



## **STATEMENT OF ACCOUNTS 2017/18**







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## NARRATIVE REPORT

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### **1. Introduction**

- 1.1 The Narrative Report provides a concise guide to the most significant matters reported in the Statement of Accounts for the year ended 31 March 2018, and also some contextual information about the Council.

### **2. Brentwood Borough**

- 2.1 The Borough of Brentwood is situated in the southwest of Essex, 18 miles from London. It has a total area of around 15,315 hectares and a population of just over 73,500. The Borough is mostly within London's Metropolitan Green Belt, with approximately 1,215 hectares of woodland, three country parks and much farmland within its borders. This "Borough of Villages" character surrounds the town of Brentwood, a market town at the heart of the Borough with a good mix of shops, businesses, schools, and recreational facilities.
- 2.2 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 Crossrail at Brentwood and Shenfield, to be renamed the Elizabeth Line once fully operational and providing new direct links with Central London and Heathrow Airport.
- 2.3 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 251 full-time equivalent staff
  - a housing stock of 2,467 dwellings with a value of £256.091m
  - other land & buildings and vehicles & equipment valued at £35.710m

### **3. Contents of the Statement of Accounts**

The Statement of Accounts comprises the following:

#### **3.1 Statement of Responsibilities for the Statement of Accounts**

This identifies the officer responsible for the proper administration of the Council's financial affairs. In Brentwood Borough Council this officer is the Interim Chief Finance Officer. The Interim Chief Finance Officer 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.

#### **3.2 Core Financial Statements, comprising:-**

- a) Movement in Reserves Statement (page 11)
- b) Comprehensive Income and Expenditure Statement (page 12)
- c) Balance Sheet (pages 13-14)
- d) Cash Flow Statement (page 15)

#### **3.3 Notes to the Accounts including significant Accounting Policies (pages 17-80)**

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.

#### **3.4 Housing Revenue Account (pages 81-86)**

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.

## NARRATIVE REPORT

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### 3.5 Collection Fund (pages 87-89)

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).

### 3.6 Glossary of Terms (pages 90-95)

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

### 3.7 The Annual Governance Statement (pages 96-111)

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.

## 4. Corporate Plan

4.1 The Council operated under the direction of its Corporate Plan 2016-2019, **Vision for Brentwood**, during 2017/18. The key priorities of the corporate plan are:

- **Environment and Housing Management.** We will find new ways of working with partners and 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 our Borough.
- **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 minimize environmental nuisance caused by their activities.
- **Transformation.** Between 2016 and 2019 the way the Council looks and works will be 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.

4.2 The Council maintains a Strategic and Operational risk register to identify the risks which could impact on the Council's ability to achieve its objectives.

## NARRATIVE REPORT

- 4.3 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 monitored at the Council's Corporate Leadership Board. During 2017/18 strategic risks were reported to Audit Committee quarterly for review. These risks and their risk scores are:

<b>Risk</b>	<b>Score</b>
Financial pressures resulting from withdrawal of central govt funding	25
Extension of Right to Buy to registered provider tenants	20
Roll out of Universal Credit	16
Completion of the Local Development Plan	15
Data Protection Act 1998	15
Disaster recovery/business continuity	12
Failure to deliver key corporate projects	10
Organisational capacity	8
Contract and partnership arrangement failure	8
Information management and security	6
Commercial activities	6
Failure to spend HRA capital receipts	5
Lack of strategic direction	4
Democratic failure resulting from outsourced and shared services arrangements	2

### 5. General Fund Revenue Spend Analysis

- 5.1 General Fund spend is paid for by Council Tax, Business Rates, Government grants and other income. The table below provides a summary of the actual spending and income compared to the budget and the forecast outturn:-

	<b>Budget</b>	<b>Forecast outturn</b>	<b>Actual outturn</b>	<b>Variance to budget</b>	<b>Variance to forecast outturn</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Vision for Brentwood – Service Expenditure</b>					
Environment and Housing Management	3,100	2,780	2,678	(422)	(102)
Community and Health	1,283	1,326	1,224	(59)	(102)
Economic Development	(987)	(995)	(1,010)	(23)	(15)
Planning & Licensing	522	616	658	136	42
Transformation	4,345	4,527	4,692	347	165
Contingency & Savings	(272)	0	0	272	0
<b>Total Spend for Vision for Brentwood</b>	<b>7,991</b>	<b>8,254</b>	<b>8,242</b>	<b>251</b>	<b>(12)</b>
Operating and Financing Charges	1,306	1,333	1,364	58	31
Appropriations	12	(127)	141	129	268
<b>Total Spending Requirement</b>	<b>9,309</b>	<b>9,460</b>	<b>9,747</b>	<b>438</b>	<b>287</b>
<b>Funding:</b>					
Council Tax	(5,715)	(5,715)	(5,715)	0	0
Revenue Support Grant	(233)	(233)	(233)	0	0
Business Rates Income	(1,397)	(1,517)	(1,523)	(126)	(6)
Collection Fund Deficit	(125)	(125)	(125)	0	0
New Homes Bonus Grant	(1,154)	(1,154)	(1,157)	(3)	(3)
Other Government Grants	(402)	(442)	(683)	(281)	(241)
NNDR Pooling Income	0	0	(224)	(224)	(224)
<b>Total Funding</b>	<b>(9,026)</b>	<b>(9,186)</b>	<b>(9,660)</b>	<b>(634)</b>	<b>(474)</b>
<b>Funding Gap for the year</b>	<b>283</b>	<b>274</b>	<b>87</b>	<b>(196)</b>	<b>(187)</b>
<b>Earmarked Spend on Balances</b>	<b>468</b>	<b>350</b>	<b>350</b>	<b>(118)</b>	<b>0</b>
<b>(Surplus)/Deficit on General Fund Balances</b>	<b>751</b>	<b>624</b>	<b>437</b>	<b>(314)</b>	<b>(187)</b>



## NARRATIVE REPORT

### 6. Housing Revenue Account Spend Analysis

6.1 The Housing Revenue Account (HRA) is kept as a separate account for the expenditure and income relating to the Council's function as a provider of rented social housing.

6.2 The following table provides a summary of the actual spending and income for the HRA compared to the forecast outturn. The figures shown are different from those in the HRA Income and Expenditure Statement and are due to the accounting adjustments required. These have a neutral effect on the actual budget position.

	Budget	Forecast outturn	Actual outturn	Variance to budget	Variance to forecast outturn
	£'000	£'000	£'000	£'000	£'000
<b>Expenditure:</b>					
Repairs and Maintenance	2,670	2,276	2,407	(263)	131
Supervision and Management	2,782	2,874	3,033	251	159
Rents, Rates, Taxes and Other Charges	203	158	162	(41)	4
Share of Corporate Costs	433	452	410	(23)	(42)
Depreciation and Impairment	2,764	2,552	2,855	91	303
Increase in Bad Debts Provision	40	40	98	58	58
<b>Total Expenditure</b>	<b>8,892</b>	<b>8,352</b>	<b>8,965</b>	<b>73</b>	<b>613</b>
<b>Income:</b>					
Dwelling Income	(11,878)	(11,878)	(11,836)	42	42
Non-Dwelling Income	(366)	(366)	(338)	28	28
Charges for Services and Facilities	(958)	(853)	(807)	151	46
Contribution towards Expenditure	(71)	(71)	(85)	(14)	(14)
<b>Total Income</b>	<b>(13,273)</b>	<b>(13,168)</b>	<b>(13,066)</b>	<b>207</b>	<b>102</b>
Operating and Financing Charges	2,257	2,612	3,107	850	495
Appropriations	1,675	1,755	500	(1,175)	(1,255)
<b>HRA Services Surplus</b>	<b>(449)</b>	<b>(449)</b>	<b>(494)</b>	<b>(45)</b>	<b>(45)</b>

6.3 The value of Council Dwellings as shown on the Balance Sheet has risen by £4.115m between 31 March 2017 and 31 March 2018, an increase of 2%. The value of the Council Dwellings is based on the equivalent value of privately owned properties, discounted by a social housing factor of 62%. The increase in Council Dwelling values reflects the general increase in property prices within the Borough.

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

7.1 The figures shown in tables 5.1 and 6.2 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.

7.2 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.

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7.3 The Expenditure and Funding Analysis notes correlate back to tables 5.1 and 6.2, which show the outturn position on the Council's management reporting structure.

7.4 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.

	Balance at 31 March 2017 £'000	Transfers to/(from) reserves £'000	Balance at 31 March 2018 £'000
General Fund Balance	3,742	(437)	3,305
Earmarked General Fund Reserves	4,955	637	5,592
<b>Total</b>	<b>8,697</b>	<b>200</b>	<b>8,897</b>
Housing Revenue Account Balance	1,546	494	2,040
Earmarked HRA Reserves	2,900	500	3,400
<b>Total</b>	<b>4,446</b>	<b>994</b>	<b>5,440</b>
<b>General Fund and HRA Closing Balances</b>	<b>13,143</b>	<b>1,194</b>	<b>14,337</b>

## 8. Capital Programme Spend Analysis

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

	Budget	Forecast outturn	Actual outturn	Variance to budget	Variance to forecast outturn
	£'000	£'000	£'000	£'000	£'000
<b>Corporate Priorities – Service Expenditure</b>					
Environment and Housing Management	10,864	6,963	5,207	(5,657)	(1,756)
Community and Health	635	167	142	(493)	(25)
Economic Development	1,239	163	70	(1,169)	(93)
Transformation	926	918	520	(406)	(398)
<b>Total Spend on Corporate Priorities</b>	<b>13,664</b>	<b>8,211</b>	<b>5,939</b>	<b>(7,725)</b>	<b>(2,272)</b>
<b>Funding</b>					
Capital Receipts	(4,755)	(3,586)	(2,753)	2,002	833
Retained HRA Capital Receipts	(994)	(994)	(588)	406	406
Capital Grants	(250)	(250)	(411)	(161)	(161)
Major Repairs Reserve	(2,764)	(1,055)	(809)	1,955	246
Revenue Contributions	(2,717)	(1,511)	(564)	2,153	947
Section 106 Agreements	(808)	(815)	(814)	(6)	1
Internal Borrowing	(1,376)	0	0	1,376	0
<b>Total Funding</b>	<b>(13,664)</b>	<b>(8,211)</b>	<b>(5,939)</b>	<b>7,725</b>	<b>2,272</b>

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### 9. Treasury Management and Capital Financing

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

	£'000	Average Rate %
HRA borrowing	59,166	3.10
General Fund borrowing	2,000	7.50
<b>Total External Debt</b>	<b>61,166</b>	
Total Investments	(14,000)	0.55
<b>Net Borrowing Position</b>	<b>47,166</b>	

9.2 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.

9.3 The external debt excludes £0.189m historic transferred debt from Chelmsford City Council.

9.4 In addition to external debt, the Council has "internal debt" of approximately £10m, representing occasions in previous years when the Council has used its own cash resources to fund capital expenditure instead of taking out external loans.

9.5 The investments of £14m are all short term (i.e. duration of up to one year).

### 10. Net Pension Liability and Reserve

10.1 The Council's Balance Sheet shows a net pension liability of £46.427m at 31 March 2018, 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.

10.2 There are statutory arrangements in place for funding the deficit however, 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.

### 11. Medium Term Financial Plan

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

- a) to maintain a sustainable financial position against a background of unprecedented financial uncertainty.
- b) to support the delivery of the Council's corporate plan.
- c) to maximise opportunities and mitigate risks associated with the fundamental change in the way local government is financed.

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11.2 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.

11.3 The MTFP currently extends to 2020/21 and it forecasts a cumulative funding gap of £1.69m by 2020/21. The Council has identified 4 key saving targets, in order to reduce to this funding gap to £298k by 2020/21, and ensures the Council breaks even in 2018/19. The key areas being:

- Commercial Income Activity
- Operational Service Reviews
- Management Initiatives
- Additional Lease Income

These targets are reviewed by the Corporate Leadership Board (CLB), and managed by the Council's senior officers during the year along with the Accountancy Team.

11.4 One of the main drivers in closing the Funding Gap, is the Commercial Income Activity. During 2017/18 The Council established an asset development programme, whereby a hybrid approach was agreed at Policy, Project & Resources Committee. The approach involves the self-development of simple sites by the Council, through a company, while more complex sites would be undertaken jointly between the Council and a procured joint venture partner.

11.5 On 12 April 2018 a Wholly Owned Company, named Seven Arches Investments Limited (SAIL) was officially registered with Companies House. SAIL will seek to engage in a variety of commercial activities that will be asset based initially, which could extend into other areas such as service provision to generate a sustainable revenue stream.

11.6 After soft market testing carried out in December 2017, on 23<sup>rd</sup> March 2018 the Council also entered into a procurement exercise, using a competitive dialogue procedure to seek a development joint venture partner to initially develop three sites within the Brentwood Area. These sites will be William Hunter Way, Maple Close & Westbury Road Car Park. A website regarding the procurement opportunity can be viewed at [www.brentwoodadp.com](http://www.brentwoodadp.com).

11.7 With the context described above, the Council's General Fund Net Expenditure after savings for 2018/19 is £8.261m, with an average Band D Council Tax of £183.14.

11.8 The Council's accounts for 2017/18 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.

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### 12. Performance Measurement

12.1 The Council measures its performance using a range of 25 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.

12.2 The following table gives a sample of performance indicators for the fourth quarters of 2016/17 and 2017/18.

Service Area	Indicator	Measure	Target	Q4 2016/17 Result	Q4 2017/18 Result
Street Scene & Environment	Residual household waste per household	Kg per household - Quarterly	109kg	121.33kg	126.73kg
Finance	Number of invoices to local suppliers paid within 30 days	Monthly	95%	95.2%	95.45%
Planning	Processing of planning applications as measured against targets for 'major' applications types.	Quarterly	50%	82.61%	100%
Environmental Health	Food safety/hygiene standards in food premises	% of broadly compliant food – Quarterly	97%	99.15%	97%

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

### 13. Further Information

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

## 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 Interim Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets
- approve the Statement of Accounts

### **The Interim Chief Finance Officer Responsibilities**

The Interim Chief Finance 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 Interim Chief Finance Officer has:

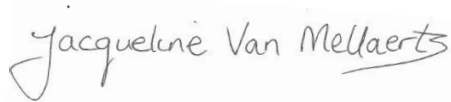
- selected suitable accounting policies and then applied them consistently
- made judgments and estimates that were reasonable and prudent
- complied with the Code

The Interim Chief Finance 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 Interim Chief Finance Officer**

The Statement of Accounts gives a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended.



Jacqueline Van Mellaerts, Interim Chief Finance Officer.  
25 July 2018

### **Certification by the Chair of the Committee approving the accounts**



Councillor W. Russell, Chair of Audit & Scrutiny Committee.  
25 July 2018.

## 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 Net Increase / Decrease line shows the statutory General Fund balance and Housing Revenue Account balance following these adjustments.

