2,074	32	(12,499)	(223)
Experience gains / (losses)	2,805	-	-	52
Settlements liabilities extinguished	-	-	84	-
Benefits paid	3,429	244	3,054	242
Past service cost	(52)	-	(34)	-
<b>Closing balance at 31 March</b>	<b>(97,730)</b>	<b>(3,513)</b>	<b>(113,073)</b>	<b>(3,591)</b>

### 35.7 Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2015 is estimated to be 14%. 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 2014		31 March 2015	
	£'000	%	£'000	%
Equities	40,951	67	46,904	67
Gilts	4,890	8	3,067	4
Other Bonds	4,890	8	6,691	10
Property	6,723	11	7,527	11
Cash	1,222	2	1,533	2
Alternative Assets	2,445	4	3,973	6
<b>Total</b>	<b>61,121</b>	<b>100</b>	<b>69,695</b>	<b>100</b>

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 2015 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, 23% are UK investments, 77% are overseas investments, 93% of equities are quoted 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 41% is quoted
- the alternative assets allocation is made up of 53% in infrastructure, 3% in a financing fund, 18% in timber and 26% in currency.

### 35.8 Liabilities

To assess the value of the Council's liabilities at 31 March 2015, the actuary has rolled forward the value of the liabilities calculated 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 2015 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2015 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:

	2013/14	2014/15
Mortality assumptions		
Life expectancy from age 65		
Retiring today		
Men	22.7	22.8
Women	25.1	25.2

Retiring in 20 years		
Men	24.9	25.1
Women	27.4	27.6

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 2013		31 March 2014		31 March 2015	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI Increases	3.3	-	3.5	-	3.1	-
CPI Increases	2.5	-0.8	2.7	-0.8	2.2	-0.9
Salary Increases	4.3	1.0	4.5	1.0	4.0	0.9
Pension Increases	2.5	-0.8	2.7	-0.8	2.2	-0.9
Discount Rate	4.1	0.8	4.4	0.9	3.2	0.1

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 yield 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 market implied inflation curve. This is consistent with the approach used at the last accounting date. The RPI assumption is therefore 3.1%.

As future pension increases are expected to be based on CPI rather than RPI, the actuary has made a further assumption about CPI which is that it will be 2.2%, 0.9% below RPI. This is a slightly lower estimate than last year. The actuary believes that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

Salaries are then assumed to increase at 1.8% above CPI in addition to a promotional scale.

### 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.

<b>Sensitivity Analysis</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	114,732	116,664	118,631
Projected Service Cost	1,498	1,533	1,568
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	116,839	116,664	116,490
Projected Service Cost	1,534	1,533	1,532
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	118,473	116,664	114,886
Projected Service Cost	1,568	1,533	1,499
Adjustment to mortality age rating assumption	+1 Year	None	- 1 Year
Present Value of Total Obligation	112,572	116,664	120,793
Projected Service Cost	1,481	1,533	1,586

### 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 2015-16

The Council's 2015-16 projected pension expense, excluding the capitalised cost of any early retirements or augmentations which may occur after 31 March 2015, is:

	£'000
Service Cost	1,533
Net Interest on the defined benefit liability (asset)	1,473
Administration expenses	32
<b>Total</b>	<b>3,038</b>
Employer Contributions	2,170

### 36. CONTINGENT LIABILITIES

The Council had no contingent liabilities at 31 March 2015.

### 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 2014-15 based on past and current market conditions. No credit limits were exceeded during 2014-15 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

	Amount at 31 March 2015	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2015	Estimated maximum exposure at 31 March 2015	Estimated maximum exposure at 31 March 2014
	£'000	%	%	£'000	£'000
Deposits with banks and other institutions	8,822	-	-	-	-
Customers	1,108	55	55	609	431
Brentwood Leisure Trust - Loan	287	-	-	-	-
<b>Total</b>	<b>10,217</b>			<b>609</b>	<b>431</b>

The outstanding customer balances as at 31 March 2015 are analysed by age as follows:

	31 March 2014	31 March 2015
	£'000	£'000
Less than three months	135	111
Three to six months	269	222
Six months to one year	404	332
More than one year	538	443
	<b>1,346</b>	<b>1,108</b>

Customer debts can be further analysed as follows:

