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Agenda Supplement

Dear Councillor

AUDIT AND SCRUTINY COMMITTEE - TUESDAY, 28TH JULY, 2020

I am now able to enclose, for consideration at next Tuesday, 28th July, 2020 meeting of the Audit and Scrutiny Committee, the following reports that were unavailable when the agenda was printed.

Agenda No	Item
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| 3. | <u>Draft Statement of Accounts 2019/20 and Annual Governance Statement of Accounts 2019/20 (Pages 3 - 126)</u> |
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Report of FIELD_AUTHOR

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| 4. | <u>2019/20 Outturn Report (Pages 127 - 154)</u> |
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Report of FIELD_AUTHOR

Yours sincerely



Jonathan Stephenson
Chief Executive

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Agenda Item 3

Committee(s): Audit and Scrutiny Committee	Date: 28 th July 2020
Subject: Unaudited Statement of Accounts 2019/20	Wards Affected: All
Report of: Jacqueline Van Mellaerts, Director of Corporate Resources	Public
Report Author/s: Name: Margaret Donaldson, Interim Corporate Finance Manager Telephone: 01277 312500 E-mail: margaret.donaldson@brentwood.gov.uk Name: Jacqueline Van Mellaerts Director of Corporate Resources Telephone: 01277 312500 E-mail: Jacqueline.vanmellaerts@brentwood.gov.uk	For Decision

Summary

This report presents the Council's unaudited Statement of Accounts for 2019/20. These accounts will be signed by the Director of Corporate Resources by 31st August 2020 – the extended deadline; in line with requirements of the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020 and the 2015 Accounts and Audit Regulations. They will be published on our website, including the annual governance statement and subject to the relevant inspection notice under section 26 of the Local Audit and Accountability Act 2014.

Recommendation(s)

Members are asked to:

- R1 The Annual Governance Statement 2019/20 attached in Appendix A is approved and signed by the Chief Executive and Leader of the Council.**
- R2 The Unaudited Statement of Accounts 2019/20 attached in Appendix A is considered and approved and signed by the Chair of the Audit and Scrutiny Committee.**

Main Report

Introduction and Background

1. On the 22nd April 2020, in response to the Covid-19 pandemic, the government extended the deadline for the publication of Local Authorities unaudited accounts for 2019/20 to 31st August 2020 - the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020. Local Authorities can publish the 2019/20 Accounts prior to this date and are encouraged to do so.
2. Under the revised regulations, the deadline for the audit of the Accounts by the Council's external auditors - Ernest & Young LLP (EY LLP), is the 30th November 2020.
3. EY LLP are scheduled to commence the audit on 21st September 2020, and complete on the 31st October 2020.
4. Unaudited statement of Accounts 2019/20

The Statements in line with the CIPFA Code of Practice 2019/20 comprise the following sections:

a) Narrative Report

The purpose of the narrative report is to provide an easily understandable guide to the most significant matters reported in the accounts.

b) Group Accounts

These statements and notes show the consolidated financial position of the Council with its wholly owned company, Seven Arches Investments Ltd.

c) Movement in Reserves Statement

This is a summary of the movements in the financial year within the different reserves held by the Council. The reserves are analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

d) Comprehensive Income and Expenditure Statement

This account brings together the expenditure and income relating to all the services for which the Council is responsible and demonstrates how the net cost for the year has been financed. The services shown are in accordance with generally accepted accounting practices.

e) Balance Sheet

This sets out the financial position of the Authority as the 31 March 2020. The Balance Sheet reflects the balances and reserves, and net current assets employed in all its operations, together with summarised information on any fixed assets held.

f) Cash Flow Statement

This summarises the Council's cash transactions throughout the year.

g) Notes to the Core Financial Statements including Accounting Policies

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

h) Housing Revenue Account Income and Expenditure Statement

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.

i) Collection Fund

This reflects the Council's statutory obligation to maintain a separate Collection Fund. It shows the transactions of the Council in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic rates (NDR)

j) Accounting Policies and the basis of any Judgements and Estimates in the Accounts

This section explains the rules around the preparation of the Accounts, as well as the assumptions/estimates applied.

5. Annual Governance Statement (AGS)

The proposed AGS, included In Appendix A, is incorporated into the Statement of Accounts for 2019/20. The AGS explains how the Council follows a code of Corporate Governance, which is consistent with the principles of CIPFA/SOLACE 'Delivering Good Governance in Local Government – Framework (2016)'. Members are asked to approve the AGS included in Appendix A, which Is still subject to external audit.

6. External Audit Liaison

The Council's Finance Team have been liaising with the auditor since February 2020 in relation to material areas for consideration in preparing the 2019/20 Statement of Accounts. The following items have been considered early to ensure the smooth completion of the ongoing audit:

- *the valuation of the Town Hall redevelopment* - as previously reported in the Auditor's engagement letter this was to be a key area of focus for EY. Early challenge and discussions with the Council's valuers and EY, have resulted

in an early indication that the correct approach has been taken for inclusion of the asset in the Accounts.

- *preparation of the Accounts on a Going Concern basis* – This is an assessment undertaken up to and from the 12-month period after the sign off of the Accounts. Due to the economic impact of the COVID-19 pandemic on Local Authority finances, this disclosure has needed to be extended and will be refreshed in discussions with the auditors prior to the sign off of the Accounts.
- *Group Accounts* – as the scale of SAIL’s activities increase, the audit of the Group Accounts becomes increasingly important, as does EY’s approach. Council Officers continue to liaise with EY on the information required to audit the Group Accounts.
- *COVID-19 Disclosures* – although the national actions to address the pandemic occurred towards the end of the Council’s financial year, the operational and financial response to the pandemic are required to be disclosed in various areas of the Accounts. For example, the Council’s valuers are satisfied that the valuation of the Council’s assets is robust as at 31st March 2020. However, they have issued an assessment of ‘material uncertainty’ with their opinion. Up to the signing off of the Accounts by EY, the impact of COVID-19 on the property market will be considered and maybe needed to be factored into the Accounts.

Issue, Options and Analysis of Options

7. The publication of the unaudited Accounts is a statutory requirement, as is their format. No other options are therefore out forward.

Reasons for Recommendation

8. The approval of the unaudited Accounts contributes to effective financial management and governance.

Consultation

9. No consultation required.

References to Corporate Strategy

10. The Accounts narrative, the statement of Comprehensive Income and Expenditure and the Annual Governance Statement all refer to the recourse and governance arrangements required in the delivery of the Council’s Corporate Strategy.

Implications

Financial Implications

Name/Title: Jacqueline Van Mellaerts, Director of Corporate Resources

Tel/Email: 01277 312500/jacqueline.vanmellaerts@brentwood.gov.uk

11. The financial implications are set out within the report and the Appendices accompanying the reports.

Legal Implications

Name & Title: Amanda Julian, Director of Law & Governance

Tel & Email: 01277 312500/amanda.julian@brentwood.gov.uk

12. All relevant legal considerations have been taken fully into account in compiling this report.

Economic Implications

Name/Title: Phil Drane, Director of Economy & Planning

Tel/Email: 01277 312500/philip.drane@brentwood.gov.uk

13. The economic implications are set out within the report and the appendices accompanying the report.

Background Papers

14. Statement of Accounts working papers 2019/20.

Appendices to this report

Appendix A: Unaudited Statement of Accounts 2019/20 and Annual Governance Statement 2019/20

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**BRENTWOOD
BOROUGH COUNCIL**

**UNAUDITED
STATEMENT OF ACCOUNTS
2019/20**

NARRATIVE REPORT

Introduction

The Narrative Report provides a concise guide to the most significant matters reported in the Statement of Accounts for the year ended 31 March 2020. Identifying how the Council used its resources, financial and non-financial, to deliver its service objectives.

Brentwood Borough

The Borough of Brentwood is situated in the southwest of Essex, 18 miles from London ; and covers 15.321 hectares. The population is 77,021 based on a 2019 mid-year estimate. The majority of the population is located in the two large towns of Brentwood and Shenfield and their surrounding neighbourhoods.

All of the Borough's countryside lies within the Metropolitan Green Belt of London, equating to 89% of the Borough. It has significant build and natural heritage, with over 500 listed buildings, 12 scheduled ancient monuments, accessible countryside and parks and many local wildlife sites.

The Borough has a successful and buoyant local economy, providing 35,000 employee jobs within the Borough; banking and finance being the main business sectors. The unemployment rate was 3.7% in 2019, 0.1% below the national average. Over 50% of the residential workforce commute out of the Borough to work. There are 4,390 businesses in the Borough generating £28.817 million in Business Rates split between the Council, Central Government and Essex County Council.

The Borough has excellent road and rail connections. The M25, A12 and A127 trunk roads flow through the Borough and there are convenient, fast rail links to London and East Anglia. These rail links will be further enhanced by the arrival of the Elizabeth Line at Brentwood and Shenfield stations by Autumn 2020; providing new direct links through Central London to Heathrow Airport and Reading. Stansted, City and Southend Airports are all 30 to 40 minutes drive away.

The Borough's housing stock is 80% owner occupied. The majority of this has been renovated and there are therefore few areas of poor quality housing in the Borough. There is a need, as nationally, for significantly more low cost affordable housing

The Council

The electorate of Brentwood is represented by 37 councillors and the Mayor covering 15 electoral wards across the Borough. The political make up being: 20 Conservative, 13 Liberal Democrat, 3 Labour and 1 Independent. Brentwood Borough Council is responsible for delivering a range of services to the residents of the Borough.

The Council has a 'committee style' of governance, where decisions are made in committees comprising councillors from all political parties.

The Council's organisational structure supports the work of Councillors; the structure comprises the Chief Executive and 6 Directors. In addition as required by statute the Council retains a Head of Paid Service, a Monitoring Officer and a Chief Finance Officer. An Extended Leadership Team, comprised of service managers, supports the Senior leadership Team to deliver the Council's services and corporate priorities and deliver the corporate plan - Brentwood 2025.

Its key resources and assets are:

NARRATIVE REPORT

- workforce of 234 full-time equivalent staff as at March 2020. Women receive 6.7% higher hourly rate than male workers and there is a very positive representation of female employees in the upper quartile salary bands.
- council assets to the value of £333.987m, of which Council investment assets with the borough totalled £31.250m and generated £0.246m in income for 2019/20.
- a housing stock of 2,482 dwellings with a value of £261.461m as at 31st March 2020; generating rental income of £11.7million for 2019/20.
- annual operating income of £21.926 million excluding Council Tax and Business Rates income, and including government grants.
- a housing stock of 2,482 dwellings with a value of £261.461m as at 31st March 2020; generating rental income of £11.7million for 2019/20.
- Tax base annual income of £6.781m. Council tax levels for the Borough being the fourth lowest in the County, out of 13 Districts
- Business Rates Tax Base of £71.728m as at 31st March 2020.

The Council's wholly owned subsidiary, Seven Arches Limited, contributed £1.571m to the annual operating income for the Council as a Group, representing investment property income and interest on loans advanced from the Council and income for officer secondments from the Council.

The Council continues to balance its annual budget strategy despite receiving no revenue support grant from the Government with effect from 2019/20.

Challenges for the Future

The Borough's prosperity in terms of higher than average house prices and average income and success in terms of high educational attainment standards, is the challenge for the future. There is a high demand for affordable housing, especially for residents working in the borough. Employers attracted to the borough face higher business premises rentals and wages, impacting on reduced local employment. This is compounded with a location which has the limitations of 90% green belt.

Key Achievements for 2019/20

The Council made major progress in many key areas during 2019/20. The following is a summary of its key achievements.

1. Brentwood 2025

The adoption of a revised Corporate Strategy - Brentwood 2025 and associated key priorities in consultation with Residents and representative interest groups. Enabling the medium term financial plan to be agreed to deliver the priorities.

2. Joint Venture Partnership-progress

In March 2018 Council approved a Competitive Dialogue Procedure under the Public Contracts Regulations 2015, to procure a Joint Venture partner to realise the potential of the Council's property asset base.

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The Joint venture partnership contract and framework agreement was awarded to Morgan Sindall Investments Ltd (MSIL) through Seven Arches Investments Ltd (SAIL) the Council's wholly owned company in July 2019. The Brentwood Development Partnership LLP (BDP) was formed between Morgan Sindall Investments Ltd (MSIL) and Seven Arches Investments Ltd (SAIL) and the contract was signed on 9th October 2019.

3. Brentwood Town Hall Refurbishment

The completion of the Town Hall refurbishment in July 2019; comprising 3260 sq metres of office space available for operation of council services and contact centre and commercial rental. In addition, the Department of Works and Pensions, Essex Police and Citizens Advice are also located at the town hall. In addition, the complex includes 1822 square metres of private residential lettings, comprising 19 flats, all of which are now let except one.

4. Local Development Plan

Work continued on the Local Development Plan. Consultation on the pre-submission Local Plan (Reg19) was carried out in February 2019 and an addendum of focussed changes to the pre-submission Local Plan was carried out in October 2019. This work also facilitated discussion on Economic Growth, Housing, Leisure and Infrastructure all of which are vital to the Borough's future. On 22nd January 2020 Council approved the addendum of focussed changes to the pre-submission Local Plan and the Local Plan was submitted to the planning inspectorate (Reg 22) in February 2020. Inspectors' initial questions were received in May 2020 and the Council is currently compiling responses to adhere to the current timeframes.

5. Affordable Housing

The Council acquired 13 houses during the year at a cost of £4.5m, providing a valuable addition to its stock of affordable housing. In January 2020, the Council considered a 'Strategic Housing Development Programme', which consider 7 sites within the borough to provide much needed affordable housing and contribute to the Council's existing housing stock. The 2020/21 capital strategy and Housing Revenue Account contains the start of the financial capacity to progress with the programme.

6. Creation of a new Garden village at Dunton Hills

The proposal is for a new settlement in a borough of villages, with the aim of providing 4,000 new homes, new schools, job opportunities, health and care facilities and new public spaces.

7. King George's Playing Fields and facilities

On 30 January 2020 the Council's Planning Committee approved planned for new developments in King George's Playing Fields. The plans include a new pavilion building, splash pad and a new outdoor adventure play facility. The new facilities include a fully accessible pavilion building, which will include new changing rooms, toilet and showers, golf club lounge, sensory room, changing places facility, new café, indoor soft play and TAG active, which is an indoor assault course that can be done as an individual or against friends and family.

Outside, a new splash pad facility will be developed on the footprint of the old paddling pools. The fully accessible facility will be supported by new toilets, a kiosk selling hot and cold drinks and a new changing places facility. In addition to the splash pad, an new outdoor adventure play facility will be developed.

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Financial Performance for 2019/20

The Council's financial performance is provided in full in the Statement of Accounts for 2019/20, in line with international accounting standards. The Expenditure and Funding Analysis at Note 1 of the Accounts provides a summary of the Council's financial performance under the appropriate Council Tax and HRA Rent setting regulations and financial reporting under International accounting standards.

General Fund Revenue Account

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

	Budget	Forecast outturn	Actual outturn	Variance
	£'000	£'000	£'000	£'000
Brentwood 2025– Service Expenditure				
Growing Our Economy	718	760	768	8
Protecting Our Environment	1,427	1,419	1,246	(173)
Developing Our Communities	834	884	650	(234)
Improving Housing	157	104	46	(58)
Delivering An Efficient & Effective Council	4,600	5,416	5,757	341
Total Spend - Brentwood 2025	7,736	8,583	8,467	(116)
Operating and Financing Charges	1,165	448	620	172
Appropriations	(374)	(374)	(417)	(43)
Total Spending Requirement	8,527	8,657	8,670	13
Funding:				
Council Tax	(6,199)	(6,199)	(6,199)	0
Business Rates Income	(1,800)	(1,900)	(2,126)	(226)
Collection Fund Deficit	333	333	333	0
New Homes Bonus Grant	(678)	(678)	(678)	0
Total Funding	(8,344)	(8,444)	(8,670)	(226)
(Surplus)/Deficit on General Fund Services	183	213	0	(213)

The General Fund provisional outturn shows an improved break-even position for 2019/20, compared to a forecast outturn of £213k deficit.

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Housing Revenue Account

The financial performance for the HRA for 2019/20 is detailed below:

	Budget	Forecast	Actual	Variance to
	£'000	outturn £'000	outturn £'000	budget £'000
Expenditure:				
Repairs and Maintenance	2,681	2,646	3,075	429
Supervision and Management	2,097	2,251	2,280	29
Special Services	1,025	1,020	1,011	(9)
Rent, Rates, Taxes and Other Charges	186	206	207	1
Corporate and Non-Corporate Democratic Core	410	410	416	6
Depreciation and Impairment	3,035	3,035	2,947	(88)
Total Expenditure	9,434	9,568	9,936	368
Income:				
Dwelling Income	(11,620)	(11,694)	(11,749)	(55)
Non-Dwelling Income	(385)	(336)	(337)	(1)
Charges for Services and Facilities	(878)	(859)	(841)	18
Total Income	(12,883)	(12,889)	(12,927)	(38)
Net Expenditure/(Income) on HRA Services	(3,449)	(3,321)	(2,991)	330
HRA Share of Other Operating Income & Expenditure				
Movement in the Allowance for Bad Debts	60	60	273	213
Interest Payable and similar charges	1,928	1,927	1,937	10
Interest and Investment Interest	(49)	(49)	(101)	(52)
Contribution to Capital Financing	1,000	1,600	1,473	(127)
Net Interest on the Net Defined benefit liability	200	200	239	39
Net Cost of HRA Services inc Operating charges	3,139	3,738	3,821	83
Contributions to Reserves	250	0	0	0
HRA Services (Surplus)/Deficit	(60)	417	830	413

The adverse financial impact for the HRA on outturn was a result of the requirement to make higher than expected provisions for bad debts and legal arrangements.

Full details of the key variances for General Fund and HRA financial performance are available in the 28th July 2020 Audit & Scrutiny Committee Agenda

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Working Balances and Earmarked Reserves

The impact of the 2019/20 Outturn for the General Fund and the HRA on future working balances is detailed below:

General Fund

	2019/20	2020/21	2021/22	2022/23
	Actual	Projected	Budget	Budget
		Outturn		
	£'000	£'000	£'000	£'000
Working Balance B/Fwd	3,117	3,117	3,117	2,756
Less: - Funding Gap	0	0	361	723
Working Balance c/fwd	3,117	3,117	2,756	2,033

Housing Revenue Account

	2019/20	2019/20	2020/21	2021/22	2022/23
	Estimated	Actual			
	Outturn				
	£'000	£'000	£'000	£'000	£'000
<u>HRA Working Balance</u>					
Balance C/Fwd as at 31st March	1,484	1,071	1,158	1,220	1,264
<u>HRA Reserves</u>					
Balance C/Fwd as at 31st March:					
Affordable Housing Reserve	2,400	2,400	2,400	2,400	2,400
Major Repairs Reserve – Funding of Decent Homes programme of works	4,325	6,345	2,020	2,020	2,020
Total	6,725	8,745	4,420	4,420	4,420

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Capital Programme

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

	Budget	Forecast	Actual	Variance
		outturn	outturn	to
	£'000	£'000	£'000	Forecast
				£'000
Brentwood 2025– Capital Expenditure				
Growing Our Economy	562	280	527	247
Protecting Our Environment	1,827	795	271	(524)
Developing Our Communities	9,389	1,391	1,389	(2)
Improving Housing	12,892	6,157	5,615	(542)
Delivering An Efficient & Effective Council	49,473	21,902	22,395	493
Total Expenditure	74,143	30,525	30,197	(328)
Funding				
Capital Receipts	(200)	(200)	(200)	0
Retained HRA Capital Receipts	(2,064)	(1,181)	(1,317)	(136)
Capital Grants	(700)	(250)	(352)	(102)
Major Repairs Reserve	(5,750)	(1,971)	(1,725)	246
Revenue Contributions	(4,010)	(2,755)	(1,473)	1,282
HRA Borrowing	(808)	0	(1,600)	(1,600)
Borrowing	(60,611)	(24,168)	(23,530)	638
Total Funding	(74,143)	(30,525)	(30,197)	328

£19m of the Council's capital spend for 2019/20 was in relation to the advance of funding to SAIL, the Council's wholly owned subsidiary. Other key projects included the Town Hall renovation and the purchase of 13 houses to be added to the HRA housing stock as affordable housing.

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Treasury Management

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

Long term borrowing	£'000	Ave interest rate
HRA	59,166	3.26%
General Fund/Transferred Debt	<u>2,181</u>	8.08%
Total Long term borrowing	61,347	
Short term borrowing		
HRA	15	3.26%
General Fund/Transferred Debt	<u>35,107</u>	1.01%
Total Short term borrowing	35,122	
Total External borrowing	96,469	
Total Investments	<u>(10)</u>	0.45%
Net Borrowing Position	96,459	

Since 2012 the HRA has had a business plan to manage and maintain HRA dwelling, provide for investment of existing stock and finance borrowing of £59.166m. Most of the General Fund short term borrowing was been taken out to provide capital finance to the Council's subsidiary, Seven Arches Investments Ltd.

In addition to external debt, the Council has internal debt of approximately £23m, representing occasions in previous years when the Council has used its own cash resources to fund capital expenditure instead of taking out external loans.

Pension Liability

The Council's Balance Sheet shows a net pension liability of £39.837m at 31 March 2020, offset by a reserve of the same amount. Details of the required accounting for pension schemes are contained in Note 40 to the Statement. The liability shows the underlying commitment the Council has to paying pensions in the long run and the substantial impact on the net worth of the Council.

There are statutory arrangements in place for funding the deficit, which means that the Council's financial position remains healthy. The liability reflects future payments. Contributions into the Pension Fund over the remaining working life of employees will increase, if required, to ensure that any deficit is made good before the payments become due.

Medium Term Financial Strategy and Financial Outlook

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

- to maintain a sustainable financial position against a background of unprecedented financial uncertainty and reduced government funding including the delivery of efficiency targets.
- to support the vision of our Borough through appropriate identification of resources required to deliver the key priorities outlined in the 'Brentwood 2025' corporate strategy
- to maximise opportunities and mitigate risks associated with the fundamental change in the way local government is financed.

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Medium Term Financial Plan and Financial Outlook (continued)

The main issues impacting the MTFP include the reduction In Government Funding. Revenue Support Grant being nil from 2018/19 onwards.

The MTFP currently extends to 2022/23 and it forecasts a cumulative funding gap of £1.08m by 2022/23 for the General Fund, although the improved outturn assists the working balances carried forward. The MTFP was agreed prior to the Covid-19 pandemic and the medium to long term impact on the council's finances are difficult to quantify at this present time. The Council has identified various initiatives to reduce the base budget and attract additional income. The initiatives being:

- service reviews
- leisure strategy income
- additional commercial income

The ongoing viability of these initiatives will need to be reassessed to evaluate their viability given the current pandemic position.

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

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

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

Corporate Risk Management

The Council maintains Strategic, Operational and Project risk registers to identify the risks which could impact on the Council's ability to achieve its objectives. The most recent risks reported to Committee in March 2020 are as follows:

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

NARRATIVE REPORT

Performance Measurement

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

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

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

The 2019/20 Statement of Accounts

The Council has prepared the 2019/20 Accounts on a going concern basis, despite the impact of the COVID-19 pandemic. An assessment of the impact of the financial impact of the pandemic has been prepared and the relevant disclosure has been included in the Accounts at Note 41.

In addition, the key assumptions and critical judgements about future and other major sources of estimation uncertainty have been updated to take account of the impact of the pandemic; especially with regard to the valuation of Council assets. The Council's valuer has issued a 'material uncertainty' opinion with regards to the year end valuation impact assessment due to the economic crisis. However, the valuers are satisfied that the valuations undertaken for 2019/20 are robust.

Operational and Financial impact of Covid-19

The COVID-19 pandemic has had a fundamental impact on the provision of council services, in terms of the temporary and brief suspension of the refuse collection and recycling services, the suspension of other services under government regulations, for example golf course facilities the multi storey carpark due to social distancing rules, the redeployment of staff to support key services, financial reporting and performance and day to day governance.

Given the scale of the issues raised by the pandemic, this section of the narrative statement commentary focuses on the impact that it has had and will continue to have on the Council's future operations.

Like every other Local Authority, the Council entered the lockdown phase of the country's COVID-19 mitigation in the last few weeks of its financial year. Decisions were taken to close offices and to suspend some services on a temporary basis in order to safeguard council employees and the community. E.g Garden waste collection. A Tactical Coordination group was set up with sub-groups to focus on key areas of response. Business continuity plans were also activated, to enable critical services to be delivered to vulnerable residents in the community, especially those being shielded.

In April 2020 terms of reference for an Emergency Committee was approved so any emergency decisions could be responded to quickly throughout the COVID-19 pandemic. This was conducted virtually using appropriate ICT software. All other committees except Audit & Scrutiny Committee and Planning & Licensing Committee were also approved to be suspended until after the summer. The Monitoring officer agreed to call an Emergency Committee in June to approve the Council's Discretionary Business Grant Scheme.

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Guidance and support was distributed in the form of 32,000 leaflets to residents and a community hub was set up to support vulnerable families and individuals. The council liaised with various charities to support foodbanks and key workers in the borough.