### Movement in Reserves Statement 2017/18

	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	(2,615)	0	1,570	0	0	0	0	(1,045)	0	(1,045)
Other Comprehensive Income and Expenditure					166			166	12,917	13,083
Total Comprehensive Income and Expenditure	(2,615)	0	1,570	0	166	0	0	(879)	12,917	12,038
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>

### Movement in Reserves Statement 2016/17

	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 2016</b>	<b>3,965</b>	<b>2,533</b>	<b>1,363</b>	<b>1,903</b>	<b>2,723</b>	<b>400</b>	<b>0</b>	<b>12,887</b>	<b>159,132</b>	<b>172,019</b>
<b>Movement in reserves during 2016/17:</b>										
Total Comprehensive Income and Expenditure	4,457	0	5,043	0	0	0	0	9,500	17,233	26,733
Adjustments between accounting basis and funding basis under regulations (note 4)	(2,258)	0	(3,863)	0	5,375	138	381	(227)	227	0
<b>Total movement in reserves during 2016/17</b>	<b>2,199</b>	<b>0</b>	<b>1,180</b>	<b>0</b>	<b>5,375</b>	<b>138</b>	<b>381</b>	<b>9,273</b>	<b>17,460</b>	<b>26,733</b>
Transfers (to)/from Earmarked Reserves (note 5)	(2,422)	2,422	(997)	997	0	0	0	0	0	0
<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>

## 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.

	2016/17			2017/18		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Environment and Housing Management	6,494	(3,853)	2,641	10,685	(3,505)	7,180
Community and Health	2,396	(833)	1,563	2,961	(987)	1,974
Economic Development	1,416	(1,747)	(331)	933	(1,772)	(839)
Planning & Licensing	2,090	(1,532)	558	2,442	(1,645)	797
Transformation	22,550	(18,627)	3,923	21,483	(16,793)	4,690
Local authority housing (HRA)	7,215	(13,546)	(6,331)	9,845	(13,065)	(3,220)
<b>Cost of Services</b>	<b>42,161</b>	<b>(40,138)</b>	<b>2,023</b>	<b>48,349</b>	<b>(37,767)</b>	<b>10,582</b>
Other operating expenditure (note 6)	769	(3,350)	(2,581)	838	(379)	459
Financing and investment income & expenditure (note 7)	3,689	(2,439)	1,250	3,491	(2,457)	1,034
Taxation and non-specific grant income & expenditure (note 8)	0	(10,192)	(10,192)	0	(11,030)	(11,030)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>46,619</b>	<b>(56,119)</b>	<b>(9,500)</b>	<b>52,678</b>	<b>(51,633)</b>	<b>1,045</b>
Surplus on revaluation of Property, Plant and Equipment assets	0	(24,130)	(24,130)	0	(7,037)	(7,037)
Remeasurement of the net defined benefit pension liability	6,901	0	6,901	0	(6,060)	(6,060)
Other losses	0	(4)	(4)	0	14	14
<b>Other Comprehensive Income and Expenditure</b>	<b>6,901</b>	<b>(24,134)</b>	<b>(17,233)</b>	<b>0</b>	<b>(13,083)</b>	<b>(13,083)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>53,520</b>	<b>(80,253)</b>	<b>(26,733)</b>	<b>52,678</b>	<b>(64,716)</b>	<b>(12,038)</b>



## 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".

In addition to the balances as at 31 March 2017 and 31 March 2018, the statement also contains balances as at 1 April 2016. This is as a result of the correction of a prior period error concerning the classification of short term investments. This correction is explained in more detail in note 41.

Note	1 April 2016 £'000	31 March 2017 £'000	31 March 2018 £'000
9	<b>Restated</b>	<b>Restated</b>	
Property, Plant and Equipment:-			
Council dwellings	238,100	251,976	256,091
Other Land and Buildings	28,843	36,547	33,157
Vehicles, plant and equipment	2,316	2,591	2,553
Infrastructure	492	478	465
Community Assets	2,956	2,954	2,952
Assets Under Construction	0	0	1,482
	<u>272,707</u>	<u>294,546</u>	<u>296,700</u>
	Intangible Assets	188	124
			153
12	Investment Property	2,860	6,838
			8,888
13.1	Long-term Debtors	975	887
			545
	<b>Long-term Assets</b>	<b>276,730</b>	<b>302,395</b>
			<b>306,286</b>
13	Short-term Investments	9,300	17,000
			14,000
	Inventories	71	63
			55
14	Short-term Debtors	4,970	5,103
			4,323
15	Cash and Cash Equivalents	0	0
			936
16	Assets Held for Sale	1,850	0
			0
	<b>Current Assets</b>	<b>16,191</b>	<b>22,166</b>
			<b>19,314</b>
13.1	Short-term Borrowing	(5,090)	(3,061)
			(60)
17	Short-term Creditors	(5,401)	(5,745)
			(4,723)
15	Cash Overdrawn	(20)	(52)
			0
31	Grants Receipts in Advance - Revenue	(645)	(137)
			(46)
	<b>Current Liabilities</b>	<b>(11,156)</b>	<b>(8,995)</b>
			<b>(4,829)</b>
13.1	Long-term Borrowing	(61,658)	(61,625)
			(61,355)
31	Grants Receipts in Advance	(940)	(904)
			(509)
23 & 39	Net Pension Liability	(44,360)	(52,079)
			(46,427)
18	Provisions	(2,788)	(2,206)
			(1,690)
	<b>Long-term Liabilities</b>	<b>(109,746)</b>	<b>(116,814)</b>
			<b>(109,981)</b>
	<b>Net Assets</b>	<b>172,019</b>	<b>198,752</b>
			<b>210,790</b>

## CORE FINANCIAL STATEMENTS - BALANCE SHEET

### Balance Sheet (continued)

Note		1 April 2016 £'000	31 March 2017 £'000	31 March 2018 £'000
		Restated	Restated	
19	General Fund Balance	3,965	3,742	3,305
19	Housing Revenue Account Balance	1,363	1,546	2,040
19	Capital Receipts Reserve	2,723	8,098	6,711
19	Major Repairs Reserve	0	381	2,427
19	Capital Grants Unapplied Account	400	538	557
5	Earmarked Reserves	4,436	7,855	8,992
	<b>Usable Reserves</b>	<b>12,887</b>	<b>22,160</b>	<b>24,032</b>
20	Revaluation Reserve	82,453	103,603	108,687
21	Capital Adjustment Account	120,451	124,717	124,413
22	Deferred Capital Receipts	703	698	431
23	Pension Reserve	(44,360)	(52,079)	(46,427)
24	Accumulated Absences Adjustment Account	(104)	(86)	(99)
25	Collection Fund Adjustment Account	(11)	(261)	(247)
	<b>Unusable Reserves</b>	<b>159,132</b>	<b>176,592</b>	<b>186,758</b>
	<b>Total Reserves</b>	<b>172,019</b>	<b>198,752</b>	<b>210,790</b>

These financial statements replace the unaudited financial statements certified by the Interim Chief Finance Officer on 31 May 2018.



Jacqueline Van Mellaerts, Interim Chief Finance Officer  
25 July 2018

## 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.

The 2016/17 Cash Flow Statement has been restated as a result of the reclassification of short term investments from cash & cash equivalents to investments.

Note	2016/17		2017/18	
	£'000	£'000	£'000	£'000
<b>Net deficit/(surplus) on the provision of services</b>		<b>(9,500)</b>		<b>1,045</b>
<b>Adjustments for non cash movements:-</b>				
Depreciation of non current assets	(3,506)		(4,112)	
Amortisation of intangible assets	(124)		(170)	
Revaluation adjustments	1,104		(4,231)	
(Increase)/decrease in bad debts provision	(1)		(406)	
(Increase)/decrease in creditors	362		(598)	
Increase/(decrease) in debtors	46		(715)	
Increase/(decrease) in inventories	(8)		(8)	
Movement in pension liabilities	(818)		(408)	
Carrying amounts of non-current assets sold	(5,074)		(1,686)	
Increase in provisions	582		516	
Movement in value of investment properties	2,043		1,872	
Other non cash movements	(161)		0	
<b>Total adjustments for non cash movements</b>		<b>(5,555)</b>		<b>(9,946)</b>
<b>Adjustments for investing or financing activities</b>				
Proceeds from the sale of non-current assets	8,425		2,066	
Capital Grants	290		351	
<b>Total adjustment for investing or financing activities</b>		<b>8,715</b>		<b>2,417</b>
<b>Net cash in-flow from Operating Activities</b>		<b>(6,340)</b>		<b>(6,484)</b>
<b>Investing Activities:-</b>				
Purchase of property, plant & equipment and intangible assets	5,482		5,538	
Purchase of short term investments	7,700		0	
Proceeds from the sale of property, plant & equipment	(8,434)		(2,066)	
Proceeds from short term investments	0		(3,000)	
(increase)/decrease in capital grants	(254)		44	
		<b>4,494</b>		<b>516</b>
<b>Financing Activities:-</b>				
Repayments of short-term and long-term borrowing	2,063		3,270	
Decrease/(increase) in Collection Fund Agency creditors	(198)		1,710	
Repayment of finance leases	13		0	
		<b>1,878</b>		<b>4,980</b>
<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>32</b>		<b>(988)</b>
15 Cash and cash equivalents at the beginning of the reporting period		(20)		(52)
15 Cash and cash equivalents at the end of the reporting period		(52)		936
<b>Movement in cash &amp; cash equivalents</b>		<b>(32)</b>		<b>988</b>

The 2017/18 cash flows for operating activities includes £2.094m for interest payable and £0.091m for investment income receivable.

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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>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>
Environment and Housing Management	2,678	4,502	7,180
Local Authority Housing (HRA)	(4,101)	882	(3,219)
Community and Health	1,224	749	1,973
Economic Development	(1,010)	170	(840)
Planning & Licensing	658	139	797
Transformation	4,692	(2)	4,690
<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>Sub total</b>	<b>(1,047)</b>	<b>2,092</b>	<b>1,045</b>
<b>Appropriations</b>	<b>990</b>	<b>146</b>	<b>1,136</b>
<b>(Surplus)/Deficit</b>	<b>(57)</b>	<b>2,238</b>	<b>2,181</b>
<b>Opening General Fund and HRA Balance at 31 March 2017</b>	<b>(5,288)</b>		
Add Surplus on General Fund and HRA Balance in Year	(57)		
<b>Closing General Fund and HRA Balance at 31 March 2018</b>	<b>(5,345)</b>		

## NOTES TO THE ACCOUNTS

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

<b>2016/17 (restated)</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>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Service</b>			
Environment and Housing Management	2,856	(216)	2,640
Local Authority Housing (HRA)	(5,519)	(811)	(6,330)
Community and Health	2,978	(1,415)	1,563
Economic Development	(620)	290	(330)
Planning & Licensing	1,414	(856)	557
Transformation	2,568	1,355	3,923
<b>Net Cost of Services</b>	<b>3,676</b>	<b>(1,654)</b>	<b>2,022</b>
<b>Other Income &amp; Expenditure</b>	<b>(5,208)</b>	<b>(6,315)</b>	<b>(11,523)</b>
<b>Sub total</b>	<b>(1,532)</b>	<b>(7,969)</b>	<b>(9,501)</b>
<b>Appropriations</b>	<b>1,572</b>	<b>1,848</b>	<b>3,420</b>
<b>(Surplus)/Deficit</b>	<b>40</b>	<b>(6,121)</b>	<b>(6,081)</b>
<b>Opening General Fund and HRA Balance at 31 March 2016</b>	<b>(5,328)</b>		
Less deficit on General Fund and HRA Balance in year	40		
<b>Closing General Fund and HRA Balance at 31 March 2017</b>	<b>(5,288)</b>		

## NOTES TO THE ACCOUNTS

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

	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
Environment and Housing Management	4,103	444	(45)	4,502
Local Authority Housing (HRA)	711	173	(3)	881
Community and Health	429	226	94	749
Economic Development	107	64	(1)	170
Planning & Licensing	2	266	(128)	140
Transformation	356	(664)	306	(2)
<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>(Surplus)/Deficit</b>	<b>1,830</b>	<b>409</b>	<b>(147)</b>	<b>2,092</b>

	Adjustments between Accounting Basis and Funding Basis 2016/17 (restated)			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Environment and Housing Management	(152)	223	(287)	(216)
Local Authority Housing (HRA)	(927)	114	2	(811)
Community and Health	(146)	128	(1,398)	(1,416)
Economic Development	492	47	(249)	290
Planning & Licensing	0	168	(1,024)	(856)
Transformation	(193)	281	1,267	1,355
<b>Net Cost of Services</b>	<b>(926)</b>	<b>961</b>	<b>(1,689)</b>	<b>(1,654)</b>
<b>Other Income &amp; Expenditure</b>	<b>(6,245)</b>	<b>(143)</b>	<b>73</b>	<b>(6,315)</b>
<b>(Surplus)/Deficit</b>	<b>(7,171)</b>	<b>818</b>	<b>(1,616)</b>	<b>(7,969)</b>

## NOTES TO THE ACCOUNTS

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### 2. Note 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

### 3. Expenditure & Income Analysed by Nature

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

	2016/17 £'000	2017/18 £'000
<b>Expenditure</b>		
Employee benefits expenses	12,056	9,660
Other services expenses	27,710	28,214
Support services recharges	1,385	1,605
Depreciation, amortisation & impairment	2,525	8,914
Interest payments	2,174	3,447
Precepts & levies	388	461
Payments to the Housing Capital Receipts Pool	381	377
<b>Total expenditure</b>	<b>46,619</b>	<b>52,678</b>
<b>Income</b>		
Fees, charges and other service income	(18,981)	(20,990)
Interest and investment income	(2,215)	(1,983)
Income from council tax and non domestic rates	(7,298)	(7,653)
Government grants and contributions	(22,809)	(19,021)
Support service recharges income	(1,465)	(1,606)
Gain on the disposal of assets	(3,351)	(380)
<b>Total income</b>	<b>(56,119)</b>	<b>(51,633)</b>
<b>Deficit/(surplus) on the provision of services</b>	<b>(9,500)</b>	<b>1,045</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.

#### **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.

#### **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.

## NOTES TO THE ACCOUNTS

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

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.