	31 March 2014	31 March 2015		
	Carrying amount	Customer debt	Provision for impairment	Carrying amount
	£'000	£'000	£'000	£'000
Dwellings rents	335	590	327	263
Other	475	518	279	239
	<b>810</b>	<b>1,108</b>	<b>606</b>	<b>502</b>

#### 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 2014	31 March 2015
	£'000	£'000
Less than one year	2,031	32
Between one and two years	65	5,033
Between two and five years	5,098	98
Between five and ten years	5,158	5,158
Between ten and twenty years	25,501	25,449
Between twenty and thirty years	29,191	29,191
More than 30 Years	1,710	1,648
Total	<b>68,754</b>	<b>66,609</b>

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 2015, with all other variables held constant, the annualised interest receivable on the Council's investments/cash equivalents would have increased by £441,100. 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/cash equivalents.

All the Council's borrowings are at a fixed rate. As a result, a 1% movement in interest rates at 31 March 2015 would have had no effect on interest payable. However, a 1% change in the current value of the borrowings would result in movement of £661,660.

### 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.

2013/14			2014/15
£'000	Note		£'000
		<b>Expenditure</b>	
3,597		Repairs and maintenance	3,075
3,842		Supervision and management	3,021
169		Rent, rates, taxes and other charges	184
(9,200)		Depreciation and impairment of non-current assets	(2,112)
51		Movement in the allowance for bad debts	103
<b>(1,541)</b>		<b>Total Expenditure</b>	<b>4,271</b>
		<b>Income</b>	
(11,278)		Dwelling rents	(11,866)
(559)		Non-dwelling rents	(542)
(694)		Charges for services and facilities	(782)
(328)		Contributions towards expenditure	(320)
<b>(12,859)</b>		<b>Total Income</b>	<b>(13,510)</b>
<b>(14,400)</b>		Net Expenditure of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	<b>(9,239)</b>
453		HRA share of Corporate and Democratic Core	459
2		HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services	5
<b>(13,945)</b>		<b>Net Expenditure of HRA Services</b>	<b>(8,775)</b>
		HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement	
(476)		(Gain) or loss on sale of HRA non-current assets	(361)
2,062		Interest payable and debt management expenses	2,063
(88)		Interest and investment income	(64)
364		Pensions net interest expense	299
(64)		Other non-specific grants	-
<b>(12,147)</b>		<b>(Surplus) or deficit for the year on HRA services</b>	<b>(6,838)</b>

## Movement on the HRA Statement

2013/14			2014/15
£'000	Note		£'000
1,822		Balance on the HRA at the end of the previous year	1,665
12,147		Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	6,838
(12,120)	HRA1	Adjustments between accounting basis and funding basis under the legislative framework	(6,018)
27		Increase or (decrease) before transfers to or from reserves	820
(184)	HRA1	Transfers (to) or from earmarked reserves	(724)
(157)		Increase or (decrease) in the year on the HRA	96
1,665		Balance on the HRA at the end of the current year	1,761

## Notes to the HRA

### HRA1 - Movement on the HRA Statement

	Note	2013/14	2014/15
		£'000	£'000
<b>Adjustments between accounting basis and funding basis under the legislative framework</b>			
Gain or loss on sale of HRA non-current assets		(468)	(360)
HRA share of contributions to or from the Pensions Reserve		169	47
Transfers to or from the Major Repairs Reserve		(1,950)	(2,015)
Transfers to or from the Capital Adjustment Account (including Revenue Expenditure Funded from Capital under Statute)		(9,871)	(3,686)
Transfers to or from the Accumulated Absences Adjustment Account		-	(4)
<b>Total adjustments between accounting basis and funding basis under the legislative framework</b>		<b>(12,120)</b>	<b>(6,018)</b>
Transfers (to) or from earmarked reserves		(184)	(724)
<b>Total Movement</b>		<b>(12,304)</b>	<b>(6,742)</b>

## HRA2 - Housing Stock

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

	2014	2015
<b>Flats</b>		
1 Bedroom	600	598
2 Bedroom	507	504
3 Bedroom	62	61
<b>Houses and Bungalows</b>		
1 Bedroom	289	289
2 Bedroom	393	389
3 Bedroom	638	633
4 Bedroom	14	14
<b>Equity share properties</b>		
1 Bedroom	6	6
2 Bedroom	2	2
<b>Total</b>	<b>2,511</b>	<b>2,496</b>

