



**BRENTWOOD  
BOROUGH COUNCIL**

**STATEMENT OF ACCOUNTS  
2018/19**



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# NARRATIVE REPORT

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## Introduction

The Narrative Report provides a concise guide to the most significant matters reported in the Statement of Accounts for the year ended 31 March 2019, and also some contextual information about the Council.

## Brentwood Borough

The Borough of Brentwood is situated in the southwest of Essex, 18 miles from London, with a population of approximately 76,000. The majority of the population is located in the two large towns of Brentwood and Shenfield and their surrounding neighbourhoods.

All of the Borough's countryside lies within the Metropolitan Green Belt of London, equating to 89% of the Borough. It has significant build and natural heritage, with over 500 listed buildings, 12 scheduled ancient monuments, accessible countryside and parks and many local wildlife sites. The Borough has a successful and buoyant local economy, with banking and finance as the main business sectors.

The Borough has excellent road and rail connections. The M25, A12 and A127 trunk roads flow through the Borough and there are convenient, fast rail links to London and East Anglia. These rail links will be further enhanced by the arrival of the Elizabeth Line at Brentwood and Shenfield stations, providing new direct links through Central London to Heathrow Airport and Reading.

Brentwood Borough Council is responsible for delivering a range of services to the residents of the Borough. Its key resources and assets are:

- a workforce of 233 full-time equivalent staff
- a housing stock of 2,475 dwellings with a value of £257.048m
- other land & buildings and vehicles & equipment valued at £31.150m

## Contents of the Statement of Accounts

The Statement of Accounts comprises the following:

1. Statement of Responsibilities for the Statement of Accounts (page 11)  
This identifies the officer responsible for the proper administration of the Council's financial affairs. In Brentwood Borough Council this officer is the Director of Corporate Resources. The Director of Corporate Resources signs this statement to confirm that the Statement of Accounts presents 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.
2. Group Accounts (pages 12-19)  
These statements and notes show the consolidated financial position of the Council with its wholly owned company, Seven Arches Investments Ltd.
3. Core Financial Statements, comprising:-
  - Movement in Reserves Statement (page 20)
  - Comprehensive Income and Expenditure Statement (page 21)
  - Balance Sheet (pages 22-23)
  - Cash Flow Statement (page 24)
4. Notes to the Accounts including significant Accounting Policies (pages 25-83)  
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.

## NARRATIVE REPORT

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5. Housing Revenue Account (pages 84-89)

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.

6. Collection Fund (pages 90-92)

This reflects the Council's statutory obligation 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).

7. Glossary (pages 93-98)

This explains some of the technical terms used within this document.

8. The Annual Governance Statement (pages 99-112)

This is not part of the Statement of Accounts but is provided as a supporting document. It sets out 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.

### Key Achievements for 2018/19

The Council made major progress in many key areas during 2018/19. The following is a summary of its key achievements.

1. Establishment of Wholly Owned Company

In April 2018 the Council's wholly owned company, Seven Arches Investments Limited (SAIL) was officially registered with Companies House. SAIL will seek to engage in a variety of commercial activities, which will be asset based initially, but which could extend into other areas such as service provision to generate a sustainable revenue stream. During 2018/19 SAIL purchased two commercial properties, which will generate SAIL a gross income of £740k per annum. The Council provides services to SAIL, which generated an income to the Council of £406k during 2018/19.

2. Joint Venture Partnership

In March 2018 Council approved a Competitive Dialogue Procedure under the Public Contracts Regulations 2015, to procure a Joint Venture partner to realise the potential of the Council's property asset base. A series of member engagement through Committee reports, Project Board and all-member and ward-member briefing sessions took place throughout the year. Following evaluation of the final tenders in accordance with the approved criteria a Preferred Supplier has been selected. Council approval is required to formally award the contract and enter into the suite of contracts to deliver the project along with appropriate financing and delegation to ensure effective operation.

3. Brentwood Town Hall Refurbishment

The refurbishment of Brentwood Town Hall continued throughout the year. The total cost of the project up to 31 March 2019 has been £9.3m. This will create a modern office environment, a community hub and 19 apartments that will be let to residents. The building is scheduled to reopen in the Summer of 2019.

## NARRATIVE REPORT

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### 4. Local Development Plan

Work continued on the Local Development Plan with a further consultation (Reg 19) being carried out in February 2019 following Full Council approval in November 2018. This work also facilitated discussion on Economic Growth, Housing, Leisure and Infrastructure all of which are vital to the Borough's Future. The Council aims to submit to the Secretary of State for Examination in Public during 2019/20.

### 5. Affordable Housing

The Council acquired 12 houses during the year at a cost of £3.7m, providing a valuable addition to its stock of affordable housing.

### 6. Housing Repairs and Maintenance Contract

Following a detailed procurement exercise, the Council has let its housing repairs and maintenance contract to Axis. This will run for ten years, with the option to extend for a further five years.

### 7. Multi-Storey Car Park Refurbishment

The multi storey car park in Brentwood Town Centre was fully refurbished during the year, continuing the theme of improving facilities within the town centre. The costs of these works was £1.7m.

### 8. Leisure Strategy

The Council adopted its Leisure Strategy September 2018 to ensure that its leisure facilities are not only fit for purpose now but for the future. The Strategy and action plan sets out the vision, what the Council needs to achieve, the challenges it faces and how the priorities and outcomes have been identified. The Leisure Strategy is a large piece of work, and it has been split into work streams to enable its delivery. Phase 1 would include King George's Playing Fields, Warley Playing Fields. Phase 2 would include the Council's Play areas and Phase 3 would include options for the Brentwood Centre and the longer-term strategic view of the Council's Leisure facilities. For 2019/20 the Council has pledged a total of £7.750 million towards developing a new pavilion at King Georges Playing Field and 3G Football pitches at a new Football Hub to be built in the Borough.

### 9. Play Area Strategy

The Play Area Strategy is one of the six work streams which sit under the Council's overarching Leisure Strategy. During the year of 2018/19 the Council opened Warley Play Area in July 2018 which is a Plan Inclusive Play Area (Pip) accredited play area. The investment in this play area and surrounding open space was £180K. The Medium Term Financial Plan, aligned with the agreed Play Area Strategy looks to invest a total of £2.2 million over the next five years for the development of eight play areas within the borough.

## NARRATIVE REPORT

### General Fund Revenue Account

The table below summarises the financial performance of the General Fund Revenue Account for the year:

	Budget	Forecast outturn	Actual outturn	Variance to budget
	£'000	£'000	£'000	£'000
<b>Vision for Brentwood – Service Expenditure</b>				
Environment and Housing Management	2,870	2,892	2,722	(148)
Community and Health	1,163	1,214	1,245	82
Economic Development	(1,417)	(1,152)	(1,144)	273
Planning & Licensing	480	672	644	164
Transformation	4,684	5,070	4,772	88
<b>Total Spend for Vision for Brentwood</b>	<b>7,780</b>	<b>8,696</b>	<b>8,239</b>	<b>459</b>
Operating and Financing Charges	1,342	917	806	(536)
Appropriations	(698)	(989)	(172)	526
<b>Total Spending Requirement</b>	<b>8,424</b>	<b>8,624</b>	<b>8,873</b>	<b>449</b>
<b>Funding:</b>				
Council Tax	(5,969)	(5,969)	(5,969)	0
Business Rates Income	(2,220)	(2,220)	(2,220)	0
Collection Fund Deficit	175	175	175	0
New Homes Bonus Grant	(410)	(410)	(410)	0
NNDR Pooling Income				0
<b>Total Funding</b>		(200)	(261)	(261)
	<b>(8,424)</b>	<b>(8,624)</b>	<b>(8,685)</b>	<b>(261)</b>
<b>Funding Gap for the year</b>				
	<b>0</b>	<b>0</b>	<b>188</b>	<b>188</b>
<b>Earmarked Spend on Balances</b>				
<b>(Surplus)/Deficit on General Fund Balances</b>	<b>0</b>	<b>0</b>	<b>188</b>	<b>188</b>

The £188k deficit reported is made up of many variances across all services. These variances exclude the costs incurred that are specifically funded from reserves. Less has been required to draw on earmarked reserves than initially budgeted. Overall Expenditure variances from budget are favourable by £177k, however total Income variances have exceeded by £365k. This highlights the increasing pressure the Council faces to manage decreasing funding and customers receipts. A more detailed view of the variances was presented to Policy, Resources and Economic Development Committee on 10<sup>th</sup> July 2019



## NARRATIVE REPORT

### Housing Revenue Account

The Housing Revenue Account records the income and expenditure in respect of the Council's function as a provider of rented social housing.

The table below summarises the financial performance of the Housing Revenue Account for the year

	<b>Budget</b>	<b>Forecast</b>	<b>Actual</b>	<b>Variance to</b>
	<b>£'000</b>	<b>outturn</b>	<b>outturn</b>	<b>budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Expenditure:</b>				
Repairs and Maintenance	2,420	2,710	2,545	125
Supervision and Management	3,064	3,066	3,244	180
Rents, Rates, Taxes and Other Charges	163	182	176	13
Share of Corporate Costs	408	433	426	18
Depreciation and Impairment	2,810	2,905	2,896	86
Increase in Bad Debts Provision	40	60	163	123
<b>Total Expenditure</b>	<b>8,905</b>	<b>9,356</b>	<b>9,450</b>	<b>545</b>
<b>Income:</b>				
Dwelling Income	(11,746)	(11,710)	(11,805)	(59)
Non-Dwelling Income	(385)	(358)	(346)	39
Charges for Services and Facilities	(893)	(862)	(817)	76
Contribution towards Expenditure	(70)	(72)	(81)	(11)
<b>Total Income</b>	<b>(13,094)</b>	<b>(13,002)</b>	<b>(13,049)</b>	<b>45</b>
Operating and Financing Charges	4,073	4,061	4,737	664
Appropriations	0	(400)	(1,000)	(1,000)
<b>HRA Services Surplus</b>	<b>(116)</b>	<b>15</b>	<b>138</b>	<b>254</b>

The increase in expenditure is predominately due to the mobilisation of the new repairs and maintenance contract in 2019/20. This has required additional resources as well as investment in the Council's technology and procedures to ensure the contract begins as efficiently as possible.

The increase in appropriations is to fund the capital expenditure for the HRA affordable housing program, delivering affordable housing in the Borough.

## NARRATIVE REPORT

### General Fund Balance, Housing Revenue Account and Earmarked Reserves

The figures shown in tables on pages 4 and 5 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.

A reconciliation of the accounting adjustments to what is actually chargeable to the General Fund and HRA balances to the Comprehensive Income and Expenditure Statement is highlighted in Note 1 & 2 Expenditure and Funding Analysis.

The Expenditure and Funding Analysis notes correlate back to the tables on pages 4 and 5, which show the outturn position on the Council's management reporting structure.

The following table shows the movement of General Fund and HRA balances including Earmarked Reserves during the year. For more detail see Note 5 to the Core Financial Statements.

	<b>Balance at 31 March 2018 £'000</b>	<b>Transfers to/(from) reserves £'000</b>	<b>Balance at 31 March 2019 £'000</b>
General Fund Balance	3,305	(188)	3,117
Earmarked General Fund Reserves	5,592	(771)	4,821
<b>Total</b>	<b>8,897</b>	<b>(959)</b>	<b>7,938</b>
Housing Revenue Account Balance	2,040	(138)	1,902
Earmarked HRA Reserves	3,400	(1,000)	2,400
<b>Total</b>	<b>5,440</b>	<b>(1,138)</b>	<b>4,302</b>
<b>General Fund and HRA Closing Balances</b>	<b>14,337</b>	<b>(2,097)</b>	<b>12,240</b>

The deficits on the General Fund and HRA have reduced both accounts working balances. For the General Fund Earmarked Reserves, the drawdown of £771k is a mixture of contributions to reserves for additional income and specific spend on Council projects, which include:

- Costs associated with the Asset Development Program and the Joint Venture Procurement.
- Incurred costs for the ongoing delivery of the Local Development Plan.
- Leisure Strategy resources required to develop the workstreams from the agreed strategy.
- Earmarking the VAT income claim received for sport exemptions application.
- Earmarking grant income and contribution for costs for future funding volatility.

## NARRATIVE REPORT

### Capital Programme

The table below summarises the financial performance of the Capital Programme for the year:

	Budget	Forecast	Actual	Variance
		outturn	outturn	to
	£'000	£'000	£'000	budget
				£'000
<b>Corporate Priorities – Service Expenditure</b>				
Environment and Housing Management	7,470	5,911	5,593	(1,877)
Community and Health	605	363	420	(185)
Economic Development	2,039	1,839	1,852	(187)
Transformation	36,784	20,624	21,606	(15,178)
<b>Total Spend on Corporate Priorities</b>	<b>46,898</b>	<b>28,737</b>	<b>29,471</b>	<b>(17,427)</b>
<b>Funding</b>				
Capital Receipts	2,965	3,593	3,493	528
Retained HRA Capital Receipts	850	850	1,157	307
Capital Grants	250	250	224	(26)
Major Repairs Reserve	3,140	2,115	997	(2,143)
Revenue Contributions	1,982	1,982	2,699	717
Section 106 Agreements	238	238	255	17
Borrowing	37,473	19,709	20,646	(16,827)
<b>Total Funding</b>	<b>46,898</b>	<b>28,737</b>	<b>29,471</b>	<b>(17,427)</b>

The Capital underspend is predominately due to Seven Arches Investments Limited not utilising the maximum loan facility limit of £30m. Other variances include:

- Reduce spend on Vehicle Fleet for Street Care services.
- Asset Management has incurred expenditure less than budget, due to the development of the Asset Development Program.

Some of the Council underspends are due to projects spanning more than one financial year, or due to timing and resource capacity therefore some of these underspends will be requested as part of slippage into 2019/20 subject to committee approval at Policy, Resources and Economic Development.

## NARRATIVE REPORT

### Treasury Management

The Council's treasury position at the year-end was as follows:

Category	No.	Value £'000	Average interest rate
HRA borrowing	6	59,166	
General Fund borrowing	5	14,000	
<b>Total External Debt</b>		<b>73,166</b>	3.02%
Total Investments	2	(2,000)	0.80%
<b>Net Borrowing Position</b>		<b>71,166</b>	

The HRA borrowing was taken on in March 2012, when the Council left the HRA subsidy system under the Government's HRA reforms. The next debt matures in March 2022 with the remaining debt maturing between then and March 2042. Most of the General Fund debt represents short term borrowing, to provide capital finance to the Council's subsidiary Seven Arches Investments Ltd.

In addition to external debt, the Council has internal debt of approximately £20m, representing occasions in previous years when the Council has used its own cash resources to fund capital expenditure instead of taking out external loans.

The investments of £2m are both short term (i.e. duration of up to one year).

### Pension Liability

The Council's Balance Sheet shows a net pension liability of £41.454m at 31 March 2019, offset by a reserve of the same amount. Details of the required accounting for pension schemes are contained in Note 39 to the Statement. The liability shows the underlying commitment the Council has to paying pensions in the long run and the substantial impact on the net worth of the Council.

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.

### Medium Term Financial Plan and Financial Outlook

The Council maintains a Medium Term Financial Plan (MTFP), the fundamental principles of which are:

- to maintain a sustainable financial position against a background of unprecedented financial uncertainty and reduced government funding including the delivery of efficiency targets.
- to support the vision of our Borough through appropriate identification of resources required to deliver the key priorities outlined in the 'Vision for Brentwood'
- to maximise opportunities and mitigate risks associated with the fundamental change in the way local government is financed.

## NARRATIVE REPORT

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The main issues impacting the MTFP include the reduction In Government Funding. Since 2015/16 to 2018/19 Government Funding, not including Business Rate Retention has reduced by £2.3m, with Revenue Support Grant being nil from 2018/19 onwards.

The MTFP currently extends to 2021/22 and it forecasts a cumulative funding gap of £3.33m by 2021/22. The Council has identified Proposed Policy Initiatives, as well as increasing Council Tax by 2.99%, in order to reduce this cumulative funding gap down to £911k by 2021/22. The Council currently forecasts a loss of £185k in 2019/20 which will be drawn from working balances. The Initiatives being:

- Service Reviews
- Leisure Strategy Income
- Additional Commercial Income

These Initiatives will managed by the Council's senior officers during the year along with the Accountancy Team and budget managers. Budget Challenge sessions are in place to provide scrutiny and ensure the initiatives are deliverable.

Services need to continue to drive through efficiencies and continually review their working practices and operations to try and make them as efficient as possible. Following on from existing management initiatives already included in the base budget, it is proposed that results of Service reviews will not come into effect until 2020/21.

Leisure Strategy Investments propose to seek future revenue savings, subject to Individual business cases being finalised and brought to committee for approval.

The Council continues to embark on embedding commercialisation as an avenue for achieving a significant revenue stream for the Council's General Fund. The Asset Development Programme realises the potential of the Council's property asset base but at the same time securing the regeneration, economic development and housing objectives of the Council. This is provided in three different streams.

- The Council's Wholly Owned Company – Seven Arches Investment Limited (SAIL)
- Securing a Joint Venture Partner.
- Early success Programme of the Council's Assets.

The Council's accounts for 2018/19 have been prepared on the basis that the Council is a Going Concern i.e. it will remain in operational existence for the foreseeable future. The Comprehensive Income and Expenditure Statement and Balance Sheet assume no intention to curtail significantly the scale of operations.

### Corporate Risk Management

The Council maintains Strategic, Operational and Project risk registers to identify the risks which could impact on the Council's ability to achieve its objectives.

Currently there are 14 strategic risks that are scored on a risk matrix from 1-25, with 25 being the highest level of risk. These strategic risks are managed by officer risk owners and senior officers. During 2018/19 strategic and operational risks were reported to Regulatory and Governance Committee regularly for review.

## NARRATIVE REPORT

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### Corporate Risk Management (continued)

The most recent risks reported to Committee in March 2019 are as follows:

No.	Risk	Score	No.	Risk	Score
1	Finance Pressures	V.High (20)	8	Lack of strategic Direction	Low (3)
2	Local Development Plan	V.High (15)	9	Failure to Spend Capital Receipts	Med (8)
3	Disaster Recover/Continuity Planning	High (12)	10	Roll out of Universal Credit	High (12)
4	Organisational Capacity	Low (3)	11	Failure to deliver key Corporate Projects	High (10)
5	Information Management and Security	Med (8)	12	Failure of Democratic Services	Low (2)
6	Commercial Activities	Med (8)	13	Brexit	V.High (16)
7	Contract/Partnership Failure	Med (8)	14	Treasury Management	Med (5)

### Performance Measurement

The Council measures its performance using a range of performance indicators, split across the various service areas of the Council. These indicators have been chosen as they represent a cross section of the key services delivered to the residents of the Borough. Their purpose is:

- To enable local residents and businesses to gauge the performance of the Council.
- To enable departmental managers to manage their service areas more effectively, including intervening in areas where performance is identified as below target.

A Full list of performance indicators with their results is published on Council's website and can be accessed as follows: <https://opendata.brentwood.gov.uk/View/general-information/performance-indicators>

## STATEMENT OF RESPONSIBILITIES

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### The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets
- Approve the Statement of Accounts

### The Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code)

In preparing this Statement of Accounts, the Director of Corporate Resources has:

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

The Section 151 Officer has also:

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

### Certification by Director of Corporate Resources

The Statement of Accounts gives a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended.

Jacqueline Van Mellaerts, Director of Corporate Resources  
28 January 2020

Certification by the Chair of the Committee approving the accounts

Councillor Charles Nolan  
Chair of Audit & Scrutiny Committee.  
28 January 2020

## GROUP ACCOUNTS

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### Introduction

The Code of Practice requires local authorities with material interests in subsidiaries, associates and joint ventures to prepare group accounts in addition to their own single entity financial statement.

The purpose of the group accounts presented on the following pages is to provide a picture of Brentwood Borough Council and the company that is controlled by the Council. The group accounts demonstrate the full extent of the Council's wider asset and liabilities, and its exposure to risk through interests in another entity and participation in the activities of that entity. The group accounts provide transparency and enable comparison with other entities that have similar corporate arrangements.

### Seven Arches Investments Ltd

The Council has an interest in one company, Seven Arches Investments Ltd (SAIL).

The company was formed on 12 April 2018 as a commercial investment vehicle for the Council. Its principal activity is the acquisition of property for investment purposes. This will continue to be its purpose for the foreseeable future.

The Council owns 100% of the company's shares, and the Chief Executive and Chief Operating Officer of the Council are the company directors. The Council has full voting rights and can appoint and remove directors.

SAIL is classified as a subsidiary of the Council and is considered to be material to the financial statements.

