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Agenda Supplement

Dear Councillor

AUDIT AND SCRUTINY COMMITTEE - TUESDAY, 6TH JULY, 2021

I am now able to enclose, for consideration at next Tuesday, 6th July, 2021 meeting of the Audit and Scrutiny Committee, the following reports that were unavailable when the agenda was printed.

Agenda No	Item
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4.	<u>Unaudited Statement of Accounts 2020-21</u> (Pages 3 - 128)
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Report of FIELD_AUTHOR
To follow.

Yours sincerely

Jonathan Stephenson
Chief Executive

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Agenda Item 4

Committee(s): Audit and Scrutiny Committee	Date: 6 th July 2021
Subject: Unaudited Statement of Accounts 2020/21	Wards Affected: All
Report of: Jacqueline Van Mellaerts, Corporate Director (Finance and Resources)	Public
Report Author/s: Name: Phoebe Barnes, Corporate Finance Manager Telephone: 01277 312500 E-mail: phoebe.barnes@brentwood.gov.uk Name: Jacqueline Van Mellaerts, Corporate Director (Finance and Resources) and Section 151 Officer. Telephone: 01277 312500 E-mail: Jacqueline.vanmellaerts@brentwood.gov.uk	For Decision & Note

Summary

This report presents the Council's unaudited Statement of Accounts for 2020/21, the accounts will be signed by the Corporate Director (Finance & Resources) by 31st July 2021 in line with requirements of the Accounts and Audit (Amendment) Regulations 2015. They will be published on the Council's website and will be subject to public inspection under section 26 of the Local Audit and Accountability Act 2014.

The Group accounts have been compiled with Seven Arches Investment Limited (SAIL) draft accounts. If the audited version is returned in time for publication, officers can make appropriate changes to the Council's group accounts by the publication deadline.

The Annual Governance Statement is an annual review and published alongside the statement of accounts. The Statement is also subject to external audit.

Recommendation(s)

- R1 To note the unaudited Statement of Accounts for 2020/21 in Appendix A.**
- R2 That the Annual Governance Statement 2020/21 attached in Appendix B is endorsed and signed by the Chief Executive and Leader of the Council and delegated authority is given to the Corporate Director (Finance & Resources) in consultation with the Chair of Audit & Scrutiny Committee to make any appropriate changes before publication and following External Auditors review should it be required.**

Main Report

Introduction and Background

1. This report presents the Unaudited statement of Accounts for 2020/21 for the Council and for the Group (the Council and its subsidiary company). They comprise the following sections:

a) Narrative Report

This provides an easily understandable guide to the most significant matters reported in the accounts.

b) Group Accounts

These statements and notes show the consolidated financial position of the Council and its subsidiary.

c) Movement in Reserves Statement

This summarises of the movements in the financial year within the different reserves held by the Council.

d) Comprehensive Income and Expenditure Statement

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

e) Balance Sheet

This sets out the financial position of the Council as 31 March 2021. The Balance Sheet reflects the balances and reserves, and net current assets employed in all its operations, together with summarised information on any fixed assets held.

f) Cash Flow Statement

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

g) Notes to the Core Financial Statements including Accounting Policies

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

h) Housing Revenue Account Income and Expenditure Statement

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

i) Collection Fund

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

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

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

Issue, Options and Analysis of Options

2. MHCLG has extended the deadline for the publication of Local Authorities unaudited accounts for 2020/21 to 31st July 2021, under the Accounts and Audit (Amendment) Regulations 2021. Prior to 2019/20, the deadline was 31st May of each year. Last year the deadline was extended to 31st August 2020.
3. The publication date of the audited statement of accounts has moved from 31st July to 30 September 2021.
4. Annual Governance Statement (AGS)

The proposed AGS, included In Appendix B, and upon publication will be incorporated into the Statement of Accounts for 2020/21. The AGS explains how the Council follows a code of Corporate Governance, which is consistent with the principles of CIPFA/SOLACE 'Delivering Good Governance in Local Government – Framework (2016)'. The AGS will be subject to external audit alongside the statement of accounts.

5. Headline figures

The headline figures from the unaudited accounts are as follows:

- a) General Fund Outturn deficit of £0.243m
- b) HRA outturn surplus of £0.409m
- c) Long-term assets of £498m
- d) Nets assets of £236m

Reasons for Recommendation

The approval of the unaudited Accounts contributes to effective financial management and governance and meets statutory requirements.

Consultation

No consultation required.

References to Corporate Strategy

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

Implications

Financial Implications

Name/Title: Jacqueline Van Mellaerts, Corporate Director (Finance & Resources) and Section 151 Officer

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

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

Legal Implications

Name & Title: Amanda Julian, Corporate Director (Law & Governance) and Monitoring Officer

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

All relevant legal considerations have been taken fully into account. The accounts need to be signed by the Section 151 Officer by 31st July 2021 in line with requirements of the Accounts and Audit (Amendment) Regulations 2021 and the 2015 Accounts and Audit Regulations. They will be published on the Council's website and will be subject to public inspection under section 26 of the Local Audit and Accountability Act 2014 the subsequently reviewed by the external auditors.

The production of the Annual Governance Statement is a statutory requirement of the Accounts and Audit (England) Regulations 2015. It is published with the Council's financial statements and will be reviewed by the external auditors.

Economic Implications

Name/Title: Phil Drane, Corporate Director (Planning and Economy)

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

There are no direct economic implications arising from this report.

Background Papers

Statement of Accounts working papers 2020/21.

Appendices to this report

Appendix A: Unaudited Statement of Accounts 2020/21

Appendix B: Annual Governance Statement 2020/21

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**BRENTWOOD
BOROUGH COUNCIL**

**DRAFT
STATEMENT OF ACCOUNTS
2020/21**

NARRATIVE REPORT

Introduction

The Narrative Report provides a concise guide to the most significant matters reported in the Statement of Accounts for the year ended 31 March 2021. Identifying how the Council used its financial and non- financial resources 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 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 Councils services and corporate priorities and deliver the corporate plan - Brentwood 2025.

NARRATIVE REPORT

The Council's key resources and assets are:

- a workforce of approximately 230 full-time equivalent staff as at March 2021
- council assets to the value of £420.489m, of which Council investment assets with the borough totalled £16.714 and "surplus assets" (held for strategic and for redevelopment purposes) totalled £92.303m
- a housing stock of 2,475 dwellings with a value of £277.873m as at 31st March 2021, generating rental income of £12m for 2020/21.
- annual income from fees & charges and investment income of £22.543m
- Tax base annual income of £7.058m
- Business Rates Tax Base of £68.017m as at 31st March 2021.

The Council's wholly owned subsidiary, Seven Arches Limited, contributed £2.502m 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 from a service level agreement with the Council for the provision of managerial and professional services.

The Council continues to balance its annual budget strategy despite no longer receiving revenue support grant from the Government.

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 2020/21

The Council made major progress in many key areas during 2020/21. The following is a summary of its key achievements.

1. Brentwood 2025

2020/21 saw the first full year since adopting the revised Corporate Strategy, **Brentwood 2025**. The annual review of this strategy was presented to Ordinary Council on 10th of March 2021. This review looked at associated key priorities for the year and how the Council had achieved them. The medium-term financial strategy continues to be agreed to deliver these 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

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.

In December 2020 applications were submitted for development through the partnership for Maple Close and Seven Arches. These were approved at March 2021 Planning committee. These developments plan to bring 18 residential units to the borough. Westbury Road and William Hunter ways sites, the options continue to be developed for consideration.

3. Improvement of Waste Management Services

The Council introduced a recycling scheme to improve the quality of recycling and reduce the number of polymer sacks issued by 80%. By eliminating single use orange recycling sacks, the Council was able to prevent 200+ tonnes of carbon emissions. The new recycling scheme kerbside collections were completed in August 2020; for communal properties collection 50% was achieved with the remaining to be completed within the year. The change in the scheme is forecast to generate approximately £180k in savings for the Council.