## HRA3 - HRA Non-current Assets

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

	2014	2015
	£'000	£'000
Dwellings	181,399	197,513
Other land and buildings	8,398	7,697
Vehicles, furniture, plant and equipment	9	2
<b>Total</b>	<b>189,806</b>	<b>205,212</b>

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 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
Changes during the year	15,914	(701)	(7)	15,206
Net Book Value at 31 March 2015	197,513	7,697	2	205,212

Depreciation and impairment charges during the year were as follows:

	2013/14	2014/15
	£'000	£'000
<b>Depreciation</b>		
Dwellings	1,770	1,838
Other land and buildings	176	176
Vehicles, furniture, plant and equipment	12	2
<b>Total</b>	<b>1,958</b>	<b>2,016</b>
<b>Valuation loss / Impairment</b>		
Dwellings	(11,158)	(4,788)
Other land and buildings	-	618
<b>Total</b>	<b>(11,158)</b>	<b>(4,170)</b>
Dwellings	(9,388)	(2,950)
Other land and buildings	176	794
Vehicles, furniture, plant and equipment	12	2
<b>Total</b>	<b>(9,200)</b>	<b>(2,154)</b>

In 2014-15 the housing stock was revalued resulting in a total of £0.6 million being charged to the HRA as a revaluation loss (£2.3 million in 2013-14) and an amount of £4.8 million being credited as a reversal of losses and impairment in previous years (£13.5 million in 2013-14).

The vacant possession value of dwellings within the Council's HRA was £506.443 million in 2014-15 (£465.128 million in 2013-14). 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

	2013/14	2014/15
	£'000	£'000
Balance at 1 April	20	20
Amount transferred to the reserve during the year	1,950	2,016
Financing of capital expenditure	(1,950)	(2,036)
<b>Balance at 31 March</b>	<b>20</b>	<b>-</b>



## HRA5 - Capital Transactions

### (i) Capital Expenditure and Financing

	2013/14	2014/15
	£'000	£'000
Capital Expenditure - Enhancements	2,304	2,069
Capital Expenditure – Revenue Expenditure Funded from Capital Under Statute (REFCUS)*	331	-
<b>Total Capital Expenditure</b>	<b>2,635</b>	<b>2,069</b>
<b>Sources of Finance:</b>		
Major Repairs Reserve	1,619	2,035
Major Repairs Reserve – REFCUS	331	-
Grants	65	(7)
Revenue contribution to capital expenditure	620	41
<b>Total Financing</b>	<b>2,635</b>	<b>2,069</b>

\*REFCUS is expenditure which would normally be classified as revenue but is treated as capital as a result of regulations. Expenditure in 2013/14 and previous years on disabled adaptations to Council Dwellings was incorrectly treated as REFCUS. Previous years have not been restated on the grounds that the error is not material to users of the Statement of Accounts.

### (ii) Capital Receipts

	2013/14	2014/15
	£'000	£'000
Capital receipts from disposals of land, houses and other property		
Sale of dwellings – Usable Receipts	488	1,495

## HRA6 - Rent Arrears

	2013/14	2014/15
	£'000	£'000
Gross rent arrears at 31 March	484	553
Provision for doubtful debts	(188)	(290)
<b>Net Rent Arrears at 31 March</b>	<b>296</b>	<b>263</b>

## 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, together with details of the assumptions made in calculating the figures included in this note.

	2013/14 £'000	2014/15 £'000
<b>HRA Income and Expenditure Statement</b>		
<b>Net Expenditure on HRA Services</b>		
Service cost comprising		
Current service cost	296	223
Administration expenses	2	5
<b>HRA Share of Operating Income and Expenditure</b>		
Net interest cost	364	299
<b>Net Charge to the Income and Expenditure Statement</b>	<b>662</b>	<b>527</b>
<b>Movement on the HRA Statement</b>		
<b>Adjustments between accounting basis and funding basis under statute</b>		
Reversal of net charges made for retirement benefits	(662)	(527)
Employer's Contribution to the Scheme	493	480
<b>HRA share of contributions to or from the Pensions Reserve</b>	<b>(169)</b>	<b>(47)</b>