SAIL's company number is 11306245, and its registered office is: Town Hall, Ingrave Road, Brentwood, CM15 8AY. The company's accountants are MJ Bushel Ltd.

### Content of the Group Accounts

The following pages include:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement
- Notes to the Group Accounts



## GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the Council's single entity usable and unusable reserves, together with the SAIL Profit & Loss Reserve:

	Held for Revenue Purposes					Held for Capital Purposes			Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance	SAIL Profit & Loss Reserve	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2018</b>	<b>3,305</b>	<b>0</b>	<b>5,592</b>	<b>2,040</b>	<b>3,400</b>	<b>6,711</b>	<b>557</b>	<b>2,427</b>	<b>24,032</b>	<b>186,758</b>	<b>210,790</b>
<b>Movement in reserves during 2018/19:</b>											
(Surplus)/Deficit on Provision of Services	(7,876)	(691)	0	1,388	0	0	0	0	(7,179)	0	(7,179)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	5,956	5,956
Total Comprehensive Income and Expenditure	(7,876)	(691)	0	1,388	0	0	0	0	(7,179)	5,956	(1,223)
Transfer of recharges from General Fund to HRA	1,591	0	0	(1,591)	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	5,326	0	0	(935)	0	(3,544)	123	1,898	2,868	(2,868)	0
<b>Total movement in reserves during 2018/19</b>	<b>(959)</b>	<b>(691)</b>	<b>0</b>	<b>(1,138)</b>	<b>0</b>	<b>(3,544)</b>	<b>123</b>	<b>1,898</b>	<b>(4,311)</b>	<b>3,088</b>	<b>(1,223)</b>
Transfers (to)/from Earmarked Reserves	771	0	(771)	1,000	(1,000)	0	0	0	0	0	0
<b>Balance at 31 March 2019</b>	<b>3,117</b>	<b>(691)</b>	<b>4,821</b>	<b>1,902</b>	<b>2,400</b>	<b>3,167</b>	<b>680</b>	<b>4,325</b>	<b>19,721</b>	<b>189,846</b>	<b>209,567</b>

## GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

This statement shows the income and expenditure of the Group during the financial year:

	<b>Gross Expenditure £'000</b>	<b>2018/19 Gross Income £'000</b>	<b>Net Expenditure £'000</b>
Environment and Housing Management	7,261	(3,058)	4,203
Community and Health	3,857	(1,504)	2,353
Economic Development	2,047	(1,931)	116
Planning & Licensing	2,813	(1,378)	1,435
Transformation	21,034	(13,016)	8,018
Commercial Activity	190	(248)	(58)
Housing Revenue Account	10,174	(13,050)	(2,876)
<b>Cost of Services</b>	<b>47,376</b>	<b>(34,185)</b>	<b>13,191</b>
Other operating expenditure	901	(612)	289
Financing and investment income & expenditure	3,684	(726)	2,958
Taxation and non-specific grant income & expenditure	0	(9,261)	(9,261)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>51,961</b>	<b>(44,784)</b>	<b>7,177</b>
Deficit on revaluation of Property, Plant and Equipment assets	706	0	706
Remeasurement of the net defined benefit pension liability	0	(6,662)	(6,662)
<b>Other Comprehensive Income and Expenditure</b>	<b>706</b>	<b>(6,662)</b>	<b>(5,956)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>52,667</b>	<b>(51,446)</b>	<b>1,223</b>

## GROUP BALANCE SHEET

This statement summarises the financial position of the group at 31 March 2019:

Note	31 March 2019 £'000
Property, Plant and Equipment:-	
Council dwellings	257,048
Other Land and Buildings	29,223
Vehicles, plant and equipment	1,927
Infrastructure	1,109
Community Assets	2,937
Surplus Assets	795
Assets Under Construction	9,330
	<b>302,369</b>
Intangible Assets	127
1 Investment Property	21,363
Long-term Debtors	728
<b>Long-term Assets</b>	<b>324,587</b>
Short-term Investments	2,000
Inventories	57
2 Short-term Debtors	6,117
Cash and Cash Equivalents	0
<b>Current Assets</b>	<b>8,174</b>
Short-term Borrowing	(12,061)
3 Short-term Creditors	(5,613)
Cash Overdrawn	(450)
Grants Receipts in Advance - Revenue	(151)
<b>Current Liabilities</b>	<b>(18,275)</b>
Long-term Borrowing	(61,352)
Grants Receipts in Advance	(531)
Net Pension Liability	(41,454)
4 Provisions	(1,582)
<b>Long-term Liabilities</b>	<b>(104,919)</b>
<b>Net Assets</b>	<b>209,567</b>

## GROUP BALANCE SHEET

Note	31 March 2019 £'000
General Fund Balance	3,117
Housing Revenue Account Balance	1,902
Capital Receipts Reserve	3,167
Major Repairs Reserve	4,325
Capital Grants Unapplied Account	680
Earmarked Reserves	7,221
SAIL Profit & Loss Account	(691)
<b>Usable Reserves</b>	<b>19,721</b>
Revaluation Reserve	106,232
Capital Adjustment Account	125,157
Deferred Capital Receipts	378
Pension Reserve	(41,454)
Accumulated Absences Adjustment Account	(85)
Collection Fund Adjustment Account	(382)
<b>Unusable Reserves</b>	<b>189,846</b>
<b>Total Reserves</b>	<b>209,567</b>

These financial statements replace the unaudited financial statements certified by the Director of Corporate Resources on 29 July 2019.

Jacqueline Van Mellaerts, Director of Corporate Resources  
28 January 2020

## GROUP CASH FLOW STATEMENT

This statement summarises the cash flows in and out of the group during the financial year:

Note	2018/19 £'000	£'000
<b>Net deficit on the provision of services</b>		<b>7,177</b>
<b>Adjustments for non cash movements:-</b>		
Depreciation of non current assets	(4,117)	
Amortisation of intangible assets	(179)	
Revaluation adjustments	(3,885)	
(Increase)/decrease in bad debts provision	(115)	
(Increase)/decrease in creditors	(1,525)	
Increase/(decrease) in debtors	1,209	
Increase/(decrease) in inventories	2	
Movement in pension liabilities	(1,689)	
Amounts transferred to Collection Fund Adjustment Account	(135)	
Amounts transferred to Accumulated Absences Adjustment Account	14	
Carrying amounts of non-current assets sold	(823)	
Increase in provisions	107	
Movement in value of investment properties	(283)	
Other non cash movements	(12)	
<b>Total adjustments for non cash movements</b>		<b>(11,431)</b>
<b>Adjustments for investing or financing activities</b>		
Proceeds from the sale of non-current assets	1,435	
Capital Grants	383	
<b>Total adjustment for investing or financing activities</b>		<b>1,818</b>
<b>Net cash in-flow from Operating Activities</b>		<b>(2,436)</b>
<b>Investing Activities:-</b>		
Purchase of property, plant & equipment and intangible assets	28,110	
Proceeds from the sale of property, plant & equipment	(1,435)	
Proceeds from short term investments	(12,000)	
(increase)/decrease in capital grants	(509)	
		<b>14,166</b>
<b>Financing Activities:-</b>		
Cash receipts of short-term and long-term borrowing	(17,000)	
Repayments of short-term and long-term borrowing	5,004	
Decrease/(increase) in Collection Fund Agency creditors	1,652	
		<b>(10,344)</b>
<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>1,386</b>
Cash and cash equivalents at the beginning of the reporting period		936
Cash and cash equivalents at the end of the reporting period		(450)
<b>Movement in cash &amp; cash equivalents</b>		<b>(1,386)</b>

## NOTES TO THE GROUP ACCOUNTS

### 1. Group Accounting Policies

The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. The Council has consolidated its interests in the entity over which it exercises control or significant influence because they are material to the Council's balance sheet. The results of the Council's subsidiary have been consolidated on a line by line basis. Intra-group transactions have been eliminated before consolidation. The Accounting Policies used in the preparation of the Group Accounts are the same as for the single entity accounts of Brentwood Borough Council, as set out in note 41 of the Notes to the Core Statement of Accounts.

### 2. Investment Properties

	2018/19 £'000	2018/19 £'000	2018/19 £'000
	Commercial Premises	Land	Total
Balance at start of the year	5,913	2,975	8,888
Acquired during the year	12,758	0	12,758
Net losses from fair value adjustments	(239)	(44)	(283)
<b>Balance at end of the year</b>	<b>18,432</b>	<b>2,931</b>	<b>21,363</b>
Attributable to:			
Seven Arches Investments Ltd (SAIL)			12,607
Brentwood Borough Council			8,756

The value of the SAIL investment properties (£12.607m) is different to the corresponding value (£13.620m) recognised in the SAIL financial statements, a difference of £1.013m. There are two SAIL investment properties, which were valued for the SAIL financial statements at £5.015m and £8.605m (total £13.620m). The latter was subsequently valued for the group accounts at £7.592m, which combined with the other property (£5.015m) gives a total value of £12.607m. The original value of £13.620m was retained in the SAIL financial statements as they had already been published when the subsequent valuation was produced.

### 3. Debtors

	31 March 2019		
	£'000	£'000	£'000
	Gross Debt	Impairment Allowance	Net Debt
Trade receivables	476	(69)	407
Housing rents arrears	1,314	(693)	621
<b>Financial assets at contract amounts</b>	<b>1,790</b>	<b>(762)</b>	<b>1,028</b>
Central Government	1,255	0	1,255
Other local authorities	1,496	0	1,496
Council tax arrears	451	(181)	270
Non domestic rates arrears	1,535	(456)	1,079
Other sundry receivables	1,532	(949)	583
Prepayments	406	0	406
<b>Total</b>	<b>8,465</b>	<b>(2,348)</b>	<b>6,117</b>

## NOTES TO THE GROUP ACCOUNTS

### 4. Creditors

	<b>31 March 2019 £'000</b>
Trade payables	1,960
<b>Financial liabilities at contract amounts</b>	<b>1,960</b>
Central Government	1,030
Other local authorities	1,014
Council tax pre-payments	137
Non domestic rates pre-payments	306
Other sundry payables	295
Receipts in advance	871
<b>Total</b>	<b>5,613</b>

### 4. Provisions

	<b>Non Domestic Rates Appeals £'000</b>	<b>Insurance Claims £'000</b>	<b>Legal Costs £'000</b>	<b>Deferred Taxation £'000</b>	<b>Total £'000</b>
<b>Balance at 31 March 2018</b>	<b>1,361</b>	<b>223</b>	<b>106</b>	<b>0</b>	<b>1,690</b>
Additional provisions made in 2018/19	1,242	0	0	164	1,406
Amounts used in 2018/19	(1,503)	0	(11)	0	(1,514)
<b>Balance at 31 March 2019</b>	<b>1,100</b>	<b>223</b>	<b>95</b>	<b>164</b>	<b>1,582</b>

### 5. Operating lease commitments

The Group leases out premises under operating leases in order to generate a rental income. The minimum lease payments receivable under non-cancellable leases in future years are:

	<b>31 March 2019 £'000</b>
Not later than one year	1,295
Later than one year and not later than five years	4,287
Later than five years	6,096
<b>Total</b>	<b>11,678</b>

## CORE FINANCIAL STATEMENTS – MOVEMENT IN RESERVES STATEMENT

This statement shows the movement from the start to the end of 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 “unusable reserves”. The Statement analyses the movements in year between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax and housing rent income for the year. The balance at 31 March 2019 line shows the statutory General Fund balance and Housing Revenue Account balance following these adjustments.

### Movement in Reserves Statement 2018/19

	Held for Revenue Purposes				Held for Capital Purposes			Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2018</b>	<b>3,305</b>	<b>5,592</b>	<b>2,040</b>	<b>3,400</b>	<b>6,711</b>	<b>557</b>	<b>2,427</b>	<b>24,032</b>	<b>186,758</b>	<b>210,790</b>
<b>Movement in reserves during 2018/19:</b>										
Surplus/(Deficit) on Provision of Services	(7,876)	0	1,388	0	0	0	0	(6,488)	0	(6,488)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	5,956	5,956
Total Comprehensive Income and Expenditure	(7,876)	0	1,388	0	0	0	0	(6,488)	5,956	(532)
Transfer of recharges from General Fund to HRA	1,591	0	(1,591)	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations (note 4)	5,326	0	(935)	0	(3,544)	123	1,899	2,869	(2,869)	0
<b>Total movement in reserves during 2018/19</b>	<b>(959)</b>	<b>0</b>	<b>(1,138)</b>	<b>0</b>	<b>(3,544)</b>	<b>123</b>	<b>1,899</b>	<b>(3,619)</b>	<b>3,087</b>	<b>(532)</b>
Transfers (to)/from Earmarked Reserves (note 5)	771	(771)	1,000	(1,000)	0	0	0	0	0	0
<b>Balance at 31 March 2019</b>	<b>3,117</b>	<b>4,821</b>	<b>1,902</b>	<b>2,400</b>	<b>3,167</b>	<b>680</b>	<b>4,326</b>	<b>20,413</b>	<b>189,845</b>	<b>210,258</b>

### Movement in Reserves Statement 2017/18 (restated)

	Held for Revenue Purposes				Held for Capital Purposes			Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2017</b>	<b>3,742</b>	<b>4,955</b>	<b>1,546</b>	<b>2,900</b>	<b>8,098</b>	<b>538</b>	<b>381</b>	<b>22,160</b>	<b>176,592</b>	<b>198,752</b>
<b>Movement in reserves during 2017/18:</b>										
Surplus/(Deficit) on Provision of Services	(4,220)	0	3,175	0	0	0	0	(1,045)	0	(1,045)
Other Comprehensive Income and Expenditure	0	0	0	0	166	0	0	166	12,917	13,083
Total Comprehensive Income and Expenditure	(4,220)	0	3,175	0	166	0	0	(879)	12,917	12,038
Transfer of recharges from General Fund to HRA	1,605	0	(1,605)	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations (note 4)	2,815	0	(576)	0	(1,553)	19	2,046	2,751	(2,751)	0
<b>Total movement in reserves during 2017/18</b>	<b>200</b>	<b>0</b>	<b>994</b>	<b>0</b>	<b>(1,387)</b>	<b>19</b>	<b>2,046</b>	<b>1,872</b>	<b>10,166</b>	<b>12,038</b>
Transfers (to)/from Earmarked Reserves (note 5)	(637)	637	(500)	500	0	0	0	0	0	0
<b>Balance at 31 March 2018</b>	<b>3,305</b>	<b>5,592</b>	<b>2,040</b>	<b>3,400</b>	<b>6,711</b>	<b>557</b>	<b>2,427</b>	<b>24,032</b>	<b>186,758</b>	<b>210,790</b>

The 2017/18 table has been restated by moving the recharges from General Fund to HRA from the Surplus/(Deficit) on Provision of Services to a new line, Transfer of recharges from General Fund to HRA. See Note 40 Prior Period Adjustments for more detail.



## CORE FINANCIAL STATEMENTS – 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 statutory amounts 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.

Note	2017/18			2018/19		
	Gross Expenditure £'000 Restated	Gross Income £'000 Restated	Net Expenditure £'000 Restated	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Environment and Housing Management	10,685	(3,159)	7,526	7,261	(3,058)	4,203
Community and Health	2,961	(912)	2,049	3,857	(1,504)	2,353
Economic Development	933	(1,772)	(839)	2,047	(1,931)	116
Planning & Licensing	2,442	(1,645)	797	2,813	(1,378)	1,435
Transformation	21,483	(15,609)	5,874	21,034	(13,422)	7,612
Housing Revenue Account	8,240	(13,065)	(4,825)	10,175	(13,049)	(2,874)
<b>Cost of Services</b>	<b>46,744</b>	<b>(36,162)</b>	<b>10,582</b>	<b>47,187</b>	<b>(34,342)</b>	<b>12,845</b>
6 Other operating expenditure	838	(379)	459	901	(612)	289
7 Financing and investment income & expenditure	3,491	(2,457)	1,034	3,534	(919)	2,615
8 Taxation and non-specific grant income & expenditure	0	(11,030)	(11,030)	0	(9,261)	(9,261)
<b>Deficit on Provision of Services</b>	<b>51,073</b>	<b>(50,028)</b>	<b>1,045</b>	<b>51,622</b>	<b>(45,134)</b>	<b>6,488</b>
20 Deficit/(surplus) on revaluation of Property, Plant and Equipment assets	0	(7,037)	(7,037)	706	0	706
39 Remeasurement of the net defined benefit pension liability	0	(6,060)	(6,060)	0	(6,662)	(6,662)
Other losses	0	14	14	0	0	0
<b>Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>(13,083)</b>	<b>(13,083)</b>	<b>706</b>	<b>(6,662)</b>	<b>(5,956)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>51,073</b>	<b>(63,111)</b>	<b>(12,038)</b>	<b>52,328</b>	<b>(51,796)</b>	<b>532</b>

The 2017/18 figures have been restated by removing recharges to the Housing Revenue Account from the General Fund. This is to ensure that the accounts, including the prior year comparatives, are compliant with the 2018/19 Code of Practice on Local Authority Accounting, which does not permit recharges between service segments within the Comprehensive Income & Expenditure account. See Note 40 Prior Period Adjustments for more detail.

The total amount of recharges between the General Fund and the Housing Revenue Account in 2017/18 was £1.605m. The lines affected are: Environment and Housing Management, Community and Health, Transformation and Housing Revenue Account.

## CORE FINANCIAL STATEMENTS – BALANCE SHEET

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves that it holds. Reserves are reported in two categories. The first category is usable reserves, i.e. those reserves 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. The second category is unusable reserves, i.e. those reserves that the Council may not use to provide services. These include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.

Note	31 March 2018 £'000	31 March 2019 £'000
9	Property, Plant and Equipment:-	
	Council dwellings	257,048
	Other Land and Buildings	29,223
	Vehicles, plant and equipment	1,927
	Infrastructure	1,109
	Community Assets	2,937
	Surplus Assets	795
	Assets Under Construction	9,330
	296,700	302,369
	Intangible Assets	126
12	Investment Property	8,756
13	Long-term Debtors	14,228
	<b>Long-term Assets</b>	<b>325,479</b>
14	Short-term Investments	2,000
	Inventories	57
15	Short-term Debtors	6,031
16	Cash and Cash Equivalents	0
	<b>Current Assets</b>	<b>8,088</b>
14	Short-term Borrowing	(12,061)
17	Short-term Creditors	(5,563)
16	Cash Overdrawn	(781)
31	Grants Receipts in Advance - Revenue	(151)
	<b>Current Liabilities</b>	<b>(18,556)</b>
14	Long-term Borrowing	(61,351)
31	Grants Receipts in Advance	(530)
39	Net Pension Liability	(41,454)
18	Provisions	(1,418)
	<b>Long-term Liabilities</b>	<b>(104,753)</b>
	<b>Net Assets</b>	<b>210,258</b>

## CORE FINANCIAL STATEMENTS – BALANCE SHEET

Note		31 March 2018 £'000	31 March 2019 £'000
19	General Fund Balance	3,305	3,117
19	Housing Revenue Account Balance	2,040	1,902
19	Capital Receipts Reserve	6,711	3,167
19	Capital Grants Unapplied Account	557	680
19	Major Repairs Reserve	2,427	4,326
5	Earmarked Reserves	8,992	7,221
	<b>Usable Reserves</b>	<b>24,032</b>	<b>20,413</b>
20	Revaluation Reserve	108,687	106,232
21	Capital Adjustment Account	124,413	125,157
22	Deferred Capital Receipts	431	378
23	Pension Reserve	(46,427)	(41,454)
24	Accumulated Absences Adjustment Account	(99)	(86)
25	Collection Fund Adjustment Account	(247)	(382)
	<b>Unusable Reserves</b>	<b>186,758</b>	<b>189,845</b>
	<b>Total Reserves</b>	<b>210,790</b>	<b>210,258</b>

These financial statements replace the unaudited financial statements certified by the Director of Corporate Resources on 29 July 2019.

