



DRAFT
STATEMENT OF ACCOUNTS
2015/2016

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NARRATIVE REPORT

1. Introduction

1.1 The Statement of Accounts summarises the financial performance of Brentwood Borough Council for the year ended 31 March 2016.

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 around 70,000. The Borough is mostly greenbelt land with approximately 1,215 hectares of woodland, three country parks, a large amount of farmland and a number of villages within its borders. The town of Brentwood is the urban heart of the Borough with a good mix of shops, schools, businesses and recreational facilities.

2.2 The Borough has excellent road and rail connections. The M25, A12 and A127 trunk roads are within the Borough and there are convenient, fast rail links with London and East Anglia. The rail links will be further enhanced by the opening of the Crossrail rail line.

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 approximately 340 full-time equivalent staff
- a housing stock of 2,486 with a value of £238.1m
- vehicles, equipment and buildings valued at £34.6m

3. Contents

The Statement 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 Finance Director. The Finance Director 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 12-14)
- d) Cash Flow Statement (page 15)

3.3 Notes to the Accounts including significant Accounting Policies (pages 16-83)

These provide supporting analysis to the Core Financial Statements. The significant Accounting Policies outline the legislation and principles upon which the Statement of Accounts has been prepared.

3.4 Housing Revenue Account (pages 84-89)

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost for the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and other income. Councils charge rents to cover expenditure in accordance with regulations - this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

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3.5 Collection Fund (pages 90-92)

This reflects the Council's statutory obligation to maintain a separate Collection Fund. It shows the transactions of the Council in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates (NNDR).

3.6 Notes to the Supplementary Statements

These provide supporting analysis to the Supplementary Statements.

3.7 The Annual Governance Statement

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

3.8 Glossary of Terms

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

4. Corporate Plan

4.1 The Council operated under the direction of its Corporate Plan 2013-2016 during 2015/16. The key priorities of the Plan are:

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

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

4.2 The Council has adopted a new Corporate Plan for the period 2016-2019 called Vision for Brentwood. This will come into effect in 2016-17.

5. Performance

5.1 The Council measures its performance using a range of performance indicators, which are published on the Council’s website (<http://opendata.brentwood.gov.uk/view/general-information/performance-indicators>).

6. General Fund Revenue Spend Analysis

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

6.2 For 2015/16, the approved spending requirement for the Council’s General Fund was £10.425m. The following table provides a summary of the actual spending and income for the General Fund compared to the forecast outturn:-

| | Forecast outturn £’000 | Actual outturn £’000 | Variance £’000 |
|---|------------------------------|-------------------------|-------------------|
| Corporate Priorities – Service Expenditure | | | |
| Street Scene and Environment | 3,178 | 3,149 | (29) |
| Localism | 1,214 | 1,089 | (125) |
| A Prosperous Borough | 831 | 625 | (206) |
| Housing, Health and Wellbeing | 613 | 504 | (109) |
| A Safe Borough | 1,662 | 934 | (728) |
| A Modern Council | 2,840 | 3,631 | 791 |
| Total Spend on Corporate Priorities | 10,338 | 9,932 | (406) |
| Adjustments and appropriations | (274) | 351 | 625 |
| Payment to Parish Councils | 361 | 361 | 0 |
| Total General Fund Expenditure | 10,425 | 10,644 | 219 |
| Funding: | | | |
| Council Tax | (5,600) | (5,600) | 0 |
| Revenue Support Grant and Business Rates | (3,118) | (3,341) | (223) |
| Council Tax Freeze Grant | (59) | (56) | 3 |
| Collection Fund Deficit | 357 | 357 | 0 |
| New Homes Bonus Grant | (1,455) | (1,460) | (5) |
| Total Funding | (9,875) | (10,100) | (225) |
| Earmarked for William Hunter Way reserve | (350) | (350) | 0 |
| General Fund Services Deficit | 200 | 194 | (6) |

NARRATIVE REPORT

6.3 The figures shown are different from those in the Comprehensive Income and Expenditure Statement, as many of the accounting adjustments and appropriations are reversed out in the Movement in Reserves Statement and therefore have no impact on the Council's actual budget position for the purpose of setting Council Tax.

7. General Fund Balance and Earmarked Reserves

7.1 The General Fund Balance stood at £3.965m and Earmarked General Fund Reserves stood at £2.533m at 31 March 2016. The following table shows the movement during the year:-

| | Balance at 31 March 2015 | Use of reserves during year | Balance at 31 March 2016 |
|---------------------------------|-------------------------------------|--|---|
| | £'000 | £'000 | £'000 |
| General Fund Balance | 4,509 | (544) | 3,965 |
| Earmarked General Fund Reserves | 2,584 | (51) | 2,533 |
| Total | 7,093 | (595) | 6,498 |

7.2 Note 2 (page 22) to the Accounts provides more detail of the earmarked reserves.

8. Housing Revenue Account Spend Analysis

8.1 The Housing Revenue Account (HRA) is kept as a separate account for all the expenditure and income relating to the Council's function as a landlord for managing and maintaining Council owned dwellings.

8.2 The table on the following page 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 due to the accounting adjustments required which do not have an effect on the actual budget position.

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| | Forecast outturn £'000 | Actual outturn £'000 | Variance £'000 |
|---------------------------------------|------------------------------|----------------------------|-------------------|
| Expenditure: | | | |
| Repairs and Maintenance | 2,670 | 2,925 | 255 |
| Supervision and Management | 2,586 | 2,711 | 125 |
| Rents, Rates, Taxes and Other Charges | 194 | 207 | 13 |
| Share of Corporate Costs | 452 | 457 | 5 |
| Depreciation and Impairment | 2,184 | 2,216 | 32 |
| Increase in Bad Debts Provision | 85 | 65 | (20) |
| Interest and Debt Management | 2,062 | 2,055 | (7) |
| Appropriations and Other Charges | 3,405 | 3,560 | 155 |
| Total Expenditure | 13,638 | 14,196 | 558 |
| Income: | | | |
| Dwelling Income | (12,261) | (12,143) | 118 |
| Non-Dwelling Income | (543) | (546) | (3) |
| Charges for Services and Facilities | (825) | (854) | (29) |
| Other Income | (249) | (255) | (6) |
| Total Income | (13,878) | (13,798) | 80 |
| HRA Services (Surplus)/Deficit | (240) | 398 | 638 |

- 8.3 As at 31 March 2016, the HRA Balance was £1.363m and there were earmarked HRA reserves of £1.903m.
- 8.4 The value of Council Dwellings as shown on the Balance Sheet (page 13) has risen by £36.876m between 31 March 2015 and 31 March 2016, an increase of 18%. The value of the Council Dwellings is based on the equivalent value of privately owned properties, discounted by a social housing factor of 61%. The increase in Council Dwelling values therefore reflects the general increase in property prices within the Borough.

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9 Capital Programme Spend Analysis

- 9.1 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.
- 9.2 The table below summarises the actual spending and funding position for the Capital Programme compared to the budget:

| | Forecast outturn £'000 | Actual outturn £'000 | Variance £'000 |
|---|------------------------------|----------------------------|-------------------|
| Corporate Priorities – Service Expenditure | | | |
| Housing, Health and Wellbeing | 4,060 | 4,448 | 388 |
| Street Scene and Environment | 220 | 107 | (113) |
| Localism | 1,273 | 171 | (1,102) |
| A Prosperous Borough | 361 | 287 | (74) |
| A Safe Borough | 267 | 112 | (155) |
| A Modern Council | 409 | 301 | (108) |
| Total Spend on Corporate Priorities | 6,590 | 5,426 | (1,164) |
| Funding | | | |
| Capital Receipts | 1,196 | 851 | (345) |
| Retained HRA Capital Receipts | 466 | 539 | 73 |
| Government Grants | 120 | 129 | 9 |
| Major Repairs Reserve | 2,267 | 2,215 | (52) |
| Revenue Contributions | 1,346 | 1,551 | 205 |
| Section 106 Agreements | 1,195 | 141 | (1,054) |
| Total Funding | 6,590 | 5,426 | (1,164) |

- 9.3 The Housing, Health and Wellbeing line includes spend of £1.8m on the purchase of five affordable housing properties. This is under an agreement that Brentwood signed up with the Government in 2012 to retain the receipts from Right to Buy sales for replacement Affordable Housing. The receipts retained can contribute 30% towards the replacement cost, the rest being funded from other funding sources available to the HRA.

10 Treasury Management and Capital Financing

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

| | £'000 | Average Rate % |
|-----------------------------------|----------------|-------------------|
| Fixed Interest Rate Debt | 2,000 | 8.08 |
| HRA Self-financing resultant debt | 64,166 | 3.10 |
| Total External Debt | 66,166 | |
| Total Investments | (9,300) | 0.73 |
| Net Borrowing Position | 56,866 | |

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- 10.2 The HRA Self-financing resultant debt of £64.166m was taken on in March 2012, when the Council “bought itself out” of the HRA subsidy system under the Government’s HRA reforms. The first tranche of this debt (£5m) will mature in March 2017, with the remaining debt maturing between then and March 2042.
- 10.3 In addition to external debt, the Council has “internal debt” of approximately £8m, representing occasions in the previous years when the Council has used its own cash resources to fund capital expenditure instead of taking out external loans.
- 10.4 The investments of £9.300m are all short term and are included in the Council’s Balance Sheet as “Cash Equivalents.”
- 11 Net Pension Liability and Reserve**
- 11.1 The Council’s Balance Sheet shows a net pension liability of £44.360m at 31 March 2016, offset by a reserve of the same amount. Details of the required accounting for pension schemes are contained in Note 36 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.
- 11.2 However, there are statutory arrangements in place for funding the deficit which means that the Council’s financial position remains healthy. The liability reflects future payments. Contributions into the Pension Fund over the remaining working life of employees will increase, if required, to ensure that any deficit is made good before the payments become due.
- 12 Medium Term Financial Plan**
- 12.1 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 priorities
 - c) to maximise opportunities and mitigate risks associated with the fundamental change in the way local government is financed.
- 12.2 There are a number of issues impacting the MTFP including the phasing out of the Revenue Support Grant, changes to the New Homes Bonus and the Business Rates Retention Schemes and the creation of Combined Authorities.
- 12.3 The MTFP currently extends to 2018/19 and it forecasts a cumulative funding gap of £3.3m by 2018/19. Within this context, the Council’s General Fund Net Forecast Spend for 2016/17 is £10.148m, with an average Band D Council Tax of £173.14.

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13 Change in Accounting Standards

13.1 The 2015/16 Statement of Accounts includes the introduction of International Financial Reporting Standard 13 (IFRS13), *Fair Value Measurement*. This standard introduces an updated definition of Fair Value and a “fair value hierarchy,” which classifies assets and liabilities by the measurement basis used.

13.2 The Council has adopted a new policy on Fair Value Measurement (para 38.7) to reflect this new standard. The area of the accounts where this new policy has been applied is Investment Properties (note 9 to the accounts).

14 Further Information

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

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

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

The Finance Director's Responsibilities

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

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

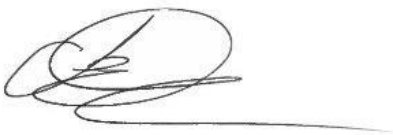
- selected suitable accounting policies and then applied them consistently
- made judgments and estimates that were reasonable and prudent
- complied with the Code

The Finance Director 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 Finance Director

The Statement of Accounts gives a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended.



Chris Leslie CPFA
Finance Director
8th June 2016

CORE FINANCIAL STATEMENTS - MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus/Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax setting and housing rents setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves by the Council.

| | Revenue Reserves | | | | Capital Reserves | | | Total Usable Reserves | Unusable Reserves (notes 17-22) | Total Reserves |
|---|----------------------|---------------------------------|-------------------------|------------------------|--------------------------|----------------------------------|-----------------------|-----------------------|---------------------------------|----------------|
| | General Fund Balance | Earmarked General Fund Reserves | Housing Revenue Account | Earmarked HRA Reserves | Capital Receipts Reserve | Capital Grants Unapplied Account | Major Repairs Reserve | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | | | |
| Balance at 31 March 2014 | 4,511 | 3,270 | 1,665 | 689 | 1,952 | 116 | 20 | 12,223 | 104,557 | 116,780 |
| Movement in reserves during 2014/15: | | | | | | | | | | |
| Surplus/(deficit) on the provision of services | (1,882) | 0 | 6,838 | 0 | 0 | 0 | 0 | 4,956 | 0 | 4,956 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,005 | 9,005 |
| Total Comprehensive Income and Expenditure | (1,882) | 0 | 6,838 | 0 | 0 | 0 | 0 | 4,956 | 9,005 | 13,961 |
| Adjustments between accounting basis and funding basis under regulations (note 1) | 1,194 | 0 | (6,018) | 0 | 367 | (2) | (20) | (4,479) | 4,478 | (1) |
| Net increase/(decrease) before transfers to Earmarked Reserves | (688) | 0 | 820 | 0 | 367 | (2) | (20) | 477 | 13,483 | 13,960 |
| Transfers (to)/from Earmarked Reserves (note 2) | 686 | (686) | (724) | 724 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase/(decrease) in 2014/15 | (2) | (686) | 96 | 724 | 367 | (2) | (20) | 477 | 13,483 | 13,960 |
| Balance at 31 March 2015 | 4,509 | 2,584 | 1,761 | 1,413 | 2,319 | 114 | 0 | 12,700 | 118,040 | 130,740 |

| | Revenue Reserves | | | | Capital Reserves | | | Total Usable Reserves | Unusable Reserves (notes 17-22) | Total Reserves |
|---|----------------------|---------------------------------|-------------------------|------------------------|--------------------------|----------------------------------|-----------------------|-----------------------|---------------------------------|----------------|
| | General Fund Balance | Earmarked General Fund Reserves | Housing Revenue Account | Earmarked HRA Reserves | Capital Receipts Reserve | Capital Grants Unapplied Account | Major Repairs Reserve | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | | | |
| Balance at 31 March 2015 | 4,509 | 2,584 | 1,761 | 1,413 | 2,319 | 114 | 0 | 12,700 | 118,040 | 130,740 |
| Movement in reserves during 2015/16: | | | | | | | | | | |
| Surplus/(deficit) on the provision of services | (2,211) | 0 | 6,234 | 0 | 0 | 0 | 0 | 4,023 | 0 | 4,023 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 37,256 | 37,256 |
| Total Comprehensive Income and Expenditure | (2,211) | 0 | 6,234 | 0 | 0 | 0 | 0 | 4,023 | 37,256 | 41,279 |
| Adjustments between accounting basis and funding basis under regulations (note 1) | 1,616 | 0 | (6,142) | 0 | 404 | 286 | 0 | (3,836) | 3,836 | 0 |
| Net increase/(decrease) before transfers to Earmarked Reserves | (595) | 0 | 92 | 0 | 404 | 286 | 0 | 187 | 41,092 | 41,279 |
| Transfers (to)/from Earmarked Reserves (note 2) | 51 | (51) | (490) | 490 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase/(decrease) in 2015/16 | (544) | (51) | (398) | 490 | 404 | 286 | 0 | 187 | 41,092 | 41,279 |
| Balance at 31 March 2016 | 3,965 | 2,533 | 1,363 | 1,902 | 2,723 | 400 | 0 | 12,887 | 159,132 | 172,019 |

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.