#### **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.

#### **Capital Receipts Reserve**

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

#### **Capital Grants Unapplied**

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

## NOTES TO THE ACCOUNTS

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

<u>2017/18</u>	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Total £'000
<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

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

<u>2016/17</u>	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Total £'000
<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)	722	96	0	0	0	818
Council Tax & NNDR (transfers to/from the Collection Fund Adjustment Account)	250	0	0	0	0	250
Holiday pay (transferred to/from to the Accumulated Absences Reserve)	(20)	2	0	0	0	(18)
Reversal of entries relating to capital expenditure (charged to the Capital Adjustment Account).	1,808	1,741	0	0	0	3,549
<b>Total Adjustments to Revenue Resources</b>	<b>2,760</b>	<b>1,839</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,599</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds to the Capital Receipts Reserve	(5,261)	(3,164)	8,425	0	0	0
Payments to the government housing receipts pool	381	0	(381)	0	0	0
Transfer of HRA resources from revenue to the Major Repairs Reserve	0	(2,538)	0	0	2,538	0
Capital Grants unapplied	(138)	0	0	138	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(5,018)</b>	<b>(5,702)</b>	<b>8,044</b>	<b>138</b>	<b>2,538</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(2,677)	0	0	(2,677)
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	(2,157)	(2,157)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	8	0	0	8
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>(2,669)</b>	<b>0</b>	<b>(2,157)</b>	<b>(4,826)</b>
<b>Total Adjustments</b>	<b>(2,258)</b>	<b>(3,863)</b>	<b>5,375</b>	<b>138</b>	<b>381</b>	<b>(227)</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 2017/18:-

	2016/17				2017/18			
	Balance	Transfers	Transfers	Balance	Balance	Transfers	Transfers	Balance
	at 1 April	to CIES	from CIES	at 31	at 1 April	to CIES	from CIES	at 31
	2016			March	2017			March
	£'000	£'000	£'000	2017	£'000	£'000	£'000	2018
				£'000				£'000
<b>General Fund Reserves</b>								
Organisational Transformation	775	0	879	1,654	1,654	(711)	736	1,679
Funding Volatility	462	0	260	722	722	0	224	946
Waste Management	0	0	636	636	636	0	0	636
Dunton Hills Development	0	0	229	229	229	(52)	244	421
Duchess of Kent/Nightingale	338	(4)	0	334	334	(15)	0	319
Planning Delivery Grant	208	0	19	227	227	(83)	111	255
Community Alarms	291	0	0	291	291	(100)	0	191
Pensions	0	0	177	177	177	0	0	177
Preventing Homelessness	38	0	0	38	38	0	136	174
Asset Management	118	0	46	164	164	0	0	164
Housing Benefit Subsidy	0	0	150	150	150	0	0	150
Leisure Strategy	0	0	0	0	0	0	100	100
ICT Investment	0	0	0	0	0	0	100	100
Brentwood Community Hospital	45	0	0	45	45	0	0	45
Electoral Registration	43	0	0	43	43	0	0	43
Economic Development	25	0	15	40	40	0	0	40
Community Rights	46	(8)	0	38	38	0	0	38
Health and Wellbeing	0	0	26	26	26	(16)	24	34
Neighbourhood Plan	26	0	0	26	26	0	0	26
Land at Hanover House	16	0	0	16	16	0	0	16
Building Control	74	0	9	83	83	(68)	0	15
Brentwood Community Fund	9	0	0	9	9	0	0	9
Willowbrook Rosen Crescent	0	0	0	0	0	0	7	7
Public Consultation	5	0	0	5	5	0	0	5
Civic Dinner	2	0	0	2	2	0	0	2
New Burdens Grant	12	(12)	0	0	0	0	0	0
<b>Total General Fund Reserves</b>	<b>2,533</b>	<b>(24)</b>	<b>2,446</b>	<b>4,955</b>	<b>4,955</b>	<b>(1,045)</b>	<b>1,682</b>	<b>5,592</b>
<b>Housing Revenue Account Reserves</b>								
Council Dwellings Investment Fund	1,500	0	1,000	2,500	2,500	0	500	3,000
Repairs and Maintenance	400	0	0	400	400	0	0	400
Resident Involvement Training	3	(3)	0	0	0	0	0	0
<b>Total Housing Revenue Account Reserves</b>	<b>1,903</b>	<b>(3)</b>	<b>1,000</b>	<b>2,900</b>	<b>2,900</b>	<b>0</b>	<b>500</b>	<b>3,400</b>
<b>Total Earmarked Reserves</b>	<b>4,436</b>	<b>(27)</b>	<b>3,446</b>	<b>7,855</b>	<b>7,855</b>	<b>(1,045)</b>	<b>2,182</b>	<b>8,992</b>

## NOTES TO THE ACCOUNTS

### **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 2017/18 financial year, and the newly created reserves in 2017/18:-

<b>Reserve</b>	<b>Purpose</b>
<b><u>General Fund Reserves</u></b>	
Organisational Transformation	To fund the Council's ongoing programme of continuous improvement in its services, employees and members.
Funding Volatility	To mitigate financial risks from proposed changes in respect of the localisation of Business Rates and the Council Tax Support Scheme.
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	To fund the renewal and maintenance of equipment used for the emergency call alarm system operated by the Council.
Pensions	To fund the pension liability on overtime payments, backdated to pensions changes in 2014.
Preventing Homelessness	Carries forward unspent funding to be used for various homelessness initiatives. The contribution of £0.136m is an additional grant received in 2017-18, which will be used in 2018/19 as the Homelessness Reduction Act 2018 is implemented.
Asset Management	To meet the cost of implementing the Asset Management Strategy.
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	To implement individual electoral registration under the Electoral Registration Act 2013. It has been planned to use these funds in 2017/18 but this has been delayed and the reserve will be reviewed in 2018/19 to determine if required.
Economic Development	Holds Government reward grant and underspent budget which will be used to fund projects to support the Council's Economic Development Strategy. Schemes for 2017/18 were put on hold due to staff changes and the funds have been carried forward to 2018/19.
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 Doddington 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.
Civic Dinner	To fund the Civic Dinner event to be held in 2017/18. The event was held in 2017/18 but funds were not required and the reserve will be reviewed in 2018-19 to determine if it is still required.
New Burdens Grant	Grant received in 2015/16 from the Department of Work and Pensions for work carried out in 2016/17.
Willowbrook Rosen Crescent	Section 106 funding to contribute to the costs of hedge maintenance at this location

## NOTES TO THE ACCOUNTS

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

<u>Housing Revenue Account Reserves</u>	
Council Dwellings Investment Fund	Contains an annual contribution from the HRA towards investment in the Council's housing stock.
HRA Repairs and Maintenance	Carried forward unspent budget from previous years
Resident Involvement Training	To fund the appointment of a consultant to carry out a review of our resident involvement structure.

### 6. Other Operating Expenditure

	2016/17	2017/18
	£'000	£'000
Parish Council precepts	388	461
Payments to the Government Housing Capital Receipts Pool	381	377
Gains on the disposal of non-current assets	(3,350)	(379)
<b>Total</b>	<b>(2,581)</b>	<b>459</b>

### 7. Financing and Investment Income and Expenditure

	2016/17	2017/18
	£'000	£'000
Interest payable	2,174	2,096
Net interest on the pensions net defined benefit liability	1,515	1,351
Interest receivable and similar income	(178)	(111)
Income from investment properties	(218)	(473)
Changes in fair value of investment properties	(2,043)	(1,872)
Commercial activity	0	43
<b>Total</b>	<b>1,250</b>	<b>1,034</b>

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

	2016/17	2017/18
	£'000	£'000
Council Tax Income	(5,973)	(6,236)
Non-ringfenced Government grants (see note 31)	(2,735)	(2,253)
Non Domestic Rates	(1,325)	(1,648)
Capital grants and contributions	(159)	(893)
<b>Total</b>	<b>(10,192)</b>	<b>(11,030)</b>

## NOTES TO THE ACCOUNTS

### 9. Property Plant and Equipment

#### 9.1 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
<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>
Acquisitions	2,411	1,948	0	463	0	0
Additions	1,443	808	511	124	0	0
Revaluation increases recognised in the Revaluation Reserve	7,409	6,905	504	0	0	0
Revaluation decreases recognised in the Surplus or Deficit on the Provision of Services	(7,140)	(3,491)	(3,649)	0	0	0
Derecognition - disposals	(1,884)	(1,700)	0	(184)	0	0
Transfers between categories	0	(355)	355	0	0	0
Reclassified to Investment Property	(267)		(267)	0	0	0
<b>Gross value at 31 March 2018</b>	<b>301,362</b>	<b>256,091</b>	<b>35,149</b>	<b>6,462</b>	<b>704</b>	<b>2,956</b>
<b>Depreciation at 1 April 2017</b>	<b>(4,844)</b>	0	(1,148)	(3,468)	(226)	(2)
Depreciation charge	(4,112)	(2,553)	(911)	(633)	(13)	(2)
Adjustment to opening balance	(11)	0	(19)	8	0	0
Derecognition - disposals	184	0	0	184	0	0
Transfers between categories	0	4	(4)	0	0	0
Reclassified to Investment Property	90	0	90	0	0	0
Other movements in depreciation and impairment	2,549	2,549	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>Net book value at 31 March 2018</b>	<b>295,218</b>	<b>256,091</b>	<b>33,157</b>	<b>2,553</b>	<b>465</b>	<b>2,952</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>



## NOTES TO THE ACCOUNTS

### 9.2 Comparative Movements on Balances in 2016/17

	Total £'000	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra- structure £'000	Community Assets £'000
<b>Gross value at 1 April 2016</b>	<b>276,821</b>	<b>238,100</b>	<b>29,578</b>	<b>5,483</b>	<b>704</b>	<b>2,956</b>
Opening balance adjustment	40	0	40	0	0	0
Acquisitions	2,352	895	731	726	0	0
Additions	3,066	2,157	595	314	0	0
Revaluation increases recognised in the Revaluation Reserve	22,493	16,775	5,718	0	0	0
Revaluation increases recognised in the Surplus or Deficit on the Provision of Services	390	220	170	0	0	0
Derecognition - disposals	(3,621)	(3,157)	0	(464)	0	0
Transfers	0	(3,014)	3,014	0	0	0
Asset reclassified to Investment Property	(2,151)	0	(2,151)	0	0	0
<b>Gross value at 31 March 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>Depreciation at 1 April 2016</b>	<b>(4,114)</b>	<b>0</b>	<b>(735)</b>	<b>(3,167)</b>	<b>(212)</b>	<b>0</b>
Opening balance adjustment	(40)	0	(40)	0	0	0
Depreciation charge	(3,445)	(2,353)	(556)	(520)	(14)	(2)
Other movements in depreciation and impairment	2,755	2,353	183	219	0	0
<b>At 31 March 2017</b>	<b>(4,844)</b>	<b>0</b>	<b>(1,148)</b>	<b>(3,468)</b>	<b>(226)</b>	<b>(2)</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>Net book value at 31 March 2016</b>	<b>272,707</b>	<b>238,100</b>	<b>28,843</b>	<b>2,316</b>	<b>492</b>	<b>2,956</b>

### 9.3 Assets Under Construction

The amount of £1.482m for Assets Under Construction represents £1.471m in respect of works to the Town Hall and £0.011m 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

In March 2018 the Council awarded a contract for major repairs to the multi storey car park in Brentwood Town Centre at a value of £1.379m. These works will be started during 2018-19 and will last for around twelve months.

### 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 2017/18 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 41.14.

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	Other	Vehicles, Plant and	Infrastructure	Community
	Dwellings	Land and	Buildings	Equipment		Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Carried at depreciated historical cost	5,970			2,553	465	2,952
Valued at fair value as at						
31 March 2014	686	0	686	0	0	0
31 March 2015	557	0	557	0	0	0
31 March 2016	3,816	0	3,816	0	0	0
31 March 2017	19,918	0	19,918	0	0	0
31 March 2018	264,271	256,091	8,180	0	0	0
<b>Total Cost or Valuation</b>	<b>295,218</b>	<b>256,091</b>	<b>33,157</b>	<b>2,553</b>	<b>465</b>	<b>2,952</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.

	2016/17 £'000 Restated	2017/18 £'000
<b>Opening Capital Financing Requirement</b>	<b>74,701</b>	<b>73,188</b>
<u>Capital Expenditure</u>		
Property, plant and equipment	5,419	3,857
Assets under construction	0	1,482
Intangible assets	60	199
Revenue expenditure funded from capital under statute	311	401
<b>Total Capital Expenditure</b>	<b>5,790</b>	<b>5,939</b>
<u>Sources of Finance</u>		
Financing of capital expenditure:-		
Capital receipts	(2,677)	(3,341)
Government grants and other contributions	(311)	(1,225)
Major Repairs Reserve	(2,158)	(809)
Revenue contributions to capital expenditure	(644)	(564)
<b>Total Financing of Capital Expenditure</b>	<b>(5,790)</b>	<b>(5,939)</b>
Sums set aside from revenue for the repayment of debt	(1,513)	(547)
<b>Closing Capital Financing Requirement</b>	<b>73,188</b>	<b>72,641</b>
<u>Explanation of Movements in the Year</u>		
Decrease in the underlying need to borrow (unsupported by Government financial assistance)	(1,500)	(547)
Assets acquired under finance leases	(13)	0
<b>Decrease in Capital Financing Requirement</b>	<b>(1,513)</b>	<b>(547)</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 shops/retail outlets 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 £0.473m (2016/17 £0.218m) 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.

	2016/17 £'000	2016/17 £'000	2016/17 £'000	2017/18 £'000	2017/18 £'000	2017/18 £'000
	Commercial premises	Land	Total	Commercial premises	Land	Total
Balance at start of the year	1,880	980	2,860	5,271	1,567	6,838
Net gains from fair value adjustments	1,456	587	2,043	510	1,362	1,872
Transfers from Property Plant and Equipment	1,935	0	1,935	178	0	178
<b>Balance at end of the year</b>	<b>5,271</b>	<b>1,567</b>	<b>6,838</b>	<b>5,959</b>	<b>2,929</b>	<b>8,888</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

## NOTES TO THE ACCOUNTS

### 12. Investment Properties (continued)

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.

### 13. Financial Instruments

#### 13.1 Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000
<b><u>Financial Assets</u></b>				
<b>Cash Equivalents</b>				
Loans and receivables:				
- short term deposits			17,000	14,000
Bank current accounts			(61)	927
<b>Debtors</b>				
Loans and receivables:				
- Trade receivables & other long term debtors	887	545	1,640	1,568
<b>Total Financial Assets</b>	<b>887</b>	<b>545</b>	<b>18,579</b>	<b>16,495</b>
<b><u>Financial Liabilities</u></b>				
<b>Borrowings</b>				
- PWLB loans including accrued interest	(61,166)	(61,166)	(57)	(57)
- Short term borrowings			(3,000)	0
<b>Creditors</b>				
- Trade payables & other short-term creditors			(1,418)	(1,485)
<b>Total Financial Liabilities</b>	<b>(61,166)</b>	<b>(61,166)</b>	<b>(4,475)</b>	<b>(1,542)</b>

#### **Material soft loan made by the Council**

The long-term debtors figure in the above table includes £0.163m as the outstanding balance of a working capital loan made to Brentwood Leisure Trust in 2010/11. This is deemed to be a soft loan because it is interest free, but the nominal amount of the loan is carried in the Balance Sheet as it is not materially different from the fair value of the loan. The amount of the original loan was £0.613m.

The balance sheet figure of £61.355m for long-term borrowings includes £0.189m 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.

## NOTES TO THE ACCOUNTS

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

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

	2016/17			2017/18		
	Financial Liabilities measured at amortised cost	Financial Assets - Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets - Loans and receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	2,174	0	2,174	2,096	0	2,096
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>2,174</b>	<b>0</b>	<b>2,174</b>	<b>2,096</b>	<b>0</b>	<b>2,096</b>
Interest income	0	(178)	(178)	0	(111)	(111)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(178)</b>	<b>(178)</b>	<b>0</b>	<b>(111)</b>	<b>(111)</b>
<b>Net (gain) or loss for the year</b>	<b>2,174</b>	<b>(178)</b>	<b>1,996</b>	<b>2,096</b>	<b>(111)</b>	<b>1,985</b>

### 13.3 Fair value of Financial Assets and Liabilities that are not measured at Fair Value

Instant access deposits are carried in the Balance Sheet at the value of the principal invested. These are deemed to be a fair approximation of fair value in the current low and flat interest rate environment.

