



## Agenda Supplement

Dear Councillor

### **AUDIT AND SCRUTINY COMMITTEE - TUESDAY, 24TH NOVEMBER, 2020**

I am now able to enclose, for consideration at next Tuesday, 24th November, 2020 meeting of the Audit and Scrutiny Committee, the following reports that were unavailable when the agenda was printed.

<b>Agenda No</b>	<b>Item</b>
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- |    |  |
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| 3. | <b><u>Audit Results of Statement of Accounts 2019-20</u> (Pages 3 - 186)</b> |
|----|--|

Yours sincerely



Jonathan Stephenson  
Chief Executive

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# Agenda Item 3

<b>Committee(s):</b> Audit and Scrutiny Committee	<b>Date:</b> 24 <sup>th</sup> November 2020
<b>Subject:</b> Audit Results Statement of Accounts 2019/20	<b>Wards Affected:</b> All
<b>Report of:</b> Jacqueline Van Mellaerts, Director of Corporate Resources	<b>Public</b>
<b>Report Author/s:</b> Name: Margaret Donaldson, Interim Head of Corporate Telephone: 01277 312500 E-mail: <a href="mailto:margaret.donaldson@brentwood.gov.uk">margaret.donaldson@brentwood.gov.uk</a>  Name: Alistair Greer, Principal Accountant Telephone: 01277 312500 E-mail: <a href="mailto:alistair.greer@brentwood.gov.uk">alistair.greer@brentwood.gov.uk</a>	<b>For Decision</b>

## Summary

The Council's External Auditors, Ernst & Young LLP have substantially completed their audit of the Council's Statement of Accounts for 2019/20. This report presents their conclusions and a revised draft of the Financial Statements.

External Audit propose to issue an unqualified audit opinion for the Statement of Accounts 2019/20. No opinion on the value for money conclusion has been issued to date as work is still in progress.

## Recommendation(s)

### **Members are asked to:**

- R1.** Consider the Audit Results Report 2019/20 in Appendix A and note the conclusions contained in it.
- R2.** Consider the Letter of Representation in Appendix B and delegate authority to the Section 151 Officer in consultation with the Chair of Audit & Scrutiny to approve and sign the letter upon conclusion of the Audit.
- R3.** Delegate to the Section 151 Officer in consultation with the Chair of Audit & Scrutiny the final approval of the Statement of Accounts for 2019/20, on completion of the final elements of the audit.

## **Main Report**

### **Introduction and Background**

1. The Council's unaudited Statement of Accounts were presented to this committee on 28th July 2020, one month ahead of the revised statutory deadline of 31<sup>st</sup> August 2020. The Accounts include the Council's Group Accounts, reporting the consolidated position of the Council with Seven Arches Investments Ltd (SAIL).
2. The External Auditors commenced their audit engagement on 21<sup>st</sup> September 2020. The audit has progressed well, with weekly catch up meetings between EY and the Corporate Finance team enabling work to be focused and facilitating prompt response between the teams. All audit queries have been collated through one point of contact in the Corporate Finance Team which has enabled finance and operational council staff to focus on other work streams and the co-ordination of responses to EY to be effective.
3. The auditors have now substantially completed this work; any outstanding areas for review are detailed in the EY report attached at Appendix A, and focuses on the Council's substantiation of 'Going Concern'.
4. Neil Harris, Associate Partner for EY will present the report of audit findings.

### **Issue, Options and Analysis of Options**

#### **Audit Results Report**

5. The conclusions from the audit engagement are contained in the Audit Results Report, issued on 18<sup>th</sup> November, which is attached as Appendix A.
6. Members are asked to consider the Audit Results Report and note its contents. The report has been reviewed by senior management who are in agreement with its contents.
7. Their report confirms that External Audit expect to issue an unqualified audit opinion on the financial statements, and that to date they have no matters to report on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The finalisation of the VfM opinion will be completed on review of the 'Going Concern' audit work.

## Letter of Representation

8. The Letter of Representation is a document issued by the Council to the External Auditor, in which the Council's management declare that the financial statements and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the financial statements. Members are asked to consider the letter attached at Appendix B, and award delegated authority to the section 151 officer to approve the letter upon conclusion of the audit.

## Statement of Accounts and Annual Governance Statement

9. The updated draft Statement of Account is attached as Appendix C. This includes any recommendations management has agreed with the auditors. The adjusted differences referred to in section 4 – Audit Differences of Appendix A. The auditors have identified two unadjusted differences which are not included in the Accounts:
  - i. *Pensions* - this relates to the outcome of the audit of Essex County Council Pension Fund and the subsequent impact on the Council's Accounts. Management has consulted with ECC Pensions, since those Accounts will not be adjusted; management has decided not to adjust the Council's accounts.
  - ii. *Collection Fund Provision for Appeals* – this relates to a difference in judgement on the level of the business rates appeals provision. Management are of the opinion that insufficient appeals history is available on the business rates 'Check and Challenge' process and are aware of the finalisation of legal challenge on ATM machines; that it would not be prudent to reduce the level of appeals at this time. The level of business rates appeals is monitored quarterly as part of the financial management of the collection fund.
10. Appendix C also contains the Annual Governance Statement (AGS), which sets out the governance framework in place within the Council to ensure that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, accounted for and used properly.
11. The 2019/20 AGS was approved by this committee on 28<sup>th</sup> July 2020 and was signed by the Leader of the Council and the Chief Executive. In line with External audit's recommendation an additional paragraph and actions have been added in relation to the governance arrangements for organisations within the Council's Group Boundary, current SAIL. The AGS has been included within this report as it is customary to publish it alongside the Statement of Accounts.

## **Reasons for Recommendation**

10. To enable the Council to conclude the Statement of Accounts process for 2019/20, which has a statutory deadline of 30<sup>th</sup> November 2020.

## **Consultation**

11. None.

## **References to Corporate Plan**

12. Good financial management underpins all priorities within the Corporate Plan.

## **Implications**

### **Financial Implications**

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

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

None of the differences have impacted the General Fund or Housing Revenue Account Outturn for 2019/20 or working balances/earmarked reserves following the completion of the Audit.

1. As part of the Audit Results Report (Appendix A), Ernst & Young have reported the Fee analysis on Page 39.
2. Ernst & Young have advised they have undertaken additional work in relation to changes in scope on the audit as a result of COVID-19, going concern and associated risks; and the review of the Council's valuers opinion of 'material uncertainty' in relation to the year-end valuation material changes report commissioned by the Council to ensure assets reflect fair value as at 31<sup>st</sup> March 2020.
3. At the start of January 2021, the finance team will take on board any audit changes and recommendations, as well as any technical accounting updates and begin to prepare for the drafting of the 2020/21 Accounts.

### **Legal Implications**

**Name & Title: Amanda Julian, Director of Law and Governance & Monitoring Officer**

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

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

**Economic Implications**

**Name/Title: Phil Drane, Director of Planning and Economy**

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

There are no direct economic implications from this report.

**Background Papers**

None

**Appendices to this report**

Appendix A: Audit Results Report 2019/20

Appendix B: Letter of Representation

Appendix C: Statement of Accounts 2019/20

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# **Brentwood Borough Council Audit results report**

Year ended 31 March 2020  
18 November 2020

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Appendix A

**EY**

Building a better  
working world



Private and Confidential

18 November 2020

Dear Audit and Scrutiny Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit and Scrutiny Committee. This report summarises our preliminary audit conclusion in relation to the audit of Brentwood Borough Council (the Authority) for 2019/20.

At the date of this report our audit of the Authority's accounts for the year ended 31 March 2020 is substantially complete. As set out in section 1, the Covid-19 pandemic has impacted the statements and we will be carefully considering the final disclosures, judgements made by management in the financial statements and how this informs our final audit opinion. At the date of this report, the substantive areas we have still to complete is our review, and associated consultation procedures, on the Authority's documented assessment and disclosure on its judgements associated with going concern looking twelve months from the date of the audit report (e.g. to December 2021). As set out at Appendix B and in the report, we have not received management's assessment and disclosures. In addition, with the support of our real estate specialists, we are also completing a review of a sample of asset valuations which we believe are more susceptible to the volatile market conditions we have seen post Covid-19.

This report is intended solely for the use of the Audit and Scrutiny Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement given the additional pressures they have faced responding to the pandemic and working remotely.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Scrutiny Committee meeting on 24 November 2020.

Yours faithfully

Neil Harris

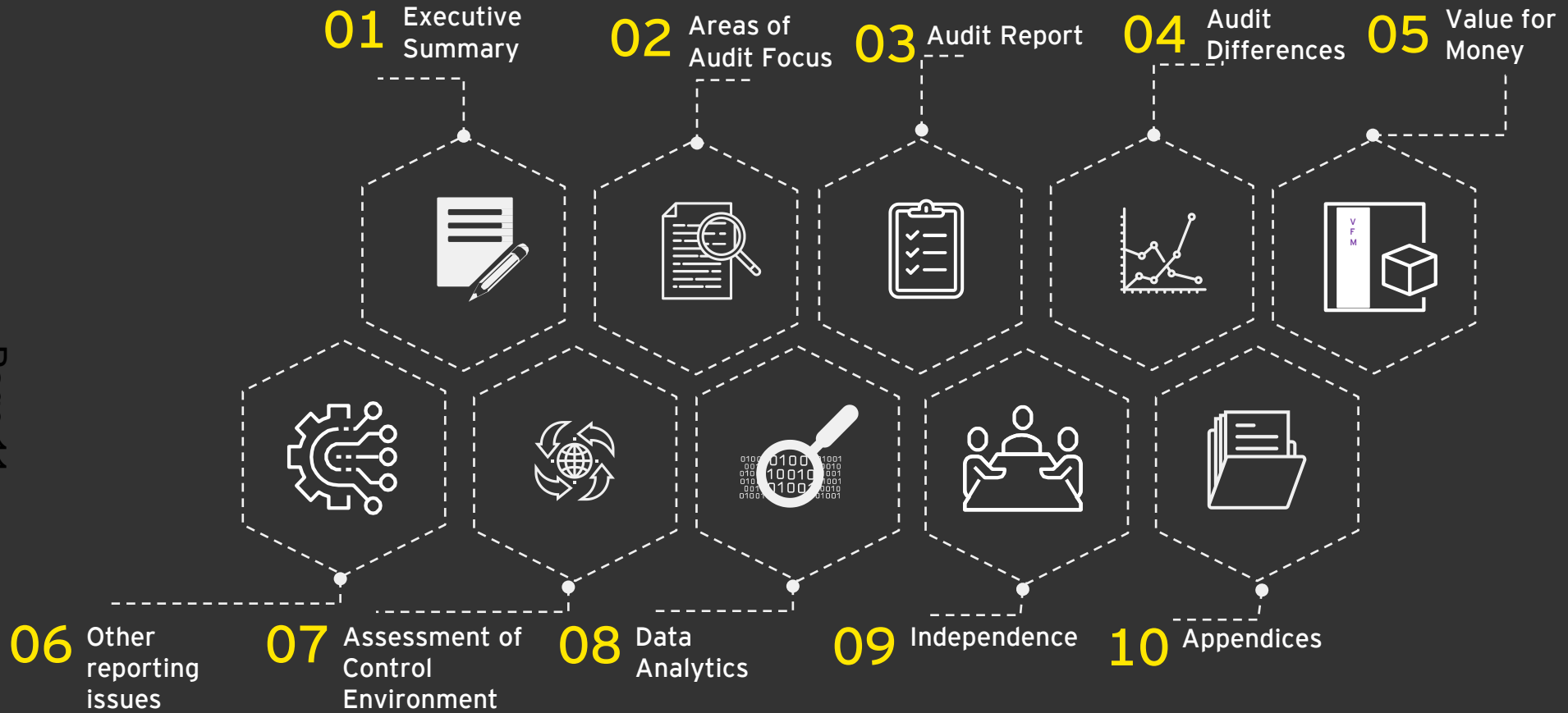
Associate Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.





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# Executive Summary

## Scope update

In our audit planning report tabled at the February 2020 Audit and Scrutiny Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

### Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

### Changes to our risk assessment as a result of Covid-19

- ▶ **Valuation of land and buildings, including investment properties** - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty were included in the year-end valuation report produced by the Authority's external valuer. We considered that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment and investment property. This is particularly relevant for assets valued at fair value (such as investment properties) or some valued at existing use value (EUV) because of the paucity of reliable market information available at 31 March 2020 upon which to give those valuations. Accordingly, we have updated the risk as Significant (Audit planning report - Inherent risk).
- ▶ **Disclosures on Going Concern** - Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Local Authority's actual year end financial position and performance.
- ▶ **Events after the balance sheet date** - We identified an increased risk that further events after the balance sheet date concerning the Covid-19 pandemic would need to be disclosed. The amount of detail required in the disclosure needs to reflect the specific circumstances of the Authority.
- ▶ **Adoption of IFRS16** - The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. The Authority will therefore no longer be required to undertake an impact assessment, and disclosure of the impact of the standard in the financial statements.

## Scope update

### Changes to the scope of our audit as a result of Covid-19

- There have been no other changes to the scope of our audit as a result of Covid-19.

**Changes in materiality** - We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of 2% of gross expenditure on provision of services, we have updated our overall materiality assessment to £0.964m (Audit Planning Report – £1.03m). This results in updated performance materiality, at 75% of overall materiality, of £0.726m, and an updated threshold for reporting misstatements of £0.048m.

**Information Produced by the Entity (IPE):** We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the Authority due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

### Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19.

The continued impact of the Covid-19 pandemic increases the risks to the material accuracy of financial statements and disclosures. To ensure we are providing the right assurances to the Authority and its stakeholders the firm has introduced a rigorous consultation process for all auditor reports to ensure that they include the appropriate narrative.

The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We will determine the impact on our audit fee and discuss with the s151 officer at the conclusion of the audit.

# Executive Summary

## Status of the audit

We have substantially completed our audit of Brentwood Borough Council financial statements for the year 31 March 2020 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the outstanding matters in Appendix B we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise.

WGA timetable has been moved to later in the year and we do not expect to issue the audit certificate at the same time as the audit report. We will submit the required return in due course and in accordance with the deadline set. The Authority is below the threshold set by the NAO and therefore we do not have to undertake any procedures.