| | 2014/15 | | | 2015/16 | | |
|--|---------------|-----------------|-----------------|----------------|-----------------|-----------------|
| | Gross | Gross | Net | Gross | Gross | Net |
| | Expenditure | Income | Expenditure | Expenditure | Income | Expenditure |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Central services to the public | 1,797 | (807) | 990 | 2,700 | (906) | 1,794 |
| Cultural and related services | 2,941 | (579) | 2,362 | 2,265 | (744) | 1,521 |
| Environment and regulatory services | 6,513 | (2,865) | 3,648 | 5,781 | (2,409) | 3,372 |
| Planning services | 3,480 | (2,059) | 1,421 | 3,607 | (1,818) | 1,789 |
| Highways and transport services | 1,115 | (1,757) | (642) | 1,167 | (1,760) | (593) |
| Local authority housing (HRA) | 4,271 | (13,510) | (9,239) | 5,330 | (13,799) | (8,469) |
| Other housing services | 18,970 | (17,533) | 1,437 | 17,854 | (16,130) | 1,724 |
| Corporate and democratic core | 2,640 | (509) | 2,131 | 1,778 | (460) | 1,318 |
| Non distributed costs | 86 | 0 | 86 | 282 | 0 | 282 |
| Cost of Services | 41,813 | (39,619) | 2,194 | 40,764 | (38,026) | 2,738 |
| Other operating expenditure (note 3) | 725 | (445) | 280 | 745 | (579) | 166 |
| Financing and investment income & expenditure (note 4) | 3,868 | (551) | 3,317 | 3,636 | (201) | 3,435 |
| Taxation and non-specific grant income & expenditure (note 5) | 0 | (10,747) | (10,747) | 0 | (10,362) | (10,362) |
| Surplus on Provision of Services | 46,406 | (51,362) | (4,956) | 45,145 | (49,168) | (4,023) |
| Surplus on revaluation of Property, Plant and Equipment assets | 0 | (15,571) | (15,571) | 0 | (33,638) | (33,638) |
| Remeasurement of the net defined benefit pension liability | 6,566 | 0 | 6,566 | (3,289) | 0 | (3,289) |
| Recognition of shared equity loans | 0 | 0 | 0 | 0 | (329) | (329) |
| Other Comprehensive Income and Expenditure | 6,566 | (15,571) | (9,005) | (3,289) | (33,967) | (37,256) |
| Total Comprehensive Income and Expenditure | 52,972 | (66,933) | (13,961) | 41,856 | (83,135) | (41,279) |

CORE FINANCIAL STATEMENTS - BALANCE SHEET

This shows the value at 31 March of the Council's assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories, usable or unusable. Usable reserves are those that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). Unusable reserves are technical accounting items, which cannot be used to provide services.

| Note | 31-Mar 2015 £'000 | 31-Mar 2016 £'000 |
|------|--------------------------------------|------------------------------|
| 6 | Property, Plant and Equipment:- | |
| | Council dwellings | 238,100 |
| | Other land and buildings | 28,843 |
| | Infrastructure | 492 |
| | Surplus assets | 0 |
| | Community assets | 2,956 |
| | Vehicles, plant and equipment | 2,316 |
| | <u>237,415</u> | <u>272,707</u> |
| | Intangible Assets | 188 |
| 9 | Investment Property | 2,860 |
| 10.1 | Long-term Debtors | 975 |
| | Long-term Assets | <u>276,730</u> |
| | Inventories | 71 |
| 11 | Short-term Debtors | 4,098 |
| 12 | Cash and Cash Equivalents | 9,280 |
| | Assets Held for Sale | 1,850 |
| | Current Assets | <u>15,299</u> |
| | Short-term Borrowing | (5,090) |
| 13 | Short-term Creditors | (5,401) |
| 29 | Grants Receipts in Advance - Revenue | (645) |
| | Current Liabilities | <u>(11,136)</u> |
| | Long-term Borrowing | (61,658) |
| | Other Long-term Liabilities | 0 |
| 29 | Grants Receipts in Advance | (940) |
| 36 | Net Pension Liability | (44,360) |
| 14 | Provisions | (1,916) |
| | Long-term Liabilities | <u>(108,874)</u> |
| | Net Assets | <u><u>172,019</u></u> |

CORE FINANCIAL STATEMENTS - BALANCE SHEET

| Note | 31-Mar 2015 £'000 | 31-Mar 2016 £'000 |
|------|--------------------------|--------------------------|
| 1 | 4,509 | 3,965 |
| 1 | 1,761 | 1,363 |
| 1 | 2,319 | 2,723 |
| 1 | 0 | 0 |
| 1 | 114 | 400 |
| 2 | 3,997 | 4,436 |
| | Usable Reserves | Usable Reserves |
| | 12,700 | 12,887 |
| 16 | 49,836 | 82,453 |
| 17 | 114,586 | 120,451 |
| 19 | 601 | 703 |
| 20 | (46,969) | (44,360) |
| 21 | (102) | (104) |
| 22 | 118 | (11) |
| 18 | (30) | 0 |
| | Unusable Reserves | Unusable Reserves |
| | 118,040 | 159,132 |
| | Total Reserves | Total Reserves |
| | 130,740 | 172,019 |

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. Cash flows are classified as operating, investing and financing activities. The net cash flow from operating activities is a key indicator of the extent to which the Council's operations are funded from taxation, grant income and receipts from service users. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

| Note | 2014/15 | | 2015/16 | |
|---|---------|---------------------|---------|---------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Net surplus on the provision of services | | (4,956) | | (4,023) |
| Adjustments for non cash movements:- | | | | |
| Depreciation of non current assets | (3,099) | | (3,193) | |
| Amortisation of intangible assets | (171) | | (226) | |
| Revaluation adjustments | 3,525 | | 2,802 | |
| (Increase)/decrease in bad debts provision | (411) | | (275) | |
| (Increase)/decrease in creditors | (2,083) | | 949 | |
| Increase/(decrease) in debtors | (2,111) | | 12 | |
| Increase/(decrease) in inventories | 39 | | (88) | |
| Movement in pension liabilities | (281) | | (680) | |
| Carrying amounts of non-current assets sold | (1,133) | | (1,524) | |
| Increase in provisions | (48) | | (405) | |
| Movement in value of investment properties | 331 | | (63) | |
| Other non cash movements | 9 | | (222) | |
| Total adjustments for non cash movements | | (5,433) | | (2,915) |
| Adjustments for investing or financing activities | | | | |
| Proceeds from the sale of non-current assets | 1,578 | | 2,177 | |
| Capital Grants | 123 | | 165 | |
| Total adjustment for investing or financing activities | | 1,701 | | 2,342 |
| Net cash in-flow from Operating Activities | | (8,688) | | (4,596) |
| Investing Activities:- | | | | |
| Purchase of Property, Plant & Equipment and Intangible Assets | 3,173 | | 5,426 | |
| Proceeds from the sale of Property, Plant & Equipment | (1,578) | | (2,177) | |
| (increase)/decrease in capital grants | 19 | | (212) | |
| | | 1,614 | | 3,037 |
| Financing Activities:- | | | | |
| Repayments of short-term and long-term borrowing | 2,031 | | 32 | |
| Increase in Collection Fund Agency creditors | (1,656) | | (972) | |
| Repayment of finance leases | 18 | | 18 | |
| | | 393 | | (922) |
| Net increase in cash and cash equivalents | | (6,681) | | (2,481) |
| 12 Cash and cash equivalents at the beginning of the reporting period | | 118 | | 6,799 |
| 12 Cash and cash equivalents at the end of the reporting period | | <u>6,799</u> | | <u>9,280</u> |
| Movement in cash & cash equivalents | | <u>6,681</u> | | <u>2,481</u> |

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NOTES TO THE ACCOUNTS

1. **Adjustments between accounting basis and funding basis under regulation**

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

| Adjustments between Accounting Basis and Funding Basis under Regulations - 2015/16 | Usable Reserves | | | | | | Movement in Usable Reserves | Movement in Unusable Reserves |
|---|----------------------|---------------------------------|--------------------------|-----------------------|--------------------------|--------------------------|-----------------------------|-------------------------------|
| | General Fund Balance | Housing Revenue Account Balance | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Capital Grants Unapplied | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | | | |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</u> | | | | | | | | |
| Charges for depreciation of non-current assets | 978 | 2,215 | 0 | 0 | 0 | 3,193 | (3,193) | |
| Reversal of impairment and losses previously charged | 0 | (2,802) | 0 | 0 | 0 | (2,802) | 2,802 | |
| Revaluation losses on Property, Plant and Equipment | (98) | 0 | 0 | 0 | 0 | (98) | 98 | |
| Movements in the fair value of Investment Properties | 63 | 0 | 0 | 0 | 0 | 63 | (63) | |
| Amortisation of intangible assets | 218 | 8 | 0 | 0 | 0 | 226 | (226) | |
| Capital grants and contributions applied | (270) | 0 | 0 | 0 | 0 | (270) | 270 | |
| Revenue expenditure funded from capital under statute | 146 | 0 | 0 | 0 | 0 | 146 | (146) | |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal | 600 | 770 | 0 | 0 | 0 | 1,370 | (1,370) | |
| Revenue Funding of Capital Expenditure | 0 | (1,551) | 0 | 0 | 0 | (1,551) | 1,551 | |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u> | | | | | | | | |
| Provision for the financing of capital investment | (18) | (1,500) | 0 | 0 | 0 | (1,518) | 1,518 | |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | | | |
| Capital grants and contributions unapplied credited to the CIES | (286) | 0 | 0 | 0 | 286 | 0 | 0 | |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the CIES | (910) | (1,173) | 2,083 | 0 | 0 | 0 | 0 | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | (1,389) | 0 | 0 | (1,389) | 1,389 | |
| Contribution to finance the payments to the Government capital receipts pool | 384 | 0 | (384) | 0 | 0 | 0 | 0 | |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 0 | 0 | 94 | 0 | 0 | 94 | (94) | |
| Adjustments primarily involving the Deferred Capital Receipts Reserve: | | | | | | | | |
| Transfer of net gain/loss on disposal to the CIES | 134 | 0 | 0 | 0 | 0 | 134 | (134) | |
| Adjustments primarily involving the Major Repairs Reserve: | | | | | | | | |
| Transfer of depreciation charged to the HRA | 0 | (2,215) | 0 | 2,215 | 0 | 0 | 0 | |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | 0 | 0 | (2,215) | 0 | (2,215) | 2,215 | |

NOTES TO THE ACCOUNTS

| Adjustments between Accounting Basis and Funding Basis under Regulations - 2015/16 | Usable Reserves | | | | | | |
|--|-------------------------------------|---|---|--------------------------------------|---|--|--|
| | General Fund Balance £'000 | Housing Revenue Account Balance £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied £'000 | Movement in Usable Reserves £'000 | Movement in Unusable Reserves £'000 |
| Adjustments primarily involving the Financial Instruments Adjustment Account: | | | | | | | |
| Difference between finance costs charged to the CIES and finance costs chargeable in accordance with statutory requirements | (30) | 0 | 0 | 0 | 0 | (30) | 30 |
| Adjustments primarily involving the Pensions Reserve: | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 2,931 | 470 | 0 | 0 | 0 | 3,401 | (3,401) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (2,360) | (361) | 0 | 0 | 0 | (2,721) | 2,721 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | | |
| Amount by which Council Tax and NNDR income credited to the CIES is different from Council Tax and NNDR income calculated for the year in accordance with statutory requirements | 129 | 0 | 0 | 0 | 0 | 129 | (129) |
| Adjustments primarily involving the Accumulated Absences Account: | | | | | | | |
| Amount by which staff remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 5 | (3) | 0 | 0 | 0 | 2 | (2) |
| Total Adjustments | 1,616 | (6,142) | 404 | 0 | 286 | (3,836) | 3,836 |

NOTES TO THE ACCOUNTS

| Adjustments between Accounting Basis and Funding Basis under Regulations - 2014/15 | Usable Reserves | | | | | | | Net Movement |
|---|----------------------------|--|--------------------------------|-----------------------------|--------------------------------|-----------------------------------|---|-----------------|
| | General Fund Balance | Housing Revenue Account Balance | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Usable Reserves | Move ment in Unusable Reserves | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | | | |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</u> | | | | | | | | |
| Charges for depreciation of non-current assets | 1,083 | 2,016 | 0 | 0 | 0 | 3,099 | (3,099) | 0 |
| Reversal of impairment and losses previously charged | (95) | (4,855) | 0 | 0 | 0 | (4,950) | 4,950 | 0 |
| Revaluation losses on Property, Plant and Equipment | 740 | 685 | 0 | 0 | 0 | 1,425 | (1,425) | 0 |
| Movements in the fair value of Investment Properties | (331) | 0 | 0 | 0 | 0 | (331) | 331 | 0 |
| Amortisation of intangible assets | 163 | 8 | 0 | 0 | 0 | 171 | (171) | 0 |
| Capital grants and contributions applied | (225) | 0 | 0 | 0 | 0 | (225) | 225 | 0 |
| Revenue expenditure funded from capital under statute | 177 | (6) | 0 | 0 | 0 | 171 | (171) | 0 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal | 0 | 1,133 | 0 | 0 | 0 | 1,133 | (1,133) | 0 |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u> | | | | | | | | |
| Provision for the financing of capital investment | (16) | (1,500) | 0 | 0 | 0 | (1,516) | 1,516 | 0 |
| Capital expenditure charged direct to revenue | 0 | (34) | 0 | 0 | 0 | (34) | 34 | 0 |
| Other** | (1) | 0 | 0 | 0 | 0 | (1) | 0 | (1) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | | | |
| Capital grants and contributions unapplied credited to the CIES | 2 | 0 | 0 | 0 | (2) | 0 | 0 | 0 |
| Adjustments primarily involving the Capital Receipts Reserve: | | | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the CIES | (85) | (1,493) | 1,578 | 0 | 0 | 0 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | (1,051) | 0 | 0 | (1,051) | 1,051 | 0 |
| Contribution to finance the payments to the Government capital receipts pool | 423 | 0 | (423) | 0 | 0 | 0 | 0 | 0 |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | 0 | 0 | 263 | 0 | 0 | 263 | (263) | 0 |
| Adjustments primarily involving the Major Repairs Reserve: | | | | | | | | |
| Transfer of depreciation charged to the HRA | 0 | (2,015) | 0 | 2,015 | 0 | 0 | 0 | 0 |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | 0 | 0 | (2,035) | 0 | (2,035) | 2,035 | 0 |
| Adjustments primarily involving the Financial Instruments Adjustment Account: | | | | | | | | |
| Difference between finance costs charged to the CIES and finance costs chargeable in accordance with statutory requirements | (79) | 0 | 0 | 0 | 0 | (79) | 79 | 0 |

NOTES TO THE ACCOUNTS

| Adjustments between Accounting Basis and Funding Basis under Regulations - 2014/15 | Usable Reserves | | | | | | | |
|--|----------------------------|--|--------------------------------|-----------------------------|--------------------------------|-----------------------------------|--|-----------------|
| | General Fund Balance | Housing Revenue Account Balance | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Usable Reserves | Move- ment in Unusable Reserves | Net Movement |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adjustments primarily involving the Pensions Reserve: | | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | 2,468 | 527 | 0 | 0 | 0 | 2,995 | (2,995) | 0 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (2,234) | (480) | 0 | 0 | 0 | (2,714) | 2,714 | 0 |
| Adjustments primarily involving the Collection Fund Adjustment Account: | | | | | | | | |
| Amount by which Council Tax and NNDR income credited to the CIES is different from Council Tax and NNDR income calculated for the year in accordance with statutory requirements | (770) | 0 | 0 | 0 | 0 | (770) | 770 | 0 |
| Adjustments primarily involving the Accumulated Absences Account: | | | | | | | | |
| Amount by which staff remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (26) | (4) | 0 | 0 | 0 | (30) | 30 | 0 |
| Total Adjustments | 1,194 | (6,018) | 367 | (20) | (2) | (4,479) | 4,478 | (1) |