Jacqueline Van Mellaerts, Director of Corporate Resources  
28 January 2020

## CORE FINANCIAL STATEMENTS – CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in the Council's cash and cash equivalents during the reporting period. It classifies cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the Council's activities are funded from taxation, grant income and charges for services. Investing activities represent the extent to which cash outflows have been made for resources intended to contribute to the Council's future cash delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

Note	2017/18		2018/19	
	£'000	£'000	£'000	£'000
<b>Net deficit on the provision of services</b>		<b>1,045</b>		<b>6,488</b>
<b>Adjustments for non cash movements:-</b>				
Depreciation of non current assets	(4,112)		(4,117)	
Amortisation of intangible assets	(170)		(179)	
Revaluation adjustments	(4,231)		(3,885)	
(Increase)/decrease in bad debts provision	(406)		(115)	
(Increase)/decrease in creditors	(598)		(1,474)	
Increase/(decrease) in debtors	(715)		14,623	
Increase/(decrease) in inventories	(8)		2	
Movement in pension liabilities	(408)		(1,689)	
Amounts transferred to Collection Fund Adjustment Account	0		(135)	
Amounts transferred to Accumulated Absences Adjustment Account	0		14	
Carrying amounts of non-current assets sold	(1,686)		(823)	
Increase in provisions	516		271	
Movement in value of investment properties	1,872		(132)	
Other non cash movements	0		(14)	
<b>Total adjustments for non cash movements</b>		<b>(9,946)</b>		<b>2,347</b>
<b>Adjustments for investing or financing activities</b>				
Proceeds from the sale of non-current assets	2,066		1,435	
Capital Grants	351		383	
<b>Total adjustment for investing or financing activities</b>		<b>2,417</b>		<b>1,818</b>
<b>Net cash in-flow from Operating Activities</b>		<b>(6,484)</b>		<b>10,653</b>
<b>Investing Activities:-</b>				
Purchase of property, plant & equipment and intangible assets	5,538		15,352	
Proceeds from the sale of property, plant & equipment	(2,066)		(1,435)	
Proceeds from short term investments	(3,000)		(12,000)	
(increase)/decrease in capital grants	44		(509)	
		<b>516</b>		<b>1,408</b>
<b>Financing Activities:-</b>				
Cash receipts of short-term and long-term borrowing	0		(17,000)	
Repayments of short-term and long-term borrowing	3,270		5,004	
Decrease/(increase) in Collection Fund Agency creditors	1,710		1,652	
		<b>4,980</b>		<b>(10,344)</b>
<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>(988)</b>		<b>1,717</b>
16 Cash and cash equivalents at the beginning of the reporting period		(52)		936
16 Cash and cash equivalents at the end of the reporting period		936		(781)
<b>Movement in cash &amp; cash equivalents</b>		<b>988</b>		<b>(1,717)</b>

The 2018/19 cash flows for operating activities include £2.146m in respect of interest payable and £0.388m in respect of investment income receivable.

## NOTES TO THE ACCOUNTS - INDEX

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## NOTES TO THE ACCOUNTS

### 1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

<b>2018/19</b>	<b>Net Expenditure Chargeable to the General Fund and HRA Balance</b>	<b>Adjustments between Funding and Accounting Basis</b>	<b>Net Expenditure in the CIES</b>
<b>Service</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Environment and Housing Management	2,722	1,481	4,203
Community and Health	1,245	1,107	2,353
Economic Development	(1,144)	1,260	116
Planning & Licensing	644	792	1,436
Transformation	4,772	2,840	7,611
Housing Revenue Account	(3,599)	725	(2,874)
<b>Net Cost of Services</b>	<b>4,640</b>	<b>8,205</b>	<b>12,845</b>
<b>Other Income &amp; Expenditure</b>	<b>(3,142)</b>	<b>(3,214)</b>	<b>(6,356)</b>
<b>(Surplus)/Deficit</b>	<b>1,498</b>	<b>4,991</b>	<b>6,489</b>
<b>Opening General Fund and HRA Balance at 31 March 2018</b>	<b>(14,337)</b>		
Less Deficit on General Fund and HRA Balance in Year	1,498		
Transfer from Earmarked Reserves	600		
<b>* Closing General Fund and HRA Balance at 31 March 2019</b>	<b>(12,240)</b>		

\* For a split of the closing balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 20.

## NOTES TO THE ACCOUNTS

### 1. Expenditure and Funding Analysis (continued)

<b>2017/18</b>	<b>Net Expenditure Chargeable to the General Fund and HRA Balance</b>	<b>Adjustments between Funding and Accounting Basis</b>	<b>Net Expenditure in the CIES</b>
<b>Service</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
		<b>Restated</b>	<b>Restated</b>
Environment and Housing Management	2,678	4,848	7,526
Community and Health	1,224	825	2,049
Economic Development	(1,010)	170	(840)
Planning & Licensing	658	139	797
Transformation	4,692	1,182	5,874
Housing Revenue Account	(4,101)	(724)	(4,825)
<b>Net Cost of Services</b>	<b>4,141</b>	<b>6,440</b>	<b>10,581</b>
<b>Other Income &amp; Expenditure</b>	<b>(5,188)</b>	<b>(4,348)</b>	<b>(9,536)</b>
<b>(Surplus)/Deficit</b>	<b>(1,047)</b>	<b>2,092</b>	<b>1,045</b>
<b>Opening General Fund and HRA Balance at 31 March 2017</b>	<b>(13,143)</b>		
Add Surplus on General Fund and HRA Balance in Year	(1,047)		
Transfer to Earmarked Reserves	(146)		
<b>* Closing General Fund and HRA Balance at 31 March 2018</b>	<b>(14,337)</b>		

\* For a split of the closing balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 20.

The figures in the 2<sup>nd</sup> and 3<sup>rd</sup> columns of the above table have been restated following the removal of recharges between the General Fund and the Housing Revenue Account. See Note 40 Prior Period Adjustments for more detail.

## NOTES TO THE ACCOUNTS

### 2. Notes to the Expenditure and Funding Analysis

Adjustments between Accounting Basis and Funding Basis 2018/19				
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Environment and Housing Management	696	491	294	1,481
Community and Health	1,238	223	(354)	1,107
Economic Development	1,183	77	0	1,260
Planning & Licensing	2	258	532	792
Transformation	279	808	1,753	2,840
Housing Revenue Account	2,123	191	(1,589)	725
<b>Net Cost of Services</b>	<b>5,521</b>	<b>2,048</b>	<b>636</b>	<b>8,205</b>
<b>Other Income &amp; Expenditure</b>	<b>(2,940)</b>	<b>(358)</b>	<b>84</b>	<b>(3,214)</b>
<b>Total</b>	<b>2,581</b>	<b>1,690</b>	<b>720</b>	<b>4,991</b>

Adjustments between Accounting Basis and Funding Basis 2017/18				
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
			Restated	Restated
Environment and Housing Management	4,103	444	302	4,849
Community and Health	429	226	169	824
Economic Development	107	64	(1)	170
Planning & Licensing	2	266	(128)	140
Transformation	356	(664)	1,489	1,181
Housing Revenue Account	711	173	(1,608)	(724)
<b>Net Cost of Services</b>	<b>5,708</b>	<b>509</b>	<b>223</b>	<b>6,440</b>
<b>Other Income &amp; Expenditure</b>	<b>(3,878)</b>	<b>(100)</b>	<b>(370)</b>	<b>(4,348)</b>
<b>Total</b>	<b>1,830</b>	<b>409</b>	<b>(147)</b>	<b>2,092</b>

The figures in the 3<sup>rd</sup> and 4<sup>th</sup> columns of the above table have been restated following the removal of recharges between the General Fund and the Housing Revenue Account. See Note 40 Prior Period Adjustments for more detail.



## NOTES TO THE ACCOUNTS

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### 2. Notes to the Expenditure and Funding Analysis (continued)

#### Adjustments for Capital Purposes

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

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- **Financing and investment income and expenditure** – the statutory charges for capital financing, i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

#### Net Change for the Pensions Adjustment

This is the net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pensions related expenditure and income:

- **for services**, this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs
- **for Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES

#### Other

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

- the charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and Non Domestic Rates that was projected to be received at the start of the year, and the income recognised under generally accepted accounting practices. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## NOTES TO THE ACCOUNTS

### 3a. Expenditure & Income Analysed by Nature

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

	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>	<b>Restated</b>	
Employee benefits expenses	9,660	12,169
Other services expenses	28,214	26,853
Depreciation, amortisation & impairment	8,914	8,313
Interest payments	3,447	3,386
Precepts & levies	461	517
Payments to the Housing Capital Receipts Pool	377	384
<b>Total expenditure</b>	<b>51,073</b>	<b>51,622</b>
<b>Income</b>		
Fees, charges and other service income		
- Revenue from contracts with service recipients	(19,162)	(18,982)
- Other income	(1,829)	(3,020)
Interest and investment income	(1,983)	(439)
Income from council tax and non domestic rates	(7,653)	(7,334)
Government grants and contributions	(19,021)	(14,747)
Gain on the disposal of assets	(380)	(612)
<b>Total income</b>	<b>(50,028)</b>	<b>(45,134)</b>
<b>Deficit on the provision of services</b>	<b>1,045</b>	<b>6,488</b>

The prior year figures have been restated by splitting the Fees, charges and other service income line between Revenue from contracts with service recipients and Other income. The purpose of this change is to make the note more consistent with other areas of the accounts. There is no impact from this change upon the Deficit on the provision of services.

### 3b. Revenue from Contract with Service Recipients

Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:

	<b>31 March</b>	<b>31 March</b>
	<b>2018</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Revenue from contracts with service recipients	(19,161)	(18,982)
Impairment of receivables	0	(6)
<b>Total included in CIES</b>	<b>(19,161)</b>	<b>(18,988)</b>

## NOTES TO THE ACCOUNTS

### 3b. Revenue from Contract with Service Recipients (continued)

Amounts included in the Balance Sheet for contracts with service recipients:

	<b>31 March 2018 £'000</b>	<b>31 March 2019 £'000</b>
Receivables (included as debtors - see note 15)	504	1,004
<b>Total included in Balance Sheet</b>	<b>504</b>	<b>1,004</b>

The value of revenue that is expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the year is as follows:

	<b>31 March 2018 £'000</b>	<b>31 March 2019 £'000</b>
Not later than one year	(95)	(154)
Later than one year	0	0
<b>Total</b>	<b>(95)</b>	<b>(154)</b>

### 4. 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.

#### a) General Fund Balance

The General Fund is the statutory fund into which the Council's receipts are paid, and out of which the liabilities of the Council are met, except to the extent that statutory rules 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). The balance is not available to be applied to funding Housing Revenue Account (HRA) services.

#### b) 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) is required to be recovered from tenants in future years.

#### c) Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve which controls an element of the capital resources limited to 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.

## NOTES TO THE ACCOUNTS

### 4. Adjustments between accounting basis and funding basis under regulations (continued)

#### d) 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.

#### e) 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.

<b>2018/19</b>	<b>General Fund Balance</b>	<b>Housing Revenue Account</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Major Repairs Reserve</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments to Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive & Income Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs (transferred to/from the Pensions Reserve)	1,548	141	0	0	0	1,689
Council Tax & NNDR (transfers to/from the Collection Fund Adjustment Account)	135	0	0	0	0	135
Holiday pay (transferred to/from to the Accumulated Absences Reserve)	(17)	3	0	0	0	(14)
Reversal of entries relating to capital expenditure (charged to the Capital Adjustment Account).	3,941	3,113	0	0	0	7,054
<b>Total Adjustments to Revenue Resources</b>	<b>5,607</b>	<b>3,257</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,864</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds to the Capital Receipts Reserve	(139)	(1,296)	1,435	0	0	0
Payments to the government housing receipts pool	384	0	(384)	0	0	0
Transfer of HRA resources from revenue to the Major Repairs Reserve	0	(2,896)	0	0	2,896	0
Capital Grants unapplied	(526)	0	0	123	0	(403)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(281)</b>	<b>(4,192)</b>	<b>1,051</b>	<b>123</b>	<b>2,896</b>	<b>(403)</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(4,649)	0	0	(4,649)
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	(997)	(997)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	54	0	0	54
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>(4,595)</b>	<b>0</b>	<b>(997)</b>	<b>(5,592)</b>
<b>Total Adjustments</b>	<b>5,326</b>	<b>(935)</b>	<b>(3,544)</b>	<b>123</b>	<b>1,899</b>	<b>2,869</b>

## NOTES TO THE ACCOUNTS

### 4. Adjustments between accounting basis and funding basis under regulations (continued)

<u>2017/18</u>	<b>General Fund Balance £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Major Repairs Reserve £'000</b>	<b>Total £'000</b>
<b>Adjustments to Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive & Income Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs (transferred to/from the Pensions Reserve)	249	159	0	0	0	408
Council Tax & NNDR (transfers to/from the Collection Fund Adjustment Account)	(14)	0	0	0	0	(14)
Holiday pay (transferred to/from to the Accumulated Absences Reserve)	16	(3)	0	0	0	13
Reversal of entries relating to capital expenditure (charged to the Capital Adjustment Account).	3,431	4,187	0	0	0	7,618
<b>Total Adjustments to Revenue Resources</b>	<b>3,682</b>	<b>4,343</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,025</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds to the Capital Receipts Reserve	0	(2,064)	2,064	0	0	0
Payments to the government housing receipts pool	377	0	(377)	0	0	0
Transfer of HRA resources from revenue to the Major Repairs Reserve	0	(2,855)	0	0	2,855	0
Capital Grants unapplied	(1,244)	0	0	20	0	(1,224)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(867)</b>	<b>(4,919)</b>	<b>1,687</b>	<b>20</b>	<b>2,855</b>	<b>(1,224)</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(3,341)	0	0	(3,341)
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	(809)	(809)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	101	0	0	101
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>(3,240)</b>	<b>0</b>	<b>(809)</b>	<b>(4,049)</b>
<b>Total Adjustments</b>	<b>2,815</b>	<b>(576)</b>	<b>(1,553)</b>	<b>20</b>	<b>2,046</b>	<b>2,752</b>

## NOTES TO THE ACCOUNTS

### 5. 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 2018/19.

	2017/18				2018/19			
	Balance at 1 April 2017	Transfers to CIES	Transfers from CIES	Balance at 31 March 2018	Balance at 1 April 2018	Transfers to CIES	Transfers from CIES	Balance at 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund Reserves</b>								
Organisational Transformation	1,654	(711)	736	1,679	1,679	(757)	40	962
Funding Volatility	722	0	224	946	946	0	759	1,705
Waste Management	636	0	0	636	636	(53)	0	583
Dunton Hills Development	229	(52)	244	421	421	(301)	0	120
Duchess of Kent/Nightingale	334	(15)	0	319	319	(13)	0	306
Planning Delivery Grant	227	(83)	111	255	255	(240)	40	55
Community Alarms	291	(100)	0	191	191	(53)	0	138
Pensions	177	0	0	177	177	(177)	0	0
Preventing Homelessness	38	0	136	174	174	(21)	0	153
Asset Management	164	0	0	164	164	0	0	164
Housing Benefit Subsidy	150	0	0	150	150	0	0	150
Leisure Strategy	0	0	100	100	100	(85)	0	15
ICT Investment	0	0	100	100	100	0	0	100
Brentwood Community Hospital	45	0	0	45	45	0	0	45
Electoral Registration	43	0	0	43	43	0	0	43
Economic Development	40	0	0	40	40	(40)	0	0
Community Rights	38	0	0	38	38	0	0	38
Health and Wellbeing	26	(16)	24	34	34	0	21	55
Neighbourhood Plan	26	0	0	26	26	0	0	26
Land at Hanover House	16	0	0	16	16	0	0	16
Building Control	83	(68)	0	15	15	(14)	0	1
Brentwood Community Fund	9	0	0	9	9	0	0	9
Willowbrook Rosen Crescent	0	0	7	7	7	0	0	7
Public Consultation	5	0	0	5	5	(5)	0	0
Civic Dinner	2	0	0	2	2	(2)	0	0
Play Area Grant	0	0	0	0	0	0	12	12
EU Exit Grant	0	0	0	0	0	0	118	118
<b>Total General Fund Reserves</b>	<b>4,955</b>	<b>(1,045)</b>	<b>1,682</b>	<b>5,592</b>	<b>5,592</b>	<b>(1,761)</b>	<b>990</b>	<b>4,821</b>
<b>Housing Revenue Account Reserves</b>								
Council Dwellings Investment Fund	2,500	0	500	3,000	3,000	(600)	0	2,400
Repairs and Maintenance	400	0	0	400	400	(400)	0	0
<b>Total Housing Revenue Account Reserves</b>	<b>2,900</b>	<b>0</b>	<b>500</b>	<b>3,400</b>	<b>3,400</b>	<b>(1,000)</b>	<b>0</b>	<b>2,400</b>
<b>Total Earmarked Reserves</b>	<b>7,855</b>	<b>(1,045)</b>	<b>2,182</b>	<b>8,992</b>	<b>8,992</b>	<b>(2,761)</b>	<b>990</b>	<b>7,221</b>

## NOTES TO THE ACCOUNTS

### 5. Transfers to and from Earmarked Reserves (continued)

The following table sets out the purpose of each reserve that had an opening balance at the start of the 2018/19 financial year, and the newly created reserves in 2018/19:

Reserve	Purpose
<b><u>General Fund Reserves</u></b>	
Organisational Transformation	To fund the Council's continuous improvement in its services, employees and members. There are specific projects that are currently prioritised for delivery: the Asset Development Programme, the Joint Venture and the formalisation of the Council's Local Development Plan (LDP)
Funding Volatility	Fund to mitigate the uncertainty and financial risks regarding the Fair Funding Review
Waste Management	To fund the development of waste management within the Borough.
Dunton Hills Development	To fund planning costs associated with the Dunton Hills Garden Village Development.
Duchess of Kent / Nightingale	To meet the cost of grounds maintenance at the new housing development at this site.
Planning Delivery Grant	To fund work associated with the Local Development Plan.
Community Alarms	Funds to be used to develop the community alarm service, looking at expansion of the service as well as upgrading the equipment inline with technological advances.
Pensions	To fund the pension liability on overtime payments, backdated to pensions changes in 2014.
Preventing Homelessness	To develop a range of prevention initiatives, such as private sector leasing scheme, and to fund new costs associated with the Homelessness Reduction Act 2018.
Asset Management	To fund the costs of developing and implementing the Council's asset management programme.
Housing Benefit Subsidy	To support the funding of subsidy claims and the implementation of Universal Credit.
Leisure Strategy	To fund the Council's Leisure Service review.
ICT Investment	To fund investment in the Council's ICT structure.
Brentwood Community Hospital	To fund grounds maintenance of the former hospital site.
Electoral Registration	Previously earmarked to implement individual electoral registration; now required to fund pressures regarding the European Elections held in 2019/20 and any other unexpected upcoming elections.
Economic Development	Previously held due to underspent budgets on review of the reserve, the money can be utilised to aid in delivering the LDP
Community Rights	Contains the Government grant provided to assist in the implementation of the Localism Act.
Health & Wellbeing Neighbourhood Plan	To fund projects as determined by the Brentwood Health & Wellbeing Board. Carries forward Government grants to be used in connection with Doddinghurst and West Horndon neighbourhood plans.
Land at Hanover House	Section 106 Agreement to make public open space improvements at land at Hanover House.
Building Control	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.
Brentwood Community Fund	Holds unspent Local Strategic Partnership monies to fund agreed community projects. No projects were funded in 2017/18 and balance will be carried forward Council is approached to fund community projects in 2018/19 or future years.
Public Consultation	Carries forward unspent budget to be used for a borough wide satisfaction survey: on review of the reserve this survey will be part of a wider scheme therefore the reserve is no longer needed.