At the time of writing this report, outstanding matters are documented in Appendix B. However we wish to bring your attention to the following significant outstanding items:

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Going concern - We have requested additional information and proposed disclosures from the officers to understand the implications of Covid-19 on longer term financial plans.

VFM - response to queries raised on the remainder of our VFM work.

Our audit opinion, subject to consultation, is likely to emphasise the following :

- ▶ Valuation of investment properties and other land and buildings valued using market data - We expect to include an "emphasis of matter" paragraph to draw users attention to the Council's valuer's material uncertainty disclosure in Note 38 of the accounts. This is not a modification to the audit report.
- ▶ Going concern - given the significance of the Covid-19 pandemic on the financial operations and financial management of the Authority we have been required to complete additional procedures in respect of Going Concern and assess management's disclosure covering the Council as a single entity and also in respect of its wholly owned subsidiary. Depending on our review of that information and responses there may be an impact on our audit report for 2019/20. Once we have obtained and reviewed the Council's assessment and proposed disclosure, our final audit report will be subject to internal consultation with our professional practice directorate.

## Audit differences

At the time of writing, there are differences arising from our audit work. This is explained in more detail at Section 4.

Our work is still in progress and needs to be concluded. We will update this report and the Committee when the audit work has been finalised.

# Executive Summary

## Areas of audit focus

Our Audit Planning Report identified significant risks and key areas of focus for our audit of Brentwood Borough Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters in this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to your attention.

## Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. However, from the results of substantive procedures performed we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statement.

## Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.

In our Audit Planning Report we identified Governance arrangements for Joint Venture decision making as a significant risk.

Since the completion of our initial planning we have identified delivering financial resilience as additional significant risk

At the time of writing this report, our work on VFM is still in progress. We will update this report and the Committee when VFM work has been finalised. Based on the work to date we expect to have no matters to report to you in relation to the Value for Money conclusion

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

Subject to the finalisation of the areas in the Status of Audit work section, we have no other matters to report.

## Independence

We have no matters relating to our Independence to bring to your attention. Please refer to Section 9 for our update on Independence.





# 02 Areas of Audit Focus



# Areas of Audit Focus

## Significant risk

### Misstatements due to fraud or error

#### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

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#### What judgements are we focused on?

We focussed on testing key areas that are susceptible to management bias.

#### What did we do?

- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered of the effectiveness of management's controls designed to address the risk of fraud.

Performed mandatory procedures regardless of specifically identified fraud risks, including:

- ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- ▶ Assessed accounting estimates for evidence of management bias, and
- ▶ Evaluated the business rationale for significant unusual transactions.

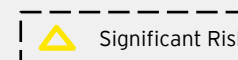
In addition to our overall response, we considered where these risks may present themselves and identified a separate fraud risk related to the capitalisation of revenue expenditure as set out on the next slide.

#### What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business





# Areas of Audit Focus

## Significant risk

### Misstatements due to fraud or error - inappropriate capitalisation of revenue expenditure

#### What is the risk?

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term projected financial position. A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. The Authority has a significant fixed asset base and a material capital programme and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.

#### What judgements are we focused on?

We focussed on the testing capital expenditure and obtaining evidence that additions have been correctly classified as capital expenditure.

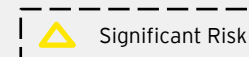
#### What did we do?

We took a substantive approach to respond to this risk, undertaking the following procedures:

- ▶ Tested a sample of capital expenditure at a lower testing threshold, to verify that revenue costs had not been inappropriately capitalised;
- ▶ Reviewed unusual journal pairings related to capital expenditure posted around the year-end i.e. where the debit is to capital expenditure and the credit to income and expenditure.

#### What are our conclusions?

Our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position through the inappropriate capitalisation of revenue expenditure.





## Areas of Audit Focus

# Significant risk

### Valuation of Town Hall

#### What is the risk?

The Asset Under Construction in respect of Brentwood Town Hall which represent a significant balance in the Council's accounts was completed in 2019/20 and subject to valuation in 2019/20 Statement of Accounts. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is therefore a risk that this asset may be under/overstated or the associated accounting entries incorrectly posted.

#### What judgements are we focused on?

Our work on valuations focussed on assessing the reasonableness of the methodologies adopted by the valuers in undertaking their valuations in 2019/20 and of the key assumptions put into these valuations.

#### What did we do?

- ▶ Considered the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Engaged our valuations specialist (EY Real Estates) to review the valuation of Town Hall to verify the reasonableness of the valuation methodology applied and key assumptions used;
- ▶ Checked that the valuers report reconciles to Authority's fixed asset register;
- ▶ Checked the classification of asset between Investment property and PPE; and
- ▶ Tested the accounting entries and disclosures made within the Authority's financial statements to confirm these complied with relevant accounting standards and the Code, for example ensuring that any revaluation gains and losses have been accounted for in the revaluation reserve or charged to the income and expenditure account as appropriate;

#### What are our conclusions?

Our work on the valuation of Town Hall is complete.  
Our testing has not identified any material misstatements from inappropriate judgements being applied.





## Areas of Audit Focus

### Significant risk

#### Valuation of land and buildings, including investment properties

##### What is the risk?

The fair value of other land buildings (OLB) and Investment Property (IP) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Covid-19 has impacted the valuation of the Authority's investment properties and other assets valued using market data as outlined by the Authority's valuer. This is because of the paucity of reliable market information available at 31 March 2020 upon which to give those valuations. The Authority has included in Note 34 of the accounts reference to the valuers material uncertainty.

##### What judgements are we focused on?

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Our work on valuations focussed on assessing the reasonableness of the methodologies adopted by the valuers in undertaking their valuations in 2019/20 and of the key assumptions input into these valuations. We have also considered those assets that were not valued in 2019/20 and the potential for material misstatement in the valuation of those assets.

##### What did we do?

- ▶ Considered the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ Engaged our valuations specialist (EY Real Estates) to review a sample of other land & buildings & investment properties asset valuations to verify the reasonableness of the valuation methodology applied and key assumptions used.
- ▶ Reviewed assets not subject to valuation in 2019/20 to confirm that the valuation of remaining asset base was not materially misstated.
- ▶ Checked that the material uncertainty reported by the Authority's valuer was appropriately disclosed in the financial statements.
- ▶ Checked that the valuers report reconciles to Authority's fixed asset register.
- ▶ Assessed the classification of assets, the valuation basis that was assigned and any material increases or impairments that arise during the year with no issues arising
- ▶ Tested the accounting entries and disclosures made within the Authority's financial statements to confirm these complied with relevant accounting standards and the Code, for example ensuring that any revaluation gains and losses have been accounted for in the revaluation reserve or charged to the income and expenditure account as appropriate;



## Areas of Audit Focus

# Significant risk



### What are our conclusions?

- Our work on the valuation of land and buildings is complete including review of samples by EY Real Estates.
- Our testing has not identified any material misstatements from inappropriate judgements being applied to the property valuation estimates.
- The expert valuers possess the relevant qualifications and experience, and undertook a review of all of the Authority's assets.
- We considered the underlying assumptions made by the expert valuer and concluded that they were reasonable.

### Findings

The Authority's external valuer did disclose a 'material uncertainty' in its year end valuation report in line with RICS guidance. The Authority repeated the 'material uncertainty' in the statement of accounts. As part of its preparation of accounts, management commissioned a market conditions review from its valuer to enable it to assess the significance of the material valuation uncertainty on its asset base. In doing so, management are concluding that the material valuation uncertainty does not cast doubt on the assumptions and valuation methodology adopted to prepare its asset valuation disclosures for the 2019-2020 financial year. Management have been able to evidence to us that they have challenged the valuer's conclusions and are able to quantify the impact of uncertainty on the Authority's property values, concluding that the impact as not material.

Based on the work we have undertaken we are satisfied that the carrying value of PPE and IP disclosed in the financial statements is materially accurate. Subject to consultation with our professional practice team, we are considering whether to include an emphasis of matter paragraph in our audit report highlighting the Council's disclosure in this area to the reader of the accounts. An example of an emphasis of matter paragraph is included in our draft audit report at page 20.

For clarity, an emphasis of matter paragraph is not a modification of our opinion. It is a paragraph in our report which highlights a disclosure in the financial statements that, in our judgment, is of importance to the users' understanding of the financial statements.





## Areas of Audit Focus

We identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.



### Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Essex County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £39.3m million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

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What did we do?

- Liaised with the auditors of Essex Pension Fund to obtain assurances over the information supplied to the actuary in relation the Authority;
- Assessed the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;
- Reviewed Essex County Council draft financial statements and compare the year end asset values with the estimate used by the actuary in producing the Council's IAS 19 report and considered the impact on the Authority's pension fund liability and IAS19 disclosures;
- Assessed the results of the triennial valuation, including the assumptions used and the impact on the Authority's pension liability;
- Engaged with the Authority, and their actuary, to understand any ongoing impact of the McCloud judgement and GMP rulings on the IAS19 liability;
- Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19; and
- Considered the nature and value of level 3 investments held by Essex Pension Fund and the proportion of the overall Fund relating to Brentwood in order to identify any additional procedures required to support the estimates of the valuation of these asset as at 31 March 2020.



## Areas of Audit Focus



### Pension Liability Valuation

#### What are our findings and conclusions

We have received and reviewed the assurance from the Essex Pension Auditor. The assurance from the pension fund auditor includes reference to a Material Uncertainty having been reported against the value of property assets as at 31 March 2020, which the auditor anticipates referring to in an Emphasis of Matter Paragraph in our their Audit Opinion on the Pension Fund. We are satisfied that this does not have a material and fundamental impact on the asset values or net liability reported in the Authorities accounts with which we would need to include an Emphasis of Matter in our audit report.

The actuary has estimated the value of assets of the fund as at 31 March 2020 using a forecast investment return. Subsequently pension fund auditor (BDO) reported change in fund values. This has resulted in drop in Authority's pension reserve by £0.138m. We have reported this as audit difference in section 4.

We have received and reviewed reports from the EY actuarial team. Based on these reports we are satisfied that the assumptions they have used are appropriate.

We have considered the IAS19 report and assessment obtained from the actuary and concluded that the impact of the change in asset values and the impact of the McCloud consultation and Goodwin ruling are not material.

The accounting entries and disclosures are in line with our expectations and the Code and agree to the IAS19 report.





# Areas of Audit Focus



## Group accounts

Seven Arches Investment Limited (SAIL), wholly owned investment company, has a significant investment properties base. Material judgemental inputs and estimation techniques are required to calculate the year-end Group investment properties balances held in the balance sheet. As the Group Investment properties base is significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk assets may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

Our approach has focused on:

- ▶ Considering the work performed by the Authority's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;

Engaged EY Real Estates to review the valuation of 44 East Street Chichester (TK Maxx);

Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);

Considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;

- ▶ Tested accounting entries have been correctly processed in the financial statements; and
- ▶ Request the component auditor, M J Bushell Ltd, to perform certain procedures on the subsidiary, SAIL.

### What are our findings and conclusions

Our work on the valuation of SAIL's asset is complete. The Authority's valuer prepared their valuation as at January 2020 and then prepared a Market Review to bridge the gap between the January and March 2020 valuation dates which stated that there should be no value changes. Whilst the relevant material uncertainty clause was included for Covid-19, this valuation does not appear to take into account the impact that the pandemic has had on the retail sector. We have also considered that the resultant net initial yield was below a reasonable range given the edge of prime location.

We have challenged the valuer on the key assumptions applied. This resulted in reduction in Group investment property by £0.835million which is adjusted in the financial statements as noted in section 4.

At the time of writing this report, we need to complete group auditor reporting procedures and thereafter routine completion of group audit work.



## Areas of Audit Focus



### Going concern disclosure

Covid-19 has created a number of financial pressures throughout Local Government. It is creating financial stress through a combination of increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 states that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements. This assessment needs to cover at least 12 months from the date of the audit opinion.

At the time of writing this report, we have requested management to provide detailed assessment and proposed disclosures of financial impact as a result of covid-19 on the reserves and liquidity position. This assessment should also include impact of subsidiaries.

Our approach will focus on:

- ▶ Assessing the adequacy of disclosures required in 2019/20;
- ▶ Discussing with management the going concern assessment and challenging management's underlying assumptions;
- ▶ Assessing the reasonableness of the financial impact assessment, cashflow and liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions, particular around reductions in fees and charges; and
- ▶ Considering the impact on our audit report.

We also need to formally complete internal consultation to agree final audit opinion and conclusions in respect of the going concern disclosure. We will also consider whether the findings arising from our review of the Councils forward looking viability and liquidity assumptions identifies any matters that relate to the adequacy of the Council's arrangements for securing financial resilience in the period prior to the Covid-19 pandemic during the 2019-2020 financial year.



# 03 Audit Report

## Draft audit report

This is an example report - our audit report will not be completed and issued until the work and internal consultation on opinion is complete.

### Our opinion on the financial statements

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

##### Opinion

We have audited the financial statements of Brentwood Borough Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- ▶ Authority and Group Movement in Reserves Statement,
- ▶ Authority and Group Comprehensive Income and Expenditure Statement,
- ▶ Authority and Group Balance Sheet,
- ▶ Authority and Group Cash Flow Statement and the related notes 1 to [x],
- ▶ Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to [x],
- ▶ Collection Fund and the related notes 1 to [x]

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of Brentwood Borough Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
- ▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

##### Basis for opinion

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

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

##### Emphasis of matter - Other land building and Investment Property valuation

We draw attention to Note [x] of the statement of accounts, which describes the valuation uncertainty the Authority is facing as a result of the Covid-19 pandemic in relation to other land and building and investment property valuations. Our opinion is not modified in respect of this matter.



# Audit Report

## Draft audit report

This is an example report - our audit report will not be completed and issued until the work and internal consultation on opinion is complete.

### Our opinion on the financial statements

#### Conclusions relating to going concern

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

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

#### Other information

The other information comprises the information included in the Statement of Accounts 2019/20, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, Brentwood Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

We report to you if:

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

We have nothing to report in these respects.



# Audit Report

## Draft audit report

This is an example report - our audit report will not be completed and issued until the work and internal consultation on opinion is complete.