Trade receivables & other short-term debtors and trade payables & other short-term creditors are carried at cost i.e. the amounts invoiced. Mortgages & other long-term debtors and finance leases are carried at amortised cost, i.e. the original debt written down by principal repayments. The carrying values of all of these financial assets and liabilities can be taken to be a fair approximation of their fair value. An assessment of their fair value could be made, however, by calculating the present value of the cash flows that will take place over the remaining life of the instruments assuming, where applicable, no early repayments

Public Works Loan Board (PWLb) loans are also carried at amortised cost. The fair value of these loans is calculated to be £79.634m (2016/17 £81.095m) using premature repayment rates from the PWLB under PWLB debt redemption procedures. The fair value is higher than the carrying value because most of the Council's portfolio of loans are at discounted rates and the fair value includes the premium that would have to be paid if the loans were redeemed. The fair value of these loans 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 by the PWLB 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 agreements with the PWLB, against what would be paid if the loans were sold at prevailing commercial market rates. The Council, however, has continuing access to funds from the PWLB at concessionary rates rather than from the commercial money markets.

## NOTES TO THE ACCOUNTS

### 13.3 Fair value of Financial Assets and Liabilities that are not measured at Fair Value (continued)

A supplementary measure, therefore, 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 £70.568m (2016/17 £71.428m).

### 14. Debtors

	31 March 2017 £'000	31 March 2018 £'000
Central Government bodies	1,815	893
Other local authorities	350	649
Other entities and individuals:		
Housing rents	716	928
Prepayments	458	227
Council Tax payers	331	388
Non Domestic Rates payers	1,076	1,190
Sundry	2,134	2,231
Less impairment allowance	(1,777)	(2,183)
<b>Total</b>	<b>5,103</b>	<b>4,323</b>

### 15. Cash and Cash Equivalents

	31 March 2017 £'000	31 March 2018 £'000
	Restated (see note 41)	
Bank current accounts	(61)	927
Cash floats	9	9
<b>Total Cash and Cash Equivalents</b>	<b>(52)</b>	<b>936</b>

### 16. Assets Held for Sale

	31 March 2017 £'000	31 March 2018 £'000
<b>Balance at 1 April</b>	<b>1,850</b>	<b>0</b>
Disposal of assets held for sale	(1,850)	0
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

## NOTES TO THE ACCOUNTS

### 17. Creditors

	31 March 2017 £'000	31 March 2018 £'000
Central Government bodies	1,977	1,132
Other local authorities	1,330	1,015
Other entities and individuals		
Council Tax payers	86	94
Non Domestic Rates payers	307	297
Sundry	1,527	1,601
Receipts in advance	518	584
<b>Total</b>	<b>5,745</b>	<b>4,723</b>

### 18. Provisions

	Non Domestic Rates Appeals £'000	Insurance Claims £'000	Legal Costs £'000	Rent Deposit Scheme £'000	Housing Benefit Subsidy Grant £'000	Total £'000
<b>Balance at 31 March 2016</b>	<b>1,631</b>	<b>223</b>	<b>51</b>	<b>11</b>	<b>872</b>	<b>2,788</b>
Additional provisions made in 2016/17	643	0	0	0	0	643
Amounts used in 2016/17	(329)	0	(13)	0	0	(342)
Unused amounts reversed in 2016/17	0	0	0	(11)	(872)	(883)
<b>Balance at 31 March 2017</b>	<b>1,945</b>	<b>223</b>	<b>38</b>	<b>0</b>	<b>0</b>	<b>2,206</b>
Additional provisions made in 2017/18	400	0	85	0	0	485
Amounts used in 2017/18	(984)	0	(17)	0	0	(1,001)
<b>Balance at 31 March 2018</b>	<b>1,361</b>	<b>223</b>	<b>106</b>	<b>0</b>	<b>0</b>	<b>1,690</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 £1.361m represents the Council 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

### 18. Provisions (continued)

- d) **Rent Deposit Scheme.** This was to compensate landlords for damage caused by tenants. The provision was closed in 2016/17 as was no longer needed following changes in the administration of the scheme.
- e) **Housing Benefit Subsidy Claim.** This provision was created in 2015/16 to cover the potential loss of Housing Benefit Subsidy Grant for part of 2015/16. The Council changed its revenues and benefits system during the year, and at the time of finalising the accounts for that year, there was some uncertainty whether the new system could provide sufficient evidence to enable the Council's auditors to certify the 2015/16 housing benefits subsidy grant claim in its entirety. The grant claim was settled and the provision closed in 2016/17.

### 19. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 11 and in note 4 on pages 21-24. 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 2017 £'000	31 March 2018 £'000
<b>Balance at 1 April</b>	<b>82,453</b>	<b>103,603</b>
Upward revaluation of assets	25,720	7,975
Downward revaluation of assets	(1,590)	(566)
Sub total	24,130	7,409
Reversal of upward revaluation of assets-prior year	0	(372)
<b>Net surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>24,130</b>	<b>7,037</b>
Difference between fair value depreciation and historical cost depreciation	(1,049)	(1,419)
Accumulated gains on assets sold or scrapped	(1,931)	(534)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(2,980)</b>	<b>(1,953)</b>
<b>Balance at 31 March</b>	<b>103,603</b>	<b>108,687</b>

## NOTES TO THE ACCOUNTS

### 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.

	31 March 2017 £'000	31 March 2018 £'000
<b>Balance at 1 April</b>	<b>120,451</b>	<b>124,717</b>
Adjustment to opening balance	0	(15)
<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	(3,505)	(4,112)
Revaluation losses on Property, Plant and Equipment	(679)	(5,619)
Reversal of previous revaluation losses	1,784	1,016
Reversal of previous revaluation losses-prior year	0	372
Amortisation of Intangible assets	(124)	(170)
Revenue Expenditure Funded from Capital under Statute	(461)	(401)
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	(5,074)	(1,686)
<b>Sub Total</b>	<b>(8,059)</b>	<b>(10,600)</b>
Adjusting amounts written out of the Revaluation Reserve	2,980	1,953
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(5,079)</b>	<b>(8,647)</b>
<b>Capital Financing applied in the year</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,677	3,341
Use of the Major Repairs Reserve to finance new capital expenditure	2,158	809
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	311	1,225
Revenue contributions to capital expenditure	644	564
Provision for the financing of capital investment charged against the General Fund and HRA balances	1,513	547
<b>Sub Total</b>	<b>7,303</b>	<b>6,486</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,042	1,872
<b>Balance at 31 March</b>	<b>124,717</b>	<b>124,413</b>

## NOTES TO THE ACCOUNTS

### 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 2017 £'000	31 March 2018 £'000
<b>Balance at 1 April</b>	<b>703</b>	<b>698</b>
Transfer of net gain/(loss) on disposal to CIES	4	(166)
Transfer to the Capital Receipts Reserve upon receipt of cash	(9)	(101)
<b>Balance at 31 March</b>	<b>698</b>	<b>431</b>

### 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.

## NOTES TO THE ACCOUNTS

### 23. Pension Reserve (continued)

	31 March 2017 £'000	31 March 2018 £'000
<b>Balance at 1 April</b>	<b>(44,360)</b>	<b>(52,079)</b>
Remeasurements of the net defined benefit liability	(6,901)	6,060
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	(3,351)	(3,817)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,533	2,521
Capitalised gain upon settlement of liabilities	0	888
<b>Balance at 31 March</b>	<b>(52,079)</b>	<b>(46,427)</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 from accruing for compensated absences earned but not taken in the year, for example annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the balances is neutralised by transfers to and from the Account.

	31 March 2017 £'000	31 March 2018 £'000
<b>Balance at 1 April</b>	<b>(104)</b>	<b>(86)</b>
(Increase)/decrease in the amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	18	(13)
<b>Balance at 31 March</b>	<b>(86)</b>	<b>(99)</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 2017 £'000	31 March 2018 £'000
<b>Balance at 1 April</b>	(11)	(261)
Amount by which Council Tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and NNDR income calculated for the year in accordance with statutory requirements	(250)	14
<b>Balance at 31 March</b>	<b>(261)</b>	<b>(247)</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:

	2016/17 £'000	2017/18 £'000
<b>Car Parks</b>		
Income	(1,731)	(1,764)
Expenditure	924	873
<b>Surplus</b>	<b>(807)</b>	<b>(891)</b>
<b>Trade Waste Collection</b>		
Income	(533)	(540)
Expenditure	371	335
<b>Surplus</b>	<b>(162)</b>	<b>(205)</b>

### 27. Members' Allowances

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

	2016/17 £'000	2017/18 £'000
Allowances	266	267
<b>Total</b>	<b>266</b>	<b>267</b>

## NOTES TO THE ACCOUNTS

### 28. Officers' Remuneration

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

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	2	71,479	715	988	0	12,406	85,588
Chief Operating Officer	3	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 on page 44). The annualised salary of the post is £70,135.
2. The Head of Legal Services and Monitoring Officer post was filled in March 2017 (see 2016/17 table note 6).
3. Chief Operating Officer
  - a) This is a new post appointed to in November 2017. The annualised salary is £71,500.
  - b) The responsibilities of the former Head of Street Scene & Community post (2016/17 table note 2) and Head of Planning & Environmental Health post (2016/17 table note 4) have been subsumed within this new role.
4. The Head of Housing post (2016/17 table note 3) was vacant throughout 2017/18 but was covered on an acting-up basis at a cost of £51,588. The annualised salary of the post is £61,853.

## NOTES TO THE ACCOUNTS

### 28. Officers' Remuneration (continued)

2016/17	Note	Salary, Fees and Allowances	Bonuses	Compensation for loss of Office	Employer's Pension Contribution	Total
Post		£	£	£	£	£
Chief Executive	1	92,500	5,000	0	12,810	110,310
Head of Street Scene and Community	2	7,337	0	0	756	8,093
Head of Housing	3	0	0	0	0	0
Head of Planning and Environmental Health	4	0	0	0	0	0
Finance Director (Section 151 officer)	5	59,213	0	0	4,193	63,406
Head of Legal Services and Monitoring Officer	6	2,114	0	0	300	2,414
<b>Total</b>		<b>161,164</b>	<b>5,000</b>	<b>0</b>	<b>18,059</b>	<b>184,223</b>

Notes:-

1. The Head of Paid Service post as disclosed in the 2015/16 accounts has been renamed as the Chief Executive.
2. The Head of Street Scene and Community left the Council on 29th April 2016. The post has since been vacant and the annualised salary is £61,853.
3. The Head of Housing post had been covered by an interim agency worker until 14th September 2016 at a cost of £40,400. The post has since been vacant. The annualised salary is £61,853.
4. The Head of Planning and Environmental Health post is vacant but the duties of the post have been covered by a managed service agreement at a cost of £53,566. The annualised salary is £67,853.
5. The Finance Director post was vacant from 30th August until 30th October 2016. At this point the post was covered by the Financial Services Manager at a cost of £1,500. The annualised salary is £70,135.
6. The Head of Legal Services and Monitoring Officer has been covered by an interim agency worker up to 20th March 2017 at a cost of £85,667. The annualised salary is £71,479.

## NOTES TO THE ACCOUNTS

### 28. Officers' Remuneration (continued)

#### 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:

	<b>2016/17</b>	<b>2017/18</b>
<b>Remuneration Band</b>	<b>Number of employees</b>	<b>Number of employees</b>
£50,000 - £54,999	2	6
£55,000 - £59,999	0	1
£60,000 - £64,999	1	1
£65,000 +	0	1

#### 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 nine of these interim staff was more than £50,000 in each instance, at a total cost of £649,850. The sums represent the amounts paid by the Council to the supplying agencies, not the remuneration earned by each individual.

#### Exit Packages

The number and total cost of exit packages within cost bands are set out below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £	2017/18 £
<b>£0 - £20,000</b>	0	0	5	3	5	3	38,844	27,241
<b>£20,001 - £40,000</b>	0	0	3	1	3	1	73,638	35,000
<b>£40,001 - £60,000</b>	0	0	1	0	1	0	53,655	0
<b>£60,001 - £80,000</b>	0	0	0	0	0	0	0	0
<b>£80,001 - £100,000</b>	0	0	0	1	0	1	0	97,951
<b>Total</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>5</b>	<b>9</b>	<b>5</b>	<b>166,137</b>	<b>160,192</b>

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

The £53,655 in the £40,001-£60,000 range in 2016/17 costs is for pension strain costs only. The main package costs relating to this were included in the figures for 2015/16.



## NOTES TO THE ACCOUNTS

### 29. Termination Benefits

The costs in the Exit Packages table represent the liabilities incurred by the Council upon the termination of the contracts of a number of its employees in 2017/18. The total, £160,192, was in respect of agreed departures of employees following service reviews.

### 30. External Audit Costs

	2016/17	2017/18
	£'000	£'000
Fees payable in respect of external audit services carried out by the appointed auditor for the year	68	68
Fees payable for the certification of grant claims and returns for the year	29	34
<b>Total</b>	<b>97</b>	<b>102</b>

In addition to the above, a total of £20,878 is included in the 2017/18 Comprehensive Income and Expenditure Statement in respect of additional work required for the 2015/16 and 2016/17 accounts.