## NOTES TO THE ACCOUNTS

### 5. Transfers to and from Earmarked Reserves (continued)

Reserve	Purpose
<b>General Fund Reserves</b>	
Civic Dinner	To fund the cost of the annual Civic Dinner; closed at the end of 2018/19.
Willowbrook Rosen Crescent	Contribution from developer towards the cost of hedge maintenance at this location.
Play Area Grant	Park improvement funding, earmarked specifically to contribute to the Council's play area strategy
European Union Exit Grant	Funds set aside for the necessary preparations required of the Council when the UK exits the EU. Due to the uncertainty around the impact of leaving the EU the funds have been set aside to support any financial pressures the Council may face when leaving.
<b>Housing Revenue Account Reserves</b>	
Council Dwellings Investment Fund	Contains contributions from the HRA towards investment in the Council's housing stock and funding the Affordable Housing Programme.
HRA Repairs and Maintenance	Reserve has been fully utilised in 2018/19 to fund the costs associated with the mobilisation of the new Repairs And Maintenance Contract

### 6. Other Operating Expenditure

	2017/18	2018/19
	£'000	£'000
Parish Council precepts	461	517
Payments to the Government Housing Capital Receipts Pool	377	384
Gains on the disposal of non-current assets	(379)	(612)
<b>Total</b>	<b>459</b>	<b>289</b>

### 7. Financing and Investment Income and Expenditure

	2017/18	2018/19
	£'000	£'000
Interest payable	2,096	2,158
Net interest on the pensions net defined benefit liability	1,351	1,151
Interest receivable and similar income	(111)	(367)
Income from investment properties	(473)	(459)
Changes in fair value of investment properties	(1,872)	132
Commercial Activity	43	0
<b>Total</b>	<b>1,034</b>	<b>2,615</b>



## NOTES TO THE ACCOUNTS

### 8. Taxation and Non-Specific Grant Income

	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax Income	(6,236)	(6,526)
Non-ringfenced Government grants (see note 31)	(2,253)	(1,422)
Non Domestic Rates	(1,648)	(1,169)
Capital grants and contributions	(893)	(144)
<b>Total</b>	<b>(11,030)</b>	<b>(9,261)</b>

### 9. Property Plant and Equipment

#### 9.1 Movements on balances in 2018/19

	<b>Total</b>	<b>Council</b>	<b>Other Land</b>	<b>Vehicles,</b>	<b>Infra-</b>	<b>Community</b>	<b>Surplus</b>	<b>Assets Under</b>
	<b>£'000</b>	<b>Dwellings</b>	<b>and</b>	<b>Plant and</b>	<b>structure</b>	<b>Assets</b>	<b>Assets</b>	<b>Construction</b>
	<b>£'000</b>	<b>£'000</b>	<b>Buildings</b>	<b>Equipment</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Gross value at 1 April 2018</b>	<b>302,844</b>	<b>256,091</b>	<b>35,149</b>	<b>6,462</b>	<b>704</b>	<b>2,956</b>	<b>0</b>	<b>1,482</b>
Less adjustment to opening balance	(903)	0	(903)	0	0	0	0	0
	<b>301,941</b>	<b>256,091</b>	<b>34,246</b>	<b>6,462</b>	<b>704</b>	<b>2,956</b>	<b>0</b>	<b>1,482</b>
Acquisitions	4,479	3,752	0	344	383	0	0	0
Additions	10,721	997	1,822	0	0	0	54	7,848
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(706)	1,935	(3,081)	0	0	0	440	0
Revaluation increases/(decreases) recognised in the Surplus or Deficit on the Provision of Services	(3,887)	(2,221)	(1,763)	0	0	0	97	0
Accumulated depreciation written out to gross carrying amount	(4,343)	(2,589)	(1,754)	0	0	0	0	0
Derecognition - disposals	(1,657)	(799)	0	(845)	0	(13)	0	0
Transfers between categories	0	(118)	(86)	(330)	330	0	204	0
<b>Gross value at 31 March 2019</b>	<b>306,548</b>	<b>257,048</b>	<b>29,384</b>	<b>5,631</b>	<b>1,417</b>	<b>2,943</b>	<b>795</b>	<b>9,330</b>
<b>Depreciation at 1 April 2018</b>	<b>(6,144)</b>	<b>0</b>	<b>(1,992)</b>	<b>(3,909)</b>	<b>(239)</b>	<b>(4)</b>	<b>0</b>	<b>0</b>
Less adjustment to opening balance	903	0	903	0	0	0	0	0
	<b>(5,241)</b>	<b>0</b>	<b>(1,089)</b>	<b>(3,909)</b>	<b>(239)</b>	<b>(4)</b>	<b>0</b>	<b>0</b>
Depreciation charge	(4,117)	(2,595)	(826)	(645)	(49)	(2)	0	0
Derecognition - disposals	836	6	0	830	0	0	0	0
Transfers between categories	0	1	0	0	0	0	(1)	0
Reclassified to Investment Property	0	0	0	0	0	0	0	0
Accumulated depreciation written out to gross carrying amount	4,343	2,588	1,754	20	(20)	0	1	0
<b>Depreciation at 31 March 2019</b>	<b>(4,179)</b>	<b>0</b>	<b>(161)</b>	<b>(3,704)</b>	<b>(308)</b>	<b>(6)</b>	<b>0</b>	<b>0</b>
<b>Net book value at 31 March 2019</b>	<b>302,369</b>	<b>257,048</b>	<b>29,223</b>	<b>1,927</b>	<b>1,109</b>	<b>2,937</b>	<b>795</b>	<b>9,330</b>
<b>Net book value at 31 March 2018</b>	<b>296,700</b>	<b>256,091</b>	<b>33,157</b>	<b>2,553</b>	<b>465</b>	<b>2,952</b>	<b>0</b>	<b>1,482</b>

The adjustment to opening balances represents the writing out of accumulated depreciation on assets revalued prior to 1 April 2018.

## NOTES TO THE ACCOUNTS

### 9.2 Comparative Movements on Balances in 2017/18

	Total £'000	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000
<b>Gross value at 1 April 2017</b>	<b>299,390</b>	<b>251,976</b>	<b>37,695</b>	<b>6,059</b>	<b>704</b>	<b>2,956</b>	<b>0</b>	<b>0</b>
Acquisitions	2,411	1,948	0	463	0	0	0	0
Additions	2,925	808	511	124	0	0	0	1,482
Revaluation increases recognised in the Revaluation Reserve	7,409	6,905	504	0	0	0	0	0
Revaluation decreases recognised in the Surplus or Deficit on the Provision of Services	(4,591)	(942)	(3,649)	0	0	0	0	0
Accumulated depreciation written out to gross carrying amount	(2,549)	(2,549)	0	0	0	0	0	0
Derecognition - disposals	(1,884)	(1,700)	0	(184)	0	0	0	0
Transfers between categories	0	(355)	355	0	0	0	0	0
Reclassified to Investment Property	(267)		(267)	0	0	0	0	0
<b>Gross value at 31 March 2018</b>	<b>302,844</b>	<b>256,091</b>	<b>35,149</b>	<b>6,462</b>	<b>704</b>	<b>2,956</b>	<b>0</b>	<b>1,482</b>
<b>Depreciation at 1 April 2017</b>	<b>(4,844)</b>	<b>0</b>	<b>(1,148)</b>	<b>(3,468)</b>	<b>(226)</b>	<b>(2)</b>	<b>0</b>	<b>0</b>
Depreciation charge	(4,112)	(2,553)	(911)	(633)	(13)	(2)	0	0
Adjustment to opening balance	(11)	0	(19)	8	0	0	0	0
Derecognition - disposals	184	0	0	184	0	0	0	0
Transfers between categories	0	4	(4)	0	0	0	0	0
Reclassified to Investment Property	90	0	90	0	0	0	0	0
Accumulated depreciation written out to gross carrying amount	2,549	2,549	0	0	0	0	0	0
<b>Depreciation at 31 March 2018</b>	<b>(6,144)</b>	<b>0</b>	<b>(1,992)</b>	<b>(3,909)</b>	<b>(239)</b>	<b>(4)</b>	<b>0</b>	<b>0</b>
<b>Net book value at 31 March 2018</b>	<b>296,700</b>	<b>256,091</b>	<b>33,157</b>	<b>2,553</b>	<b>465</b>	<b>2,952</b>	<b>0</b>	<b>1,482</b>
<b>Net book value at 31 March 2017</b>	<b>294,546</b>	<b>251,976</b>	<b>36,547</b>	<b>2,591</b>	<b>478</b>	<b>2,954</b>	<b>0</b>	<b>0</b>

### 9.3 Assets Under Construction

The amount of £9.330m for Assets Under Construction represents £9.214m in respect of works to the Town Hall and £0.116m in respect of the development of affordable housing.

### 9.4 Depreciation

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

- Council Dwellings 69 years
- Other Land & Buildings 5-69 years
- Vehicles, Plant & Equipment 5-10 years
- Infrastructure-land drainage 50 years
- Infrastructure-other assets 10 years

## NOTES TO THE ACCOUNTS

### 9.5 Capital Commitments

During 2018/19 the Council had a contractual commitment to purchase four 3.5 tonne tipper trucks, value £0.106m which had been sourced under a vehicle purchasing framework but had not been delivered as at 31 March 2019.

### 9.6 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 valuations in 2018/19 were carried out by Wilkes Head Eve, an independent firm of Royal Institute of Chartered Surveyors (RICS) registered valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS. The bases for valuation are set out in accounting policy 42.16.

The significant assumptions applied in estimating the fair values are:

#### 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

#### Other non-current assets

- where possible, the assets have been examined internally and copies of leases reviewed.
- a building survey has not been carried out, and 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 have been assessed on the basis of local knowledge, publicised data and advice received by other surveyors and valuers.

The table below shows the valuation history of the Council’s assets:

	Total	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at depreciated historical cost	15,303	0	0	1,927	1,109	2,937	0	9,330
Valued at fair value as at								
31 March 2015	49	0	49	0	0	0	0	0
31 March 2016	3,794	0	3,794	0	0	0	0	0
31 March 2017	10,844	0	10,844	0	0	0	0	0
31 March 2018	2,136	0	2,136	0	0	0	0	0
31 March 2019	270,243	257,048	12,400	0	0	0	795	0
<b>Total Cost or Valuation</b>	<b>302,369</b>	<b>257,048</b>	<b>29,223</b>	<b>1,927</b>	<b>1,109</b>	<b>2,937</b>	<b>795</b>	<b>9,330</b>

## NOTES TO THE ACCOUNTS

### 10. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year, and the resources been used to finance it, is shown below. 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.

	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
<b>Opening Capital Financing Requirement</b>	<b>73,188</b>	<b>72,641</b>
<u>Capital Expenditure</u>		
Property, plant and equipment	3,857	7,352
Assets under construction	1,482	7,849
Long term debtors	0	13,500
Intangible assets	199	152
Revenue expenditure funded from capital under statute	401	618
<b>Total Capital Expenditure</b>	<b>5,939</b>	<b>29,471</b>
<u>Sources of Finance</u>		
Financing of capital expenditure:-		
Capital receipts	(3,341)	(4,649)
Government grants and other contributions	(1,225)	(403)
Major Repairs Reserve	(809)	(997)
Revenue contributions to capital expenditure	(564)	(2,699)
<b>Total Financing of Capital Expenditure</b>	<b>(5,939)</b>	<b>(8,748)</b>
Sums set aside from revenue for the repayment of debt	(547)	0
<b>Closing Capital Financing Requirement</b>	<b>72,641</b>	<b>93,364</b>
<u>Explanation of Movements in the Year</u>		
Increase/(decrease) in the underlying need to borrow	(547)	20,723
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(547)</b>	<b>20,723</b>

## NOTES TO THE ACCOUNTS

### 11. Heritage Assets

The Council has two heritage assets, the Shenfield War Memorial and the Heritage Column. These are not recognised in the Balance Sheet because cost and valuation information is not available, and it is considered that the cost of obtaining such information would outweigh the benefit to readers of the financial statements in recognising the assets in the Balance Sheet.

Shenfield War Memorial is situated on Shenfield 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 for 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 steel sculpture that depicts scenes of Brentwood's history. It sits at the junction of Kings Road and Brentwood High Street and is accessible to the public at all times. There is no specific maintenance programme for the column, which will be inspected on an *ad hoc* basis.

### 12. Investment Properties

The Council holds a number of commercial premises and pieces of land for the purpose of earning rental income and capital appreciation. There are no restrictions on the Council's ability to realise the value inherent in these investment properties 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 Council earned £0.475m (2017/18 £0.473m) rental income from these properties, which is accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

	2017/18	2017/18	2017/18	2018/19	2018/19	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000
	Commercial	Land	Total	Commercial	Land	Total
	premises			premises		
Balance at start of the year	5,225	1,613	6,838	5,913	2,975	8,888
Net gains from fair value adjustments	510	1,362	1,872	(87)	(45)	(132)
Transfers from Property Plant and Equipment	178	0	178	0	0	0
<b>Balance at end of the year</b>	<b>5,913</b>	<b>2,975</b>	<b>8,888</b>	<b>5,826</b>	<b>2,930</b>	<b>8,756</b>

Fair Value Hierarchy and Valuation Techniques used to determine Level 2 values

All of the properties are measured on a recurring fair value basis using other significant observable inputs (Level 2 in the fair value hierarchy as set out in IFRS13). The fair value for the assets has been measured using the income approach, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The expected cash flows are derived from the lease agreements for these properties, which have been set at market rates, leading to the properties being categorised at Level 2 in the fair value hierarchy.

## NOTES TO THE ACCOUNTS

### 13. Long Term Debtors

The balance of £14.228m includes loans totalling £13.500m made by the Council during the year to its wholly owned Company, Seven Arches Investments Ltd.

### 14. Financial Instruments

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

#### 14.1 Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or by a contractual right to receive cash or other financial assets from another entity. The financial assets held by the Council are carried in the Balance Sheet under the following classifications:

	Non-Current		Current					
	Debtors		Investments & Cash Equivalents		Debtors		Total	
	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000
Amortised cost	545	728	14,927	1,208	1,568	1,873	17,040	3,809
<b>Total Financial Assets</b>	<b>545</b>	<b>728</b>	<b>14,927</b>	<b>1,208</b>	<b>1,568</b>	<b>1,873</b>	<b>17,040</b>	<b>3,809</b>

These transactions are measured using inputs classified at level 2 in the fair value hierarchy.

The following transactions between the Council and Seven Arches Investments Ltd (SAIL) are excluded from the above table as the two entities are included within the group accounts:

- a) loans totalling £13.5m made by the Council to SAIL
- b) interest receipts £0.193m paid by SAIL to the Council.

The Council holds unquoted equity investments in Seven Arches Investments Ltd. These are held at cost (£100) because it is impracticable to determine fair value.

#### 14.2 Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council, represented by an obligation on the Council to deliver cash to another entity. The financial liabilities held by the Council are carried in the Balance Sheet under the following classifications:

	Non-Current		Current					
	Borrowings		Borrowings		Creditors		Total	
	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000
Amortised cost	(61,166)	(61,166)	(57)	(12,057)	(1,485)	(2,118)	(62,708)	(75,341)
Total Financial Liabilities	(61,166)	(61,166)	(57)	(12,057)	(1,485)	(2,118)	(62,708)	(75,341)

These transactions are measured using inputs classified at level 2 in the fair value hierarchy.

## NOTES TO THE ACCOUNTS

### 14. Financial Instruments (continued)

#### Soft loans

The long-term debtors figure in the above table includes £0.343m as the sum of two loans made to Brentwood Leisure Trust in 2010/11. These are deemed to be soft loans because one is interest free and the other is at below market rate interest. The nominal amount of the two loans is carried in the Balance Sheet as it is not materially different from the fair value of the loans.

#### Transferred debt

The balance sheet figure of £61.351m for long-term borrowings includes £0.185m historic transferred debt from Chelmsford City Council. This amount is not included in the previous table as the transferred debt is not categorised as a financial instrument.

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

The following amounts are recognised in the Comprehensive Income and Expenditure Statement:-

	2017/18 Surplus or deficit on the provision of services  £'000	2018/19 Surplus or deficit on the provision of services  £'000
<u>Interest expense</u>		
Financial assets measured at amortised cost	2,096	2,223
<u>Interest income</u>		
Financial assets measured at amortised cost	(111)	(149)

### 14.3 Fair value of Financial Assets and Liabilities

The carrying amounts of the following classes of financial assets and liabilities are deemed to be a reasonable approximation of fair value:

- short term investments - carried in the balance sheet at the value of the principal invested
- trade receivables and payables - carried in the balance sheet at the invoiced or billed amount
- short-term loans - carried at amortised cost, i.e. the principal outstanding plus accrued interest

long-term loans from the Public Works Loans Board (PWLb) are also carried at amortised cost. The fair value of loans has been calculated to be £81.324m (2017/18 £79.634m) using PWLB debt redemption procedures and by applying PWLB premature repayment rates. This value measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining life of the loans under the

## NOTES TO THE ACCOUNTS

### Fair value of Financial Assets and Liabilities (continued)

agreements with the PWLB, against what would be paid if the loans were sold at prevailing commercial market rates.

A supplementary measure of the additional interest that the Council will pay as a result of its commitments to the PWLB is to compare the terms of its PWLB loans with the current PWLB borrowing rates. If a value is calculated on this basis, the carrying value of £61.166m would be valued at £72.438m (2017/18 £70.568m).

### 15. Debtors

	31 March 2018			31 March 2019		
	£'000	£'000	£'000	£'000	£'000	£'000
	Gross Debt	Impairment Allowance	Net Debt	Gross Debt	Impairment Allowance	Net Debt
Trade receivables	162	(48)	114	452	(69)	383
Housing rents arrears	928	(536)	392	1,314	(693)	621
<b>Financial assets at contract amounts</b>	<b>1,090</b>	<b>(584)</b>	<b>506</b>	<b>1,766</b>	<b>(762)</b>	<b>1,004</b>
Central Government	893	0	893	1,255	0	1,255
Other local authorities	649	0	649	1,496	0	1,496
Council tax arrears	388	(153)	235	451	(181)	270
Non domestic rates arrears	1,190	(433)	757	1,535	(456)	1,079
Other sundry receivables	2,069	(1,013)	1,056	1,470	(949)	521
Prepayments	227	0	227	406	0	406
<b>Total</b>	<b>6,506</b>	<b>(2,183)</b>	<b>4,323</b>	<b>8,379</b>	<b>(2,348)</b>	<b>6,031</b>

### 16. Cash and Cash Equivalents

	31 March 2018 £'000	31 March 2019 £'000
Bank current accounts	927	(792)
Cash floats	9	11
<b>Total Cash and Cash Equivalents</b>	<b>936</b>	<b>(781)</b>



## NOTES TO THE ACCOUNTS

### 17. Creditors

	31 March 2018 £'000	31 March 2019 £'000
Trade payables	1,601	1,960
<b>Financial liabilities at contract amounts</b>	<b>1,601</b>	<b>1,960</b>
Central Government	1,132	1,031
Other local authorities	1,015	1,014
Council tax pre-payments	94	137
Non domestic rates pre-payments	297	306
Other sundry payables	0	183
Receipts in advance	581	933
<b>Total</b>	<b>4,720</b>	<b>5,564</b>

### 18. Provisions

	Non Domestic Rates Appeals £'000	Insurance Claims £'000	Legal Costs £'000	Total £'000
<b>Balance at 31 March 2017</b>	<b>1,945</b>	<b>223</b>	<b>38</b>	<b>2,206</b>
Additional provisions made in 2017/18	400	0	85	485
Amounts used in 2017/18	(984)	0	(17)	(1,001)
<b>Balance at 31 March 2018</b>	<b>1,361</b>	<b>223</b>	<b>106</b>	<b>1,690</b>
Additional provisions made in 2018/19	1,242	0	0	1,242
Amounts used in 2018/19	(1,503)	0	(11)	(1,514)
<b>Balance at 31 March 2019</b>	<b>1,100</b>	<b>223</b>	<b>95</b>	<b>1,418</b>

#### **Nature and purpose of each provision:**

- a) **Non Domestic Rates Appeals** . Under the Non Domestic Rates Retention scheme introduced in April 2013 councils are expected to meet the financial impact of successful appeals by ratepayers against the rateable value of their properties on the rating list. The provision of £1.100m represents the Council's share of the provision.
- b) **Legal Costs**. This provision is to meet the cost of various legal proceedings against the Council.
- c) **Insurance Claims**. This provision is to meet claims from the Council's previous insurers Municipal Mutual Insurance who are subject to a Scheme of Arrangement.

## NOTES TO THE ACCOUNTS

### 19. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 20 and in note 4 on pages 31-33. Note 4 also contains an explanation of why each usable reserve is held.

### 20. 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.

	31 March 2018 £'000	31 March 2019 £'000
<b>Balance at 1 April</b>	<b>103,603</b>	<b>108,687</b>
Upward revaluation of assets	7,975	5,705
Downward revaluation of assets	(566)	(6,411)
Sub total	7,409	(706)
Reversal of upward revaluation of assets-prior year	(372)	0
<b>Net surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>7,037</b>	<b>(706)</b>
Difference between fair value depreciation and historical cost depreciation	(1,419)	(1,470)
Accumulated gains on assets sold or scrapped	(534)	(279)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(1,953)</b>	<b>(1,749)</b>
<b>Balance at 31 March</b>	<b>108,687</b>	<b>106,232</b>

### 21. 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 revaluation gains on Property, Plant and Equipment before 1 April 2007, the date when the Revaluation reserve was created.