4. Local Development Plan

Work continued the Local Development Plan. On 22nd January 2020 Council approved the addendum of focussed changes to the pre-submission Local Plan and the Local Plan was submitted to the planning inspectorate (Reg 22) in February 2020. The plan is currently under examination and during the year 14 matters have been discussed at hearing sessions. As at the date of these accounts the LDP plan continues its examination process.

5. Affordable Housing

In October 2020, the Council established a clear and deliverable strategic Housing Development Plan. This plan aims to deliver much needed affordable housing within the borough across the HRA sites. The 2020/21 capital strategy and Housing Revenue Account contains the start of the financial capacity to progress with the programme. The Council submitted a planning application to build 60 carbon neutral homes, and the 2020/21 capital budget supports the delivering of this scheme.

6. Creation of a new Garden village at Dunton Hills

The Dunton Hills Garden Village continues to develop. During 2020-21 a 10-part community co-design process was carried out to support the design the of the village. 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

In 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.

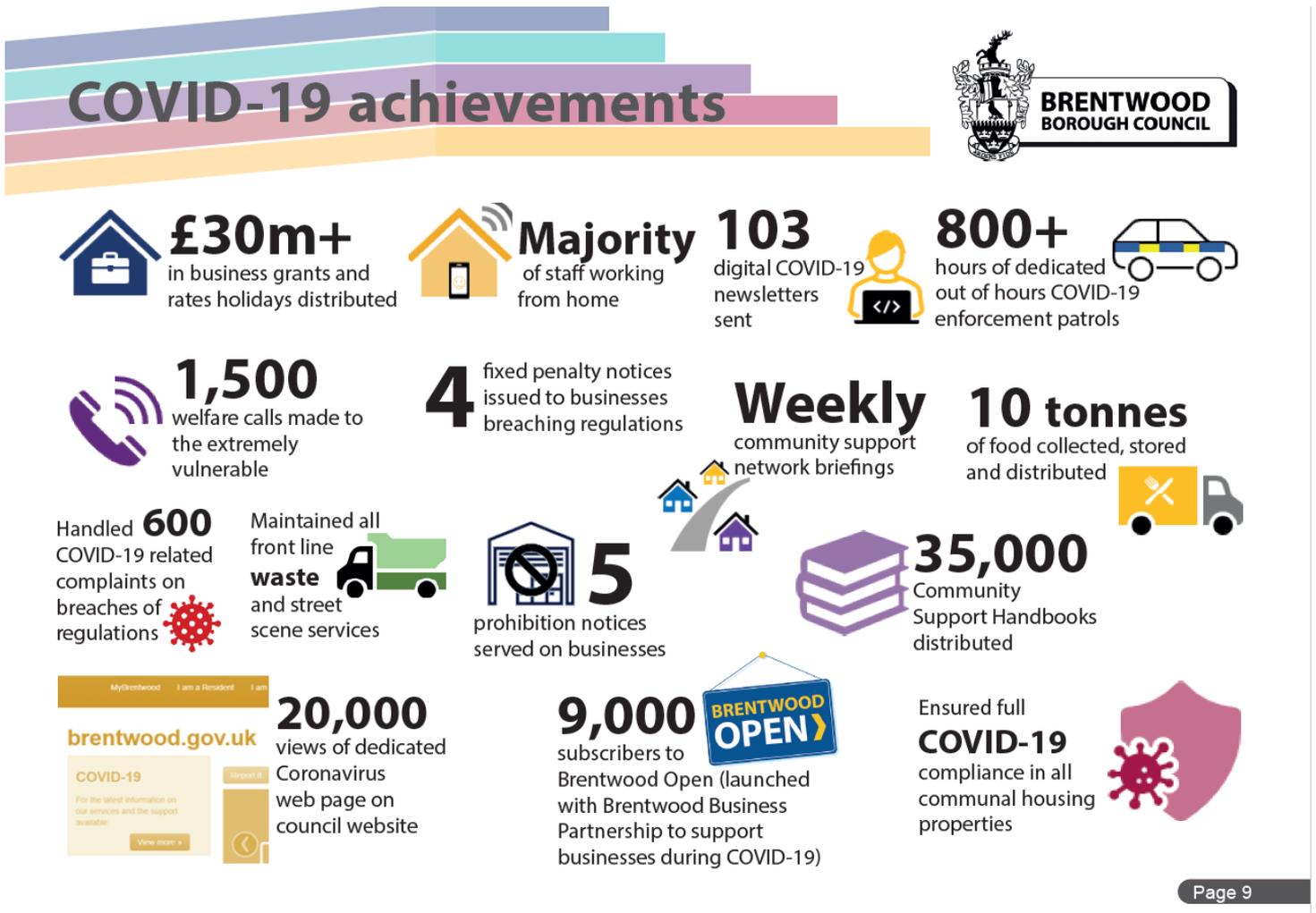
Outside, a new splash pad facility will be developed on the footprint of the old paddling pools. The fully accessible facility will be supported by new toilets, a kiosk selling hot and cold drinks and a new changing places facility. In addition to the splash pad, a new outdoor adventure play facility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

NARRATIVE REPORT

commencement of phase 1 of this project began in December 2020. The scheme is scheduled to be completed by Spring 2022.

8. COVID-19

In response to the national lockdowns imposed by Central Government, the Council has had to adapt to support the borough in remaining safe due to the pandemic. The Council adapted in many ways and continued to deliver frontline services whilst operating under restrictions. The data below expresses what the Council achieved during 2020-21



NARRATIVE REPORT

Financial Performance for 2020/21

The Council's financial performance is provided in full in the Statement of Accounts for 2020/21, in line with international financial reporting 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	Actual outturn	Variance
	£'000	£'000	£'000
Brentwood 2025– Service Expenditure			
Growing Our Economy	800	1,507	707
Protecting Our Environment	1,537	2,615	1,078
Developing Our Communities	781	1,130	349
Improving Housing	111	70	(41)
Delivering An Efficient & Effective Council	5,245	5,733	488
Contingency & Savings	(200)	0	200
Total Spend - Brentwood 2025	8,274	11,055	2,781
Operating and Financing Charges	548	39	(509)
Appropriations	(22)	396	418
Total Spending Requirement	8,800	11,490	2,690
Funding:			
Council Tax	(6,384)	(6,384)	0
Business Rates Income	(1,800)	(1,800)	0
Collection Fund Deficit	72	72	0
New Homes Bonus Grant	(688)	(697)	(9)
Income Compensation Grant	0	(1,106)	(1,106)
COVID-19 Grant	0	(983)	(983)
Other Grants	0	(349)	(349)
Total Funding	(8,800)	(11,247)	(2,447)
Deficit on General Fund Services	0	243	243

The General Fund provisional outturn shows a deficit of £0.243m compared to the break-even position originally budgeted for.

NARRATIVE REPORT

Housing Revenue Account

The financial performance for the HRA for 2020/21 is detailed below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Expenditure:			
Repairs and Maintenance	2,894	2,999	105
Supervision and Management	3,493	3,522	29
Rent, Rates, Taxes and Other Charges	186	161	(25)
Corporate and Non-Corporate Democratic Core	443	379	(64)
Depreciation and Impairment	2,970	2,949	(21)
Total Expenditure	9,986	10,010	24
Income:			
Dwelling Income	(12,012)	(12,002)	10
Non-Dwelling Income	(347)	(315)	32
Charges for Services and Facilities	(811)	(860)	(49)
Contributions to Expenditure	(10)	(9)	1
Total Income	(13,180)	(13,186)	(6)
Net Expenditure/(Income) on HRA Services	(3,194)	(3,176)	18
HRA Share of Other Operating Income & Expenditure			
Movement in the Allowance for Bad Debts	60	135	75
Interest Payable and similar charges	1,955	1,960	5
Interest and Investment Interest	(58)	(44)	14
Contribution to Capital Financing	975	500	(475)
Net Interest on the Net Defined benefit liability	175	216	41
Net Cost of HRA Services inc Operating charges	3,107	2,767	(340)
HRA Services (Surplus)	(87)	(409)	(322)

The net underspend of £0.409m against a budget underspend of £0.087m has been achieved by contributing less revenue to the capital program. This decision was made to build the HRA working balance up to a resilient level.