NOTES TO THE ACCOUNTS

2. 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 2015/16.

| | Balance at 1 April 2014 £'000 | Transfers out 2014/15 £'000 | Transfers in 2014/15 £'000 | Balance at 31 March 2015 £'000 | Transfers out 2015/16 £'000 | Transfers in 2015/16 £'000 | Balance at 31 March 2016 £'000 |
|---|--|--------------------------------------|-------------------------------------|--|--------------------------------------|-------------------------------------|--|
| General Fund Reserves | | | | | | | |
| Funding Volatility | 1,250 | (417) | 55 | 888 | (426) | 0 | 462 |
| Organisational Transformation | 483 | 0 | 0 | 483 | 0 | 292 | 775 |
| Duchess of Kent/Nightingale | 355 | (13) | 0 | 342 | (4) | 0 | 338 |
| Community Alarms | 277 | 0 | 14 | 291 | 0 | 0 | 291 |
| Asset Management | 118 | 0 | 0 | 118 | 0 | 0 | 118 |
| Planning Delivery Grant | 102 | 0 | 15 | 117 | 0 | 91 | 208 |
| Building Control | 48 | 0 | 0 | 48 | 0 | 26 | 74 |
| Brentwood Community Hospital | 49 | (4) | 0 | 45 | 0 | 0 | 45 |
| Electoral Registration | 43 | 0 | 0 | 43 | 0 | 0 | 43 |
| Preventing Homelessness | 15 | 0 | 23 | 38 | 0 | 0 | 38 |
| Neighbourhood Plan | 21 | 0 | 5 | 26 | 0 | 0 | 26 |
| Economic Development | 15 | 0 | 14 | 29 | (9) | 5 | 25 |
| Community Rights | 30 | 0 | 16 | 46 | 0 | 0 | 46 |
| Land at Hanover House | 0 | 0 | 0 | 0 | 0 | 16 | 16 |
| New Burdens Grant | 0 | 0 | 0 | 0 | 0 | 12 | 12 |
| Brentwood Community Fund | 70 | (45) | 10 | 35 | (26) | 0 | 9 |
| Public Consultation | 10 | (5) | 0 | 5 | 0 | 0 | 5 |
| Civic Dinner | 0 | 0 | 0 | 0 | 0 | 2 | 2 |
| Single Status | 30 | 0 | 0 | 30 | (30) | 0 | 0 |
| Asset Valuations | 17 | (17) | 0 | 0 | 0 | 0 | 0 |
| CCTV | 4 | (4) | 0 | 0 | 0 | 0 | 0 |
| Community Safety | 9 | (9) | 0 | 0 | 0 | 0 | 0 |
| Housing Benefit Subsidy Clawback | 200 | (200) | 0 | 0 | 0 | 0 | 0 |
| Housing Development Fund | 100 | (100) | 0 | 0 | 0 | 0 | 0 |
| Street Scene Training | 2 | (2) | 0 | 0 | 0 | 0 | 0 |
| Ward Based Budgets | 21 | (21) | 0 | 0 | 0 | 0 | 0 |
| Total General Fund Reserves | 3,269 | (837) | 152 | 2,584 | (495) | 444 | 2,533 |
| Housing Revenue Account Reserves | | | | | | | |
| Council Dwellings Investment Fund | 500 | 0 | 500 | 1,000 | 0 | 500 | 1,500 |
| Repairs and Maintenance | 0 | 0 | 400 | 400 | 0 | 0 | 400 |
| Resident Involvement Training | 0 | 0 | 0 | 0 | 0 | 3 | 3 |
| Carpets for Sheltered Schemes | 13 | 0 | 0 | 13 | (13) | 0 | 0 |
| Equal Pay | 176 | (176) | 0 | 0 | 0 | 0 | 0 |
| Total Housing Revenue Account Reserves | 689 | (176) | 900 | 1,413 | (13) | 503 | 1,903 |

NOTES TO THE ACCOUNTS

The following table sets out the purpose of each reserve that had an opening balance at the start of the 2015/16 financial year, and the newly created reserves in 2015/16 :-

| Reserve | Purpose |
|--|---|
| <u>General Fund Reserves</u> | |
| Funding Volatility | To mitigate financial risks from proposed changes in respect of the localisation of Business Rates and the Council Tax Support Scheme. |
| Organisational Transformation | To fund the Council's ongoing programme of continuous improvement in its services, employees and members. |
| Duchess of Kent / Nightingale | A developer contribution provided to meet the cost of grounds maintenance at the new housing development. |
| Community Alarms | To fund the renewal and maintenance of equipment used for emergency call alarm system operated by the Council. Government Grant and residents' contributions are paid into the reserve. |
| Asset Management | To meet the cost of developing and implementing the Asset Management Strategy. |
| Planning Delivery Grant | Holds unspent grant and budget from previous years and will be used for work associated with the Local Development Plan. |
| 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 Hospital | A developer contribution to be used for annual grounds maintenance of the former hospital site. |
| Electoral Registration | Carried forward unspent budgets for use in the implementation of individual electoral registration in 2016/17. |
| Preventing Homelessness | Carries forward unspent budgets and Government grant to be used for various initiatives in 2016/17. |
| Neighbourhood Plan | Carries forward Government grants to be used in connection with Doddinghurst and West Horndon neighbourhood plans. |
| Economic Development | Holds Government reward grant and underspent budget which will be used to fund projects to support the Economic Development Strategy in 2015/16. |
| Community Rights | Contains the Government grant provided to assist in the implementation of the Localism Act. |
| Land at Hanover House | Section 106 Agreement to make public open space improvements at land at Hanover House. |
| New Burdens Grant | Grant received in 2015/16 from the Department of Work and Pensions for work to be carried out in 2016/17 |
| Brentwood Community Fund | Holds unspent Local Strategic Partnership monies to fund agreed community projects in 2015/16. |
| Public Consultation | Carries forward unspent budget to be used for a borough wide satisfaction surveys. |
| Civic Dinner | Unspent budget to fund the Civic Dinner event to be held in 2016/17 |
| Single Status | The residual balance of a reserve originally set up to meet potential costs from the Single Status Project. It was closed in 2015/16. |
| <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. |
| Resident Involvement Training | To fund the appointment of a consultant to carry out a review of the our resident involvement structure. |
| Carpets for Sheltered Schemes | Carried forward unspent budget from previous years. Fully used in 2015/16. |
| HRA Repairs and Maintenance | Carried forward unspent budget in 2015/16. |

NOTES TO THE ACCOUNTS

3. Other Operating Expenditure

| | 2014/15 | 2015/16 |
|--|------------|------------|
| | £'000 | £'000 |
| Parish Council precepts | 302 | 361 |
| Payments to the Government Housing Capital Receipts Pool | 423 | 384 |
| Gains on the disposal of non-current assets | (445) | (579) |
| Total | 280 | 166 |

4. Financing and Investment Income and Expenditure

| | 2014/15 | 2015/16 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Interest payable and similar charges | 2,176 | 2,172 |
| Net interest on the pensions net defined benefit liability | 1,692 | 1,464 |
| Interest receivable and similar income | (67) | (134) |
| Income and expenditure in relation to investment properties and changes in their fair value | (484) | (67) |
| Total | 3,317 | 3,435 |

5. Taxation and Non-Specific Grant Income

| | 2014/15 | 2015/16 |
|----------------------------------|-----------------|-----------------|
| | £'000 | £'000 |
| Council Tax Income | (5,631) | (5,771) |
| Non-domestic rates (NNDR) income | (1,576) | (941) |
| Non-ringfenced Government grants | (3,406) | (3,260) |
| Capital grants and contributions | (134) | (390) |
| Total | (10,747) | (10,362) |

NOTES TO THE ACCOUNTS

6. Property Plant and Equipment

6.1 Movements on balances in 2015/16

| | Total £'000 | Council Dwellings £'000 | Other Land and Buildings £'000 | Infra- structure £'000 | Vehicles, Plant and Equipment £'000 | Surplus Assets £'000 | Community Assets £'000 |
|---|----------------|-------------------------------|---|------------------------------|--|----------------------------|------------------------------|
| Cost or Valuation | | | | | | | |
| At 1 April 2015 | 242,626 | 201,224 | 29,578 | 704 | 6,814 | 1,350 | 2,956 |
| Acquisitions | 2,536 | 1,795 | 248 | 0 | 493 | 0 | 0 |
| Additions | 2,510 | 2,510 | 0 | 0 | 0 | 0 | 0 |
| Revaluation increases recognised in the Revaluation Reserve | 31,456 | 30,644 | 812 | 0 | 0 | 0 | 0 |
| Revaluation increases recognised in the Surplus or Deficit on the Provision of Services | 2,705 | 2,705 | 0 | 0 | 0 | 0 | 0 |
| Derecognition - disposals | (778) | (778) | 0 | 0 | 0 | 0 | 0 |
| Asset reclassified to Assets Held for Sale | (750) | 0 | 0 | 0 | 0 | (750) | 0 |
| Asset reclassified to Investment Property | (1,660) | 0 | (1,060) | 0 | 0 | (600) | 0 |
| At 31 March 2016 | 278,645 | 238,100 | 29,578 | 704 | 7,307 | 0 | 2,956 |
| At 1 April 2015 | (5,211) | 0 | (576) | (198) | (4,437) | 0 | 0 |
| Depreciation charge | (3,193) | (2,040) | (585) | (14) | (554) | 0 | 0 |
| Other movements in depreciation and impairment | 2,466 | 2,040 | 426 | 0 | 0 | 0 | 0 |
| At 31 March 2016 | (5,938) | 0 | (735) | (212) | (4,991) | 0 | 0 |
| At 31 March 2016 | 272,707 | 238,100 | 28,843 | 492 | 2,316 | 0 | 2,956 |
| At 31 March 2015 | 237,415 | 201,224 | 29,002 | 506 | 2,377 | 1,350 | 2,956 |

6.2 Comparative Movements on Balances in 2014/15

| | Total £'000 | Council Dwellings £'000 | Other Land and Buildings £'000 | Infra- structure £'000 | Vehicles, Plant and Equipment £'000 | Surplus Assets £'000 | Community Assets £'000 |
|---|----------------|-------------------------------|---|------------------------------|--|----------------------------|------------------------------|
| Cost or Valuation | | | | | | | |
| At 1 April 2014 | 224,450 | 184,496 | 29,538 | 704 | 6,067 | 710 | 2,935 |
| Acquisitions | 747 | 0 | 0 | 0 | 747 | 0 | 0 |
| Additions | 2,353 | 2,066 | 227 | 0 | 0 | 39 | 21 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 13,280 | 11,241 | 1,392 | 0 | 0 | 647 | 0 |
| Revaluation increases/(decreases) recognised in the Surplus or Deficit on the Provision of Services | 3,226 | 4,566 | (1,294) | 0 | 0 | (46) | 0 |
| Derecognition - disposals | (1,145) | (1,145) | 0 | 0 | 0 | 0 | 0 |
| Asset reclassified to Investment Property | (285) | 0 | (285) | 0 | 0 | 0 | 0 |
| At 31 March 2015 | 242,626 | 201,224 | 29,578 | 704 | 6,814 | 1,350 | 2,956 |
| At 1 April 2014 | (4,761) | 0 | (724) | (184) | (3,849) | (4) | 0 |
| Depreciation charge | (3,099) | (1,872) | (611) | (14) | (588) | (14) | 0 |
| Other movements in depreciation and impairment | 2,649 | 1,872 | 759 | 0 | 0 | 18 | 0 |
| At 31 March 2015 | (5,211) | 0 | (576) | (198) | (4,437) | 0 | 0 |
| At 31 March 2015 | 237,415 | 201,224 | 29,002 | 506 | 2,377 | 1,350 | 2,956 |
| At 31 March 2014 | 219,689 | 184,496 | 28,814 | 520 | 2,218 | 706 | 2,935 |

NOTES TO THE ACCOUNTS

6.3 Depreciation

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

- Council Dwellings 69 years
- Other Land and Buildings 5-70 years
- Vehicles, Plant & Equipment 5-10 years
- Infrastructure-land drainage 50 years
- Infrastructure-other assets 10 years

6.4 Capital Commitments

At 31 March 2016, the Council had not entered into any new material contractual commitments (at 31 March 2015, the Council had capital commitments of £347,000).

6.5 Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The valuation of the Brentwood Centre land as at 31 March 2016 was carried out by the independent external Royal Institute of Chartered Surveyors (RICS) registered valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS. All other valuations as at that date were carried out by internal RICS registered valuers on the same bases. The bases for valuation are set out in accounting policy 38.12.

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

NOTES TO THE ACCOUNTS

Valuation history

| | Council Dwellings £'000 | Other Land and Buildings £'000 | Infrastructure £'000 | Vehicles, Plant and Equipment £'000 | Community Assets £'000 | Total £'000 |
|--|-------------------------------|---|-------------------------|--|------------------------------|----------------|
| Carried at depreciated historical cost | 0 | 0 | 492 | 2,316 | 2,956 | 5,764 |
| Valued at fair value as at | | | | | | |
| 31 March 2008 | 442,659 | 43,257 | 0 | 0 | 0 | 485,916 |
| 31 March 2009 | (267,936) | (1,960) | 0 | 0 | 0 | (269,896) |
| 31 March 2010 | 15,113 | (9,551) | 0 | 0 | 0 | 5,562 |
| 31 March 2011 | (25,191) | 1,334 | 0 | 0 | 0 | (23,857) |
| 31 March 2012 | 5,090 | (225) | 0 | 0 | 0 | 4,865 |
| 31 March 2013 | (2,115) | (271) | 0 | 0 | 0 | (2,386) |
| 31 March 2014 | 16,876 | (3,770) | 0 | 0 | 0 | 13,106 |
| 31 March 2015 | 16,728 | 188 | 0 | 0 | 0 | 16,916 |
| 31 March 2016 | 36,876 | (159) | 0 | 0 | 0 | 36,717 |
| Total Cost or Valuation | 238,100 | 28,843 | 492 | 2,316 | 2,956 | 272,707 |

NOTES TO THE ACCOUNTS

7. **Capital Expenditure and Capital Financing**

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

| | 2014/15 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| Opening Capital Financing Requirement | 77,804 | 76,288 |
| <u>Capital Investment</u> | | |
| Property, Plant and Equipment | 3,100 | 5,046 |
| Intangible Assets | 73 | 234 |
| Revenue Expenditure Funded from Capital under Statute | 172 | 146 |
| Total Capital Investment | 3,345 | 5,426 |
| <u>Sources of Finance</u> | | |
| Capital receipts | (1,051) | (1,390) |
| Government grants and other contributions | (217) | (270) |
| Major Repairs Reserve | (2,035) | (2,215) |
| Revenue contributions to capital expenditure | (42) | (1,551) |
| Sub total | (3,345) | (5,426) |
| Sums set aside from revenue for the repayment of debt | (1,516) | (1,518) |
| Closing Capital Financing Requirement | 76,288 | 74,770 |
| <u>Explanation of Movements in the Year</u> | | |
| Decrease in the underlying need to borrow (unsupported by Government financial assistance) | (1,500) | (1,500) |
| Assets acquired under finance leases | (16) | (18) |
| Decrease in Capital Financing Requirement | (1,516) | (1,518) |

NOTES TO THE ACCOUNTS

8. 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. The Council does not have a general or specific policy for the acquisition, preservation, management and disposal of heritage assets.