## NOTES TO THE ACCOUNTS

### 21. Capital Adjustment Account (continued)

	31 March 2018 £'000	31 March 2019 £'000
<b>Balance at 1 April</b>	<b>124,717</b>	<b>124,413</b>
Adjustment to opening balance	(15)	0
<b>Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non-current assets	(4,112)	(4,117)
Revaluation losses on Property, Plant and Equipment	(5,619)	(4,197)
Reversal of previous revaluation losses	1,016	312
Reversal of previous revaluation losses-prior year	372	0
Amortisation of Intangible assets	(170)	(179)
Revenue Expenditure Funded from Capital under Statute	(401)	(617)
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	(1,686)	(823)
<b>Sub Total</b>	<b>(10,600)</b>	<b>(9,621)</b>
Adjusting amounts written out of the Revaluation Reserve	1,953	1,749
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(8,647)</b>	<b>(7,872)</b>
<b>Capital Financing applied in the year</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	3,341	4,649
Use of the Major Repairs Reserve to finance new capital expenditure	809	997
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,225	403
Revenue contributions to capital expenditure	564	2,699
Provision for the financing of capital investment charged against the General Fund and HRA balances	547	0
<b>Sub Total</b>	<b>6,486</b>	<b>8,748</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,872	(132)
<b>Balance at 31 March</b>	<b>124,413</b>	<b>125,157</b>

### 22. 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. These gains are not treated as usable for financing new capital expenditure until they are backed by cash receipts. When the cash settlement takes place, the amounts are transferred to the Capital Receipts Reserve.

	31 March 2018 £'000	31 March 2019 £'000
<b>Balance at 1 April</b>	<b>698</b>	<b>431</b>
Transfer of net gain/(loss) on disposal to CIES	(166)	6
Transfer to the Capital Receipts Reserve upon receipt of cash	(101)	(59)
<b>Balance at 31 March</b>	<b>431</b>	<b>378</b>

## NOTES TO THE ACCOUNTS

### 23. 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. Statutory arrangements, however, 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.

	31 March 2018 £'000	31 March 2019 £'000
<b>Balance at 1 April</b>	<b>(52,079)</b>	<b>(46,427)</b>
Remeasurements of the net defined benefit liability	6,060	6,662
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,817)	(4,347)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,521	2,658
Capitalised gain upon settlement of liabilities	888	0
<b>Balance at 31 March</b>	<b>(46,427)</b>	<b>(41,454)</b>

The capitalisation gain upon settlement of liabilities results from some members transferring employer from Brentwood Borough Council to Basildon Borough Council.

### 24. Accumulated Absences Adjustment Account

The Accumulated Absences Adjustment Account absorbs the difference that would otherwise arise on the General Fund or HRA balances for accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the balances is neutralised by transfer to and from the Account.

	31 March 2018 £'000	31 March 2019 £'000
<b>Balance at 1 April</b>	<b>(86)</b>	<b>(99)</b>
(Increase)/decrease	(13)	13
<b>Balance at 31 March</b>	<b>(99)</b>	<b>(86)</b>

### 25. Collection Fund Adjustment Account

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

## NOTES TO THE ACCOUNTS

### 25. Collection Fund Adjustment Account (continued)

	31 March 2018 £'000	31 March 2019 £'000
<b>Balance at 1 April</b>	<b>(261)</b>	<b>(247)</b>
Increase/decrease	14	(135)
<b>Balance at 31 March</b>	<b>(247)</b>	<b>(382)</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 Environment and Housing Management, and Economic Development in the Comprehensive Income and Expenditure Statement) are as follows:

	2017/18 £'000	2018/19 £'000
<b>Car Parks</b>		
Income	(1,764)	(1,922)
Expenditure	873	917
<b>Surplus</b>	<b>(891)</b>	<b>(1,005)</b>
<b>Trade Waste Collection</b>		
Income	(540)	(553)
Expenditure	335	352
<b>Surplus</b>	<b>(205)</b>	<b>(201)</b>

### 27. Members' Allowances

The Council paid £0.269m to Members of the Council during the year (£0.267m in 2017/18).

### 28. Officers' Remuneration

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

2018/19	Note	Salary, Fees and Allowances	Bonuses	Employer's Pension Contribution	Total
Post		£	£	£	£
Chief Executive		98,475	5,000	17,698	<b>121,173</b>
Chief Operating Officer		72,508	0	12,399	<b>84,907</b>
Executive Director of Commercial Services	1	75,000	0	12,825	<b>87,825</b>
Interim Chief Finance Officer (Section 151 officer)		72,508	0	12,399	<b>84,907</b>
Head of Legal Services and Monitoring Officer	2	73,468	0	12,563	<b>86,031</b>
Director of Strategic Planning	3	46,964	0	8,031	<b>54,995</b>
Director of Operations	4	59,685	0	10,206	<b>69,891</b>
<b>Total</b>		<b>498,608</b>	<b>5,000</b>	<b>86,121</b>	<b>589,729</b>

## NOTES TO THE ACCOUNTS

### 28. Officers' Remuneration (continued)

Notes:-

1. The Executive Director of Commercial Services post is a fixed term position until 31<sup>st</sup> March 2020. The Officer has been seconded to Seven Arches Investment from 1<sup>st</sup> February 2019 for approximately 37 Hours a week.
2. The Head of Legal Services and Monitoring Officer has been seconded to Seven Arches Investment Limited from 26<sup>th</sup> November 2018, for approximately 30 hours a week. The Officer continues to work in post for the Council for 1 day a week.
3. The Director of Strategic Planning post is a new position appointed to on 1st July 2018. The annualised salary is £62,472.
4. The Director of Operations post is a new position appointed to on 1st April 2018.

2017/18	Note	Salary, Fees and Allowances	Bonuses	Expenses Allowance	Compensation for loss of Office	Employer's Pension Contribution	Total
Post		£	£	£	£	£	£
Chief Executive		95,000	5,950	0	0	17,100	118,050
Finance Director (Section 151 officer)	1	38,192	100	0	35,000	10,770	84,062
Head of Legal Services and Monitoring Officer		71,479	715	988	0	12,406	85,588
Chief Operating Officer	2	29,390	619	0	0	5,131	35,140
<b>Total</b>		<b>234,061</b>	<b>7,384</b>	<b>988</b>	<b>35,000</b>	<b>45,407</b>	<b>322,840</b>

Notes:-

1. The Finance Director left in October 2017 and the post was deleted. The section 151 duties were covered over the remainder of the year by the Financial Services Manager at an additional cost of £7,000 (included in the bandings table below). The annualised salary of the post is £70,135.
2. The Chief Operating Officer post is a new position appointed to in November 2017. The annualised salary is £71,500.

Employees earning more than £50,000

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:

	2017/18	2018/19
Remuneration Band	Number of employees	Number of employees
£50,000 - £54,999	6	5
£55,000 - £59,999	1	3
£60,000 - £64,999	1	0
£65,000 +	1	0

## NOTES TO THE ACCOUNTS

### 28. Officers' Remuneration (continued)

#### Off Payroll Arrangements

In common with other local authorities, the Council engages interim staff to provide temporary cover for vacant posts and to obtain specialist skills and experience. The cost of eleven of these interim staff was more than £50,000 in each instance, at a total cost of £904,836. The sums represent the amounts paid by the Council to the supplying agencies, not the remuneration earned by each individual.

#### Exit Packages

The Council did not incur any exit packages costs during 2018/19. The following table discloses the number and total cost of exit packages within cost bands incurred in the previous year:

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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
							£	£
£0 - £20,000	0	0	3	0	0	0	27,241	0
£20,001 - £40,000	0	0	1	0	0	0	35,000	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	1	0	0	0	97,951	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>160,192</b>	<b>0</b>

The £97,951 in the £80-001-£100,000 range in 2017/18 includes £68,018 relating to pension strain costs.

### 29. Termination Benefits

The Council did not incur any termination benefits costs during 2018/19.

### 30. External Audit Costs

	2017/18	2018/19
	£'000	£'000
Fees payable in respect of external audit services carried out by the appointed auditor for the year	68	65
Fees payable for the certification of grant claims and returns for the year	34	14
<b>Total</b>	<b>102</b>	<b>79</b>

In addition to the above, a total of £2,870 is included in the 2018/19 Comprehensive Income and Expenditure Statement in respect of additional work required for the 2017/18 accounts.

## NOTES TO THE ACCOUNTS

### 31. Grant Income

The following grants and contributions have been credited to the Comprehensive Income and Expenditure Statement:

	2017/18	2018/19
	£'000	£'000
<b>Credited to Taxation and Non-specific Grant Income:</b>		
<b>Non-ringfenced Government grants</b>		
New Homes Bonus Scheme	1,158	410
Revenue Support Grant	233	0
Business Rates (s31 Grants)		
- Small Business Relief	683	907
- Discretionary Reliefs Scheme	60	28
- Inflation Cap	28	30
- Retail Relief	13	(3)
Transition Grant	70	0
Shenfield Common Unauthorised Incursion Defence contri	9	0
Transparency Code Set Up Grant	8	8
Mascalls Park S106	6	0
EU Exit Preparation Grant	0	17
Levy Account Surplus Grant	0	25
<b>Sub total</b>	<b>2,268</b>	<b>1,422</b>
<b>Capital grants and contributions</b>		
Former Warley Hospital site development S106	808	132
Developers' Section 106 Grants	60	12
Merrymeade Wellhouse refurbishment contribution	10	0
<b>Sub total</b>	<b>878</b>	<b>144</b>
<b>Total</b>	<b>3,146</b>	<b>1,566</b>



## NOTES TO THE ACCOUNTS

### 31. Grant Income (continued)

	2017/18	2018/19
	£'000	£'000
<b>Credited to Services:</b>		
Rent Allowances	8,109	6,561
Rent Rebates	6,019	5,213
Food Waste Grant	369	377
Disabled Facilities Grant	351	383
Housing Benefit Administration	153	139
Council Tax	0	60
- Local Support Scheme Administration	64	0
- Family Annexes Discount	0	138
Dunton Hills Garden Village funding	314	0
Council Tax Sharing Agreement - Essex CC	167	0
Flexible Homelessness Support Grant	110	125
Non Domestic Rates-Cost of Collection	108	105
Discretionary Housing Payment Grant	109	85
Universal Credit-Universal Support	31	25
Custom Build LA payment	30	30
Preventing Homelessness Grant	26	16
Health Wellbeing Board	24	39
Council Tax Sharing Agreement - Police	22	18
Right Benefit Initiative Funding	15	0
New Burdens BRRNB	12	0
Local Authority Data Sharing	11	6
Council Tax Sharing Agreement - Fire	10	8
New Burdens Brownfield Land Registers	5	4
Property Searches New Burdens	0	12
Verify Earnings and Pension Alerts	0	20
Universal Credit New Burdens	0	27
LA Parks Improvement Funding	0	12
Other grants	37	43
<b>Total</b>	<b>16,096</b>	<b>13,446</b>

## NOTES TO THE ACCOUNTS

### 31. Grant Income (continued)

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

	31 March 2018	31 March 2019
	£'000	£'000
<b><u>Grants Receipts in Advance (Revenue Grants)</u></b>		
<b>Current Liabilities:</b>		
Council Tax Sharing Agreement - Essex CC	21	107
Council Tax Sharing Agreement - Essex PCC	3	14
Council Tax Sharing Agreement - Essex Fire & Rescue	1	6
Basic Payment Scheme	10	8
Countrywide and Environmental Stewardship	8	7
Countryside Stewardship/Brentwood Woodlands	0	2
High Street Community Clean Up grant	3	7
<b>Total</b>	<b>46</b>	<b>151</b>
<b><u>Grants Receipts in Advance (Capital Grants)</u></b>		
<b>Developers' Contributions:</b>		
Former Warley Hospital Site	0	0
73 High Street	61	61
Former British Gas Site	13	13
Willowbrook School	12	12
Mascalls Park	1	1
Doddinghurst Surgery, Outings Lane, Doddinghurst	176	176
Brentwood Training Centre development, open space	131	6
Eclipse Ongar Road, Brentwood	72	72
14-122 Kings Road, Brentwood	41	41
1 Fairfield Road open space contribution	2	2
Land Adjacent To The New Folly, Bell Mead	0	31
Seymour Playing Fields And Mountney Close	0	38
La Plata Wood, Brentwood	0	77
<b>Total</b>	<b>509</b>	<b>530</b>

## NOTES TO THE ACCOUNTS

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### 32. 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 the reader to assess the extent to which the Council might have been constrained in its ability to operate independently or might have influenced or limited another party's ability to operate independently.

#### Central Government

Central Government has significant influence over the general operation of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of funding in the form of grants and prescribes the terms for many of the transactions the Council has with other parties (for example bills for Council Tax or housing benefits). Grants received from Government are shown in Note 31.

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2018/19 is disclosed in note 26. In addition, grants totalling £143,804 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 full consideration to the Declaration of Interest.

#### Entities in which Members have a Controlling Interest

Members of the Council are required to review and complete a Register of Members Interest and a Declaration of Financial Interest form. Of the Members completing a Declaration of Financial Interest form the transactions of three Members were either considered to be not of material value, or not as having a controlling interest to be of influence. A separate Member occupies the post of Police, Fire & Crime Commissioner for Essex. Details of this are shown under the Other Public Bodies (Essex Police).

#### Other Public Bodies (subject to common control by Central Government)

##### a) Essex County Council

Three Council Members, including the Leader of the Council were also members of Essex County Council during the financial year.

The Council paid Essex County Council a total of £468,484:

- £171,955 for the provision of professional services.
- £275,115 for trade waste disposal.
- £21,414 for planning and land charges services.

The Council was paid £1,348,504 by Essex County Council during the year:

- £1,150,298 in respect of recycling and waste disposal
- £161,200 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.

##### b) Essex Police

Essex Police paid £52,025 in 2018/19 to the Council in respect of the lease of the lower ground floor of Brentwood Town Hall and car parking spaces, and the Council paid £2,525 to Essex Police in respect of training costs.

## NOTES TO THE ACCOUNTS

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### 32. Related Parties (continued)

c) Essex County Fire and Rescue Service (ECFRS)

One Member of Council is also a member of Essex County Fire and Rescue Service. Transactions between ECFRS and Brentwood Borough Council totalled £1,081 for 2018/19 in respect of safety assessments at Council dwellings.

d) London Borough of Barking and Dagenham

The Council paid the London Borough of Barking and Dagenham £226,594 during the year for the provision of legal services.

e) Thurrock Council

The Council paid Thurrock Council £358,829 in 2018/19, for the provision of various professional services, and received £28,293 from Thurrock for the provision of environmental health services.

f) Basildon Borough Council

The Council paid Basildon Borough Council a total of £1,965,027 in 2018/19:

- £1,388,420 for provision of a shared Revenues and Benefits Service
- £536,419 for housing and other environmental services
- £31,720 for waste disposal.
- £8,918 for other services

The Council received £6,653 from Basildon in 2018/19 in respect of recycling credits.

g) Parish Councils

In 2018/19 the Council paid grants totalling £516,646 to Parish Councils within its area.

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

- a) The Council has a wholly owned subsidiary company, Seven Arches Investments Ltd (SAIL). Further details about the company can be found within the Group Accounts on pages 12-19. The Chief Executive and the Chief Operating Officer are the directors of SAIL. During 2018/19 the Council loaned £13,500,000 to SAIL and recharged costs totalling £406,000 to SAIL.
- b) Brentwood Leisure Trust provides sport and leisure services within the borough on behalf of the Council. The Trust manages Brentwood Leisure Centre and the Council's community halls, in addition to using the premises for its own purposes. Several members of the Council are on the board of trustees of the Trust. The Council paid £58,507 to the Trust in 2018/19 (£148,703 in 2017/18) in respect of its management fee and other costs. The Council also made a loan of £180,000 during the year. The Trust owed £343,400 to the Council at 31 March 2019 (£163,390 at 31 March 2018) in respect of this new loan and another loan made in 2010/11.

## NOTES TO THE ACCOUNTS

### 33. Leases

#### Council as Lessor – Finance Leases

The Council has leased out land upon which flats at Thorndon Court and Becketts Court, Warley have been built. These are on finance leases with remaining terms of 76 years and 78 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.

The residual value of the lease is nil, and the gross investment and minimum lease payment amounts are therefore the same. The gross investment is made up of the following amounts:

	31 March 2018	31 March 2019
	£'000	£'000
Finance lease debtors (net present value of minimum lease payments):		
Long-term debtor	92	33
Unearned finance income	656	602
<b>Gross investment in the lease</b>	<b>748</b>	<b>635</b>

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

	<u>Gross investment in lease</u>		<u>Minimum Lease Payments</u>	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000
Not later than one year	10	9	10	9
Later than one year and not later than five years	41	35	41	35
Later than five years	697	591	697	591
<b>Total</b>	<b>748</b>	<b>635</b>	<b>748</b>	<b>635</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. No contingent rents were receivable by the Council in 2018/19 (none in 2017/18).

#### Council as Lessor - Operating Leases

The Council leases out premises under operating leases in order to generate a rental income..

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

## NOTES TO THE ACCOUNTS

### 33. Leases (continued)

	31 March 2018 £'000	31 March 2019 £'000
Not later than one year	586	585
Later than one year and not later than five years	1,397	1,447
Later than five years	2,731	2,454
<b>Total</b>	<b>4,714</b>	<b>4,486</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. No contingent rents were receivable by the Council in 2018/19 (none in 2017/18).

### 34. Accounting standards that have been issued but not yet adopted

The 2019/20 Code of Practice on Local Authority Accounting in the UK is expected to introduce the following accounting standards:

- Amendments to IAS 40 *Investment Property: Transfers of Investment Property*
- *Annual Improvements to IFRS Standards 2014 – 2016 Cycle*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- amendment to the IAS 9 *Financial Instruments: Prepayment Features with Negative Compensation*.

None of the above changes are anticipated to have a material impact upon the information contained in the Council's Statement of Accounts for 2019/20, or future years.

### 35. Events after the reporting period

The Asset Under Construction in respect of Brentwood Town Hall was completed in the Summer of 2019. This will be subject to valuation and transfer to other land and buildings in the 2019/20 Statement of Accounts.

### 36. Date of authorisation for issue

The Statement of Accounts was authorised for issue by Jacqueline Van Mellaerts, Director of Corporate Resources, on 28 January 2020.

### 37. Nature and extent of risks arising from financial instruments

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

- 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.

#### Credit Risk

Credit risk arises from deposits with banks and other financial institutions and from credit exposures to the Council's customers.

## NOTES TO THE ACCOUNTS

### 37. Nature and extent of risks arising from financial instruments (continued)

The Council minimises credit risk by restricting its lending to other local authorities and to UK banks and building societies with credit ratings at or above a level specified in the Annual Investment Strategy.

The Council has had no experience of default on investments and does not expect any losses, nor has credit risk increased since initial recognition, so no loss allowance has been made for investments.

The Council makes a provision for impairment of trade and other sundry receivables using a provision matrix, based on historical observed default rates over the lifecycle of trade debtors. The loss allowance is calculated as follows:

	<b>Gross carrying amount</b>	<b>Impairment provision</b>
<b>Stage</b>	<b>£'000</b>	<b>£'000</b>
Less than one month	167	0
One to six months	154	15
Six to nine months	5	1
Ten to twelve months	15	4
One to two years	93	35
Two to three years	16	12
Over three years	2	2
<b>Total</b>	<b>452</b>	<b>69</b>

### Liquidity Risk

The Council manages its liquidity position through its cash flow management procedures. In the event of unexpected movements, the Council has ready access to borrowing from the money markets and Public Works Loans Board. There is therefore no significant risk that the Council would be unable to raise finance to meet its commitments under financial instruments. The risk to the Council is that it would have to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. This is addressed by monitoring the maturity structure of its debt. The maturity analysis of financial liabilities in respect of the principal amount of PWLB debt and short term borrowing from other local authorities at 31 March as follows:

	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Less than one year	0	12,017
Between two and five years	5,001	5,001
Between five and ten years	10,407	10,407
Between ten and twenty years	30,009	30,008
Between twenty and thirty years	14,170	14,170
More than thirty years	1,637	1,637
<b>Total</b>	<b>61,224</b>	<b>73,240</b>

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

## NOTES TO THE ACCOUNTS

### 37. Nature and extent of risks arising from financial instruments (continued)

#### Market Risk

##### Interest Rate Risk

All of the Council's investments and borrowing at 31 March 2019 were at fixed rates of interest. The Council was therefore not exposed to risk of additional costs on resulting from increases in interest rates.