Full details of the key variances for General Fund and HRA financial performance are available in the 30th of June 2021 Policy, Resources & Economic Development Committee Agenda

NARRATIVE REPORT

Working Balances and Earmarked Reserves

The impact of the 2020/21 Outturn for the General Fund and the HRA on future working balances is detailed below:

General Fund

	2019/20	2020/21	2021/22	2022/23
	Actual	Actual	Budget	Budget
	£'000	£'000	£'000	£'000
<u>General Fund Balance</u>				
Working Balance B/Fwd	3,117	3,117	2,874	3,114
Surplus/(Funding Gap)	0	(243)	240	204
Working Balance C/fwd	3,117	2,874	3,114	3,318
G Fund Earmarked Reserves C/fwd	4,404	10,782	13,417	15,202

Housing Revenue Account

	2019/20	2020/21	2021/22	2022/23
	Actual	Actual	Budget	Budget
	£'000	£'000	£'000	£'000
<u>HRA Working Balance</u>				
Balance C/Fwd	1,071	1,480	1,914	1,932
HRA Earmarked Reserves	2,400	2,400	2,609	3,435
<u>Major Repair Reserves</u>				
Balance B/Fwd	6,345	6,474	1,954	1,877
Contributions in	2,949	3,008	3,013	2,919
Contributions out	(2,820)	(7,528)	(3,090)	(3,090)
Balance C/Fwd	6,474	1,954	1,877	1,706

NARRATIVE REPORT

Capital Programme

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

	Budget £'000	Outturn £'000	Variance £'000
Expenditure			
Growing Our Economy	0	0	0
Protecting Our Environment	2,152	1,488	(664)
Developing Our Communities	10,907	3,015	(7,892)
Improving Housing	13,415	4,587	(8,828)
Delivering An Efficient & Effective Council	116,808	116,746	(62)
Total Expenditure	143,282	125,836	(17,446)
Funding			
Capital Receipts	200	200	0
HRA Capital Receipts	1,602	468	(1,134)
Capital Grants	285	226	(59)
Major Repairs Reserve	7,769	2,820	(4,949)
Revenue Contributions	975	500	(475)
HRA Borrowing	2,764	608	(2,156)
Borrowing	129,687	121,014	(8,673)
Total Funding	143,282	125,836	(17,446)

There were significant delays to capital projects in 2020/21 due to the ongoing pandemic. At the start of the year, work ceased completely if deemed non-essential. Projects began to start when lockdown measures were eased, but the impact of adhering to social distancing measures has slowed projects down significantly. Prioritisation of works associated to COVID-19 has also meant that other projects have not got off the ground.

The year brought an opportunity to the Council to acquire three assets within the Borough at a cost of £89m. These assets were acquired to regenerate and shape the future of the borough by unlocking development opportunities, retaining employment opportunities, and enhancing the socio-economic offering within the Borough. The cost is recognised in the Developing an Efficient & Effective Council line.

Finally, the Council continued to loan to Seven Arches Investment Limited (SAIL). The Loan Facility agreement enabled the Council to loan up to £60 million to SAIL. This loan facility was fully utilised in September as SAIL requested the balance of this facility (£27.5m). This is also recognised in the Developing an Efficient & Effective Council line.

NARRATIVE REPORT

Treasury Management

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

Long term borrowing	£'000	Ave interest rate
HRA	59,166	3.26%
General Fund/Transferred Debt	49,167	2.46%
Total Long term borrowing	108,333	
Short term borrowing		
HRA	16	3.26%
General Fund/Transferred Debt	124,934	0.69%
Total Short term borrowing	124,950	
Total External borrowing	233,283	
Total Investments	0	
Net Borrowing Position	233,283	

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 has been taken out to provide capital finance to the Council's subsidiary, Seven Arches Investments Ltd and to fund the purchase of strategic property acquisitions.

The Council had a Capital Financing Requirement of £240.598m as at 31st March 2021, representing the Council's underlying borrowing need.

Pension Liability

The Council's Balance Sheet shows a net pension liability of £43.213m at 31 March 2021, 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 on the Council to pay 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. 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 future pension payments become due.

Medium Term Financial Strategy and Financial Outlook

The Corporate Strategy (Brentwood 2025 Where everyone matters) requires that the Council is committed to seeking innovative financial solutions that will allow the Council to deliver a prosperous borough to its residents, businesses and visitors.

In this context the Medium-Term Financial Strategy (MTFS) seeks to:

- maintain a sustainable financial position against a background of unprecedented financial uncertainty and reduced government funding, including the delivery of efficiency targets
- support the vision of our Borough through appropriate identification of resources required to deliver the key priorities outlined in the Corporate Strategy

NARRATIVE REPORT

- maximise opportunities and mitigate risks associated with the fundamental change to the way in which local government is financed.

The main issues impacting the MTFP include the reduction in Government Funding. Revenue Support Grant being nil from 2018/19 onwards. The Council has only received a settlement of one year from central government. A formal review of the New Homes Bonus Scheme is scheduled and the impact of any changes to this funding is unknown. The baseline for business rates retention was due to be reset for all authorities in 2020/21. In November, the Spending Review confirmed that this is to be deferred.

There is continued uncertainty over the financial impact of the pandemic on the council. The budget has been prepared based on normal business and issues will therefore be dealt with as they arise during the year.

The MTFS currently extends to 2023/24 and it forecasts a cumulative surplus £590k by 2023/24 for the General Fund. The following key areas support delivery of the MTFS and have been considered during the development of the budget:

- Fees and Charges
- Value for Money
- Inward Economic Development
- Leisure Strategy
- Digital Strategy
- Asset Management
- Seven Arches Investment Limited business plan
- Other Regeneration Developments

The ongoing viability of these initiatives will need to be reassessed to evaluate their viability given the ongoing impact of the pandemic. Services will need to continue to achieve efficiencies and continually review their working practices and operations to make them as efficient as possible.

Leisure Strategy Investments propose to seek future revenue savings, subject to Individual business cases being finalised and brought to committee for approval. 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 enable it to manage the risks which could impact on its ability to achieve its objectives. The risks reported to Committee in March 2021 were:

Risk	Score
Roll out of Universal Credit	V High (16)
Local Development Plan	V.High (15)
Brexit	High (12)
Failure to deliver a clear Leisure Strategy	High (12)
Failure to deliver key Corporate Projects	High (12)
Finance Pressures	High (10)
Disaster Recover/Continuity Planning	Med (8)
Commercial Activities	Med (8)
Information Management and Security	Med (8)
Contract/Partnership Failure	Med (8)

NARRATIVE REPORT

Failure to deliver the Council's Strategic Development Plan	Med (8)
Organisational Capacity	Med (6)
Treasury Management	Med (5)
Lack of strategic Direction	Low (4)

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 2020/21 Statement of Accounts

The Council has prepared the 2020/21 Accounts on a going concern basis, despite the impact of the COVID-19 pandemic.

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 ongoing impact of the pandemic, including with regard to the valuation of Council assets.

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, such as garden waste collection, in order to safeguard council employees and the community. 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.

NARRATIVE REPORT

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.

Guidance and support have been distributed in the form of 35,000 community support handbooks distributed, the Council has had 20,000 views on its specific webpage for Coronavirus. The Council has distributed 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.

The Council continues to administer grants to businesses affected by lockdown and individuals required to self-isolate, under the range of COVID-19 relief measures announced by Central Government. As at 22 June 2021 the Council had distributed grants totalling £32.5m. The Council also administered business rates reliefs totalling £12m in 2020/21 to local businesses. The Council has been fully reimbursed by Central Government for all of these grants.