Shenfield War Memorial is situated on Chelmsford Road in Brentwood and is readily accessible to the public. A programme of renovation was completed in 2012/13 which has given an expected maintenance-free life 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 sculpture that depicts in steel, scenes of Brentwood's history. It sits at the junction of Kings Road and Brentwood High Street and is available for viewing by the public at all times. There is no specific maintenance programme for the column, which will be inspected on an *ad hoc* basis.

9. Investment Properties

The Council holds a number of shops/retail outlets and pieces of land for the purpose of earning rental income and /or capital appreciation. There are no restrictions on the Council's ability to realise the value inherent in these investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance and enhancement.

The Council earned £0.131m (2014/15 £0.153m) 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 the Council's internal valuers who are registered with the Royal Institute of Chartered Surveyors (RICS).

| | 2014/15 £'000 | 2014/15 £'000 | 2014/15 £'000 | 2015/16 £'000 | 2015/16 £'000 | 2015/16 £'000 |
|---|------------------------|------------------|------------------|------------------------|------------------|------------------|
| | Commercial premises | Land | Total | Commercial premises | Land | Total |
| Balance at start of the year | 680 | 1,795 | 2,475 | 965 | 2,080 | 3,045 |
| Net losses from fair value adjustments | 46 | 285 | 331 | (63) | 0 | (63) |
| Transfers to Assets Held for Sale | 0 | 0 | 0 | 0 | (1,100) | (1,100) |
| Transfers from Property Plant and Equipment | 239 | 0 | 239 | 978 | 0 | 978 |
| Balance at end of the year | 965 | 2,080 | 3,045 | 1,880 | 980 | 2,860 |

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).

NOTES TO THE ACCOUNTS

9. Investment Properties (contd.)

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

10. Financial Instruments

10.1 Categories of Financial Instruments

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

| | Long-term | | Current | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2015 £'000 | 31 March 2016 £'000 | 31 March 2015 £'000 | 31 March 2016 £'000 |
| <u>Financial Assets</u> | | | | |
| Cash Equivalents | | | | |
| Loans and receivables: | | | | |
| - short term deposits | | | 8,822 | 9,600 |
| Debtors | | | | |
| Loans and receivables: | | | | |
| - Trade receivables & other long term debtors | 973 | 975 | 1,108 | 1,169 |
| Total Financial Assets | 973 | 975 | 9,930 | 10,769 |

Material soft loan made by the Council

The long-term debtors figure in the above table includes £0.287m 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.

| | Long-term | | Current | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2015 £'000 | 31 March 2016 £'000 | 31 March 2015 £'000 | 31 March 2016 £'000 |
| <u>Financial Liabilities</u> | | | | |
| Creditors | | | | |
| - Trade payables & other short-term creditors | | | (1,699) | (1,216) |
| Borrowings | | | | |
| - PWLB loans including accrued interest | (66,166) | (61,166) | (58) | (5,058) |
| Other Long-term Liabilities | | | | |
| - Finance leases | 13 | 0 | 0 | 0 |
| Total Financial Liabilities | (66,153) | (61,166) | (1,757) | (6,274) |

NOTES TO THE ACCOUNTS

10.2 Income, Expense, Gains and Losses on Financial Instruments

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

| | 2014/15 | | | 2015/16 | | |
|---|--|--|--------------|--|--|--------------|
| | 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 | 2,176 | 0 | 2,176 | 2,172 | 0 | 2,172 |
| Total expense in Surplus or Deficit on the Provision of Services | 2,176 | 0 | 2,176 | 2,172 | 0 | 2,172 |
| Interest income | 0 | (67) | (67) | 0 | (134) | (134) |
| Total income in Surplus or Deficit on the Provision of Services | 0 | (67) | (67) | 0 | (134) | (134) |
| Net (gain) or loss for the year | 2,176 | (67) | 2,109 | 2,172 | (134) | 2,038 |

10.3 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 £81.447m (2014/15 £81.391m), 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, taken out to finance Housing Revenue Account reform in 2012, are at discounted rates. 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.

NOTES TO THE ACCOUNTS

The Council, however, has continuing access to funds from the PWLB at concessionary rates rather than from the commercial money markets. 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 £72.101m.

11. Debtors

| | 31 March 2015 £'000 | 31 March 2016 £'000 |
|---------------------------------|------------------------------------|------------------------------------|
| Central Government bodies | 1,606 | 851 |
| Other local authorities | 509 | 880 |
| Other entities and individuals: | | |
| Housing rents | 590 | 632 |
| Prepayments | 448 | 357 |
| Council Tax payers | 349 | 335 |
| Business Rates payers | 912 | 1,075 |
| Sundry | 1,449 | 1,743 |
| Less impairment allowance | (1,500) | (1,775) |
| Total | 4,363 | 4,098 |

12. Cash and Cash Equivalents

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

| | 31 March 2015 £'000 | 31 March 2016 £'000 |
|--|------------------------------------|------------------------------------|
| Short-term deposits with banks | 8,822 | 9,300 |
| Bank current accounts | (2,028) | (25) |
| Cash held by the Council | 5 | 5 |
| Total Cash and Cash Equivalents | 6,799 | 9,280 |

NOTES TO THE ACCOUNTS

13. Creditors

| | 31 March 2015 £'000 | 31 March 2016 £'000 |
|--------------------------------|---------------------------|---------------------------|
| Central Government bodies | 1,557 | 1,735 |
| Other local authorities | 1,107 | 1,429 |
| Other entities and individuals | | |
| Council Tax payers | 57 | 60 |
| Business Rates payers | 233 | 203 |
| Sundry | 1,904 | 1,470 |
| Receipts in advance | 474 | 504 |
| Total | 5,332 | 5,401 |

14. Provisions

| | Insurance Claims £'000 | Legal Costs £'000 | NNDR Appeals £'000 | Rent Deposit Scheme £'000 | Total |
|---------------------------------------|------------------------------|-------------------------|--------------------------|------------------------------------|--------------|
| Balance at 31 March 2014 | 67 | 561 | 822 | 13 | 1,463 |
| Additional provisions made in 2014/15 | 0 | 0 | 83 | 0 | 83 |
| Amounts used in 2014/15 | 0 | (12) | 0 | (1) | (13) |
| Unused amounts reversed in 2014/15 | (22) | 0 | 0 | 0 | (22) |
| Balance at 31 March 2015 | 45 | 549 | 905 | 12 | 1,511 |
| Additional provisions made in 2015/16 | 178 | 0 | 726 | 0 | 904 |
| Amounts used in 2015/16 | 0 | (50) | 0 | (1) | (51) |
| Unused amounts reversed in 2015/16 | 0 | (448) | 0 | 0 | (448) |
| Balance at 31 March 2016 | 223 | 51 | 1,631 | 11 | 1,916 |

Insurance Claims – provision to meet claims from the Council's previous insurers Municipal Mutual Insurance who are subject to a Scheme of Arrangement. The Council's liability was further clarified during the year. As a result a further provision of £0.178m has been made.

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

NNDR Appeals – under the current Business Rates retention scheme the Council is required to make provision for refunding ratepayers who successfully appeal against the rateable value of their properties on the rating list. This includes amounts relating to NNDR charged to businesses under the old arrangements in 2012/13 and earlier years. A total provision of £4.079 million has been made, the Council's share being £1.631 million.

NOTES TO THE ACCOUNTS

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

15. Usable Reserves

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

16. 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;

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.

| | 2014/15 | 2015/16 |
|---|---------------|----------------|
| | £'000 | £'000 |
| Balance at 1 April | 35,188 | 49,836 |
| Upward revaluation of assets | 16,794 | 33,638 |
| Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services | (1,223) | 0 |
| Net surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 15,571 | 33,638 |
| Difference between fair value depreciation and historical cost depreciation | (573) | (716) |
| Accumulated gains on assets sold or scrapped | (160) | (305) |
| Adjustments in respect of the treatment of impairment in previous years | (190) | 0 |
| Amount written off to the Capital Adjustment Account | (923) | (1,021) |
| Balance at 31 March | 49,836 | 82,453 |

NOTES TO THE ACCOUNTS

17. Capital Adjustment Account

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

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

| | 2014/15 | 2015/16 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Balance at 1 April | 109,519 | 114,586 |
| Adjustments in respect of the treatment of depreciation in previous years | 189 | 0 |
| Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| Charges for depreciation and impairment of non-current assets | (3,099) | (3,193) |
| Revaluation losses on Property, Plant and Equipment | (1,424) | (1,126) |
| Reversal of previous revaluation losses | 4,950 | 4,026 |
| Amortisation of Intangible assets | (171) | (226) |
| Revenue Expenditure Funded from Capital under Statute | (171) | (146) |
| Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement | (1,133) | (1,370) |
| Sub Total | (859) | (2,035) |
| Adjusting amounts written out of the Revaluation Reserve | 734 | 1,021 |
| Net written out amount of the cost of non-current assets consumed in the year | (125) | (1,014) |
| Capital Financing applied in the year | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 1,051 | 1,389 |
| Use of the Major Repairs Reserve to finance new capital expenditure | 2,035 | 2,215 |
| Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 225 | 269 |
| Revenue contributions to capital expenditure | 34 | 1,551 |
| Provision for the financing of capital investment charged against the General Fund and HRA balances | 1,516 | 1,518 |
| Sub Total | 4,861 | 6,942 |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | 331 | (63) |
| Balance at 31 March | 114,586 | 120,451 |

NOTES TO THE ACCOUNTS

18. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains in accordance with statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. The balance on the Account at 1 April 2015 was fully charged to the General Fund Balance in 2015/16.

| | 2014/15 | 2015/16 |
|--|--------------|-------------|
| | £'000 | £'000 |
| Balance at 1 April | (109) | (30) |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements | 79 | 30 |
| Balance at 31 March | (30) | 0 |

19. 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.

| | 2014/15 | 2015/16 |
|---|------------|------------|
| | £'000 | £'000 |
| Balance at 1 April | 864 | 601 |
| Recognition of gains | 0 | 329 |
| Transfer of net gain/loss on disposal to CIES | 0 | (134) |
| Transfer to the Capital Receipts Reserve upon receipt of cash | (263) | (93) |
| Balance at 31 March | 601 | 703 |

The recognition of gains represents the Council's share in two shared equity properties.

20. 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.

NOTES TO THE ACCOUNTS

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.

| | 2014/15 | 2015/16 |
|--|-----------------|-----------------|
| | £'000 | £'000 |
| Balance at 1 April | (40,122) | (46,969) |
| Adjustment to opening balance** | 372 | 0 |
| Remeasurements of the net defined benefit liability | (6,938) | 3,289 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (2,995) | (3,401) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 2,714 | 2,721 |
| Balance at 31 March | (46,969) | (44,360) |

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

21. 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.

| | 2014/15 | 2015/16 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Balance at 1 April | (131) | (102) |
| (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 | 29 | (2) |
| Balance at 31 March | (102) | (104) |

22. Collection Fund Adjustment Account

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

| | 2014/15 | 2015/16 |
|--|--------------|-------------|
| | £'000 | £'000 |
| Balance at 1 April | (652) | 118 |
| Amount by which Council Tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and NNDR income calculated for the year in accordance with statutory requirements | 770 | (129) |
| Balance at 31 March | 118 | (11) |

NOTES TO THE ACCOUNTS

23. Amounts Reported for Resource Allocation Decisions

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to departments.

NOTES TO THE ACCOUNTS

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

| Priority Area Income and Expenditure | Street Scene and Environment £'000 | Localism £'000 | A Prosperous Borough £'000 | Housing, Health and Wellbeing £'000 | A Safe Borough £'000 | A Modern Council £'000 | Total £'000 |
|---|---|-------------------|----------------------------------|--|----------------------------|------------------------------|-----------------|
| 2015/16 | | | | | | | |
| Government grants | (54) | 0 | (65) | (189) | (1) | (15,124) | (15,433) |
| Fees, charges and other service income | (2,621) | (106) | (2,597) | (14,172) | (310) | (1,152) | (20,958) |
| Total Income | (2,675) | (106) | (2,662) | (14,361) | (311) | (16,276) | (36,391) |
| Employee expenses | 2,778 | 175 | 1,391 | 1,328 | 903 | 3,832 | 10,407 |
| Other service expenses | 2,085 | 646 | 854 | 4,397 | (251) | 19,718 | 27,449 |
| Support service recharges | 417 | 301 | 964 | 1,671 | 549 | (3,956) | (54) |
| Depreciation, impairment and revaluations | 543 | 73 | 80 | 2,253 | 44 | 312 | 3,305 |
| Total Expenditure | 5,823 | 1,195 | 3,289 | 9,649 | 1,245 | 19,906 | 41,107 |
| Net Expenditure | 3,148 | 1,089 | 627 | (4,712) | 934 | 3,630 | 4,716 |
| 2014/15 | | | | | | | |
| Government grants | (41) | (16) | (5) | (195) | 0 | (16,499) | (16,756) |
| Fees, charges and other service income | (3,018) | (30) | (2,608) | (13,870) | (269) | (1,153) | (20,948) |
| Total Income | (3,059) | (46) | (2,613) | (14,065) | (269) | (17,652) | (37,704) |
| Employee expenses | 2,752 | 133 | 1,214 | 1,555 | 843 | 3,847 | 10,344 |
| Other service expenses | 2,347 | 619 | 1,036 | 4,791 | 238 | 20,655 | 29,686 |
| Support service recharges | 712 | 416 | 718 | 1,488 | 458 | (4,021) | (229) |
| Depreciation, impairment and revaluations | 615 | 129 | 102 | (2,741) | 36 | 323 | (1,536) |
| Total Expenditure | 6,426 | 1,297 | 3,070 | 5,093 | 1,575 | 20,804 | 38,265 |
| Net Expenditure | 3,367 | 1,251 | 457 | (8,972) | 1,306 | 3,152 | 561 |

NOTES TO THE ACCOUNTS

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

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

| | 2014/15 | 2015/16 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Net expenditure in the Segment Analysis | 561 | 4,716 |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | 1,633 | (1,978) |
| Cost of Services in Comprehensive Income and Expenditure Statement | 2,194 | 2,738 |