##### 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.

### 38. 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.

Uncertainty	Effect if Actual Result differ from Assumptions
<p><b>Fair Value Measurements</b></p> <p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (e.g. interest rates or yields for similar instruments).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Note 14.</p>	<p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets. The risks associated with financial instruments are documented in note 37.</p>



## NOTES TO THE ACCOUNTS

### 38. Assumptions made about the future and other major sources of estimation uncertainty (continued)

Uncertainty	Effect if Actual Result differ from Assumptions
<p><b>Pensions Liability</b></p> <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates and expected returns on pension fund assets. Barnett Waddingham, an independent firm of actuaries, has been engaged to provide the Council with expert advice about the assumptions to be applied. Further information can be found in Note 39.</p>	<p>A sensitivity analysis on pension liabilities is included in note 39.</p>
<p><b>Business Rates Appeals</b></p> <p>The provision for losses in non-domestic rates income arising from appeals against assessed rateable values in the 2005 and 2010 lists is based on an assessment using the historical experience of appeals and an analysis of the details of appeals held by the Valuation Office Agency. The 2017 revaluation and the introduction by the Government of the Check, Challenge and Appeal process for appeals presents a difficulty in establishing an appropriate provision against the 2017 list because there is an absence of active appeals on which to base the calculation of an appeals provision.</p> <p>The provision for the 2017 list is based on potential losses against the 2017 list, based on successful and outstanding appeals against the 2010 list, and potential new appeals identified by the Council's non-domestic rates advisors.</p>	<p>The provision against the 2017 list is difficult to estimate as the number of successful appeals is unknown, as is the number of businesses likely to appeal against their change in business rates. If underestimated there will be higher write off costs than provided for and this will therefore reduce the income within the Collection Fund.</p>

## NOTES TO THE ACCOUNTS - PENSION LIABILITIES

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### 39. Defined Benefit Pension Schemes

#### 39.1 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 defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.
- (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 pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

#### 39.2 Fund Valuation and Disclosures – data sources

The fund assets and liabilities, information and disclosures have been provided by Barnett Waddingham, an independent firm of actuaries. They have used the following items of data:

- the results of the valuation as at 31 March 2016 which was carried out for funding purposes and the results of the 31 March 2017 IAS19 report, which was carried out for accounting purposes;
- estimated whole fund income and expenditure items for the period to 31 March 2019
- fund investment returns for the period to 28 February 2019 and market returns thereafter for the period to 31 March 2019
- estimated fund income and expenditure in respect of the employer for the period to 31 March 2019
- details of any new retirements for the period to 31 March 2019 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

#### 39.3 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. The charge that the Council is required to make against the General Fund and Housing Revenue Account, however, is based on the employer's contributions that it pays to the Pension Fund. The cost of post-employment benefits recognised in the deficit on provision of services is reversed out via the Movement in Reserves Statement.

The following table identifies the transactions that 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:

## NOTES TO THE ACCOUNTS - PENSION LIABILITIES

### 39.3 Transactions Relating to Post-employment Benefits (continued)

	Local Government Pension Scheme	Discretionary Benefits Arrangements	Total	Local Government Pension Scheme	Discretionary Benefits Arrangements	Total
	2017/18 £'000	2017/18 £'000	2017/18 £'000	2018/19 £'000	2018/19 £'000	2018/19 £'000
Service cost comprising:						
Current service cost	2,328	0	2,328	2,479	0	2,479
Past service costs including curtailments	109	0	109	681	0	681
Gain on settlements	(888)	0	(888)	0	0	0
Administration	29	0	29	36	0	36
Net interest expense	1,262	89	1,351	1,071	80	1,151
<b>Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,840</b>	<b>89</b>	<b>2,929</b>	<b>4,267</b>	<b>80</b>	<b>4,347</b>
Remeasurement of the net defined benefit comprising:						
Return on plan assets (excluding the amount included in the net interest expense)	(3,750)	0	(3,750)	(4,929)	0	(4,929)
Actuarial gains and losses arising on changes in financial assumptions	(2,282)	(28)	(2,310)	5,617	66	5,683
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	(7,257)	(159)	(7,416)
<b>Sub total</b>	<b>(6,032)</b>	<b>(28)</b>	<b>(6,060)</b>	<b>(6,569)</b>	<b>(93)</b>	<b>(6,662)</b>
<b>Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(3,192)</b>	<b>61</b>	<b>(3,131)</b>	<b>(2,302)</b>	<b>(13)</b>	<b>(2,315)</b>
<b>Reversal of net charges for post employment benefits in accordance with IAS19</b>	<b>(2,840)</b>	<b>(89)</b>	<b>(2,929)</b>	<b>(4,267)</b>	<b>(80)</b>	<b>(4,347)</b>
<b>Actual Amount Charged against the General Fund and HRA Balances for the Year</b>						
Contributions / payments charged to the General Fund	1,981	202	2,183	2,084	203	2,287
Contributions / payments charged to the Housing Revenue Account	306	31	337	339	33	372
<b>Employer's contributions payable to the Pension Fund</b>	<b>2,287</b>	<b>233</b>	<b>2,520</b>	<b>2,423</b>	<b>236</b>	<b>2,659</b>

## NOTES TO THE ACCOUNTS - PENSION LIABILITIES

### 39.4 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	Total	Local Government Pension Scheme	Discretionary Benefits Arrangements	Total
	2017/18	2017/18	2017/18	2018/19	2018/19	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of the defined benefit obligation	(130,723)	(3,249)	(133,972)	(132,328)	(3,000)	(135,328)
Fair value of plan assets	89,238	0	89,238	93,874	0	93,874
<b>Net liability arising from defined benefit obligation</b>	<b>(41,485)</b>	<b>(3,249)</b>	<b>(44,734)</b>	<b>(38,454)</b>	<b>(3,000)</b>	<b>(41,454)</b>

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

	2017/18	2018/19
	£'000	£'000
<b>Opening fair value of scheme assets</b>	<b>84,200</b>	<b>87,545</b>
Interest income	2,221	2,222
Remeasurement of the return on plan assets (excluding the amount included in the net interest expense)	3,750	4,929
Other actuarial gains / (losses)	0	0
Administration expenses	(29)	(36)
Contributions from employer	2,521	2,658
Contributions from employees into the scheme	417	451
Benefits paid	(4,256)	(3,895)
Settlements made	(1,279)	0
<b>Closing fair value of scheme assets</b>	<b>87,545</b>	<b>93,874</b>

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

	Funded liabilities: LGPS	Unfunded liabilities: Discretionary Benefits	Total Liabilities	Funded liabilities: LGPS	Unfunded liabilities: Discretionary Benefits	Total Liabilities
	2017/18	2018/19	2018/19	2018/19	2018/19	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Opening balance at 1 April</b>	<b>(132,857)</b>	<b>(3,422)</b>	<b>(136,279)</b>	<b>(130,723)</b>	<b>(3,249)</b>	<b>(133,972)</b>
Current service cost	(2,328)	0	(2,328)	(2,479)		(2,479)
Interest cost	(3,483)	(89)	(3,572)	(3,293)	(80)	(3,373)
Contributions from scheme participants	(417)	0	(417)	(451)		(451)
Remeasurement actuarial gains and losses						
- Arising from changes in demographic assumptions	0	0	0	7,257	159	7,416
- Arising from changes in financial assumptions	2,282	28	2,310	(5,617)	(66)	(5,683)
Experience gains / (losses)	0	0	0	0	0	0
Settlements liabilities extinguished	2,167	0	2,167	0		0
Benefits paid	4,022	234	4,256	3,659	236	3,895
Past service cost	(109)	0	(109)	(681)	0	(681)
<b>Closing balance at 31 March</b>	<b>(130,723)</b>	<b>(3,249)</b>	<b>(133,972)</b>	<b>(132,328)</b>	<b>(3,000)</b>	<b>(135,328)</b>

## NOTES TO THE ACCOUNTS - PENSION LIABILITIES

### 39.7 Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2019 is estimated to be 8%. The actual return on the Fund assets over the year may be different. The estimated asset allocation for the Council as at 31 March is as follows:

Asset Share – Bid Value	31 March 2018		31 March 2019	
	£'000	%	£'000	%
Equities	56,904	65%	58,427	62%
Gilts	6,128	7%	4,981	5%
Other Bonds	3,502	4%	5,485	6%
Property	7,879	9%	8,344	9%
Cash	3,502	4%	2,471	3%
Alternative Assets	6,128	7%	9,150	10%
Other Managed Funds	3,502	4%	4,987	5%
<b>Total</b>	<b>87,545</b>	<b>100%</b>	<b>93,845</b>	<b>100%</b>

Bid values have been estimated by the actuary where necessary and the final asset allocation of the Fund assets as at 31 March 2019 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%.

The actual percentages of the total Fund held in each asset class are as follows (split between those that have a quoted market price in an active market and those that do not);

Asset Class	31 March 2018		31 March 2019	
	%	%	%	%
	Quoted	Unquoted	Quoted	Unquoted
UK Equities	6.7%	0.0%	4.5%	0.0%
Oversees Equities	60.7%	0.0%	53.2%	0.0%
Index Linked UK Government Securities	0.0%	0.0%	5.3%	0.0%
UK Corporate Bonds	3.7%	0.0%	5.8%	0.0%
Property	3.4%	6.0%	3.3%	5.6%
Others	-0.5%	20.0%	0.0%	22.2%
Net Current Assets	0.0%	0.0%	0.0%	0.1%
<b>Total</b>	<b>74.0%</b>	<b>26.0%</b>	<b>72.1%</b>	<b>27.9%</b>

### 39.8 Liabilities

To assess the value of the Council's liabilities at 31 March 2019, the actuary has rolled forward the value of the liabilities calculated for the funding valuation as at 31 March 2016, 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.

## NOTES TO THE ACCOUNTS - PENSION LIABILITIES

### 39.8 Liabilities (continued)

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 2019 without completing a full valuation. The actuary is satisfied, however, that the approach of rolling forward the previous valuation data to 31 March 2019 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 is no evidence that this approach is inappropriate.

The demographic assumptions used by the actuary have been:

	2017/18	2018/19
<u>Mortality assumptions - life expectancy from age 65</u>		
Retiring today:		
Men	22.2	21.3
Women	24.7	23.6
Retiring in 20 years:		
Men	24.4	22.9
Women	27.0	25.4

The actuary has also made the following assumptions:

- members will exchange 50% 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
- the proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

The financial assumptions used by the actuary have been:

Assumption	31 March 2017		31 March 2018		31 March 2019	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI Increases	3.5	0.0	3.4	0.0	3.5	0.0
CPI Increases	2.6	-0.9	2.4	-1.0	2.5	-1.0
Salary Increases	4.1	0.6	3.9	0.5	4.0	0.5
Pension Increases	2.6	-0.9	2.4	-1.0	2.5	-1.0
Discount Rate	2.7	-0.8	2.6	-0.8	2.4	-1.1

The actuary's estimate of the duration of the Council's past service liabilities is 17 years.

An estimate of the Employer's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point).

## NOTES TO THE ACCOUNTS - PENSION LIABILITIES

### 39.8 Liabilities (continued)

The approach has changed from the “spot rate” approach adopted at the previous accounting date to reflect national auditor preferences.

Similarly to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described in the previous paragraph. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. The approach has changed from the “spot rate” approach adopted at the previous accounting date to reflect national auditor preferences.

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 1% below RPI, i.e. 2.45%. This is considered to be 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 1.5% above CPI in addition to a promotional scale. A short-term overlay has been allowed for, from 31<sup>st</sup> March 2016 to 31 March 2020, for salaries to rise in line with CPI.

### 39.9 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>Adjustment to discount rate</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
Present Value of Total Obligation	133,058	135,328	137,639
Projected Service Cost	2,466	2,523	2,581
<b>Adjustment to long term salary increase</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
Present Value of Total Obligation	135,516	135,328	135,141
Projected Service Cost	2,523	2,523	2,523
<b>Adjustment to pension increases and deferred revaluation</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
Present Value of Total Obligation	137,447	135,328	133,244
Projected Service Cost	2,581	2,523	2,466
<b>Adjustment to mortality age rating assumption</b>	<b>+1 Year</b>	<b>None</b>	<b>- 1 Year</b>
Present Value of Total Obligation	140,579	135,238	130,277
Projected Service Cost	2,608	2,467	2,441

## NOTES TO THE ACCOUNTS - PENSION LIABILITIES

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### 39.10 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 latest triennial valuation was carried out as at 31 March 2016 and has set contributions for the period 1 April 2017 to 31 March 2020.

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 revalue earning schemes to pay pensions and other benefits to certain public servants.

### 39.11 Projected 2019-20 pension expense

The Council's 2019-20 projected pension expense, excluding the capitalised cost of any early retirements or augmentations which may occur after 31 March 2019, is:

	<b>£'000</b>
Service Cost	2,523
Net Interest on the defined benefit liability (asset)	964
Administration expenses	38
<b>Total</b>	<b>3,525</b>
<b>Employer Contributions</b>	<b>2,460</b>



## NOTES TO THE ACCOUNTS

### 40. Prior Period Adjustment

The 2018/19 Code of Practice no longer permits recharges between services to be included within Net Cost of Services on the Comprehensive Income and Expenditure Statement (CI&ES). The 2017/18 comparatives have therefore been restated to remain comparable with the 2018/19 figures reported under this new basis, by removing recharges from the general fund to the housing revenue account (HRA). This is a restatement arising from a change in the Code, not a prior period error. It has had the following impact on the previously reported 2017/18 comparatives, as shown in the following tables:

- a) Movement in Reserves Statement. The surplus/deficit on the provision of services for the general fund and the HRA has been reduced by the value of the recharges from the general fund to the HRA, and a separate line has been introduced to recognise these recharges.
- b) Comprehensive Income and Expenditure Statement. The previously included recharge amounts have been removed from some service lines within Net Cost of Services on the CI&ES from Gross Expenditure and Gross Income. The overall total Net Expenditure has not altered.
- c) Expenditure & Funding Analysis. The recharges have been removed from some service lines within the Adjustments between Funding and Accounting Basis column, and the Net Expenditure in the CIES column has been brought into line with the corresponding column in the CIES. The recharge amounts have also been removed from some service lines within the Other Differences and Total Adjustments column of the Note to the Expenditure & Funding Analysis,
- d) Housing Revenue Account Statement. The recharges have been removed from the Supervision & management and HRA share of Corporate & Democratic Core lines. The Net Expenditure of HRA Services and Surplus for the year on HRA services rows have also reduced by the same amount.
- e) Movement on the HRA Statement. The recharges have been removed from the Surplus for the year on the HRA Statement row, and have been included on a new row, Transfer of recharges from the General Fund Account.

#### **Extract from the Movements in Reserves Statement**

	2017/18 Published £'000	2017/18 Restated £'000	2017/18 Change £'000
<u>Surplus/(Deficit) on Provision of Services</u>			
General Fund Balance	(2,615)	(4,220)	(1,605)
Housing Revenue Account Balance	1,570	3,175	1,605
<u>Transfer or recharges from General Fund to HRA</u>			
General Fund Balance	0	1,605	1,605
Housing Revenue Account Balance	0	(1,605)	(1,605)

## NOTES TO THE ACCOUNTS

### 40. Prior Period Adjustment (continued)

#### **Extract from the Comprehensive Income & Expenditure Statement**

	2017/18 Published	2017/18 Restated	2017/18 Change
	£'000	£'000	£'000
<u>Gross Expenditure</u>			
Housing Revenue Account	9,845	8,240	(1,605)
<u>Gross Income</u>			
Environment and Housing Management	(3,505)	(3,159)	346
Community and Health	(987)	(912)	75
Transformation	(16,793)	(15,609)	1,184
	<b>(21,285)</b>	<b>(19,680)</b>	<b>1,605</b>

#### **Extract from the Expenditure & Funding Analysis**

	2017/18 Published	2017/18 Restated	2017/18 Change
	£'000	£'000	£'000
<u>Adjustments between Funding and Accounting Basis</u>			
Environment and Housing Management	4,502	4,848	346
Community and Health	749	825	76
Transformation	(2)	1,182	1,184
Housing Revenue Account	882	(723)	(1,605)
<u>Net Expenditure in the CIES</u>			
Environment and Housing Management	7,180	7,526	346
Community and Health	1,973	2,049	76
Transformation	4,690	5,874	1,184
Housing Revenue Account	(3,219)	(4,825)	(1,605)

#### **Extract from the Note to the Expenditure & Funding Analysis**

	2017/18 Published	2017/18 Restated	2017/18 Change
	£'000	£'000	£'000
<u>Other Differences (column 3)</u>			
Environment and Housing Management	(45)	302	347
Community and Health	94	169	75
Transformation	306	1,489	1,183
Housing Revenue Account	(3)	(1,608)	(1,605)
<u>Total Adjustments</u>			
Environment and Housing Management	4,502	4,849	347
Community and Health	749	824	75
Transformation	(2)	1,181	1,183
Housing Revenue Account	881	(724)	(1,604)

## NOTES TO THE ACCOUNTS

### 40. Prior Period Adjustment (continued)

<b>Extract from the Housing Revenue Account Statement</b>			
	2017/18 Published	2017/18 Restated	2017/18 Change
	£'000	£'000	£'000
Supervision and management	3,203	2,003	(1,200)
<b>Total Expenditure</b>	<b>9,436</b>	<b>8,236</b>	<b>(1,200)</b>
HRA share of Corporate and Democratic Core	410	4	(405)
<b>Net Expenditure of HRA Services</b>	<b>3,220</b>	<b>4,825</b>	<b>1,605</b>
<b>Surplus for the year on HRA services</b>	<b>(1,570)</b>	<b>(3,176)</b>	<b>(1,605)</b>

  

<b>Movement on the HRA Statement</b>			
	2017/18 Published	2017/18 Restated	2017/18 Change
	£'000	£'000	£'000
<b>Balance on the HRA at the end of the previous year</b>	<b>1,546</b>	<b>1,546</b>	<b>0</b>
Surplus for the year on the HRA Income and Expenditure Statement	1,570	3,176	1,605
Adjustments between accounting basis and funding basis	(576)	(576)	0
Transfer of recharges from the General Fund Account	0	(1,605)	(1,605)
<b>Increase before transfers to or from reserves</b>	<b>994</b>	<b>994</b>	<b>0</b>
Transfers from/(to) earmarked reserves	(500)	(500)	0
(Decrease)/increase in the year on the HRA	<b>494</b>	<b>495</b>	<b>0</b>
<b>Balance on the HRA at the end of the current year</b>	<b>2,040</b>	<b>2,040</b>	<b>0</b>

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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### 41. Critical judgments in applying accounting policies

In applying the Accounting Policies set out in note 41, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

#### Local Government Funding

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.

#### Group Accounts

The Council's interest in Seven Arches Investments Ltd is deemed to fall within the group boundary of the Council on the grounds of control and significant influence and is considered to be material to the Council's overall financial position. Group accounts have therefore been prepared to consolidate the Council's interest in its subsidiary.

#### Brentwood Leisure Trust

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 the Council, 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.

#### Brentwood Town Hall

Brentwood Town Hall is currently undergoing extensive refurbishment and has been reclassified to Assets under Construction (other than one area of the building still in operational use). The value of the building and land, before taking into account capital expenditure during 2017/18 and 2018/19, has been deemed to be nil. This is on the basis that:

- a) the building and land were non-operational at 31 March 2019 and therefore had nil existing use value.
- b) the historical cost of the building has been fully depreciated since the construction of the building in 1958.

#### Component Accounting

With regard to the application of component accounting to the Council's non-current assets, 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.

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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### 42. Significant Accounting Policies

1. General Principles
2. Accruals of Income and Expenditure
3. Cash and Cash Equivalents
4. Charges to Revenue for Non-Current Assets
5. Council Tax and Non-Domestic Rates
6. Employee Benefits
7. Events after the Balance Sheet date
8. Financial Instruments
9. Fair Value Measurement
10. Government Grants and Contributions
11. Interests in Companies
12. Investment Property
13. Leases
14. Overheads and Support Services
15. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors
16. Property, Plant and Equipment
17. Provisions and Contingent Liabilities
18. Reserves
19. Revenue Expenditure Funded from Capital under Statute
20. Value Added Tax

#### 42.1 General Principles

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year end of 31 March 2019. The Account and Audit Regulations 2015 require the Council to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), 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.

#### 42.2 Accruals of Income and Expenditure

Income and expenditure is accounted for in the year that the activity takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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### 42.2 Accruals of Income and Expenditure (continued)

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 42.3 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 twenty four hours. Cash equivalents are fixed term investments that mature in three months or less from the date of acquisition.

### 42.4 Charges to Revenue for Non-current Assets

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. It is required, however, to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the Minimum Revenue Provision contribution in the General Fund by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### 42.5 Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR.

Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

#### Accounting for Council Tax and NDR

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

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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### 42.6 Employee Benefits

#### Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within twelve months of the year end) such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits 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 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 at their fair value:
  - a) quoted securities – current bid price
  - b) unquoted securities – professional estimate
  - c) unutilised securities – current bid price
  - d) property - market value.

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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The change in the net pension liability is analysed into the following components:

- 1) 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.
- 2) 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
- 3) 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.

#### 42.7 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:



## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

### 42.8 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.

#### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

#### Financial Assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority 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 the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

#### Expected Credit Loss Model

The Council recognises expected credit losses on trade receivables and housing rent arrears on a lifetime basis using a provision matrix, based on historical observed default rates over the lifecycle of trade receivables and housing rent arrears. The Council does not recognise credit losses on any of its other financial assets as the risk of loss is considered to be immaterial.