Under Government regulations, the council has distributed £16.2m in business grants to 1,161 businesses as at 17th July 2020. The Council has also distributed the full £904k of discretionary business grant funding to 170 businesses that were excluded from the initial scheme. These have all been fully funded by central government, including £130k to support the additional administrative burden of administering the scheme at local level.

As the situation eases, the vast majority of council staff are working from home supported by ICT services, which has enabled staff to access the relevant data and emails to continue not only with day to day business but also to respond and arrange changes required to service delivery.

Council services continue to be delivered following relevant social distancing and health and safety rules and certain services continue to be operated in an enhanced method to protect vulnerable residents; for example the community hub and the additional cleaning and housekeeping facilities required at the council's residential sheltered schemes.

A service recovery and transformation team continues to monitor and implement required changes to the Council's operations, both for staff and residents.

To date the Council has received £882,232 from the government to cover the additional costs of COVID-19. On a monthly basis the Council formally update the government on the financial impact of COVID-19, both in terms of additional costs, loss of service related income and Collection Fund income. Internally various briefings with staff and members have taken place to inform the Council's employees and members of its financial position.

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 Director of Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- Approve the Statement of Accounts.

The Section 151 Officer's Responsibilities

The Director of Corporate Resources 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 2019/20 ("the Code")

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

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

The Section 151 Officer has also:

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

Certification by Director of Corporate Resources

The Unaudited Statement of Accounts gives a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended.

Jacqueline Van Mellaerts CPFA, Director of Corporate Resources
28 July 2020

Certification by the Chair of the Committee approving the accounts

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

GROUP ACCOUNTS

Introduction

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

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

Seven Arches Investments Ltd

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

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

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

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

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

Seven Arches Investments Ltd holds 50% shares in a joint venture partnership, Brentwood Development Partnership LLP.

Content of the Group Accounts

The following pages include:

- Group Movement in Reserves Statement

- Group Comprehensive Income and Expenditure Statement

- Group Balance Sheet

- Group Cash Flow Statement

- Notes to the Group Accounts

- Joint Venture

GROUP MOVEMENT IN RESERVES STATEMENT

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

	Held for Revenue Purposes					Held for Capital Purposes			Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance	SAIL Profit & Loss Reserve	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Balance at 31 March 2019	3,117	(691)	4,821	1,901	2,400	3,167	680	4,326	19,721	189,845	209,566
Movement in reserves during 2019/20:											
Surplus/(Deficit) on Provision of Services	(3,673)	(104)	0	(330)	0	0	0	0	(4,107)	0	(4,107)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	7,353	7,353
Total Comprehensive Income and Expenditure	(3,673)	(104)	0	(330)	0	0	0	0	(4,107)	7,353	3,246
Transfer of recharges from General Fund to HRA	1,670	0	0	(1,670)	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	1,586	0	0	1,170	0	(1,102)	71	2,019	3,744	(3,744)	0
Total movement in reserves during 2019/20	(417)	(104)	0	(830)	0	(1,102)	71	2,019	(363)	3,609	3,246
Transfers (to)/from Earmarked Reserves	417	0	(417)	0	0	0	0	0	0	0	0
Balance at 31 March 2020	3,117	(795)	4,404	1,071	2,400	2,065	751	6,345	19,358	193,454	212,812

	Held for Revenue Purposes					Held for Capital Purposes			Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance	SAIL Profit & Loss Reserve	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Balance at 31 March 2018	3,305	0	5,592	2,039	3,400	6,711	557	2,427	24,031	186,758	210,789
Movement in reserves during 2018/19:											
Surplus/(Deficit) on Provision of Services	(7,876)	(691)	0	1,388	0	0	0	0	(7,178)	0	(7,178)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	5,956	5,956
Total Comprehensive Income and Expenditure	(7,876)	(691)	0	1,388	0	0	0	0	(7,178)	5,956	(1,222)
Transfer of recharges from General Fund to HRA	1,591	0	0	(1,591)	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	5,326	0	0	(935)	0	(3,544)	123	1,899	2,869	(2,869)	0
Total movement in reserves during 2018/19	(959)	(691)	0	(1,138)	0	(3,544)	123	1,899	(4,309)	3,087	(1,222)
Transfers (to)/from Earmarked Reserves	771	0	(771)	1,000	(1,000)	0	0	0	0	0	0
Balance at 31 March 2019	3,117	(691)	4,821	1,901	2,400	3,167	680	4,326	19,721	189,845	209,566

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

	2018/19			2019/20		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
	Restated	Restated	Restated			
Growing Our Economy	2,790	(807)	1,983	2,263	(1,036)	1,227
Protecting Our Environment	10,046	(5,123)	4,923	8,145	(5,399)	2,746
Developing Our Communities	2,789	(1,013)	1,776	1,810	(539)	1,271
Improving Housing	940	(933)	7	1,291	(881)	410
Delivering An Efficient & Effective Council	20,528	(13,011)	7,517	19,093	(12,433)	6,660
Commercial Activity	190	(248)	(58)	732	(917)	(185)
Housing Revenue Account	10,012	(13,050)	(3,038)	11,189	(12,927)	(1,738)
Cost of Services	47,295	(34,185)	13,110	44,523	(34,132)	10,391
Other operating expenditure	901	(612)	289	738	(180)	558
Financing and investment income & expenditure	3,766	(726)	3,040	3,712	(1,309)	2,403
Taxation and non-specific grant income & expenditure	0	(9,261)	(9,261)	0	(9,245)	(9,245)
(Surplus)/Deficit on Provision of Services	51,962	(44,784)	7,178	48,973	(44,866)	4,107
Deficit/(surplus) on revaluation of non current assets	706	0	706	0	(4,874)	(4,874)
Remeasurement of the net defined benefit pension liability	0	(6,662)	(6,662)	0	(2,479)	(2,479)
Other Comprehensive Income and Expenditure	706	(6,662)	(5,956)	0	(7,353)	(7,353)
Total Comprehensive Income and Expenditure	52,668	(51,446)	1,224	48,973	(52,219)	(3,246)

The prior year comparatives have been restated for the following:

- 1) To present the 2018/19 cost of services in the format of the Council's new reporting structure, which was adopted during 2019/20. The reporting structure is aligned with the Council's Corporate Strategy, Brentwood 2025.
- 2) To transfer the movement in bad debts provision from Cost of Services to Finance & investment income & expenditure.

Neither of these adjustments affects the Deficit on Provision of Services reported in the 2018/19 published accounts.

GROUP BALANCE SHEET

This statement summarises the financial position of the group at 31 March 2020:

Note	31 March 2019 £'000 Restated	31 March 2020 £'000
Property, Plant and Equipment:-		
Council dwellings	257,048	261,461
Other Land and Buildings	29,223	32,811
Vehicles, plant and equipment	1,927	2,495
Infrastructure	1,109	1,133
Community Assets	2,937	2,937
Surplus Assets	795	1,180
2 Assets Under Construction	9,330	1,998
	302,369	304,015
Intangible Assets	127	115
3 Investment Property	21,363	29,972
Long-term Debtors	728	585
	Long-term Assets	334,687
Short-term Investments	2,000	10
Inventories	56	238
4 Short-term Debtors	6,117	5,606
Cash and Cash Equivalents	0	20,263
	Current Assets	26,117
Short-term Borrowing	(12,061)	(35,122)
5 Short-term Creditors	(5,613)	(6,172)
Cash Overdrawn	(450)	0
Provisions	(1,582)	(1,968)
Grants Receipts in Advance - Revenue	(151)	(1,454)
	Current Liabilities	(44,716)
Long-term Borrowing	(61,352)	(61,595)
Grants Receipts in Advance	(531)	(1,844)
Net Pension Liability	(41,454)	(39,837)
	Long-term Liabilities	(103,276)
	Net Assets	212,812
	209,566	212,812

GROUP BALANCE SHEET

Note	31 March 2019 £'000 Restated	31 March 2020 £'000
General Fund Balance	3,117	3,117
Housing Revenue Account Balance	1,901	1,071
Capital Receipts Reserve	3,167	2,065
Capital Grants Unapplied Account	680	751
Major Repairs Reserve	4,326	6,345
Earmarked Reserves	7,221	6,804
SAIL Profit & Loss Account	(691)	(795)
Usable Reserves	19,721	19,358
Revaluation Reserve	106,232	109,445
Capital Adjustment Account	125,157	124,075
Deferred Capital Receipts	378	308
Pension Reserve	(41,454)	(39,837)
Accumulated Absences Adjustment Account	(86)	(88)
Collection Fund Adjustment Account	(382)	(449)
Unusable Reserves	189,845	193,454
Total Reserves	209,566	212,812

The 2018/19 balance sheet has been restated by reclassifying provisions from long-term liabilities to short-term liabilities. There is no change from the Net Assets and Total Reserves figures in the published accounts for 2018/19.

I certify that the unaudited Statement of Accounts gives a true and fair view of the financial position of the Group and the Council as at 31 March 2020 and of its expenditure and income for the year then ended.

Jacqueline Van Mellaerts CPFA, Director of Corporate Resources
28 July 2020

GROUP CASH FLOW STATEMENT

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

Note	2018/19		2019/20	
	£'000	£'000	£'000	£'000
Net deficit on the provision of services		7,177		4,107
Adjustments for non cash movements:-				
Depreciation of non current assets	(4,117)		(4,056)	
Amortisation of intangible assets	(179)		(254)	
Revaluation adjustments	(3,885)		(2,802)	
(Increase)/decrease in bad debts provision	(115)		(415)	
(Increase)/decrease in creditors	(1,525)		(20,370)	
Increase/(decrease) in debtors	1,209		18,690	
Increase/(decrease) in inventories	2		181	
Movement in pension liabilities	(1,689)		(862)	
Amounts transferred to Collection Fund Adjustment Account	(135)		(67)	
Amounts transferred to Accumulated Absences Adjustment Account	14		(2)	
Carrying amounts of non-current assets sold	(823)		(355)	
Increase in provisions	107		(387)	
Movement in value of investment properties	(283)		715	
Other non cash movements	(12)		5	
Total adjustments for non cash movements		(11,431)		(9,979)
Adjustments for investing or financing activities				
Proceeds from the sale of non-current assets	1,435		506	
Capital Grants	383		429	
Total adjustment for investing or financing activities		1,818		935
Net cash in-flow from Operating Activities		(2,436)		(4,937)
Investing Activities:-				
Purchase of property, plant & equipment and intangible assets	28,110		12,122	
Proceeds from the sale of property, plant & equipment	(1,435)		(506)	
Proceeds from short term investments	(12,000)		(1,990)	
(increase)/decrease in capital grants	(509)		(1,743)	
		14,166		7,883
Financing Activities:-				
Cash receipts of short-term and long-term borrowing	(17,000)		(37,000)	
Repayments of short-term and long-term borrowing	5,004		13,942	
Decrease/(increase) in Collection Fund Agency creditors	1,652		(601)	
		(10,344)		(23,659)
Net (increase)/decrease in cash and cash equivalents		1,386		(20,713)
Cash and cash equivalents at the beginning of the reporting period		936		(450)
Cash and cash equivalents at the end of the reporting period		(450)		20,263
Movement in cash & cash equivalents		(1,386)		20,713

NOTES TO THE GROUP ACCOUNTS

1. Group Accounting Policies

The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. The Council has consolidated its interests in the entity over which it exercises control or significant influence because they are material to the Council's balance sheet. The results of the Council's subsidiary have been consolidated on a line by line basis. Intra-group transactions have been eliminated before consolidation. The Accounting Policies used in the preparation of the Group Accounts are the same as for the single entity accounts of Brentwood Borough Council, as set out in note 41 of the Notes to the Core Statement of Accounts.

The Group accounts are different from the draft accounts produced by SAIL in respect of the purchase of Jubilee House, which completed on 9 April 2020. The transaction has been included in SAIL's draft accounts but the Council's view is that the transaction should not be included in the Group Accounts as completion had not taken place as at 31 March 2020. The transaction will be removed from SAIL's audited final accounts. See also note 7 below.

The SAIL accounts also include a revaluation adjustment of £1.013m relating to the prior year. This transaction was included in the 2018/19 published Group Accounts, and is therefore included in the 2019/20 Group Accounts as part of the brought forward SAIL balances rather than as an in-year transaction.

Specific notes for the Group Financial Statements are provided below only where there is a material difference from the Council's own accounts.

2. Assets Under Construction

This includes a deposit of £1.278m paid in March 2020 towards the purchase of Jubilee House.

3. Investment Properties

	2018/19 £'000	2018/19 £'000	2018/19 £'000	2019/20 £'000	2019/20 £'000	2019/20 £'000
	Commercial Premises	Land	Total	Commercial Premises	Land	Total
Balance at start of the year	5,913	2,975	8,888	18,432	2,931	21,363
Acquired during the year	12,758	0	12,758	0	0	0
Net gains from fair value adjustments						
- through Comprehensive Income & Expenditure Account	(239)	(44)	(283)	653	62	715
- through Revaluation Reserve	0	0	0	(213)	0	(213)
Transfers from Assets Under Construction	0	0	0	6,746	0	6,746
Transfers from Land & Buildings & Surplus Assets	0	0	0	1,361	0	1,361
Balance at end of the year	18,432	2,931	21,363	26,979	2,993	29,972

The revaluations were carried out by Wilkes Head Eve, an independent firm of Royal Institute of Chartered Surveyors (RICS) registered valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS, and in the CIPFA Code.

NOTES TO THE GROUP ACCOUNTS

4. Debtors

	31 March 2019			31 March 2020		
	£'000	£'000	£'000	£'000	£'000	£'000
	Gross Debt	Impairment Allowance	Net Debt	Gross Debt	Impairment Allowance	Net Debt
Trade receivables	476	(69)	407	551	(78)	473
Housing rents arrears	1,314	(693)	621	1,475	(974)	501
Financial assets at contract amounts	1,790	(762)	1,028	2,026	(1,052)	974
Central Government	1,255	0	1,255	973	0	973
Other local authorities	1,496	0	1,496	1,463	0	1,463
Council tax arrears	451	(181)	270	535	(246)	289
Non domestic rates arrears	1,535	(456)	1,079	1,006	(473)	533
Other sundry receivables	1,532	(949)	583	2,114	(1,074)	1,040
Prepayments	406	0	406	334	0	334
Total	8,465	(2,348)	6,117	8,451	(2,845)	5,606

5. Creditors

	31 March 2019	31 March 2020
	£'000	£'000
Trade payables	1,960	2,316
Financial liabilities at contract amounts	1,960	2,316
Central Government	1,030	836
Other local authorities	1,014	754
Council tax pre-payments	137	132
Non domestic rates pre-payments	306	253
Other sundry payables	295	728
Receipts in advance	871	1,153
Total	5,613	6,172

6. Operating lease commitments

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

	31 March 2019	31 March 2020
	£'000	£'000
Not later than one year	1,295	1,848
Later than one year and not later than five years	4,287	8,706
Later than five years	6,096	16,344
Total	11,678	26,898

NOTES TO THE GROUP ACCOUNTS

7. Events after the Balance Sheet date

The purchase of Jubilee House in Warley was completed on 9 April 2020. The balance of £16.2m was paid after 31 March 2020 (the deposit of approximately £1.3m having been paid in March 2020). The value of the Group's Investment Properties increased in 2019/20 by £17.5m, representing the £16.2m balance and the transfer of the value represented by the deposit from Asset Under Construction. SAIL drew down £19m from the Council in March 2020, of which £17.5m was an advance to fund the purchase costs of Jubilee House and £1.5m was to provide working capital.

8. Joint Venture

As the major shareholder in SAIL, the Council considered the bids for joint venture partner, and approved the award of the partnership contract to Morgan Sindall Investments Ltd. The award of the contract was approved by Full Council on 30th July 2019.

The purpose of the joint venture is to undertake regeneration projects within the Borough. Three initial sites have been selected for development.

The accounts of the joint venture have not been consolidated into SAIL's accounts as they are not material for 2019/20.

CORE FINANCIAL STATEMENTS – MOVEMENT IN RESERVES STATEMENT

This statement shows the movement from the start to the end of the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other “unusable reserves”. The Statement analyses the movements in year between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax and housing rent income for the year. The balance at 31 March 2020 line shows the statutory General Fund balance and Housing Revenue Account balance following these adjustments.

Movement in Reserves Statement 2019/20

	Held for Revenue Purposes				Held for Capital Purposes			Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Balance at 31 March 2019	3,117	4,821	1,901	2,400	3,167	680	4,326	20,412	189,845	210,257
Movement in reserves during 2019/20:										
Surplus/(Deficit) on Provision of Services	(3,673)	0	(330)	0	0	0	0	(4,003)	0	(4,003)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	7,353	7,353
Total Comprehensive Income and Expenditure	(3,673)	0	(330)	0	0	0	0	(4,003)	7,353	3,350
Transfer of recharges from General Fund to HRA	1,670	0	(1,670)	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations (note 4)	1,586	0	1,170	0	(1,102)	71	2,019	3,744	(3,744)	0
Total movement in reserves during 2019/20	(417)	0	(830)	0	(1,102)	71	2,019	(259)	3,609	3,350
Transfers (to)/from Earmarked Reserves (note 5)	417	(417)	0	0	0	0	0	0	0	0
Balance at 31 March 2020	3,117	4,404	1,071	2,400	2,065	751	6,345	20,153	193,454	213,607

Movement in Reserves Statement 2018/19

	Held for Revenue Purposes				Held for Capital Purposes			Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Balance at 31 March 2018	3,305	5,592	2,039	3,400	6,711	557	2,427	24,031	186,758	210,789
Movement in reserves during 2018/19:										
Surplus/(Deficit) on Provision of Services	(7,876)	0	1,388	0	0	0	0	(6,488)	0	(6,488)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	5,956	5,956
Total Comprehensive Income and Expenditure	(7,876)	0	1,388	0	0	0	0	(6,488)	5,956	(532)
Transfer of recharges from General Fund to HRA	1,591	0	(1,591)	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations (note 4)	5,326	0	(935)	0	(3,544)	123	1,899	2,869	(2,869)	0
Total movement in reserves during 2018/19	(959)	0	(1,138)	0	(3,544)	123	1,899	(3,619)	3,087	(532)
Transfers (to)/from Earmarked Reserves (note 5)	771	(771)	1,000	(1,000)	0	0	0	0	0	0
Balance at 31 March 2019	3,117	4,821	1,901	2,400	3,167	680	4,326	20,412	189,845	210,257

CORE FINANCIAL STATEMENTS – COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the statutory amounts to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Note	2018/19			2019/20		
	Gross Expenditure £'000 Restated	Gross Income £'000 Restated	Net Expenditure £'000 Restated	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
	2,790	(1,213)	1,577	2,263	(1,036)	1,227
	10,046	(5,123)	4,923	8,145	(5,399)	2,746
	2,789	(1,013)	1,776	1,810	(539)	1,271
	940	(933)	7	1,291	(881)	410
	20,528	(13,011)	7,517	19,094	(12,155)	6,939
	9,931	(12,968)	(3,037)	11,189	(12,927)	(1,738)
	47,024	(34,261)	12,763	43,792	(32,937)	10,855
6	901	(612)	289	738	(180)	558
7	3,616	(919)	2,697	3,701	(1,866)	1,835
8	0	(9,261)	(9,261)	0	(9,245)	(9,245)
	51,541	(45,053)	6,488	48,231	(44,228)	4,003
20	706	0	706	0	(4,874)	(4,874)
39	0	(6,662)	(6,662)	0	(2,479)	(2,479)
	706	(6,662)	(5,956)	0	(7,353)	(7,353)
	52,247	(51,715)	532	48,231	(51,581)	(3,350)

The prior year comparatives have been restated for the following:

- To present the 2018/19 cost of services in the format of the Council's new reporting structure, which was adopted during 2019/20. The new reporting structure is aligned with the Council's Corporate Strategy, **Brentwood 2025**.
- To transfer the movement in bad debts provision from Cost of Services to Finance & investment income & expenditure.

Neither of these adjustments affects the Deficit on Provision of Services reported in the 2018/19 published accounts.

CORE FINANCIAL STATEMENTS – BALANCE SHEET

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

Note	31 March 2019 £'000	31 March 2020 £'000
9	Restated	
Property, Plant and Equipment:-		
Council dwellings	257,048	261,461
Other Land and Buildings	29,223	32,811
Vehicles, plant and equipment	1,927	2,495
Infrastructure	1,109	1,133
Community Assets	2,937	2,937
Surplus Assets	795	1,180
Assets Under Construction	9,330	720
	<u>302,369</u>	<u>302,737</u>
11	126	115
13	8,756	17,398
14	14,228	33,085
	325,479	353,335
15	2,000	10
Inventories	56	238
16	6,031	5,095
17	0	2,220
	8,087	7,563
15	(12,061)	(35,122)
18	(5,563)	(5,719)
17	(781)	0
19	(1,418)	(1,968)
32	(151)	(1,454)
	(19,974)	(44,263)
15	(61,351)	(61,347)
32	(530)	(1,844)
40	(41,454)	(39,837)
	(103,335)	(103,028)
	210,257	213,607

CORE FINANCIAL STATEMENTS – BALANCE SHEET

Note	31 March 2019 £'000 Restated	31 March 2020 £'000
20	General Fund Balance	3,117
20	Housing Revenue Account Balance	1,901
20	Capital Receipts Reserve	3,167
20	Capital Grants Unapplied Account	680
4	Major Repairs Reserve	4,326
5	Earmarked Reserves	7,221
	Usable Reserves	20,412
20	Revaluation Reserve	106,232
22	Capital Adjustment Account	125,157
23	Deferred Capital Receipts	378
24	Pension Reserve	(41,454)
25	Accumulated Absences Adjustment Account	(86)
26	Collection Fund Adjustment Account	(382)
	Unusable Reserves	189,845
	Total Reserves	213,607

The 2018/19 balance sheet has been restated by reclassifying provisions from long-term liabilities to short-term liabilities. There is no change from the Net Assets and Total Reserves figures in the published accounts for 2018/19.

I certify that the unaudited Statement of Accounts gives a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended.

Jacqueline Van Mellaerts CPFA, Director of Corporate Resources
28 July 2020

CORE FINANCIAL STATEMENTS – CASH FLOW STATEMENT

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

Note	2018/19		2019/20	
	£'000	£'000	£'000	£'000
Net deficit on the provision of services		6,488		4,003
Adjustments for non cash movements:-				
Depreciation of non current assets	(4,117)		(4,056)	
Amortisation of intangible assets	(179)		(254)	
Revaluation adjustments	(3,885)		(2,802)	
(Increase)/decrease in bad debts provision	(115)		(415)	
(Increase)/decrease in creditors	(1,474)		(780)	
Increase/(decrease) in debtors	14,623		18,325	
Increase/(decrease) in inventories	2		181	
Movement in pension liabilities	(1,689)		(862)	
Amounts transferred to Collection Fund Adjustment Account	(135)		(67)	
Amounts transferred to Accumulated Absences Adjustment Account	14		(2)	
Carrying amounts of non-current assets sold	(823)		(355)	
Increase in provisions	271		(550)	
Movement in value of investment properties	(132)		748	
Other non cash movements	(14)		(25)	
Total adjustments for non cash movements		2,347		9,086
Adjustments for investing or financing activities				
Proceeds from the sale of non-current assets	1,435		535	
Capital Grants	383		429	
Total adjustment for investing or financing activities		1,818		964
Net cash in-flow from Operating Activities		10,653		14,053
Investing Activities:-				
Purchase of property, plant & equipment and intangible assets	15,352		10,844	
Proceeds from the sale of property, plant & equipment	(1,435)		(506)	
Proceeds from short term investments	(12,000)		(1,990)	
(increase)/decrease in capital grants	(509)		(1,743)	
		1,408		6,605
Financing Activities:-				
Cash receipts of short-term and long-term borrowing	(17,000)		(37,000)	
Repayments of short-term and long-term borrowing	5,004		13,942	
Decrease/(increase) in Collection Fund Agency creditors	1,652		(601)	
		(10,344)		(23,659)
Net (increase)/decrease in cash and cash equivalents		1,717		(3,001)
16 Cash and cash equivalents at the beginning of the reporting period		936		(781)
16 Cash and cash equivalents at the end of the reporting period		(781)		2,220
Movement in cash & cash equivalents		(1,717)		3,001

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NOTES TO THE ACCOUNTS

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated on the Council's spending priorities in line with its Corporate Strategy, Brentwood 2025. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The prior year comparatives have been restated to present the 2018/19 figures in the format of the Council's new reporting structure, which was adopted during 2019/20.

The figures in the Net Expenditure Chargeable to the General Fund and HRA Balance column align to the outturn report taken to the Council's Audit & Scrutiny Committee.

<u>2019/20</u>	Net Expenditure Chargeable to the General Fund and HRA Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
Service	£000	£000	£000
Growing Our Economy	768	459	1,227
Protecting Our Environment	1,246	1,500	2,746
Developing Our Communities	650	621	1,271
Improving Housing	46	364	410
Delivering An Efficient & Effective Council	5,757	1,182	6,939
Housing Revenue Account	830	(2,568)	(1,738)
Net Cost of Services	9,297	1,558	10,855
Other income & expenditure Total	(8,467)	1,614	(6,852)
Deficit/(surplus)	830	3,172	4,003
Opening General Fund and HRA Balance at 31 March 2019*	(12,239)		
Less Deficit/(Surplus) on General Fund and HRA balance in year	830		
Transfer from Earmarked Reserves	417		
Closing General Fund and HRA Balance at 31 March 2020*	(10,992)		

* For a split of the closing balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 21.