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. In addition to this the Council was able to claim £1.106 million through the income compensation scheme.

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.

Since the budget was set in March 2020, the emergence of Covid-19 has fundamentally changed the financial regime for at least the 2020/21 financial year. 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).

NARRATIVE REPORT

- 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. 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, 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 was reported in July 2020 followed by a further update in December 2020. The Council published its revised Medium Term Financial Strategy February 2021. This strategy addressed the COVID impact on 20/21 and the uncertainties the Council faces for 2021/22 onwards.

The impact of the pandemic resulted in the Brentwood Leisure Trust falling into liquidation. The Trust managed the Brentwood Centre and provided the leisure facility in the borough. The Centre came back into Council operation in November 2020. Leisure and hospitality services have been significantly impacted during the pandemic and the centre was able to operate for 3 weeks under the Council's control before another lockdown was imposed. The Centre opened once again in April 2021 with full operation able in May 2021. It continues to operate a testing and vaccination centre for COVID-19

The Council recognises that despite the impact of COVID-19 the financial position has remained sound throughout 2020/21 to date. In February 2021, a detailed report to update the Medium-Term Financial Plan was published showing the Council forecasts that it can maintain a General Fund position over the next 3 years that ensures the Council's Minimum Reserve Balances do not fall below £2.5 million. The Council's ability to achieve this and maintain the level of service provision assumed by the Medium-Term Financial Plan will depend on the extent and duration of current income losses, its ability to refinance debt, the cost of replacement borrowing and its ability to borrow further should there be a need to do so. Considering all the above, there are material uncertainties that cast significant doubt upon the Council's ability to continue providing the current level of services without an increase in planned income.

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

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

The Section 151 Officer's Responsibilities

The Director of Corporate Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("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 2021 and of its expenditure and income for the year then ended.

Jacqueline Van Mellaerts CPFA, Director of Corporate Resources

Certification by the Chair of the Committee approving the accounts

Councillor Charles Nolan
Chair of Audit & Scrutiny Committee

GROUP ACCOUNTS

Introduction

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

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

Seven Arches Investments Ltd

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

The company was formed on 12 April 2018 as a commercial investment vehicle for the Council. Its principal activity is to invest in regeneration, redevelopment and the management of both residential & commercial assets within the Borough. This will continue to be its purpose for the foreseeable future.

The Council owns 100% of the company's shares, and two direct employees of the Council, the Corporate Finance Manager and the Strategic Director (Deputy Chief Executive), sit on the SAIL Management Board as directors with voting rights. The Board also consists of a third, non-voting director and two non-executive directors, both appointed during 2020.

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 Retained Earnings Reserve:

	Held for Revenue Purposes					Held for Capital Purposes			Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance	SAIL Retained Earnings Reserve	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Balance at 31 March 2020	3,117	(1,653)	4,404	1,071	2,400	2,065	751	6,345	18,500	193,981	212,481
Movement in reserves during 2020/21:											
Surplus/(Deficit) on Provision of Services	(4,051)	(4,172)	0	3,242	0	0	0	0	(4,981)	0	(4,981)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	22,339	22,339
Total Comprehensive Income and Expenditure	(4,051)	(4,172)	0	3,242	0	0	0	0	(4,981)	22,339	17,358
Transfer of recharges from General Fund to HRA	1,696	0	0	(1,696)	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations	8,491	0	0	(1,137)	0	539	145	128	8,166	(8,166)	0
Total movement in reserves during 2020/21	6,136	(4,172)	0	409	0	539	145	128	3,185	14,173	17,358
Transfers (to)/from Earmarked Reserves	(6,379)	0	6,379	0	0	0	0	0	0	0	0
Balance at 31 March 2021	2,874	(5,825)	10,783	1,480	2,400	2,604	896	6,473	21,685	208,154	229,839

	Held for Revenue Purposes					Held for Capital Purposes			Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance	SAIL Retained Earnings Reserve	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Balance at 31 March 2019	3,117	(691)	4,821	1,901	2,400	3,167	680	4,326	19,721	189,845	209,566
Movement in reserves during 2020/21:											
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
Total movement in reserves during 2020/21	(417)	(962)	0	(830)	0	(1,102)	71	2,019	(1,221)	4,136	2,915
Transfers (to)/from Earmarked Reserves	417	0	(417)	0	0	0	0	0	0	0	0
Balance at 31 March 2020	3,117	(1,653)	4,404	1,071	2,400	2,065	751	6,345	18,499	193,981	212,481

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

	2020/21			2020/21		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Growing Our Economy	2,263	(1,036)	1,227	5,507	(3,821)	1,686
Protecting Our Environment	8,145	(5,399)	2,746	8,706	(4,256)	4,450
Developing Our Communities	1,810	(539)	1,271	2,576	(1,053)	1,523
Improving Housing	1,291	(881)	410	782	(871)	(89)
Delivering An Efficient & Effective Council	19,347	(12,433)	6,914	19,741	(12,537)	7,204
Commercial Activity	728	(911)	(183)	1,520	(2,546)	(1,026)
Housing Revenue Account	11,189	(12,927)	(1,738)	8,492	(13,073)	(4,581)
Cost of Services	44,773	(34,126)	10,647	47,324	(38,157)	9,167
Other operating expenditure	738	(180)	558	1,236	(888)	348
Financing and investment income & expenditure	4,568	(1,309)	3,259	4,579	(905)	3,674
Taxation and non-specific grant income & expenditure	0	(9,245)	(9,245)	0	(12,128)	(12,128)
(Surplus)/Deficit on Provision of Services	50,079	(44,860)	5,219	53,139	(52,078)	1,061
Deficit/(surplus) on revaluation of non current assets	0	(5,655)	(5,655)	0	(21,264)	(21,264)
Remeasurement of the net defined benefit pension liability	0	(2,479)	(2,479)	2,455	0	2,455
Other Comprehensive Income and Expenditure	0	(8,134)	(8,134)	2,455	(21,264)	(18,809)
Total Comprehensive Income and Expenditure	50,079	(52,994)	(2,915)	55,594	(73,342)	(17,748)

GROUP BALANCE SHEET

This statement summarises the financial position of the group at 31 March 2021:

Note	31 March 2020 £'000	31 March 2021 £'000
Property, Plant and Equipment:-		
Council dwellings	261,461	277,872
Other Land and Buildings	32,811	38,466
Vehicles, plant and equipment	2,495	3,938
Infrastructure	1,133	1,732
Community Assets	2,937	2,937
Surplus Assets	1,707	92,303
Assets Under Construction	720	3,241
	303,264	420,489
2 Intangible Assets	115	66
2 Investment Property	29,138	69,685
Long-term Debtors	585	314
Long-term Assets	333,102	490,554
Short-term Investments	10	0
Inventories	238	110
3 Short-term Debtors	6,612	16,366
Cash and Cash Equivalents	20,263	24,098
Current Assets	27,123	40,574
4 Short-term Borrowing	(35,122)	(124,950)
4 Short-term Creditors	(6,172)	(18,533)
Provisions	(1,968)	(2,732)
Receipts in Advance - Revenue	(1,454)	(1,527)
Current Liabilities	(44,716)	(147,742)
Long-term Borrowing	(61,347)	(108,333)
Grants Receipts in Advance	(1,844)	(2,002)
Net Pension Liability	(39,837)	(43,213)
Long-term Liabilities	(103,028)	(153,548)
Net Assets	212,481	229,838

GROUP BALANCE SHEET

Note	31 March 2020 £'000	31 March 2021 £'000
General Fund Balance	3,117	2,875
Housing Revenue Account Balance	1,071	1,480
Capital Receipts Reserve	2,065	2,604
Capital Grants Unapplied Account	751	896
Major Repairs Reserve	6,345	6,473
Earmarked Reserves	6,804	13,181
SAIL Retained Earnings Account	(1,653)	(5,826)
Usable Reserves	18,500	21,683
Revaluation Reserve	110,226	133,242
Capital Adjustment Account	123,821	123,670
Deferred Capital Receipts	308	300
Pension Reserve	(39,837)	(43,213)
Accumulated Absences Adjustment Account	(88)	(169)
Collection Fund Adjustment Account	(449)	(5,675)
Unusable Reserves	193,981	208,155
Total Reserves	212,481	229,838