NOTES TO THE ACCOUNTS

23.2 Reconciliation to Subjective Analysis

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

| | Segment Analysis | Amounts not reported to management for decision making | Cost of services | Corporate Amounts | Total |
|--|---------------------|---|------------------|----------------------|-----------------|
| 2015/16 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Government grants and contributions | (15,433) | (164) | (15,597) | (3,260) | (18,857) |
| Council Tax income | 0 | 0 | 0 | (6,712) | (6,712) |
| Financing and Investment Income | 0 | 0 | 0 | (201) | (201) |
| Gain or Loss on Disposal of Non-current Assets etc. | 0 | 0 | 0 | (579) | (579) |
| Fees, charges and other service income | (20,958) | 0 | (20,958) | (390) | (21,348) |
| Total Income | (36,391) | (164) | (36,555) | (11,142) | (47,697) |
| Employee expenses | 10,407 | 835 | 11,242 | 0 | 11,242 |
| Other service expenses | 27,448 | 0 | 27,448 | 0 | 27,448 |
| Support service recharges | (54) | 0 | (54) | 0 | (54) |
| Depreciation, impairment and revaluations | 3,306 | (2,649) | 657 | 0 | 657 |
| Financing and investment expenditure | 0 | 0 | 0 | 3,636 | 3,636 |
| Precepts and Levies | 0 | 0 | 0 | 361 | 361 |
| Payment of Housing Capital Receipts to the Government | 0 | 0 | 0 | 384 | 384 |
| Total Expenditure | 41,107 | (1,814) | 39,293 | 4,381 | 43,674 |
| Surplus or Deficit on Provision of Services | 4,716 | (1,978) | 2,738 | (6,761) | (4,023) |

NOTES TO THE ACCOUNTS

| | Segment Analysis | Amounts not reported to management for decision making | Cost of services | Corporate Amounts | Total |
|--|---------------------|---|------------------|----------------------|-----------------|
| 2014/15 | | | | | |
| Government grants and contributions | (16,756) | (446) | (17,202) | (4,981) | (22,183) |
| Council Tax income | 0 | 0 | 0 | (5,631) | (5,631) |
| Financing and Investment Income | 0 | 0 | 0 | (552) | (552) |
| Gain or Loss on Disposal of Non-current Assets | 0 | 0 | 0 | (445) | (445) |
| Fees, charges and other service income | (20,948) | (1,469) | (22,417) | (134) | (22,551) |
| Total Income | (37,704) | (1,915) | (39,619) | (11,743) | (51,362) |
| Employee expenses | 10,344 | 316 | 10,660 | 0 | 10,660 |
| Other service expenses | 29,686 | (60) | 29,626 | 0 | 29,626 |
| Support service recharges | (229) | 1,846 | 1,617 | 0 | 1,617 |
| Depreciation, impairment and revaluations | (1,536) | 1,446 | (90) | 0 | (90) |
| Financing and investment expenditure | 0 | 0 | 0 | 3,868 | 3,868 |
| Precepts and Levies | 0 | 0 | 0 | 302 | 302 |
| Payment of Housing Capital Receipts | 0 | 0 | 0 | 423 | 423 |
| Total Expenditure | 38,265 | 3,548 | 41,813 | 4,593 | 46,406 |
| Surplus or Deficit on Provision of Services | 561 | 1,633 | 2,194 | (7,150) | (4,956) |

NOTES TO THE ACCOUNTS

24. Trading Operations

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

| | 2014/15 | 2015/16 |
|-------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Car Parks | | |
| Income | (1,602) | (1,596) |
| Expenditure | 891 | 921 |
| Surplus | (711) | (675) |
| Trade Waste Collection | | |
| Income | (671) | (498) |
| Expenditure | 369 | 272 |
| Surplus | (302) | (226) |

25. Members' Allowances

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

| | 2014/15 | 2015/16 |
|--------------|------------|------------|
| | £'000 | £'000 |
| Allowances | 281 | 273 |
| Total | 281 | 273 |

NOTES TO THE ACCOUNTS

26. Officers' Remuneration

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

| 2015/16 | Note | Salary, Fees and Allowances £ | Compensation for loss of Office £ | Employer's Pension Contribution £ | Total £ |
|--|------|--|--|--|----------------|
| Post | | | | | |
| Head of Paid Service | 1 | 70,361 | 0 | 9,940 | 80,301 |
| Head of Street Scene and Community | 2 | 61,853 | 0 | 8,783 | 70,636 |
| Head of Customer Services | 3 | 46,390 | 0 | 6,587 | 52,977 |
| Head of Housing | 4 | 0 | 0 | 0 | 0 |
| Head of Borough Health, Safety and Localism | 5 | 66,835 | 32,881 | 8,783 | 108,499 |
| Head of Planning | 6 | 50,890 | 0 | 7,226 | 58,116 |
| Head of Planning and Environmental Health | 7 | 18,624 | 55,000 | 4,601 | 78,225 |
| Finance Director | 8 | 58,446 | 0 | 8,299 | 66,745 |
| Director of Strategy and Corporate Services | 9 | 12,602 | 0 | 0 | 12,602 |
| Chief Executive | 10 | 0 | 0 | 0 | 0 |
| Monitoring Officer and Head of Support Service | 11 | 43,133 | 0 | 5,855 | 48,988 |
| Total | | 429,134 | 87,881 | 60,074 | 577,089 |

Notes:-

1. The Head of Paid Service was a new post, appointed to on 1st June 2015 with an annualised salary of £80,000. The salary for the post was increased on 1st December 2015 to £90,000.
2. The title of this post changed from its original name, Head of Street Scene and Environment, on 31st December 2015.
3. The Head of Customer Services post was deleted on 31st December 2015. The annualised salary was £61,853.
4. The Head of Housing post has been covered on an interim basis at a cost of £94,265 in 2015/16. The annualised salary of a full time employee is £61,853.
5. The Head of Borough Health, Safety and Localism post was deleted on 31st March 2016. The annualised salary was £61,853.
6. The Head of Planning post was deleted on 31st December 2015. The annualised salary is £67,853.
7. The Head of Planning and Environmental Health was a new post filled on 1st January 2016. The post was vacant at 31st March 2016. The annualised salary is £67,853.
8. The Finance Director was a new post appointed on 1st June 2015. The annualised salary is £71,790.
9. The Director of Strategy and Corporate Services left the Council on 10th May 2015 and the post was deleted. The annualised salary was £81,733.
10. The Chief Executive post was covered on an interim part time basis until 31st May 2015 at a cost of £8,697. The post was then deleted. The annualised salary is £105,000.
11. The Monitoring Officer and Head of Support Service left the Council on 30th November 2015 and the post was deleted. The annualised salary was £61,853.

NOTES TO THE ACCOUNTS

26. Officers' Remuneration (Contd.)

| 2014/15 | Note | Salary, Fees and Allowances | Bonuses | Benefits in Kind | Expenses Allowance | Compensation for loss of | Employer's Pension | Total |
|---|------|-----------------------------|---------------|------------------|--------------------|--------------------------|--------------------|----------------|
| Post | | £ | £ | £ | £ | £ | £ | £ |
| Managing Director | 1 | 30,729 | 12,600 | 0 | 692 | 84,000 | 3,912 | 131,933 |
| Head of Street Scene | | 61,005 | 0 | 0 | 0 | 0 | 8,663 | 69,668 |
| Head of Customer Services | 2 | 33,097 | 0 | 0 | 0 | 0 | 3,972 | 37,069 |
| Head of Housing | 3 | 38,946 | 0 | 524 | 0 | 0 | 3,963 | 43,433 |
| Head of Borough Health, Safety and Localism | | 61,005 | 0 | 0 | 0 | 0 | 8,663 | 69,668 |
| Head of Planning | 4 | 31,791 | 0 | 0 | 0 | 0 | 3,815 | 35,606 |
| Director of Strategy and Corporate | 5 | 13,329 | 0 | 0 | 0 | 0 | 0 | 13,329 |
| Chief Executive | 6 | 96,352 | 0 | 0 | 0 | 0 | 0 | 96,352 |
| Monitoring Officer and Head of Support Services | 7 | 40,831 | 0 | 0 | 0 | 0 | 4,900 | 45,731 |
| Head of Business Transformation | 8 | 17,912 | 0 | 0 | 0 | 0 | 0 | 17,912 |
| Total | | 424,997 | 12,600 | 524 | 692 | 84,000 | 37,888 | 560,701 |

Notes:-

1. The Managing Director left the Council on 6 July 2014 and the post was deleted. The annualised salary was £102,000.
2. The Head of Customer Services was a new post filled on 17 September 2014. The annualised salary was £61,005.
3. The Head of Housing left the Council on 17 October 2014 due to ill health. The post was covered by an interim agency worker to the end of the year at a cost of £77,902.
4. The Head of Planning was appointed with effect from 13 October 2014. The annualised salary was £66,005. Up until that date, the post was covered by an interim agency worker at a cost of £58,628.
5. The post of Director of Strategy and Corporate Services (Section 151 officer) became vacant from 1 June 2014. The duties of the post were then covered by the Acting Chief Executive. The annualised salary was £79,974.
6. An Acting Chief Executive was appointed on 1 June 2014. The annualised salary is £103,680. An interim Chief Executive was appointed on a part time basis from 1 March 2015 at a cost of £4,130.
7. The Monitoring Officer and Head of Support Services was a new post filled on 1 August 2014. The annualised salary was £61,005. Prior to that date, part of the duties of the post were covered by an interim agency team at a cost of £20,000.
8. The Head of Business Transformation left the Council on 18 July 2014 and the post was deleted. The annualised salary was £58,902.

NOTES TO THE ACCOUNTS

26. Officers' Remuneration (contd.)

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

| Remuneration Band | 2014/15 | 2015/16 |
|-------------------|---------------------|---------------------|
| | Number of employees | Number of employees |
| £50,000 - £54,999 | 1 | 0 |

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 | |
|---|--------------------------------------|----------|--------------------------------------|----------|---|----------|---|----------------|
| | 2014/15 | 2015/16 | 2014/15 | 2015/16 | 2014/15 | 2015/16 | 2014/15 | 2015/16 |
| | | | | | | | £ | £ |
| £0 - £20,000 | 2 | 0 | 0 | 5 | 1 | 5 | 8,907 | 57,423 |
| £20,001 - £40,000 | 1 | 0 | 0 | 2 | 2 | 2 | 68,714 | 65,142 |
| £40,001 - £60,000 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 55,000 |
| £60,001 - £80,000 | 1 | 0 | 0 | 0 | 1 | 0 | 84,000 | 0 |
| £140,001 - £160,000 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 144,795 |
| Total | 4 | 0 | 0 | 9 | 4 | 9 | 161,621 | 322,360 |

(The 2014/15 figures have been restated to include pension strain costs).

27. Termination Benefits

The costs in the above Exit Packages table represents the liabilities incurred by the Council upon the termination of the contracts of a number of its employees in 2015/16. Of the total, £221,358 was payable to two Heads of Service in the form of compensation for loss of office and enhanced pension benefits, and £101,002 was in respect of agreed departures of employees following service reviews.

28. External Audit Costs

| | 2014/15 | 2015/16 |
|--|------------|-----------|
| | £'000 | £'000 |
| Fees payable in respect of external audit services carried out by the appointed auditor for the year | 90 | 68 |
| Fees payable for the certification of grant claims and returns for the year | 31 | 18 |
| Total | 121 | 86 |

In addition to the above, a net total of £3,175 is included in the 2015/16 Comprehensive Income and Expenditure Statement in respect of work on the pooling return for housing capital receipts for 2014/15.

NOTES TO THE ACCOUNTS

29. Grant Income

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

| | 2014/15 | 2015/16 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Credited to Taxation and Non-specific Grant Income: | | |
| Revenue Support Grant | 1,719 | 1,259 |
| New Homes Bonus Scheme | 1,219 | 1,460 |
| Business Rates | | |
| - Inflation Cap | 16 | 11 |
| - New Burden Administrative Costs | 10 | 0 |
| - Reoccupation Relief | 3 | 7 |
| - Retail Relief | 145 | 209 |
| - Small Business Relief | 230 | 249 |
| Council Tax Freeze Grant | 57 | 57 |
| Developers' Section 106 | 141 | 390 |
| Homes and Communities Agency Grant | (7) | 0 |
| Transparency Code Set Up Grant | 6 | 8 |
| Total | 3,539 | 3,650 |

NOTES TO THE ACCOUNTS

29. Grant Income (contd.)

| Credited to Services: | 2014/15 | 2015/16 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Rent Allowances | 9,342 | 8,388 |
| Rent Rebates | 6,595 | 6,242 |
| Food Waste Grant | 407 | 395 |
| Housing Benefit Administration | 232 | 209 |
| Supporting People | 195 | 180 |
| Disabled Facilities Grant | 130 | 165 |
| NNDR Cost of Collection | 0 | 105 |
| Property Searches New Burdens | 0 | 65 |
| Council Tax | | |
| - Local Support Scheme Administration | 67 | 59 |
| - Local Support Scheme | 64 | 15 |
| - Family Annexes Discount | 1 | 0 |
| Weekly Collection Support Scheme | 35 | 54 |
| Discretionary Housing Payment Grant | 67 | 51 |
| Fraud and Error Reduction Incentive Scheme | 4 | 20 |
| Local Authority IT Payment | 0 | 18 |
| S106 Land at Hanover House | 0 | 16 |
| Other grants | 63 | 40 |
| Total | 17,202 | 16,022 |

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

NOTES TO THE ACCOUNTS

29. Grant Income (contd.)

| | 31 March 2015 | 31 March 2016 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Grants Receipts in Advance (Revenue Grants) | | |
| <u>Current Liabilities</u> | | |
| Weekly Collection Support Scheme | 690 | 636 |
| Discretionary Housing Payment Grant | 0 | 7 |
| Countrywide and Environmental Stewardship | 0 | 2 |
| Total | 690 | 645 |
| Grants Receipts in Advance (Capital Grants) | | |
| <u>Developers' Contributions</u> | | |
| Former Warley Hospital Site | 808 | 808 |
| Former British Gas Site | 18 | 13 |
| Former Highwoods Hospital Site | 27 | 0 |
| Willowbrook School | 40 | 12 |
| Mascalls Park | 0 | 107 |
| Total | 893 | 940 |

30. Related Parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have limited the ability to limit another party's ability to bargain freely with the Council.

NOTES TO THE ACCOUNTS

30. Related Parties (contd.)

Central Government

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of the funding in the form of grants and prescribes the terms of many of the transactions the Council has with other parties (for example Council Tax bills, housing benefits). Grants received from Government departments are set out in the subjective analysis in Note 25 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in Note 29.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2015/16 is shown in Note 25. In addition, grants totaling £108,378 were paid to voluntary organisations the governing bodies of which included at least one Member representing the Council. In all instances the grants were made with proper consideration of declarations of interest.

Entities in which Members have a controlling interest

Members of the Council are required to review and complete a register of Members Financial interests. All Members who completed a return submitted a nil return for 2015/16. Twelve members did not return a completed form.

Other Public Bodies

Four Members of the Council were also Members of Essex County Council during the financial year. One of those Members also sits on Essex Fire Authority. In 2015/16 the Council paid grants totalling £131,453 to Parish Councils within its area. The Council paid Essex County Council a total of £228,722, of which £37,527 was for the provision of professional services, £140,313 was for trade waste and £50,881 was for planning and land charges services. The Council was paid £1,088,354 by Essex County Council during the year. Of that amount, £954,689 was in respect of recycling and waste disposal and £63,750 was in respect of the highways ranger service. The balance was in respect of a number of other services ranging from the provision of community alarms to grass cutting and weed spraying. In addition, the Council paid the London Borough of Barking and Dagenham £318,866 during the year for the provision of professional services.

Entities Controlled or Significantly Influenced by the Council

The Council has an arrangement with Brentwood Leisure Trust whereby the company provides sport and leisure services within the borough. The Trust manages Brentwood Leisure Centre and the Council's community halls, in addition to using the premises for its own purposes. The Council does not have power over the Trust, is not an investor in it and does not share control of its activities. As such the Council has no interest in the Trust as a subsidiary, associate or joint venture respectively. The Council paid the Trust a total of £179,781 in 2015/16 (£177,119 in 2014/15). The Trust was a debtor of the Council at 31 March 2016 in the amount of £287,301 (£349,258 at 31 March 2015) in respect of a loan to the Trust.