## 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").

2013/14	Note		2014/15	2014/15
£'000			£'000	£'000
		<b>Amounts required by statute to be credited to the Fund</b>		
46,105	1	Council Tax receivable (net of discounts)		46,599
27,914	2	NNDR receivable		30,628
41	2	NNDR transitional protection payments		-
		Contributions to Previous Year's Collection Fund Deficit		
	3	NNDR		450
<b>74,060</b>		<b>Total</b>		<b>77,677</b>
		<b>Amounts required by statute to be debited to the Fund</b>		
		Precepts and Demands Council Tax		
33,523		Essex County Council	33,574	
4,364		Essex Police Authority	4,457	
2,049		Essex Fire Authority	2,052	
5,547		Brentwood Borough Council	5,496	45,579
	2	Shares of NNDR Income		
11,468		Brentwood Borough Council	11,381	
2,580		Essex County Council	2,561	
287		Essex Fire Authority	284	14,226
		NNDR		
14,335	2	Central Share payment to Government		14,226
		Transitional protection payments		255
105		Costs of Collection		105
		Impairment of Debts		
		Council Tax		
28		Write-offs	17	
507		Allowance for Impairment	(115)	(98)
		NNDR		
694		Write-offs	548	
302		Allowance for Impairment	39	587
	3	Distribution of Previous Year's Collection Fund Surplus		
2,000		Council Tax		300
<b>77,789</b>		<b>Total</b>		<b>75,180</b>

## Movement on the Collection Fund

2014/15

2013/14	Note		2014/15	2014/15
£'000			£'000	£'000
(3,729)		<b>Total Movement on Fund Balance in the year</b>		<b>2,497</b>
		<b>Council Tax</b>		
(1,913)		Movement on Fund Balance in the year	<b>818</b>	
2,525		Opening Fund Balance	<b>612</b>	
612		Closing Fund Balance	<b>1,430</b>	
	2	<b>NNDR</b>		
(1,816)		Movement on Fund Balance in the year	<b>1,679</b>	
-		Opening Fund Balance	<b>(1,816)</b>	
(1,816)		Closing Fund Balance	<b>(137)</b>	

## Notes to the Collection Fund

1. 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 2014/15). In 2014/15 the Council Tax base (number of band D equivalent properties) was 30,893.40. The basic amount of council tax for a property in band D (£1,465.58 for 2014/15) 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	352.05	6/9	234.70
B	£40,001 - £52,000	1,597.11	7/9	1,242.20
C	£52,001 - £68,000	4,574.93	8/9	4,066.60
<b>D</b>	<b>£68,001 - £88,000</b>	<b>6,796.10</b>	<b>9/9</b>	<b>6,796.10</b>
E	£88,001 - £120,000	4,943.13	11/9	6,041.60
F	£120,001 - £160,000	3,962.91	13/9	5,724.20
G	£160,001 - £320,000	3,469.80	15/9	5,783.00
H	More than £320,000	502.50	18/9	1,005.00
<b>Total</b>		<b>26,198.53</b>		<b>30,893.40</b>

2. The Gross Non-Domestic Rateable Value for the Brentwood Borough Council area at 31 March 2015 was £75,569,309 (£75,053,580 at 31 March 2014) and the standard NNDR multiplier for the year was 48.2p (47.1p in 2013/14), whilst the small business multiplier was 47.1p (46.2p in 2013/14).

3. Distribution of Previous Year's Collection Fund Surplus or Deficit

Council Tax (Surplus)	2013-14	2014-15	NNDR (Deficit)	2013-14	2014-15
	£'000	£'000		£'000	£'000
Essex County Council	1,481	221	Essex County Council	-	41
Essex Police Authority	186	29	Government	-	225
Essex Fire Authority	90	13	Essex Fire Authority	-	4
Brentwood Borough Council	243	37	Brentwood Borough Council	-	180
<b>Total</b>	<b>2,000</b>	<b>300</b>	<b>Total</b>	<b>-</b>	<b>450</b>

## **BRENTWOOD BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2014/15**

### **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 secure 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 Finance Director at Brentwood Borough Council. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

### **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 realised and their impact should they be realised; and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2015 and up to the date of approval of the annual report and Statement of Accounts.