### Our opinion on the financial statements

#### Responsibility of the Chief Finance Officer

As explained more fully in the Statement of the Responsibilities set out on page 1, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

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

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

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

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether Brentwood Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Brentwood Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Brentwood Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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



# Audit Report

## Draft audit report

This is an example report - our audit report will not be completed and issued until the work and internal consultation on opinion is complete.

### Our opinion on the financial statements

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

#### Delay in the certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the NAO.

### Use of our report

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

Neil Harris (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Luton Date





# 04 Audit Differences







# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

At the time of writing, we are finalising our audit work. We will update this report and the Audit and Scrutiny Committee as necessary.

## Summary of adjusted differences

We highlight the following misstatements that were identified during the course of our audit that we wish to bring to your attention. We expect all of these to be updated by management in the final financial statements.

### *Group Investment property*

We have engaged our colleagues from EY Estates to support the local audit team in reviewing a sample of these assets. We have challenged the assumptions and methodology of the assets. This resulted in a revised valuation report from Council’s valuer which lead to reduction in Group investment property by £0.835million. This also affected financing and investment income and expenditure in the Group CIES and impact on SAIL Profit & Loss Account in Group Reserves.

### *Group Cash Flow Statement*

Consolidation adjustments for Group accounts in Group Cash Flow Statement by £19m for (increase)/ decrease in creditors and increase/ (decrease) in debtors. No impact on net cash position.

### *Corrected Disclosure differences*

Following disclosures were amended however none of them would have impact on the general fund balance:

- Gross Non-Domestic Rateable Value for the Brentwood Borough Council area at 31 March 2020 amended as £71.728m
- Note 3a - Total Interest payments amended as £3.209m (draft statement of accounts: £2.598m)
- Note 3a - Employee benefit expense amended as £11.817m (draft statement of accounts: £12.781m)
- Note 3a - Other services expenses amended as £25.357m (draft statement of accounts: £25.005m)
- Note 10 - To include narrative to explain that AUC exclude Town Hall



# Audit Differences

## Summary of un-adjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

### *Pensions*

Projected misstatement - The actuary has estimated the value of assets of the fund as at 31 March 2020 using a forecast investment return. Subsequently pension fund auditor (BDO) reported change in fund values. This has resulted in drop in Authority's pension reserve by £0.138m. This adjustment had no impact on the general fund balance.

### *Provisions*

Judgemental difference- Managements calculation of NDR appeals provision factors in 2020/21 yield losses. There is a difference between the assessment Authority has undertaken and our expectations. We do not expect 2020/21 yield losses to be considered for provision as at 31 March 2020. This resulted in over provision by £0.260m. Management considers this to be a difference in professional opinion therefore that no adjustment should be made.

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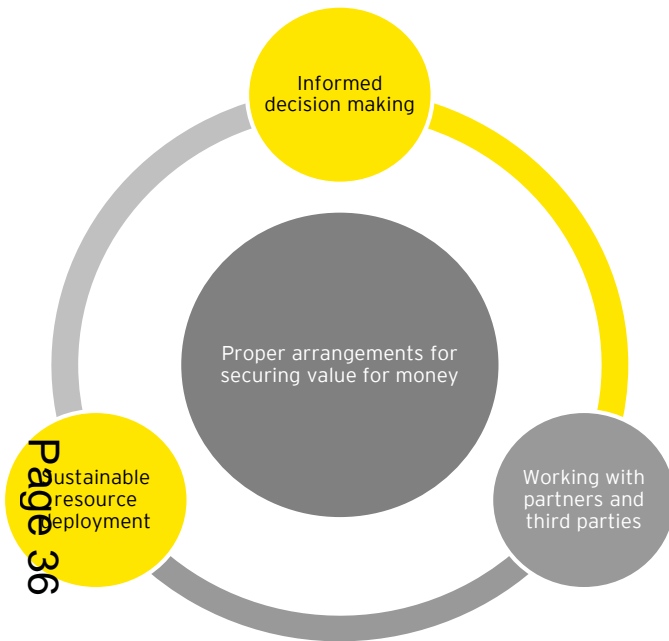


05

## Value for Money



# Value for Money



## Background

We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money (VFM) conclusion.

For 2019/20 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

Proper arrangements are defined by statutory guidance issued by the National Audit Office (NAO). They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

## Impact of covid-19 on our VFM assessment

On 16 April 2020 the NAO published an update to auditor guidance in relation to the 2019/20 VFM assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 VFM assessment auditors should consider local authorities responses to Covid-19 only as far as it relates to the 2019-20 financial year and only where clear evidence comes to the auditor’s attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion. We identified no such evidence for the Authority and therefore identified no significant VFM risk associated to Covid-19.

## Overall conclusion

We identified one significant risk around these arrangements. The table below present our findings in response to the risk in our Audit Planning Report and any other significant weaknesses or issues we want to bring to your attention. We have not identified any new significant risks around these arrangements. At the time of writing this report, our work on VFM has not been concluded.



## Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

*“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”*

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
<p><b>Governance arrangements for Joint Venture decision making</b></p> <p>The joint venture between Seven Arches Investment Limited (SAIL) and Morgan Sindall was approved by full Council on 30th July 2019 subject to agreement of the final detailed terms between the parties. The partnership, called Brentwood Development Partnership, was formally established on 9th October 2019.</p> <p>This Joint Venture has a significant impact on the council’s future, as this is a key part of the council delivering balanced budgets going forward. Therefore the governance around the Joint Venture process and decision making is considered to be a significant risk to the council delivering value for money.</p>	<ul style="list-style-type: none"> <li>• Take informed decisions</li> <li>• Deploy resources in a sustainable manner</li> <li>• Work with partners and other third parties</li> </ul>	<p>At the time of writing this report, our work on VFM is still in progress. We have raised queries with the management to obtain further understanding on the arrangement.</p> <p>We are focusing on:</p> <ul style="list-style-type: none"> <li>• The quality of the information provided to Members and Officers when taking decisions in relation to the Joint Venture.</li> <li>• The nature and consideration of advice taken by the Council, including legal and financial advice.</li> <li>• The extent to which the Council has identified, considered, and mitigated the risks around the Joint Venture.</li> <li>• The adequacy of the processes established by the Council to review and monitor delivery of the agreed outputs.</li> </ul> <p>We have reviewed the extent to which the financial implications of the Joint Venture are reflected within the Council’s Medium Term Financial Plan. We have no matters to report.</p> <p>We will also review the Authority’s arrangements to secure its financial resilience and sustainability along with going concern assessment.</p>





## 06 Other reporting issues

## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the latest version of the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. As the Authority's assets, income, liabilities and expenditure are below the threshold set by HM Treasury, detailed audit of the return is not required for Brentwood Borough Council.

We will submit the required return in due course and in accordance with the deadline set.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. At the date of this report, we have had no reason to exercise these duties but will revisit this at the conclusion of the audit.





07

## Assessment of Control Environment





# Assessment of Control Environment

## Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We considered whether circumstances arising from Covid-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

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# 08 Data Analytics





# Use of Data Analytics in the Audit

## ► Data analytics – Journal Entry Analysis and Payroll Analysis

### Analytics Driven Audit

#### Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

#### Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

#### Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



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Independence

# Independence

## Confirmation

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning report dated February 2020. We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit and Scrutiny Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Scrutiny Committee on 24 November 2020.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements in relation to our work.

## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The table overleaf includes a summary of the fees for the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

## Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2020.

We confirm that we have not undertaken non-audit work.

All fees exclude VAT	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£
Code work fee	52,365	52,365	52,365
Property valuations significant risk (Note 1)	9,000	N/A	6,000
Group consolidation (Note 1)	3,000	N/A	3,000
IFM risk (Note 1)	3,000	N/A	2,500
Change in PPE system	N/A	N/A	1,000
Additional fee to address Covid-19 related risks (Note 2)	TBC	N/A	N/A
<b>Total audit</b>	<b>TBC</b>	<b>52,365</b>	<b>64,865</b>

Note 1 - At the time of writing this report, we haven't agreed planned additional fee with s151 officer. We will also supply this to PSAA to enable PSAA to determine the final fee for 2019-20 audit. We will provide an update on the final fee position determined by PSAA to the Audit and Scrutiny Committee.

Note 2: We have carried out additional work in response to the material uncertainty reported by the Authority's valuer and additional procedures to address Covid-19 related risks. These are specific to the 19/20 audit year and once quantified we will discuss with management and the PSAA.



## Update on audit fees

### Scale fees

#### Summary of impact

We outlined in our audit plan the basis on which the scale fees are set by PSAA. We also outlined a combination of factors which mean that we do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity. Based on these factors, and in light of requests from PSAA to provide further detailed analysis we have estimated the impact on the Council as shown below. Note that given the timing of this exercise it does not include the impact of any specific requirements in relation to additional work in response to COVID-19.

We have discussed our position on baseline fees with the s151 officer, but as noted below these amounts are subject to the approval of PSAA.

	Rationale for fee variation	Impact (£)
Page 47 Scale fee		52,365
Changes in risk profile	As a result of macro changes in the sector and the impact on the council in terms of the risks being faced, the decisions being made and the financial reporting of those, this in turn increases audit risk, as outlined in our audit plans, and we need to extend our procedures to address these.	11,305
Changes in regulatory environment	There has been a significant increase in the focus on areas of the financial statements especially where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities. Our required procedures now entail higher samples sizes, increased requirements for corroborative evidence to support the assumptions and the increased use of specialists. We have also seen wider changes in the regulatory environment which all firms have needed to respond to. These include the various reviews, completed or ongoing, which all have a focus on audit quality and what is expected of external auditors. This has increased compliance and quality assurance costs which are now required for us to continue to provide services to the sector.	17,282
TOTAL Revised scale fee	To be approved by PSAA	80,952

# Independence

## New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

### Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
  - A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
  - A narrow list of permitted services where closely related to the audit and/or required by law or regulation
  - Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
    - Tax advocacy services - Remuneration advisory services - Internal audit services - Secondment/loan staff arrangements
  - An absolute prohibition on contingent fees.
  - Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit and Scrutiny Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Audit and Scrutiny Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

### Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.

## Other communications

### EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019: [https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf)






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# Appendices

## Appendix A

# Required communications with the Audit and Scrutiny Committee

There are certain communications that we must provide to the Audit and Scrutiny Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit and Scrutiny Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - February 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - February 2020
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - November 2020



# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Our work on going concern disclosures is in progress at the time of writing this report.
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - November 2020
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the Audit and Scrutiny Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Results Report - November 2020
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit and Scrutiny Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Audit and Scrutiny Committee responsibility.</li> </ul>	Audit Results Report - November 2020

# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Audit Results Report - November 2020
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> </ul>	Audit Plan - February 2020 and Audit Results Report - November 2020



# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> <li>▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Details of any contingent fee arrangements for non-audit services</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The Audit and Scrutiny Committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Audit and Scrutiny Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Scrutiny Committee may be aware of.</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report - November 2020




# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Group Audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	Audit Plan - February 2020 and Audit Results Report - November 2020
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - November 2020
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - November 2020
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - November 2020
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit planning report is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Plan - February 2020 and Audit Results Report - November 2020

## Appendix B




# Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Completion of remaining audit testing	<ul style="list-style-type: none"> <li>▶ Long term debtors</li> <li>▶ Payables</li> </ul>	EY
VFM	Response to audit queries raised on VFM work	Management
Management assurance letter	Receipt of responses to our management assurance letters from Audit committee chair, Monitoring officer and s151 officer.	Management
Going concern assessment <span style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 55</span>	<p>To address covid-19 risk, we have requested management to provide detailed assessment and disclosure around financial impact on reserves and liquidity position. This assessment needs to cover 12 months from the date of audit opinion.</p> <p>We are required to go through our internal consultation process once we receive the assessment from management.</p> <p>This assessment needs to cover the impact of subsidiaries.</p>	Management to provide audit team with proposed final going concern disclosure note and supporting assessment. EY will then review and subject to these procedures, conclude their consultation procedures on the work performed associated with the Council's disclosure, assessment and impact on the audit report. See below.
Going concern and property valuation disclosure review	Completion of our routine review and consultation procedures on the Council's going concern assessment and disclosures, disclosures on valuation of assets and the impact on our audit report.	EY
Group reporting	<ul style="list-style-type: none"> <li>▶ Receipt of final group reporting documents from component auditor.</li> <li>▶ Completion of group auditor reporting and thereafter routine completion of group audit work.</li> </ul>	Component auditor and EY

## Appendix B

# Outstanding matters

Item 	Actions to resolve 	Responsibility 
Statement of accounts	Review of the final version of the statements	EY and management
Final review process	<ul style="list-style-type: none"> <li>▶ Clearance of queries arising from final reviews by Associate Partner and Manager.</li> <li>▶ Completion of our final closure processes.</li> <li>▶ Completion of our audit report consultation processes.</li> </ul>	EY
Management representation letter	Receipt of signed management representation letter	Management and audit committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management



## Management representation letter

### Management Rep Letter

[To be prepared on the entity's letterhead]

Xx November 2020

Neil Harris  
Associate Partner  
Ernst & Young LLP  
400 Capability Green  
Luton  
LU1 3LU

This letter of representations is provided in connection with your audit of the financial statements of Brentwood Borough Council ("the Group and Council ") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Brentwood Borough Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 .
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

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4. As members of management of the Group and Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because *[specify reasons for not correcting misstatement]*

#### B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group and Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Group and Council's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group and Council's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

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## Management representation letter (continued)

### Management Rep Letter

#### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and [all material transactions, events and conditions] are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Group and Audit committees held through the year to the most recent meeting on the following date: *[list date]*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From 1 April 2019 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

#### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately

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reflected in the financial statements.

2. We have informed you of all outstanding and possible litigation and claims, ~~whether or not~~ they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent in Note 40 and have disclosed confirm that we have not given any guarantees to third parties.