### 31. Grant Income

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

	2016/17	2017/18
	£'000	£'000
<b>Credited to Taxation and Non-specific Grant Income:</b>		
New Homes Bonus Scheme	1,625	1,158
Revenue Support Grant	710	233
Business Rates (s31 Grants)		
- Small Business Relief	283	683
- Discretionary Reliefs Scheme	0	60
- Inflation Cap	23	28
- Retail Relief	4	13
- Reoccupation Relief	10	0
Transition Grant	72	70
Former Warley Hospital site development S106	0	808
Developers' Section 106 Grants	59	60
Merrymeade Wellhouse refurbishment contribution	0	10
Shenfield Common Unauthorised Incursion Defence cont	0	9
Transparency Code Set Up Grant	8	8
Mascalls Park S106	0	6
Community Halls contribution re. Sale of Warley Training	100	0
<b>Total</b>	<b>2,894</b>	<b>3,146</b>

## NOTES TO THE ACCOUNTS

### 31. Grant Income (continued)

	2016/17	2017/18
	£'000	£'000
<b>Credited to Services:</b>		
Rent Allowances	9,526	8,109
Rent Rebates	6,803	6,019
Food Waste Grant	360	369
Disabled Facilities Grant	290	351
Housing Benefit Administration	169	153
Council Tax		
- Local Support Scheme Administration	66	64
- Family Annexes Discount	1	0
Dunton Hills Garden Village funding	214	314
Council Tax Sharing Agreement - Essex CC	168	167
Flexible Homelessness Support Grant	0	110
Non Domestic Rates-Cost of Collection	108	108
Discretionary Housing Payment Grant	69	109
Universal Credit-Universal Support	0	31
Custom Build LA payment	15	30
Preventing Homelessness Grant	0	26
Health Wellbeing Board	27	24
Council Tax Sharing Agreement - Police	22	22
Right Benefit Initiative Funding	0	15
New Burdens BRRNB	0	12
Local Authority Data Sharing	26	11
Council Tax Sharing Agreement - Fire	10	10
New Burdens Brownfield Land Registers	15	5
Weekly Collection Support Scheme	636	0
Supporting People	107	0
Property Searches New Burdens	5	0
Other grants	40	37
<b>Total</b>	<b>18,677</b>	<b>16,096</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 2017	31 March 2018
	£'000	£'000
<b><u>Grants Receipts in Advance (Revenue Grants)</u></b>		
<b>Current Liabilities:</b>		
Council Tax Sharing Agreement - Essex CC	114	21
Council Tax Sharing Agreement - Essex PCC	12	3
Council Tax Sharing Agreement - Essex Fire & Rescue	6	1
Basic Payment Scheme	0	10
Countrywide and Environmental Stewardship	0	8
Countryside Stewardship/Brentwood Woodlands	5	3
<b>Total</b>	<b>137</b>	<b>46</b>
<b><u>Grants Receipts in Advance (Capital Grants)</u></b>		
<b>Developers' Contributions:</b>		
Former Warley Hospital Site	808	0
73 High Street	61	61
Former British Gas Site	13	13
Willowbrook School	13	12
Mascalls Park	7	1
S106 - Doddingtonhurst Surgery, Outings Lane, Doddingtonhurst	0	176
S106 - Brentwood Training Centre development, open space	0	131
S106 - Eclipse Ongar Road, Brentwood	0	72
S106 - 14-122 Kings Road, Brentwood	0	41
S106 - 1 Fairfield Road open space contribution	2	2
<b>Total</b>	<b>904</b>	<b>509</b>

## NOTES TO THE ACCOUNTS

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### **32. Related Parties**

The Council is required to disclose material transactions with related parties. Related Parties are 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 2017/18 is shown in note 27. In addition, grants totalling £112,524 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**

##### 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 £427,086:

- £158,811 for the provision of professional services.
- £246,499 for trade waste disposal.
- £21,775 for planning and land charges services.
- 

The Council was paid £1,361,416 by Essex County Council during the year:

- £1,160,681 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.

## NOTES TO THE ACCOUNTS

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### 32. Related Parties (continued)

#### Essex Police

Essex Police entered into a lease agreement with Brentwood Borough Council for the provision of office space at Brentwood Town Hall which is currently under refurbishment. The agreement allowed for a full year rent free period from 29th September 2017.

#### 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 £6,238 for 2017/18 which included costs for training and safety assessments at Council dwellings.

#### London Borough of Barking and Dagenham

The Council paid the London Borough of Barking and Dagenham £181,195 during the year for the provision of legal services.

#### Thurrock Council

The Council paid Thurrock Council £349,552 in 2017/18, for the provision of various professional services, and received £26,261 from Thurrock for the provision of environmental health services.

#### Basildon Borough Council

The Council paid Basildon Borough Council a total of £1,657,004 in 2017/18:

- £1,456,197 for provision of a shared Revenues and Benefits Service
- £168,801 for planning policy management
- £29,425 for waste disposal.
- The balance was for the provision of other services

The Council received £67,583 from Basildon in 2017/18:

- £31,371 in connection with the shared Revenues and Benefits service
- £36,212 in respect of recycling credits

#### Parish Councils

In 2017/18 the Council paid grants totalling £38,751 to Parish Councils within its area.

## NOTES TO THE ACCOUNTS

### 32. Related Parties (continued)

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

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. The Council does not have power over the Trust, is not an investor and does not share control of its activities. As such the Council has no interest in the Trust as a subsidiary, associate or joint venture respectively. The Council paid the Trust a management fee of £148,703 in 2017/18 (£162,375 in 2016/17). The Trust was a debtor of the Council at 31 March 2018 in the amount of £163,390 (£225,346 at 31 March 2017) in respect of a loan to the Trust.

### 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 2017	31 March 2018
	£'000	£'000
Finance lease debtors (net present value of minimum lease payments):		
Long-term debtor	280	93
Unearned finance income	1,348	656
<b>Gross investment in the lease</b>	<b>1,628</b>	<b>749</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 2017	31 March 2018	31 March 2017	31 March 2018
	£'000	£'000	£'000	£'000
Not later than one year	22	10	22	10
Later than one year and not later than five years	87	41	87	41
Later than five years	1,519	697	1,519	697
<b>Total</b>	<b>1,628</b>	<b>748</b>	<b>1,628</b>	<b>748</b>

## NOTES TO THE ACCOUNTS

### 33. Leases (continued)

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 2017/18 (none in 2016/17).

#### **Council as Lessor - Operating Leases**

The Council leases out premises under operating leases for various reasons such as the provision of community services, such as sports facilities and community centres, to provide suitable affordable accommodation and car parking facilities for local businesses.

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

	31 March 2017 £'000	31 March 2018 £'000
Not later than one year	412	586
Later than one year and not later than five years	1,238	1,397
Later than five years	2,766	2,731
<b>Total</b>	<b>4,416</b>	<b>4,714</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 2017/18 (none in 2016/17).

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

The 2018/19 Code of Practice on Local Authority Accounting in the UK introduces the following accounting standards:

- IFRS 9 *Financial Instruments*
- IFRS15 *Revenue from Contract with Customers*
- amendments to IAS 12 *Income Taxes*: Recognition of Deferred Asset Taxes for Unrealised Losses
- amendment to the IAS 7 *Statement of Cash Flows*: Disclosure Initiative.

None of the above changes are anticipated to have a material impact upon the information contained in the Council's Statement of Accounts for 2017/18, or future years

### 35. Events after the reporting period

On 12 April 2018 a Wholly Owned Company, Seven Arches Investments Limited (SAIL), was registered with Companies House. As the Council has entered into a significant commitment, this is a non-adjusting event as it does not materially affect the financial statements and notes in the Statement of Accounts as at 31 March 2018. With effect from 2018/19, however, the Council will be required to produce group accounts.

## NOTES TO THE ACCOUNTS

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### **36. Date of authorisation for issue**

The Statement of Accounts was authorised for issue by Jacqueline Van Mellaerts, Interim Chief Finance Officer, on 25 July 2018.

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

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

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

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

#### **Credit Risk**

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

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

Deposits are limited to £5 million per institution. No limit is placed on loans to the UK Government. Time limits are also specified for counterparties of varying types and ratings.

The following analysis summarises the Council's potential maximum exposure to credit risk for 2017-18 based on past and current market conditions. No credit limits were exceeded during 2017-18 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.



## NOTES TO THE ACCOUNTS

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

	Amount at 31 March 2018	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure at 31 March 2018	Estimated maximum exposure at 31 March 2017
	£'000	%	%	£'000	£'000
Deposits with banks and other institutions	14,000	0	0	0	0
Customers	1,568	37	37	579	488
Brentwood Leisure Trust - Long term Loan	101				
<b>Total</b>	<b>15,669</b>			<b>579</b>	<b>488</b>

The outstanding customer balances at the year-end are analysed by age as follows:

	31 March 2017	31 March 2018
	£'000	£'000
Less than three months	514	261
Three to six months	269	284
Six months to one year	230	195
More than one year	627	828
<b>Total</b>	<b>1,640</b>	<b>1,568</b>

Customer debts can be further analysed as follows:

	31 March 2018 Carrying amount	31 March 2018 Customer debt	31 March 2018 Provision for impairment	31 March 2018 Carrying amount
	£'000	£'000	£'000	£'000
Dwellings rents	290	928	536	392
Other	862	640	43	597
<b>Total</b>	<b>1,152</b>	<b>1,568</b>	<b>579</b>	<b>989</b>

## NOTES TO THE ACCOUNTS

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

#### **Liquidity Risk**

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

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

The maturity analysis of financial liabilities is as follows:

	31 March 2017 £'000	31 March 2018 £'000
Between two and five years	5,001	5,001
Between five and ten years	10,002	10,407
Between ten and twenty years	15,409	30,009
Between twenty and thirty years	29,174	14,170
More than thirty years	1,637	1,637
<b>Total</b>	<b>61,223</b>	<b>61,224</b>

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

#### **Market Risk**

##### **Interest Rate Risk**

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

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

## NOTES TO THE ACCOUNTS

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

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

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

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

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

According to this assessment strategy, if interest rates had been 0.5% higher at 31 March 2018, with all other variables held constant, the annualised interest receivable on the Council's investments/cash equivalents would have increased by £102,933. The movements would be reversed if interest rates had been 0.5% lower. Such a movement would have had a negligible effect on the fair value of the Council's investments/cash equivalents.

All the Council's borrowings are at a fixed rate. As a result, a 1% movement in interest rates at 31 March 2018 would have had no effect on interest payable. A 1% change in the current value of the borrowings, however, would result in movement of £611,660.

#### **Price Risk and Foreign Exchange Risk**

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

## NOTES TO THE ACCOUNTS

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### **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.

#### **Property, Plant and Equipment**

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

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

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

It is estimated that the annual depreciation charges for Council dwellings would increase by £37,540 and for other buildings by £79,416 for every year that useful lives had to be reduced.

#### **Fair value measurement of investment properties**

The fair value of investment properties is measured using the income valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). The use of such techniques requires judgment including consideration of uncertainty and risk. Changes in the assumptions used in these judgments could affect the fair value of the Council's assets and liabilities.

The Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value. For example, for investment properties, the Council's valuation officer and, where appropriate, external valuers.

## NOTES TO THE ACCOUNTS

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

#### **Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are expected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

The impact of changes in these assumptions is shown in the sensitivity analysis table at paragraph 39.9.

#### **Debtors**

At 31 March 2018 the Council's net debtors balance was £4.323m, or £2.781m excluding central and local government bodies. The latter sum is net of an impairment allowance of £2.183m, representing 44% of gross debt. This is considered to be a sufficient provision in the current economic climate, but it is unknown whether such an allowance will be sufficient in the future, should there be a deterioration in collection rates.

If it was deemed that the bad debt provision needed to be increased to, say, 50% of gross debt, this would require an additional £0.299m to be set aside as an impairment allowance, based on the gross debt at 31 March 2018.

#### **Non-Domestic Rates Appeals**

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.

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. This results in an appeals provision of 3.6% against the net rates collectable by the Council in 2017/18. This has resulted in a 2017 list provision of £1m of which the Council's share is £0.400m, and an overall provision of £3.454m of which the Council's share is £1.361m.

Should the value of 2017 list appeals actually settled vary by +/- 1% of the net rates collectable this would represent a difference of £0.292m from the sum provided of which the Council's share would be £0.116m.

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## 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 2018
- fund investment returns for the period to 28 February 2018 and market returns thereafter for the period to 31 March 2018
- estimated fund income and expenditure in respect of the employer for the period to 31 March 2018
- details of any new retirements for the period to 31 March 2018 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 Council Tax, however, is based on the cash payable in the year, and the real cost of post-employment / retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

The table on the following page 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
	2016/17 £'000	2016/17 £'000	2016/17 £'000	2017/18 £'000	2017/18 £'000	2017/18 £'000
Service cost comprising						
Current service cost	1,725	0	1,725	2,328	0	2,328
Past service costs including curtailments	81	0	81	109	0	109
Gain on settlements	0	0	0	(888)	0	(888)
Administration	30	0	30	29	0	29
Net interest expense	1,401	114	1,515	1,262	89	1,351
<b>Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,237</b>	<b>114</b>	<b>3,351</b>	<b>2,840</b>	<b>89</b>	<b>2,929</b>
Remeasurement of the net defined benefit comprising:						
Return on plan assets (excluding the amount included in the net interest expense)	(11,134)	0	(11,134)	(3,750)	0	(3,750)
Other actuarial (gains) / losses on assets	(214)	0	(214)	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	20,970	317	21,287	(2,282)	(28)	(2,310)
Actuarial gains and losses arising on changes in demographic assumptions	(2,579)	(166)	(2,745)	0	0	0
Experience (gain) / loss on defined benefit obligation	(312)	19	(293)	0	0	0
<b>Sub total</b>	<b>6,731</b>	<b>170</b>	<b>6,901</b>	<b>(6,032)</b>	<b>(28)</b>	<b>(6,060)</b>
<b>Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>9,968</b>	<b>284</b>	<b>10,252</b>	<b>(3,192)</b>	<b>61</b>	<b>(3,131)</b>
<b>Reversal of net charges for post employment benefits in accordance with IAS19</b>	<b>(3,237)</b>	<b>(114)</b>	<b>(3,351)</b>	<b>(2,840)</b>	<b>(89)</b>	<b>(2,929)</b>
<b>Actual Amount Charged against the General Fund and HRA Balances for the Year</b>						
Contributions / payments charged to the General Fund	1,999	206	2,205	1,981	202	2,183
Contributions / payments charged to the Housing Revenue Account	298	30	328	306	31	337
<b>Employer's contributions payable to the Pension Fund</b>	<b>2,297</b>	<b>236</b>	<b>2,533</b>	<b>2,287</b>	<b>233</b>	<b>2,520</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
	2016/17	2016/17	2016/17	2017/18	2017/18	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of the defined benefit obligation	(132,857)	(3,422)	(136,279)	(130,723)	(3,249)	(133,972)
Fair value of plan assets	84,200	0	84,200	89,238	0	87,545
<b>Net liability arising from defined benefit obligation</b>	<b>(48,657)</b>	<b>(3,422)</b>	<b>(52,079)</b>	<b>(41,485)</b>	<b>(3,249)</b>	<b>(46,427)</b>

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

	2016/17	2017/18
	£'000	£'000
<b>Opening fair value of scheme assets</b>	<b>70,541</b>	<b>84,200</b>
Interest income	2,464	2,221
Remeasurement of the return on plan assets (excluding the amount included in the net interest expense)	11,134	3,750
Other actuarial gains / (losses)	214	0
Administration expenses	(30)	(29)
Contributions from employer	2,533	2,521
Contributions from employees into the scheme	427	417
Benefits paid	(3,083)	(4,256)
Settlements made	0	(1,279)
<b>Closing fair value of scheme assets</b>	<b>84,200</b>	<b>87,545</b>



## NOTES TO THE ACCOUNTS – PENSION LIABILITIES

### 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
	2016/17 £'000	2016/17 £'000	2016/17 £'000	2017/18 £'000	2017/18 £'000	2017/18 £'000
<b>Opening balance at 1 April</b>	<b>(111,526)</b>	<b>(3,375)</b>	<b>(114,901)</b>	<b>(132,857)</b>	<b>(3,422)</b>	<b>(136,279)</b>
Current service cost	(1,725)	0	(1,725)	(2,328)		(2,328)
Interest cost	(3,865)	(114)	(3,979)	(3,483)	(89)	(3,572)
Contributions from scheme participants	(427)	0	(427)	(417)		(417)
Remeasurement actuarial gains and losses						
- Arising from changes in demographic assumptions	2,579	166	2,745	0	0	0
- Arising from changes in financial assumptions	(20,970)	(317)	(21,287)	2,282	28	2,310
Experience gains / (losses)	312	(19)	293	0	0	0
Settlements liabilities extinguished	0	0	0	2,167		2,167
Benefits paid	2,846	237	3,083	4,022	234	4,256
Past service cost	(81)	0	(81)	(109)	0	(109)
<b>Closing balance at 31 March</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>

### 39.7 Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2018 is estimated to be 7%. 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 2017		31 March 2018	
	£'000	%	£'000	%
Equities	57,510	68%	56,904	65%
Gilts	3,186	4%	6,128	7%
Other Bonds	3,422	4%	3,502	4%
Property	8,191	10%	7,879	9%
Cash	2,535	3%	3,502	4%
Alternative Assets	5,616	7%	6,128	7%
Other Managed Funds	3,740	4%	3,502	4%
<b>Total</b>	<b>84,200</b>	<b>100%</b>	<b>87,545</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 2018 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%.