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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### 42.9 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

### 42.10 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 not yet been used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Amounts

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### 42.11 Interests in Companies

The Council has a material interest in a company that has the nature of a subsidiary, and the Council therefore prepares group accounts. In the Council's own single-entity accounts, the interests in the company and other entities are recorded as financial assets at cost.

### 42.12 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As non-financial assets, investment properties are measured at highest and best use. 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.

### 42.13 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.

#### Council as Lessee - 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.

#### Council as Lessor - Operating Leases

Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet. Income from investment properties is recognised as Finance and Investment Income. Income from other properties is recognised within the relevant service line in the Comprehensive Income & Expenditure Statement.

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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### 42.14 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

### 42.15 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise from 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.

### 42.16 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
- 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.

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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### 42.16 Property, Plant and Equipment (continued)

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

- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- infrastructure, community assets and assets under construction – depreciated historical cost
- surplus assets – the current measurement base is fair value, estimated at highest and best cost from a market participant's perspective
- all other assets - current 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).

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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### 42.16 Property, Plant and Equipment (continued)

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
- 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.

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 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 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 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.

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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### 42.17 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 certain that reimbursement will be received if the Council settles the obligation.

### 42.18 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.

### 42.19 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.

### 42.20 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.

## HOUSING REVENUE ACCOUNT

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 other income. Councils charge rents to cover expenditure in accordance with the legislative framework, but this may be different from the accounting cost. The increase or decrease in the year, on which the rents are raised, is shown in the Movement on the HRA Statement.

Note	2017/18 £'000	2018/19 £'000
<b>Expenditure</b>	<b>Restated</b>	
Repairs and maintenance	2,407	2,545
Supervision and management	2,003	2,268
Rent, rates, taxes and other charges	162	176
Depreciation and impairment of non-current assets	3,566	5,018
Movement in the allowance for bad debts	98	163
<b>Total Expenditure</b>	<b>8,236</b>	<b>10,170</b>
<b>Income</b>		
Dwelling rents	(11,835)	(11,805)
Non-dwelling rents	(338)	(346)
Charges for services and facilities	(807)	(817)
Contributions towards expenditure	(85)	(81)
<b>Total Income</b>	<b>(13,065)</b>	<b>(13,049)</b>
Net Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	<b>(4,829)</b>	<b>(2,879)</b>
HRA share of Corporate and Democratic Core	4	5
<b>Net Expenditure of HRA Services</b>	<b>(4,825)</b>	<b>(2,874)</b>
HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement		
Gain on sale of HRA non-current assets	(379)	(502)
Interest payable and debt management expenses	1,927	1,928
Interest and investment income	(80)	(101)
Pensions net interest expense	181	161
<b>Surplus for the year on HRA services</b>	<b>(3,176)</b>	<b>(1,388)</b>

The 2017/18 figures have been restated for the removal of recharges from the General Fund Account. These are now shown within the Movement on the HRA Statement on the following page. See Note 40 Prior Period Adjustments for more detail.



## HOUSING REVENUE ACCOUNT

### Movement on the HRA Statement

Note	2017/18	2018/19
	£'000 Restated	£'000
<b>Balance on the HRA at the end of the previous year</b>	<b>1,546</b>	<b>2,040</b>
1 Surplus for the year on the HRA Income and Expenditure Statement	3,176	1,388
Adjustments between accounting basis and funding basis	(576)	(935)
Transfer of recharges from the General Fund Account	(1,605)	(1,591)
<b>Increase before transfers to or from reserves</b>	<b>995</b>	<b>(1,138)</b>
Transfers from/(to) earmarked reserves	(500)	1,000
(Decrease)/increase in the year on the HRA	<b>495</b>	<b>(138)</b>
<b>Balance on the HRA at the end of the current year</b>	<b>2,040</b>	<b>1,902</b>

The 2017/18 figures have been restated for the removal of recharges from the General Fund Account. See Note 40 Prior Period Adjustments for more detail.

## HOUSING REVENUE ACCOUNT - NOTES

1. Adjustments between accounting basis and funding basis

	2017/18	2018/19
	£'000	£'000
Gain or loss on sale of HRA non-current assets	379	502
HRA share of contributions to or from the Pensions Reserve	(159)	(141)
Transfers to or from the Major Repairs Reserve	2,855	2,896
Transfers to or from the Capital Adjustment Account	(2,502)	(2,319)
Transfers to or from the Accumulated Absences Adjustment Account	3	(3)
<b>Total adjustments between accounting basis and funding basis</b>	<b>576</b>	<b>935</b>

2. Housing Stock

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

	31 March 2018	31 March 2019
<b>Flats</b>		
1 Bedroom	590	534
2 Bedroom	497	495
3 Bedroom	60	60
<b>Total Flats</b>	<b>1,147</b>	<b>1,089</b>
<b>Houses and Bungalows</b>		
1 Bedroom	291	345
2 Bedroom	381	384
3 Bedroom	631	636
4 Bedroom	14	14
<b>Total Houses and Bungalows</b>	<b>1,317</b>	<b>1,379</b>
<b>Equity share properties</b>		
1 Bedroom	5	2
2 Bedroom	2	5
<b>Total Equity share properties</b>	<b>7</b>	<b>7</b>
<b>Total Housing Stock</b>	<b>2,471</b>	<b>2,475</b>

## HOUSING REVENUE ACCOUNT - NOTES

### 3. HRA Non-current Assets

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

	<b>31 March 2018 £'000</b>	<b>31 March 2019 £'000</b>
Dwellings	256,091	257,047
Other land and buildings	6,554	6,576
<b>Total</b>	<b>262,645</b>	<b>263,623</b>

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

	<b>Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Total £'000</b>
Net Book Value at 31 March 2017	251,976	5,723	257,699
Changes during the year	4,115	831	4,946
<b>Net Book Value at 31 March 2018</b>	<b>256,091</b>	<b>6,554</b>	<b>262,645</b>
Changes during the year	956	22	978
<b>Net Book Value at 31 March 2019</b>	<b>257,047</b>	<b>6,576</b>	<b>263,623</b>

Depreciation and impairment charges during the year were as follows:

	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>
<b><u>Depreciation</u></b>		
Dwellings	2,553	2,596
Other land and buildings	302	300
<b>Total</b>	<b>2,855</b>	<b>2,896</b>
<b><u>Revaluation (gain)/loss</u></b>		
Dwellings	954	2,221
Other land and buildings	(243)	(98)
<b>Total</b>	<b>711</b>	<b>2,123</b>

## HOUSING REVENUE ACCOUNT - NOTES

The vacant possession value of dwellings within the Council's HRA was £676.440m at 31 March 2019 (£673.294m at 31 March 2018). 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.

### 4. Major Repairs Reserve

	2017/18	2018/19
	£'000	£'000
Balance at 1 April	381	2,427
Amount transferred to the reserve during the year	2,855	2,895
Financing of capital expenditure	(809)	(997)
<b>Balance at 31 March</b>	<b>2,427</b>	<b>4,325</b>

### 5. Capital Transactions

#### a) Capital Expenditure and Financing

	2017/18	2018/19
	£'000	£'000
Enhancements	809	997
Acquisitions	1,960	3,856
<b>Total Capital Expenditure</b>	<b>2,769</b>	<b>4,853</b>
<b>Sources of Finance:</b>		
Major Repairs Reserve	(809)	(997)
Retained Capital Receipts	(588)	(1,157)
Grants	(808)	0
Revenue contribution to capital expenditure	(564)	(2,699)
<b>Total Financing</b>	<b>(2,769)</b>	<b>(4,853)</b>

#### b) Capital Receipts

Receipts from disposal of dwellings and land were £1.302m in 2018/19 (£1.733m in 2017/18).

### 6. Rent Arrears

	2017/18	2018/19
	£'000	£'000
Gross rent arrears at 31 March	821	1,250
Provision for doubtful debts	(435)	(598)
<b>Net Rent Arrears at 31 March</b>	<b>386</b>	<b>652</b>

## HOUSING REVENUE ACCOUNT - NOTES

### 7. 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 39 of the Core Financial Statements, together with details of the assumptions made in calculating the figures included in this note.

	2017/18 £'000	2018/19 £'000
<b>HRA Income and Expenditure Statement</b>		
<b>Net Expenditure on HRA Services</b>		
Current service cost	312	347
Administration expenses	4	5
<b>HRA Share of Operating Income and Expenditure</b>		
Net interest cost	181	161
<b>Net Charge to the Income and Expenditure Statement</b>	<b>497</b>	<b>513</b>
<b>Movement on the HRA Statement</b>		
Reversal of net charges made for retirement benefits	(497)	(513)
Employer's Contribution to the Scheme	338	372
<b>HRA contribution to the Pensions Reserve</b>	<b>(159)</b>	<b>(141)</b>

## COLLECTION FUND

The Collection Fund reflects the statutory obligation of the Council as a billing authority 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 Non-Domestic Rates (NDR).

Note	2017/18			2018/19		
	Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
<b><u>Amounts required by statute to be debited to the Fund</u></b>						
Council Tax receivable	(51,579)	0	(51,579)	(54,752)	0	(54,752)
NDR receivable	0	(29,556)	(29,556)	0	(28,817)	(28,817)
<b>Total amounts credited to the Fund</b>	<b>(51,579)</b>	<b>(29,556)</b>	<b>(81,135)</b>	<b>(54,752)</b>	<b>(28,817)</b>	<b>(83,569)</b>
<b><u>Amounts required by statute to be debited to the Fund</u></b>						
<b>Council Tax Precepts</b>						
Essex County Council	37,336	0	37,336	39,820	0	39,820
Police & Crime Commissioner for Essex	5,039	0	5,039	5,509	0	5,509
Essex Fire Authority	2,215	0	2,215	2,294	0	2,294
Brentwood Borough Council	6,176	0	6,176	6,486	0	6,486
<b>Total Council Tax Precepts</b>	<b>50,766</b>	<b>0</b>	<b>50,766</b>	<b>54,109</b>	<b>0</b>	<b>54,109</b>
<b>Distribution of NDR Income</b>						
Central Government	0	13,941	13,941	0	14,324	14,324
Brentwood Borough Council	0	11,153	11,153	0	11,459	11,459
Essex County Council	0	2,509	2,509	0	2,578	2,578
Essex Fire Authority	0	279	279	0	287	287
Costs of Collection	0	106	106	0	105	105
<b>Total Distribution of NDR Income</b>	<b>0</b>	<b>27,988</b>	<b>27,988</b>	<b>0</b>	<b>28,753</b>	<b>28,753</b>
<b>Transitional Protection Payment</b>	<b>0</b>	<b>1,266</b>	<b>1,266</b>	<b>0</b>	<b>552</b>	<b>552</b>
<b>Impairment of Debts</b>						
Write-offs	67	237	304	32	411	443
Allowance for Impairment	257	(132)	125	275	(25)	250
<b>Total Impairment of Debts</b>	<b>324</b>	<b>105</b>	<b>429</b>	<b>307</b>	<b>386</b>	<b>693</b>
4 Distribution of previous year's Council Tax surplus	1,035	0	1,035	1,034	0	1,034
4 Distribution of previous year's NDR deficit	0	0	0	0	(750)	(750)
<b>Total Movement on Fund Balance in the year</b>	<b>546</b>	<b>(197)</b>	<b>349</b>	<b>698</b>	<b>124</b>	<b>822</b>

## COLLECTION FUND

### Movement on the Collection Fund

	2017/18			2018/19		
	Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
Opening fund balance	(1,503)	1,106	(397)	(957)	909	(48)
Movement on fund balance in the year	546	(197)	349	698	124	822
<b>Closing fund balance</b>	<b>(957)</b>	<b>909</b>	<b>(48)</b>	<b>(259)</b>	<b>1,033</b>	<b>774</b>

### Notes to the Collection Fund

#### 1. Council Tax Base

The Council Tax base is calculated across eight different valuation bands. The total number of properties in each band is adjusted for discounts and premiums and reduced by an allowance of 1% for estimated non-collection. The number of properties for each band is scaled up or down by the ratio to band D, giving a Council Tax base expressed as the number of band D equivalent properties. The Council Tax base for 2018/19 was 32,593 (32,084 for 2017/18). The following table shows the Council Tax base by band:-

Band	Range of Property Values	Band D Ratio	2017/18		2018/19	
			Number of properties	Number of Band D equivalent properties	Number of properties	Number of Band D equivalent properties
A	Up to £40,000	6/9	377	251	415	274
B	£40,001 - £52,000	7/9	1,731	1,346	1,793	1,380
C	£52,001 - £68,000	8/9	4,790	4,258	4,983	4,386
<b>D</b>	<b>£68,001 - £88,000</b>	<b>9/9</b>	<b>6,976</b>	<b>6,976</b>	<b>7,237</b>	<b>7,165</b>
E	£88,001 - £120,000	11/9	5,198	6,354	5,296	6,408
F	£120,001 - £160,000	13/9	4,063	5,868	4,117	5,887
G	£160,001 - £320,000	15/9	3,565	5,942	3,636	5,999
H	More than £320,000	18/9	545	1,089	553	1,094
<b>Total</b>			<b>27,245</b>	<b>32,084</b>	<b>28,030</b>	<b>32,593</b>

## COLLECTION FUND

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2. Income from Council Tax

For 2018/19 the Council set a Band D Council Tax (excluding parish precepts) of £1,644.29 (£1,567.92 in 2017/18), made up of its own precept and precepts from Essex County Council, Police & Crime Commissioner for Essex and Essex Fire Authority. The amount paid by each household is the band D amount multiplied by the Band D ratio for the property.

3. Income from Non Domestic Rates

The Council calculates the rates due on non-domestic properties within its boundary by multiplying the rateable value of each property by a multiplier. The total amount, less certain reliefs and other deductions, is shared between Central Government (50%), Essex County Council (9%), Essex Fire Authority (1%), with the remainder (40%) being retained by the Council. The Gross Non-Domestic Rateable Value for the Brentwood Borough Council area at 31 March 2019 was £72,359,460 (£73,044,505 at 31 March 2018). The standard NDR multiplier for the year was 49.3p (47.9p in 2017/18) and the small business multiplier was 48.0p (46.6p in 2017/18).

4. Distribution of Previous Year's Collection Fund Surplus/(Deficit):-

These have been distributed as follows:

	Council Tax		NDR	
	2017-18	2018-19	2017-18	2018-19
	£'000	£'000	£'000	£'000
Central Government	0	0	0	(375)
Essex County Council	761	268	0	(67)
Police & Crime Commissioner for Essex	103	37	0	0
Essex Fire & Rescue Authority	46	16	0	(8)
Brentwood Borough Council	125	44	0	(300)
<b>Total</b>	<b>1,035</b>	<b>365</b>	<b>0</b>	<b>(750)</b>



## GLOSSARY

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 recognised in the financial statements.
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.
Amortised Cost	The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.
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.

## GLOSSARY

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 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.
CIPFA LASAAC Local Authority Code Board	The board responsible for preparing, maintaining, developing and issuing the Code of Practice (see below). The board is a partnership between CIPFA (England, Northern Ireland and Wales) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).
Code of Practice (COP)	Code of Practice on Local Authority Accounting in the United Kingdom .
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.

## GLOSSARY

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.
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Finance Lease	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.

## GLOSSARY

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.

## GLOSSARY

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,

## GLOSSARY

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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 Finance Director 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.

# ANNUAL GOVERNANCE STATEMENT

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## 1. **Introduction**

### **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, 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 that facilitates the effective exercise of its functions and management of risk.

The Council follows a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework (2016) *Delivering Good Governance in Local Government*. A copy of the code can be obtained by contacting the Section 151 officer at Brentwood Borough Council. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 6, which requires all relevant bodies to prepare an annual governance statement.

### **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 2019 and up to the date of approval of the annual report and Statement of Accounts.

## 2. **Key Elements of the Governance framework**

Brentwood Borough Council's governance framework derives from seven core principles identified in the CIPFA/SOLACE publication entitled '*Delivering Good Governance in Local Government – Framework (2016)*'. The seven core principles are:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

## ANNUAL GOVERNANCE STATEMENT

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

**Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**

The Council Constitution 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 Committees, Officers and Members conduct their business is also contained within the Constitution and include:

- Financial Regulations and Standing Orders relating to contracts.
- Procedure Rules for Council, Staff and Budget & Policy frameworks
- Protocols & 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. The Constitution was adopted by the Council at a meeting held on 15<sup>th</sup> May 2013. The Constitution Working Group is in place to review effectiveness of and to ensure it conforms to best practice. The Monitoring officer has the authority to make and has made minor changes, this was last reviewed on 16/05/2018.

In addition, the Head of Paid Service, Chief Finance Officer (£151) and Monitoring Officer each have specified roles to ensure reports and decisions comply with financial regulations and are lawful.

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. The Council reviewed and approved various policies during 2018/19, such as Whistleblowing Policy, Anti-Fraud Policy (incorporating Bribery, Corruption and Money Laundering), Business Continuity Policy and Strategy and Corporate Complaints Policy and Persistent and Unreasonable Behaviour Policy.

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.

The Council continues to recognise the need to focus on fraud activity and established a separate team during 2017/18. This team now has a Corporate Fraud Manager and uses experienced officers from other local authorities, to further protect the organisation. The Corporate Fraud team continue to raise awareness to senior officers and report their findings quarterly.

The appointment of General Manager, Corporate Enforcement during 2017/18, is responsible for ensuring that the Council's enforcement activity is proactive, robust and effective across all service areas. The core team has expanded to seven officers from June 2018 which demonstrates the Council's strong commitment in tackling street drinking, anti-social behaviour and fly tipping. There have been a number of successful prosecutions, the result of bringing together enforcement activity across the range of Council activities has resulted in a quicker and



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more co-ordinated response to unauthorised activity. The Corporate Enforcement Team also won the Team of the year at the annual Civic awards.

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

The Council is a firm believer in engaging with stakeholders to achieve the best outcomes for all in the Borough. It recognises that it needs to engage and collaborate with others to gain greater understanding in order to implement solutions for the community that will be successful.

The Council regularly reviews its key partnership arrangements, to ensure that they are still effective in supporting the Council's priorities and continues to provide support for residents.

The following heading provides an example of some of the groups we engage with on a regular basis, categorised by theme Business and growth; the vulnerable in our community; health, safety and wellbeing; the young. This is not a complete listing and it is for illustrative purposes only:

### **Business and Growth**

- **Brentwood Chamber of Commerce** – an organisation which provides representation for businesses 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 Business Partnership** – a group of stakeholders meeting to consider improvement of the High Street and shopping areas in Brentwood. Formally known as Brentwood Renaissance Group.

### **The Vulnerable in our Community**

- **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
- **Citizens Advice Bureau** – providing advice and empowerment to citizens.

### **Health, Safety and Wellbeing**

- **Community Safety Partnership (CSP)** –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.
- **Active Essex /Active Brentwood** - will be the key local structure which is fundamental to the development and success of Sport England's Delivery System for community sport. It will engage voluntary, private and public sector bodies through one network and work towards the achievement of the co-ordinated approach in order to create, develop and promote opportunities for local people to take part in sport and physical activity. Thereby providing residents with the opportunity to benefit from health, well-being and enjoyment that arises from participation in sport and physical activity.
- **Brentwood Health and Wellbeing Board** - will work to promote health and wellbeing of Brentwood's communities. Its focus is to secure the best possible health outcomes for all residents and those visiting the Borough for work and leisure. The board will assist the County-wide Board to ensure that local views are fed into the overarching Essex Strategy and that local issues are determined locally. It will actively

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promote public health and the joining up of resources and support integrated health and social care service delivery to the people of Brentwood.

### Our Young

- **Brentwood Youth Strategy Group** - to promote corporate priority of giving young people a greater say and greater role in building safer and stronger communities and set up as consultative bodies in order to make recommendations on youth provision in their local area.
- **South Essex Children's Partnership Board** - The South Essex Children's Partnership Board is one of the four locality Children's Partnerships which report into the Essex Children and Young People's Strategic Partnership. Their remit is to ensure that the most vulnerable children and young people have access to a good education and are enabled to lead safe, happy, healthy lives like the majority of their peers across Essex.
- **Brentwood Children's Advisory Board** – Requirement of Childcare Act 2006 that each locality has an Advisory Board to ensure the effective and delivery of pre-birth to 19 services.

The Local Development Plan (LDP) has shown the Council's commitment to effective and viable public engagement. This has been achieved through a variety of methods, such as consultations and a number of meetings where officers have met residents and stakeholders in their local communities.