### **3. Governance framework**

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 behaviour.
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 - Planning, Building Control, Environmental Health & Licensing
- Car Parking

- Economic Development
- Land Charges
- Community Safety and CCTV

During 2014/15, 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 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 on to and enhancing our role, duties and powers as Local Council and Community Leader.

The appraisals systems have also been strengthened through new software and procedures 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 – the 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 and 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.

The Council has a Performance Management Framework. Performance is reported to the Finance and Resources Committee 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. The MTFP is monitored by the Corporate Leadership Board and Members of the Finance and Resources Committee.

**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 Constitution details the roles and functions of the Committee, Panels and officers. A Forward Plan is prepared for each Committee/Panel which outlines the key decisions which will be made during the year. A list of the Council's Committees for 2014/15 is shown below:

#### **Annual Council**

- Annual Council

#### **Committees**

- Asset and Enterprise Committee
- Business and Town Centres Committee
- Community Committee
- Environment Committee

- Finance and Resources Committee
- Housing and Health Committee
- Staff Appointments Committee

#### **Ordinary Council**

- Extraordinary Council
- Ordinary Council

#### **Regulatory Committees**

- Audit and Scrutiny Committee
- Licensing Committee
- Licensing/Appeals Sub-Committee
- Planning and Development Control Committee

#### **Constitution Working Group**

- Constitution Working Group

The Corporate Leadership Board (CLB), consisting of the Chief Executive, Chief Finance Officer, Monitoring Officer and each Head of Service. CLB meets on a regular basis and supports 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 modernisation and change to ensure the Council is efficient and effective
- To shape and drive the culture of the organisation

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

The Council operates to a prescribed set of organisational values which underpin individual and collective behaviour 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, 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. Member training sessions have also been held on the Constitution.

Further, the Council'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 processes will assist to promote and maintain the high ethical standards of conduct by 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. These documents are in the process of being updated.

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 the Chief Executive (Head of Paid Service), Chief Finance Officer (Section 151 Officer) and 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 outline 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 2014-15 the Council held a number of Panels which carry out regulatory or scrutiny functions. This included an Audit and Scrutiny Committee. The main aim of Audit 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 Audit and Scrutiny

Committee 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 Audit 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 Audit and Scrutiny Committee aims to involve members of the public in every aspect of its work.

Six Audit and Scrutiny Committee meetings took place during the 2014/15 municipal year and one decision was called in.

#### **Call In**

One committee decision was called in:

09.03.14 - consideration was given to the decision made at the 18.2.2015 Asset and Enterprise Committee meeting regarding the lease on Hutton Community Centre.

The Council also has a planning Development Control Committee which makes decisions on planning applications and enforcement items; and a Licensing Committee responsible for the regulation of taxis and private hire vehicles, premises used for licensable activities and other licenses.

The Audit and Scrutiny Committee provides advice to the Council on the effectiveness of the arrangements for the proper administration of the Council's financial affairs. The Audit and Scrutiny 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.

**Enable the Council to:**

- Review its strategic position regularly.
- Escalate those risks to a level where mitigation and responsibility should be taken.
- Identify 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 on the Council by mitigating, reducing, transferring or treating risk.
- Ensuring 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 and Scrutiny 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 induction programme for new Members exists and is successfully used to introduce the newly elected Members who joined during that year. This enabled them to familiarise themselves with the processes within the Council and their duties and responsibilities.

Training has been provided during 2014/15 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.

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 its people, which enables it to be successful in achieving its 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 is designed to help the Council 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.

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 Human Resources system.

**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 and Scrutiny 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.

#### **4. Review of effectiveness**

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 and Scrutiny Committee, Corporate Leadership Board, External Auditors, Internal Audit, 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.

## **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 would 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 Person, as well as clearly defining the stages of the process - ensuring transparency, ownership and good governance in accordance with the principles of natural justice.

### Audit and Scrutiny Committee

The Audit and Scrutiny Committee met six times during the year. The key items considered by the Committee were:

- Organisational Risks
- Business Continuity Reports
- Fraud Statistics
- Statement of Accounts 2013/14
- External Audit Results Report
- Annual Audit Letter and External Audit Updates
- Internal Audit Progress Reports
- Internal Audit Annual Report 2013/14
- Internal Audit Plan

- Internal Audit Charter
- External Audit Plan
- 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 and Scrutiny Committee can place reliance on to assess its internal control system.