## NOTES TO THE ACCOUNTS – PENSION LIABILITIES

### 39.7 Assets (continued)

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 2017		31 March 2018	
	%	%	%	%
	Quoted	Unquoted	Quoted	Unquoted
UK Equities	7.7%	0.0%	6.7%	0%
Oversees Equities	55.7%	0.0%	60.7%	0%
Index Linked UK Government Securities	3.8%	0.0%	0.0%	0%
UK Corporate Bonds	4.1%	0.0%	3.7%	0%
Property	6.2%	3.6%	3.4%	6.0%
Others	-0.2%	19.1%	-0.5%	20.0%
<b>Total</b>	<b>77.3%</b>	<b>22.7%</b>	<b>74.0%</b>	<b>26.0%</b>

### 39.8 Liabilities

To assess the value of the Council's liabilities at 31 March 2018, 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.

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 2018 without completing a full valuation. The actuary is satisfied, however, that the approach of rolling forward the previous valuation data to 31 March 2018 should not introduce any material distortions in the results provided that the actual experience of the Council and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the last formal valuation. From the information received by the actuary there appears to be no evidence that this approach is inappropriate.

## NOTES TO THE ACCOUNTS – PENSION LIABILITIES

### 39.8 Liabilities (continued)

The demographic assumptions used by the actuary have been:

	2016/17	2017/18
<u>Mortality assumptions - life expectancy from age 65</u>		
Retiring today:		
Men	22.1	22.2
Women	24.6	24.7
Retiring in 20 years:		
Men	24.3	24.4
Women	26.9	27.0

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
- 10% of active members will take up the option under the new scheme to pay 50% of contributions for 50% of benefits.

The financial assumptions used by the actuary have been:

Assumption	31 March		31 March 2017		31 March 2018	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI Increases	3.2	0.0	3.5	0.0	3.4	0.0
CPI Increases	2.3	-0.9	2.6	-0.9	2.4	-1.0
Salary Increases	4.1	0.9	4.1	0.6	3.9	0.5
Pension Increases	2.3	-0.9	2.6	-0.9	2.4	-1.0
Discount Rate	3.5	0.3	2.7	-0.8	2.6	-0.8

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

## NOTES TO THE ACCOUNTS – PENSION LIABILITIES

### 39.8 Liabilities (continued)

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. 2.35%. 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.

Sensitivity Analysis			
<b>Adjustment to discount rate</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
Present Value of Total Obligation	131,728	133,972	136,256
Projected Service Cost	2,213	2,264	2,316
<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	134,138	133,972	133,806
Projected Service Cost	2,264	2,264	2,264
<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	136,091	133,972	131,887
Projected Service Cost	2,316	2,264	2,213
<b>Adjustment to mortality age rating assumption</b>	<b>+1 Year</b>	<b>None</b>	<b>- 1 Year</b>
Present Value of Total Obligation	139,174	133,972	128,969
Projected Service Cost	2,336	2,264	2,194

## 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 2018-19 pension expense

The Council's 2018-19 project pension expense, excluding the capitalised cost of any early retirements or augmentations which may occur after 31 March 2018, is:

	£'000
Service Cost	2,264
Net Interest on the defined benefit liability (asset)	1,152
Administration expenses	35
<b>Total</b>	<b>3,451</b>
<b>Employer Contributions</b>	<b>2,311</b>

## NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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### 40. 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:

- a) 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.
- b) 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, has been deemed to be nil. This is on the basis that: a) the building and land were non-operational at 31 March 2018 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.
- c) Although the Council has identified two Heritage Assets, the Council considers that the cost of obtaining valuations of the assets in order to recognise them on the Balance Sheet outweighs the benefit of such recognition to the users of the financial statements.
- d) The Brentwood Leisure Trust manages Brentwood Leisure Centre and the Council's Community Halls. The Council has determined that, under IFRS10, the Trust is not a subsidiary or an associate of, nor a part of a joint venture with, the Council. As such, the Council considers that it is not required to consolidate the financial statements of the Council and the Trust.
- e) 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.
- f) New arrangements for the retention of business rates (NDR) came into force on 1 April 2013 at which date the Council assumed the liability for refunding ratepayers who successfully appeal against the rateable value of their properties. The Council has made provision for potential successful appeals to 31 March 2018 (see note 18).
- g) Investment properties have been classified by the Council using the identifiable criteria under International Financial Reporting Standards of being solely held for rental income or for capital appreciation. This review and assessment may be subject to interpretation.

## NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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### 40. Critical judgments in applying accounting policies (continued)

- h) The Council classifies its leases as either operational or finance leases. In some cases the lease transaction is not conclusive, and the Council uses judgment in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership to the lessor.

### 41. Prior Period Adjustment

The Council's short-term investments as at 31 March 2017, totalling £17m, were classified as cash and cash equivalents in the 2016/17 accounts. This classification is incorrect because short term investments have a duration of longer than three months and therefore do not meet the definition of cash and cash equivalents.

- a) As this error was made in a reporting period prior to the 2017/18 financial year, the Balance Sheet opening balances as at 1 April 2016 have been restated in accordance with IAS8, *Accounting Policies, Changes in Accounting Estimates and Errors*.
- Short term investments have been introduced with a value of £9.3m
  - Cash and cash equivalents have been decreased to (£0.020m).
- b) The 31 March 2017 Balance Sheet balances have been restated as follows:
- Short term investments have been introduced with a value of £17m
  - Cash and cash equivalents have been decreased to (£0.052m).
- c) The 2016/17 Cash Flow Statement has been restated as follows:
- Purchase of short term investments have been introduced, totalling £7.7m
  - Cash and cash equivalents at the beginning of the reporting period have been reduced to (£0.020m)
  - Cash and cash equivalents at the end of the reporting period have been reduced to (£0.052m).
- d) Note 15, Cash and Cash Equivalents, has been restated by reducing the 2016/17 total to (£0.052m).

## 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. Employee Benefits
5. Prior Period Adjustments, Changes in Accounting Policies and Estimates & Errors
6. Charges to Revenue for Non-Current Assets
7. Council Tax and Non-Domestic Rates
8. Financial Instruments
9. Fair Value Measurement
10. Government Grants and Contributions
11. Investment Property
12. Leases
13. Overheads and Support Services
14. Property, Plant and Equipment
15. Provisions and Contingent Liabilities
16. Reserves
17. Revenue Expenditure Funded from Capital under Statute
18. 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 2018. 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 2017/18 (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 the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council



## NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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

- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, and where the amounts are significant, they are carried as inventories on the Balance Sheet
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- interest payable on borrowings and receivable on investments is accounted for respectively as expenditure and income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet: where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 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 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

## NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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### 42.4 Employee Benefits (continued)

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.

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

## NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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### 42.4 Employee Benefits (continued)

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.

### 42.5 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

## NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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### **42.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors (continued)**

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.

### **42.6 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.

### **42.7 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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### 42.8 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.

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

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

#### Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

#### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value.

They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the

## NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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### 42.8 Financial Instruments (continued)

instrument. For the investments that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

### 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.

## NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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

### 42.11 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.

## NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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### 42.12 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings 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 recognised as Finance and Investment Income. Income from other properties is recognised within the relevant service line in the Comprehensive Income & Expenditure Statement.

#### **Council as Lessor - Finance Leases**

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception or (if lower) the present value of the minimum lease payments. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset.

Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between a charge for the acquisition of the interest in the property, plant or equipment (this is applied to reduce the lease liability), and a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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



## NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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### 42.13 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.

### 42.14 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.

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)
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## NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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

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

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

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

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

### Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

### Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight line allocation over the useful life of the property as estimated by the valuer

## NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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

- 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 (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals 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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### 42.15 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.

### 42.16 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.

### 42.17 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.

### 42.18 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 STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and 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	2016/17 £'000	2017/18 £'000
<b>Expenditure</b>		
Repairs and maintenance	2,048	2,407
Supervision and management	2,897	3,203
Rent, rates, taxes and other charges	196	162
Depreciation and impairment of non-current assets	1,611	3,566
Movement in the allowance for bad debts	40	98
<b>Total Expenditure</b>	<b>6,792</b>	<b>9,436</b>
<b>Income</b>		
Dwelling rents	(11,993)	(11,836)
Non-dwelling rents	(484)	(338)
Charges for services and facilities	(856)	(807)
Contributions towards expenditure	(213)	(85)
<b>Total Income</b>	<b>(13,546)</b>	<b>(13,066)</b>
Net Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	<b>(6,754)</b>	<b>(3,630)</b>
HRA share of Corporate and Democratic Core	423	410
HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services	0	0
<b>Net Expenditure of HRA Services</b>	<b>(6,331)</b>	<b>(3,220)</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	(909)	(379)
Interest payable and debt management expenses	2,062	1,928
Interest and investment income	(62)	(80)
Pensions net interest expense	196	181
<b>Surplus for the year on HRA services</b>	<b>(5,044)</b>	<b>(1,570)</b>

## HOUSING REVENUE ACCOUNT STATEMENT

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### 1. Movement on the HRA Statement

		2016/17	2017/18
Note		£'000	£'000
	<b>Balance on the HRA at the end of the previous year</b>	<b>1,363</b>	<b>1,546</b>
	Surplus for the year on the HRA Income and Expenditure Statement	5,043	1,570
HRA1	Adjustments between accounting basis and funding basis under the legislative framework	(3,863)	(576)
	Increase before transfers to or from reserves	<b>1,180</b>	<b>994</b>
HRA1	Transfers to earmarked reserves	(997)	(500)
	Increase in the year on the HRA	<b>183</b>	<b>494</b>
	<b>Balance on the HRA at the end of the current year</b>	<b>1,546</b>	<b>2,040</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. Movement on the HRA Statement

	2016/17 £'000	2017/18 £'000
<b>Adjustments between accounting basis and funding basis</b>		
Gain or loss on sale of HRA non-current assets	(909)	379
HRA share of contributions to or from the Pensions Reserve	96	(159)
Transfers to or from the Major Repairs Reserve	(2,538)	2,855
Transfers to or from the Capital Adjustment Account	(514)	(2,502)
Transfers to or from the Accumulated Absences Adjustment Account	2	3
<b>Total adjustments between accounting basis and funding basis</b>	<b>(3,863)</b>	<b>576</b>
Transfers to earmarked reserves	(997)	(500)
<b>Total Movement</b>	<b>(4,860)</b>	<b>76</b>

### 2. Housing Stock

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

	31 March 2017	31 March 2018
<b>Flats</b>		
1 Bedroom	596	590
2 Bedroom	503	497
3 Bedroom	60	60
<b>Total Flats</b>	<b>1,159</b>	<b>1,147</b>
<b>Houses and Bungalows</b>		
1 Bedroom	288	291
2 Bedroom	387	381
3 Bedroom	631	631
4 Bedroom	14	14
<b>Total Houses and Bungalows</b>	<b>1,320</b>	<b>1,317</b>
<b>Equity share properties</b>		
1 Bedroom	5	5
2 Bedroom	2	2
<b>Total Equity share properties</b>	<b>7</b>	<b>7</b>
<b>Total Housing Stock</b>	<b>2,486</b>	<b>2,471</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 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 2017 £'000</b>	<b>31 March 2018 £'000</b>
Dwellings	251,976	256,091
Other land and buildings	5,723	6,554
<b>Total</b>	<b>257,699</b>	<b>262,645</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 2016	<b>234,202</b>	<b>7,631</b>	<b>241,833</b>
Changes during the year	17,774	(1,908)	15,866
<b>Net Book Value at 31 March 2017</b>	<b>251,976</b>	<b>5,723</b>	<b>257,699</b>
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>

Depreciation and impairment charges during the year were as follows:

	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>
<b><u>Depreciation</u></b>		
Dwellings	2,374	2,553
Other land and buildings	164	302
<b>Total</b>	<b>2,538</b>	<b>2,855</b>
<b><u>Revaluation (gain)/loss</u></b>		
Dwellings	(935)	954
Other land and buildings	0	(243)
<b>Total</b>	<b>(935)</b>	<b>711</b>

The dwellings revaluation loss of £0.954m is mostly attributable to newly acquired dwelling, which were recognised initially at market value and subsequently revalued on the basis of existing use value for social housing. The other land and buildings revaluation gain of £0.243m is a combination



## NOTES TO THE HOUSING REVENUE ACCOUNT

### 3. HRA Non-current Assets (continued)

of revaluation gains on garages and revaluation losses on communal rooms and other housing buildings.

The vacant possession value of dwellings within the Council's HRA was £673.294m at 31 March 2018 (£663.088m at 31 March 2017). 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

	2016/17	2017/18
	£'000	£'000
Balance at 1 April	0	381
Amount transferred to the reserve during the year	2,538	2,855
Financing of capital expenditure	(2,157)	(809)
<b>Balance at 31 March</b>	<b>381</b>	<b>2,427</b>

### 5. Capital Transactions

#### Capital Expenditure and Financing

	2016/17	2017/18
	£'000	£'000
Enhancements	2,157	809
Aquisitions	895	1,960
<b>Total Capital Expenditure</b>	<b>3,052</b>	<b>2,769</b>
<b>Sources of Finance:</b>		
Major Repairs Reserve	(2,157)	(809)
Retained Capital Receipts	(269)	(588)
Grants	0	(808)
Revenue contribution to capital expenditure	(626)	(564)
<b>Total Financing</b>	<b>(3,052)</b>	<b>(2,769)</b>

#### Capital Receipts

Receipts from disposal of dwellings and land were £1.733m in 2017/18 (£3.188m in 2016/17).