Jacqueline Van Mellaerts CPFA, Director of Corporate Resources

GROUP CASH FLOW STATEMENT

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

Note	2019/20	2020/21
	£'000	£'000
Net deficit on the provision of services	5,219	4,591
Adjustments for non cash movements:-		
Depreciation of non current assets	(4,056)	(3,892)
Amortisation of intangible assets	(254)	(147)
Revaluation adjustments	(3,056)	(722)
(Increase)/decrease in bad debts provision	(415)	(148)
(Increase)/decrease in creditors	(1,122)	(14,810)
Increase/(decrease) in debtors	696	3,588
Increase/(decrease) in inventories	181	(128)
Movement in pension liabilities	(862)	(920)
Amounts transferred to Collection Fund Adjustment Account	(67)	(5,226)
Amounts transferred to Accumulated Absences Adjustment Account	(2)	(81)
Carrying amounts of non-current assets sold	(355)	(970)
Increase in provisions	(387)	442
Movement in value of investment properties	(119)	39,141
Other non cash movements	5	128
Total adjustments for non cash movements	(9,813)	16,255
Adjustments for investing or financing activities		
Proceeds from the sale of non-current assets	506	1,858
Capital Grants	429	610
Total adjustment for investing or financing activities	935	2,468
Net cash in-flow from Operating Activities	(3,659)	23,314
Investing Activities:-		
Purchase of property, plant & equipment and intangible assets	10,844	98,111
Proceeds from the sale of property, plant & equipment	(506)	(1,858)
Proceeds from short term investments	(1,990)	(10)
(increase)/decrease in capital grants	(1,743)	(668)
	6,605	95,575
Financing Activities:-		
Cash receipts of short-term and long-term borrowing	(37,000)	(236,813)
Repayments of short-term and long-term borrowing	13,942	100,000
Decrease/(increase) in Collection Fund Agency creditors	(601)	14,089
	(23,659)	(122,724)
Net (increase)/decrease in cash and cash equivalents	(20,713)	(3,835)
Cash and cash equivalents at the beginning of the reporting period	(450)	20,263
Cash and cash equivalents at the end of the reporting period	20,263	24,098
Movement in cash & cash equivalents	20,713	3,835

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 2020/21. 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 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

	2020/21 £'000	2020/21 £'000	2020/21 £'000	2020/21 £'000	2020/21 £'000	2020/21 £'000
	Commercial Premises	Land	Total	Commercial Premises	Land	Total
Balance at start of the year	18,432	2,931	21,363	26,145	2,993	29,138
Acquired during the year	0	0	0	43,355	0	43,355
Net gains from fair value adjustments						
- through Comprehensive Income & Expenditure Account	(181)	62	(119)	(4,214)	0	(4,214)
- through Revaluation Reserve	(213)	0	(213)	0	0	0
Transfers from Assets Under Construction	6,746	0	6,746	1,406	0	1,406
Transfers from Land & Buildings & Surplus Assets	1,361	0	1,361	0	0	0
Balance at end of the year	26,145	2,993	29,138	66,692	2,993	69,685

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.

NOTES TO THE GROUP ACCOUNTS

3. Debtors

	31 March 2020			31 March 2021		
	£'000	£'000	£'000	£'000	£'000	£'000
	Gross Debt	Impairment Allowance	Net Debt	Gross Debt	Impairment Allowance	Net Debt
Trade receivables	1,957	(78)	1,879	598	0	598
Housing rents arrears	1,475	(974)	501	1,584	(1,111)	473
Financial assets at contract amounts	3,432	(1,052)	2,380	2,182	(1,111)	1,071
Central Government	973	0	973	8,859	0	8,859
Other local authorities	1,463	0	1,463	4,338	0	4,338
Council tax arrears	535	(246)	289	678	(246)	432
Non domestic rates arrears	1,006	(473)	533	1,452	(551)	901
Other sundry receivables	1,714	(1,074)	640	1,538	(1,162)	376
Prepayments	334	0	334	389	0	389
Total	9,457	(2,845)	6,612	19,436	(3,070)	16,366

4. Creditors

	31 March	31 March
	2020	2021
	£'000	£'000
Trade payables	2,316	8,431
Financial liabilities at contract amounts	2,316	8,431
Central Government	836	7,811
Other local authorities	754	507
Council tax pre-payments	132	111
Non domestic rates pre-payments	253	489
Other sundry payables	728	130
Receipts in advance	1,153	1,054
Total	6,172	18,533

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
	2020	2021
	£'000	£'000
Not later than one year	1,276	3,875
Later than one year and not later than five years	4,666	14,850
Later than five years	5,999	23,043
Total	11,941	41,768

NOTES TO THE GROUP ACCOUNTS

7. Joint Venture

SAIL has a 50% holding in a joint venture (JV), Brentwood Development Partnership LLP, formed in July 2019. The purpose of the JV is to assisting Brentwood Borough Council in meeting its objectives in regenerating the residential, leisure, social and commercial infrastructure within the Borough.

The ownership of the private sector partnership interest in the JV transferred during 2020/21 from the original partner, Morgan Sindall Investments Ltd, to Muse Developments Ltd (part of the Morgan Sindall plc group).

The JV has identified a number of sites within the Borough for redevelopment, and it is anticipated that the first redevelopment activity will commence in 2021/22.

At the date of these accounts, the JV was operating at a loss due to the pre-development costs associated with the various sites. The JV prepares its accounts on a calendar year basis, and the cumulative deficit as at 31 December 2020 was £0.275m, which was funded by a loan of £0.660m by the private sector partner. The arrangement is that when profits materialise from the developments, the loans will be recouped, and the remaining profits will be distributed on a 50:50 basis between the two partners.

The operating costs, assets and liabilities of the JV have not been consolidated into the group accounts, on the basis that the up-front costs were being funded by the partner as at the date of these accounts.

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 2021 line shows the statutory General Fund balance and Housing Revenue Account balance following these adjustments.

Movement in Reserves Statement 2020/21

	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			
Balance at 31 March 2020	3,117	4,404	1,071	2,400	2,065	751	6,345	20,153	193,981	214,134
Movement in reserves during 2020/21:										
Surplus/(Deficit) on Provision of Services	(4,052)	0	3,242	0	0	0	0	(810)	0	(810)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	22,339	22,339
Total Comprehensive Income and Expenditure	(4,052)	0	3,242	0	0	0	0	(810)	22,339	21,529
Transfer of recharges from General Fund to HRA	1,696	0	(1,696)	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations (note 4)	8,491	0	(1,137)	0	539	145	128	8,166	(8,166)	0
Total movement in reserves during 2020/21	0	0	409	0	539	145	128	7,356	14,173	21,529
Transfers (to)/from Earmarked Reserves (note 5)	(6,378)	6,378	0	0	0	0	0	0	0	0
Balance at 31 March 2021	2,874	10,782	1,480	2,400	2,604	896	6,473	27,509	208,154	235,663

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			
Balance at 31 March 2019	3,117	4,821	1,901	2,400	3,167	680	4,326	20,412	189,845	210,257
Movement in reserves during 2020/21:										
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
Total movement in reserves during 2020/21	(417)	0	(830)	0	(1,102)	71	2,019	(259)	4,136	3,877
Transfers (to)/from Earmarked Reserves (note 5)	417	(417)	0	0	0	0	0	0	0	0
Balance at 31 March 2020	3,117	4,404	1,071	2,400	2,065	751	6,345	20,153	193,981	214,134