NOTES TO THE ACCOUNTS

31. 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 78 years and 80 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 gross investment is made up of the following amounts:

| | 31 March 2015 Restated £'000 | 31 March 2016 £'000 |
|--|------------------------------------|------------------------|
| Finance lease debtors (net present value of minimum lease payments): | | |
| Long-term debtor | 297 | 288 |
| Unearned finance income | 1,401 | 1,379 |
| Gross investment in the lease | 1,698 | 1,667 |

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 2015 | 31 March 2016 | 31 March 2015 | 31 March 2016 |
| | Restated £'000 | £'000 | Restated £'000 | £'000 |
| Not later than one year | 31 | 22 | 9 | 0 |
| Later than one year and not later than five years | 88 | 88 | 0 | 0 |
| Later than five years | 1,579 | 1,558 | 288 | 287 |
| Total | 1,698 | 1,668 | 297 | 287 |

(The 2014/15 figures have been restated to take account of the extension of one lease at Becketts Court by payment of a capital sum).

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 2015/16 (none in 2014/15).

NOTES TO THE ACCOUNTS

31. Leases (Contd.)

Operating Leases

The Council leases out premises under operating leases for the following purposes for the provision of community services, such as sports facilities and community centres and for economic development purposes to provide suitable affordable accommodation for local businesses.

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

| | 31 March | 31 March |
|---|-----------------|-----------------|
| | 2015 | 2016 |
| | £'000 | £'000 |
| Not later than one year | 211 | 346 |
| Later than one year and not later than five years | 650 | 1,262 |
| Later than five years | 726 | 436 |
| Total | 1,587 | 2,044 |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 no contingent rents were receivable by the Council in 2015/16 (none in 2014/15).

NOTES TO THE ACCOUNTS

32. Accounting standards that have been issued but not yet adopted

The 2016/17 Code of Practice on Local Authority Accounting in the UK introduces some new and amended accountings standards

- Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS 1 *Presentation of Financial Statements* (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis resulting from the CIPFA “Telling the Story” review.

None of the above changes are anticipated to have a material impact upon the information contained in the Council’s Statement of Accounts for 2016/17, or future years. The “Telling the Story” changes, however, will result in a restatement of the 2015/16 comparator 2015/16 Comprehensive Income and Expenditure Statement and Movement in Reserves Statement.

Code of Practice on the Highways Network Asset (HNA)

This is a new accounting standard that requires local authorities to recognise and measure their HNA in their 2016/17 statement of accounts, and subsequent years. The HNA is defined by CIPFA/LASAAC as all the roads and associated components included in the register kept in accordance with Section 36 of the Highways Act 1980. Brentwood Borough Council, as a non-highways authority, does not keep such a register. This standard is therefore deemed not to be applicable to the Council.

33. Events after the reporting period

The Statement of Accounts was authorised for issue by the Finance Director before the auditors received an official copy. Events taking place after this date are not reflected in the financial statements or notes. No events have taken place before this date but after 31 March 2016 which provided information which required the financial statements and notes to be amended.

NOTES TO THE ACCOUNTS

34. Nature and extent of risks arising from financial instruments

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

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

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

Credit Risk

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

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

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

The following analysis summarises the Council's potential maximum exposure to credit risk for 2015-16 based on past and current market conditions. No credit limits were exceeded during 2015-16 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

NOTES TO THE ACCOUNTS

| | Amount at 31 March 2016 | Historical experience of default | Historical experience adjusted for market conditions at 31 March 2016 | Estimated maximum exposure at 31 March 2016 | Estimated maximum exposure at 31 March 2015 |
|--|-------------------------------|--|---|---|---|
| | £'000 | % | % | £'000 | £'000 |
| Deposits with banks and other institutions | 9,300 | | | | 0 |
| Customers | 1,169 | 37 | 37 | 435 | 609 |
| Brentwood Leisure Trust - Long term Loan | 225 | | | | 0 |
| Total | 10,694 | | | 435 | 609 |

The outstanding customer balances as at 31 March 2016 are analysed by age as follows:

| | 31 March 2015 | 31 March 2016 |
|------------------------|------------------|------------------|
| | £'000 | £'000 |
| Less than three months | 111 | 410 |
| Three to six months | 222 | 71 |
| Six months to one year | 332 | 92 |
| More than one year | 443 | 596 |
| Total | 1,108 | 1,169 |

Customer debts can be further analysed as follows:

| | 31 March 2015 | 31 March 2016 | | |
|-----------------|-----------------|---------------|--------------------------|-----------------|
| | Carrying amount | Customer debt | Provision for impairment | Carrying amount |
| | £'000 | £'000 | £'000 | £'000 |
| Dwellings rents | 263 | 632 | 372 | 260 |
| Other | 239 | 537 | 63 | 474 |
| Total | 502 | 1,169 | 435 | 734 |

NOTES TO THE ACCOUNTS

Liquidity Risk

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

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

The maturity analysis of financial liabilities is as follows:

| | 31-Mar 2015 £'000 | 31-Mar 2016 £'000 |
|---------------------------------|-------------------------|-------------------------|
| Less than one year | 32 | 5,001 |
| Between one and two years | 5,033 | 0 |
| Between two and five years | 98 | 0 |
| Between five and ten years | 5,158 | 5,001 |
| Between ten and twenty years | 25,449 | 25,411 |
| Between twenty and thirty years | 29,191 | 29,174 |
| More than thirty years | 1,648 | 1,637 |
| Total | 66,609 | 66,224 |

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

Market Risk

Interest Rate Risk

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

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

NOTES TO THE ACCOUNTS

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

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

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

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

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

According to this assessment strategy, if interest rates had been 0.5% higher at 31 March 2016, with all other variables held constant, the annualised interest receivable on the Council's investments/cash equivalents would have increased by £165,000. 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 2016 would have had no effect on interest payable. A 1% change in the current value of the borrowings, however, would result in movement of £661,660.

Price Risk and Foreign Exchange Risk

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

NOTES TO THE ACCOUNTS

35. 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 £30,003 and for other buildings by £38,092 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 external valuer.

NOTES TO THE ACCOUNTS

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 36.9.

Debtors

At 31 March 2016 the Council had a balance of debtors of £4.098m, or £2.367m excluding central and local government bodies. The latter sum is net of an average impairment of debtors of 42.8% (£1.775m). In the current economic climate, however, it is not certain that such an allowance would be sufficient.

If collection rates were to deteriorate, a 50% increase in the amount of the estimated impairment of debts would require an additional £0.887m to be set aside as an allowance.

NOTES TO THE ACCOUNTS – PENSION LIABILITIES

36. Defined Benefit Pension Schemes

36.1 Participation in Pension Schemes

As part of the terms and conditions of employment of its staff, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- (i) The Local Government Pension Scheme, administered locally by Essex County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- (ii) Arrangements for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

36.2 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 2013
- estimated whole fund income and expenditure items for the period to 31 March 2016
- provisional fund returns for the period to 31 March 2016
- estimated fund income and expenditure in respect of the employer for the period to 31 March 2016
- details of any new retirements for the period to 31 March 2016 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

36.3 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

| | Local | Discretionary | Total | Local | Discretionary | Total |
|--|----------------|---------------|----------------|----------------|---------------|----------------|
| | Government | Benefits | | Government | Benefits | |
| | Pension | Arrangements | | Pension | Arrangements | |
| | Scheme | | | Scheme | | |
| | 2014/15 | 2014/15 | 2014/15 | 2015/16 | 2015/16 | 2015/16 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Service cost comprising | | | | | | |
| Current service cost | 1,263 | 0 | 1,263 | 1,873 | 0 | 1,873 |
| Past service costs including curtailments | 34 | 0 | 34 | 30 | 0 | 30 |
| Gain on settlements | (22) | 0 | (22) | 0 | 0 | 0 |
| Administration | 28 | 0 | 28 | 34 | 0 | 34 |
| Net interest expense | 1,543 | 149 | 1,692 | 1,353 | 111 | 1,464 |
| Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services | 2,846 | 149 | 2,995 | 3,290 | 111 | 3,401 |
| Remeasurement of the net defined benefit comprising: | | | | | | |
| Return on plan assets (excluding the amount included in the net interest expense) | (5,732) | 0 | 12,722 | 677 | 0 | 677 |
| Actuarial gains and losses arising on changes in financial assumptions | 12,499 | 223 | (52) | (3,879) | (64) | (3,943) |
| Experience (gain) / loss on defined benefit obligation | (52) | 0 | 6,938 | 0 | (23) | (23) |
| Sub total | 6,715 | 223 | 19,608 | (3,202) | (87) | (3,289) |
| Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement | 9,561 | 372 | 22,603 | 88 | 24 | 112 |
| Reversal of net charges for post employment benefits in accordance with IAS19 | (2,846) | (149) | (2,995) | (3,290) | (111) | (3,401) |
| Actual Amount Charged against the General Fund and HRA Balances for the Year | | | | | | |
| Contributions / payments charged to the General Fund | 2,035 | 199 | 480 | 2,163 | 197 | 2,360 |
| Contributions / payments charged to the Housing Revenue Account | 437 | 43 | 2,714 | 329 | 32 | 361 |
| Employer's contributions payable to the Pension Fund | 2,472 | 242 | 3,194 | 2,492 | 229 | 2,721 |

NOTES TO THE ACCOUNTS – PENSION LIABILITIES

36.4 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 |
|--|---------------------------------|------------------|------------------|-------------------------------------|------------------|------------------|-------|
| | 2014/15 £'000 | 2014/15 £'000 | 2014/15 £'000 | 2015/16 £'000 | 2015/16 £'000 | 2015/16 £'000 | |
| Present Value of the defined benefit obligation | (113,073) | (3,591) | (116,664) | (111,526) | (3,375) | (114,901) | |
| Fair value of plan assets | 69,695 | 0 | 69,695 | 70,541 | 0 | 70,541 | |
| Net liability arising from defined benefit obligation | (43,378) | (3,591) | (46,969) | (40,985) | (3,375) | (44,360) | |

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

| | Local Government Pension Scheme | |
|--|---------------------------------|------------------|
| | 2014/15 £'000 | 2015/16 £'000 |
| Opening fair value of scheme assets | 61,121 | 69,695 |
| Adjustment to opening fair value** | 372 | 0 |
| Interest income | 2,698 | 2,216 |
| Remeasurement of the return on plan assets (excluding the amount included in the net interest expense) | 5,732 | (677) |
| Administration expenses | (28) | (34) |
| Contributions from employer | 2,714 | 2,721 |
| Contributions from employees into the scheme | 444 | 458 |
| Benefits paid | (3,296) | (3,838) |
| Settlements made | (62) | 0 |
| Closing fair value of scheme assets | 69,695 | 70,541 |

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

NOTES TO THE ACCOUNTS – PENSION LIABILITIES

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

| | Funded | Unfunded | Total | Funded | Unfunded | Total |
|---|------------------|----------------|------------------|--------------------|----------------|------------------|
| | liabilities: | liabilities: | Liabilities | liabilities: Local | liabilities: | Liabilities |
| | Local | Discretionary | | Government | Discretionary | |
| | Government | Benefits | | Pension | Benefits | |
| | Pension | | | Scheme | | |
| | Scheme | | | | | |
| | 2014/15 | 2014/15 | 2014/15 | 2015/16 | 2015/16 | 2015/16 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening balance at 1 April | (97,730) | (3,513) | (101,243) | (113,073) | (3,591) | (116,664) |
| Current service cost | (1,263) | 0 | (1,263) | (1,873) | 0 | (1,873) |
| Interest cost | (4,241) | (149) | (4,390) | (3,569) | (111) | (3,680) |
| Contributions from scheme participants | (444) | 0 | (444) | (458) | 0 | (458) |
| Remeasurement actuarial gains and losses | | | | | | |
| - Arising from changes in financial assumptions | (12,499) | (223) | (12,722) | 3,879 | 64 | 3,943 |
| Experience gains / (losses) | 0 | 52 | 52 | 0 | 23 | 23 |
| Settlements liabilities extinguished | 84 | 0 | 84 | 0 | 0 | 0 |
| Benefits paid | 3,054 | 242 | 3,296 | 3,598 | 240 | 3,838 |
| Past service cost | (34) | 0 | (34) | (30) | 0 | (30) |
| Closing balance at 31 March | (113,073) | (3,591) | (116,664) | (111,526) | (3,375) | (114,901) |

36.7 Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2016 is estimated to be 2%. 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 2015 | | 31 March 2016 | |
|-------------------------|---------------|------------|---------------|------------|
| | £'000 | % | £'000 | % |
| Equities | 46,904 | 67 | 47,742 | 68 |
| Gilts | 3,067 | 4 | 2,081 | 3 |
| Other Bonds | 6,691 | 10 | 3,386 | 5 |
| Property | 7,527 | 11 | 8,401 | 12 |
| Cash | 1,533 | 2 | 2,291 | 3 |
| Alternative Assets | 3,973 | 6 | 3,136 | 4 |
| Other Managed Funds | 0 | 0 | 3,504 | 5 |
| Total | 69,695 | 100 | 70,541 | 100 |

NOTES TO THE ACCOUNTS – PENSION LIABILITIES

Bid values have been estimated by the actuary where necessary and the final asset allocation of the Fund assets as at 31 March 2016 is likely to be different from that shown as a result of estimation techniques. Based on the above the Council's share of the assets of the Fund is approximately 1%.

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

| Asset Class | % Quoted | % Unquoted |
|---------------------------------------|-----------------|-------------------|
| UK Equities | 8.1 | 0 |
| Oversees Equities | 54.4 | 0 |
| Index Linked UK Government Securities | 2.9 | 0 |
| UK Corporate Bonds | 4.8 | 0 |
| Property | 4.5 | 7.5 |
| Others | -1.9 | 19.7 |
| Total | 72.8 | 27.2 |

36.8 Liabilities

To assess the value of the Council's liabilities at 31 March 2016, the actuary has rolled forward the value of the liabilities calculated for the funding valuation as at 31 March 2013, using financial assumptions that comply with International Accounting Standard 19 (IAS 19).

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the schemes as well as pensions and lump sums that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

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

It is not possible to assess the accuracy of the estimated liability as at 31 March 2016 without completing a full valuation. The actuary is satisfied, however, that the approach of rolling forward the previous valuation data to 31 March 2016 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

The demographic assumptions used by the actuary have been:

| | 2014/15 | 2015/16 |
|--|---------|---------|
| <u>Mortality assumptions - life expectancy from age 65</u> | | |
| Retiring today: | | |
| Men | 22.8 | 22.9 |
| Women | 25.2 | 25.3 |
| Retiring in 20 years: | | |
| Men | 25.1 | 25.2 |
| Women | 27.6 | 27.7 |

The actuary has also made the following assumptions:

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

The financial assumptions used by the actuary have been:

| Assumption | 31 March 2014 | | 31 March 2015 | | 31 March 2016 | |
|-------------------|---------------|------|---------------|------|---------------|------|
| | % p.a. | Real | % p.a. | Real | % p.a. | Real |
| RPI Increases | 3.5 | 0.0 | 3.1 | 0.0 | 3.2 | 0.0 |
| CPI Increases | 2.7 | -0.8 | 2.2 | -0.9 | 2.3 | -0.9 |
| Salary Increases | 4.5 | 1.0 | 4.0 | 0.9 | 4.1 | 0.9 |
| Pension Increases | 2.7 | -0.8 | 2.2 | -0.9 | 2.3 | -0.9 |
| Discount Rate | 4.4 | 0.9 | 3.2 | 0.1 | 3.5 | 0.3 |

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

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 17 year point on the BoE market implied inflation curve. This is consistent with the approach used at the last accounting date. The RPI assumption is therefore 3.2%.