NOTES TO THE ACCOUNTS

1. Expenditure and Funding Analysis (continued)

2018/19	Net Expenditure Chargeable to the General Fund and HRA Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
Service	£000	£000	£000
	Restated	Restated	Restated
Growing Our Economy	825	752	1,577
Protecting Our Environment	1,812	3,118	4,923
Developing Our Communities	881	896	1,776
Improving Housing	106	(126)	7
Delivering An Efficient & Effective Council	4,615	2,759	7,517
Housing Revenue Account	(3,599)	888	(3,037)
Net Cost of Services	4,640	8,287	12,763
Other income & expenditure Total	(3,142)	(3,214)	(6,275)
Deficit/(surplus)	1,498	5,072	6,488
Opening General Fund and HRA Balance at 31 March 2018*	(14,337)		
Less Deficit/(Surplus) on General Fund and HRA balance in year	1,498		
Transfer from Earmark Reserves	600		
Closing General Fund and HRA Balance at 31 March 2019*	(12,239)		

* For a split of the closing balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 21.

NOTES TO THE ACCOUNTS

2. Notes to the Expenditure and Funding Analysis

Adjustments between Accounting Basis and Funding Basis 2019/20				
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Growing Our Economy	2	201	256	459
Protecting Our Environment	511	667	322	1,500
Developing Our Communities	402	136	83	621
Improving Housing	201	104	59	364
Delivering An Efficient & Effective Council	(420)	110	1,492	1,182
Housing Revenue Account	1,041	130	(3,739)	(2,568)
Net Cost of Services	1,737	1,348	(1,527)	1,558
Other Income & Expenditure	87	(486)	2,013	1,614
Total	1,824	862	486	3,172

Adjustments between Accounting Basis and Funding Basis 2018/19				
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
	Restated	Restated	Restated	Restated
Growing Our Economy	41	176	535	752
Protecting Our Environment	2,078	704	336	3,118
Developing Our Communities	1,109	120	(333)	896
Improving Housing	(120)	80	(86)	(126)
Delivering An Efficient & Effective Council	290	776	1,693	2,759
Housing Revenue Account	2,123	191	(1,426)	888
Net Cost of Services	5,521	2,047	719	8,287
Other Income & Expenditure	(2,940)	(358)	84	(3,214)
Total	2,581	1,689	803	5,073

NOTES TO THE ACCOUNTS

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

Adjustments for Capital Purposes

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

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

Net Change for the Pensions Adjustment

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

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

Other

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

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

NOTES TO THE ACCOUNTS

3a. Expenditure & Income Analysed by Nature

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

Expenditure	2018/19 £'000	2019/20 £'000
Employee benefits expenses	12,169	12,781
Other services expenses	26,853	25,002
Depreciation, amortisation & impairment (note 9)	8,313	7,112
Interest payments	3,386	2,598
Precepts & levies (note 6)	517	549
Payments to the Housing Capital Receipts Pool (note 6)	384	189
Total expenditure	51,622	48,231
Income		
Fees, charges and other service income		
- Revenue from contracts with service recipients (note 3b)	(18,982)	(19,519)
- Other income	(3,020)	(1,733)
Interest and investment income (note 7)	(439)	(645)
Income from council tax and non domestic rates	(7,334)	(7,056)
Grants and contributions (note 31)	(14,747)	(14,347)
Gain on revaluation of investment properties (note 14)	0	(748)
Gain on the disposal of assets (note 7)	(612)	(180)
Total income	(45,134)	(44,228)
Deficit on the provision of services	6,488	4,003

3b. Revenue from Contract with Service Recipients

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

	31 March 2019 £'000	31 March 2020 £'000
Revenue from contracts with service recipients	(18,982)	(19,519)
Impairment of receivables	(6)	(1)
Total included in CIES	(18,988)	(19,520)

NOTES TO THE ACCOUNTS

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

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

	31 March	31 March
	2019	2020
	£'000	£'000
Receivables (included as debtors - see note 16)	1,004	945
Total included in Balance Sheet	1,004	945

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

	31 March	31 March
	2019	2020
	£'000	£'000
Not later than one year	(154)	(675)
Later than one year	0	0
Total	(154)	(675)

4. Adjustments between accounting basis and funding basis under regulations

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

a) General Fund Balance

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

b) Housing Revenue Account Balance

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

c) Major Repairs Reserve

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

NOTES TO THE ACCOUNTS

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

d) Capital Receipts Reserve

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

e) Capital Grants Unapplied

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

<u>2019/20</u>	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Total £'000
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive & Income Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs (transferred to/from the Pensions Reserve)	731	131	0	0	0	862
Council Tax & NNDR (transfers to/from the Collection Fund Adjustment Account)	67	0	0	0	0	67
Holiday pay (transferred to/from to the Accumulated Absences Reserve)	3	(1)	0	0	0	2
Reversal of entries relating to capital expenditure (charged to the Capital Adjustment Account).	1,064	4,483	0	0	0	5,547
Total Adjustments to Revenue Resources	1,865	4,613	0	0	0	6,478
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds to the Capital Receipts Reserve	(39)	(497)	507	0	0	(29)
Payments to the government housing receipts pool	189	0	(189)	0	0	0
Transfer of HRA resources from revenue to the Major Repairs Reserve	0	(2,946)	0	0	2,946	0
Capital Grants unapplied	(429)	0	0	71	0	(358)
Total Adjustments between Revenue and Capital Resources	(279)	(3,443)	318	71	2,946	(387)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,517)	0	0	(1,517)
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	(927)	(927)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	97	0	0	97
Total Adjustments to Capital Resources	0	0	(1,420)	0	(927)	(2,347)
Total Adjustments	1,586	1,170	(1,102)	71	2,019	3,744

NOTES TO THE ACCOUNTS

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

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

NOTES TO THE ACCOUNTS

5. Transfers to and from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2019/20.

	2018/19				2019/20			
	Balance	Transfers	Transfers	Balance	Balance	Transfers	Transfers	Balance
	at 1 April 2018	to CIES	from CIES	at 31 March 2019	at 1 April 2019	to CIES	from CIES	at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Reserves								
Organisational Transformation	1,679	(757)	40	962	962	(962)	0	0
Funding Volatility	946	0	759	1,705	1,705	(1,028)	668	1,345
Waste Management	636	(53)	0	583	583	(24)	36	595
Dunton Hills Development	421	(301)	0	120	120	(105)	0	15
Nightingale Maintenance	319	(13)	0	306	306	(4)	0	302
Planning Delivery Grant	255	(240)	40	55	55	(2)	0	53
Community Alarms	191	(53)	0	138	138	(26)	0	112
Pensions	177	(177)	0	0	0	0	0	0
Preventing Homelessness	174	(21)	0	153	153	(34)	0	119
Asset Management	164	0	0	164	164	0	0	164
Housing Benefit Subsidy	150	0	0	150	150	0	0	150
Leisure Strategy	100	(85)	0	15	15	(15)	0	0
ICT Investment	100	0	0	100	100	0	0	100
EU Exit Grant	0	0	118	118	118	0	35	153
Brentwood Community Hospital	45	0	0	45	45	(5)	0	40
Electoral Registration	43	0	0	43	43	0	0	43
Economic Development	40	(40)	0	0	0	0	300	300
Community Rights	38	0	0	38	38	0	0	38
Health and Wellbeing	34	0	21	55	55	0	6	61
Neighbourhood Plan	26	0	0	26	26	0	0	26
Land at Hanover House	16	0	0	16	16	(3)	0	13
Building Control	15	(14)	0	1	1	(1)	0	0
Brentwood Community Fund	9	0	0	9	9	(7)	0	2
Willowbrook Rosen Crescent	7	0	0	7	7	0	0	7
Public Consultation	5	(5)	0	0	0	0	0	0
Civic Dinner	2	(2)	0	0	0	0	0	0
Play Area Grant	0	0	12	12	12	0	0	12
High Street Fund	0	0	0	0	0	0	200	200
Environmental Initiatives	0	0	0	0	0	0	100	100
Planning Enforcement	0	0	0	0	0	0	200	200
Insurance and Risk Management	0	0	0	0	0	0	25	25
Service Investment and Initiatives	0	0	0	0	0	0	200	200
COVID-19 Support Grant	0	0	0	0	0	0	29	29
Total General Fund Reserves	5,592	(1,761)	990	4,821	4,821	(2,216)	1,799	4,404
Housing Revenue Account Reserves								
Council Dwellings Investment Fund	3,000	(600)	0	2,400	2,400	0	0	2,400
Repairs and Maintenance	400	(400)	0	0	0	0	0	0
Total Housing Revenue Account Reserves	3,400	(1,000)	0	2,400	2,400	0	0	2,400
Total Earmarked Reserves	8,992	(2,761)	990	7,221	7,221	(2,216)	1,799	6,804

NOTES TO THE ACCOUNTS

5. Transfers to and from Earmarked Reserves (continued)

The following table sets out the purpose of each reserve that had an opening balance at the start of the 2018/19 financial year, and the newly created reserves in 2019/20:

Reserve	Purpose
General Fund Reserves	
Organisational Transformation	The reserve was created to fund the Council's continuous improvement in its services, employees and members. During 2019/20 it was used to fund one-off unforeseen expenditure, with the balance transferred to new reserves set up in line with the Council's Medium Term Financial Plan.
Funding Volatility	Fund to mitigate the uncertainty and financial risks regarding the Fair Funding Review
Waste Management	To fund the development of waste management within the Borough.
Dunton Hills Development	To fund planning costs associated with the Dunton Hills Garden Village Development.
Nightingale Maintenance	To meet the cost of grounds maintenance at the new housing development at this site.
Planning Delivery Grant	To fund work associated with the Local Development Plan.
Community Alarms	Funds to be used to develop the community alarm service, looking at expansion of the service as well as upgrading the equipment inline with technological advances.
Pensions	To fund the pension liability on overtime payments, backdated to pensions changes in 2014.
Preventing Homelessness	To develop a range of prevention initiatives, such as private sector leasing scheme, and to fund new costs associated with the Homelessness Reduction Act 2018.
Asset Management	To fund the costs of developing and implementing the Council's asset management programme.
Housing Benefit Subsidy	To support the funding of subsidy claims and the implementation of Universal Credit.
Leisure Strategy	To fund the Council's Leisure Service review.
ICT Investment	To fund investment in the Council's ICT structure.
EU Exit Grant	To fund preparations required of the Council when the UK exits the EU.
Brentwood Community Hospital	To fund grounds maintenance of the former hospital site.
Electoral Registration	Previously earmarked to implement individual electoral registration; now required to fund pressures regarding the European Elections held in 2019/20 and any other unexpected upcoming elections.
Economic Development	Previously held due to underspent budgets on review of the reserve, the money can be utilised to aid in delivering the LDP
Community Rights	Contains the Government grant provided to assist in the implementation of the Localism Act.
Health and Wellbeing	To fund projects as determined by the Brentwood Health & Wellbeing Board.
Neighbourhood Plan	Carries forward Government grants to be used in connection with Doddinghurst and West Horndon neighbourhood plans.
Land at Hanover House	Section 106 Agreement to make public open space improvements at land at Hanover House.
Building Control	A trading account which balances to zero over a period of three financial years. Any surplus is taken into account when setting future years' fees and charges.
Brentwood Community Fund	Holds unspent Local Strategic Partnership monies to fund agreed community projects.
Willowbrook Rosen Crescent	Contribution from developer towards the cost of hedge maintenance at this location.
Public Consultation	Carries forward unspent budget to be used for a borough wide satisfaction survey: on review of the reserve this survey will be part of a wider scheme therefore the reserve is no longer needed.
Civic Dinner	To fund the cost of the annual Civic Dinner; closed at the end of 2018/19.
Play Area Grant	Park improvement funding, earmarked specifically to contribute to the Council's play area strategy
High Street Fund	To aid corporate objectives for growing the economy in town and village centres
Environmental Initiatives	To develop environmental initiatives that will reduce carbon emissions, improve the environment and reduce the Council's carbon footprint.
Planning Enforcement	To aid the increasing pressures on resource when dealing with unauthorised incursions and related enforcement work

NOTES TO THE ACCOUNTS

5. Transfers to and from Earmarked Reserves (continued)

Reserve	Purpose
General Fund Reserves	
Insurance and Risk Management	To support and mitigate high risks identified through the corporate risk register.
Service Investment and Initiatives	To mitigate one off costs against the agreed budget for any identified service investments or initiatives in year.
COVID-19	To assist local authorities deal with the financial pressures caused by the COVID-19 pandemic

6. Other Operating Expenditure

	2018/19	2019/20
	£'000	£'000
Parish Council precepts	517	549
Payments to the Government Housing Capital Receipts Pool	384	189
Gains on the disposal of non-current assets	(612)	(180)
Total	289	558

7. Financing and Investment Income and Expenditure

	2018/19	2019/20
	£'000	£'000
	Restated	
Interest payable	2,158	2,245
Net interest on the pensions net defined benefit liability	1,151	964
Interest receivable and similar income	(367)	(645)
Net movement in bad debts provision	82	481
Income from investment properties	(459)	(462)
Changes in fair value of investment properties	132	(748)
Total	2,697	1,835

The prior year figures have been restated by the addition of the net movement in bad debts provision.

NOTES TO THE ACCOUNTS

8. Taxation and Non-Specific Grant Income

	2018/19 £'000	2019/20 £'000
Council Tax Income	(6,526)	(6,781)
Non Domestic Rates	(1,169)	(246)
Non-ringfenced Government grants (note 32)	(1,422)	(2,159)
Capital grants and contributions (note 32)	(144)	(59)
Total	(9,261)	(9,245)

9. Property Plant and Equipment

1.1 Movements on balances in 2019/20

	Total £'000	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000
Gross Carrying Amount (Cost/Valuation)								
At 1 April 2019	306,548	257,048	29,384	5,631	1,417	2,943	795	9,330
Acquisitions	4,459	4,284	0	175	0	0	0	0
Additions	6,142	798	533	879	109	0	0	3,823
Revaluation increases to the Revaluation Reserve	5,087	4,924	(66)	0	0	0	229	0
Revaluation decreases to Surplus/Deficit on the Provision of Services	(2,459)	(2,345)	(97)	0	0	0	(17)	0
Accumulated depreciation written out to gross carrying amount	(2,597)	(2,597)	0	0	0	0	0	0
Derecognition - disposals	(357)	(308)	(49)	0	0	0	0	0
Transfers between categories	0	0	5,104	0	0	0	583	(5,687)
Reclassified to Investment Property	(8,116)	0	(1,001)	0	0	0	(369)	(6,746)
At 31 March 2020	308,707	261,804	33,808	6,685	1,526	2,943	1,221	720
Accumulated Depreciation & Impairment								
At 1 April 2019	(4,179)	0	(161)	(3,704)	(308)	(6)	0	0
Depreciation charge	(4,056)	(2,606)	(879)	(486)	(85)	0	0	0
Impairment losses to the Surplus/deficit on the Provision of Services	(343)	(336)	(7)	0	0	0	0	0
Derecognition - disposals	2	2	0	0	0	0	0	0
Transfers between categories	0	0	41	0	0	0	(41)	0
Reclassified to Investment Property	9	0	9	0	0	0	0	0
Accumulated depreciation written out to gross carrying amount	2,597	2,597	0	0	0	0	0	0
Depreciation at 31 March 2020	(5,970)	(343)	(997)	(4,190)	(393)	(6)	(41)	0
Net book value at 31 March 2020	302,737	261,461	32,811	2,495	1,133	2,937	1,180	720
Net book value at 31 March 2019	302,369	257,048	29,223	1,927	1,109	2,937	795	9,330

NOTES TO THE ACCOUNTS

9.2 Comparative Movements on Balances in 2018/19

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

9.3 Assets Under Construction

The amount of £0.720m for Assets Under Construction is in respect of the following schemes:

- King George's Playing Fields and Football Hub Developments £0.469m
- Affordable Housing Development £0.221m
- Sewerage Treatment Plant £0.030m

9.4 Depreciation

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

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

NOTES TO THE ACCOUNTS

9.5 Capital Commitments

In February 2020 the Council awarded a tender for the replacement of two sewage treatment plants, at Snakes Hill and Church Road, Navestock. The tender award is deemed to be a binding contractual commitment pending the drawing up of the agreement. The work is scheduled to commence during 2020/21. The value of the contract is £0.596m.

9.6 Revaluations

The Council carries out a rolling programme of valuations that ensures that a full revaluation all non-current assets requiring to be measured at fair value is carried out at least every five years. The valuations in 2019/20 were carried out by Wilkes Head Eve, an independent firm of Royal Institute of Chartered Surveyors (RICS) registered valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS, and in the CIPFA Code. The bases for valuation are set out in accounting policy 41.16.

Council Dwellings

Council dwellings are valued using the beacon approach. The stock is broken down into archetypes groups, with an average value based on beacon values applied to each group. A full revaluation of the housing stock was last carried out in 2017/18, and a desktop review was carried out in 2019/20. This involved reviewing the value of each beacon in the light of a number of information sources, including:

- Sales of directly comparable property which have taken place during the financial year
- Information available at a local level showing house price movement, such as Lands Registry, Leading Mortgage Lenders and other records of sales in the locality.
- Regional and National Indices showing general trends in property values.

Other non-current assets

The values of asset classes have been assessed on the basis of local knowledge, publicised data and advice received by other surveyors and valuers. Where possible, the assets have been examined internally and copies of leases reviewed. A building survey has not been carried out, and the assets have not been inspected for the purposes of condition or structural stability. It is assumed that the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing and that good title can be shown.

Surplus Assets

All of the Council's surplus assets have been assessed as Level 2 in the fair value hierarchy for valuation purposes. The fair value of surplus assets has been measured using a market approach using current market conditions, recent sales prices and other relevant information for similar assets. Market conditions for these asset types are such that the levels of observable inputs are significant.

Valuation history of the Council's assets

	Total	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at depreciated historical cost	7,285	0	0	2,495	1,133	2,937	0	720
Valued at fair value as at								
31 March 2016	3,492	0	3,492	0	0	0	0	0
31 March 2017	5,769	0	5,769	0	0	0	0	0
31 March 2018	1,223	0	1,223	0	0	0	0	0
31 March 2019	5,546	0	5,546	0	0	0	0	0
31 March 2020	279,422	261,461	16,781	0	0	0	1,180	0
Total Cost or Valuation	302,737	261,461	32,811	2,495	1,133	2,937	1,180	720

NOTES TO THE ACCOUNTS

The assets that were last revalued between 2016 and 2018 have been reviewed each year and, where appropriate, an indexation uplift has been applied to the carrying values. A full valuation of all of these assets will be carried out in 2020/21.

10. Capital Expenditure and Capital Financing

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

	2018/19	2019/20
	£'000	£'000
Opening Capital Financing Requirement	72,641	93,364
<u>Capital Expenditure</u>		
Property, plant and equipment	7,352	9,997
Assets under construction	7,849	604
Long term debtors	13,500	19,000
Intangible assets	152	244
Revenue expenditure funded from capital under statute	618	352
Total Capital Expenditure	29,471	30,197
<u>Sources of Finance</u>		
Financing of capital expenditure:-		
Capital receipts	(4,649)	(1,517)
Government grants and other contributions	(403)	(352)
Major Repairs Reserve	(997)	(927)
Revenue contributions to capital expenditure	(2,699)	(1,473)
Total Financing of Capital Expenditure	(8,748)	(4,269)
Sums set aside from revenue for the repayment of debt	0	(53)
Closing Capital Financing Requirement	93,364	119,239
<u>Explanation of Movements in the Year</u>		
Net increase in the underlying need to borrow	20,723	25,875
Increase in Capital Financing Requirement	20,723	25,875

11. Intangible Assets

The balance of £0.115m represents the costs of strategic developments to the Council ICT systems and infrastructure, including the development of cloud-based systems,

NOTES TO THE ACCOUNTS

12. Heritage Assets

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

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

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

13. Investment Properties

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

The Council earned £0.462m (2018/19 £0.475m) rental income from these properties, which is accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

	2018/19 £'000	2018/19 £'000	2018/19 £'000	2019/20 £'000	2019/20 £'000	2019/20 £'000
	Shops & other premises	Land	Total	Shops & other premises	Land	Total
Balance at start of the year	5,913	2,975	8,888	5,826	2,930	8,756
Net gains from fair value adjustments						
- through Comprehensive Income & Expenditure Account	(87)	(45)	(132)	686	62	748
- through Revaluation Reserve	0	0	0	(213)	0	(213)
Transfers from Assets Under Construction	0	0	0	6,746	0	6,746
Transfers from Land & Buildings & Surplus Assets	0	0	0	1,361	0	1,361
Balance at end of the year	5,826	2,930	8,756	14,406	2,992	17,398

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

All of the Council's investment properties have been assessed as Level 2 in the fair value hierarchy for valuation purposes. The fair value of investment properties has been measured using a market approach using current market conditions, recent sales prices and other relevant information for similar assets. Typical valuation inputs used include market rental and sale values, yields, void and letting periods, configuration, proportions and layout. Market conditions for these asset types are such that the levels of observable inputs are significant.

NOTES TO THE ACCOUNTS

14. Long Term Debtors

The balance of £33.085m mostly represents loans totalling £32.500m made by the Council to its wholly owned Company, Seven Arches Investments Ltd, as detailed in the Related Parties disclosure on page 56.

15. Financial Instruments

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

15.1 Financial Assets

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

	Long-Term		Short-Term				Total	
	Debtors		Investments & Cash Equivalents		Debtors			
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	Restated £'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	14,228	33,085			1,873	1,870	16,101	34,955
Cash and Cash Equivalents:								
Cash at Bank			(781)	2,220			(781)	2,220
Short Term Investments			2,000	10			2,000	10
Total financial assets	14,228	33,085	1,219	2,230	1,873	1,870	17,320	37,185

The short-term debtors figure excludes debtors totalling £3.225m (£4.158m in 2018/19) representing non-financial instruments such as Council Tax, NDR arrears.

These transactions are measured using inputs classified at level 2 in the fair value hierarchy. The Council also holds shares in Seven Arches Investments Ltd. These are held at their nominal value of £100 because it is impracticable to determine fair value.

Soft loans

The debtors balances in the above table include £0.343m as the sum of two loans made to Brentwood Leisure Trust. These are deemed to be soft loans because one is interest free and the other is at below market rate interest. The nominal amount of the two loans is carried in the Balance Sheet as it is not materially different from the fair value of the loans. The above table also include £0.007m in respect of car purchase loans made to employees. The nominal value of these loans is not considered to be materially different to the fair value.

15.2 Financial Liabilities

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

NOTES TO THE ACCOUNTS

15. Financial Instruments (continued)

	Long-Term		Short-Term				Total	
	Borrowings		Borrowings		Creditors		Total	
	31 March 2019 £'000	31 March 2020 £'000						
Amortised cost					(1,485)	(2,610)	(1,485)	(2,610)
Borrowing:								
- PWLB	(61,166)	(61,166)	(57)	(57)			(61,223)	(61,223)
- Money Market			(12,000)	(35,061)			(12,000)	(35,061)
- transferred debt	(185)	(181)	(4)	(4)			(189)	(185)
Total Financial Liabilities	(61,351)	(61,347)	(12,061)	(35,122)	(1,485)	(2,610)	(74,897)	(99,079)

The creditors figure excludes creditors totalling £3.109m (£7.078m in 2018/19) representing non financial instruments such as Council Tax and NDR prepayments.

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

Income, Expense, Gains and Losses on Financial Instruments

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

	2018/19		2019/20	
	Financial Liabilities measured at amortised cost £'000	Financial assets measured at amortised cost £'000	Financial liabilities measured at amortised cost £'000	Financial assets measured at amortised cost £'000
Interest expense	2,223		2,245	
Interest income		(149)		(645)

15.3 Fair value of Financial Assets and Liabilities

The fair value of financial assets and liabilities are used as a comparison to the carrying value disclosed in the Balance Sheet. In most instances, the carrying amount is deemed to be a fair approximation of fair value.

The fair value of PWLB debt has been calculated by comparing the terms of these loans against current PWLB borrowing rates. The fair values are shown in the table on the following page:

NOTES TO THE ACCOUNTS

15. Financial Instruments (continued)

	31 March 2019		31 March 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Financial Assets:				
Short Term Investments	2,000	2,000	10	10
Cash and Cash Equivalents	(781)	(781)	2,220	2,220
Short Term Debtors	1,873	1,873	1,870	1,870
Long Term Debtors	14,228	14,228	33,085	33,085
Total Financial Assets	17,320	17,320	37,185	37,185
Financial Liabilities:				
PWLB debt	(61,166)	(72,428)	(61,166)	(69,900)
Transferred Debt	(185)	(185)	(181)	(181)
Short Term Creditors	(1,485)	(1,485)	(2,610)	(2,610)
Short Term Borrowing	(12,061)	(12,061)	(35,122)	(35,122)
Total Financial Liabilities	(74,897)	(86,159)	(99,079)	(107,813)

16. Debtors

	31 March 2019			31 March 2020		
	£'000	£'000	£'000	£'000	£'000	£'000
	Gross Debt	Impairment Allowance	Net Debt	Gross Debt	Impairment Allowance	Net Debt
Trade receivables	452	(69)	383	522	(78)	444
Housing rents arrears	1,314	(693)	621	1,475	(974)	501
Financial assets at contract amounts	1,766	(762)	1,004	1,997	(1,052)	945
Central Government	1,255	0	1,255	973	0	973
Other local authorities	1,496	0	1,496	1,463	0	1,463
Council tax arrears	451	(181)	270	535	(246)	289
Non domestic rates arrears	1,502	(423)	1,078	1,006	(473)	533
Other sundry receivables	1,470	(949)	521	1,632	(1,074)	558
Prepayments	406	0	406	334	0	334
Total	8,346	(2,315)	6,031	7,940	(2,845)	5,095

The Council Tax and Non Domestic Rates figures represent the Council's share of the total arrears for these debts.