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	2019/20			2020/21		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
	2,263	(1,036)	1,227	5,507	(3,821)	1,686
	8,145	(5,399)	2,746	8,706	(4,228)	4,478
	1,810	(539)	1,271	2,576	(1,053)	1,523
	1,291	(881)	410	782	(871)	(89)
	19,348	(12,155)	7,193	19,741	(11,957)	7,784
	11,189	(12,927)	(1,738)	8,602	(13,185)	(4,583)
	44,046	(32,937)	11,109	45,914	(35,115)	10,799
6	738	(180)	558	1,236	(888)	348
7	3,701	(1,866)	1,835	4,583	(2,792)	1,791
8	0	(9,245)	(9,245)	0	(12,128)	(12,128)
	48,485	(44,228)	4,257	51,733	(50,923)	810
21	0	(5,655)	(5,655)	0	(24,794)	(24,794)
40	0	(2,479)	(2,479)	2,455	0	2,455
	0	(8,134)	(8,134)	2,455	(24,794)	(22,339)
	48,485	(52,362)	(3,877)	54,188	(75,717)	(21,529)

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 2020 £'000	31 March 2021 £'000
9	Property, Plant and Equipment:-	
	261,461	277,873
	32,811	38,465
	2,495	3,938
	1,133	1,732
	2,937	2,937
	1,707	92,303
	720	3,241
	<u>303,264</u>	<u>420,489</u>
11	115	66
13	17,398	16,714
14	33,085	60,314
	<u>353,862</u>	<u>497,583</u>
15	10	0
	238	110
16	5,095	17,059
17	2,220	21,223
	<u>7,563</u>	<u>38,392</u>
15	(35,122)	(129,950)
18	(5,719)	(17,492)
17	0	0
32	(1,454)	(2,795)
19	(1,968)	(1,527)
	<u>(44,263)</u>	<u>(151,764)</u>
15	(61,347)	(103,333)
32	(1,844)	(2,002)
40	(39,837)	(43,213)
	<u>(103,028)</u>	<u>(300,312)</u>
	<u>214,134</u>	<u>235,663</u>

CORE FINANCIAL STATEMENTS – BALANCE SHEET

Note	31 March 2020 £'000	31 March 2021 £'000
20	General Fund Balance	3,117
20	Housing Revenue Account Balance	2,875
20	Capital Receipts Reserve	1,480
20	Capital Grants Unapplied Account	2,604
4	Major Repairs Reserve	751
5	Earmarked Reserves	6,345
	Usable Reserves	6,804
		20,153
21	Revaluation Reserve	110,226
22	Capital Adjustment Account	133,242
23	Deferred Capital Receipts	123,669
24	Pension Reserve	308
25	Accumulated Absences Adjustment Account	(39,837)
26	Collection Fund Adjustment Account	(43,213)
	Unusable Reserves	(88)
		(449)
		208,154
	Total Reserves	214,134
		235,663

Jacqueline Van Mellaerts CPFA, Director of Corporate Resources

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	2019/20		2020/21	
	£'000	£'000	£'000	£'000
Net deficit on the provision of services		4,003		810
Adjustments for non cash movements:-				
Depreciation of non current assets	(4,056)		(3,892)	
Amortisation of intangible assets	(254)		(147)	
Revaluation adjustments	(2,802)		(722)	
(Increase)/decrease in bad debts provision	(415)		(148)	
(Increase)/decrease in creditors	(780)		(13,794)	
Increase/(decrease) in debtors	18,325		31,010	
Increase/(decrease) in inventories	181		(128)	
Movement in pension liabilities	(862)		(920)	
Amounts transferred to Collection Fund Adjustment Account	(67)		(5,226)	
Amounts transferred to Accumulated Absences Adjustment Account	(2)		(81)	
Carrying amounts of non-current assets sold	(355)		(970)	
Increase in provisions	(550)		442	
Movement in value of investment properties	748		(684)	
Other non cash movements	(25)		128	
Total adjustments for non cash movements		9,086		4,868
Adjustments for investing or financing activities				
Proceeds from the sale of non-current assets	535		1,858	
Capital Grants	429		610	
Total adjustment for investing or financing activities		964		2,468
Net cash in-flow from Operating Activities		14,053		8,146
Investing Activities:-				
Purchase of property, plant & equipment and intangible assets	10,844		98,111	
Proceeds from the sale of property, plant & equipment	(506)		(1,858)	
Proceeds from short term investments	(1,990)		(10)	
(increase)/decrease in capital grants	(1,743)		(668)	
		6,605		95,575
Financing Activities:-				
Cash receipts of short-term and long-term borrowing	(37,000)		(236,813)	
Repayments of short-term and long-term borrowing	13,942		100,000	
Decrease/(increase) in Collection Fund Agency creditors	(601)		14,089	
		(23,659)		(122,724)
Net (increase)/decrease in cash and cash equivalents		(3,001)		(19,003)
17 Cash and cash equivalents at the beginning of the reporting period		(781)		2,220
17 Cash and cash equivalents at the end of the reporting period		2,220		21,223
Movement in cash & cash equivalents		3,001		19,003

NOTES TO THE ACCOUNTS - INDEX

<u>Notes to the Core Financial Statements</u>	Page
<u>Comprehensive Income & Expenditure Statement</u>	
1 Expenditure Funding & Analysis	28-29
2 Note to the Expenditure & Funding Analysis	30-31
3a Expenditure and funding analysed by nature	32
3b Revenue from contracts with service recipients	32-33
4 Adjustments between accounting basis and funding basis under regulation	33-36
5 Transfers to/from earmarked reserves	36-37
6 Other Operating Expenditure	38
7 Financing and Investment Income and Expenditure	38
8 Taxation and Non-Specific Grant Income	39
 <u>Balance Sheet</u>	
9 Property, Plant and Equipment	39-41
10 Capital Expenditure and Capital Financing	42
11 Intangible Assets	42
12 Heritage Assets	43
13 Investment properties	43
14 Long term debtors	44
15 Financial instruments	44-46
16 Debtors	46
17 Cash and cash equivalents	46
18 Creditors	47
19 Provisions	47-48
20 Usable reserves	48
21 Revaluation Reserve	48
22 Capital Adjustment Account	48-49
23 Deferred Capital Receipts Reserve	49
24 Pensions Reserve	50
25 Accumulating Absences Adjustment Account	50
26 Collection Fund Adjustment Account	50
 <u>Other notes</u>	
27 Trading operations	51
28 Members' allowances	51
29 Officers' remuneration	51-53
30 Termination benefits	53
31 External Audit costs	53
32 Grant income	54-55
33 Related parties	55-57
34 Leases	58-59
35 Accounting standards that have been issued but have not yet been adopted	59
36 Events after the balance sheet date	59
37 Nature and extent of risks arising from financial instruments	60-61
38 Assumptions made about the future and other major sources of estimation uncertainty	61-63
39 Critical judgements in applying accounting policies	64
 <u>Pension liabilities</u>	
40 Defined benefit pension schemes	65-71
 <u>Accounting Policies</u>	
41 Significant accounting policies	72-84

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 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>2020/21</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	1,507	179	1,686
Protecting Our Environment	2,615	1,863	4,478
Developing Our Communities	1,130	393	1,523
Improving Housing	70	(159)	(89)
Delivering An Efficient & Effective Council	5,733	2,051	7,784
Housing Revenue Account	(409)	(4,174)	(4,583)
Net Cost of Services	10,646	153	10,799
Other income & expenditure Total	(10,812)	823	(9,989)
Deficit/(surplus)	(166)	976	810
Opening General Fund and HRA Balance at 31 March 2020*	(10,992)		
Add (Surplus) on General Fund and HRA balance in year	(166)		
Add transfer from Income & Expenditure to Earmarked Reserves	(6,378)		
Closing General Fund and HRA Balance at 31 March 2021*	(17,536)		

* 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)