#### E. Subsequent Events

1. As outlined in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto

#### F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### G. Going Concern

Note 1 [X] to the financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

#### H. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collaterals. All assets to which the Group and Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

#### I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

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# Management representation letter (continued)

## Management Rep Letter

### J. Contingent Liabilities

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

- (1) Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities none of which involves any allegations of non-compliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

### K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and building assets and investment property and the IAS19 actuarial valuations of pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### L. Estimates

When we have identified following estimates as significant or higher risk:

- i. Pension Liability
- ii. Property, Plant & Equipment / Investment Properties – Valuation and Impairment
- iii. Provision for impairment of receivables
- iv. NDR Appeals Provision

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.
2. We confirm that the significant assumptions used in making the valuation of land, buildings and investment properties estimate appropriately reflect our intent and ability to continue to provide services on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic and made in accordance with provide a valuation for these assets in

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accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

### M. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

### N. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst Council, subsidiary undertakings and associated undertakings.

Yours faithfully,

\_\_\_\_\_  
Jacqueline Van Mellaerts  
Director of Corporate Resources

\_\_\_\_\_  
x  
Chair of Audit & Scrutiny Committee

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## Appendix D - Reflections from the Redmond review

### Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting

Published on the 8<sup>th</sup> September 2020, Sir Tony Redmond's findings and recommendations from his independent review provides a significant opportunity to shape the future sustainability of local government financial reporting and auditing. We believe this will help ensure audit continues to meet the evolving needs of local authorities, the public, and the public interest.

#### Guiding principles for reform

We believe reforms should be guided by the following principles:

- Reforms should enhance, or at least should not create risks to, the quality of financial reporting and external audit.
- The importance of the multidisciplinary audit firm model, to enable local auditors to respond efficiently and effectively to the increased reporting complexity, risks and financial resilience pressures we have seen facing the public sector pre and post Covid-19.
- There should not be a two-tier system of generally accepted accounting and auditing standards between the public and corporate sectors.
- To be effective and sustainable, reforms need to focus on the public sector financial reporting and external audit ecosystem as a whole.



## Appendix C - Reflections from the Redmond review

Taking our guiding principles, we broadly welcome the Redmond review and proposals, in particular:

### ***Quality of financial reporting and external audit***

- The recognition that all stakeholders in the ecosystem have a role to play to improve accountability, transparency and sustainability. This includes improving the effectiveness of Audit Committees, strengthening the training skills, capacity capability and attractiveness of the public sector finance and audit professions.
- His conclusion that the current procurement and fee structure does not support sustainable audit quality. We have provided you with our perspectives on how baseline audit fees need to change to take account of your risk profile, complexity as well as the regulatory and professional context which drive our audits.

### ***Reforming the public sector financial reporting and external audit ecosystem***

- Establishing the Office for Local Audit Regulation (OLAR), which provides a “system leader” and will bring clarity to the existing framework for local authority audit.
- The importance of MHCLG establishing a liaison committee of all key stakeholders to oversee reforms. To begin with MHCLG should take urgent action to implement primary legislation to establish OLAR, revise the timetable for financial reporting and revisit the procurement and fee structure for public sector audit.

### ***Multidisciplinary audit firm model***

The importance of the auditors work to critically assess the financial resilience and viability of public sector bodies and his proposals on how this assessment could be enhanced within the NAOs code of audit practice.

### ***Safeguarding professional accounting and auditing standards***

- The need for CIPFA/LASAAC to revisit the accounting code and introduce summarised accounts. We agree that there is a need for more proportionality in the Code which also sets out the expectations of practitioners and auditors and how this could be applied in areas such as pensions and asset valuations. However, we believe that any future proposals on the accounting code should not create a two-tier system.

### **What are we doing in the meantime?**

1. Planning for a 30 September financial reporting target date for 2020/2021 accounts, integrated with our NHS work.
2. Implementing the new NAO code and changes to our VFM conclusion work and reporting for 2020/2021 audits. We will also work with the NAO and other audit suppliers on any refinements to how auditors assess financial resilience.
3. Continuing to engage with and influence MHCLG, NAO, PSAA CIPFA/LASAAC, FRC and other key stakeholders on the actions required to implement the Redmond proposals as swiftly as possible and how these effectively align to the broader package of audit reforms which BIES will consult on later this year.

## EY | Assurance | Tax | Transactions | Consultancy

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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ey.com

[To be prepared on the entity's letterhead]

*Xx November 2020*

Neil Harris  
Associate Partner  
Ernst & Young LLP  
400 Capability Green  
Luton  
LU1 3LU

This letter of representations is provided in connection with your audit of the financial statements of Brentwood Borough Council ("the Group and Council ") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Brentwood Borough Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

## **A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 .
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Group and Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. The unadjusted differences relate to
  - i. *Pensions* - The outcome of the audit of Essex County Council Pension Fund and the subsequent impact on the council's Accounts. Management has consulted with ECC Pensions, since those Accounts will not be adjusted; management has decided not to adjust the Council's accounts.
  - ii. *Collection Fund Provision for Appeals* – this is the difference in judgement on the level of the business rates appeals provision. Management are of the opinion that insufficient appeals history is available on the business rates 'Check and Challenge' process and aware of the finalisation of legal challenge on ATM machines; that it would not be prudent to reduce the level of appeals at this time. The level of business rates appeals is monitored quarterly as part of the financial management of the collection fund.
6. We have not corrected these differences identified by and brought to the attention from the auditor because they do not affect the users of the financial statements understanding of the fundamental financial position of the Council and are not considered to be material differences.

## **B. Non-compliance with law and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group and Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;



- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Group and Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group and Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### **C. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and [all material transactions, events and conditions] are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Group and Audit committees held through the year to the most recent meeting on the following date: *[list date]*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From 1 April 2019 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

#### **D. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent in Note 40 and have disclosed confirm that we have not given any guarantees to third parties.

#### **E. Subsequent Events**

1. As outlined in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto

#### **F. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### **G. Going Concern**

Note 1 to the financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

#### **H. Ownership of Assets**

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collaterals. All assets to which the Group and Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

#### **I. Reserves**

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

#### **J. Contingent Liabilities**

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

- (1) Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

#### **K. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and building assets and investment property and the IAS19 actuarial valuations of pension liabilities [and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

#### **L. Estimates**

When we have identified following estimates as significant or higher risk:

- i. Pension Liability
- ii. Property, Plant & Equipment / Investment Properties – Valuation and Impairment
- iii. Provision for impairment of receivables
- iv. NDR Appeals Provision

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.
2. We confirm that the significant assumptions used in making the valuation of land, buildings and investment properties estimate appropriately reflect our intent and ability to continue to provide services on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic and made in accordance with provide a valuation for these assets in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

#### **M. Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

#### **N. Group audits**

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst Council, subsidiary undertakings and associated undertakings.

Yours faithfully,

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Jacqueline Van Mellaerts  
Director of Corporate Resources

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Charles Nolan  
Chair of Audit & Scrutiny Committee



**STATEMENT OF ACCOUNTS  
2019/20**





## NARRATIVE REPORT

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### Introduction

The Narrative Report provides a concise guide to the most significant matters reported in the Statement of Accounts for the year ended 31 March 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 £25.958 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

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- 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 £303.264m, and investment assets within the borough totalling £17.398m which generated £0.462m 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.
- 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 £0.951m 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.

## NARRATIVE REPORT

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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 22<sup>nd</sup> 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 £4.284m, 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.

## NARRATIVE REPORT

### 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
<b>Brentwood 2025– Service Expenditure</b>				
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
<b>Total Spend - Brentwood 2025</b>	<b>7,736</b>	<b>8,583</b>	<b>8,467</b>	<b>(116)</b>
Operating and Financing Charges	1,165	448	619	171
Appropriations	(374)	(374)	(416)	(42)
<b>Total Spending Requirement</b>	<b>8,527</b>	<b>8,657</b>	<b>8,670</b>	<b>13</b>
<b>Funding:</b>				
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
<b>Total Funding</b>	<b>(8,344)</b>	<b>(8,444)</b>	<b>(8,670)</b>	<b>(226)</b>
<b>(Surplus)/Deficit on General Fund Services</b>	<b>183</b>	<b>213</b>	<b>0</b>	<b>(213)</b>

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



## NARRATIVE REPORT

### 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
<b>Expenditure:</b>				
Repairs and Maintenance	2,681	2,646	3,075	429
Supervision and Management	2,097	2,251	2,280	29
Special Services	1,025	1,019	1,011	(8)
Rent, Rates, Taxes and Other Charges	186	206	206	0
Corporate and Non-Corporate Democratic Core	410	410	417	7
Depreciation and Impairment	3,035	3,035	2,946	(89)
<b>Total Expenditure</b>	<b>9,434</b>	<b>9,567</b>	<b>9,935</b>	<b>368</b>
<b>Income:</b>				
Dwelling Income	(11,620)	(11,694)	(11,749)	(55)
Non-Dwelling Income	(385)	(336)	(336)	0
Charges for Services and Facilities	(878)	(859)	(841)	18
<b>Total Income</b>	<b>(12,883)</b>	<b>(12,889)</b>	<b>(12,926)</b>	<b>(37)</b>
<b>Net Expenditure/(Income) on HRA Services</b>	<b>(3,449)</b>	<b>(3,322)</b>	<b>(2,991)</b>	<b>331</b>
<b>HRA Share of Other Operating Income &amp; Expenditure</b>				
Movement in the Allowance for Bad Debts	60	60	273	213
Interest Payable and similar charges	1,928	1,928	1,937	9
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
<b>Net Cost of HRA Services inc Operating charges</b>	<b>3,139</b>	<b>3,739</b>	<b>3,821</b>	<b>82</b>
Contributions to Reserves	250	0	0	0
<b>HRA Services (Surplus)/Deficit</b>	<b>(60)</b>	<b>417</b>	<b>830</b>	<b>413</b>

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

## NARRATIVE REPORT

### 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 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
<b>Working Balance c/fwd</b>	<b>3,117</b>	<b>3,117</b>	<b>2,756</b>	<b>2,033</b>

#### Housing Revenue Account

	2019/20 Estimated Outturn £'000	2019/20 Actual £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
<u>HRA Working Balance</u>					
<b>Balance C/Fwd as at 31st March</b>	<b>1,484</b>	<b>1,071</b>	<b>1,158</b>	<b>1,220</b>	<b>1,264</b>
<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
<b>Total</b>	<b>6,725</b>	<b>8,745</b>	<b>4,420</b>	<b>4,420</b>	<b>4,420</b>

## NARRATIVE REPORT

### Capital Programme

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

	Budget	Forecast	Actual	Variance
		outturn	outturn	to
	£'000	£'000	£'000	Forecast
				£'000
<b>Brentwood 2025– Capital Expenditure</b>				
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
<b>Total Expenditure</b>	<b>74,143</b>	<b>30,525</b>	<b>30,197</b>	<b>(328)</b>
<b>Funding</b>				
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)	(927)	1,044
Revenue Contributions	(4,010)	(2,755)	(1,473)	1,282
HRA Borrowing	(808)	0	(1,600)	(1,600)
Borrowing	(60,611)	(24,168)	(25,928)	(1,760)
<b>Total Funding</b>	<b>(74,143)</b>	<b>(30,525)</b>	<b>(31,797)</b>	<b>(1,272)</b>

£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.

## NARRATIVE REPORT

### Treasury Management

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

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

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.

The Council had a Capital Financing Requirement of £25.875m as at 31st March 2020, representing the Council's underlying borrowing need.

### 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.

## NARRATIVE REPORT

### 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 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

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### 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.

## NARRATIVE REPORT

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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 £16.915m in business grants to 1,216 businesses as at 30<sup>th</sup> September 2020. The Council has also distributed the full £0.904m 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 £0.130m 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

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### The Council's Responsibilities

The Council is required to:

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

### The Section 151 Officer's Responsibilities

The 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 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  
24 November 2020

Certification by the Chair of the Committee approving the accounts

Councillor Charles Nolan  
Chair of Audit & Scrutiny Committee  
24 November 2020

## GROUP ACCOUNTS

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### Introduction

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

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

### Seven Arches Investments Ltd

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

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

The Council owns 100% of the company's shares, and the 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			
<b>Balance at 31 March 2019</b>	<b>3,117</b>	<b>(691)</b>	<b>4,821</b>	<b>1,901</b>	<b>2,400</b>	<b>3,167</b>	<b>680</b>	<b>4,326</b>	<b>19,721</b>	<b>189,845</b>	<b>209,566</b>
<b>Movement in reserves during 2019/20:</b>											
Surplus/(Deficit) on Provision of Services	(3,927)	(962)	0	(330)	0	0	0	0	(5,219)	0	(5,219)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	8,134	8,134
Total Comprehensive Income and Expenditure	(3,927)	(962)	0	(330)	0	0	0	0	(5,219)	8,134	2,915
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	1,840	0	0	1,170	0	(1,102)	71	2,019	3,998	(3,998)	0
<b>Total movement in reserves during 2019/20</b>	<b>(417)</b>	<b>(962)</b>	<b>0</b>	<b>(830)</b>	<b>0</b>	<b>(1,102)</b>	<b>71</b>	<b>2,019</b>	<b>(1,221)</b>	<b>4,136</b>	<b>2,915</b>
Transfers (to)/from Earmarked Reserves	417	0	(417)	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2020</b>	<b>3,117</b>	<b>(1,653)</b>	<b>4,404</b>	<b>1,071</b>	<b>2,400</b>	<b>2,065</b>	<b>751</b>	<b>6,345</b>	<b>18,500</b>	<b>193,981</b>	<b>212,481</b>

	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			
<b>Balance at 31 March 2018</b>	<b>3,305</b>	<b>0</b>	<b>5,592</b>	<b>2,039</b>	<b>3,400</b>	<b>6,711</b>	<b>557</b>	<b>2,427</b>	<b>24,031</b>	<b>186,758</b>	<b>210,789</b>
<b>Movement in reserves during 2018/19:</b>											
Surplus/(Deficit) on Provision of Services	(7,876)	(691)	0	1,388	0	0	0	0	(7,178)	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
<b>Total movement in reserves during 2018/19</b>	<b>(959)</b>	<b>(691)</b>	<b>0</b>	<b>(1,138)</b>	<b>0</b>	<b>(3,544)</b>	<b>123</b>	<b>1,899</b>	<b>(4,309)</b>	<b>3,087</b>	<b>(1,222)</b>
Transfers (to)/from Earmarked Reserves	771	0	(771)	1,000	(1,000)	0	0	0	0	0	0
<b>Balance at 31 March 2019</b>	<b>3,117</b>	<b>(691)</b>	<b>4,821</b>	<b>1,901</b>	<b>2,400</b>	<b>3,167</b>	<b>680</b>	<b>4,326</b>	<b>19,721</b>	<b>189,845</b>	<b>209,566</b>