17. Cash and Cash Equivalents

	31 March 2019	31 March 2020
	£'000	£'000
Bank current accounts	(792)	2,212
Cash floats	11	8
Total Cash and Cash Equivalents	(781)	2,220

NOTES TO THE ACCOUNTS

18. Creditors

	31 March 2019 £'000	31 March 2020 £'000
Trade payables	1,960	2,316
Financial liabilities at contract amounts	1,960	2,316
Central Government	1,030	818
Other local authorities	1,014	754
Council tax pre-payments	137	132
Non domestic rates pre-payments	306	253
Other sundry payables	183	293
Receipts in advance	933	1,153
Total	5,563	5,719

The Council Tax and Non Domestic Rates figures represent the Council's share of the total amounts owed.

19. Provisions

	Non Domestic Rates Appeals £'000	Insurance Claims £'000	Legal Claims £'000	Planning Appeals £'000	Total £'000
Balance at 31 March 2018	1,361	223	106	0	1,690
Additional provisions made in 2018/19	1,242	0	0	0	1,242
Amounts used in 2018/19	(1,503)	0	(11)	0	(1,514)
Balance at 31 March 2019	1,100	223	95	0	1,418
Additional provisions made in 2019/20	139	0	408	85	632
Amounts used in 2019/20	(36)	0	(46)	0	(82)
Balance at 31 March 2020	1,203	223	457	85	1,968

Nature and purpose of each provision:

- a) **Non Domestic Rates Appeals** . Under the Non Domestic Rates Retention scheme introduced in April 2013 councils are expected to meet the financial impact of successful appeals by ratepayers against the rateable value of their properties on the rating list. The provision of £1.203m represents the Council's share of the provision.
- b) **Insurance Claims**. This provision is to meet claims from the Council's previous insurers Municipal Mutual Insurance who are subject to a Scheme of Arrangement.
- c) **Legal Costs**. This provision is to meet the cost of several legal claims against the Council.

NOTES TO THE ACCOUNTS

d) **Planning Appeal.** This provision is to meet the costs of any planning appeal made against the Council,

20. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 21 and in note 4 on pages 32-35. Note 4 also contains an explanation of why each usable reserve is held.

21. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment.

	31 March 2019 £'000	31 March 2020 £'000
Balance at 1 April	108,687	106,232
Upward revaluation of Property, Plant & Equipment	5,705	10,630
Downward revaluation of Property, Plant & Equipment	(6,411)	(5,543)
Sub total	(706)	5,087
Upward revaluation of Investment Properties	0	40
Downward revaluation of Investment Properties	0	(253)
Sub total	0	(213)
Difference between fair value depreciation and historical cost depreciation	(1,470)	(1,538)
Accumulated gains on assets sold or scrapped	(279)	(123)
Amount written off to the Capital Adjustment Account	(1,749)	(1,661)
Balance at 31 March	106,232	109,445

22. 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.

NOTES TO THE ACCOUNTS

22. Capital Adjustment Account (continued)

	31 March 2019 £'000	31 March 2020 £'000
Balance at 1 April	124,413	125,157
Adjustment to opening balance	0	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	(4,117)	(4,399)
Revaluation losses on Property, Plant and Equipment	(4,197)	(2,459)
Reversal of previous revaluation losses	312	0
Amortisation of Intangible assets	(179)	(254)
Revenue Expenditure Funded from Capital under Statute	(617)	(352)
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	(823)	(355)
Sub Total	(9,621)	(7,819)
Adjusting amounts written out of the Revaluation Reserve	1,749	1,661
Net written out amount of the cost of non-current assets consumed in the year	(7,872)	(6,158)
Capital Financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	4,649	1,517
Use of the Major Repairs Reserve to finance new capital expenditure	997	927
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	403	358
Revenue contributions to capital expenditure	2,699	1,473
Provision for the financing of capital investment charged against the General Fund and HRA balances	0	53
Sub Total	8,748	4,328
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(132)	748
Balance at 31 March	125,157	124,075

23. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. These gains are not treated as usable for financing new capital expenditure until they are backed by cash receipts. When the cash settlement takes place, the amounts are transferred to the Capital Receipts Reserve.

	31 March 2019 £'000	31 March 2020 £'000
Balance at 1 April	431	378
Recognition of gains	0	28
Transfer of net gain/(loss) on disposal to CIES	6	(17)
Transfer to the Capital Receipts Reserve upon receipt of cash	(59)	(81)
Balance at 31 March	378	308

NOTES TO THE ACCOUNTS

24. 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.

	31 March 2019 £'000	31 March 2020 £'000
Balance at 1 April	(46,427)	(41,454)
Remeasurements of the net defined benefit liability	6,662	2,479
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	(4,347)	(3,562)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,658	2,700
Balance at 31 March	(41,454)	(39,837)

25. Accumulated Absences Adjustment Account

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

	31 March 2019 £'000	31 March 2020 £'000
Balance at 1 April	(99)	(86)
(Increase)/decrease	13	(2)
Balance at 31 March	(86)	(88)

26. Collection Fund Adjustment Account

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

	31 March 2019 £'000	31 March 2020 £'000
Balance at 1 April	(247)	(382)
Increase/decrease	(135)	(67)
Balance at 31 March	(382)	(449)

NOTES TO THE ACCOUNTS

27. 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 Protecting Our Environment in the Comprehensive Income and Expenditure Statement) are as follows:

	2018/19	2019/20
	£'000	£'000
Car Parks		
Income	(1,922)	(2,125)
Expenditure	917	847
Surplus	(1,005)	(1,278)
Trade Waste Collection		
Income	(553)	(576)
Expenditure	352	289
Surplus	(201)	(287)

28. Members' Allowances

The Council paid £0.274m to Members of the Council during the year (£0.269m in 2018/19).

29. Officers' Remuneration

The remuneration paid to the Council's senior employees during 2019/20 was as follows:

2019/20	Note	Salary, Fees and Allowances	Bonus	Compensation for loss of Office	Employer's Pension Contribution	Total
Post		£	£	£	£	£
Chief Executive - to June 2019	1	15,349	0	56,404	2,686	74,439
Acting Chief Executive - June to Nov 2019	1	9,301	0	0	2,194	11,495
Chief Executive - Nov 2019 to March 2020	1	48,516	0	0	8,296	56,812
Chief Operating Officer	2	74,925	0	0	12,209	87,134
Head of Legal Services and Monitoring Officer - to Aug 2019	3	31,580	5,000	94,118	6,209	136,907
Interim Monitoring Officer - Sept 2019 to Feb 2020	4	5,412	0	0	0	5,412
Director of Law & Governance (Monitoring Officer) - Mar 2020	5	5,822	0	0	996	6,818
Interim Chief Finance Officer (S151) Officer - to June 2019	6	13,787	0	0	2,358	16,145
Director of Corporate Resources (S151 Officer) - from June 2019	7	62,561	0	0	10,698	73,259
Director of Commercial Services	8	80,000	0	0	13,680	93,680
Director of Planning & Economy	9	63,096	0	0	10,789	73,885
Director of Housing & Enforcement	10	37,962	0	0	6,492	44,454
Director of Environment	11	61,408	0	0	10,501	71,909
Total		509,719	5,000	150,522	87,108	752,349

Notes

- Chief Executive.** The post was designated at a part-time role in April 2019 at an annualised part time salary of £56,189. The postholder left in June 2019 and the Chief Operating Officer was Acting Chief Executive between June and November 2020. The current Chief Executive was appointed on a full time basis in November 2019 at an annualised salary of £125,000.

NOTES TO THE ACCOUNTS

2. **Chief Operating Officer.** The costs shown in the above table are the substantive costs of this role for the year. The postholder also received additional remuneration for the roles of Acting Chief Executive (see note 1) and Interim Monitoring Officer (see note 4).
3. **Head of Legal Services (Monitoring Officer).** The annualised salary was £74,183. The postholder was seconded to Seven Arches Investment Limited (SAIL) from November 2018, for approximately 30 hours a week whilst working in post for the Council for 1 day a week. The postholder left the Council's employment in August 2019.
4. **Interim Monitoring Officer.** An interim was appointed for 1 day per week from 1st September until 13th December 2019. The recruitment of the interim was in line with the Council's normal recruitment process. From 14th December 2019 until 1st March 2020, the Chief Operating Officer was Interim Monitoring Officer. The costs shown in the above table is the total costs of this role from September 2019 to February 2020.
5. **Director of Law & Governance (Monitoring Officer).** This post was appointed on 2nd March 2020. The annualised salary was £70,836.
6. **Interim Chief Finance Officer (Section 151 Officer).** This post was replaced by the Director of Corporate Resources post in June 2019. The postholder was the Council's S151 Officer up to that date and was appointed to the new role in June 2019. The annualised salary was £74,925.
7. **Director of Corporate Resources (Section 151 Officer).** This post was established and appointed to in June 2019. The annualised salary was £74,925.
8. **Director of Commercial Services** is a fixed term position until March 2021. The Officer was seconded to Seven Arches Investment Limited from February 2019 for approximately 37 Hours a week.
9. **Director of Planning and Economy.** The post was retitled from Director of Strategic Planning in January 2020.
10. **Director of Housing and Enforcement.** This is a new role established and appointed to in August 2019 on an interim basis, and subsequently on a permanent basis in March 2020. The annualised salary was £63,096.
11. **Director of Environment.** The post was retitled from Director of Operations in January 2020.

The Council recharges SAIL for the costs of seconded officers.

The remuneration paid to the Council's senior employees during 2018/19 was as follows:

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

NOTES TO THE ACCOUNTS

29. Officers' Remuneration (continued)

Notes on 2018/19 table:-

1. **Director of Commercial Services.** This is a fixed term position until 31 March 2020. The postholder was seconded to SAIL from 1st February 2019 for 37 hours a week.
2. **Head of Legal Services and Monitoring Officer.** The postholder was seconded to SAIL from 26th November 2018 for 30 hours a week.
3. **Director of Strategic Planning.** This is a new position appointed to on 1st July 2018. The annualised salary is £62,472.
4. **Director of Operations.** This is a new position appointed to on 1st April 2018.

Employees earning more than £50,000

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

Remuneration Band	2018/19		2019/20	
	Number of employees		Number of employees	
£50,000 - £54,999	5		6	
£65,000 +	3		3	

Off Payroll Arrangements

The Council engages interim staff to provide temporary cover for vacant posts and to obtain specialist skills and experience. The cost of eleven of these interim staff was more than £50,000 in each instance, at a total cost of £834,112. The sums represent the amounts paid by the Council to the supplying agencies. The Council's recruitment policies were followed in all of these interim appointments.

30. Termination Benefits

Exit Packages

The following table discloses the number and total cost of exit packages within cost bands incurred during the year:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
							£	£
£20,001 - £40,000	0	0	0	1	0	1	0	25
£40,001 - £60,000	0	0	0	1	0	1	0	56
£80,001 - £100,000	0	0	0	1	0	1	0	94
Total	0	0	0	3	0	3	0	175

The costs in the above Exit Packages table represent the liabilities incurred by the Council upon the termination of the contracts of a number of its employees. The total £175,387 in 2019/20 was in respect of agreed departures of employees following service reviews. There were no exit packages during 2018/19.

NOTES TO THE ACCOUNTS

31. External Audit Costs

	2018/19 £'000	2019/20 £'000
Fees payable in respect of external audit services carried out by the appointed auditor for the year	Restated	
- planned fees	52	52
- additional fees	13	0
Fees payable for the certification of grant claims and returns for the year	14	35
Rebate received in year from PSAA	0	(6)
Total	79	81

The presentation of the prior year figures has been restated by the introduction of a new line for additional fees. The total amount for 2018/19 is unchanged.

32. Grant Income

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

	2018/19 £'000	2019/20 £'000
Credited to Taxation and Non-specific Grant Income:		
Non-ringfenced Government grants		
New Homes Bonus Scheme	410	677
Business Rates Relief	962	1395
EU Exit Preparation Grant	17	35
Covid-19 LA Support Grant	0	29
Business Rate Relief New Burdens	0	9
Transparency Code Set Up Grant	8	8
Levy Account Surplus Grant	25	6
Sub total	1,422	2,159
Capital grants and contributions		
Developers' Section 106 Grants	12	59
Former Warley Hospital site development S106	132	0
Sub total	144	59
Total	1,566	2,218

NOTES TO THE ACCOUNTS

32. Grant Income (continued)

	2018/19	2019/20
	£'000	£'000
Credited to Services:		
Rent Allowances	6,561	5,499
Rent Rebates	5,213	4,746
Food Waste Grant	377	389
Disabled Facilities Grant	383	370
Council Tax Sharing Agreement - Essex CC	138	168
Dunton Hills Garden Village funding	0	250
Preventing Homelessness Grant	16	124
Housing Benefit Administration	139	123
Non Domestic Rates-Cost of Collection	105	102
Council Tax Support	60	57
Discretionary Housing Payments	85	91
Other grants individually less than £0.050m	369	210
Total	13,446	12,129

The Council received a number of grants and contributions during 2019/20 that not been recognised as income as at 31 March 2020 because they have conditions attached to them that could require the monies to be returned to the grantor. The balances at the year-end were as follows:

	31 March 2019	31 March 2020
	£'000	£'000
<u>Grants Receipts in Advance (Revenue Grants)</u>		
Current Liabilities:		
Business Rates Relief	0	1,395
Other grants	151	46
Total	151	1,441
<u>Grants Receipts in Advance (Capital Grants)</u>		
Developers' Contributions:		
Mountnessing Scrapyard	0	1,115
Former Elliots Nightclub	0	221
Doddinghurst Surgery, Outings Lane, Doddinghurst	176	176
Eclipse Ongar Road, Brentwood	72	72
La Plata Wood, Brentwood	77	71
73 High Street, Brentwood	61	61
Other grants individually less than £0.050m	144	128
Total	530	1,844

The Business Rates Relief for 2020/21 was paid to the Council in full in March 2020. This was part of the Government's measures to support the local authority sector following the outbreak of the COVID-19 pandemic.

NOTES TO THE ACCOUNTS

33. Related Parties

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

UK Government

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

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2019/20 is disclosed in note 28. In addition, grants totalling £80,464 were paid to voluntary organisations the governing bodies of which included at least one Member representing the Council. In all instances the grants were made with full consideration to the Declaration of Interest.

Entities in which Members have a Controlling Interest

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

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

a) Essex County Council

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

The Council Tax and Non Domestic Rates precepts paid by the Council to Essex County Council are disclosed in the Collection Fund on pages 89-91.

The Council paid Essex County Council a total of £316,524 (£468,484 in 2018/19):

- £43,329 for the provision of professional services (£171,955 in 2018/19).
- £257,976 for trade waste disposal (£275,115 in 2018/19).
- £15,219 for planning and land charges services (£21,414 in 2018/19).

The Council was paid £1,377,298 by Essex County Council during the year (£1,348,504 in 2018/19):

- £1,180,823 in respect of recycling and waste disposal (£1,150,298 in 2018/19)
- £161,200 was in respect of the highways ranger service (£161,200 in 2018/19).
- £35,725 in respect of grass cutting and weed control (£37,006 in 2018/19).

b) Essex Police/Essex Police & Crime Commissioner

Essex Police paid £53,500 to the Council during the year (£52,025 in 2018/19) for the provision of office and parking space at Brentwood Town Hall. The Council Tax precepts paid by the Council to the Essex Police & Crime Commissioner are disclosed in the Collection Fund on pages 89-91.

NOTES TO THE ACCOUNTS

33. Related Parties (continued)

c) Essex County Fire and Rescue Service (ECFRS)

One Member of Council is also a member of Essex County Fire and Rescue Service. Transactions between ECFRS and Brentwood Borough Council totalled £6,224 for 2019/20 (£1,081 in 2018/19) and mainly dealt with safety inspections of Council properties. The Council Tax precepts and Non Domestic Rates precepts paid by the Council to the Essex Fire & Rescue Service are disclosed in the Collection Fund on pages 89-91.

d) London Borough of Barking & Dagenham

The Council paid the London Borough of Barking & Dagenham £155,926 during the year (£226,594 in 2018/19) for the provision of legal services.

e) Thurrock Council

The Council paid Thurrock Council £436,575 in 2019/20 (£358,829 in 2018/19), for the provision of various professional services, and received £20,296 from Thurrock (£28,293 in 2018/19) for the provision of environmental health services.

f) Basildon Borough Council

The Council paid Basildon Borough Council a total of £1,485,285 in 2019/20 (£1,965,027 in 2018/19):

- £1,377,715 for provision of a shared Revenues and Benefits Service (£1,388,420 in 2018/19)
- £107,570 for other services, mainly housing (£577,057 in 2018/19)

g) Parish Councils

In 2019/20 the Council paid grants totalling £548,667 to Parish Councils within its area (£516,646 in 2018/19).

h) Association of South Essex Local Authorities

This is a partnership of seven neighbouring local authorities, including Brentwood, to promote economic growth and prosperity in the South Essex region. During the year the Council paid a subscription of £60,000 to the group (nil in 2018/19).

Entities Controlled or Significantly Influenced by the Council

a) Seven Arches Investments Ltd (SAIL)

This is the Council's wholly owned subsidiary company, further details about which can be found within the Group Accounts on pages 12-19.

There is a facility agreement in place between the Council and SAIL, which enables SAIL to request to draw down loans from the Council, repayable in 2048. During 2019/20 SAIL drew down a loan totalling £19,000,000 to SAIL (£13,500,000 in 2018/19) making a total draw-down of £32,500,000.

During the year the Council recharged management costs totalling £390,000 (£406,000 in 2018/19) and interest costs totalling £561,000 (£255,000 in 2018/19) to SAIL. SAIL recharged costs of £112,150 to the Council in respect of consultancy costs purchased on behalf of the Council (nil in 2018/19)

b) Brentwood Leisure Trust

The Trust manages Brentwood Leisure Centre and the Council's community halls, in addition to using the premises for its own purposes. Several members of the Council are on the board of trustees of the Trust. The Council paid £14,450 to the Trust (£58,507 in 2018/19) and received £5,384 from the Trust in 2019/20 (nil in 2018/19) in respect of various operating costs and income. The Trust owed £343,390 to the Council at 31 March 2020 (£343,390 as 31 March 2019). See note 15 for more detail.

NOTES TO THE ACCOUNTS

34. Leases

Council as Lessor – Finance Lease

The Council has leased out land upon which flats at Thorndon Court, Warley have been built. This is on a finance lease with a remaining terms of 75 years. The Council has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding.

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

	31 March 2019	31 March 2020
	£'000	£'000
Finance lease debtors (net present value of minimum lease payments):		
Long-term debtor	33	16
Unearned finance income	602	576
Gross investment in the lease	635	592

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

	Gross investment in lease		Minimum Lease Payments	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000
Not later than one year	9	8	9	8
Later than one year and not later than five years	35	33	35	33
Later than five years	591	551	591	551
Total	635	592	635	592

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 2019/20 (none in 2018/19).

Council as Lessor - Operating Leases

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

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

NOTES TO THE ACCOUNTS

34. Leases (continued)

	31 March 2019 £'000	31 March 2020 £'000
Not later than one year	585	526
Later than one year and not later than five years	1,447	1,666
Later than five years	2,654	2,736
Total	4,686	4,928

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. No contingent rents were receivable by the Council in 2019/20 (none in 2018/19).

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

The 2020/21 Code of Practice on Local Authority Accounting in the UK is expected to introduce the following accounting standards:

- *Amendments to IAS 28 Investments in Associates and Joint Ventures: Long Term Interests in Associates and Joint Ventures.*
- *Annual Improvements to IFRS Standards 2015 -16 Cycle*
- *Amendment to the IAS 9 Financial Instruments: Employment Benefits; Plan Amendment, Curtailment or Settlement*

None of the above changes are anticipated to have a material impact upon the Council's single entity or Group Accounts in 2020/21.

It should be noted that the implementation of IFRS16 for Local Authorities, which was due to be implemented in April 2020, has been deferred to April 2021.

36. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by Jacqueline Van Mellaerts CPFA, Director of Corporate Resources, on 28 July 2020. As at that date, no post balance sheet events have been identified for the Council's core financial statements.

NOTES TO THE ACCOUNTS

37. Nature and extent of risks arising from financial instruments

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

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

Credit Risk

Credit risk arises from deposits with banks and other financial institutions and from credit exposures to the Council's customers. The Council minimises credit risk by restricting its lending to other local authorities and to UK banks and building societies with credit ratings at or above a level specified in the Annual Investment Strategy.

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

The Council makes a provision for impairment of trade receivables using a provision matrix, based on historical observed default rates over the lifecycle of trade debtors and with an uplift to take into account estimated future default rates due to the COVID19 pandemic. The loss allowance is calculated as follows:

Stage	Gross carrying amount	Impairment provision
	£'000	£'000
Less than one month	167	21
More than one year	355	57
Total	522	78

The Council makes a provision for impairment of housing rent arrears, based on historical observed default rates of debts at the various stages of the Council's debt recovery cycle, and with an uplift to take into account estimated future default rates due to the COVID19 pandemic. This methodology produces an impairment provision of £0.974m against rent arrears of £1.475m

Liquidity Risk

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

NOTES TO THE ACCOUNTS

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

	31 March 2019			31 March 2020		
	Principal	Accrued interest	Total	Principal	Accrued interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Less than one year	12,000	0	12,000	35,000	61	35,061
Between one and five years	5,000	1	5,001	5,000	1	5,001
Between five and ten years	10,400	7	10,407	10,400	7	10,407
Between ten and twenty years	30,000	8	30,008	30,000	8	30,008
Between twenty and thirty years	14,166	4	14,170	14,166	4	14,170
More than thirty years	1,789	37	1,826	1,785	37	1,822
Total	73,355	57	73,412	96,351	118	96,469

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

Market Risk

Interest Rate Risk.

All of the Council's investments and borrowing at 31 March 2020 were at fixed rates of interest. The Council was therefore not exposed to risk of additional costs on resulting from increases in interest rates.

Price Risk and Foreign Exchange Risk

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

38. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made considering historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Balance Sheet at 31 March 2020 for which there is a risk of material adjustment in the forthcoming financial year are set out in the following paragraphs.

Uncertainty	Effect if Actual Result differ from Assumptions
<p>Property, Plant & Equipment</p> <p>Land and buildings are valued by a RICS registered valuer sufficiently frequently to ensure that their carrying amount is not materially different from their current / fair value at the year-end. Because of the COVID-19 pandemic, the Council's valuer has been able to attach less weight to previous market evidence to base a judgment of value as at 31 March 2020. The valuer therefore reports 'material valuation uncertainty' as per VSP 3 and VPGA of the RICS Red Book Global in relation to the year end impact assessment report for 31 March 2020. The valuer has also advised that they have a high degree of confidence in the valuations for 2019/20</p>	<p>A 1% increase or decrease in the value of property, plant and equipment would increase or decrease their carrying value by approximately £0.294m.</p>

NOTES TO THE ACCOUNTS

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

Uncertainty	Effect if Actual Result differ from Assumptions
<p>Charges for Depreciation</p> <p>Assets are depreciated based on useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to maintain the expenditure on repairs and maintenance resulting in uncertainty in the useful lives assigned to assets by the Valuers. If the useful life of assets is reduced depreciation increases and the carrying amount of assets falls.</p>	<p>It is estimated that the annual depreciation charge would increase by £0.242m for every year the useful lives are reduced. Due to the capital regulations applicable to local government, however, there would be no impact on the general fund balance.</p>
<p>Fair Value Measurements</p> <p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council commissions relevant experts (e.g. valuers, treasury advisors and actuaries), to identify the relevant valuation techniques and the estimated fair values (e.g. Interest rates yields or yields for similar financial instruments).</p> <p>These advisors consider and report to the Council local/national economic and operational trends and forecasts, in estimating the fair value of its assets and liabilities (e.g. national house price statistics and local commercial rental market trends in valuing the Council's property assets).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Note 15.</p>	<p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets. The risks associated with financial instruments are documented in note 38. A 1% increase or decrease in the value of the Council's investment properties would increase or decrease the value carried on the Balance Sheet by £0.173m.</p>

NOTES TO THE ACCOUNTS

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

Uncertainty	Effect if Actual Result differ from Assumptions
<p>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 projected to increase, changes in retirement ages and mortality rates and expected returns on pension fund assets. Barnett Waddingham, an independent firm of actuaries, has been engaged to provide the Council with expert advice about the assumptions to be applied. Further information can be found in Note 40.</p>	<p>A sensitivity analysis on pension liabilities is included in note 39.</p>
<p>Business Rates Appeals The provision for losses in non-domestic rates income arising from appeals against assessed rateable values in the 2005 and 2010 lists is based on an assessment using the historical experience of appeals and an analysis of the details of appeals held by the Valuation Office Agency. The 2017 revaluation and the introduction by the Government of the Check, Challenge and Appeal process for appeals presents a difficulty in establishing an appropriate provision against the 2017 list because there is an absence of active appeals on which to base the calculation of an appeals provision.</p> <p>The provision for the 2017 list is based on potential losses against the 2017 list, based on successful and outstanding appeals against the 2010 list, and potential new appeals identified by the Council's non-domestic rates advisors.</p>	<p>The provision against the 2017 list is difficult to estimate as the number of successful appeals is unknown, as is the number of businesses likely to appeal against their change in business rates. If underestimated there will be higher write off costs than provided for and this will therefore reduce the income within the Collection Fund.</p> <p>A 10% increase in the Business Rates Appeals provision would increase the Council's provision by £0.120m, representing 40% of the increase to the Collection Fund of £0.300m.</p>
<p>Provision for Bad and Doubtful Debts At 31 March 2020, the Council had a balance of short-term debtors of £7.940m. A review of significant balances suggested that an impairment of doubtful debts of £2.845m was appropriate.</p>	<p>In the current climate it is not certain that such an allowance will continue to be sufficient. If collection rates were to deteriorate, further consideration would be given to reviewing the criteria for calculating the provision, with a view to increasing the provision held by the Council.</p>

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

39. Critical judgments in applying accounting policies

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

Classification of Lease

The Council has undertaken an analysis to classify the lease it holds, both as lessor and lessee, as either operating or finance leases. Relevant accounting policies have been applied to the assessment. The Council judges that none of the arrangements constitute a finance lease where the Council is the lessee, and therefore no amounts in respect of finance leases are recognised on the Balance Sheet.