The Internal Audit service is provided to the Council under contract by BDO.

The Internal Audit opinion for the year ended 31 March 2015 is one of **moderate 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.

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

- The review on the main financial system and the review completed on revenues and benefits received an opinion of **substantial assurance** which means that there is a sound system of internal control designed to achieve system objectives.
- Seven audits, including the reviews completed within the Housing Department and the reviews completed on the Council's main capital and transformation projects, received **moderate assurance** which means that there is generally a sound system of internal control designed to achieve system objectives with some exceptions.
- Six audit reviews received a **limited assurance** opinion, which means that the system of internal controls is weakened with system objectives at risk of not being achieved. These audits where a limited assurance opinion was given are as follows:
  - Risk Management: Internal audit found that the Council's Corporate Priorities and Objectives are not linked to the risk registers and the reporting and monitoring arrangements require improvement.

- Payroll: Although internal audit found the transfer of data to the new Payroll system to be adequate, the processes and controls in place require strengthening, for example controls around removing staff from the payroll system who have left the Council, checking establishment lists and also measuring the performance of the external organisation providing the payroll service.
- IT Transformation Programme: Internal audit found that there was a lack of approval and senior management support for the IT Transformation Programme and no IT strategy in place. The programme is not linked to the Council's corporate objectives and the governance and reporting arrangements are not formally documented.
- IT Data Security: Internal audit found that policy documentation relating to IT data security was out of date and controls around new staff (including gaining access and receiving security awareness training) and staff leavers require improvement.
- Partnership Arrangements: Internal audit found that there is no central policy on how partnerships should be governed or monitored.
- Car Park and Golf Club Income: Internal audit identified a lack of controls around the completeness of car park income with reconciliations not being completed between the readings from the car park machines and the amount of cash banked. This issue was rectified with immediate effect.

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.

- There were no reviews that received a No Assurance opinion.

#### External Audit

The External Auditor's Audit Results Report for 2013/14 contained the following key messages:

- Ernst & Young issued an unqualified opinion on the 2013/14 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.
- Ernst & Young issued an unqualified opinion on the 2013/14 Whole of Government Accounts submission.

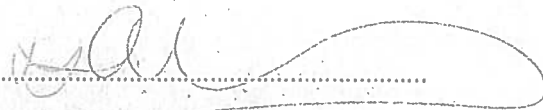
**5. Significant Governance Issues**

Key issues which are currently under review which need to be highlighted within this Statement are:

- **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.
- **Savings** – The Council has set challenging savings targets over the coming years and further savings are likely to be required. The Council’s ability to achieve these savings is pivotal in maintaining a strong system of Governance.
- **Change of Political Leadership** – During 2014/15 there was a change of political leadership and direction of the Council.
- **Changes in Senior Officers** – There have been changes to Senior Officers during the year including all three statutory positions of Chief Finance Officer, Monitoring Officer and Head of Paid Service.

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.

Signed:

  
.....  
Leader of the Council

  
.....  
Head of Paid Service

## Glossary of Terms

Accounting period	The period of time covered by the accounts, normally a period of twelve months starting on 1 <sup>st</sup> April and ending on 31 <sup>st</sup> 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: <ul style="list-style-type: none"> <li>• recognising</li> <li>• selecting measurement bases for and</li> <li>• presenting</li> </ul> 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 2014/15.



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.
International Financial Reporting Interpretations Committee (IFRIC)	A Committee which provides interpretative guidance on the application of IFRSs and International Accounting Standards (IASs)
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 2015 under the Audit Commission Act 1998 (as transitionally saved). 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, related notes HRA1 to HRA 7, the Collection Fund and the related notes 1 to 3.

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 2014/15.

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 Finance Director and auditor**

As explained more fully in the Statement of the Finance Director's Responsibilities set out on page 13, the Finance Director 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 2014/15, 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 Finance Director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2014/15 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 2015 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 2014/15.

## **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2014/15 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 comply 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 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 in October 2014.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, 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 its 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 2015.

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 2014, 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 2015.

#### **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

29 September 2015