2019/20	Net Expenditure Chargeable to the General Fund and HRA Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£000	£000	£000
Service			
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)
Net Cost of Services	9,297	1,812	11,109
Other income & expenditure Total	(8,467)	1,614	(6,852)
Deficit	830	3,426	4,257
Opening General Fund and HRA Balance at 31 March 2019*	(12,239)		
Less Deficit on General Fund and HRA balance in year	830		
Less transfer to Income & Expenditure from Earmarked Reserves	417		
Closing General Fund and HRA Balance at 31 March 2020*	(10,992)		

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

NOTES TO THE ACCOUNTS

2. Notes to the Expenditure and Funding Analysis

Adjustments between Accounting Basis and Funding Basis 2020/21				
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Growing Our Economy	0	159	20	179
Protecting Our Environment	798	465	600	1,863
Developing Our Communities	158	100	135	393
Improving Housing	(244)	66	19	(159)
Delivering An Efficient & Effective Council	834	177	1,040	2,051
Housing Revenue Account	(1,307)	156	(3,023)	(4,174)
Net Cost of Services	239	1,123	(1,209)	153
Other Income & Expenditure	(1,304)	(248)	2,375	823
Total	(1,065)	875	1,166	976

Adjustments between Accounting Basis and Funding Basis 2019/20				
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Growing Our Economy	2	201	256	459
Protecting Our Environment	511	667	322	1,500
Developing Our Communities	402	136	83	621
Improving Housing	201	104	59	364
Delivering An Efficient & Effective Council	(166)	110	1,492	1,436
Housing Revenue Account	1,041	130	(3,739)	(2,568)
Net Cost of Services	1,991	1,348	(1,527)	1,812
Other Income & Expenditure	87	(486)	2,013	1,614
Total	2,078	862	486	3,426

NOTES TO THE ACCOUNTS

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

Adjustments for Capital Purposes

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

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

Net Change for the Pensions Adjustment

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

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

Other

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

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

NOTES TO THE ACCOUNTS

3a. Expenditure & Income Analysed by Nature

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

Expenditure	2019/20 £'000	2020/21 £'000
Employee benefits expenses	11,816	12,418
Other services expenses	25,356	28,668
Depreciation, amortisation & impairment (note 9)	7,366	5,445
Interest payments	3,209	3,966
Precepts & levies (note 6)	549	576
Payments to the Housing Capital Receipts Pool (note 6)	189	660
Total expenditure	48,485	51,733
Income		
Fees, charges and other service income		
- Revenue from contracts with service recipients (note 3b)	(19,519)	(19,075)
- Other income	(1,733)	(1,512)
Interest and investment income (note 7)	(645)	(1,956)
Income from council tax and non domestic rates	(7,056)	(2,116)
Grants and contributions (note 31)	(14,347)	(25,376)
Gain on revaluation of investment properties (note 14)	(748)	0
Gain on the disposal of assets (note 7)	(180)	(888)
Total income	(44,228)	(50,923)
Deficit on the provision of services	4,257	810

3b. Revenue from Contract with Service Recipients

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

	31 March 2020 £'000	31 March 2021 £'000
Revenue from contracts with service recipients	(19,519)	(19,075)
Impairment of receivables	(1)	(29)
Total included in CIES	(19,520)	(19,104)

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 2020 £'000	31 March 2021 £'000
Receivables (included as debtors - see note 16)	945	965
Total included in Balance Sheet	945	965

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 2020 £'000	31 March 2021 £'000
Not later than one year	(675)	(506)
Later than one year	0	0
Total	(675)	(506)

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>2020/21</u>	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Total £'000
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive & Income Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs (transferred to/from the Pensions Reserve)	765	156	0	0	0	921
Council Tax & NNDR (transfers to/from the Collection Fund Adjustment Account)	5,226	0	0	0	0	5,226
Holiday pay (transferred to/from to the Accumulated Absences Reserve)	67	13	0	0	0	80
Reversal of entries relating to capital expenditure (charged to the Capital Adjustment Account).	2,388	3,491	0	0	0	5,879
Total Adjustments to Revenue Resources	8,446	3,660	0	0	0	12,106
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds to the Capital Receipts Reserve	(10)	(1,848)	1,858	0	0	0
Payments to the government housing receipts pool	660	0	(660)	0	0	0
Transfer of HRA resources from revenue to the Major Repairs Reserve	0	(2,949)	0	0	2,949	0
Capital Grants unapplied	(605)	0	0	145	0	(460)
Total Adjustments between Revenue and Capital Resources	45	(4,797)	1,198	145	2,949	(460)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(668)	0	0	(668)
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	(2,820)	(2,820)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	9	0	0	9
Total Adjustments to Capital Resources	0	0	(659)	0	(2,820)	(3,479)
Total Adjustments	8,491	(1,137)	539	145	129	8,167

NOTES TO THE ACCOUNTS

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

<u>2019/20</u>	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Total £'000
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive & Income Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs (transferred to/from the Pensions Reserve)	731	131	0	0	0	862
Council Tax & NNDR (transfers to/from the Collection Fund Adjustment Account)	67	0	0	0	0	67
Holiday pay (transferred to/from to the Accumulated Absences Reserve)	3	(1)	0	0	0	2
Reversal of entries relating to capital expenditure (charged to the Capital Adjustment Account).	1,318	4,483	0	0	0	5,801
Total Adjustments to Revenue Resources	2,119	4,613	0	0	0	6,732
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds to the Capital Receipts Reserve	(39)	(497)	507	0	0	(29)
Payments to the government housing receipts pool	189	0	(189)	0	0	0
Transfer of HRA resources from revenue to the Major Repairs Reserve	0	(2,946)	0	0	2,946	0
Capital Grants unapplied	(429)	0	0	71	0	(358)
Total Adjustments between Revenue and Capital Resources	(279)	(3,443)	318	71	2,946	(387)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,517)	0	0	(1,517)
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	(927)	(927)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	97	0	0	97
Total Adjustments to Capital Resources	0	0	(1,420)	0	(927)	(2,347)
Total Adjustments	1,840	1,170	(1,102)	71	2,019	3,998

5. Transfers to and from Earmarked Reserves

This note sets out the amounts transferred to and from the General Fund and Housing Revenue Account balances and earmarked reserves in 2020/21.

	2019/20				2020/21				
	Balance at 1 April 2019 £'000	Transfers to CIES £'000	Transfers from CIES £'000	Balance at 31 March 2020 £'000	Balance at 1 April 2020 £'000	Transfers to CIES £'000	Internal transfers £'000	Transfers from CIES £'000	Balance at 31 March 2021 £'000
General Fund									
Mitigation Reserves									
Organisational Transformation	962	(962)	0	0	0	0	0	0	0
Funding Volatility	1,705	(1,028)	668	1,345	1,345	(63)	(198)	259	1,343
Housing Benefit Subsidy	150	0	0	150	150	0	0	0	150
Insurance and Risk Management	0	0	25	25	25	0	0	0	25
In Borough Regeneration	0	0	0	0	0	0	0	426	426
Total Mitigation Reserves	2,817	(1,990)	693	1,520	1,520	(63)	(198)	685	1,944