Investment Properties

The Council has reviewed all assets to assess whether they meet the accounting policy criteria for Investment properties (see note 13). The valuation in line with the Council's accounting policy for Investment Properties provided a value of £17.398m (£8.756m for 2018/19). The value reported on the Balance Sheet now includes the investment element of the refurbished Town Hall for 19 privately rented residential properties and 419m² of available commercial office space.

Valuation of Property, Plant and Equipment

The Council's Non-Current assets are valued on the Balance Sheet in accordance with the CIPFA Code of Practice and the Royal Institute of Chartered Surveyors (RICS). Accounting policies note 16 gives more detail. In line with the CIPFA Code of Practice, all Non-Current assets, with the exception of those carried at depreciated historic cost, are valued on a rolling program of at least five years, to ensure that the carrying value of these reflect the market value as at the balance sheet date. The Council's professionally qualified valuers also undertake a material changes review of each category of asset to ensure that material asset values adequately reflect market value as at the Balance Sheet date.

Group Accounts Boundary assessment

The Council undertakes its operational activities through a variety of service delivery options, either under ultimate control of the Council or in partnership with other entities. The Council undertakes a judgement as to whether the arrangements fall into the Group boundary. Where these arrangements are material, either quantitatively or financially, they are included in the Group Accounts. Seven Arches Investment Limited, a wholly owned subsidiary of the Council, has been included in the Council's Group accounts

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

40. Defined Benefit Pension Schemes

40.1 Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

- (i) The Local Government Pension Scheme, administered locally by Essex County Council. This is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.
- (ii) Arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

40.2 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 2019 which was carried out for funding purposes and the results of the 31 March 2019 IAS19 report, which was carried out for accounting purposes;
- estimated whole fund income and expenditure items for the period to 31 March 2020
- fund investment returns for the period to 28 February 2020 and market returns thereafter for the period to 31 March 2020
- estimated fund income and expenditure in respect of the employer for the period to 31 March 2020
- details of any new early retirements for the period to 31 March 2020 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.
- details of any settlements for the period to 31 March 2020

40.3 Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge that the Council is required to make against the General Fund and Housing Revenue Account, however, is based on the employer's contributions that it pays to the Pension Fund. The cost of post-employment benefits recognised in the deficit on provision of services is reversed out via the Movement in Reserves Statement.

The following table identifies the transactions that have been made in the Comprehensive Income and Expenditure Statement and the General Fund and HRA Balances via the Movement in Reserves Statement during the year:

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

40.3 Transactions Relating to Post-employment Benefits (continued)

	Local Government Pension Scheme	Discretionary Benefits Arrangements	Total	Local Government Pension Scheme	Discretionary Benefits Arrangements	Total
	2018/19 £'000	2018/19 £'000	2018/19 £'000	2019/20 £'000	2019/20 £'000	2019/20 £'000
	Service cost comprising:					
Current service cost	2,479	0	2,479	2,546	0	2,546
Past service costs including curtailments	681	0	681	23	0	23
Gain on settlements	0	0	0	0	0	0
Administration	36	0	36	29	0	29
Net interest expense	1,071	80	1,151	895	69	964
Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services	4,267	80	4,347	3,493	69	3,562
Remeasurement of the net defined benefit comprising:						
Return on plan assets (excluding the amount included in the net interest expense)	(4,929)	0	(4,929)	7,049	0	7,049
Other actuarial (gains) / losses on assets	0		0	392	0	392
Actuarial gains and losses arising on changes in financial assumptions	5,617	66	5,683	(11,171)	(108)	(11,279)
Actuarial gains and losses arising on changes in demographic assumptions	(7,257)	(159)	(7,416)	(518)	(3)	(521)
Experience (gain) / loss on defined benefit obligation	0	0	0	1,904	(24)	1,880
Sub total	(6,569)	(93)	(6,662)	(2,344)	(135)	(2,479)
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(2,302)	(13)	(2,315)	1,149	(66)	1,083
Reversal of net charges for post employment benefits in accordance with IAS19	(4,267)	(80)	(4,347)	(3,493)	(69)	(3,562)
Actual Amount Charged against the General Fund and HRA Balances for the Year						
Contributions / payments charged to the General Fund	2,084	203	2,287	2,091	191	2,282
Contributions / payments charged to the Housing Revenue Account	339	33	372	383	35	418
Employer's contributions payable to the Pension Fund	2,423	236	2,659	2,474	226	2,700

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

40.4 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	Discretionary	Total	Local	Discretionary	Total
	Government	Benefits		Government	Benefits	
	Pension	Arrangements		Pension	Arrangements	
	Scheme			Scheme		
	2018/19	2018/19	2018/19	2019/20	2019/20	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of the defined benefit obligation	(132,328)	(3,000)	(135,328)	(124,155)	(2,708)	(126,863)
Fair value of plan assets	93,874	0	93,874	87,026	0	87,026
Net liability arising from defined benefit obligation	(38,454)	(3,000)	(41,454)	(37,129)	(2,708)	(39,837)

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

	2017/18	2018/19
	£'000	£'000
Opening fair value of scheme assets	87,545	93,874
Interest income	2,222	2,233
Remeasurement of the return on plan assets (excluding the amount included in the net interest expense)	4,929	(7,049)
Other actuarial gains / (losses)	0	(392)
Administration expenses	(36)	(29)
Contributions from employer	2,658	2,700
Contributions from employees into the scheme	451	464
Benefits paid	(3,895)	(4,775)
Closing fair value of scheme assets	93,874	87,026

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

	Funded	Unfunded	Total	Funded	Unfunded	Total
	liabilities:	liabilities:	Liabilities	liabilities:	liabilities:	Liabilities
	LGPS	Discretionary		LGPS	Discretionary	
	Benefits			Benefits		
	2017/18	2018/19	2018/19	2019/20	2019/20	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	(130,723)	(3,249)	(133,972)	(132,328)	(3,000)	(135,328)
Current service cost	(2,479)		(2,479)	(2,546)	0	(2,546)
Interest cost	(3,293)	(80)	(3,373)	(3,128)	(69)	(3,197)
Contributions from scheme participants	(451)	0	(451)	(464)	0	(464)
Remeasurement actuarial gains and losses						
- Arising from changes in demographic assumptions	7,257	159	7,416	518	3	521
- Arising from changes in financial assumptions	(5,617)	(66)	(5,683)	11,171	108	11,279
Experience gains / (losses)	0	0	0	(1,904)	24	(1,880)
Benefits paid	3,659	236	3,895	4,549	226	4,775
Past service cost	(681)	0	(681)	(23)	0	(23)
Closing balance at 31 March	(132,328)	(3,000)	(135,328)	(124,155)	(2,708)	(126,863)

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

40.7 Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2020 is estimated to be -5% (8% for the year to 31 March 2019). 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 2019		31 March 2020	
	£'000	%	£'000	%
Equities	58,427	62%	50,928	59%
Gilts	4,981	5%	3,750	4%
Other Bonds	5,485	6%	5,272	6%
Property	8,344	9%	7,824	9%
Cash	2,471	3%	3,617	4%
Alternative Assets	9,150	10%	10,022	12%
Other Managed Funds	4,987	5%	5,594	6%
Total	93,845	100%	87,007	100%

Bid values have been estimated by the actuary where necessary and the final asset allocation of the Fund assets as at 31 March 2020 is likely to be different from that shown as a result of estimation techniques. Based on the above the Council's share of the assets of the Fund is approximately 1%.

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

Asset Class	31 March 2019		31 March 2020	
	%	%	%	%
	Quoted	Unquoted	Quoted	Unquoted
UK Equities	4.5%	0.0%	4.2%	0.0%
Oversees Equities	53.2%	0.0%	49.2%	0.0%
Index Linked UK Government Securities	5.3%	0.0%	4.3%	0.0%
UK Corporate Bonds	5.8%	0.0%	6.1%	0.0%
Property	3.3%	5.6%	2.5%	6.5%
Others	0.0%	22.2%	0.0%	27.1%
Net Current Assets	0.0%	0.1%	0.0%	0.1%
Total	72.1%	27.9%	66.3%	33.7%

40.8 Liabilities

To assess the value of the Council's liabilities at 31 March 2020, the actuary has rolled forward the value of the liabilities calculated for the funding valuation as at 31 March 2019, using financial assumptions that comply with International Accounting Standard 19 (IAS 19).

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

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

40.8 Liabilities (continued)

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

It is not possible to assess the accuracy of the estimated liability as at 31 March 2020 without completing a full valuation. The actuary is satisfied, however, that the approach of rolling forward the previous valuation data to 31 March 2020 should not introduce any material distortions in the results provided that the actual experience of the Council and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the last formal valuation. From the information received by the actuary there is no evidence that this approach is inappropriate.

The demographic assumptions used by the actuary have been:

	2018/19	2019/20
<u>Mortality assumptions - life expectancy from age 65</u>		
Retiring today:		
Men	21.3	21.8
Women	23.6	23.7
Retiring in 20 years:		
Men	22.9	23.2
Women	25.4	25.2

The actuary has also made the following assumptions:

- members will exchange 50% of their commutable pension for cash at retirement
- members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age
- the proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

The financial assumptions used by the actuary have been:

Assumption	31 March 2017		31 March 2018		31 March 2019		31 March 2020	
	% p.a.	Real						
RPI Increases	3.5	0.0	3.4	0.0	3.5	0.0	2.8	0
CPI Increases	2.6	-0.9	2.4	-1.0	2.5	-1.0	2.0	-0.8
Salary Increases	4.1	0.6	3.9	0.5	4.0	0.5	3.0	0.2
Pension Increases	2.6	-0.9	2.4	-1.0	2.5	-1.0	2.0	-0.8
Discount Rate	2.7	-0.8	2.6	-0.8	2.4	-1.1	2.4	-0.4

The actuary's estimate of the duration of the Council's past service liabilities is 18 years.

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

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

40.8 Liabilities (continued)

This is consistent with the approach used at the previous accounting date.

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

As future pension increases are expected to be based on CPI rather than RPI, the actuary has made a further assumption about CPI which is that it will be 1% below RPI, i.e. 1.95%. 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 1.0% above CPI in addition to a promotional scale. This differs from the salary increase assumptions at the previous accounting date and has been updated in line with the most recent funding valuation.

40.9 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			
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present Value of Total Obligation	124,619	126,863	129,150
Projected Service Cost	2,327	2,385	2,445
Adjustment to long term salary increase	0.10%	0.00%	-0.10%
Present Value of Total Obligation	127,016	126,863	126,713
Projected Service Cost	2,386	2,385	2,384
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	-0.10%
Present Value of Total Obligation	129,005	126,863	124,759
Projected Service Cost	2,444	2,385	2,327
Adjustment to mortality age rating assumption	+1 Year	None	- 1 Year
Present Value of Total Obligation	132,399	126,863	121,576
Projected Service Cost	2,459	2,385	2,314

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

40.10 Impact on the Council's Cash Flows

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

The latest triennial valuation was carried out as at 31 March 2019 and has set contributions for the period 1 April 2020 to 31 March 2023.

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

40.11 Projected 2020-21 pension expense

The Council's 2020-21 projected pension expense, excluding the capitalised cost of any early retirements or augmentations which may occur after 31 March 2020, is:

	£'000
Service Cost	2,385
Net Interest on the defined benefit liability (asset)	907
Administration expenses	27
Total	3,319
Employer Contributions	2,296

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41. Significant Accounting Policies

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

41.1 Going Concern

The accounts have been prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

The Council has carried out a detailed assessment of the likely impact of COVID-19 on its financial position and performance during 2019/20, 2020/21 and beyond. This included consideration of the following: -

Loss of income on a service by service basis, due to temporary closures, reduction in demand, and increased collection losses.

Additional expenditure on a service by service basis, e.g. provision of new and expanded services in response to the crisis (such as the provision of a Community Hub to support vulnerable residents, and the publication of guidance at the start of the crisis to all Residents in the Borough), and additional costs associated with changes to working practices (for example refuse collection working arrangements, remote working for Officers and Members and the adaption of Council operational sites to comply with additional Health and Safety requirements for staff and visitors).

Changes to government policy, e.g. changes to business rate reliefs, guidance on supplier relief, additional administration for the distribution of grants to businesses as an agent of Central Government Policy, additional funding for local authorities, and additional responsibilities which sit alongside this.

The impact on the Council's capital programme, e.g. delays caused by government restrictions on social distancing, and whether there is a need to rephase work for other reasons.

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

The impact on the Council's subsidiaries and joint ventures.

The impact of all of the above on the Council's cash flow and treasury management, including availability of liquid cash (as at 16th July 2020, the Council has around £16m short term investments and £7m available in cash balances), impact on investment returns, and availability of external borrowing if required.

The estimated overall impact on the Council's General Fund and Housing Revenue Account reserves, going forward.

This review has highlighted that COVID-19 poses a significant financial challenge for the Council in the short to medium term, as it will for all local authorities. To reflect this, the Council has continually monitored the financial impact of COVID-19, reporting regularly to the Senior Leadership Team, Members and Central Government. The first quarter's General and HRA fund position including the impact of COVID-19 and the financial impact of existing services in July 2020. The Council will publish an update to its Medium-Term Financial Strategy in the autumn of 2020, when council committee meetings fall back in line with the published meeting schedule.

Based on the Council's assessment dated 31st July 2020, the net total direct impact of COVID-19 on the General Fund is currently estimated to be a budget gap of £2.995m being a reduction in income. Increased spending on Covid 19 is forecast to be £0.805m for the General Fund and £0.187m for the Housing Revenue Account, the majority of which has been covered by additional central government funding. The vast majority of the financial impact is expected to crystallise within 2020/21. The council awaits confirmation of further central Government support to Local Authorities, including the reimbursement of 75% of lost income. This is assuming no extra funding not already announced from central Government, no re-prioritisation of services, remedial alternative service provision or suspension of discretionary services to residents. By way of context, the General Fund balance as at 31 March 2020 is £3.177million (subject to year-end adjustments and audit), as a result of an improved provisional outturn for 2019/20 of breakeven. The Council's prudent minimum balance on the General Fund is £2.2 million.

It is therefore noted that there is some headroom within the General Fund to absorb the estimated financial impact of COVID-19 in the short to medium-term. Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

41.1 General Principles

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year end of 31 March 2020. The Account and Audit Regulations 2015 require the Council to prepare an annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), supported by International Financial Reporting Standards (IFRS).

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.2 Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

41.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than twenty four hours. Cash equivalents are fixed term investments that mature in three months or less from the date of acquisition.

41.4 Charges to Revenue for Non-current Assets

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

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

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

41.5 Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

Accounting for Council Tax and NDR

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

41.6 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Post-employment Benefits

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

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

- The liabilities of the fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.6 Employee Benefits (continued)

- Liabilities are discounted to their value at current prices using the 18 year point of the Merrill Lynch AA-rated corporate bond yield curve, which has been chosen to meet the requirements of IAS 19, and with consideration of the duration of each employer's liabilities. This is consistent with the approach used at the last accounting date.
- The assets of the fund attributable to the Council are included in the Balance Sheet at their fair value:
 - a) quoted securities – current bid price
 - b) unquoted securities – professional estimate
 - c) unutilised securities – current bid price
 - d) property - market value.

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

- 1) Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities as a result of a scheme amendment, curtailment or settlement the effect of which relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- 2) Remeasurements comprising:
 - the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains or losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pension Reserve as Other Comprehensive Income and Expenditure
- 3) Contributions paid to the fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities, not accounted for as an expense.

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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.

41.7 Events after the Balance Sheet Date

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

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

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

41.8 Financial Instruments

Financial Liabilities

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

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

Financial Assets

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

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

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

Financial Assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based

on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the financial assets held by the Council, this means that the amount presented in the Balance Sheet represents the outstanding principal receivable (plus accrued interest) and interest credited to the CIES represents the amount receivable for the year in the loan agreement.

Expected Credit Loss Model

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

41.9 Fair Value Measurement

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

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

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

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

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

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

41.10 Government Grants and Contributions

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has not yet been used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

41.11 Interests in Companies

The Council has a material interest in a company that has the nature of a subsidiary, and the Council therefore prepares group accounts. In the Council's own single-entity accounts, its interests in the company are recorded as financial assets at their nominal value as it is impractical to determine their fair value.

41.12 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As non-financial assets, investment properties are measured at highest and best use. Properties are not depreciated but are revalued regularly according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory provisions to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

41.13 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.13 Leases

leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings components are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Council as Lessee - Operating Leases

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

Council as Lessor - Operating Leases

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

41.14 Overheads and Support Services

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

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

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

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

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

41.16 Property, Plant and Equipment

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

Recognition

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.16 Property, Plant and Equipment (continued)

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred while assets are under construction.

The cost of assets acquired otherwise than by purchase is deemed to be its fair value unless the acquisition does not have any commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired by an exchange, the cost of acquisition is the carrying amount of the asset given up by the Council.

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

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

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

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.16 Property, Plant and Equipment (continued)

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
- infrastructure – straight-line allocation over a period determined for each class of asset, as advised by a suitably qualified officer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.

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

Disposals and Non-current Assets Held for Sale

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.16 Property, Plant and Equipment (continued)

against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement. The written off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

41.17 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For example, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

41.18 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.19 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

41.20 VAT

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

HOUSING REVENUE ACCOUNT

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

	2018/19	2019/20
	£'000	£'000
Expenditure	Restated	
Repairs and maintenance	2,545	3,075
Supervision and management	2,192	2,257
Rent, rates, taxes and other charges	176	207
Depreciation and impairment of non-current assets	5,018	5,650
Total Expenditure	9,931	11,189
Income		
Dwelling rents	(11,805)	(11,750)
Non-dwelling rents	(346)	(336)
Charges for services and facilities	(817)	(841)
Total Income	(12,968)	(12,927)
Net Income of HRA Services as included in the Comprehensive Income and Expenditure Statement	(3,037)	(1,738)
Net Income of HRA Services	(3,037)	(1,738)
HRA share of Other Operating Income and Expenditure		
Gain on sale of HRA non-current assets	(502)	(190)
Interest payable and debt management expenses	1,928	1,937
Interest and investment income	(101)	(101)
Movement in the allowance for bad debts	163	273
Pensions net interest expense	161	149
Deficit/(surplus) for the year on HRA services	(1,388)	330

The prior year comparatives have been restated by transferring the movement in the allowance for bad debts from Net Income of HRA Services to HRA share of Other Operating Income & Expenditure and by offsetting contributions to expenditure against the supervision and management service line. There has been no impact upon the Deficit/(surplus) for the year on HRA Services

HOUSING REVENUE ACCOUNT

Movement on the HRA Statement

Note	2018/19 £'000	2019/20 £'000
Balance on the HRA at the end of the previous year	2,040	1,901
Surplus/(deficit) for the year on the HRA Income and Expenditure Statement	1,388	(330)
1 Adjustments between accounting basis and funding basis	(935)	1,170
Transfer of recharges from the General Fund Account	(1,591)	(1,670)
Increase before transfers to or from reserves	(1,138)	(830)
Transfers from earmarked reserves	1,000	0
(Decrease)/increase in the year on the HRA	(138)	(830)
Balance on the HRA at the end of the current year	1,901	1,071

HOUSING REVENUE ACCOUNT - NOTES

1. Adjustments between accounting basis and funding basis

	2018/19	2019/20
	£'000	£'000
Gain or loss on sale of HRA non-current assets	502	190
HRA share of contributions to or from the Pensions Reserve	(141)	(130)
Transfers to or from the Major Repairs Reserve	2,896	2,946
Transfers to or from the Capital Adjustment Account	(2,319)	(4,177)
Transfers to or from the Accumulated Absences Adjustment Account	(3)	1
Total adjustments between accounting basis and funding basis	935	(1,170)

2. Housing Stock

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

	31 March 2019	31 March 2020
Flats		
1 Bedroom	534	533
2 Bedroom	495	497
3 Bedroom	60	60
Total Flats	1,089	1,090
Houses and Bungalows		
1 Bedroom	345	345
2 Bedroom	384	389
3 Bedroom	636	638
4 Bedroom	14	13
Total Houses and Bungalows	1,379	1,385
Equity share properties		
1 Bedroom	2	2
2 Bedroom	5	5
Total Equity share properties	7	7
Total Housing Stock	2,475	2,482

HOUSING REVENUE ACCOUNT - NOTES

3. HRA Non-current Assets

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

	31 March 2019 £'000	31 March 2020 £'000
Dwellings	257,048	261,461
Other land and buildings	6,576	6,198
Surplus assets	0	282
Assets under construction	0	251
Total	263,624	268,192

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

	Dwellings £'000	Other Land and Buildings £'000	Surplus Assets £'000	AUC £'000	Total £'000
Net Book Value at 31 March 2018	256,091	6,554	0	0	262,645
Changes during the year	957	22	0	115	1,094
Net Book Value at 31 March 2019	257,048	6,576	0	115	263,739
Changes during the year	4,413	(378)	282	136	4,453
Net Book Value at 31 March 2020	261,461	6,198	282	251	268,192

Depreciation and amortisation charges during the year were as follows:

	2018/19 £'000	2019/20 £'000
<u>Depreciation</u>		
Dwellings	2,596	2,606
Other land and buildings	300	307
Total depreciation	2,896	2,913
<u>Amortisation</u>		
Software	0	33
Total	2,896	2,946

HOUSING REVENUE ACCOUNT - NOTES

Revaluation losses during the year were as follows:

	2018/19	2019/20
	£'000	£'000
Dwellings	2,221	2,680
Other land and buildings	(98)	7
Surplus Assets	0	17
Total revaluation losses/(gains)	2,123	2,704

Vacant possession value of dwellings

The vacant possession value of dwellings within the Council's HRA was £688.054m at 31 March 2020 (£676.440m at 31 March 2019). 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

	2018/19	2019/20
	£'000	£'000
Balance at 1 April	2,427	4,326
Amount transferred to the reserve during the year	2,896	2,946
Financing of capital expenditure	(997)	(927)
Balance at 31 March	4,326	6,345

5. Capital Transactions

a) Capital Expenditure and Financing

	2017/18	2018/19
	£'000	£'000
Capital Expenditure:		
Acquisition of new housing stock	3,856	4,284
Affordable housing development	0	106
Enhancements to existing housing stock	997	798
Enhancements to sewerage & water treatment plant	0	30
Enhancements to housing management IT system	0	99
Total Capital Expenditure	4,853	5,317
Sources of Finance:		
Major Repairs Reserve	(997)	(927)
Retained Capital Receipts	(1,157)	(1,317)
Revenue contribution to capital expenditure	(2,699)	(1,473)
Borrowing	0	(1,600)
Total Financing	(4,853)	(5,317)

HOUSING REVENUE ACCOUNT - NOTES

b) Capital Receipts

Receipts from disposal of dwellings and land were £0.495m in 2019/20 (£1.302m in 2018/19).

6. Rent Arrears

	2018/19	2019/20
	£'000	£'000
Gross rent arrears at 31 March	1,250	1,332
Provision for doubtful debts	(598)	(816)
Net Rent Arrears at 31 March	652	516

The above balances are in respect of tenanted dwellings with the Housing Revenue Account. They exclude rent arrears in respect of homelessness accommodation and other housing services that are outside of the Housing Revenue Account.