## 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
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	19,347	(12,433)	6,914
Commercial Activity	190	(248)	(58)	728	(911)	(183)
Housing Revenue Account	10,012	(13,050)	(3,038)	11,189	(12,927)	(1,738)
<b>Cost of Services</b>	<b>47,295</b>	<b>(34,185)</b>	<b>13,110</b>	<b>44,773</b>	<b>(34,126)</b>	<b>10,647</b>
Other operating expenditure	901	(612)	289	738	(180)	558
Financing and investment income & expenditure	3,766	(726)	3,040	4,568	(1,309)	3,259
Taxation and non-specific grant income & expenditure	0	(9,261)	(9,261)	0	(9,245)	(9,245)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>51,962</b>	<b>(44,784)</b>	<b>7,178</b>	<b>50,079</b>	<b>(44,860)</b>	<b>5,219</b>
Deficit/(surplus) on revaluation of non current assets	706	0	706	0	(5,655)	(5,655)
Remeasurement of the net defined benefit pension liability	0	(6,662)	(6,662)	0	(2,479)	(2,479)
<b>Other Comprehensive Income and Expenditure</b>	<b>706</b>	<b>(6,662)</b>	<b>(5,956)</b>	<b>0</b>	<b>(8,134)</b>	<b>(8,134)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>52,668</b>	<b>(51,446)</b>	<b>1,222</b>	<b>50,079</b>	<b>(52,994)</b>	<b>(2,915)</b>



## GROUP BALANCE SHEET

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

Note	31 March 2019 £'000	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	1,707
Assets Under Construction	9,330	720
	<b>302,369</b>	<b>303,264</b>
Intangible Assets	127	115
2 Investment Property	21,363	29,138
Long-term Debtors	728	585
<b>Long-term Assets</b>	<b>324,587</b>	<b>333,102</b>
Short-term Investments	2,000	10
Inventories	56	238
3 Short-term Debtors	6,117	6,612
Cash and Cash Equivalents	0	20,263
<b>Current Assets</b>	<b>8,173</b>	<b>27,123</b>
Short-term Borrowing	(12,061)	(35,122)
4 Short-term Creditors	(5,613)	(6,172)
Cash Overdrawn	(450)	0
Provisions	(1,582)	(1,968)
Receipts in Advance - Revenue	(151)	(1,454)
<b>Current Liabilities</b>	<b>(19,857)</b>	<b>(44,716)</b>
Long-term Borrowing	(61,352)	(61,347)
Grants Receipts in Advance	(531)	(1,844)
Net Pension Liability	(41,454)	(39,837)
<b>Long-term Liabilities</b>	<b>(103,337)</b>	<b>(103,028)</b>
<b>Net Assets</b>	<b>209,566</b>	<b>212,481</b>

## 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)	(1,653)
<b>Usable Reserves</b>	<b>19,721</b>	<b>18,500</b>
Revaluation Reserve	106,232	110,226
Capital Adjustment Account	125,157	123,821
Deferred Capital Receipts	378	308
Pension Reserve	(41,454)	(39,837)
Accumulated Absences Adjustment Account	(86)	(88)
Collection Fund Adjustment Account	(382)	(449)
<b>Unusable Reserves</b>	<b>189,845</b>	<b>193,981</b>
<b>Total Reserves</b>	<b>209,566</b>	<b>212,481</b>

These financial statements replace the unaudited financial statements certified by the Director of Corporate Resources on 28 July 2020.

Jacqueline Van Mellaerts CPFA, Director of Corporate Resources  
24 November 2020

## GROUP CASH FLOW STATEMENT

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

Note	2018/19 £'000	£'000	2019/20 £'000	£'000
<b>Net deficit on the provision of services</b>		<b>7,177</b>		<b>5,219</b>
<b>Adjustments for non cash movements:-</b>				
Depreciation of non current assets	(4,117)		(4,056)	
Amortisation of intangible assets	(179)		(254)	
Revaluation adjustments	(3,885)		(3,056)	
(Increase)/decrease in bad debts provision	(115)		(415)	
(Increase)/decrease in creditors	(1,525)		(1,122)	
Increase/(decrease) in debtors	1,209		696	
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)		(119)	
Other non cash movements	(12)		5	
<b>Total adjustments for non cash movements</b>		<b>(11,431)</b>		<b>(9,813)</b>
<b>Adjustments for investing or financing activities</b>				
Proceeds from the sale of non-current assets	1,435		506	
Capital Grants	383		429	
<b>Total adjustment for investing or financing activities</b>		<b>1,818</b>		<b>935</b>
<b>Net cash in-flow from Operating Activities</b>		<b>(2,436)</b>		<b>(3,659)</b>
<b>Investing Activities:-</b>				
Purchase of property, plant & equipment and intangible assets	28,110		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)	
		<b>14,166</b>		<b>6,605</b>
<b>Financing Activities:-</b>				
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)	
		<b>(10,344)</b>		<b>(23,659)</b>
<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>1,386</b>		<b>(20,713)</b>
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
<b>Movement in cash &amp; cash equivalents</b>		<b>(1,386)</b>		<b>20,713</b>

## NOTES TO THE GROUP ACCOUNTS

### 1. Group Accounting Policies

The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 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 accounts of the Council's subsidiary, Seven Arches Investments Ltd (SAIL), have been consolidated on a line by line basis. Intra-group transactions have been eliminated before consolidation.

The company accounts of SAIL for 2019/20 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.

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. In following these policies and reporting requirements as determined by CIPFA, the group disclosures may differ from the disclosures in the company accounts of SAIL.

Notes for the Group Financial Statements are provided below on the areas that have changed materially on consolidation of the SAIL accounts into the Council's accounts.

### 2. 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)	(181)	62	(119)
- 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
<b>Balance at end of the year</b>	<b>18,432</b>	<b>2,931</b>	<b>21,363</b>	<b>26,145</b>	<b>2,993</b>	<b>29,138</b>

The revaluations were carried out by Wilks 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 Investment Properties total in the SAIL accounts includes the deposit and other capitalised costs totalling £1.406m paid in March 2020 towards the purchase of Jubilee House. This amount has been included in the group accounts within Debtors (see note 3 on next page).

## NOTES TO THE GROUP ACCOUNTS

### 3. 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	1,957	(78)	1,879
Housing rents arrears	1,314	(693)	621	1,475	(974)	501
<b>Financial assets at contract amounts</b>	<b>1,790</b>	<b>(762)</b>	<b>1,028</b>	<b>3,432</b>	<b>(1,052)</b>	<b>2,380</b>
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	1,714	(1,074)	640
Prepayments	406	0	406	334	0	334
<b>Total</b>	<b>8,465</b>	<b>(2,348)</b>	<b>6,117</b>	<b>9,457</b>	<b>(2,845)</b>	<b>6,612</b>

### 4. Creditors

	31 March	31 March
	2019	2020
	£'000	£'000
Trade payables	1,960	2,316
<b>Financial liabilities at contract amounts</b>	<b>1,960</b>	<b>2,316</b>
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
<b>Total</b>	<b>5,613</b>	<b>6,172</b>

### 5. Operating lease commitments

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

	31 March	31 March
	2019	2020
	£'000	£'000
Not later than one year	1,295	1,276
Later than one year and not later than five years	4,287	4,666
Later than five years	6,096	5,999
<b>Total</b>	<b>11,678</b>	<b>11,941</b>

## NOTES TO THE GROUP ACCOUNTS

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### 6. Events after the Balance Sheet date

The purchase of Jubilee House in Warley was completed on 9 April 2020. The balance of £15.769m was paid after 31 March 2020 (the deposit and other capitalised costs of £1.406m having been paid in March 2020). The value of the Group's Investment Properties increased in 2019/20 by £17.175m, representing the £15.769m balance and the transfer of the initial costs from Debtors. SAIL drew down £19m from the Council in March 2020, of which £17.1m was an advance to fund the purchase costs of Jubilee House and £1.9m was to provide working capital.

### 7. 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 30<sup>th</sup> 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	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			
<b>Balance at 31 March 2019</b>	<b>3,117</b>	<b>4,821</b>	<b>1,901</b>	<b>2,400</b>	<b>3,167</b>	<b>680</b>	<b>4,326</b>	<b>20,412</b>	<b>189,845</b>	<b>210,257</b>
<b>Movement in reserves during 2019/20:</b>										
Surplus/(Deficit) on Provision of Services	(3,927)	0	(330)	0	0	0	0	(4,257)	0	(4,257)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	8,134	8,134
Total Comprehensive Income and Expenditure	(3,927)	0	(330)	0	0	0	0	(4,257)	8,134	3,877
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)	1,840	0	1,170	0	(1,102)	71	2,019	3,998	(3,998)	0
<b>Total movement in reserves during 2019/20</b>	<b>(417)</b>	<b>0</b>	<b>(830)</b>	<b>0</b>	<b>(1,102)</b>	<b>71</b>	<b>2,019</b>	<b>(259)</b>	<b>4,136</b>	<b>3,877</b>
Transfers (to)/from Earmarked Reserves (note 5)	417	(417)	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2020</b>	<b>3,117</b>	<b>4,404</b>	<b>1,071</b>	<b>2,400</b>	<b>2,065</b>	<b>751</b>	<b>6,345</b>	<b>20,153</b>	<b>193,981</b>	<b>214,134</b>

### Movement in Reserves Statement 2018/19

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

## CORE FINANCIAL STATEMENTS – COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

Note	2018/19			2019/20		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'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	19,348	(12,155)	7,193
	9,931	(12,968)	(3,037)	11,189	(12,927)	(1,738)
	<b>47,024</b>	<b>(34,261)</b>	<b>12,763</b>	<b>44,046</b>	<b>(32,937)</b>	<b>11,109</b>
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)
	<b>51,541</b>	<b>(45,053)</b>	<b>6,488</b>	<b>48,485</b>	<b>(44,228)</b>	<b>4,257</b>
21	706	0	706	0	(5,655)	(5,655)
40	0	(6,662)	(6,662)	0	(2,479)	(2,479)
	<b>706</b>	<b>(6,662)</b>	<b>(5,956)</b>	<b>0</b>	<b>(8,134)</b>	<b>(8,134)</b>
	<b>52,247</b>	<b>(51,715)</b>	<b>532</b>	<b>48,485</b>	<b>(52,362)</b>	<b>(3,877)</b>

## CORE FINANCIAL STATEMENTS – BALANCE SHEET

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

Note	31 March 2019 £'000	31 March 2020 £'000
9	Property, Plant and Equipment:-	
	257,048	261,461
	29,223	32,811
	1,927	2,495
	1,109	1,133
	2,937	2,937
	795	1,707
	9,330	720
	<u>302,369</u>	<u>303,264</u>
11	126	115
13	8,756	17,398
14	14,228	33,085
	<u>325,479</u>	<u>353,862</u>
	<b>Long-term Assets</b>	
15	2,000	10
	56	238
16	6,031	5,095
17	0	2,220
	<u>8,087</u>	<u>7,563</u>
	<b>Current Assets</b>	
15	(12,061)	(35,122)
18	(5,563)	(5,719)
17	(781)	0
19	0	(1,968)
32	(151)	(1,454)
	<u>(18,556)</u>	<u>(44,263)</u>
	<b>Current Liabilities</b>	
15	(61,351)	(61,347)
32	(530)	(1,844)
19	(1,418)	0
40	(41,454)	(39,837)
	<u>(104,753)</u>	<u>(103,028)</u>
	<b>Long-term Liabilities</b>	
	<u>210,257</u>	<u>214,134</u>
	<b>Net Assets</b>	

## CORE FINANCIAL STATEMENTS – BALANCE SHEET

Note	31 March 2019 £'000	31 March 2020 £'000
20	3,117	3,117
20	1,901	1,071
20	3,167	2,065
20	680	751
4	4,326	6,345
5	7,221	6,804
	<b>Usable Reserves</b>	<b>20,153</b>
21	106,232	110,226
22	125,157	123,821
23	378	308
24	(41,454)	(39,837)
25	(86)	(88)
26	(382)	(449)
	<b>Unusable Reserves</b>	<b>193,981</b>
	<b>Total Reserves</b>	<b>214,134</b>

These financial statements replace the unaudited financial statements certified by the Director of Corporate Resources on 28 July 2020.

Jacqueline Van Mellaerts CPFA, Director of Corporate Resources  
24 November 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
<b>Net deficit on the provision of services</b>		<b>6,488</b>		<b>4,003</b>
<b>Adjustments for non cash movements:-</b>				
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)	
<b>Total adjustments for non cash movements</b>		<b>2,347</b>		<b>9,086</b>
<b>Adjustments for investing or financing activities</b>				
Proceeds from the sale of non-current assets	1,435		535	
Capital Grants	383		429	
<b>Total adjustment for investing or financing activities</b>		<b>1,818</b>		<b>964</b>
<b>Net cash in-flow from Operating Activities</b>		<b>10,653</b>		<b>14,053</b>
<b>Investing Activities:-</b>				
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)	
		<b>1,408</b>		<b>6,605</b>
<b>Financing Activities:-</b>				
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)	
		<b>(10,344)</b>		<b>(23,659)</b>
<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>1,717</b>		<b>(3,001)</b>
17 Cash and cash equivalents at the beginning of the reporting period		936		(781)
17 Cash and cash equivalents at the end of the reporting period		(781)		2,220
<b>Movement in cash &amp; cash equivalents</b>		<b>(1,717)</b>		<b>3,001</b>

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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	1,436	7,193
Housing Revenue Account	830	(2,568)	(1,738)
<b>Net Cost of Services</b>	<b>9,297</b>	<b>1,812</b>	<b>11,109</b>
<b>Other income &amp; expenditure Total</b>	<b>(8,467)</b>	<b>1,614</b>	<b>(6,852)</b>
<b>Deficit/(surplus)</b>	<b>830</b>	<b>3,426</b>	<b>4,257</b>
<b>Opening General Fund and HRA Balance at 31 March 2019*</b>	<b>(12,239)</b>		
Less Deficit/(Surplus) on General Fund and HRA balance in year	830		
Transfer from Earmarked Reserves	417		
<b>Closing General Fund and HRA Balance at 31 March 2020*</b>	<b>(10,992)</b>		

\* For a split of the closing balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 22.