NOTES TO THE ACCOUNTS – PENSION LIABILITIES

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 0.9% below RPI, i.e. 2.3%. 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 1.8% above CPI in addition to a promotional scale.

36.9 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 | £'000 | £'000 | £'000 |
|--|---------|---------|----------|
| Adjustment to discount rate | 0.10% | 0.00% | -0.10% |
| Present Value of Total Obligation | 113,004 | 114,901 | 116,832 |
| Projected Service Cost | 1,733 | 1,773 | 1,814 |
| Adjustment to long term salary increase | 0.10% | 0.00% | -0.10% |
| Present Value of Total Obligation | 115,060 | 114,901 | 114,743 |
| Projected Service Cost | 1,774 | 1,773 | 1,772 |
| Adjustment to pension increases and deferred revaluation | 0.10% | 0.00% | -0.10% |
| Present Value of Total Obligation | 116,694 | 114,901 | 113,138 |
| Projected Service Cost | 1,813 | 1,773 | 1,733 |
| Adjustment to mortality age rating assumption | +1 Year | None | - 1 Year |
| Present Value of Total Obligation | 118,497 | 114,901 | 111,417 |
| Projected Service Cost | 1,818 | 1,773 | 1,729 |

NOTES TO THE ACCOUNTS – PENSION LIABILITIES

36.10 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 has been carried out as at 31 March 2016 and will 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 revalued earning schemes to pay pensions and other benefits to certain public servants.

36.11 Projected 2016-17 pension expense

The Council's 2015-16 projected pension expense, excluding the capitalised cost of any early retirements or augmentations which may occur after 31 March 2016, is:

| | |
|---|--------------|
| | £'000 |
| Service Cost | 1,773 |
| Net Interest on the defined benefit liability (asset) | 1,513 |
| Administration expenses | 34 |
| Total | 3,320 |
| Employer Contributions | 2,348 |

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

37. Critical judgments in applying accounting policies

In applying the Accounting Policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- 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) 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.
- c) 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
- d) International Financial Reporting Standards require that component accounting should be applied as far as possible to the Council's non-current assets, although the degree of componentisation is a matter for the Council. The Council has determined that, in all material aspects, a basic land and buildings apportionment is sufficient, especially given that the Council's housing stock is not broken down into its component parts for depreciation purposes.
- e) New arrangements for the retention of business rates (NNDR) came into force on 1 April 2013 at which date the Council assumed the liability for refunding ratepayers who successfully appeal against the rateable value of their properties. The Council has made provision for potential successful appeals to 31 March 2016 (see also notes 4 and 19).
- f) The Council has examined its leases and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive, and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership to the lessor.
- 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

38. 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. Financial Instruments
7. Fair Value Measurement
8. Government Grants and Contributions
9. Investment Property
10. Leases
11. Overheads and Support Services
12. Property, Plant and Equipment
13. Provisions and Contingent Liabilities
14. Reserves
15. Revenue Expenditure Funded from Capital under Statute
16. Value Added Tax

38.1 General Principles

The general principles adopted in compiling the Accounts are consistent with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (the “SeRCOP”), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

38.2 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
- 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

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

- 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.

38.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

38.4 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination Benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the relevant service line (or where applicable to the Non Distributed Costs line) in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year, not the amount calculated according to relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

Post-employment Benefits

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

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

- The liabilities of the fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices using the 17 year point of the Merrill Lynch AA-rated corporate bond yield curve, which has been chosen to meet the requirements of IAS 19, and with consideration of the duration of each employer's liabilities. This is consistent with the approach used at the last accounting date.
- The assets of the fund attributable to the Council are included in the Balance Sheet on a bid value to bid value basis, estimated by the actuary where necessary.

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

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities as a result of a scheme amendment, curtailment or settlement the effect of which relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
 -
- Remeasurements comprising:
 - the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

- actuarial gains or losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pension Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the fund – cash paid as employer’s contributions to the Pension Fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued for in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

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

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

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

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

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

38.6 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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

38.7 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.

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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.

38.8. Government Grants and Contributions

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

- the Council will comply with the conditions attached to the payments, and
- the grant or contribution will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies received as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

38.9 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or 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 not depreciated but are revalued regularly according to market conditions at the year end. Gains and losses on revaluation

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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.

38.10 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings components are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception or (if lower) the present value of the minimum lease payments. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

towards the deemed capital investment in accordance with statutory requirements. Depreciation, and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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

Operating Leases

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

38.11 Overheads and Support Services

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

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

38.12 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).

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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.

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

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

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

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

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

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

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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

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

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

Impairment

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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

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

38.13 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

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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.

38.14 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.

38.15 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.

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

38.16VAT

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.

HRA INCOME AND EXPENDITURE STATEMENT

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

| 2014/15 £'000 Note | | 2015/16 £'000 |
|-----------------------|--|------------------|
| | Expenditure | |
| 3,075 | Repairs and maintenance | 2,925 |
| 3,021 | Supervision and management | 2,711 |
| 184 | Rent, rates, taxes and other charges | 263 |
| (2,112) | Depreciation and impairment of non-current assets | (579) |
| 103 | Movement in the allowance for bad debts | 9 |
| 4,271 | Total Expenditure | 5,329 |
| | Income | |
| (11,866) | Dwelling rents | (12,143) |
| (542) | Non-dwelling rents | (546) |
| (782) | Charges for services and facilities | (854) |
| (320) | Contributions towards expenditure | (255) |
| (13,510) | Total Income | (13,798) |
| | Net Expenditure of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement | |
| (9,239) | | (8,469) |
| 459 | HRA share of Corporate and Democratic Core | 457 |
| 5 | HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services | 0 |
| (8,775) | Net Expenditure of HRA Services | (8,012) |
| | HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement | |
| (361) | (Gain) or loss on sale of HRA non-current assets | (403) |
| 2,063 | Interest payable and debt management expenses | 2,055 |
| (64) | Interest and investment income | (76) |
| 299 | Pensions net interest expense | 202 |
| 0 | Other non-specific grants | 0 |
| (6,838) | Surplus for the year on HRA services | (6,234) |

HOUSING REVENUE ACCOUNT

Movement on the HRA Statement

| 2014/15 £'000 Note | | 2015/16 £'000 |
|-----------------------|--|------------------|
| 1,665 | Balance on the HRA at the end of the previous year | 1,761 |
| 6,838 | Surplus for the year on the HRA Income and Expenditure Statement | 6,234 |
| (6,018) HRA1 | Adjustments between accounting basis and funding basis under the legislative framework | (6,142) |
| <u>820</u> | Increase or (decrease) before transfers to or from reserves | <u>92</u> |
| (724) HRA1 | Transfers (to) or from earmarked reserves | (490) |
| <u>96</u> | Increase or (decrease) in the year on the HRA | <u>(398)</u> |
| <u>1,761</u> | Balance on the HRA at the end of the current year | <u>1,363</u> |

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Movement on the HRA Statement

| Note | 2014/15 £'000 | 2015/16 £'000 |
|---|------------------|------------------|
| Adjustments between accounting basis and funding basis under the legislative framework | | |
| Gain or loss on sale of HRA non-current assets | (360) | (403) |
| HRA share of contributions to or from the Pensions Reserve | 47 | 109 |
| Transfers to or from the Major Repairs Reserve | (2,015) | (2,215) |
| Transfers to or from the Capital Adjustment Account (including Revenue Expenditure Funded from Capital under Statute) | (3,686) | (3,630) |
| Transfers to or from the Accumulated Absences Adjustment Account | (4) | (3) |
| Total adjustments between accounting basis and funding basis under the legislative framework | (6,018) | (6,142) |
| Transfers (to) or from earmarked reserves | (724) | (490) |
| Total Movement | (6,742) | (6,632) |

2. Housing Stock

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

| | 2015 | 2016 |
|--------------------------------------|--------------|--------------|
| Flats | | |
| 1 Bedroom | 598 | 596 |
| 2 Bedroom | 504 | 503 |
| 3 Bedroom | 61 | 60 |
| Total Flats | 1,163 | 1,159 |
| Houses and Bungalows | | |
| 1 Bedroom | 289 | 288 |
| 2 Bedroom | 389 | 387 |
| 3 Bedroom | 633 | 631 |
| 4 Bedroom | 14 | 14 |
| Total Houses and Bungalows | 1,325 | 1,320 |
| Equity share properties | | |
| 1 Bedroom | 6 | 5 |
| 2 Bedroom | 2 | 2 |
| Total Equity share properties | 8 | 7 |
| Total Housing Stock | 2,496 | 2,486 |

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:

| | 2015 | 2016 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Dwellings | 197,513 | 234,202 |
| Other land and buildings | 7,697 | 7,884 |
| Vehicles, furniture, plant and equipment | 2 | 12 |
| Total | 205,212 | 242,098 |

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

| | Dwellings | Other Land and Buildings | Equipment | Total |
|--|----------------|--------------------------------|-----------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Net Book Value at 31 March 2014 | 181,599 | 8,398 | 9 | 190,006 |
| Changes during the year | 15,914 | (701) | (7) | 15,206 |
| Net Book Value at 31 March 2015 | 197,513 | 7,697 | 2 | 205,212 |
| Changes during the year | 36,689 | 187 | 10 | 36,886 |
| Net Book Value at 31 March 2016 | 234,202 | 7,884 | 12 | 242,098 |

Depreciation and impairment charges during the year were as follows:

| | 2014/15 | 2015/16 |
|---|----------------|----------------|
| | £'000 | £'000 |
| <u>Depreciation</u> | | |
| Dwellings | 1,838 | 2,003 |
| Other land and buildings | 176 | 210 |
| Vehicles, furniture, plant and equipment | 2 | 2 |
| Total | 2,016 | 2,215 |
| <u>Valuation loss / Impairment</u> | | |
| Dwellings | (4,788) | (2,802) |
| Other land and buildings | 618 | 0 |
| Total | (4,170) | (2,802) |
| Dwellings | (2,950) | (799) |
| Other land and buildings | 794 | 210 |
| Vehicles, furniture, plant and equipment | 2 | 2 |
| Total | (2,154) | (587) |

NOTES TO THE HOUSING REVENUE ACCOUNT

In 2015/16 the housing stock was revalued resulting in an amount of £3.9m being credited as a reversal of losses and impairment in previous years (£4.8 million in 2014/15) and a total of £1.1m being charged to the HRA as a revaluation loss (£0.6 million in 2014/15).

The vacant possession value of dwellings within the Council's HRA was £610.444m in 2015/16 (£506.443 million in 2014/15). 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

| | 2014/15 | 2015/16 |
|---|----------|----------|
| | £'000 | £'000 |
| Balance at 1 April | 20 | 0 |
| Amount transferred to the reserve during the year | 2,016 | 2,215 |
| Financing of capital expenditure | (2,036) | (2,215) |
| Balance at 31 March | 0 | 0 |

5. Capital Transactions

Capital Expenditure and Financing

| | 2014/15 | 2015/16 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Capital Expenditure - Enhancements | 2,069 | 2,510 |
| Capital Expenditure - Aquisitions | 0 | 1,795 |
| Total Capital Expenditure | 2,069 | 4,305 |
| Sources of Finance: | | |
| Major Repairs Reserve | 2,035 | 2,215 |
| Retained Capital Receipts | 0 | 539 |
| Grants | (7) | 0 |
| Revenue contribution to capital expenditure | 41 | 1,551 |
| Total Financing | 2,069 | 4,305 |

Capital Receipts

| | 2014/15 | 2015/16 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Capital receipts from disposal of land, houses and other property | | |
| Sale of dwellings – Usable Receipts | 1,495 | 1,173 |

NOTES TO THE HOUSING REVENUE ACCOUNT

6. Rent Arrears

| | 2014/15 | 2015/16 |
|-------------------------------------|------------|------------|
| | £'000 | £'000 |
| Gross rent arrears at 31 March | 553 | 586 |
| Provision for doubtful debts | (290) | (299) |
| Net Rent Arrears at 31 March | 263 | 287 |

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

| | 2014/15 | 2015/16 |
|---|-------------|--------------|
| | £'000 | £'000 |
| HRA Income and Expenditure Statement | | |
| Net Expenditure on HRA Services | | |
| Current service cost | 223 | 263 |
| Administration expenses | 5 | 5 |
| HRA Share of Operating Income and Expenditure | | |
| Net interest cost | 299 | 202 |
| Net Charge to the Income and Expenditure Statement | 527 | 470 |
| Movement on the HRA Statement | | |
| Reversal of net charges made for retirement benefits | (527) | (469) |
| Employer's Contribution to the Scheme | 480 | 360 |
| HRA share of contributions to or from the Pensions Reserve | (47) | (109) |

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 National Non-Domestic Rates (NNDR).

| Note | 2014/15 £'000 | 2015/16 £'000 |
|--|------------------|------------------|
| <u>Amounts required by statute to be credited to the Fund</u> | | |
| 1 | (46,599) | (47,286) |
| 2 | (30,628) | (29,459) |
| 3 | (450) | (1,196) |
| | (77,677) | (77,941) |
| <u>Amounts required by statute to be debited to the Fund</u> | | |
| Council Tax Precepts | | |
| Essex County Council | 33,574 | 33,858 |
| Police & Crime Commissioner for Essex | 4,457 | 4,585 |
| Essex Fire Authority | 2,052 | 2,069 |
| Brentwood Borough Council | 5,496 | 5,600 |
| | 45,579 | 46,112 |
| Distribution of NNDR Income | | |
| Brentwood Borough Council | 11,381 | 12,057 |
| Essex County Council | 2,561 | 2,713 |
| Essex Fire Authority | 284 | 301 |
| Payment to the National Pool | 14,226 | 15,071 |
| Transitional protection payments | 255 | 0 |
| Costs of Collection | 105 | 105 |
| | 28,812 | 30,247 |
| Impairment of Debts | | |
| Council Tax - Write-offs | 17 | 0 |
| Council Tax - Allowance for Impairment | (115) | (233) |
| NNDR - Write-offs | 548 | 309 |
| NNDR - Allowance for Impairment | 39 | 546 |
| | 489 | 622 |
| 3 | 300 | 1,000 |
| | (2,497) | 40 |

COLLECTION FUND

Movement on the Collection Fund

| Note | 2014/15 £'000 | 2015/16 £'000 |
|---|------------------|------------------|
| Council Tax | | |
| Opening Fund Balance | 612 | 1,430 |
| Closing Fund Balance | 1,430 | 1,837 |
| Movement on Fund Balance in the year | 818 | 407 |
| 2 NNDR | | |
| Opening Fund Balance | (1,816) | (137) |
| Closing Fund Balance | (137) | (584) |
| Movement on Fund Balance in the year | 1,679 | (447) |
| Total Movement on Fund Balance in the year | 2,497 | (40) |

Notes to the Collection Fund

- Council Tax income comes from charges made on domestic properties. Each property is placed in one of eight valuation bands depending on its capital value. The Council works out the Council Tax charge by estimating the amount of income it and the preceptors need for the coming year, and dividing this amount by the Council Tax base. The Council Tax base is the total number of properties in each band, adjusted for discounts, exemptions and reliefs, and by a proportion of the Band D charge, multiplied by the collection rate assumption for the year (98.0% for 2015/16).