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

	2018/19	2019/20
	£'000	£'000
HRA Income and Expenditure Statement		
Net Expenditure on HRA Services		
Current service cost	347	395
Administration expenses	5	4
HRA Share of Operating Income and Expenditure		
Net interest cost	161	149
Net Charge to the Income and Expenditure Statement	513	548
Movement on the HRA Statement		
Reversal of net charges made for retirement benefits	(513)	(548)
Employer's Contribution to the Scheme	372	418
HRA contribution to the Pensions Reserve	(141)	(130)

COLLECTION FUND

The Collection Fund reflects the statutory obligation of the Council as a billing authority to maintain a separate fund. The statement below shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates (NDR).

	2018/19			2019/20		
	Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
Amounts required by statute to be debited to the Fund						
Council Tax receivable	(54,752)	0	(54,752)	(58,076)		(58,076)
NDR receivable	0	(28,817)	(28,817)	0	(25,958)	(25,958)
Total amounts credited to the Fund	(54,752)	(28,817)	(83,569)	(58,076)	(25,958)	(84,034)
Amounts required by statute to be debited to the Fund						
Council Tax Precepts						
Essex County Council	39,820	0	39,820	41,750	0	41,750
Police & Crime Commissioner for Essex	5,509	0	5,509	6,341	0	6,341
Essex Fire Authority	2,294	0	2,294	2,381	0	2,381
Brentwood Borough Council	6,486	0	6,486	6,748	0	6,748
Total Council Tax Precepts	54,109	0	54,109	57,220	0	57,220
Distribution of NDR Income						
Central Government	0	14,324	14,324	0	13,191	13,191
Brentwood Borough Council	0	11,459	11,459	0	10,553	10,553
Essex County Council	0	2,578	2,578	0	2,374	2,374
Essex Fire Authority	0	287	287	0	264	264
Costs of Collection	0	105	105	0	102	102
Total Distribution of NDR Income	0	28,753	28,753	0	26,484	26,484
Transitional Protection Payment	0	552	552	0	5	5
Impairment of Debts						
Write-offs	32	411	443	(2)	430	428
Allowance for Impairment	275	(25)	250	572	124	696
Total Impairment of Debts	307	386	693	570	554	1,124
Distribution of previous year's Council Tax surplus (note 4)	1,034	0	1,034	364	0	364
Distribution of previous year's NDR deficit (note 4)	0	(750)	(750)	0	(943)	(943)
Total Movement on Fund Balance in the year	698	124	822	78	142	220
Movement on the Collection Fund						
Opening fund balance	(957)	909	(48)	(259)	1,033	774
Movement on fund balance in the year	698	124	822	78	142	220
Closing fund balance (note 5)	(259)	1,033	774	(181)	1,175	994

COLLECTION FUND

Notes to the Collection Fund

1. Council Tax Base

The Council Tax base is calculated across eight different valuation bands. The total number of properties in each band is adjusted for discounts and premiums. The number of properties for each band is reduced by an allowance of 1% for non-collection and scaled up or down by the band D ratio, giving a Council Tax base expressed as the number of band D equivalent properties. The Council Tax base for 2019/20 as at 31 March 2020 was 33,294 (32,937 as at 31 March 2019). The following table shows the Council Tax base by valuation band.

Band	Range of Property Values	Band D Ratio	2018/19		2019/20	
			Number of dwellings equivalents after applying discounts, premiums and local tax support	Number of Band D equivalent properties (including 1% non collection allowance)	Number of dwellings equivalents after applying discounts, premiums and local tax support	Number of Band D equivalent properties (including 1% non collection allowance)
			Restated	Restated		
A	Up to £40,000	6/9	400	264	412	272
B	£40,001 - £52,000	7/9	1,856	1,429	1,927	1,484
C	£52,001 - £68,000	8/9	5,098	4,486	5,181	4,559
D	£68,001 - £88,000	9/9	7,235	7,163	7,309	7,236
E	£88,001 - £120,000	11/9	5,436	6,578	5,507	6,663
F	£120,001 - £160,000	13/9	4,114	5,882	4,125	5,899
G	£160,001 - £320,000	15/9	3,644	6,013	3,656	6,033
H	More than £320,000	18/9	567	1,122	580	1,148
Total			28,350	32,937	28,697	33,294

The figures disclosed in the 2018/19 published accounts were estimated Council Tax Band figures. The above table discloses the actual figures.

2. Income from Council Tax

For 2019/20 the Council set a Band D Council Tax (excluding parish precepts) of £1,724.48 (£1,644.29 in 2018/19), made up of its own precept and precepts from Essex County Council, Police & Crime Commissioner for Essex and Essex Fire Authority. The amount paid by each household is the band D amount multiplied by the Band D ratio for the property.

3. Income from Non Domestic Rates

The Council calculates the rates due on non-domestic properties within its boundary by multiplying the rateable value of each property by a multiplier. The total amount, less certain reliefs and other deductions, is shared between Central Government (50%), Essex County Council (9%), Essex Fire Authority (1%), with the remainder (40%) being retained by the Council. The Gross Non-Domestic Rateable Value for the Brentwood Borough Council area at 31 March 2020 was £71,728,764 (£72,359,460 at 31 March 2019). The standard NDR multiplier for the year was 50.4p (49.3p in 2018/19) and the small business multiplier was 49.1p (48.0p in 2018/19).

COLLECTION FUND

4. Distribution of Previous Year's Collection Fund Surplus/(Deficit):-
These have been distributed as follows:

	Council Tax		NDR	
	2018-19	2019-20	2018-19	2019-20
	£'000	£'000	£'000	£'000
Central Government	0	0	(375)	(472)
Essex County Council	761	268	(67)	(85)
Police & Crime Commissioner for Essex	103	37	0	0
Essex Fire & Rescue Authority	45	15	(8)	(9)
Brentwood Borough Council	125	44	(300)	(377)
Total	1,034	364	(750)	(943)

5. Allocation of year-end Collection Fund balances
The allocation of these is as follows:

	C Tax	NDR	C Tax	NDR
	31 March 2019		31 March 2020	
	£'000	£'000	£'000	£'000
Central Government	0	517	0	587
Essex County Council	(192)	93	(133)	106
Police & Crime Commissioner for Essex	(25)	0	(20)	0
Essex Fire & Rescue Authority	(11)	10	(7)	12
Brentwood Borough Council	(31)	413	(21)	470
Total	(259)	1,033	(181)	1,175

GLOSSARY

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	Those principles, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be recognised in the financial statements.
Accrual	A sum included in the accounts to cover income or expenditure attributable to an accounting period for goods received or works done, for which payment has not been received or made by the end of that accounting period. In other words, income and expenditure are recognised when they are earned or incurred, not when money is received or paid.
Actuary	A suitably qualified independent consultant employed to advise Essex councils on the financial position of the Pension Fund.
Actuarial gains and losses	Actuarial gains or losses for defined benefit pension schemes arise because events have not coincided with the actuarial assumptions made, or the actuarial assumptions have changed.
Agency	Agreement that the Council can undertake services on behalf of other authorities or the Government in its area.
Amortised Cost	The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.
Appropriation	The transfer of resources between the revenue or capital accounts and reserves held by the Council.
Asset	An item having value measurable in monetary terms. Assets can either be defined as non-current or current. A non-current asset has use and value for more than one year whereas a current asset (e.g. stocks or short term debtors) can more readily be converted into cash.
Audit	An independent examination of an organisation's activities, either by an internal audit section or equivalent or the organisation's external auditor.
Balance Sheet	This is a summary of the financial position of the Council. It shows the long-term and current assets and liabilities of the Council and its reserves.
Billing Authority	This is the Council as the body responsible for billing and collecting the Council Tax from all residential properties within the borough on behalf of itself, Essex County Council, Essex Fire Authority, Essex Police Authority and Parish Councils. The Council is also responsible for the billing and collection of National Non-Domestic Rates (NNDR or Business Rates) from commercial properties in the borough.
Budget	A budget is a financial statement that expresses the Council's service delivery plans and capital programmes in monetary terms.

GLOSSARY

Capital Adjustment Account	This account represents amounts set aside from revenue resources or capital receipts to finance expenditure on non-current assets, or for the repayment of external loans.
Capital Expenditure	Expenditure on the acquisition or refurbishment of non-current assets and other eligible items that will be of benefit to the Council in providing its services for more than one year.
Capital Financing	The raising of money to pay for capital expenditure. Capital financing methods include borrowing, direct revenue funding, use of capital receipts, capital grants, capital contributions and revenue reserves.
Capital Programme	The Council's plans for capital expenditure and funding over future years, including the purchase or improvement of buildings and the acquisition of vehicles and major items of equipment.
Capital Receipts	Proceeds from the sale of assets, which may be used to finance new capital expenditure, set aside for the repayment of external loans or paid to a national pool (if from the sale of HRA dwellings).
Capitalise	To treat expenditure as capital expenditure, including some expenditure which would normally be classed as revenue expenditure (see also REFCUS).
Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is the lead professional accountancy body for the public sector. CIPFA produces guidance in relation to various matters concerning the public sector including financial and governance issues.
CIPFA LASAAC Local Authority Code Board	The board responsible for preparing, maintaining, developing and issuing the Code of Practice (see below). The board is a partnership between CIPFA (England, Northern Ireland and Wales) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).
Code of Practice (COP)	Code of Practice on Local Authority Accounting in the United Kingdom .
Collection Fund	A fund administered by the Council which accounts for the collection of Council Tax and National Non-Domestic Rates (NNDR or Business Rates). Council Tax is paid into this fund and distributed to the Council, Essex County Council, Essex Police Authority, Essex County Fire Authority and Parish Councils. NNDR is paid over to the Government (less an allowance for the costs of collection) which distributes it nationally on the basis of population.
Comprehensive Income and Expenditure Statement (CI&ES)	A statement which records all the day to day income and expenditure of the Council on General Fund or Housing Revenue Account services provided during the financial year.
Contingent Liability	A possible or present obligation that arises from past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. A contingent liability is not recognised in the Balance Sheet but disclosed in a note to the accounts.
Council Tax	A local tax charged to the occupiers of residential properties which is used to help finance the budget requirement of the Council and Preceptors for the year.
Creditors	Amounts owed by the Council, for work done, or goods or services received for which no payments have been made by the Council at the Balance Sheet date.

GLOSSARY

Current Asset	An asset held which will be used, or received, within the next financial year.
Current Liability	An amount which will become payable within the next financial year.
Debtors	Amounts owed to the Council for goods or services provided, for which no payments have been received by the Council at the Balance Sheet date.
Deferred Liability	A liability which is not fully paid at the current time, but is due for payment either some time in the future, or over a period of time.
Deferred Receipt	Income still to be received where the Council has agreed that amounts are payable beyond the next year, either at some point in the future, or by an annual sum over a period of time.
Defined Benefit Pension Scheme	A pension scheme other than a defined contribution scheme. Usually the scheme rules define the benefits (annual pensions and retirement lump sums) independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
Depreciation	A measure of the amount of a non-current asset that has been consumed during the period. Consumption includes any reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through technical or other changes.
Discretionary Benefits	Retirement benefits which the Council has no legal, contractual, or constructive obligation to award but are awarded under discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.
Earmarked Reserve	A reserve held for a specific future purpose, including to carry forward a revenue underspend in one financial year to the next.
Fees and Charges	Amounts paid by the public for a variety of services such as parking, letting of community halls and the hire of sporting facilities.
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Finance Lease	Such a lease transfers all the risks and rewards of ownership of a non-current asset to the lessee, and is included as a non-current asset in the Balance Sheet of the lessee. (See, for comparison, "Operating Lease").
Financial Asset	A right to future economic benefits controlled by the Council that is represented by cash, the equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity, or a contractual right to exchange financial assets and/or liabilities with another entity under conditions that are potentially favourable to the Council.
Financial Instrument	A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial Liability	An obligation to transfer economic benefits controlled by the Council that is represented by a contractual obligation to deliver cash or another financial asset to another entity, or a contractual obligation to exchange financial assets and/or liabilities with another entity under conditions that are potentially unfavourable to the Council.

GLOSSARY

Financial Reporting Standards (FRSs)	Issued by the Accounting Standards Board and provide standards for the preparation of financial statements. The Council's accounts are prepared in accordance with FRS's (or SSAP's where these remain in force) where they apply to local authorities.
General Fund (GF)	The main revenue account of a local authority from which revenue payments are made to meet the costs of providing services.
Housing Revenue Account (HRA)	A separate ring-fenced account within the General Fund which contains the expenditure and income arising from the provision of housing accommodation by the Council as landlord.
Impairment	The amount by which the recoverable amount of a non-current asset is lower than the carrying value amount.
Intangible Asset	A non-current asset such as a software licence which has no physical substance.
Interest	An amount received or paid for the use of a sum of money when it is invested or borrowed.
International Financial Reporting Standards (IFRS)	Standards which prescribe or have been adapted to prescribe the way in which a local authority Statement of Accounts is constructed.
International Financial Reporting Interpretations Committee (IFRIC)	A Committee which provides interpretative guidance on the application of IFRSs and International Accounting Standards (IASs)
Inventories	Raw materials and stores which the Council has bought and holds in stock for use as required.
Lease	A method of financing capital expenditure where a rental charge is paid for an asset for a specified period of time.
Major Repairs Allowance (MRA)	Government Subsidy to the HRA to fund major repairs to the Council's housing stock.
Minimum Revenue Provision (MRP)	The minimum amount which must be charged to the Council's revenue accounts and set aside as a provision for repaying borrowing or other credit liabilities.
National Non-Domestic Rates (NNDR)	A tax on local businesses paid into a national pool and then redistributed to councils as a Government grant to help finance services.
Net Assets	The difference between long-term and current assets and liabilities, equivalent to total reserves on the Council's Balance Sheet.
Non-Current Assets – Intangible	Assets such as software licences that do not have physical substance but are identifiable and controlled by the Council and will bring benefits to the Council for more than one financial year.
Non-Current Assets – Tangible	Assets that have physical substance and are held for the provision of services or for administration purposes on a continuing basis.
Non-Operational Assets	Non-current assets not directly used or consumed in the delivery of services or for the administration of the Council. Examples include assets that are surplus to requirements, pending sale or redevelopment, and assets under construction.

GLOSSARY

Operating Lease	An agreement for the rental of an asset where the rewards and risks of ownership of the asset remain with the lessor. The annual rentals are charged to the Comprehensive Income and Expenditure Statement (see, for comparison, "Finance Lease").
Operational Assets	Non-current assets held and occupied, used or consumed in the direct delivery of those services for which the Council has a statutory or discretionary responsibility or for the administration of the Council.
Outturn	The actual expenditure and income for the financial year in question.
Precept	The net amount paid to each preceptor from Council Tax income collected and paid into the Collection Fund.
Precepting Authority	Essex County Council, Essex Police Authority, Essex Fire Authority and Parish Councils.
Preceptor	Another word for "Precepting Authority".
Premium	An amount payable on the premature repayment of a loan, generally equivalent to the difference between the present value of the remaining payments of principal and interest due on the original loan and that calculated based on the rates of interest in force when the repayment is confirmed.
Provision	An amount set aside to provide for a liability that is likely to be incurred but where the exact amount or the date on which it will arise is uncertain.
Public Works Loan Board (PWLB)	A Government agency that provides longer-term loans to local authorities at interest rates marginally above the Government's own borrowing rate.
Remuneration	All amounts paid or payable to an employee, including sums due by way of expense allowances and the estimated money value of any other benefits otherwise than in cash. It excludes employers' pension contributions to the Pension Fund.
Related Party Transaction	A transaction where one of the parties involved has control or influence over the financial and operational policies of the other party.
Reserves - Usable	The Council's accumulated surplus income over expenditure which can be used to finance future spending and is available to meet unforeseen events.
Reserves - Unusable	Reserves which exist for technical accounting reasons and do not represent amounts that can be used to finance expenditure.
Retirement Benefits	Consideration payable after the completion of employment given by an employer in exchange for services rendered by employees. Does not include termination benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits.
Revaluation Reserve	An account representing the balance of the net surpluses arising on the revaluation of fixed assets.
Revenue Expenditure	Day-to-day expenditure on items such as salaries and wages, running expenses and capital and interest charges.
Revenue Expenditure Funded from Capital under Statute (REFCUS)	Revenue expenditure which may be properly capitalised under statute or Government direction but which does not result in a non-current asset,

GLOSSARY

Section 106 Agreement	Section 106 of the Town and Country Planning Act 1990 empowers a local planning authority such as the Council to enter into a legally binding agreement or planning obligation with a land developer to undertake works, provide affordable housing or provide additional funding for services.
Section 151 Officer	Section 151 of the Local Government Act 1972 requires the Council to appoint an officer responsible for the proper administration of the Council's financial affairs. The Finance Director is the Council's Section 151 Officer.
Service Reporting Code of practice (SeRCOP)	CIPFA code which establishes proper practice with regard to consistent financial reporting below the Statement of Accounts level. Given statutory force by regulations made under the Local Government Act 2003.

ANNUAL GOVERNANCE STATEMENT

1. **Introduction**

Scope of Responsibility

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

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

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

Purpose of the governance framework

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

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

The governance framework has been in place at the Council for the year ended 31 March 2020 and up to the date of approval of the annual report and Statement of Accounts.

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

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

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.

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- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

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

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

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

- Financial Regulations and Standing Orders relating to contracts.
- Procedure Rules for Council, Staff and Budget & Policy frameworks
- Protocols & Codes of conduct for Members and Officers.

The Monitoring Officer has a duty to monitor and review the Constitution to ensure that its aims and principles are current and effective. The Constitution was adopted by the Council at a meeting held on 15th May 2013. The Constitution Working Group is in place to review effectiveness of and to ensure it conforms to best practice. The Monitoring officer has the authority to make and has made minor changes as appropriate throughout the year. The Constitution Working Group had a review meeting on 1st July 2020.

In addition, the Head of Paid Service, Director of Corporate Resources (S151) and Monitoring Officer each have specified roles to ensure reports and decisions comply with financial regulations and are lawful.

Further, the Council's Independent Persons are awarded an annual allowance of £500 in recognition of the valuable contribution of their work and input to the Council's governance as well as the Members Independent Remuneration Panel.

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 directed through the Council's ethical framework, which includes documents relating to standards and good practice, comprising:

- Protocol on Members/Officer Relations.
- Media Protocol.
- Whistleblowing policy.
- Gifts and Hospitality guidance and members declaration of interests. Register and declaration at the outset of the meeting.
- Anti-Fraud Policy (Incorporating Bribery, Corruption and Money Laundering)
- Data protection Policies and guidance.
- Equality and Diversity Policy.

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- Health and Safety Policy.
- Safeguarding Children's Policy.
- Corporate Complaints Policy
- Persistent and Unreasonable Behaviour Policy

Member and officer induction and targeted training facilitates awareness of the relevant policy content and provides guidance as appropriate.

The Council is further regulated through several plans, policies, procedures and strategies as follows:

- Brentwood 2025 Corporate Strategy – identifies and communicates the Council's vision for the future, identifying Residents key priorities over the next five years, the Strategy is supported by an action plan which is updated annually.
- The Council's Medium-Term Financial Strategy and associated specific financial strategies – Capital and Investment Strategy 2020/21 to 2022/23, which identifies the Council's borrowing and investment plans for a three-year financial period, which includes the Treasury Management Strategy
- The Council's annual budget plan, which sets out the financial resources available to deliver Council priorities in the coming year for the General Fund Account and Housing Revenue Account.

A copy of the Council's plans, policies, and strategies is available to the Council's internet. Council staff have access to the Councils' various policies via the intranet.

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 B. Ensuring openness and comprehensive stakeholder engagement.

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

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

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

Business and Growth

- **Brentwood Chamber of Commerce** – an organisation which provides representation for businesses and looks for opportunities to develop and promote business in the borough.
- **Brentwood for Growth** - an initiative launched by Brentwood Council, which brings together the borough's blue-chip businesses, who are passionate about promoting and strengthening the local economy.
- **Brentwood Business Partnership** – a group of stakeholders meeting to consider improvement of the High Street and shopping areas in Brentwood. Formally known as Brentwood Renaissance Group.

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The Vulnerable in our Community

- **Brentwood CVS** – the Council for Voluntary Service is a local independent voluntary organisation formed and run by the local voluntary groups to promote, support and develop effectiveness of voluntary action
- **Brentwood Community Transport** – providing transport for Brentwood residents unable to access public transport
- **Citizens Advice Bureau** – providing advice and empowerment to citizens.

Health, Safety and Wellbeing

- **Community Safety Partnership (CSP)** –The statutory partners include Essex Police, Essex County Fire and Rescue, Essex Probation, and Health. The purpose of the Partnership is to provide a strategic and co-operative approach to addressing local crime and disorder within the borough by reducing the levels of disorder including crime, anti-social behaviour, the misuse of drugs and reducing re-offending.
- **Active Essex /Active Brentwood** - will be the key local structure which is fundamental to the development and success of Sport England’s Delivery System for community sport. It will engage voluntary, private and public sector bodies through one network and work towards the achievement of the co-ordinated approach in order to create, develop and promote opportunities for local people to take part in sport and physical activity. Thereby providing residents with the opportunity to benefit from health, well being and enjoyment that arises from participation in sport and physical activity.
- **Brentwood Health and Wellbeing Board** - will work to promote health and wellbeing of Brentwood's communities. Its focus is to secure the best possible health outcomes for all residents and those visiting the Borough for work and leisure. The board will assist the County-wide Board to ensure that local views are fed into the overarching Essex Strategy and that local issues are determined locally. It will actively promote public health and the joining up of resources and support integrated health and social care service delivery to the people of Brentwood.

Our Young

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

The Local Development Plan (LDP) has shown the Council’s commitment to effective and viable public engagement. This has been achieved through a variety of methods, such as consultations and a number of meetings where officers have met residents and stakeholders in their local communities. Consultation on the pre-submission Local Plan (Reg19) was carried out in February

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2019 and an addendum of focussed changes to the pre-submission Local Plan was carried out in October 2019.

The Council has a Customer Complaints Policy which details how the Council will respond to a complaint and is available on the Council's website. Regular reports on Corporate Complaints were monitored by the Audit and Scrutiny Committee during 2019/20, following a number of working groups. The process is robust and the Council has never had a finding of maladministration made against it. The Policy was reviewed and updated in April 2019 in line with the Local Government Ombudsman good practice.

All Council meetings are open to the public, except where personal or confidential matters are to be discussed. All agendas and minutes are placed on the Council's public website, and are also available by contacting the Council direct, should electronic access not be possible. Reports are produced with clear pro-formas and there is much engagement with Members to support decision making which is based upon on relevant information being provided.

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

The Policy, Resources and Economic Development Committee in July 2019 agreed the consultation process in relation to the development and approval of the Council's Corporate Strategy – Brentwood 2025. In the summer of 2019, residents and community groups were asked what mattered to them, and this informed the Council's 5 key priorities for the next five years to 2025 and associated plans. Ordinary Council approved the Corporate Strategy on 22nd January 2020.

The Council also undertook a public consultation from November 2019 to December 2019 to change the Local Council Tax Support Scheme and introduce a newer, less complex Council Reduction Scheme. Feedback was presented to members and the Scheme was approved by Ordinary Council on 22nd January 2020.

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

The Corporate Strategy – Brentwood 2025 was approved by Council on xxx following consultation with members and the public. Our five key priorities are:

- **Growing Our Economy** – A Thriving borough that welcomes a wealth of business and culture
- **Protecting Our Environment** – Developing a clean and green environment for everyone to enjoy
- **Developing Our Communities** – Safe and strong communities where the residents live happy, healthy and independent lives
- **Improving Housing** – Access to a range of decent homes that meet local needs
- **Delivering an Efficient and Effective Council** – An ambitious and innovative council that delivers quality of services.

The Corporate Strategy brought key objectives which underpins the Council's ethos and Business Plan. All committee reports are referenced to the Council's key priorities, which are in turn linked to our key objectives.

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The Key 2020/21 Objectives are:

Growing Our Economy:

- Adopt the Brentwood Town Centre Design Guide to encourage a high-quality place to enjoy and do business
- Submit our Local Development Plan for examination-in-public in early 2020
- Encourage and facilitate businesses who want to invest in the borough to capitalise on the opportunities that come with opening of the Elizabeth line to Brentwood and Shenfield
- Work with the Brentwood Development Partnership to create redevelopment schemes for the sites at William Hunter Way, Maple Close and Westbury Road

Protecting Our Environment:

- Introduce a new recycling scheme to improve the quality of recycling and reduce the number of polymer sacks we issue by 80%
- Encourage the creation of a car club in the borough
- Introduce an electric vehicle charging pilot
- Develop an anti-littering campaign involving junior schools
- Conduct a feasibility study on the development of our own compost facility to reduce our carbon footprint and offer compost to residents
- Agree the introduction of carbon offset schemes

Developing Our Communities

- Commence Phase 1 of the King George's Playing Fields refurbishment plan
- Submit planning application for proposed Football Hub development at the Brentwood Centre
- Install an outdoor gym in Courage Playing Fields
- Produce the Brentwood Community Safety Partnership annual plan
- Deliver an annual programme of community events
- Innovate the Brentwood Community Fund, including providing more investment

Improving Housing

- Establish a clear and deliverable Strategic Housing Development Plan
- Conduct a review of sheltered housing to ensure the best possible service is provided to our sheltered housing residents
- Create a housing company that provides more opportunity for the council to deliver a diverse range of housing options for our current and future generations

Delivering an Efficient and Effective Council

- Deliver a revised Customer Strategy
- Report quarterly, via the website, the council's key performance indicators
- Sustain £1m revenue via commercial activities to reduce the revenue budget gap
- Develop further the online customer portal to include enquiry tracking
- Work collaboratively with partners in the Town Hall hub
- Consult with residents on the council's budget

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

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The Council currently manages 25 key performance indicators regularly with designated service managers, which are monitored and reported to the Senior Leadership Team. During 2019/20 the Performance and Formal Complaint's Member working group reviewed the Performance Indicators in further detail and reported to the Audit and Scrutiny Committee with any matters of concern. The Key Performance Indicators are made public via the Council's website using data share.