## NOTES TO THE ACCOUNTS

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

<u>2018/19</u>	Net Expenditure Chargeable to the General Fund and HRA Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£000	£000	£000
<b>Service</b>			
Growing Our Economy	825	752	1,577
Protecting Our Environment	1,805	3,118	4,923
Developing Our Communities	880	896	1,776
Improving Housing	133	(126)	7
Delivering An Efficient & Effective Council	4,757	2,760	7,517
Housing Revenue Account	(3,925)	888	(3,037)
<b>Net Cost of Services</b>	<b>4,475</b>	<b>8,288</b>	<b>12,763</b>
<b>Other income &amp; expenditure Total</b>	<b>(2,977)</b>	<b>(3,298)</b>	<b>(6,275)</b>
<b>Deficit/(surplus)</b>	<b>1,498</b>	<b>4,990</b>	<b>6,488</b>
<b>Opening General Fund and HRA Balance at 31 March 2018*</b>	<b>(14,337)</b>		
Less Deficit/(Surplus) on General Fund and HRA balance in year	1,498		
Transfer from Earmark Reserves	600		
<b>Closing General Fund and HRA Balance at 31 March 2019*</b>	<b>(12,239)</b>		

\* For a split of the closing balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 22.

## NOTES TO THE ACCOUNTS

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

<b>Adjustments between Accounting Basis and Funding Basis 2019/20</b>				
	<b>Adjustments for Capital Purposes</b>	<b>Net Change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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	(166)	110	1,492	1,436
Housing Revenue Account	1,041	130	(3,739)	(2,568)
<b>Net Cost of Services</b>	<b>1,991</b>	<b>1,348</b>	<b>(1,527)</b>	<b>1,812</b>
<b>Other Income &amp; Expenditure</b>	<b>87</b>	<b>(486)</b>	<b>2,013</b>	<b>1,614</b>
<b>Total</b>	<b>2,078</b>	<b>862</b>	<b>486</b>	<b>3,426</b>

<b>Adjustments between Accounting Basis and Funding Basis 2018/19</b>				
	<b>Adjustments for Capital Purposes</b>	<b>Net Change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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	1,694	2,760
Housing Revenue Account	2,123	191	(1,426)	888
<b>Net Cost of Services</b>	<b>5,521</b>	<b>2,047</b>	<b>720</b>	<b>8,288</b>
<b>Other Income &amp; Expenditure</b>	<b>(2,940)</b>	<b>(358)</b>	<b>0</b>	<b>(3,298)</b>
<b>Total</b>	<b>2,581</b>	<b>1,689</b>	<b>720</b>	<b>4,990</b>

## NOTES TO THE ACCOUNTS

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

#### Adjustments for Capital Purposes

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

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

#### Net Change for the Pensions Adjustment

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

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

#### Other

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

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

## NOTES TO THE ACCOUNTS

3a. Expenditure & Income Analysed by Nature

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

<b>Expenditure</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Employee benefits expenses	12,169	11,816
Other services expenses	26,853	25,356
Depreciation, amortisation & impairment (note 9)	8,313	7,366
Interest payments	3,386	3,209
Precepts & levies (note 6)	517	549
Payments to the Housing Capital Receipts Pool (note 6)	384	189
<b>Total expenditure</b>	<b>51,622</b>	<b>48,485</b>
<b>Income</b>		
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 32)	(14,747)	(14,347)
Gain on revaluation of investment properties (note 13)	0	(748)
Gain on the disposal of assets (note 7)	(612)	(180)
<b>Total income</b>	<b>(45,134)</b>	<b>(44,228)</b>
<b>Deficit on the provision of services</b>	<b>6,488</b>	<b>4,257</b>

3b. Revenue from Contract with Service Recipients

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

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

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

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

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

### 4. Adjustments between accounting basis and funding basis under regulations

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

a) General Fund Balance

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

b) Housing Revenue Account Balance

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

c) Major Repairs Reserve

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

## NOTES TO THE ACCOUNTS

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

d) Capital Receipts Reserve

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

e) Capital Grants Unapplied

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

<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
<b>Adjustments to Revenue Resources</b>						
Amounts by which income and expenditure included in the Comprehensive & Income Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs (transferred to/from the Pensions Reserve)	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).	1,318	4,483	0	0	0	5,801
<b>Total Adjustments to Revenue Resources</b>	<b>2,119</b>	<b>4,613</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,732</b>
<b>Adjustments between Revenue and Capital Resources</b>						
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)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(279)</b>	<b>(3,443)</b>	<b>318</b>	<b>71</b>	<b>2,946</b>	<b>(387)</b>
<b>Adjustments to Capital Resources</b>						
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
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>(1,420)</b>	<b>0</b>	<b>(927)</b>	<b>(2,347)</b>
<b>Total Adjustments</b>	<b>1,840</b>	<b>1,170</b>	<b>(1,102)</b>	<b>71</b>	<b>2,019</b>	<b>3,998</b>



## NOTES TO THE ACCOUNTS

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

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

## NOTES TO THE ACCOUNTS

### 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 £'000	from CIES £'000	at 31 March 2019 £'000	at 1 April 2019 £'000	to CIES £'000	from CIES £'000	at 31 March 2020 £'000
<b>General Fund Reserves</b>								
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
<b>Total General Fund Reserves</b>	<b>5,592</b>	<b>(1,761)</b>	<b>990</b>	<b>4,821</b>	<b>4,821</b>	<b>(2,216)</b>	<b>1,799</b>	<b>4,404</b>
<b>Housing Revenue Account Reserves</b>								
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
<b>Total Housing Revenue Account Reserves</b>	<b>3,400</b>	<b>(1,000)</b>	<b>0</b>	<b>2,400</b>	<b>2,400</b>	<b>0</b>	<b>0</b>	<b>2,400</b>
<b>Total Earmarked Reserves</b>	<b>8,992</b>	<b>(2,761)</b>	<b>990</b>	<b>7,221</b>	<b>7,221</b>	<b>(2,216)</b>	<b>1,799</b>	<b>6,804</b>

## NOTES TO THE ACCOUNTS

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

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

Reserve	Purpose
<b><u>General Fund Reserves</u></b>	
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
<b>General Fund Reserves</b>	
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)
<b>Total</b>	<b>289</b>	<b>558</b>

### 7. Financing and Investment Income and Expenditure

	2018/19	2019/20
	£'000	£'000
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)
<b>Total</b>	<b>2,697</b>	<b>1,835</b>

## 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)
<b>Total</b>	<b>(9,261)</b>	<b>(9,245)</b>

### 9. Property Plant and Equipment

#### 9.1 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
<b>Gross Carrying Amount (Cost/Valuation)</b>								
<b>At 1 April 2019</b>	<b>306,548</b>	<b>257,048</b>	<b>29,384</b>	<b>5,631</b>	<b>1,417</b>	<b>2,943</b>	<b>795</b>	<b>9,330</b>
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	5,868	4,924	(66)	0	0	0	1,010	0
Revaluation decreases to Surplus/Deficit on the Provision of Services	(2,713)	(2,345)	(97)	0	0	0	(271)	0
Accumulated depreciation written out to gross carrying amount	(3,050)	(2,597)	(453)	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)
<b>At 31 March 2020</b>	<b>308,781</b>	<b>261,804</b>	<b>33,355</b>	<b>6,685</b>	<b>1,526</b>	<b>2,943</b>	<b>1,748</b>	<b>720</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
<b>At 1 April 2019</b>	<b>(4,179)</b>	<b>0</b>	<b>(161)</b>	<b>(3,704)</b>	<b>(308)</b>	<b>(6)</b>	<b>0</b>	<b>0</b>
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	3,050	2,597	453	0	0	0	0	0
<b>Depreciation at 31 March 2020</b>	<b>(5,517)</b>	<b>(343)</b>	<b>(544)</b>	<b>(4,190)</b>	<b>(393)</b>	<b>(6)</b>	<b>(41)</b>	<b>0</b>
<b>Net book value at 31 March 2020</b>	<b>303,264</b>	<b>261,461</b>	<b>32,811</b>	<b>2,495</b>	<b>1,133</b>	<b>2,937</b>	<b>1,707</b>	<b>720</b>
<b>Net book value at 31 March 2019</b>	<b>302,369</b>	<b>257,048</b>	<b>29,223</b>	<b>1,927</b>	<b>1,109</b>	<b>2,937</b>	<b>795</b>	<b>9,330</b>

## 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
<b>Gross Carrying Amount (Cost/Valuation)</b>								
<b>At 1 April 2018</b>	<b>302,844</b>	<b>256,091</b>	<b>35,149</b>	<b>6,462</b>	<b>704</b>	<b>2,956</b>	<b>0</b>	<b>1,482</b>
Less adjustment to opening balance	<b>(903)</b>	0	(903)	0	0	0	0	0
	<b>301,941</b>	<b>256,091</b>	<b>34,246</b>	<b>6,462</b>	<b>704</b>	<b>2,956</b>	<b>0</b>	<b>1,482</b>
Acquisitions	4,479	3,752	0	344	383	0	0	0
Additions	10,721	997	1,822	0	0	0	54	7,848
Revaluation increases/(decreases) 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
<b>At 31 March 2019</b>	<b>306,548</b>	<b>257,048</b>	<b>29,384</b>	<b>5,631</b>	<b>1,417</b>	<b>2,943</b>	<b>795</b>	<b>9,330</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
<b>At 1 April 2018</b>	<b>(6,144)</b>	0	(1,992)	(3,909)	(239)	(4)	0	0
Less adjustment to opening balance	903	0	903	0	0	0	0	0
	<b>(5,241)</b>	<b>0</b>	<b>(1,089)</b>	<b>(3,909)</b>	<b>(239)</b>	<b>(4)</b>	<b>0</b>	<b>0</b>
Depreciation charge	(4,117)	(2,595)	(826)	(645)	(49)	(2)	0	0
Derecognition - disposals	836	6	0	830	0	0	0	0
Transfers between categories	0	1	0	0	0	0	(1)	0
Reclassified to Investment Property	0	0	0	0	0	0	0	0
Accumulated depreciation written out to gross carrying amount	4,343	2,588	1,754	20	(20)	0	1	0
<b>At 31 March 2019</b>	<b>(4,179)</b>	<b>0</b>	<b>(161)</b>	<b>(3,704)</b>	<b>(308)</b>	<b>(6)</b>	<b>0</b>	<b>0</b>
<b>Net book value at 31 March 2019</b>	<b>302,369</b>	<b>257,048</b>	<b>29,223</b>	<b>1,927</b>	<b>1,109</b>	<b>2,937</b>	<b>795</b>	<b>9,330</b>
<b>Net book value at 31 March 2018</b>	<b>296,700</b>	<b>256,091</b>	<b>33,157</b>	<b>2,553</b>	<b>465</b>	<b>2,952</b>	<b>0</b>	<b>1,482</b>

### 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 Wilks 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. A desktop review was carried out in 2019/20 (also 2018/19), which 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 outgoings 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	279,949	261,461	16,781	0	0	0	1,707	0
<b>Total Cost or Valuation</b>	<b>303,264</b>	<b>261,461</b>	<b>32,811</b>	<b>2,495</b>	<b>1,133</b>	<b>2,937</b>	<b>1,707</b>	<b>720</b>

## NOTES TO THE ACCOUNTS

### 9.6 Revaluations (continued)

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
<b>Opening Capital Financing Requirement</b>	<b>72,641</b>	<b>93,364</b>
<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
<b>Total Capital Expenditure</b>	<b>29,471</b>	<b>30,197</b>
<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)
<b>Total Financing of Capital Expenditure</b>	<b>(8,748)</b>	<b>(4,269)</b>
Sums set aside from revenue for the repayment of debt	0	(53)
<b>Closing Capital Financing Requirement</b>	<b>93,364</b>	<b>119,239</b>
<u>Explanation of Movements in the Year</u>		
Net increase in the underlying need to borrow	20,723	25,875
<b>Increase in Capital Financing Requirement</b>	<b>20,723</b>	<b>25,875</b>

Expenditure during 2019/20 on Brentwood Town Hall, totalling £3.219m, has been recognised in the Property, plant & equipment line (not Assets under construction). This is because the scheme was completed during 2019/20.



## NOTES TO THE ACCOUNTS

### 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.

### 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
<b>Balance at end of the year</b>	<b>5,826</b>	<b>2,930</b>	<b>8,756</b>	<b>14,406</b>	<b>2,992</b>	<b>17,398</b>

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,

## NOTES TO THE ACCOUNTS

### 13. Investment Properties (continued)

proportions and layout. Market conditions for these asset types are such that the levels of observable inputs are significant.