In 2015/16 the Council Tax base (number of band D equivalent properties) was 31,155.60. The basic amount of council tax for a property in band D (£1,468.46 for 2015/16) is multiplied by the appropriate proportion for the particular band to give the individual amount due from the property. The number of properties by band is shown on the table on the following page:-.

COLLECTION FUND

| Band | Range of Property Values | Number of properties | Proportion of Band D charge | Number of Band D equivalent properties |
|--------------|--------------------------|----------------------|-----------------------------|--|
| A | Up to £40,000 | 353.63 | 6/9 | 235.75 |
| B | £40,001 - £52,000 | 1,635.59 | 7/9 | 1,272.13 |
| C | £52,001 - £68,000 | 4,605.94 | 8/9 | 4,094.17 |
| D | £68,001 - £88,000 | 6,801.89 | 9/9 | 6,801.89 |
| E | £88,001 - £120,000 | 5,017.89 | 11/9 | 6,132.98 |
| F | £120,001 - £160,000 | 3,997.58 | 13/9 | 5,774.28 |
| G | £160,001 - £320,000 | 3,494.82 | 15/9 | 5,824.70 |
| H | More than £320,000 | 509.85 | 18/9 | 1,019.70 |
| Total | | 26,417.19 | | 31,155.60 |

- The Gross Non-Domestic Rateable Value for the Brentwood Borough Council area at 31 March 2016 was £75,358,498 (£75,569,309 at 31 March 2015) and the standard NNDR multiplier for the year was 49.3p (48.2p in 2014/15), whilst the small business multiplier was 48.0p (47.1p in 2014/15).
- Distribution of Previous Year's Collection Fund Surplus/(Deficit):-

| | Council Tax | | NNDR | |
|---------------------------------------|------------------|------------------|------------------|------------------|
| | 2014-15 £'000 | 2015-16 £'000 | 2014-15 £'000 | 2015-16 £'000 |
| Central Government | 0 | 0 | (225) | (597) |
| Essex County Council | 221 | 737 | (41) | (108) |
| Police & Crime Commissioner for Essex | 29 | 98 | 0 | 0 |
| Essex Fire Authority | 13 | 45 | (4) | (12) |
| Brentwood Borough Council | 37 | 120 | (180) | (478) |
| Total | 300 | 1,000 | (450) | (1,195) |

BRENTWOOD BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2015/16

1. **Scope of Responsibility**

Brentwood Borough Council is responsible for ensuring its business is conducted in accordance with the law and proper standards and that public money is safeguarded, 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 has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be obtained by contacting the Finance Director at Brentwood Borough Council. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. **Purpose of the governance framework**

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and priorities and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies and priorities; to evaluate the likelihood of those risks being realised and their impact should they be realised; and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of the annual report and Statement of Accounts.

3. **Governance framework**

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

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

BRENTWOOD BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2015/16

2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting the Council's values and demonstrating good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing of risk.
5. Developing the capacity and capability of Members and officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

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

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

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

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

During 2015/16, the Council adopted a new Corporate Plan. The visions for the Council outlined in the Corporate Plan for the period 2016 – 2019 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.

BRENTWOOD BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2015/16

- **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.

The appraisals systems have also been strengthened through new procedures in order to achieve the “golden thread” approach to ensure individual and service priorities and ambitions are fully aligned to the Corporate Plan. The “golden thread” will be the essential link between the Council’s high level priorities and the individual employee/service contribution towards the achievement of these priorities.

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

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

The Council has a Performance Management Framework. Performance is reported to the Policy, Finance and Resources Committee on a quarterly basis with any matters of concern referred to relevant

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Panels/Committees. Performance is also reported to Heads of Service on a monthly basis and to the Corporate Leadership Board. In addition, progress on key projects is reported to the Corporate Leadership Board on a monthly basis.

The Council has a Medium Term Financial Plan (MTFP) which forms the framework for the Council's financial planning. The MTFP details the budget setting process to ensure that the Council's resources are managed effectively in order to meet its statutory responsibilities and deliver the aspirations of the Council, over the medium term. The MTFP is monitored by the Corporate Leadership Board and Members of the Finance and Resources Committee.

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

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

The Constitution details the roles and functions of the Committee, Panels and officers. A Forward Plan is prepared for each Committee/Panel which outlines the key decisions which will be made during the year. A list of the Council's Committees for 2015/16 is shown below:

Annual Council

Committees

- Community and Health Committee
- Dismissal Appeals Committee
- Economic Development Committee
- Environment and Housing Management Committee
- Policy, Finance and Resources Committee
- Staff Appointments Committee

Ordinary Council

- Extraordinary Council
- Ordinary Council

Regulatory Committees

- Audit, Scrutiny and Transformation Committee
- Licensing/Appeals Sub-Committee
- Planning and Licensing Committee

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Constitution Working Group

- Constitution Working Group

The Corporate Leadership Board (CLB) consists of the Head of Paid Service, Chief Finance Officer, Monitoring Officer and each Head of Service. CLB meets on a regular basis and supports the Council in providing the strategic direction for delivering the policies and priorities. It also considers other governance issues including risk management, performance management and financial management. The purpose of CLB is:

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

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

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

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

In addition, throughout the year the Council has been engaged in a detailed and ongoing review of its new Constitution, so that the document continues to develop in the light of experience and feedback from a range of stakeholders including Members, the Constitution Working Group, Group Leaders, Chairs of Committees and staff. Member training sessions have also been held on the Constitution.

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

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

The conduct of Members and officers is further regulated through a number of plans, policies, procedures and strategies. A copy of the Council's plans, policies, procedures and strategies is available to all staff on the intranet. These documents are in the process of being updated.

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

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

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

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

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

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

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

During 2015-16 the Council held a number of Panels which carry out regulatory or scrutiny functions. This included an Audit, Scrutiny and Transformation Committee. The main aim of Audit and Scrutiny is to act as a 'critical friend' to the Council in order to promote better services, policies and decisions. Overview and Scrutiny makes a difference by ensuring that local decision-making is better, that local services are improved and that local democracy is strengthened. Scrutiny ensures that the committees and panels are held to account for the decisions that they make and their impact upon the borough and its residents. The Audit, Scrutiny and Transformation Committee performs all overview and scrutiny functions on behalf of

BRENTWOOD BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2015/16

the Council. No Member may be involved in scrutinising a decision in which he/she has been directly involved.

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

Five Audit, Scrutiny and Transformation Committee meetings took place during the 2015/16 municipal year and no decisions were called in.

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

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

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

Support the Council's aims to:

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

Enable the Council to:

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

Improve our customers' lives by:

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

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

BRENTWOOD BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2015/16

- 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.

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

An induction programme for new Members exists and is successfully used to introduce the newly elected Members who joined during that year. This enabled them to familiarise themselves with the processes within the Council and their duties and responsibilities.

Training has been provided during 2015/16 to implement the new governance arrangements and the different disciplines required for different Committees. Additionally, joint training with other authorities has taken place covering such matters as governance structures, division of functions, decision making, Data Protection and Freedom of Information management, and the requirements imposed by the Regulation of Investigatory Powers Act.

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

- flexible working hours
- job sharing
- part-time working
- home working
- flexible retirement
- one2one appraisals

The Council is committed to managing and developing its people, which enables it to be successful in achieving its corporate priorities, as well as developing the capability of individual employees and capacity overall. The Council's Corporate Training Budget enables prioritised employee training to ensure we have the right people with the right skills and knowledge.

Key principles of training and development at the Council are:

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

The Council is also committed to investment in core systems to help streamline processes and increase the efficiency and effectiveness of the delivery of Council services.

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

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

The Council has a Customer Complaints Policy which 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 Audit, Scrutiny and Transformation 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.

4. Review of effectiveness

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

Constitution

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

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

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

BRENTWOOD BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2015/16

Standards

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

Filter Stage:

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

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

- (a) that the complaint is not suitable for investigation, or
- (b) the allegations are of a criminal nature and therefore the matter should be referred to the Police, or
- (c) that the complaint should be investigated further and should move to the next stage of the complaints procedure.

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

Investigations and decision making process:

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

Sanction:

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

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

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

BRENTWOOD BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT 2015/16

Audit, Scrutiny and Transformation Committee

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

- Organisational Risks
- Business Continuity Reports
- Statement of Accounts
- External Audit Results Report
- Annual Audit Letter and External Audit Updates
- Internal Audit Progress Reports
- Internal Audit Annual Report
- Internal Audit Plan
- Internal Audit Charter
- External Audit Plan
- Annual Certification Report
- Corporate Complaints Monitoring Reports

Internal Audit

The role of Internal Audit is to provide an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. It is a key part of the Council's internal control system and integral to the framework of assurance that the Audit, Scrutiny and Transformation 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 2016 is one of **moderate assurance** which means that there is a sound system of internal control in operation in most systems, adequately designed to meet the Council's objectives, and controls are generally being applied consistently.

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

- a) The review on the main financial system received an opinion of substantial assurance which means that there is a sound system of internal control designed to achieve system objectives.
- b) Six audits, including the reviews completed within the Housing Department, Customer Services and Waste Income and Contract Management completed on the Council's main capital and transformation projects, received moderate assurance which means that there is generally a sound system of internal control designed to achieve system objectives with some exceptions.
- c) Four audit reviews received a limited assurance opinion, which means that the system of internal controls is weakened with system objectives at risk of not being achieved. These audits where a limited assurance opinion was given are as follows:

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- Risk Management: Internal audit found that the Council's Corporate Priorities and Objectives are not linked to the risk registers and the reporting and monitoring arrangements require improvement.
- Planning: Internal audit found that controls over S106 contributions were weak and previous recommendations had not been implemented. As there was not a single officer with clear responsibility for managing S106, there was no one with the responsibility for monitoring the agreement of contributions with developers, collection from developers and utilisation of the contributions within the Council and by third parties.
- Human Resources: Internal audit found that the measurement of the Council's contractor performance is insufficient. Service management meetings and outstanding case discussions are not as regular or effective as they could be, which slows the resolution of service issues and case issues. Human resources policies need to be brought up to date, as they currently contain inconsistent and non-relevant information, which causes problems for management and employees using them.
- Disaster Recovery and Business Continuity Plans: found that whilst business impact assessments were conducted to prepare business continuity plans, not all services have formally documented their assessment. An IT disaster recovery plan has not been formally prepared and there has been no testing of the business continuity plans while management await the completion of individual business continuity plans for all units.

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

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

External Audit

The External Auditor's Audit Results Report for 2014/15 contained the following key messages:

- Ernst & Young issued an unqualified opinion on the 2014/15 financial statements including the Statement of Accounts.
- Ernst & Young concluded that the Council had in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- Ernst & Young issued an unqualified opinion on the 2014/15 Whole of Government Accounts submission.

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5. Significant Governance Issues

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

- **Future funding levels** – Further reductions in Government funding is inevitable. In addition, the changes to Local Government Finance arrangements through the Localisation of Business Rates and Localised Council Tax Support will continue to have significant risk implications to the levels and stability of future funding levels.
- **Savings** – The Council has set challenging savings targets over the coming years and further savings are likely to be required. The Council’s ability to achieve these savings is pivotal in maintaining a strong system of Governance.
- **Changes in Senior Officers** – There have been changes to Senior Officers during the year and a restructure of the Council’s Corporate Leadership Board.

Financial challenges will continue to be monitored and addressed as part of the medium term financial planning process to ensure that resources are targeted to support the delivery of the Corporate Plan.

Signed:

Louise McKinlay
Leader of the Council

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Philip Ruck
Head of Paid Service

Glossary of Terms

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| Accounting period | The period of time covered by the accounts, normally a period of twelve months starting on 1 st April and ending on 31 st March the following year. The end of the accounting period is the balance sheet date. |
| Accounting policies | <p>Those principles, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in the financial statements through:</p> <ul style="list-style-type: none"> • recognising • selecting measurement bases for and • presenting <p>assets, liabilities, gains, losses and changes to reserves.</p> |
| 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. |

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| Billing Authority | This is the Council as the body responsible for billing and collecting the Council Tax from all residential properties within the borough on behalf of itself, Essex County Council, Essex Fire Authority, Essex Police Authority and Parish Councils. The Council is also responsible for the billing and collection of National Non-Domestic Rates (NNDR or Business Rates) from commercial properties in the borough. |
| Budget | A budget is a financial statement that expresses the Council's service delivery plans and capital programmes in monetary terms. |
| Capital Adjustment Account | This account represents amounts set aside from revenue resources or capital receipts to finance expenditure on non-current assets, or for the repayment of external loans. |
| Capital Charge | A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services. |
| Capital Expenditure | Expenditure on the acquisition or refurbishment of non-current assets and other eligible items that will be of benefit to the Council in providing its services for more than one year. |
| Capital Financing | The raising of money to pay for capital expenditure. Capital financing methods include borrowing, direct revenue funding, use of capital receipts, capital grants, capital contributions and revenue reserves. |
| Capital Programme | The Council's plans for capital expenditure and funding over future years, including the purchase or improvement of buildings and the acquisition of vehicles and major items of equipment. |
| Capital Receipts | Proceeds from the sale of assets, which may be used to finance new capital expenditure, set aside for the repayment of external loans or paid to a national pool (if from the sale of HRA dwellings). |
| Capitalise | To treat expenditure as capital expenditure, including some expenditure which would normally be classed as revenue expenditure (see also REFCUS). |
| Chartered Institute of Public Finance and Accountancy (CIPFA) | CIPFA is the lead professional accountancy body for the public sector. CIPFA produces guidance in relation to various matters concerning the public sector including financial and governance issues. |
| (CIPFA/LASAAC) | To be added |
| Code of Practice (COP) | Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. |

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

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

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| Housing Revenue Account (HRA) | A separate ring-fenced account within the General Fund which contains the expenditure and income arising from the provision of housing accommodation by the Council as landlord. |
| Impairment | The amount by which the recoverable amount of a non-current asset is lower than the carrying value amount. |
| Intangible Asset | A non-current asset such as a software licence which has no physical substance. |
| Interest | An amount received or paid for the use of a sum of money when it is invested or borrowed. |
| International Financial Reporting Standards (IFRS) | Standards which prescribe or have been adapted to prescribe the way in which a local authority Statement of Accounts is constructed. |
| International Financial Reporting Interpretations Committee (IFRIC) | A Committee which provides interpretative guidance on the application of IFRSs and International Accounting Standards (IASs) |
| Inventories | Raw materials and stores which the Council has bought and holds in stock for use as required. |
| Lease | A method of financing capital expenditure where a rental charge is paid for an asset for a specified period of time. |
| Major Repairs Allowance (MRA) | Government Subsidy to the HRA to fund major repairs to the Council's housing stock. |
| Minimum Revenue Provision (MRP) | The minimum amount which must be charged to the Council's revenue accounts and set aside as a provision for repaying borrowing or other credit liabilities. |
| National Non-Domestic Rates (NDR) | 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. |

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

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

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

The Statement of Accounts is subject to audit.