During 2019/20 The Council continued to maintain the Corporate Project Management Register. Project Highlight Reports are updated and the summary is reviewed monthly in detail at the Senior Leadership Team. Project on a Page (PoaP) was also implemented during 2018/19, in order to easily recognise new projects for the register, to ensure they are aligned with the Council's priorities.

Work continued on the Local Development Plan, Consultation on the pre-submission Local Plan (Reg19) was carried out in February 2019 and an addendum of focussed changes to the pre-submission Local Plan was carried out in October 2019. This work also facilitated discussion on Economic Growth, Housing, Leisure and Infrastructure all of which are vital to the Borough's future. On 22nd January 2020 Council approved the addendum of focussed changes to the pre-submission Local Plan and the Local Plan was submitted to the planning inspectorate (Reg 22) in February 2020. Inspectors initial questions were received in May 2020 and the Council is currently compiling responses to adhere to the current timeframes.

The Council has a Medium Term Financial Strategy (MTFS) which forms the framework for the Council's financial planning. The MTFS 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 Senior Leadership Team and Members of the Policy, Projects and Resources Committee and reported to Full Council as part of the budget setting process. The Council also adopted a Capital Strategy for 2020/21 which gives a high level overview of how capital expenditure and financing plans are decided upon and how they contribute to the delivery of the Councils Corporate Strategy, Medium Term Financial Strategy and overall service delivery.

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

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

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

The Council started the municipal year with a new leader of the Council. The Chief Executive left the Council in June 2019 and a revised senior management structure was put in place, with the Chief Operating Officer acting as Chief Executive. An extensive recruitment exercise was undertaken and a new Chief Executive was appointed in September 2019 and formally started their role in December 2019. The Senior Management Team was realigned and retitled the Senior

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Leadership team (SLT). Following the departure of the Council's Monitoring Officer, the role was advertised and the successful candidate was appointed to begin their role in March 2020.

The Senior Leadership Team (SLT) consists of eight members which includes the statutory posts of Head of Paid Service, Section 151 Officer and Monitoring Officer. They meet on a weekly basis and supports the Council in providing clear visible Strategic direction and leadership, to shape and drive the culture of the organisation as well as to drive and steer modernisation, commercialisation and change to ensure the Council is efficient, effective and economic.

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

In September 2019, Policy, Resources & Economic Development Committee (PRED) reviewed the Asset Development Programme (ADP) governance arrangements. The Project Advisory Board (PAB) was defunct and all matters of the (ADP) were referred to the PRED Committee and additional meetings were made in the diary to accommodate.

An Asset and Investment Board which consists of Officers to act as the Corporate Landlord is now in place to discuss projects relating to Corporate Asset Management, Property Joint Venture Partnerships and Seven Arches Investments Ltd (SAIL) and report to members as appropriate.

The Joint venture partnership contract and framework agreement was awarded to Morgan Sindall Investments (MSIL) through Seven Arches Investments Ltd (SAIL) the Council's wholly owned company in July 2019. The Brentwood Development Partnership LLP (BDP) was formed between Morgan Sindall Investments and Seven Arches Investments Ltd (SAIL). The BDP Board meets quarterly to discuss the contract where there are representations of officers from SAIL, BDP, MSIL and the Council. Various separate governance meetings with officers are in place regularly between SAIL; SAIL and the Council; as well as SAIL, the Council and BDP to ensure that communication and operational activities are carried out.

During 2018/19 the Council has actively participated in the *SE2050* initiative, and signed-up, in principle, to an Association of South Essex Local Authorities (ASELA). The intention has been to describe a joint "place-based" vision for South Essex and to prepare a Joint Strategic Plan (JSP) setting out how sustainable growth can be delivered with the infrastructure required in the area. An Extraordinary Council meeting is in place in July 2020 to update members on the progress.

The Council is committed to work-life balance and offers a range of schemes for its staff, including flexible working hours, job sharing, part-time working, home working, flexible retirement and compressed hours. All Human Resources Policies can be found on the Council's Intranet. During 2018/19 the Council's transferred its HR and Payroll contract to Thurrock Council, part of the contracts facilitates a Business Partner who has been closely working with officers to review, develop and improve various HR Policies. An extensive training programme for staff was carried out during the year.

The Council is committed to managing and developing its people, which enables it to be successful in achieving its Corporate Strategy, 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.

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Key principles of training and development at the Council are:

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

An induction programme for new Members exists and is successfully used to introduce the newly elected Members who joined during that year. This enabled them to familiarise themselves with the processes within the Council and their duties and responsibilities. Frequent Member training is carried out throughout the year and a work programme was approved at the start of the Municipal year through the Policy, Resources & Economic Development Committee. This included Safeguarding training which will continue with a new cohort of newly elected members.

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

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

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

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

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

- Integrate and raise awareness of risk management for all those connected with the delivery of Council services.
- To provide a robust and systematic framework for identifying, managing and responding to risk.
- Anticipate and respond to changing social, environmental and legislative requirements.
- Enhance the attractiveness of the Council's risk profile to underwriters.
- Comply with any statutory requirements to have in place particular policies of insurance and associated inspection systems.
- Minimise potential claims and consequently reduce the cost of insurances.
- Reduce the cost of external premium spend and to consider self-funding for low level claims.
- Protect the Council's assets (people and property).
- Protect the reputation of the Council.

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

The Audit and Scrutiny Committee met five times during the year 2019/20. It also provides advice to the Council on the effectiveness of the arrangements for the proper administration of the Council's financial affairs, including relevant strategies and plans. The Audit & Scrutiny Committee also has the specific responsibility to provide robust challenge and review of the Statement of Accounts, including the Annual Governance Statement & Value for Money, Internal & External Audit Reports; Risk Management as well as counter fraud.

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

Overview and Scrutiny makes a difference by ensuring that local decision-making is better, that local services are improved, and that local democracy is strengthened. Scrutiny ensures that Committees are held to account for the decisions that they make and their impact upon the borough and its residents. Audit and Scrutiny Committee performed all overview and scrutiny functions on behalf of the Council. No Member may be involved in scrutinising a decision in which he or she has been directly involved. Scrutiny is outward looking and aims to involve all stakeholders as far as possible, taking careful account of the views of service users.

The Information Management Team at Thurrock Council was commissioned to provide support to Brentwood as part of a Memorandum of Understanding (MOU) in relation to Data Protection. Thurrock commenced work at Brentwood in June 2018 and carried out a review of the existing processes. In July 2019 Policy, Resources & Economic Development Committee approved to appoint an internal Data Protection Officer (DPO), which at the time was the Council's Deputy Monitoring Officer. Temporary duties have since been given to the Council's ICT manager. Thurrock gave notice of the MOU and temporary arrangements have been sought through third party providers until the Council can source a new permanent arrangement.

General Data Protection Regulations (GDPR) came into effect from 25 May 2018. A number of data protection policies have been reviewed and reported to Policy, Projects and Resources Committee as well as compliance action plans for GDPR were reported to Regulatory and Governance Committee. This includes identifying Information Asset Owners (IAO), which attend Information Governance Group (IGG) meetings, producing Data Protection Impact Assessments (DPIA) as well as developing Record of Processing Activities (RoPA) for all key service areas. All staff and members received mandatory e-learning training in 2018/19 for the implementation of the new legislation. An internal audit was carried out on data protection and the Council received a substantial assurance. The Council's Senior Information Risk Officer (SIRO) is currently the Council's Director of Corporate Resources.

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

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

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

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

Documents are clear and published promptly where possible.

A list of the Council's committees that were active during 2019/20, including committees that have since been decommissioned and new committees introduced in 2019/20, is shown below:

Council

- Annual Council
- Extraordinary Council
- Ordinary Council

Committees

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

Regulatory Committees

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

Working Groups

- Constitution Working Group
- Leisure Strategy Working Group

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- Local Development Plan Working Group
- Performance & Formal Complaints Working Group

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

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

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

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

3. Evidence Based Opinion

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

Internal Audit

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

The opinion is as follows:

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

In forming our view we have taken into account that:

The Council has performed broadly in line with budget regarding financial performance. It has demonstrated sound financial management, as evidenced by our substantial assurance opinion provided on the financial planning and monitoring audit in respect of the design and

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- operational effectiveness of controls. A substantial assurance opinion was also provided on the design of controls within treasury management and moderate assurance opinions were provided in respect of the operating effectiveness of controls in the main accounting systems and treasury management.
- In respect of the design of the controls, substantial assurance was provided in seven out of eleven assurance audits and moderate assurance opinions were provided in four areas. These opinions are an improvement compared with 2018-19
- In respect of the operational effectiveness of the controls, an opinion of moderate assurance was provided for five of the eleven assurance audits, and substantial assurance was provided in six areas, with no limited assurances. These opinions are an improvement compared with 2018-19
- Management has responded positively to reports issued and action plans have been developed to address the recommendations raised.
- We have confirmed that 94% of recommendations due for implementation by the date of reporting had been completed, which is a significant increase compared to the prior year.
- Overall, therefore, we are pleased to note an improvement in the control environment compared to last year and while we note on some themes for further improvement, the Council has done well to enhance controls in a challenging financial environment.

Our annual report and head of internal audit opinion has been prepared based on the audit work undertaken in respect of the financial year ended 31 March 2020.

External Audit

The External Auditor's Audit Results Report for 2018/19 was reported to Audit and Scrutiny Committee in July 2018 and contained the following key messages:

- Ernst & Young issued an unqualified opinion on the 2018/19 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.

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Last year's Governance key improvement areas:

A number of key governance issues were identified by the Council, Internal Audit and External Audit to be addressed in 2019/20 for areas of improvement. The table on the following page sets out below, the matters arising, the aims and the assessment of progress.

Matters Arising in 2018/19	Aims in 2019/20	Progress in 2019/20
Corporate Plan Review	To ensure that the Corporate Plan for 2019-2022 in progressed, which reflects the outcomes and financial responsibilities of the Council following the new leadership.	The Council approved its Corporate Strategy – Brentwood 2025 in January 2020.
Local Development Plan (LDP)	To submit the LDP to the Secretary of State for Examination in Public and continue to work with other South Essex Boroughs through the Association of South Essex Local Authorities (ASELA) to maximise the potential for growth across South Essex and Brentwood.	The Council submitted the LDP in February following a consultation on the Addendum focused changes to the pre-submission Local Plan. The Council also adopted the Brentwood Town Centre design guide as a supplementary planning document.
Commercial Activity	To appoint a joint venture partner to generate income from Council assets, and to utilise the newly formed limited company (SAIL) to generate a financial return at low risk to the Council.	The Council appointed a joint venture partner Morgan Sindall Investments in July 2019 and created the Brentwood Development partnership (BDP) with the Council's wholly owned company Seven Arches Investments Ltd (SAIL).
Review of Constitution	To ensure the Constitution reflects best practice, latest legislation, and aids the decision-making process of the Council, in order that it can react to changing circumstances.	Membership of the Constitution working group (CWG) was reviewed in July 2019. A meeting took place in July 2020 and work is still in progress to ensure a thorough review is carried out.
Strategies	To review existing and produce new strategies across the Council such as Car Parking Strategy, Customer Access Strategy and Communication Strategy throughout 2019/20.	Communication protocol was adopted in January 2020. Following COVID-19 the customer access strategy will be reimaged into a digital strategy
Housing Service	Consider and improve the Council's Housing stock compliance works in according with appropriate legislation.	The Council has made good progress in meeting the demands for compliance and adhering to appropriate legislation.
Communication between Members and Officers	Consider and review processes and mechanisms to improve communication.	Following the arrival of a new Leader and Chief Executive during 2019/20, considerable effort has been made to improve communication between officers and members. Regular chair meetings are in place where agendas and minutes are compiled. The members portal is also a useful tool of logging enquiries.

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Partnerships and Shared Service Arrangements	To continue to work with likeminded partners in identifying opportunities and review efficiencies of further collaboration with no service reductions for Brentwood.	The PRED committee reviewed shared service arrangements in a number a meetings throughout the year to ensure the Council receives value for money and appropriate arrangements are in place.
Enhance our Leisure Provision	To implement the Council's newly approved Leisure Strategy and Play Area Strategy and put them into practice.	The Council approved the development plan for King Georges Playing Fields as well as completed a number of play areas such as Courage & Warley Playing Fields

Current Governance key improvement areas:

A number of key governance issues have been identified by the Council, Internal Audit and External Audit to be addressed in 2020/21 for areas of improvement. The table below sets out the matters arising and the aims the Council has set in order to achieve these areas of development.

	Matters Arising in 2019/20	Aims in 2020/21
1.	COVID-19 Pandemic	As part of the Councils recovery and imagining plans for COVID-19 we will undertake a lessons learned exercise to review how the Council reacted and improve the Council's approach and strengthen its business continuity plans.
2.	Local Development Plan (LDP)	To respond to the Planning Inspectorates initial questions adhering to the approximate examination timescales to progress to public hearing of the LDP.
3.	Commercial Activities	To ensure the Council continues to provide and monitor the appropriate governance arrangements for the different streams of commercial activity to generate a financial return to the Council.
4.	Review of Constitution	To ensure the Constitution reflects best practice, latest legislation, and aids the decision-making process of the Council, in order that it can react to changing circumstances
5.	Strategies	To review existing and produce new strategies across the Council such as Car Parking Strategy, Digital Strategy, Communication Strategy, Environmental Strategy and Housing Development Strategy
6.	Housing	To continue to improve the Council's Housing stock compliance works in according with appropriate legislation.
7.	Association of South Essex Local Authorities (ASELA)	To monitor the progress of ASELA's intention to engage with central government regarding the agenda for the South Essex region ensuring the Council understands and considers the possible Governance arrangements as set out by parliament.
8.	Data Protection arrangements	To review the existing arrangements following the ceasing of the previous MOU arrangements with Thurrock Council.

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5. Conclusion

We are satisfied that the Annual Governance Statement is an accurate reflection of the Council's governance arrangements for 2019/20. We propose over the coming year to take steps to address issues reported above during 2020/21 to further enhance our government arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Chris Hossack
Leader of the Council
xx July 2020

Jonathan Stephenson
Chief Executive
xx July 2020

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Committee(s): Audit and Scrutiny Committee	Date: 28 th July 2020
Subject: 2019/20 Outturn Report	Wards Affected: All
Report of: Jacqueline Van Mellaerts, Director of Corporate Resources	Public
Report Author/s: Name: Margaret Donaldson, Interim Corporate Finance Manager Telephone: 01277 312500 E-mail: margaret.donaldson@brentwood.gov.uk Name: Jacqueline Van Mellaerts Director of Corporate Resources Telephone: 01277 312500 E-mail: Jacqueline.vanmellaerts@brentwood.gov.uk	For Information

Summary

This report deals with the 2019/20 provisional outturn report for:

- (i) The General Fund – paragraph 3.
- (ii) The Housing Revenue Account – paragraph 20, and
- (iii) The Capital Programme – paragraph 27.

The report also considers the earmarked reserves and working balance levels for both the General Fund and the HRA going forward into 2020/21.

In line with the Local Government Act 2003, the relevant CIPFA Codes of Practice and the Council's associated Treasury Management Policy and Practices; an Annual Treasury Management review of investment and borrowing activities and the actual prudential and treasury indicators for 2019/20 is required to be approved by the Committee (paragraph 30)

The key elements of the provisional outturn are:

General Fund

- 1) A breakeven provisional outturn has been achieved for 2019/20; compared to a predicted deficit of £213k.
- 2) Working balances remain at a level of £3,117k
- 3) General Fund earmarked reserves have reduced by £417k to £4,404k of which 43% are committed for future commitments and expenditure.

Housing Revenue Account

- 1) The Outturn reflects a deficit of £830k for 2019/20, compared to a forecast deficit of £417k; an increase of £413k on forecast.

- 2) The HRA working balance has been reduced to £1,071k as at 31st March 2020,
and
- 3) The HRA earmarked reserves remain at a level of £2,400k.

Capital

- 1) The Capital Outturn was £30.1m compared to a revised outturn of £30.5.
- 2) Slippage of £43.7m will be carried forward into 2020/21 which includes £27.5m for commercial activities.
- 3) The 2020/21 revised base budget is £54.3m

Treasury Management

- 1) The treasury activity is listed out in the report and the relevant prudential indicators.

Recommendation(s)

Members are asked to

- R1. Note the provisional (subject to audit) outturn 2019/20 for the General Fund and the HRA contained within this report and Appendix A & B.**
- R2 Note the capital programme in Appendix C and slippage in Table 8.**
- R3 Note the Reserve balances set out in the report and Appendix D.**
- R4 Note the Treasury Management activity and information for 2019/20 contained within the report.**

Main Report

Introduction and Background

1. The provisional outturn forms part of the preparation of the Council's Statement of Accounts for 2019/20. The outturn is reported prior to the audit of the Council's Accounts by the Council's external auditors - Ernst & Young LLP, which is scheduled to complete at the end of October 2020.
2. The provisional outturn does not usually change as a result of the audit, however due to the ongoing impact of Covid 19 on the local economy and the Council's operations; there is likely to be more challenge in areas such as the provision for bad debt, provisions, valuation of Council assets and Pensions Fund arrangements.

Issue, Options and Analysis of Options

General Fund Provisional Outturn

3. The General Fund provisional outturn shows an improved break-even position for 2019/20, compared to a forecast outturn of £213k deficit as summarised at Table 1:

4. **Table 1 – 2019/20 General Fund Outturn by Priority Themes**

	2019/20 Estimated Outturn £'000	2019/20 Actual £'000	2019/20 Variance £'000
Net Expenditure	8,657	8,670	13
Total Funding	(8,444)	(8,670)	(226)
Deficit/(Surplus) on General Fund	(213)	0	(213)

5. Table 2 provides a summary of the actual spend for the General Fund compared to the estimated outturn, in line with the Council's corporate priorities:

6. Table 2 – 2019/20 General Fund Outturn by Priority Themes

	2019/20 Estimated Outturn £'000	2019/20 Actual £'000	2019/20 Variance £'000
Brentwood 2025 Expenditure			
Growing Our Economy	760	768	8
Protecting Our Environment	1,419	1,246	(173)
Developing Our Communities	884	650	(234)
Improving Housing	104	46	(58)
Delivering an Efficient and Effective Council	5,416	5,757	341
Total Net Expenditure on Brentwood 2025	8,583	8,467	(116)
Operating and Financing Charges	448	619	171
Transfer to/(from) Reserves	(374)	(416)	(42)
TOTAL SPENDING REQUIREMENT	8,657	8,670	13
Funding:			
Council Tax	(6,199)	(6,199)	0
Business Rates Income	(1,900)	(2,126)	(226)
Collection Fund Deficit/(Surplus)	333	333	0
New Homes Bonus Grant	(678)	(678)	0
Other Grants	0	0	0
TOTAL COUNCIL FUNDING	(8,444)	(8,670)	(226)
Deficit/(Surplus) on General Fund Balances	<u>(213)</u>	<u>0</u>	<u>(213)</u>

7. The break-even reported, is made up of number of variances across all services. These variances include costs incurred that are specifically funded from reserves.

8. Table 3 outlines the material variances; subjective analysis of these variances can be found within Appendix A:

9. Table 3 – 2019/20 General Fund Key Variances

Expenditure/Income area	Over/ (Under spend) £'000	Explanation
<i>Service-related variances:</i>		
Staff costs – establishment costs	(316)	Vacancies in year and delayed recruitment, especially in Planning and Environmental Health
Staff Costs - Overtime	(58)	Reduction in overtime costs.
ICT costs	(78)	Reduction in ICT maintenance costs.
Legal Provisions	140	In line with accounting arrangements additional legal provisions required for 2019/20.
Planning Service – LDP	(253)	LDP submitted in Feb 20 Inspection work delayed to 2020/21.
Valuers and Brokers fees increase	47	Increased work required by the council valuer for Statement of Accounts work. Brokers fees increased due additional borrowing requirements for SAIL.
<i>Non-Service-related variances:</i>		
Interest Payable	56	The advance to SAIL was higher than expected resulting in additional interest costs.
<i>Bad Debt Provision</i>	87	Increased provision required due to changes in accounting arrangements and increased debts outstanding
<i>Income and Funding</i>		
Interest income	216	The advance of £19m to SAIL was later than initially planned, resulting in loss of forecasted interest receivable.
Government Grants –	(412)	Additional Business Rates Grant received as part of the governments March 2020 budget to support Retail sector – £144k and additional Planning Grant - £268k.

10. The provisional outturn has updated the projected working balances as follows:

Table 4 - General Fund Working Balances

	2019/20 Actual £'000	2020/21 Projected Outturn £'000	2021/22 Budget £'000	2022/23 Budget £'000
Working Balance B/Fwd	3,117	3,117	3,117	2,756
Less: - Funding Gap	0	0	361	723
Working Balance c/fwd	3,117	3,117	2,756	2,033

11. Although, the COVID-19 pandemic occurred towards the end of the Council's financial year; it has a fundamental impact on the provision of council services, deployment of resources and financial performance, both in the short and medium term. The Council has received to date £882k in government funding to mitigate the additional costs of COVID-19. On a monthly basis, the council submits formal returns to central government detailing the financial impact of the pandemic; both in terms of costs and lost income. The last submission reported in June 2020 forecast additional costs of £805k for the General Fund and £187k for the HRA, and lost income of £2,995k for the General Fund and £753k for the HRA, of which £1,026k is unrecoverable to date.

12. Central Government has issued further financial support to Local Authorities on 2nd July 2020. Including further financial support to mitigate additional costs and an income guarantee to cover 75% of unrecoverable income especially in relation to carparking, museums and other cultural services. Detailed guidance is awaited to evaluate the impact for the Council.

13. The improved financial position for the General Fund in 2019/20, will in a small way assist the Council's financial position for 2020/21. There will still be a requirement to deliver budget reductions and income generation to deliver a sustainable medium- term financial position.

General Fund Reserves

14. As part of the year end procedures the Council must review its Earmarked Reserves. These Reserves are required in order to comply with proper accounting practice, whilst others have been created to earmark resources for known or predicted liabilities.

15. The total reserve balance as at 31st March 2020 is £4.4m; the drawdown requirement was a net position of £417k. The complete reserves position is set out in Appendix D.

16. The reserves are grouped into 4 types of reserves.

- **Service** – Monies requested by the service from existing budgeted to be used on specific plans or projects.
- **Trading** – Trading Accounts are held so that over a period of three financial years the account should balance to zero. Any surplus is taken into account when setting future years fees and charges.
- **Specific** – Monies that the Council has received that have restricted conditions on how the money can be used.
- **Funding** – Earmarked specifically to mitigate financial risks to the Council

17. The Funding Volatility reserve is to mitigate the uncertainty and financial risks the Council Faces, especially in regard to the Fair Funding Review. £1.3m is believe to an adequate level to mitigate this uncertainty until further information on the fair funding review is known.

18. Organisational Transformation Reserve, has been reduced zero to allow for additional service reserves to be established for 2020/21 which were presented in the 4th March 2020 Budget report. The drawdown from this reserve has been also been utilised to fund the additional due diligence work on procurement of the Joint Venture partner for the Asset Development Programme at the start of 2019/20. In addition to this, the reserve has also funded the membership to ASELA.

Housing Revenue Account (HRA) Provisional Outturn

19. As detailed at Table 5, the HRA is reporting a deficit of £830k for 2019/20, compared to a forecast deficit of £417k; an adverse increase in spend of £413k.

20. Table 5 HRA Provisional Outturn

	2019/20 Estimated Outturn £'000	2019/20 Actual £'000	2019/20 Variance £'000
Total Expenditure	13,307	13,757	450
Total Income	(12,890)	(12,927)	(37)
Deficit/(Surplus) on General Fund	(417)	(830)	413

21. Appendix B reports the HRA and resulting variances to Budget. The material variances are detailed below:

- Provision for Bad Debts - *£213k increase* due to increased provision required for bad debts as arrears increased from £1.1m to £1.4m, in particular older debt - £80k; arrears written off - £55k and additional provision required in line with required accounting practice to take into account the economic position over the next 12 months - £78k;
- Repair cost of Voids - *£152k increase* – due to increased number of voids in last quarter of the year,
- Increased contract provision due to legal requirements - *£338K*,
- Condition Survey - delayed – savings of *£169k, and*
- Increase rental income and improved cashflow benefit due to slippage in the Decent Homes programme- *£107k additional income.*

22. Of the material variances, rental income, interest income on cashflow and the provision for bad debts will continue to be reviewed for 2020/21 onwards. The remaining material variances are one off.