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 6. Rent Arrears

	2016/17	2017/18
	£'000	£'000
Gross rent arrears at 31 March	616	821
Provision for doubtful debts	(336)	(435)
<b>Net Rent Arrears at 31 March</b>	<b>280</b>	<b>386</b>

### 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.

	2016/17	2017/18
	£'000	£'000
<b>HRA Income and Expenditure Statement</b>		
<b>Net Expenditure on HRA Services</b>		
Current service cost	224	312
Administration expenses	4	4
<b>HRA Share of Operating Income and Expenditure</b>		
Net interest cost	196	181
<b>Net Charge to the Income and Expenditure Statement</b>	<b>424</b>	<b>497</b>
<b>Movement on the HRA Statement</b>		
Reversal of net charges made for retirement benefits	(424)	(497)
Employer's Contribution to the Scheme	328	338
<b>HRA contribution to the Pensions Reserve</b>	<b>(96)</b>	<b>(159)</b>

## COLLECTION FUND

The Collection Fund is an agent's statement that 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	2016/17			2017/18		
	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	(49,481)	0	(49,481)	(51,579)	0	(51,579)
NDR receivable	0	(30,865)	(30,865)	0	(29,556)	(29,556)
<b>Total amounts credited to the Fund</b>	<b>(49,481)</b>	<b>(30,865)</b>	<b>(80,346)</b>	<b>(51,579)</b>	<b>(29,556)</b>	<b>(81,135)</b>
<b><u>Amounts required by statute to be debited to the Fund</u></b>						
<b>Council Tax Precepts</b>						
Essex County Council	35,927	0	35,927	37,336	0	37,336
Police & Crime Commissioner for Essex	4,835	0	4,835	5,039	0	5,039
Essex Fire Authority	2,151	0	2,151	2,215	0	2,215
Brentwood Borough Council	5,893	0	5,893	6,176	0	6,176
<b>Total Council Tax Precepts</b>	<b>48,806</b>	<b>0</b>	<b>48,806</b>	<b>50,766</b>	<b>0</b>	<b>50,766</b>
<b>Distribution of NDR Income</b>						
Central Government	0	15,092	15,092	0	13,941	13,941
Brentwood Borough Council	0	12,073	12,073	0	11,153	11,153
Essex County Council	0	2,716	2,716	0	2,509	2,509
Essex Fire Authority	0	302	302	0	279	279
Costs of Collection	0	108	108	0	106	106
<b>Total Distribution of NDR Income</b>	<b>0</b>	<b>30,291</b>	<b>30,291</b>	<b>0</b>	<b>27,988</b>	<b>27,988</b>
<b>Transitional Protection Payment</b>	<b>0</b>	<b>(103)</b>	<b>(103)</b>	<b>0</b>	<b>1,266</b>	<b>1,266</b>
<b>Impairment of Debts</b>						
Write-offs	123	735	858	67	237	304
Allowance for Impairment	(114)	(312)	(426)	257	(132)	125
<b>Total Impairment of Debts</b>	<b>9</b>	<b>423</b>	<b>432</b>	<b>324</b>	<b>105</b>	<b>429</b>
4 Distribution of previous year's Council Tax surplus	1,000	0	1,000	1,035	0	1,035
4 Distribution of previous year's NDR surplus	0	776	776	0	0	0
<b>Total Movement on Fund Balance in the year</b>	<b>334</b>	<b>522</b>	<b>856</b>	<b>546</b>	<b>(197)</b>	<b>349</b>

## COLLECTION FUND

### Movement on the Collection Fund

	2016/17			2017/18		
	Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
Opening fund balance	(1,837)	584	(1,253)	(1,503)	1,106	(397)
Movement on fund balance in the year	334	522	856	546	(197)	349
<b>Closing fund balance</b>	<b>(1,503)</b>	<b>1,106</b>	<b>(397)</b>	<b>(957)</b>	<b>909</b>	<b>(48)</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 for estimated non-collection (1% for 2017/18). 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 2017/18 was 32,084 (31,790 for 2016/17). The following table shows the Council Tax base by band:-

Band	Range of Property Values	Band D Ratio	2016/17		2017/18	
			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	367	245	377	251
B	£40,001 - £52,000	7/9	1,687	1,312	1,731	1,346
C	£52,001 - £68,000	8/9	4,762	4,233	4,790	4,258
<b>D</b>	<b>£68,001 - £88,000</b>	<b>9/9</b>	<b>6,935</b>	<b>6,935</b>	<b>6,976</b>	<b>6,976</b>
E	£88,001 - £120,000	11/9	5,124	6,263	5,198	6,354
F	£120,001 - £160,000	13/9	4,050	5,849	4,063	5,868
G	£160,001 - £320,000	15/9	3,544	5,907	3,565	5,942
H	More than £320,000	18/9	523	1,046	545	1,089
<b>Total</b>			<b>26,992</b>	<b>31,790</b>	<b>27,245</b>	<b>32,084</b>

## COLLECTION FUND

### 2. Income from Council Tax

For 2017/18 the Council set a Band D Council Tax of £1,567.92 (excluding parish precepts), 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 2018 was £73,044,505 (£75,483,093 at 31 March 2017). The reduction in the Rateable Value is an outcome of the 2017 revaluation of rating lists, which superseded the 2010 valuation. The standard NDR multiplier for the year was 47.9p (49.7p in 2016/17) and the small business multiplier was 46.6p (48.4p in 2016/17).

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

These have been distributed as follows:

	Council Tax		NNDR	
	2016-17 £'000	2017-18 £'000	2016-17 £'000	2017-18 £'000
Central Government	0	0	388	0
Essex County Council	735	761	70	0
Police & Crime Commissioner for Essex	99	103	0	0
Essex Fire & Rescue Authority	45	46	8	0
Brentwood Borough Council	121	125	310	0
<b>Total</b>	<b>1,000</b>	<b>1,035</b>	<b>776</b>	<b>0</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.
Appropriation	The transfer of resources between the revenue or capital accounts and reserves held by the Council.
Asset	An item having value measurable in monetary terms. Assets can either be defined as non-current or current. A non-current asset has use and value for more than one year whereas a current asset (e.g. stocks or short term debtors) can more readily be converted into cash.
Audit	An independent examination of an organisation's activities, either by an internal audit section or equivalent or the organisation's external auditor.
Balance Sheet	This is a summary of the financial position of the Council. It shows the long-term and current assets and liabilities of the Council and its reserves.
Billing Authority	This is the Council as the body responsible for billing and collecting the Council Tax from all residential properties within the borough on behalf of itself, Essex County Council, Essex Fire Authority, Essex Police Authority and Parish Councils. The Council is also responsible for the billing and collection of National Non-Domestic Rates (NNDR or Business Rates) from commercial properties in the borough.
Budget	A budget is a financial statement that expresses the Council's service delivery plans and capital programmes in monetary terms.
Capital Adjustment Account	This account represents amounts set aside from revenue resources or capital receipts to finance expenditure on non-current assets, or for the repayment of external loans.
Capital Charge	A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services.

## GLOSSARY

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.

## GLOSSARY

Council Tax	A local tax charged to the occupiers of residential properties which is used to help finance the budget requirement of the Council and Preceptors for the year.
Creditors	Amounts owed by the Council, for work done, or goods or services received for which no payments have been made by the Council at the Balance Sheet date.
Current Asset	An asset held which will be used, or received, within the next financial year.
Current Liability	An amount which will become payable within the next financial year.
Debtors	Amounts owed to the Council for goods or services provided, for which no payments have been received by the Council at the Balance Sheet date.
Deferred Liability	A liability which is not fully paid at the current time, but is due for payment either some time in the future, or over a period of time.
Deferred Receipt	Income still to be received where the Council has agreed that amounts are payable beyond the next year, either at some point in the future, or by an annual sum over a period of time.
Defined Benefit Pension Scheme	A pension scheme other than a defined contribution scheme. Usually the scheme rules define the benefits (annual pensions and retirement lump sums) independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
Depreciation	A measure of the amount of a non-current asset that has been consumed during the period. Consumption includes any reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through technical or other changes.
Discretionary Benefits	Retirement benefits which the Council has no legal, contractual, or constructive obligation to award but are awarded under discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.
Earmarked Reserve	A reserve held for a specific future purpose, including to carry forward a revenue underspend in one financial year to the next.
Equity Instrument	A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities (such as an equity share in a company).
Fees and Charges	Amounts paid by the public for a variety of services such as parking, letting of community halls and the hire of sporting facilities.
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.



## GLOSSARY

Financial Instrument	A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial Liability	An obligation to transfer economic benefits controlled by the Council that is represented by a contractual obligation to deliver cash or another financial asset to another entity, or a contractual obligation to exchange financial assets and/or liabilities with another entity under conditions that are potentially unfavourable to the Council.
Financial Reporting Standards (FRS's)	Issued by the Accounting Standards Board and provide standards for the preparation of financial statements. The Council's accounts are prepared in accordance with FRS's (or SSAP's where these remain in force) where they apply to local authorities.
General Fund (GF)	The main revenue account of a local authority from which revenue payments are made to meet the costs of providing services.
Housing Revenue Account (HRA)	A separate ring-fenced account within the General Fund which contains the expenditure and income arising from the provision of housing accommodation by the Council as landlord.
Impairment	The amount by which the recoverable amount of a non-current asset is lower than the carrying value amount.
Intangible Asset	A non-current asset such as a software licence which has no physical substance.
Interest	An amount received or paid for the use of a sum of money when it is invested or borrowed.
International Financial Reporting Standards (IFRS)	Standards which prescribe or have been adapted to prescribe the way in which a local authority Statement of Accounts is constructed.
International Financial Reporting Interpretations Committee (IFRIC)	A Committee which provides interpretative guidance on the application of IFRSs and International Accounting Standards (IASs)
Inventories	Raw materials and stores which the Council has bought and holds in stock for use as required.
Lease	A method of financing capital expenditure where a rental charge is paid for an asset for a specified period of time.
Major Repairs Allowance (MRA)	Government Subsidy to the HRA to fund major repairs to the Council's housing stock.

## GLOSSARY

Minimum Revenue Provision (MRP)	The minimum amount which must be charged to the Council's revenue accounts and set aside as a provision for repaying borrowing or other credit liabilities.
National Non-Domestic Rates (NNDR)	A tax on local businesses paid into a national pool and then redistributed to councils as a Government grant to help finance services.
Net Assets	The difference between long-term and current assets and liabilities, equivalent to total reserves on the Council's Balance Sheet.
Non-Current Assets – Intangible	Assets such as software licences that do not have physical substance but are identifiable and controlled by the Council and will bring benefits to the Council for more than one financial year.
Non-Current Assets – Tangible	Assets that have physical substance and are held for the provision of services or for administration purposes on a continuing basis.
Non-Operational Assets	Non-current assets not directly used or consumed in the delivery of services or for the administration of the Council. Examples include assets that are surplus to requirements, pending sale or redevelopment, and assets under construction.
Operating Lease	An agreement for the rental of an asset where the rewards and risks of ownership of the asset remain with the lessor. The annual rentals are charged to the Comprehensive Income and Expenditure Statement (see, for comparison, "Finance Lease").
Operational Assets	Non-current assets held and occupied, used or consumed in the direct delivery of those services for which the Council has a statutory or discretionary responsibility or for the administration of the Council.
Outturn	The actual expenditure and income for the financial year in question.
Precept	The net amount paid to each preceptor from Council Tax income collected and paid into the Collection Fund.
Precepting Authority	Essex County Council, Essex Police Authority, Essex Fire Authority and Parish Councils.
Preceptor	Another word for "Precepting Authority".
Premium	An amount payable on the premature repayment of a loan, generally equivalent to the difference between the present value of the remaining payments of principal and interest due on the original loan and that calculated based on the rates of interest in force when the repayment is confirmed.
Provision	An amount set aside to provide for a liability that is likely to be incurred but where the exact amount or the date on which it will arise is uncertain.
Public Works Loan Board (PWLb)	A Government agency that provides longer-term loans to local authorities at interest rates marginally above the Government's own borrowing rate.

## GLOSSARY

Provision	An amount set aside to provide for a liability that is likely to be incurred but where the exact amount or the date on which it will arise is uncertain.
Public Works Loan Board (PWLB)	A Government agency that provides longer-term loans to local authorities at interest rates marginally above the Government's own borrowing rate.
Remuneration	All amounts paid or payable to an employee, including sums due by way of expense allowances and the estimated money value of any other benefits otherwise than in cash. It excludes employers' pension contributions to the Pension Fund.
Related Party Transaction	A transaction where one of the parties involved has control or influence over the financial and operational policies of the other party.
Reserves - Usable	The Council's accumulated surplus income over expenditure which can be used to finance future spending and is available to meet unforeseen events.
Reserves - Unusable	Reserves which exist for technical accounting reasons and do not represent amounts that can be used to finance expenditure.
Retirement Benefits	Consideration payable after the completion of employment given by an employer in exchange for services rendered by employees. Does not include termination benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits.
Revaluation Reserve	An account representing the balance of the net surpluses arising on the revaluation of fixed assets.
Revenue Expenditure	Day-to-day expenditure on items such as salaries and wages, running expenses and capital and interest charges.
Revenue Expenditure Funded from Capital under Statute (REFCUS)	Revenue expenditure which may be properly capitalised under statute or Government direction but which does not result in a non-current asset,
Section 106 Agreement	Section 106 of the Town and Country Planning Act 1990 empowers a local planning authority such as the Council to enter into a legally binding agreement or planning obligation with a land developer to undertake works, provide affordable housing or provide additional funding for services.
Section 151 Officer	Section 151 of the Local Government Act 1972 requires the Council to appoint an officer responsible for the proper administration of the Council's financial affairs. The 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 2017/18

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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 2018 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:

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- 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.

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 has convened a number of times throughout 2017/18 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 01/01/2018.

In addition, the Head of Paid Service, Chief Finance Officer 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. Such as Whistleblowing Policy and Fraud Policy.

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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.

During 217/2018, the Council recognised the need to focus on fraud activity and established a separate team, utilising its own and experienced officers from other local authorities, to further protect the organisation.

The appointment of General Manager, Corporate Enforcement during 2017/2018, resulted in greater effectiveness and a number of successful prosecutions. The bringing together of enforcement activity across the range of Council activities has resulted in a quicker and more co-ordinated response to unauthorised activity.

These last two structural changes have greatly assisted the organisation to reinforce its dedication to behaving with integrity, demonstrating its strong commitment to ethical values, and respecting the rule of law.

**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, with the most recent being in January 2017. This ensures that they are still effective in supporting the Council's priorities and continues to provide support for residents.

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

<b>Business and Growth</b>	<b>The Vulnerable in our Community</b>	<b>Health, Safety and Wellbeing</b>	<b>Our Young</b>
<b>Brentwood Chamber of Commerce</b> – an organisation which provides representation for businesses and looks for opportunities to develop and promote business in the borough.	<b>Brentwood CVS</b> – 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	<b>Community Safety Partnership (CSP)</b> –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.	<b>Brentwood Youth Strategy Group</b> - 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.

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Business and Growth	The Vulnerable in our Community	Health, Safety and Wellbeing	Our Young
<p><b>Brentwood for Growth</b> - 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.</p>	<p><b>Brentwood Community Transport</b> – providing transport for Brentwood residents unable to access public transport</p>	<p><b>Active Essex /Active Brentwood</b> - 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, wellbeing and enjoyment that arises from participation in sport and physical activity.</p>	<p><b>South Essex Children's Partnership Board</b> - 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. In a climate of reduced funding, all partners need to work together to deliver better outcomes and also to encourage communities and families to do more for themselves. ( has representatives of Elected Members from Brentwood, Basildon, Castlepoint and Rochford; Representatives from Essex County Council Commissioners for Children and Young People; Clinical Commissioning Groups; Social Services; Schools; Youth Services and the Voluntary Section.</p>
<p><b>Brentwood Business Partnership</b> – a group of stakeholders meeting to consider improvement of the High Street and shopping areas in Brentwood. Formally known as Brentwood Renaissance Group.</p>	<p><b>Citizens Advice Bureau</b> – providing advice and empowerment to citizens.</p>		

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Business and Growth	The Vulnerable in our Community	Health, Safety and Wellbeing	Our Young
	<b>Brentwood Health and Wellbeing Board</b> - 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 promote public health and the joining up of resources and support integrated health and social care service delivery to the people of Brentwood.		