The Council has a Customer Complaints Policy which details how the Council will respond to a complaint and is available on the Council's website. Regular reports on Corporate Complaints were monitored by the Audit and Scrutiny Committee during 2018/19, following a number of working groups. The process is robust and the Council has never had a finding of maladministration made 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. Reports are produced with clear pro-formas and there is much engagement with Members to support decision making which is based upon on relevant information being provided.

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.

### **Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

In November 2015 the Council adopted a Corporate Plan for the years 2016-2019, **Vision for Brentwood**. This will be reviewed during 2019 due to the Council's new Leadership. The key priorities of the Corporate Plan are:

- **Environment and Housing Management** - We will find new ways of working with partners and will embrace the support of communities to enhance the cleanliness of our environment and maintain the attractiveness of our Borough. We will work to ensure our housing stock is managed so that it delivers comfortable and safe homes for our tenants that are efficient and sustainable.
- **Community and Health** – Brentwood is fortunate to benefit from a range of vibrant groups and organisations that enhance and support the local community. The Council will work with local businesses, community groups and the voluntary sector to ensure the future wellbeing of the Borough.

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- **Economic Development** – Our superior locational advantage and entrepreneurial spirit means that Brentwood is fortunate to have a strong economic foundation. In partnership with key local and regional business organisations, we can harness that force to promote the Borough, encourage a mixed economy and support sustainable development.
- **Planning and Licensing** – 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 and businesses 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. Our licensing policies will regulate businesses to ensure public safety and minimise environmental nuisance caused by their activities.
- **Transformation** – Between 2016 and 2019 the way the Council looks and works is being transformed. We will continue the drive to make it easier for customers to access services and information, cut out bureaucracy that does not add value and make sure taxpayers' money is even more wisely spent. We will explore new income generating ideas and opportunities. 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.

All committee reports are referenced to the Council's key priorities, which are in turn linked to benefits.

The Council has recognised that in order to maintain the pace of its transformation, it needs to monitor its key corporate projects, to ensure it remains on track to deliver the associated benefits.

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

The Council currently manages 25 key performance indicators regularly with designated service managers, which are monitored and reported to the Corporate Leadership Board. During 2018/19 the Performance and Formal Complaint's working group reviewed the Performance Indicators in further detail and reported to the Audit and Scrutiny Committee with any matters of concern. The Key Performance Indicators are made public via the Council's website using data share.

During 2018/19 The Council continued to mature the Corporate Project Management Register, in that it became a major control for the organisation and has been embedded into working practices. Project Highlight Reports are updated and the summary is reviewed monthly in detail at the Corporate Leadership Board. Progress is then reported to Policy, Projects and Resources Committee, and Ordinary Council as appropriate. Project on a Page (Poap) was also implemented during 2018/19, in order to easily recognise new projects for the register, to ensure they are aligned with the Council's priorities.

Work continued on the Local Development Plan with a further consultation (Reg 19) being carried out in February 2019. This work also facilitated discussion on Economic Growth, Housing, Leisure and Infrastructure all of which are vital to the Borough's future.

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 Policy, Projects and Resources Committee and reported to Full Council as part of the budget setting process. The Council also

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adopted a new Capital Strategy for 2019/20 which gives a high level overview of how capital expenditure and financing plans are decided upon and how they contribute to the delivery of the Councils Corporate Plan, Medium Term Financial Plan and overall service delivery.

Regular budget challenge sessions, where budget controllers are requested to explain budget variations, current levels of expenditure and impacts on future financial outturns were held. These were and continue to be a major control that introduces a process that allows the organisation to react quickly in changeable circumstances. In addition to this the establishment of a commercial stream has assisted in the identification of additional income streams to offset reductions in funding.

The Council looks at Social value as part of its tender exercises. The most recent being our Joint venture Procurement Contract and our Repairs and Maintenance Contract where the latter has provided a Community Fund .

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

During 2018/19 an Executive Board (EB) was established, which consisted of the senior management structure which reflected the structure as at June 2018. It consists of eight members which includes the statutory posts of Head of Paid Service, Section 151 Officer and Monitoring Officer. They meet on a weekly basis and supports the Council in providing clear visible Strategic direction and leadership, to shape and drive the culture of the organisation as well as to drive and steer modernisation, commercialisation and change to ensure the Council is efficient, effective and economic.

The Corporate Leadership Board (CLB) consists of the Executive Board members as well as key Senior managers. CLB meet on a fortnightly basis and develops strategies and policies to achieve member priorities for the borough. It also considers other governance issues including risk management, performance management and financial management as well as the Corporate Project Register and the democratic forward plan.

During 2018/19 Project Board (PB) was established, which is a Cross Party Member Advisory Group to Policy, Projects and Resources Committee and Its terms of reference were approved by PPR in June 2018. The Project Board met monthly and advises on all projects relating to the Asset Development Programme (ADP), which includes projects relating to Corporate Asset Management, Property Joint Venture Partnerships and Seven Arches Investments Ltd. It is informed by the Corporate Asset Management Group (CAMG) which is an administrative Group including Officers and Members that act as the Council's Corporate Landlord.

During the year the Council has actively participated in the SE2050 initiative, and signed-up, in principle, to an Association of South Essex Local Authorities (ASELA). The intention has been to describe a joint "place-based" vision for South Essex and to prepare a Joint Strategic Plan (JSP) setting out how sustainable growth can be delivered with the infrastructure required in the area.

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 and compressed hours. All Human Resources Policies can be found on the Councils Intranet. During 2018/19 the Council's transferred its HR and Payroll contract to Thurrock Council, part of the contracts facilitates a Business Partner who has been closely working with officers to review, develop and Improve various HR Policies. An extensive training programme for staff has also been carried out during the year.

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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.

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.

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. Frequent Member training is carried out throughout the year and a work programme was approved at the start of the Municipal year through the Regulatory and Governance Committee. This included Safeguarding training which will continue with a new cohort of newly elected members. The Council's Safeguarding Policy and Procedures will be updated in 2020 which is carried out every 3 years.

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.

We have a Health in the Workplace programme run by staff for staff to support their Health and Wellbeing which includes a programme of activities during Mental Health Awareness Week and Time to Talk Day. The Council has signed up to the Time to Change Employers Pledge in 2018. A number of Council employees are signed up to be Mental Health Champions and Health Champions to support this work.

The Council operates a Performance Planning Appraisal System (PPA). PPA contributes directly to the continued development and recognition of quality in people's performance and ensures that people are involved and understand what is expected of them, enabling them to meet their performance objectives. These objectives should relate to the environment in which each employee operates.

The Council implemented a workforce strategy, which is currently being monitored across the organisation using a constructed monitoring tool.

### **Principle F: Managing risks and performance through robust internal control and strong public financial management**

Risk Management is a key consideration across the Council. The Council annually reviews the Insurance and Risk Management Strategy that is translated into strategic and operational risk registers. The objectives of the Strategy are to:

- Integrate and raise awareness of risk management for all those connected with the delivery of Council services.
- To provide a robust and systematic framework for identifying, managing and responding to risk.
- Anticipate and respond to changing social, environmental and legislative requirements.
- Enhance the attractiveness of the Council's risk profile to underwriters.
- Comply with any statutory requirements to have in place particular policies of insurance and associated inspection systems.
- Minimise potential claims and consequently reduce the cost of insurances.

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- Reduce the cost of external premium spend and to consider self-funding for low level claims.
- Protect the Council's assets (people and property).
- Protect the reputation of the Council.

Risks are identified by officers, and Risk owners monitor and review the strategic and operational risk registers which are overseen by the Council's Risk Management Officer. The Risks are assessed and monitored at Executive Board, Corporate Leadership Board and the Regulatory and Governance Committee as they oversee and management of risk in accordance with the Council's strategy. During 2018/19 the Strategy has been significantly updated in line with Audit recommendations, such as a Risk Appetite/Tolerance is now included. There have also been some fundamental changes to the risk matrix, which is now more evenly spread between likelihood and impact. All the Council's Risks have been amended in line with the new strategy.

The Audit and Scrutiny Committee met five times during the year 2018/19. It also provides advice to the Council on the effectiveness of the arrangements for the proper administration of the Council's financial affairs, including all relevant strategies and plans. The Audit Committee also has the specific responsibility to provide robust challenge and review of the Statement of Accounts, including the Annual Governance Statement & Value for Money and Internal & External Audit Reports.

The Regulatory and Governance Committee met four times during the year 2018/19. Its main aim was to maintain an overview of the Council's Constitution, monitor the effective development and operation of Risk Management and Corporate Governance in the Council as well as to monitor various Council's Policy and Strategies. This committee was also to maintain an overview of the Council's requirements and duties under the General Data Protection Regulations and Data Quality.

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

The Council holds several Committees which carry out Regulatory or Scrutiny functions. During 2018/19 these functions were split over Audit and Scrutiny Committee and the Regulatory and Governance Committee. The main aim of these committees 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 Committees are held to account for the decisions that they make and their impact upon the borough and its residents. Audit and Scrutiny Committee performed all overview and scrutiny functions on behalf of the Council. No Member may be involved in scrutinising a decision in which he or she has been directly involved. Scrutiny is outward looking and aims to involve all stakeholders as far as possible, taking careful account of the views of service users.

The Information Management Team at Thurrock Council was commissioned to provide support to Brentwood as part of a Memorandum of Understanding in relation to Data Protection, which included providing a Data Protection Officer (DPO), which will increase the knowledge and experience available to the Council and improve resilience in this area. Thurrock commenced work at Brentwood in June 2018 and carried out a review of the existing processes.

General Data Protection Regulations (GDPR) came into effect from 25 May 2018. A number of data protection policies have been reviewed and reported to Policy, Projects and Resources Committee as well as compliance

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action plans for GDPR have been reported to Regulatory and Governance Committee. This includes identifying Information Asset Owners (IAO), which attend Information Governance Group (IGG) meetings, producing Data Protection Impact Assessments (DPIA) as well as developing Record of Processing Activities (RoPA) for all key service areas. All staff and members received mandatory e-learning training in 2018/19 for the implementation of the new legislation.

The Council's Senior Information Risk Officer (SIRO) is currently the Council's Executive Director of Commercial Services and has overseen the work commenced in preparation and implementation for GDPR and manages the Thurrock arrangement.

The Council has a strong robust financial management, by ensuring regular communication with Financial Services and Budget Managers, through the live Budgetary Control system, as well as Budget monitoring reports issued on a monthly basis. Quarterly Budget Challenge meetings are carried with the Chief Executive, Section 151 Officer, Link accountants and Budget Managers which have been proven to be very successful, ensuring the senior officers have financial control of the current position.

### **Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

All Committees have clearly defined roles, responsibilities and working protocols as expressed through the Constitution with specific terms of reference. A Forward Plan is regularly monitored which reviews what reports will be taken to each Committee that outlines the key decisions which will be made during the year. The Agendas, Minutes and Decisions of the Committees are all publicly available through the Councils Democracy Information System via the Council's website.

<https://brentwood.moderngov.co.uk/mgListCommittees.aspx?bcr=1>

Documents are clear and published promptly where possible.

A list of the Council's committees that were active during 2018/19, including committees that have since been decommissioned and new committees introduced in 2018/19, is shown below:

#### **Council**

- Annual Council
- Extraordinary Council
- Ordinary Council

#### **Committees**

- Dismissal Appeals Committee
- Staff Appointments Committee
- Corporate Projects and Scrutiny Committee (introduced May 2017), decommissioned May 2018)
- Community, Health & Housing Committee (introduced May 2017, decommissioned May 2019)
- Environment and Enforcement Committee (introduced May 2017, decommissioned May 2019)
- Policy, Projects and Resources Committee (introduced May 2017, decommissioned May 2019)
- Community and Health (Introduced May 2019)
- Environment, Enforcement and Housing (Introduced May 2019)
- Policy, Resources and Economic Development (Introduced May 2019)

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### **Regulatory Committees**

- Audit Committee (introduced May 2017, decommissioned May 2018)
- Audit and Scrutiny Committee (introduced May 2018)
- Licensing/Appeals Sub-Committee
- Planning and Licensing Committee
- Regulatory and Governance (introduced May 2018, decommissioned May 2019)

### **Working Groups**

- Constitution Working Group
- Leisure Strategy Working Group
- Town Centre Working Group
- Local Development Plan Working Group
- Performance & Formal Complaints

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 through recommendations. These reports and papers are subject to review by the three Statutory Officers of the Council: Head of Paid Services, Chief Finance Officer (Section 151 Officer) and Monitoring Officer.

Each report also considers the separate implications, where appropriate, arising in the following areas; Legal, Finance, Staff, Risk Management, Asset Management, Health and Safety, Equality and Diversity.

The Council ensures that its website is frequently updated and presented with accurate sound information for the benefit of the residents. The Council has co-ordinated a Service Improvement Team (SIT) which consists of officers from Customer Services, Digital Transformation and Information Communication Technology (ICT) Services and led by the Chief Operating officer.

A new Members Enquiry System called the “Members Portal” went live in August 2018. The new system enables members to track their requests and provides the facility to view historic requests. Its purpose is to ensure the Council is transforming its services as well as implementing good practices in transparency and accountability. Members were provided training throughout the year and feedback of the system was presented to Audit and Scrutiny Committee.

### **3. Evidence Based Opinion**

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 Audit and Scrutiny Committee, Corporate Leadership Board, Executive 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.

#### **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.



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The opinion is as follows:

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

In forming our view we have taken into account that:

- The Council has performed broadly in line with budget regarding financial performance. The Council has continued to demonstrate sound financial management with moderate assurance opinions provided on the design and operational effectiveness in the audits on corporate projects and key financial systems.
- In respect of the design of the controls, an opinion of moderate assurance was provided for seven out of the ten assurance audits where reports have been issued, substantial assurance was provided in three areas. These opinions are an improvement compared with 2017-18.
- In respect of the design and operational effectiveness of the controls, opinion of moderate / moderate assurance was provided for five of the ten assurance audits where reports have been issued, substantial assurance was provided in four areas, and in limited assurance in one area. These opinions are an improvement compared with 2017-18.
- The Council has specifically requested audits into known areas of risk and new areas of concern i.e. the Housing Department and PCI/DSS compliance
- Management has responded positively to reports issued and action plans have been developed to address the recommendations raised.
- We have confirmed that 71% of recommendations due for implementation by the date of reporting had been completed. Management has provided assurance that a further 19 (24%) have been implemented, we are awaiting evidence to verify this.

Our annual report and head of internal audit opinion has been prepared based on the audit work undertaken during the year. We do not consider that the results of the audit of workforce strategy (for which reporting is in progress) will have an impact upon the overall opinion provided.

### External Audit

The External Auditor's Audit Results Report for 2017/18 was reported to Audit and Scrutiny Committee in July 2018 and contained the following key messages:

- Ernst & Young issued an unqualified opinion on the 2017/18 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.

### 4. Significant Governance Issues.

#### **Last year's Governance key improvement areas:**

A number of key governance issues were identified by the Council, Internal Audit and External Audit to be addressed in 2018/19 for areas of improvement. The table on the following page sets out below, the matters arising, the aims and the assessment of progress.

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	<b>Matters Arising in 2017/18</b>	<b>Aims in 2018/19</b>	<b>Progress in 2018/19</b>
1	Corporate Plan Review	Corporate Plan 2016-19 is due to expire. Produce a new Corporate Plan for 2019-2022, which reflects the outcomes and financial responsibilities of the Council	Delayed due to new Leadership of the Council. To be considered during 2019/20.
2	Review of Constitution	To ensure the Constitution reflects best practice, latest legislation, and aids the decision-making process of the Council, in order that it can react to changing circumstances.	The Council reviewed its members Planning Code of Good Practice. This piece of work is still ongoing while we review other areas of the constitution.
3	Risk Management & Annual Governance Review	To continue the progress made in this area, supporting open and transparent decision making and sound planning.	Quarterly reviews of Risk management through Regulatory and Governance Committee as well as an extensive review of the Strategy.
4	Car Parking Strategy	To produce a car parking strategy for the Council that recognises changes to the Town Centre and outlying regions but provides the spaces and associated income to support changes to the way car parks operate.	This has been delayed while the Council considers the procurement of the Joint Venture arrangements
5	Commercial Activity	To appoint a joint venture partner to generate income from Council assets, and to utilise the newly formed limited company (SAIL) to generate a financial return at low risk to the Council.	This will be progressed further during 2019/20, when the Council will review whether to appoint the preferred bidder following an extensive procurement exercise.
6	Local Development Plan	To produce an agreed LDP that delivers the OAN target of housing demand for Brentwood. To work with other South Essex Boroughs through the Association of South Essex Local Authorities (ASELA) to maximise the potential for growth across South Essex and Brentwood.	The Council continues to progress this forward and has carried out further consultation (Reg 19) in February 2019. It continues to work with South Essex Local Authorities.
7	Business Continuity & Emergency Planning	To continue to prepare, practice and educate all in the matters of Business Continuity and Emergency Planning, and to work with other responsible parties to reduce the risk of incidents.	The Council reviewed and produced a Business Continuity Policy and Strategy, this work is still ongoing while we continue to review our Emergency Planning out of hours arrangements
8	Partnerships and Shared Service Arrangements	To continue to work with likeminded partners in identifying opportunities and potential efficiencies of further collaboration with no service reductions for Brentwood.	The work is ongoing and the Council continues to work with partners through different Contractual arrangements and assesses their effectiveness and efficiency.

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### Current Governance key improvement areas:

A number of key governance issues have been identified by the Council, Internal Audit and External Audit to be addressed in 2019/20 for areas of improvement. The table below sets out the matters arising and the aims the Council has set in order to achieve these areas of development.

	Matters Arising in 2018/19	Aims in 2019/20
1.	Corporate Plan Review	To ensure that the Corporate Plan for 2019-2022 in progressed, which reflects the outcomes and financial responsibilities of the Council following the new leadership.
2.	Local Development Plan (LDP)	To submit the LDP to the Secretary of State for Examination in Public and continue to work with other South Essex Boroughs through the Association of South Essex Local Authorities (ASELA) to maximise the potential for growth across South Essex and Brentwood.
3.	Commercial Activity	To appoint a joint venture partner to generate income from Council assets, and to utilise the newly formed limited company (SAIL) to generate a financial return at low risk to the Council.
4.	Review of Constitution	To ensure the Constitution reflects best practice, latest legislation, and aids the decision-making process of the Council, in order that it can react to changing circumstances.
5.	Strategies	To review existing and produce new strategies across the Council such as Car Parking Strategy, Customer Access Strategy and Communication Strategy throughout 2019/20.
6.	Housing Service	Consider and improve the Council's Housing stock compliance works in according with appropriate legislation.
7.	Communication between Members and Officers	Consider and review processes and mechanisms to improve communication.
8.	Partnerships and Shared Service Arrangements	To continue to work with likeminded partners in identifying opportunities and review efficiencies of further collaboration with no service reductions for Brentwood.
9.	Enhance our Leisure Provision	To implement the Council's newly approved Leisure Strategy and Play Area Strategy and put them into practice.

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### 5. Conclusion

We are satisfied that the Annual Governance Statement is an accurate reflection of the Council's governance arrangements for 2018/19. We propose over the coming year to take steps to address issues reported above during 2019/20 to further enhance our government arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:**

**Chris Hossack**  
**Leader of the Council**  
**29 July 2019**

**Steve Summers**  
**Interim Chief Executive**  
**29 July 2019**

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

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## Opinion

We have audited the financial statements of Brentwood Borough Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- the related notes 1 to 42,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 7,
- Collection Fund and the related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Brentwood Borough Council and Group as at 31 March 2019 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 2018/19

## Basis for opinion

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

## Conclusions relating to going concern

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

- the use by the Director of Corporate Resources of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

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

### **Other information**

The other information comprises the information included in the Narrative Report set out on pages 1 to 10, other than the financial statements and our auditor's report thereon. The Director of Corporate Resources is responsible for the other information.

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

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

We have nothing to report in this regard.

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

#### **Arrangements to secure economy, efficiency and effectiveness in the use of resources**

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, 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 2019.

#### **Matters on which we report by exception**

We report to you if:

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

We have nothing to report in these respects.

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

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## **Responsibility of the Director of Corporate Resources**

As explained more fully in the Statement of Responsibilities for the financial statement as set out on page 11, the Director of Corporate Resources 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 2018/19, and for being satisfied that they give a true and fair view.

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

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Brentwood Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Brentwood Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 Brentwood Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

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

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

### **Certificate**

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

### **Use of our report**

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

*Neil Harris (senior statutory auditor)*

*for and on behalf of Ernst & Young LLP, Appointed Auditor*

*Luton*

*28 January 2020*

The maintenance and integrity of the Brentwood Borough Council web site is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.