23. The impact of the HRA provisional outturn on HRA reserves and working balances is detailed below:

Table 6 HRA Working Balance and Reserves

	2019/20 Estimated Outturn £'000	2019/20 Actual £'000	2019/20 Variance £'000
HRA Working Balance:			
<i>Balance Carried forward as at 31st March 2020</i>	1,484	1,071	(413)
HRA Reserves Balance Carried Forward as at 31st March 2020			
Affordable Housing Reserve	2,400	2,400	0
<i>Major Repairs Reserve – Funding of Decent Homes programme of works</i>	4,325	6,345	2,020

24. Expenditure in relation to the Decent Homes major repairs programme slipped in 2019/20, hence the Major Repairs Reserve balance increased by £2.02m. The funding is carried forward to fund the reprogrammed schemes in 2020/21.

25. The outturn position will inform the refresh of the HRA Business model, which will require updating as part of the 2021/20 budget and rent setting process. The financial and operational impact of Covid 19 also needs to be factored into the revised HRA business model.

Provisional Capital Outturn for 2019/20

26. The Council's Capital Strategy for 2019/20 was approved by Council as part of the budget strategy for 2019/20 on 27th February 2019 and totalled £36.5m (£26m General Fund – including commercial activity of £13m; and £10.5m HRA) for 2019/20, The budget was subsequently increased as follows:

- a. £3.9m slippage into 2019/20 on reporting the capital outturn for 2018/19 for General Fund and HRA and £33.5m slippage for commercial activities (PRED - July 2019): and
- b. £0.173m additional expenditure for the King Georges Playing field development

This resulted in a total current budget of £74.1m.

27. The provisional capital outturn, against the forecast spend for 2019/20 is detailed below at Table 7.

Table 7 - Provisional Capital Outturn 2019/20:

	2019/20 Current Budget £'000	2019/20 Provisional Forecast £'000	2019/20 Provisional Outturn £'000	2019/20 Variance £'000
Brentwood 2025 Expenditure				
Growing our Economy	562	280	527	247
Protecting our Environment	1,827	795	271	(524)
Developing our Communities	9,389	1,391	1,389	(2)
Improving Housing	260	250	298	48
Delivering an Efficient and Effective Council	2,973	3,502	3,395	(107)
Total General Fund Capital Programme	15,011	6,218	5,880	(338)
Total Commercial Activities	46,500	18,400	19,000	600
HRA Expenditure				
Affordable Housing Development	6,881	3,936	4,390	454
Decent Homes	5,726	1,971	927	(1,044)
Other Capital Expenditure	25	0	0	0
Total HRA Capital Programme	12,632	5,907	5,317	(590)
TOTAL CAPITAL PROGRAMME	74,143	30,525	30,197	(328)
FUNDING:				
General Fund capital Receipts	(200)	(200)	(200)	0
HRA Capital Receipts	(2,064)	(1,181)	(1,317)	(136)
Government Grants	(250)	(250)	(300)	(50)
Other Grants	(450)	0	(52)	(52)
HRA Major Repair Reserves	(5,750)	(1,971)	(927)	1,044
Contributions from Revenue	(4,010)	(2,755)	(1,473)	1,282
Borrowing	(14,111)	(5,768)	(5,328)	440
HRA Borrowing	(808)	0	(1,600)	(1,600)
SAIL Borrowing	(46,500)	(18,400)	(19,000)	(600)
TOTAL FUNDING	(74,143)	(30,525)	(30,197)	(328)

28. In March 2020, the Council advanced £19m to its wholly owned company SAIL to purchase investment property. Under capital regulations the advance counts as capital expenditure. This is included within the commercial activities line, so it

does not distort the rest of the programme and reconciles with the Treasury Management Strategy.

29. The key variances by expenditure area are as follows:

- a. *Growing our Economy* – Asset Development – Work required on improving essential asset work, the spend was offset against the underspend projections on BLT enhancements.
- b. *Protecting our Environment* – Vehicle Replacement Programme - £525k (-), the procurement process was delayed due the need to take into consideration the Recycling Scheme service review. The procurement of vehicles is due for delivery in 2020/21. A slippage request is included to assist in the finance of the new vehicles.
- c. *Developing our Communities* – Brentwood Leisure Centre - £157k(-) increase costs of work to the plant room, although not as initially forecasted – any additional spend will be transferred from Asset Development in 2020/21. Kings Georges Play Development – Slippage has been brought forward accordingly to reconcile with the outturn – Play Area Refurbishment - reprogrammed for 2020/21 to reflect the overspend of £33k. Football Hub Development will slip into 2020/21.
- d. *Improving Housing* - Disabled Facilities commitments higher than anticipated - £50k, fully financed by government grant.
- e. *Delivering an Efficient and Effective Council* – Town Hall - £108k(-) delay in finalising the final account. Overall spend has been funded through underspends on other schemes.
- f. *HRA Capital Programme* – Affordable Housing - the budget was utilised for the purchase of 13 properties as affordable housing for the HRA, a short-term solution to reduce the risk of repaying RTB receipts to Central Government. Decent Homes - £4,799k(-), various schemes delayed. The resources for both schemes will be carried forward to enable prioritised schemes to progress.
- g. *Commercial Activities* – Loan to SAIL - £600k higher than initially forecasted as was early stages of negotiation at the time.

30. Slippage has been reviewed of the expenditure and resources for the following schemes and is shown in detail in Appendix C. Total slippage to be carried forward into 2020/21 is £8,946k for General Fund & £7.290m for HRA and £27.5m for commercial activities. Slippage does not exceed what has previously been approved for specific projects.

Table 8 – Slippage for 2020/21

Scheme	£'000	Reason
Car Parking Improvements	153	Required for reactive works
Vehicle Replacement Programme	832	Delays due to understanding the requirement of vehicles for recycling project
King Georges Playing Field Development	6,749	delays in business case sign off and planning approval.
Community Halls Enhancements	539	work started later in the year the expected.
Football Hub development	706	Delays in KGPF sign off
Play Area Refurbishment	(33)	Additional money spent in 2019/20, therefore Base budget for 2020/21 will be amended down to reflect the overall budget of the Play Area Strategy.
Total General Fund	8,946	
HRA Decent Homes	4,799	Required work to meet compliance and decent homes standards.
Affordable Housing	2,491	Requirement to utilise Capital Receipts
Total HRA	7,290	
Total Commercial Activities	27,500	Balance of approved £60m Loan to SAIL
Total Slippage	£43,736	

Treasury Management - Annual update for 2019/20

31. Review of activities during 2019/20

32. The main treasury activity during the year was the increase in borrowing to finance the Council's lending to SAIL (represented by the Commercial Activities line on the following table).

33. The Council's approach was to finance this lending by short-term term borrowing from other local authorities. Interest rates for short term borrowing from other local authorities were competitive at the time, and other local authorities are a highly secure source of finance. In October 2019 Central Government unexpectedly increased Public Works Loan Board interest rates by 1%, reducing the competitiveness of the PWLB as a source of finance.

34. Going forward, officers are looking at options for a package of short-term and borrowing options that will meet the aspirations of the Council's capital programme and enable the existing borrowing to be refinanced.
35. Investment activity during the year was minimal due to the low level of cash reserves held by the Council, as illustrated by the investment position at the start and end of the year (see table below). Investments were either by depositing funds in call accounts with Lloyds Bank and Santander Bank, or by short-term fixed rate investments via the Link Treasury Services Agency Scheme.
36. The activity for the year is summarised on the following table, which shows the Council's net borrowing position at the beginning and the end of 2019/20.
37. The Section 151 Officer confirms that all treasury activity during the year was in accordance with the Treasury Management Strategy for 2019/20:
38. An internal audit review was carried out on the treasury management function during the year.
39. One recommendation was given around improving the design of the internal controls. It was recommended that the Council should consider obtaining feedback on its Capital Strategy from its treasury management advisors. The Council's response was as follows: "The Council has introduced a Capital and Investment Strategy 2020/21 document. This is a new, strategic document that combines the Capital Strategy and the Treasury Management Strategy. This document will be updated each year, and in future years we expect our treasury advisors to review and provide feedback on this complete document, including the Capital Strategy element."
40. The second recommendation was around strengthening the effectiveness of the controls. These were around ensuring that approval of all loans and investments should be formalised and fully documented prior to the transaction being carried out. These recommendations have now been implemented.
41. Prudential Indicators
42. The Prudential Indicators are set out in paragraphs 42-47. The first indicator shows the capital expenditure for 2019/20 and how this was financed. The table also shows the figures reported in the 2019/20 Treasury Management Strategy (TMS), and the 2018/19 outturn figures.

Table 9 – Capital Expenditure & Financing

Capital Expenditure	2018/19 outturn £000	2019/20 TMS £000	2019/20 outturn £000
General Fund	11,117	8,037	5,880
HRA	4,853	10,065	5,317
Commercial activities	13,500	13,000	19,000
Total Expenditure	29,470	31,102	30,197

Capital Financing	2018/19 outturn £000	2019/20 TMS £000	2019/20 outturn £000
Capital receipts	(4,649)	(2,264)	(1,517)
Capital grants	(223)	(230)	(352)
Developer contributions	(180)	0	0
Revenue contributions	(2,699)	(3,400)	(1,473)
Major repairs reserve	(997)	(3,184)	(927)
Internal borrowing	(8,722)	0	(2,928)
External Borrowing	(12,000)	(22,024)	(23,000)
Total Financing	(29,470)	(31,102)	(30,197)

43. The Council's Overall Borrowing Need. The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). This is shown in table 10 below.

44. In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2019/20) plus the estimates of any additional capital financing requirement for the current (2019/20) and next two financial years. The Council has complied with this prudential indicator as the gross borrowing position is lower than the CFR. This is demonstrated in the following table:

Table 10 – Capital Financing Requirement and Gross Borrowing

	2018/19 outturn £000	2019/20 TMS £000	2019/20 outturn £000
General Fund	18,634	26,137	23,909
HRA	61,229	62,646	62,829
Commercial activities	13,500	26,500	32,500
Total CFR	93,363	115,283	119,238
Gross borrowing position	73,355	94,460	96,351
Under funding of CFR	20,008	20,823	22,887

45. The Operational Boundary. This is the level above which borrowing is not expected to rise (occasions where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached).
46. The Authorised Limit. This is the “affordable borrowing limit” required by Section 3 of the Local Government Act 2003. This represents a limit beyond which external debt is prohibited. The table below demonstrates that during 2019/20 the Council has maintained gross borrowing within this limit.

Table 11 – Operational Boundary & Authorised Limit

	2018/19 £000	2019/20 TMS £000	2019/20 £000
Gross debt	73,355	94,460	96,351
Capital Financing Requirement	93,363	115,283	119,238
Operational Boundary	98,363	120,283	120,283
Authorised Limit	101,363	123,283	123,283

47. Actual financing costs as a proportion of net revenue stream. This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream.

Table 12: Actual financing costs as a proportion of net revenue stream

	2018/19	2019/20 TMS	2019/20
General Fund	1%	4%	3%
HRA	14%	15%	14%
Commercial activities	-1%	-2%	-5%

48. The Treasury Indicators are set out in paragraphs 49-51 below.

49. Maturity Structure of the fixed rate borrowing portfolio. This indicator assists the Council in avoiding large concentrations of fixed rate debt that has the same maturity structure and would therefore need to be replaced at the same time.

	31-Mar-19	Proportion of total borrowing	31-Mar-20	Proportion of total borrowing	Maximum upper limit
	£000		£000		
> 1 year	12,000	16%	35,000	36%	50%
1 to 2 years	0	0%	5,000	5%	50%
2 to 5 years	5,000	7%	0	0%	50%
6 to 10 years	10,400	14%	10,400	11%	50%
Over 10 years	45,955	63%	45,951	48%	100%
Total	73,355	100%	96,351	100%	

50. Exposure to Fixed and Variable Rates. The Council is not exposed to changes in variable interest rates as all its borrowings are at fixed interest rates

51. Credit Risk Exposure. The Council did not undertake any material investments during 2019/20 and there was therefore a limited need to mitigate credit risk, This has changed in the current financial year as the Council's investment activity has increased due to its increased cash flow. Credit risk is being mitigated in the current financial year by restricting investments to short term investments with other local authorities and short term deposits with UK banks.

Reasons for Recommendation

52. Effective financial management underpins all of the priorities for the Council and will enable the Council to operate within a sustainable budget environment.

Consultation

53. None

References to Corporate Strategy

54. The Budget is linked to achieving the current priorities in the Corporate Strategy.

Implications

Financial Implications

Name/Title: Jacqueline Van Mellaerts, Director of Corporate Resources
Tel/Email: 01277 312500/jacqueline.vanmellaerts@brentwood.gov.uk

55. The financial implications are set out within the report and the Appendices accompanying the reports.

Legal Implications

Name & Title: Amanda Julian, Director of Law & Governance

Tel & Email: 01277 312500/amanda.julian@brentwood.gov.uk

56. The Council has too have robust governance in place including providing information to Audit and Scrutiny on monitoring of the financial position of the Council during the financial year.

Economic Implications

Name/Title: Phil Drane, Director of Economy & Planning

Tel/Email: 01277 312500/philip.drane@brentwood.gov.uk

57. Economical implications have been sent out within the report and the appendices.

Background Papers

Budget Report 4th March 2020
Statement of Accounts 2019/20

Appendices to this report

Appendix A: General Fund Subjective Variances
Appendix B: Housing Revenue Account Variances
Appendix C: Capital Outturn & Capital Programme
Appendix D: Earmarked Reserves

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Brentwood Borough Council
General Fund Provisional Outturn 2019/20

Subjective	Over/ (Under spend) £'000	Explanation of material variances
Employee Related Expenditure	(323)	Delays in recruitment and vacancies resulted in an underspend of £316(-)k; partially offset by additional agency costs £69k. Reduction in general overtime £32(-)k, including lower than forecast overtime to undertake the move back to the Town Hall £26(-)k. Training budget savings £20(-)k.
Premises Related Expenditure	(62)	Repairs cost lower than anticipated.
Transport Related Expenditure	46	Ageing vehicle fleet resulting in additional vehicle repairs - £45k. Most of the Fleet vehicles are due for replacement in 2020/21, which will reduce the revenue budget in future.
Supplies & Services	177	Increased provision for bad debts due to changes in international accounting practice and increased arrears - £87k. Increase cost of providing recycling sacks and bins - £16k, balanced by additional income. Reduction in level of legal claim provision - £45(-)k. Requirement to include various service provision in the Accounts due to assessment of legal advice - £140k. Office accommodation underspent - £32(-)k.
Fees & Services	42	Asset Management project work delayed - £41(-). Increased B&B costs - £23k. Asset valuation and treasury charges increased £47k. Trade Waste disposal costs increased £21k, with the base budget increased accordingly going forward.
Communication & Computing	(90)	Various ICT costs lower than anticipated £78(-)k, primarily network maintenance.
Third Party Payments	67	Fraud service costs lower than anticipated £18(-) k. Application of reserves for LDP lower than anticipated due to delay in LDP work £253K. Project

Appendix A

		work savings £72(-)k Increased corporate finance costs - £19k for Finance system upgrade preparation.
Interest Payments	56	Advance to SAIL £6m higher than forecast in the Treasury Strategy, resulting in additional interest costs.
Government Grant Income	(420)	Additional Business Rates grants received to support retail as per C Govt March 2020 budget - £140k. Additional Planning Policy grant received - £268k.
Interest income	216	The advance of £19m to SAIL was later than initially planned, resulting in loss of interest income to the Council compared to the forecast.
Total of Other Minor Variances	78	
TOTAL Variance	(213)	

Appendix B

Appendix B

Brentwood Borough Council Housing Revenue Account Provisional Outturn 2019/20

Year	2019/20 Forecast Outturn £'000	2019/20 Provisional Outturn £'000	Variance £'000
Details of Expenditure			
Repairs and Maintenance	2,646	3,075	429
General Management	2,251	2,280	29
Special Services	1,019	1,011	(8)
Rent, Rates, Taxes and Other Charges	206	206	0
Corporate & Non Corporate Democratic Core	410	417	7
Depreciation and Impairment of Property	3,035	2,946	(89)
Total Service Expenditure	9,567	9,935	368
Interest on Loan	1,928	1,937	9
Interest on Balances	(49)	(101)	(52)
Increased Provision for Bad Debts	60	273	213
Pension Interest Cost	200	239	39
Contribution to Capital Financing	1,600	1,473	(127)
Total Expenditure	13,306	13,756	450
Details of Income			
Dwelling Rents (net)	(11,694)	(11,749)	(55)
Non-Dwelling Rents (net)	(336)	(336)	0
Charges for Services and Facilities	(859)	(841)	18
(Surplus)/Deficit for HRA Services	417	830	413
Working Balance Brought Forward	1,901	1,901	0
Working Balance Carried Forward	1,484	1,071	(413)

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Appendix C

General Fund and Housing Capital Resources Outturn for 2019/20 and Forecasts for 2020/21 to 2022/23

Project	2019/20 Current Budget	2019/20 Forecast Outturn	Actual 19/20	2019/20 Variance (Forecast to outturn)	Base Budget 2020/21	Proposed Slippage 2019/20	Revised Budget for 2020/21	Base Budget 2021/22	Base Budget 2022/23	Strategy line
	£	£	£	£	£	£	£	£	£	
Asset Development	172,000	70,000	178,562	108,562	250,000	0	250,000	200,000	200,000	Growing Our Economy
Car Parking Improvements	300,000	0	0	0	20,000	153,000	173,000	20,000	20,000	Growing Our Economy
MSCP Enhancements	90,000	210,000	236,727	26,727	0	0	0	0	0	Growing Our Economy
Vehicle Replacement Programme	1,544,000	670,000	145,356	-524,644	768,000	832,000	1,600,000	200,000	200,000	Protecting Our Environment
CCTV Upgrades	60,000	65,000	63,990	-1,010	10,000	0	10,000	0	0	Protecting Our Environment
Depot Hanger Demolishment	150,000	0	0	0	0	0	0	0	0	Protecting Our Environment
Depot Toilet Refurbishment	13,000	0	0	0	0	0	0	0	0	Protecting Our Environment
Cemetery Infrastructure	60,000	60,000	59,691	-309	50,000	0	50,000	100,000	100,000	Protecting Our Environment
Cemetery Headstones	0	0	0	0	20,000	0	20,000	20,000	20,000	Protecting Our Environment
Open Space Security Measures	0	0	1,890	1,890	25,000	0	25,000	0	0	Protecting Our Environment
Open Space Enhancement	0	0	0	0	985,000	0	985,000	0	0	Developing Our Communities
Open Spaces Car Parks	0	0	0	0	150,000	0	150,000	0	0	Developing Our Communities
Parks Infrastructure	36,000	36,000	45,752	9,752	50,000	0	50,000	100,000	100,000	Developing Our Communities
KGPF Development	7,173,000	300,000	423,963	123,963	0	6,749,000	6,749,000	0	0	Developing Our Communities
Community Halls Enhancements	650,000	50,000	111,121	61,121	0	539,000	539,000	0	0	Developing Our Communities
Play Area Refurbishment	463,000	463,000	496,263	33,263	500,000	-33,000	467,000	825,000	350,000	Developing Our Communities
Football Hub Development	750,000	60,000	44,363	-15,637	750,000	706,000	1,456,000	0	0	Developing Our Communities
Brentwood Leisure Trust Enhancements	310,000	475,000	318,143	-156,857	0	0	0	0	0	Developing Our Communities
Irrigation to Golf Course	7,000	7,000	6,600	-400	0	0	0	0	0	Developing Our Communities
Section 106 Expenditure	0	0	54,148	54,148	0	0	0	0	0	Developing Our Communities
Home Repair Assistance Grant	10,000	0	-1,695	-1,695	5,000	0	5,000	5,000	5,000	Improving Housing
Disabled Facilities Grant	250,000	250,000	299,801	49,801	250,000	0	250,000	250,000	250,000	Improving Housing
Printing Equipment	0	0	0	0	25,000	0	25,000	0	0	Efficient & Effective
Town Hall Development	2,798,000	3,327,000	3,218,736	-108,264	0	0	0	0	0	Efficient & Effective
ICT Strategy	100,000	100,000	144,856	44,856	136,000	0	136,000	100,000	100,000	Efficient & Effective
ICT Hardware	75,000	75,000	31,596	-43,404	25,000	0	25,000	25,000	10,000	Efficient & Effective
General Fund Total without Loans	15,011,000	6,218,000	5,879,864	-338,136	4,019,000	8,946,000	12,965,000	1,845,000	1,355,000	
Commercial Activities	46,500,000	18,400,000	19,000,000	600,000	0	27,500,000	27,500,000	0	0	Efficient & Effective
General Fund Total	61,511,000	24,618,000	24,879,864	261,864	4,019,000	36,446,000	40,465,000	1,845,000	1,355,000	
HRA Decent Homes	5,726,000	1,971,000	926,697	-1,044,303	2,970,000	4,799,000	7,769,000	3,030,000	3,090,000	Improving Housing
Parking Bays	25,000	0	0	0	0	0	0	0	0	Improving Housing
Housing Development	0	0	0	0	500,000	0	500,000	400,000	1,000,000	Improving Housing
Affordable Housing Development	6,881,000	3,936,000	4,390,012	454,012	3,075,000	2,491,000	5,566,000	2,004,000	2,000,000	Improving Housing
HRA Total	12,632,000	5,907,000	5,316,709	-590,291	6,545,000	7,290,000	13,835,000	5,434,000	6,090,000	
Total Capital Program	74,143,000	30,525,000	30,196,573	-328,427	10,564,000	43,736,000	54,300,000	7,279,000	7,445,000	

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Appendix C

Appendix C.2

General Fund and Housing Provisional Capital Resources Outturn for 2019/20 and Forecasts for 2020/21 to 2022/23

Funding	2019/20 Current Budget	2019/20 Forecast Outturn	Actual 19/20	2019/20 Variance (Forecast to outturn)	2021 Funding	Proposed Slippage 2019/20	Revised Budget for 2020/21	21/22 Base Budget	22/23 Base Budget
General Fund Capital Receipts	-200,000	-200,000	-200,000	0	-200,000		-200,000	-200,000	-200,000
HRA Capital Receipts	-2,064,000	-1,181,000	-1,317,004	-136,004	-923,000		-923,000	-601,200	-600,000
Government grants	-250,000	-250,000	-299,801	-49,801	-250,000		-250,000	-250,000	-250,000
Other Grants	-450,000	0	-52,453	-52,453	-575,000		-575,000	0	0
HRA Major Repairs Reserve	-5,750,000	-1,971,000	-926,697	1,044,303	-2,970,000	-4,799,000	-7,769,000	-3,030,000	-3,090,000
Revenue	-4,010,000	-2,755,000	-1,473,008	1,281,992	-1,200,000		-1,200,000	-1,402,800	-1,400,000
Borrowing	-14,111,000	-5,768,000	-5,327,611	440,389	-3,494,000	-8,946,000	-12,440,000	-1,795,000	-1,905,000
SAIL BORROWING (no MRP)	-46,500,000	-18,400,000	-19,000,000	-600,000	0	-27,500,000	-27,500,000	0	0
HRA Borrowing	-808,000	0	-1,600,000	-1,600,000	-952,000	-2,491,000	-3,443,000	0	0
Total	-74,143,000	-30,525,000	-30,196,573	328,427	-10,564,000	-43,736,000	-54,300,000	-7,279,000	-7,445,000

General Fund and Housing Provisional Capital Resources Outturn for 2019/20 and Forecasts for 2020/21 to 2022/23

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Earmarked Reserves

Reserve	Reserve Type	Balance as at April 2019	Amounts in/(out) 2019/20	Balance as at March 2020
Organisational Transformation	Funding	962	(962)	0
Funding Volatility	Funding	1,705	(360)	1,345
Waste Management	Specific	583	12	595
Dunton Hills Development	Specific	120	(105)	15
Duchess of Kent/Nightingale	Specific	306	(4)	302
Planning Delivery Grant	Specific	55	(2)	53
Community Alarms	Service	138	(26)	112
Preventing Homelessness	Specific	153	(34)	119
Asset Management	Service	164	0	164
Housing Benefit Subsidy	Funding	150	0	150
Leisure Strategy	Service	15	(15)	0
ICT Investment	Service	100	0	100
EU Exit Grant	Funding	118	35	153
Brentwood Community Hospital	Specific	45	(5)	40
Electoral Registration	Service	43	0	43
Economic Development	Service	0	300	300
Community Rights	Specific	38	0	38
Health and Wellbeing	Specific	55	6	61
Neighbourhood Plan	Specific	26	0	26
Land at Hanover House	Specific	16	(3)	13
Building Control	Trading	1	(1)	0
Brentwood Community Fund	Service	9	(7)	2
Willowbrook Rosen Crescent	Specific	7	0	7
Play Area Grant	Specific	12	0	12
High Street Fund	Service	0	200	200
Environmental Initiatives	Service	0	100	100
Planning Enforcement	Service	0	200	200
Insurance and Risk Management	Service	0	25	25
Service Investment and Initiatives	Service	0	200	200
COVID-19 Support Grant	Funding	0	29	29
Total General Fund Reserves		4,821	(417)	4,404
Council Dwelling Investment Fund	Service	2,400	0	2,400
Total HRA Reserves		2,400	0	2,400
Total Earmark Reserve Balance		7,221	(417)	6,804

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