### 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
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	14,228	33,085			1,873	1,533	16,101	34,618
Cash and Cash Equivalents:								
Cash at Bank			(781)	2,220			(781)	2,220
Short Term Investments			2,000	10			2,000	10
<b>Total financial assets</b>	<b>14,228</b>	<b>33,085</b>	<b>1,219</b>	<b>2,230</b>	<b>1,873</b>	<b>1,533</b>	<b>17,320</b>	<b>36,848</b>

The short-term debtors figure excludes debtors totalling £3.562m (£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	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
Amortised cost					(1,485)	(2,610)	(1,485)	(2,610)
<b>Borrowing:</b>								
- 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)
<b>Total Financial Liabilities</b>	<b>(61,351)</b>	<b>(61,347)</b>	<b>(12,061)</b>	<b>(35,122)</b>	<b>(1,485)</b>	<b>(2,610)</b>	<b>(74,897)</b>	<b>(99,079)</b>

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
<b>Financial Assets:</b>				
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
<b>Total Financial Assets</b>	<b>17,320</b>	<b>17,320</b>	<b>37,185</b>	<b>37,185</b>
<b>Financial Liabilities:</b>				
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)
<b>Total Financial Liabilities</b>	<b>(74,897)</b>	<b>(86,159)</b>	<b>(99,079)</b>	<b>(107,813)</b>

### 16. Debtors

	31 March 2019			31 March 2020		
	Gross Debt	Impairment Allowance	Net Debt	Gross Debt	Impairment Allowance	Net Debt
	£'000	£'000	£'000	£'000	£'000	£'000
Trade receivables	452	(69)	383	522	(78)	444
Housing rents arrears	1,314	(693)	621	1,475	(974)	501
<b>Financial assets at contract amounts</b>	<b>1,766</b>	<b>(762)</b>	<b>1,004</b>	<b>1,997</b>	<b>(1,052)</b>	<b>945</b>
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	1,470	(949)	521	1,632	(1,074)	558
Prepayments	406	0	406	334	0	334
<b>Total</b>	<b>8,379</b>	<b>(2,348)</b>	<b>6,031</b>	<b>7,940</b>	<b>(2,845)</b>	<b>5,095</b>

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/Cash Overdrawn

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

## NOTES TO THE ACCOUNTS

### 18. Creditors

	31 March 2019 £'000	31 March 2020 £'000
Trade payables	1,960	2,316
<b>Financial liabilities at contract amounts</b>	<b>1,960</b>	<b>2,316</b>
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
<b>Total</b>	<b>5,563</b>	<b>5,719</b>

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
<b>Balance at 31 March 2018</b>	<b>1,361</b>	<b>223</b>	<b>106</b>	<b>0</b>	<b>1,690</b>
Additional provisions made in 2018/19	1,242	0	0	0	1,242
Amounts used in 2018/19	(1,503)	0	(11)	0	(1,514)
<b>Balance at 31 March 2019</b>	<b>1,100</b>	<b>223</b>	<b>95</b>	<b>0</b>	<b>1,418</b>
Additional provisions made in 2019/20	139	0	408	85	632
Amounts used in 2019/20	(36)	0	(46)	0	(82)
<b>Balance at 31 March 2020</b>	<b>1,203</b>	<b>223</b>	<b>457</b>	<b>85</b>	<b>1,968</b>

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

- a) **Non Domestic Rates Appeals** . Under the Non Domestic Rates Retention scheme introduced in April 2013 councils are expected to meet the financial impact of successful appeals by ratepayers against the rateable value of their properties on the rating list. The provision of £1.203m 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.
- a) **Planning Appeal**. This provision is to meet the costs of any planning appeal made against the Council.

## NOTES TO THE ACCOUNTS

19. Provisions (continued)

The Council has reviewed the provisions and has taken the view that, as at 31 March 2020, they are likely to be settled within 12 months. The balances as at 31 March 2020 have therefore been classified as short-term liabilities.

20. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 22 and in note 4 on pages 33-35. 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.

	<b>31 March 2019 £'000</b>	<b>31 March 2020 £'000</b>
<b>Balance at 1 April</b>	<b>108,687</b>	<b>106,232</b>
Upward revaluation of Property, Plant & Equipment	5,705	11,526
Downward revaluation of Property, Plant & Equipment	(6,411)	(5,658)
<b>Sub total</b>	<b>(706)</b>	<b>5,868</b>
Upward revaluation of Investment Properties	0	40
Downward revaluation of Investment Properties	0	(253)
<b>Sub total</b>	<b>0</b>	<b>(213)</b>
Difference between fair value depreciation and historical cost depreciation	(1,470)	(1,538)
Accumulated gains on assets sold or scrapped	(279)	(123)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(1,749)</b>	<b>(1,661)</b>
<b>Balance at 31 March</b>	<b>106,232</b>	<b>110,226</b>

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
<b>Balance at 1 April</b>	<b>124,413</b>	<b>125,157</b>
<b>Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non-current assets	(4,117)	(4,399)
Revaluation losses on Property, Plant and Equipment	(4,197)	(2,713)
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)
<b>Sub Total</b>	<b>(9,621)</b>	<b>(8,073)</b>
Adjusting amounts written out of the Revaluation Reserve	1,749	1,661
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(7,872)</b>	<b>(6,412)</b>
<b>Capital Financing applied in the year</b>		
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
<b>Sub Total</b>	<b>8,748</b>	<b>4,328</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(132)	748
<b>Balance at 31 March</b>	<b>125,157</b>	<b>123,821</b>

### 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
<b>Balance at 1 April</b>	<b>431</b>	<b>378</b>
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)
<b>Balance at 31 March</b>	<b>378</b>	<b>308</b>

## 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
<b>Balance at 1 April</b>	<b>(46,427)</b>	<b>(41,454)</b>
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
<b>Balance at 31 March</b>	<b>(41,454)</b>	<b>(39,837)</b>

### 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
<b>Balance at 1 April</b>	<b>(99)</b>	<b>(86)</b>
(Increase)/decrease	13	(2)
<b>Balance at 31 March</b>	<b>(86)</b>	<b>(88)</b>

### 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
<b>Balance at 1 April</b>	<b>(247)</b>	<b>(382)</b>
Increase/decrease	(135)	(67)
<b>Balance at 31 March</b>	<b>(382)</b>	<b>(449)</b>



## NOTES TO THE ACCOUNTS

### 27. Trading Operations

The Council operates car parks and collects trade waste, which generate income. 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
<b>Car Parks</b>		
Income	(1,922)	(2,125)
Expenditure	917	847
<b>Surplus</b>	<b>(1,005)</b>	<b>(1,278)</b>
<b>Trade Waste Collection</b>		
Income	(553)	(576)
Expenditure	352	289
<b>Surplus</b>	<b>(201)</b>	<b>(287)</b>

### 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	<b>74,439</b>
Acting Chief Executive - June to Nov 2019	1	9,301	0	0	2,194	<b>11,495</b>
Chief Executive - Nov 2019 to March 2020	1	48,516	0	0	8,296	<b>56,812</b>
Chief Operating Officer	2	74,925	0	0	12,209	<b>87,134</b>
Head of Legal Services and Monitoring Officer - to Aug 2019	3	31,580	5,000	94,118	6,209	<b>136,907</b>
Interim Monitoring Officer - Sept 2019 to Feb 2020	4	5,412	0	0	0	<b>5,412</b>
Director of Law & Governance (Monitoring Officer) - Mar 2020	5	5,822	0	0	996	<b>6,818</b>
Interim Chief Finance Officer (S151) Officer - to June 2019	6	13,787	0	0	2,358	<b>16,145</b>
Director of Corporate Resources (S151 Officer) - from June 2019	7	62,561	0	0	10,698	<b>73,259</b>
Director of Commercial Services	8	80,000	0	0	13,680	<b>93,680</b>
Director of Planning & Economy	9	63,096	0	0	10,789	<b>73,885</b>
Director of Housing & Enforcement	10	40,945	0	0	7,002	<b>47,947</b>
Director of Environment	11	61,408	0	0	10,501	<b>71,909</b>
<b>Total</b>		<b>512,702</b>	<b>5,000</b>	<b>150,522</b>	<b>87,618</b>	<b>755,842</b>

- Chief Executive.** The post was designated at a part-time role in April 2019 at an annualised part time salary of £59,400. 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.
- 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).

## NOTES TO THE ACCOUNTS

### 29. Officers' Remuneration (continued)

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 are 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
<b>Total</b>		<b>498,608</b>	<b>5,000</b>	<b>86,121</b>	<b>589,729</b>

## 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 1<sup>st</sup> February 2019 for 37 hours a week.
2. **Head of Legal Services and Monitoring Officer.** The postholder was seconded to SAIL from 26<sup>th</sup> 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
£55,000 - £59,999	3	1

#### 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
							£000	£000
£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
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>175</b>

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	2019/20
	£'000	£'000
Fees payable in respect of external audit services carried out by the appointed auditor for the year		
- 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)
<b>Total</b>	<b>79</b>	<b>81</b>

### 32. Grant Income

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

	2018/19	2019/20
	£'000	£'000
<b>Credited to Taxation and Non-specific Grant Income:</b>		
<b>Non-ringfenced Government grants</b>		
New Homes Bonus Scheme	410	677
Business Rates Relief	962	1,395
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
<b>Sub total</b>	<b>1,422</b>	<b>2,159</b>
<b>Capital grants and contributions</b>		
Developers' Section 106 Grants	12	59
Former Warley Hospital site development S106	132	0
<b>Sub total</b>	<b>144</b>	<b>59</b>
<b>Total</b>	<b>1,566</b>	<b>2,218</b>

## NOTES TO THE ACCOUNTS

### 32. Grant Income (continued)

	2018/19	2019/20
	£'000	£'000
<b>Credited to Services:</b>		
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
<b>Total</b>	<b>13,446</b>	<b>12,129</b>

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
<b><u>Grants Receipts in Advance (Revenue Grants)</u></b>		
<b>Current Liabilities:</b>		
Business Rates Relief	0	1,395
Other grants	151	46
<b>Total</b>	<b>151</b>	<b>1,441</b>
<b><u>Grants Receipts in Advance (Capital Grants)</u></b>		
<b>Developers' Contributions:</b>		
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
<b>Total</b>	<b>530</b>	<b>1,844</b>

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

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### 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 32.

#### 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 32. 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 91-93.

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 91-93.

## NOTES TO THE ACCOUNTS

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### 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 91-93.

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 13-21.

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 term 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
<b>Gross investment in the lease</b>	<b>635</b>	<b>592</b>

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
<b>Total</b>	<b>635</b>	<b>592</b>	<b>635</b>	<b>592</b>

The minimum lease payments do not include rents that are contingent on the events taking place after the lease was entered into, such as adjustments following rent reviews. No contingent rents were receivable by the Council in 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:

	31 March 2019	31 March 2020
	£'000	£'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
<b>Total</b>	<b>4,686</b>	<b>4,928</b>



## NOTES TO THE ACCOUNTS

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### 34. Leases (continued)

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 -17 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 24 November 2020.

#### Brentwood Leisure Trust

The Trust, which managed the Brentwood Leisure Centre and Community Halls, went into liquidation and appointed liquidators on 6th November 2020. As part of the liquidation process, the lease for the Brentwood Centre was forfeited and the Management Agreement for the halls was repudiated meaning the five Community Halls returned to the Council.

Note 33 details the receipts and payments to the Trust for 2019/20. The Council is in the process of identifying the operational and financial impact of the Trust going into liquidation and the requirement to deliver leisure services for the residents of the Borough in the short to long term.

The impact on the Council's balance sheet is expected to be:

- Property Plant & Equipment - in preparing the Council's accounts, under the lease arrangements, it was deemed that the risks and rewards associated with the Brentwood Centre were solely those of the Trust and therefore the building was not included in the Council's balance sheet. On transfer of the lease back to the Council, an asset with a net book value of approximately £7m will be added to the balance sheet in 2020/21. The assets will be inspected and valued for inclusion in the 2020/21 accounts, to ensure that the fair value is reported as at 31st March 2021.
- Long Term Debtors - the balance of £33.085m as at 31st March 2020, includes £0.274m due from the Trust. The Council will, in liaison with the Trust's liquidators, maximise any proceeds from the liquidation process. Any residual balance on the outstanding debt will be required to be written off to the Comprehensive Income and Expenditure Account.
- Short Term Debtors - the balances of £5.095m includes £0.069m due from the Trust. Similar impairment provisions will apply to the short-term debtor as to the long-term debtor.

## 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 year	471	35
More than one year	51	43
<b>Total</b>	<b>522</b>	<b>78</b>

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
<b>Total</b>	<b>73,355</b>	<b>57</b>	<b>73,412</b>	<b>96,351</b>	<b>118</b>	<b>96,469</b>

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 about the future, or which are otherwise uncertain. Estimates are based on historical experience, current trends and other relevant factors, but actual results could be materially different. The items at 31 March 2020 for which there could be a material difference in the next financial year are set out in the following paragraphs.

Uncertainty	Effect if Actual Result differ from Assumptions
<b>Council and Seven Arches Investments Ltd - Property, Plant &amp; Equipment, Investment Properties</b>	
Land and buildings, including Investment Properties, 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.	A 1% increase or decrease in the value of property, plant & equipment and Investment properties within the Group boundary, would increase or decrease their carrying value by approximately £3.2m.