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 Local Development Plan (LDP) has shown the organisations commitment to engagement with a variety of tools, such as the consultation being viable through a variety of sources and the number of meetings where officers have gone to meet residents in locations in their vicinity.

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 are monitored by the Corporate Projects and Scrutiny Committee. 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.

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.



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### **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**. 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.
- **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 needed to monitor its key corporate projects, to ensure it remains on track to deliver the associated benefits. Supporting this, the Council introduced for 2017/2018 a new committee, Corporate Project Scrutiny Committee, which had the main aim of monitoring progress on the key corporate projects. This review was associated with regular reports that were submitted to committee on progress, risk, cost and outcome.

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

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The Council currently manages 25 key performance indicators regularly with designated service managers, which are monitored and reported to the Corporate Leadership Board. In 2017/18 Performance and Formal Complaint's working group was established to review the Performance in further detail also report to the Corporate Projects Scrutiny Committee with any matters of concern referred to other relevant committees. The Key Performance Indicators are made public via the Council's website using data share.

During 2017/18 The Council matured the Corporate Project Management Register, in that it became a major control for the organisation. The Corporate Project Dashboard is updated and reviewed monthly in detail at the Corporate Leadership Board. Progress is then reported to Policy, Projects and Resources Committee, and Ordinary Council as appropriate.

Work continued on the Local Development Plan with a further consultation (Reg 18) being carried out in January 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 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.

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 (fully resourced) of a commercial stream has assisted in the identification of additional income streams to offset reductions in funding.

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

The Corporate Leadership Board (CLB) consists of the Head of Paid Service, Section 151 Officer, Monitoring Officer and key Senior Officers. CLB met in 2017/2018 on a weekly basis and supports the Council in providing the strategic direction for delivering the policies and priorities. It also considers other governance issues including risk management, performance management and financial management. The purpose of CLB is:

- To provide clear and visible strategic leadership to the Council.
- To develop strategies to achieve Members' priorities for the borough and Council.
- To provide coherent and sound advice and support to elected Members.
- To drive, manage and monitor the Council's work programme, resource planning and performance.
- To manage and minimise risks to the Council.
- To drive and steer modernisation, commercialisation and change to ensure the Council is efficient, effective and economic.

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- To shape and drive the culture of the organisation.
- To allow the organisation to react quickly to changing circumstances

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 Council's Intranet.

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, with 2017/18 providing a successful session on procurement led by EELGA.

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.

The Council implemented a working well programme which is "run by the staff, for the staff". Staff participated in stress awareness workshop, mental health awareness & First aid training as well as time to talk sessions.

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.

### **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 Risk Management Strategy that is translated into strategic and operational risk registers. The objectives of the Council's Risk Management Strategy are to:

#### ***Support the Council's aims to:***

- deliver services effectively and efficiently.
- develop its future plans and strategies.

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### ***Enable the Council to:***

- review its strategic position regularly.
- escalate those risks to a level where mitigation and responsibility should be taken.
- identify potential future threats and opportunities.

### ***Improve our customers' lives by:***

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

Risks are identified by officers, and Risk owners monitor and review the strategic and operational risk registers on a quarterly basis which is overseen by the Council's Risk Management Officer. The Risks are assessed and monitored at, Corporate Leadership Board and the Audit Committee as they oversee and management of risk in accordance with the Council's corporate aims and objectives. Their aim is to:

- regularly review strategic and operational risks.
- ensure consistency of approach to risk across the Council.
- act as a central point for co-ordination and dissemination of information on risk.
- update risks and risk management systems in response to new developments, e.g. new strategic risks, major change, legislative change, if required.
- support managers through sharing expertise on risk and control issues and providing advice and training on best practice.

During 2017-18 the Council held a number of Committees which carry out regulatory or scrutiny functions. This included Corporate Projects Scrutiny Committee. The main aim of this committee 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. Corporate Project 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/she has been directly involved.

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

Five Corporate Project Scrutiny Committee meetings took place during the 2017/18 municipal year and no decisions were called in.

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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 Audit Committee met four times during the year 2017/18. It 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, Internal & External Audit Reports as well as the operation of Risk Management.

During 2017/18, the Council appointed a Corporate & Information Governance Lawyer, to ensure that we are Managing Data effectively, under the existing legal requirements of the Data Protection Act 1998, and that the Council is prepared for the implementation of the General Data Protection Regulations (GDPR) which will come 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 a compliance action plan for GDPR. The Council's Senior Information Risk Officer (SIRO) is currently the Council's Commercial Manager and has overseen the work commenced in preparation for GDPR. This includes the development the Council's data mapping, Privacy Impact Assessment and Notices and a review of the Council's Document Retention Policy. All staff received mandatory e-learning training in 2017/18 in preparation for the new legislation. The Council has also entered into an arrangement with Thurrock Borough Council for the provision of data protection services in 2018/19, which will increase the knowledge and experience available to the Council and improve resilience in this area.

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 issues 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 2017/18, including committees that have since been decommissioned and new committees introduced in 2017/18, is shown below:

## ANNUAL GOVERNANCE STATEMENT 2017/18

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### Annual Council

- Annual Council

### Committees

- Economic Development Committee (Introduced May 2015, decommissioned May 2016)
- Community and Health Committee (Introduced May 2015, decommissioned May 2016)
- Policy, Finance and Resources Committee (Introduced May 2015, decommissioned May 2017)
- Environment and Housing Management Committee (Introduced May 2015, decommissioned May 2017)
- Community, Health & Leisure Committee (Introduced May 2016, decommissioned May 2017)
- Dismissal Appeals Committee
- Staff Appointments Committee
- Community, Health & Housing Committee (introduced May 2017)
- Environment and Enforcement Committee (introduced May 2017)
- Policy, Projects and Resources Committee (introduced May 2017)
- Corporate Projects and Scrutiny Committee (introduced May 2017), decommissioned May 2018)
- Regulatory and Governance (introduced May 2018)

### Ordinary Council

- Extraordinary Council
- Ordinary Council

### Regulatory Committees

- Audit, Scrutiny and Transformation Committee (Introduced May 2015, decommissioned May 2016)
- Audit and Scrutiny Committee (Introduced May 2016, decommissioned May 2017)
- Audit Committee (introduced May 2017, decommissioned May 2018)
- Audit and Scrutiny Committee (introduced May 2018)
- Licensing/Appeals Sub-Committee
- Planning and Licensing Committee

### Working Groups

- Constitution Working Group
- Leisure Strategy Working Group
- Town Hall Working Group
- LDP Working Group
- Performance & formal Complaints
- Emergency Response Plan and Procedures

A key feature of the formal decision making process is within the format and content of the report and supporting papers which outline the subject matter on which a decision is required. These reports and papers are subject to review by the three Statutory Officers of the Council: Head of Paid 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.

## ANNUAL GOVERNANCE STATEMENT 2017/18

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### 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 the Panel for Complaints against Members, Audit Committee, Corporate Leadership Board, External Auditors, Internal Audit, performance management and other working groups within the Council who have responsibility for the development and maintenance of the governance environment.

#### **Internal Audit**

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

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

The Internal Audit opinion for the year ended 31 March 2018 is one of Limited assurance that there is a sound system of internal control, designed to meet the Council's Objectives and that controls are being applied. This opinion is currently draft and has not been approved at the relevant Committee.

- The Council has performed broadly in line with budget regarding financial performance. The Council has shown strong financial management with moderate / substantial and substantial assurance opinions provided in this year's audits on the financial planning and budget monitoring and capital projects respectively.
- The Council's record in implementing audit recommendations requires some improvement. Whilst management are proactive in discussing plans to address the risks identified in audits, there is a lack of engagement when internal audit follow up recommendations, therefore we cannot report a year end position relating to recommendations made during 2017/18 that have fallen due before 31 March 2018.
- Some audits received limited or part limited assurance. These included car parking and payment collection, environment and community halls viability, and the key areas of risk management, main financial systems, housing and partnerships. The reduction in assurance this year is disappointing and may reflect the significant changes that have taken place in the Council over the last year. New arrangements are taking time to bed down. However, management have responded positively to our reports and if the improvements required are implemented this will support a better position in 2018/19.

#### **External Audit**

The External Auditor's Audit Results Report for 2016/17 was reported to Audit Committee in 2017/18 and contained the following key messages:

- Ernst & Young issued an unqualified opinion on the 2016/17 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.

## ANNUAL GOVERNANCE STATEMENT 2017/18

### 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 2017/18 for areas of improvement. The table sets out below, the matters arising, the aims and what actions were actually taken.

	<b>Matters Arising in 2016/17</b>	<b>Aims in 2017/18</b>	<b>Actions in 2017/18</b>
1	<b>Performance Indicators –</b> Although the Council does report to Corporate Leadership Board and members on key performance indicators. It realises this could be strengthened and better structured.	Aim to Enhance performance delivery to evidence transformational activity. Already we have seen improvements in project and programmed reports and the establishment of a Scrutiny committee (now separate from Audit) to review progress. Reports will be regularly reviewed by committee members at the relevant committees and exceptions reported.	The Council regularised Performance Indicator Reporting by introducing a Performance indicator & complaints working group. This ensure that PI's continued to be monitored by senior officers and members.
2	<b>General Data Protection Regulations –</b> Data Protection Act 1998 will be replaced by GDPR in May 2018.	To update the Councils Policies to ensure the Council is compliance with existing requirements before GDPR is implemented. Furthermore to then commence review and upgrade of policies to be compliant with anticipated GDPR standards.	We appointed a Corporate Information and Governance Lawyer, to ensure the Council is prepared for GDPR. Actions such as data mapping and Privacy impact assessments and Notices have been established as well as updating policies for the current legislation.
3	<b>Contract and Procurement Management –</b> The council identifies that Contract Management training is essential for officers and members and should be constantly reviewed.	The Council will review its processes and provide training throughout the year to officers and members to ensure consistency.	Member officer & Procurement briefing was carried out by EELGA in Sept 2017. A solicitor was also appointed to review the Councils contracts and embed tighter controls.
4	<b>Preparation of Early Closedown –</b> The deadlines for the production and audit of the accounts have been brought forward to 31 <sup>st</sup> May 2018 and 31 <sup>st</sup> July 2018 respectively.	External Audit will continue to work with management to bring forward as much work as possible in preparation with the new deadlines.	We have regularly met with External Audit and provided information in advance of early closedown to assist with the Audit. Interim Audit in March appeared to be successful for both sides.
5	<b>Housing Benefit Subsidy –</b> Housing Benefit Subsidy needs to be routinely reviewed with the Housing Benefits Paid.	The council will implement Liaison meetings for an operational perspective to increase communication with the shared service which will include subsidy arrangements	The Council implemented Liaison meetings to increase communication with shared service. Further arrangements still need to be established to embed reconciliations.



## ANNUAL GOVERNANCE STATEMENT 2017/18

6	<b>Saving Targets</b> – The Council has set challenging savings targets over the coming years and further savings are likely to be required.	The Council will strengthen its current Budget Challenge meetings alongside the Budget working Group to maintain a sustainable Medium Term Financial Plan	Budget Challenge meetings have been very successful during the year and will continue into 2018/19 in order to achieve future saving targets.
7	<b>Housing Services</b> – The Council acknowledges Policies and processes of this service area require improvement to meet audit recommendations.	The Council will ensure that it Improves its Procedures, policies & Contract Management arrangements potentially using alternative resources available.	Following the 2016/17 Internal Audit report. We have appointment a Chief Operating Officer and enhanced managed service arrangements have enabled the service to improve from last year's Internal Audit results, which is highlighted in the Internal Audit Annual Report 2017/18
8	<b>Income Generation</b> – Further reductions in Government funding is inevitable. Alternative revenue streams need to be continually explored.	Monitor the Councils Asset management Strategy to consider new opportunities around property investment and asset management in order to generate new revenue streams	The Council has established an Asset Development Programme. Various reports were approved at committee to enter in a Joint venture partnership & to establish a Wholly Owned Company, to present the Council opportunities around property investment and generate new revenue stream.

## ANNUAL GOVERNANCE STATEMENT 2017/18

### 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 2018/19 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 2017/18	Aims in 2018/19
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
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.
3.	Risk Management & Annual Governance Review	To continue the progress made in this area, supporting open and transparent decision making and sound planning.
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.
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.
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.
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.
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.

## ANNUAL GOVERNANCE STATEMENT 2017/18

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### 5. Conclusion

Along with other Councils, the organisation is having to react to a great period of change: in legislation in circumstances and finances. The council is reacting in a positive way to each of these and recognises that the accomplishments of 2017/18 will establish a clear base for successes that will clearly follow in 2018/19. The establishment of a Limited Company and a procurement process which will identify an investment partner, is a clear sign of the Council's ambition and determination to resolve many of the financial pressures that it finds placed upon it.

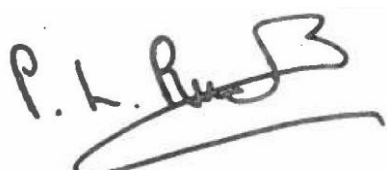
The success of the new corporate project structure has allowed much clearer decision making and supported the move to a more commercial model in 2018/19. Key to success will be the realisation of benefits from the organisation's assets, and the organisation's workforce. The greater informed and involved Brentwood Borough Council, has a tremendous base from which to go forward, and now needs to realise the benefits from the many assets at its disposal, this is not only land but the goodwill and work ethos of the staff who work for Brentwood. Sound programme management principles have resulted in clear definition of process as we move forward, and this is assisted by understanding the path to success. Organisationally we have restructured to both improve services and establish a commercial stream. We welcome the additional vigilance and understanding and also recognise the associated risk. However, the rewards are plentiful despite the uncertain economic future following Brexit.

We recognise that the pace of the transformation we are undergoing is essential but note that this can deflect from corrections that are needed from existing services. We acknowledge this and have adjusted management structures to improve this.

**Signed:**



**Louise McKinlay**  
**Leader of the Council**  
**25 July 2018**



**Philip Ruck**  
**Chief Executive**  
**25 July 2018**

# 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 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- The related notes 1 to 42;
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and 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 2017/18.

In our opinion the financial statements:

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

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

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

## Conclusions relating to going concern

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

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

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

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## **Other information**

The other information comprises the information included in the Statement of Accounts 2017/18, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, 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 2018.

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

We report to you if:

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

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

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## **Matters on which we report by exception (continued)**

We have nothing to report in these respects.

## **Responsibility of the Interim Chief Financial Officer**

As explained more fully in the Statement of the Interim Chief Financial Officer's Responsibilities set out on page 10, the Interim Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether 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.

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

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

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 2018.

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.

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.

*Debbie Hanson*

*Ernst + Young LLP*

Debbie Hanson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Luton

Date: 27 July 2018

**Disclaimer**

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

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