## NOTES TO THE ACCOUNTS

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

<b>Uncertainty</b>	<b>Effect if Actual Result differ from Assumptions</b>
<p>The Council, in order to evaluate the potential impact of the 'material valuation uncertainty', commissioned a material changes refresh report in July 2020. The results of the updated market evidence was calculated to provide an estimate of the expected reduction in Council assets valuations for the first quarter of 2020/21. The worst case scenario was a reduction of between 3% - 6% on Council asset values, depending on the nature of the asset. The highest reduction was on retail properties, which have a combined value of £5.6m.</p> <p>The inclusion of the 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon. The declaration has been included to highlight the fact that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.</p>	
<p><b>Fair Value Measurements</b></p> <p>When the fair values of investment properties and financial assets &amp; 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 37.</p>

## NOTES TO THE ACCOUNTS

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

Uncertainty	Effect if Actual Result differ from Assumptions
<p><b>Charges for Depreciation</b></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><b>Pensions Liability</b></p> <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates and expected returns on pension fund assets. Barnett Waddingham, an independent firm of actuaries, has been engaged to provide the Council with expert advice about the assumptions to be applied. Further information can be found in Note 40.</p>	<p>A sensitivity analysis on pension liabilities is included in note 40.</p>
<p><b>Business Rates Appeals</b></p> <p>The provision for losses in non-domestic rates income arising from appeals against assessed rateable values in the 2005 and 2010 lists is based on an assessment using the historical experience of appeals and an analysis of the details of appeals held by the Valuation Office Agency. The 2017 revaluation and the introduction by the Government of the Check, Challenge and Appeal process for appeals presents a difficulty in establishing an appropriate provision against the 2017 list because there is an absence of active appeals on which to base the calculation of an appeals provision.</p> <p>The provision for the 2017 list is based on potential losses against the 2017 list, based on successful and outstanding appeals against the 2010 list, and potential new appeals identified by the Council's non-domestic rates advisors.</p>	<p>The provision against the 2017 list is difficult to estimate as the number of successful appeals is unknown, as is the number of businesses likely to appeal against their change in business rates. If underestimated there will be higher write off costs than provided for and this will therefore reduce the income within the Collection Fund.</p> <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><b>Provision for Bad and Doubtful Debts</b></p> <p>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. This includes an uplift of 13.5% to the overall bad debt provision take account of the economic impact of the Covid-19 pandemic.</p>	<p>In the current climate it is not certain that such an allowance will continue to be sufficient. The bad debt provision will be reviewed during 2020/21 as part of the Council's budget strategy. The provision will be increased if the level of arrears and the payment experience indicate that this is necessary.</p>

## NOTES TO THE ACCOUNTS

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### 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 419m<sup>2</sup> 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

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### 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	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
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
<b>Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,267</b>	<b>80</b>	<b>4,347</b>	<b>3,493</b>	<b>69</b>	<b>3,562</b>
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
<b>Sub total</b>	<b>(6,569)</b>	<b>(93)</b>	<b>(6,662)</b>	<b>(2,344)</b>	<b>(135)</b>	<b>(2,479)</b>
<b>Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(2,302)</b>	<b>(13)</b>	<b>(2,315)</b>	<b>1,149</b>	<b>(66)</b>	<b>1,083</b>
<b>Reversal of net charges for post employment benefits in accordance with IAS19</b>	<b>(4,267)</b>	<b>(80)</b>	<b>(4,347)</b>	<b>(3,493)</b>	<b>(69)</b>	<b>(3,562)</b>
<b>Actual Amount Charged against the General Fund and HRA Balances for the Year</b>						
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
<b>Employer's contributions payable to the Pension Fund</b>	<b>2,423</b>	<b>236</b>	<b>2,659</b>	<b>2,474</b>	<b>226</b>	<b>2,700</b>



## 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
<b>Net liability arising from defined benefit obligation</b>	<b>(38,454)</b>	<b>(3,000)</b>	<b>(41,454)</b>	<b>(37,129)</b>	<b>(2,708)</b>	<b>(39,837)</b>

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

	2018/19	2019/20
	£'000	£'000
<b>Opening fair value of scheme assets</b>	<b>87,545</b>	<b>93,874</b>
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)
<b>Closing fair value of scheme assets</b>	<b>93,874</b>	<b>87,026</b>

### 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
<b>Opening balance at 1 April</b>	<b>(130,723)</b>	<b>(3,249)</b>	<b>(133,972)</b>	<b>(132,328)</b>	<b>(3,000)</b>	<b>(135,328)</b>
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)
<b>Closing balance at 31 March</b>	<b>(132,328)</b>	<b>(3,000)</b>	<b>(135,328)</b>	<b>(124,155)</b>	<b>(2,708)</b>	<b>(126,863)</b>

## 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%
<b>Total</b>	<b>93,845</b>	<b>100%</b>	<b>87,007</b>	<b>100%</b>

Bid values have been estimated by the actuary where necessary and the final asset allocation of the Fund assets as at 31 March 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%
<b>Total</b>	<b>72.1%</b>	<b>27.9%</b>	<b>66.3%</b>	<b>33.7%</b>

### 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	% p.a.	Real	% p.a.	Real	% 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.

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

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### 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:

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

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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### 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

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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 £3.117million (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.

### 41.2 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

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### 41.3 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.

### 41.4 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.

### 41.5 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.

### 41.6 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

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Accounting for Council Tax and NDR (continued)

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.

### 41.7 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

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### 41.7 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

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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.

### 41.8 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.

### 41.9 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

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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.

### 41.10 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.

### 41.11 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

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- 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.

### 41.12 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.

### 41.13 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.

### 41.14 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

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### 41.14 Leases (continued)

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.

### 41.15 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.

### 41.16 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.

### 41.17 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

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### 41.17 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

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### 41.17 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

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### 41.17 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.

### 41.18 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.

### 41.19 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

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### 41.20 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.

### 41.21 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
<b>Expenditure</b>		
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
<b>Total Expenditure</b>	<b>9,931</b>	<b>11,189</b>
<b>Income</b>		
Dwelling rents	(11,805)	(11,750)
Non-dwelling rents	(346)	(336)
Charges for services and facilities	(817)	(841)
<b>Total Income</b>	<b>(12,968)</b>	<b>(12,927)</b>
<b>Net Income of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>(3,037)</b>	<b>(1,738)</b>
<b>Net Income of HRA Services</b>	<b>(3,037)</b>	<b>(1,738)</b>
<b>HRA share of Other Operating Income and Expenditure</b>		
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
<b>Deficit/(surplus) for the year on HRA services</b>	<b>(1,388)</b>	<b>330</b>

## HOUSING REVENUE ACCOUNT

### Movement on the HRA Statement

Note	2018/19 £'000	2019/20 £'000
<b>Balance on the HRA at the end of the previous year</b>	<b>2,040</b>	<b>1,901</b>
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)
<b>Increase before transfers to or from reserves</b>	<b>(1,138)</b>	<b>(830)</b>
Transfers from earmarked reserves	1,000	0
(Decrease)/increase in the year on the HRA	<b>(138)</b>	<b>(830)</b>
<b>Balance on the HRA at the end of the current year</b>	<b>1,901</b>	<b>1,071</b>

## 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
<b>Total adjustments between accounting basis and funding basis</b>	<b>935</b>	<b>(1,170)</b>

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

## HOUSING REVENUE ACCOUNT - NOTES

### 3. HRA Non-current Assets

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

	31 March 2019	31 March 2020
	£'000	£'000
<u>Property Plant &amp; Equipment</u>		
Dwellings	257,048	261,461
Other land and buildings	6,576	6,198
Surplus assets	0	282
Assets under construction	115	251
<b>Sub Total</b>	<b>263,739</b>	<b>268,192</b>
Intangible Assets	0	99
<b>Total all Assets</b>	<b>263,739</b>	<b>268,291</b>

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

	Dwellings	Other Land and Buildings	Surplus Assets	AUC	Intangible Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Net Book Value at 31 March 2018	256,091	6,554	0	0	0	262,645
Changes during the year	957	22	0	115	0	1,094
<b>Net Book Value at 31 March 2019</b>	<b>257,048</b>	<b>6,576</b>	<b>0</b>	<b>115</b>	<b>0</b>	<b>263,739</b>
Changes during the year	4,413	(378)	282	136	99	4,552
<b>Net Book Value at 31 March 2020</b>	<b>261,461</b>	<b>6,198</b>	<b>282</b>	<b>251</b>	<b>99</b>	<b>268,291</b>

Depreciation and amortisation charges during the year were as follows:

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

## 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
<b>Total revaluation losses</b>	<b>2,123</b>	<b>2,704</b>

### 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)
<b>Balance at 31 March</b>	<b>4,326</b>	<b>6,345</b>

#### 5. Capital Transactions

##### a) Capital Expenditure and Financing

	2018/19	2019/20
	£'000	£'000
<b>Capital Expenditure:</b>		
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
<b>Total Capital Expenditure</b>	<b>4,853</b>	<b>5,317</b>
<b>Sources of Finance:</b>		
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)
<b>Total Financing</b>	<b>(4,853)</b>	<b>(5,317)</b>

## 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)
<b>Net Rent Arrears at 31 March</b>	<b>652</b>	<b>516</b>

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



## COLLECTION FUND

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

	2018/19			2019/20		
	Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
<b>Amounts required by statute to be debited to the Fund</b>						
Council Tax receivable	(54,752)	0	(54,752)	(58,076)		(58,076)
NDR receivable	0	(28,817)	(28,817)	0	(25,958)	(25,958)
<b>Total amounts credited to the Fund</b>	<b>(54,752)</b>	<b>(28,817)</b>	<b>(83,569)</b>	<b>(58,076)</b>	<b>(25,958)</b>	<b>(84,034)</b>
<b>Amounts required by statute to be debited to the Fund</b>						
<b>Council Tax Precepts</b>						
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
<b>Total Council Tax Precepts</b>	<b>54,109</b>	<b>0</b>	<b>54,109</b>	<b>57,220</b>	<b>0</b>	<b>57,220</b>
<b>Distribution of NDR Income</b>						
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
<b>Total Distribution of NDR Income</b>	<b>0</b>	<b>28,753</b>	<b>28,753</b>	<b>0</b>	<b>26,484</b>	<b>26,484</b>
<b>Transitional Protection Payment</b>	<b>0</b>	<b>552</b>	<b>552</b>	<b>0</b>	<b>5</b>	<b>5</b>
<b>Impairment of Debts</b>						
Write-offs	32	411	443	(2)	430	428
Allowance for Impairment	275	(25)	250	572	124	696
<b>Total Impairment of Debts</b>	<b>307</b>	<b>386</b>	<b>693</b>	<b>570</b>	<b>554</b>	<b>1,124</b>
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)
<b>Total Movement on Fund Balance in the year</b>	<b>698</b>	<b>124</b>	<b>822</b>	<b>78</b>	<b>142</b>	<b>220</b>
<b>Movement on the Collection Fund</b>						
Opening fund balance	(957)	909	(48)	(259)	1,033	774
Movement on fund balance in the year	698	124	822	78	142	220
<b>Closing fund balance (note 5)</b>	<b>(259)</b>	<b>1,033</b>	<b>774</b>	<b>(181)</b>	<b>1,175</b>	<b>994</b>

## 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)
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
<b>D</b>	<b>£68,001 - £88,000</b>	<b>9/9</b>	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
<b>Total</b>			<b>28,350</b>	<b>32,937</b>	<b>28,697</b>	<b>33,294</b>

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 £71,278,764 (£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)
<b>Total</b>	<b>1,034</b>	<b>364</b>	<b>(750)</b>	<b>(943)</b>

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
<b>Total</b>	<b>(259)</b>	<b>1,033</b>	<b>(181)</b>	<b>1,175</b>

## GLOSSARY

Accounting period	The period of time covered by the accounts, normally a period of twelve months starting on 1 <sup>st</sup> April and ending on 31 <sup>st</sup> March the following year. The end of the accounting period is the balance sheet date.
Accounting policies	Those principles, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be recognised in the financial statements.
Accrual	A sum included in the accounts to cover income or expenditure attributable to an accounting period for goods received or works done, for which payment has not been received or made by the end of that accounting period. In other words, income and expenditure are recognised when they are earned or incurred, not when money is received or paid.
Actuary	A suitably qualified independent consultant employed to advise Essex councils on the financial position of the Pension Fund.
Actuarial gains and losses	Actuarial gains or losses for defined benefit pension schemes arise because events have not coincided with the actuarial assumptions made, or the actuarial assumptions have changed.
Agency	Agreement that the Council can undertake services on behalf of other authorities or the Government in its area.
Amortised Cost	The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.
Appropriation	The transfer of resources between the revenue or capital accounts and reserves held by the Council.
Asset	An item having value measurable in monetary terms. Assets can either be defined as non-current or current. A non-current asset has use and value for more than one year whereas a current asset (e.g. stocks or short term debtors) can more readily be converted into cash.
Audit	An independent examination of an organisation's activities, either by an internal audit section or equivalent or the organisation's external auditor.
Balance Sheet	This is a summary of the financial position of the Council. It shows the long-term and current assets and liabilities of the Council and its reserves.
Billing Authority	This is the Council as the body responsible for billing and collecting the Council Tax from all residential properties within the borough on behalf of itself, Essex County Council, Essex Fire Authority, Essex Police Authority and Parish Councils. The Council is also responsible for the billing and collection of National Non-Domestic Rates (NNDR or Business Rates) from commercial properties in the borough.
Budget	A budget is a financial statement that expresses the Council's service delivery plans and capital programmes in monetary terms.

## GLOSSARY

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

## GLOSSARY

Current Asset	An asset held which will be used, or received, within the next financial year.
Current Liability	An amount which will become payable within the next financial year.
Debtors	Amounts owed to the Council for goods or services provided, for which no payments have been received by the Council at the Balance Sheet date.
Deferred Liability	A liability which is not fully paid at the current time, but is due for payment either some time in the future, or over a period of time.
Deferred Receipt	Income still to be received where the Council has agreed that amounts are payable beyond the next year, either at some point in the future, or by an annual sum over a period of time.
Defined Benefit Pension Scheme	A pension scheme other than a defined contribution scheme. Usually the scheme rules define the benefits (annual pensions and retirement lump sums) independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
Depreciation	A measure of the amount of a non-current asset that has been consumed during the period. Consumption includes any reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through technical or other changes.
Discretionary Benefits	Retirement benefits which the Council has no legal, contractual, or constructive obligation to award but are awarded under discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.
Earmarked Reserve	A reserve held for a specific future purpose, including to carry forward a revenue underspend in one financial year to the next.
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

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

# ANNUAL GOVERNANCE STATEMENT

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## 1. **Introduction**

### **Scope of Responsibility**

Brentwood Borough Council is responsible for ensuring its business is conducted in accordance with the law and proper standards and that public money is safeguarded, 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 15<sup>th</sup> May 2013. The Constitution Working Group is in place to review effectiveness of and to ensure it conforms to best practice. The Monitoring officer has the authority to make and has made minor changes as appropriate throughout the year. The Constitution Working Group had a review meeting on 1<sup>st</sup> 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 22<sup>nd</sup> 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 22<sup>nd</sup> 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 22<sup>nd</sup> 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.

As the Council continues to adapt to new service delivery models and income generation models to put in place a sustainable financial strategy; the Policy, Projects and Resources Committee is delegated with the responsibility to monitor the performance, risks and delivery of such arrangements in delivering the Council's corporate plan and financial objectives. PRED as delegated shareholder is responsible for the monitoring the performance and risks associated with the activity of SAIL, the Councils wholly owned company. SAIL's annual business plan and any investment proposals are approved by PRED. In addition, the Chief Executive attends SAIL's annual Board meeting, supported by the Council's statutory officers and monthly meetings are held with officers of SAIL and the Council.

### **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

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- Planning and Licensing Committee
- Regulatory and Governance (introduced May 2018, decommissioned May 2019)

### **Working Groups**

- Constitution Working Group
- Leisure Strategy Working Group
- 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:

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- 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
- 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 January 2020 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 reimagined 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  
24 November 2020**

**Jonathan Stephenson  
Chief Executive  
24 November 2020**

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