NOTES TO THE ACCOUNTS

	2019/20				2020/21				
	Balance at 1 April 2019	Transfers to CIES	Transfers from CIES	Balance at 31 March 2020	Balance at 1 April 2020	Transfers to CIES	Internal transfers	Transfers from CIES	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund									
Service Reserves									
ICT Investment	100	0	0	100	100	0	(100)	0	0
Community Alarms	138	(26)	0	112	112	0	(112)	0	0
Asset Management	164	0	0	164	164	0	0	0	164
Electoral Registration	43	0	0	43	43	0	0	0	43
Economic Development	0	0	300	300	300	0	0	0	300
Building Control	1	(1)	0	0	0	0	0	0	0
Brentwood Community Fund	9	(7)	0	2	2	0	(2)	0	0
High Street Fund	0	0	200	200	200	0	0	0	200
Environmental Initiatives	0	0	100	100	100	(8)	0	0	92
Planning Enforcement	0	0	200	200	200	(70)	0	0	130
Service Investment and Initiatives	0	0	200	200	200	(4)	0	0	196
Legal Resource	0	0	0	0	0	0	100	0	100
Leisure Contingency	0	0	0	0	0	(200)	200	200	200
LGV Driver Training	0	0	0	0	0	0	0	10	10
Parking Strategy/MSCP Clean	0	0	0	0	0	0	0	21	21
Digital, Customer & Comms	0	0	0	0	0	0	0	134	134
Planning Development	0	0	0	0	0	0	0	78	78
Election Costs	0	0	0	0	0	0	0	70	70
Total Service Reserves	455	(34)	1,000	1,421	1,421	(282)	86	513	1,738
Specific Reserves									
Waste Management	583	(24)	36	595	595	(190)	0	0	405
Dunton Hills Development	120	(105)	0	15	15	(15)	0	0	0
Nightingale Maintenance	306	(4)	0	302	302	(4)	0	0	298
Planning Delivery Grant	55	(2)	0	53	53	(53)	0	0	0
Preventing Homelessness	153	(34)	0	119	119	(19)	0	0	100
EU Exit Grant	118	0	35	153	153	0	(100)	0	53
Brentwood Community Hospital	45	(5)	0	40	40	0	0	0	40
Community Rights	38	0	0	38	38	0	0	0	38
Health and Wellbeing	55	0	6	61	61	0	0	20	81
Neighbourhood Plan	26	0	0	26	26	0	0	0	26
Land at Hanover House	16	(3)	0	13	13	(4)	0	0	9
Willowbrook Rosen Crescent	7	0	0	7	7	0	0	0	7
Play Area Grant	12	0	0	12	12	(12)	0	0	0
COVID-19 Support Grant	0	0	29	29	29	(29)	0	0	0
Leisure Strategy	15	(15)	0	0	0	0	0	0	0
Council Tax Hardship Fund	0	0	0	0	0	0	0	26	26
Open Data Funding to LA's	0	0	0	0	0	0	0	1	1
Total Specific Reserves	1,549	(192)	106	1,463	1,463	(326)	(100)	47	1,084
COVID-19 Specific Reserves									
ECC - Night Time Economy Grant	0	0	0	0	0	0	0	14	14
New Burdens for SBSG (covid-19) Discretionary scheme	0	0	0	0	0	0	0	130	130
New Burdens LADGF (covid-19)	0	0	0	0	0	0	0	59	59
Test and Trace Admin	0	0	0	0	0	0	0	50	50
New burdens CT Hardship Fund and BRR	0	0	0	0	0	0	0	20	20
Tax Income Guarantee Scheme	0	0	0	0	0	0	0	591	591
COVID 19 Volatility	0	0	0	0	0	0	212	200	412
NDR Collection Fund Deficit	0	0	0	0	0	0	0	4,740	4,740
Total COVID-19 Specific Reserves	0	0	0	0	0	0	212	5,804	6,016
Total General Fund Reserves	4,821	(2,216)	1,799	4,404	4,404	(671)	0	7,049	10,782
Housing Revenue Account Reserves									
Council Dwellings Investment Fund	2,400	0	0	2,400	2,400	0	0	0	2,400
Total Housing Revenue Account Reserves	2,400	0	0	2,400	2,400	0	0	0	2,400
Total Earmarked Reserves	7,221	(2,216)	1,799	6,804	6,804	(671)	0	7,049	13,182

NOTES TO THE ACCOUNTS

5. Transfers to and from Earmarked Reserves (continued)

The following table sets out the purpose of each earmarked reserve:

General Fund Reserves	Purpose
<u>Mitigation Reserves</u>	
Organisational Transformation	The reserve was created to fund the Council's Organisational Transformation Programme. 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	To mitigate the uncertainty and financial risks regarding the Fair Funding Review
Housing Benefit Subsidy	To support the funding of subsidy claims and the implementation of Universal Credit.
Insurance and Risk Management	To support and mitigate high risks identified through the corporate risk register.
In Borough Regeneration	To support the council's plans for regeneration in the borough.
<u>Service Reserves</u>	
ICT Investment	To fund investment in the Council's ICT structure.
Community Alarms	To fund the expansion of the community alarm service and the upgrading of the equipment .
Asset Management	To fund the costs of developing and implementing the Council's asset management programme.
Electoral Registration	To fund future changes to registration, and the implementation of the Canvass Reform 2020
Economic Development	To fund the development of the Council's Economic Development Strategy
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	To fund agreed community projects.
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 dealing with unauthorised incursions and related enforcement work
Service Investment and Initiatives	To mitigate one off costs against the agreed budget for any identified service investments or initiatives in year.
Legal Resources	
Leisure Contingency	To support the interim direct management by the Council of the Brentwood Leisure
LGV Driver Training	To fund mandatory CPC training for LGV drivers
Parking Strategy/MSCP Clean	To fund specialised cleansing in the Multi Storey Car Park and additional consultancy costs associated with the Parking Strategy.
Digital, Customer & Comms	To fund schemes such as customer service accreditation, customer contact training and development of social media engagement
Planning Development	To fund ongoing costs associated with dealing with planning applications
Election Costs	To fund election services costs
<u>Service Reserves</u>	
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.
Preventing Homelessness	To fund prevention initiatives, such as private sector leasing scheme, and to fund new costs associated with the Homelessness Reduction Act 2018.
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.
Brentwood Community Hospital	To fund the cost of hedge maintenance at this location.
Community Rights	To fund costs associated with Community Rights to Buy and Assets of Community Value
Community Rights	Park improvement funding, earmarked specifically to contribute to the Council's play area strategy
Health and Wellbeing	To fund projects as determined by the Brentwood Health & Wellbeing Board.
Neighbourhood Plan	To fund future costs associated with the with Doddinghurst and West Horndon Neighbourhood Plans.
Land at Hanover House	To fund public open space improvements at land at Hanover House.
COVID-19 Support Grant	To assist local authorities deal with the financial pressures caused by the COVID-19 pandemic
Leisure Strategy	To fund the Council's Leisure Service review.
Council Tax Hardship Fund	To fund Council Tax reliefs for Council Tax payers financial Hardship Grant
Open Data Funding to LA's	To support the anticipated additional work for DCA authorities in handling queries related to open UPRN/USRN data.

NOTES TO THE ACCOUNTS

5. Transfers to and from Earmarked Reserves (continued)

General Fund Reserves	Purpose
ECC - Night Time Economy Grant	
New Burdens for SBSG (covid-19) Discretionary scheme	To fund the administration of COVID 19 grants to support small businesses
New Burdens LADGF (covid-19)	To fund COVID 19 local authority discretionary grants
Test and Trace Admin	To fund the administration of the Test and Trace programme
New burdens CT Hardship Fund and BRR	To fund the administration of delivering Council Tax and Business Rates relief.
Tax Income Guarantee (TIG) Scheme	To carry TIG received in 2020/21 to offset the future year deficits on the Collection Fund
COVID 19 Volatility	To mitigate any financial pressures on services caused by the COVID-19 pandemic.
NDR Collection Fund Deficit	To carry forward S31 Grant received in 2020/21 to offset the deficit carried forward on the NDR Collection Fund due to the extended Retail Relief Scheme in 2020/21

Housing Revenue Account Reserves	
Council Dwellings Investment Fund	Contains contributions from the HRA towards investment in the Council's housing stock and funding the Affordable Housing Programme.

6. Other Operating Expenditure

	2019/20	2020/21
	£'000	£'000
Parish Council precepts	549	577
Payments to the Government Housing Capital Receipts Pool	189	660
Gains on the disposal of non-current assets	(180)	(889)
Total	558	348

7. Financing and Investment Income and Expenditure

	2019/20	2020/21
	£'000	£'000
Interest payable	2,245	2,830
Net interest on the pensions net defined benefit liability	964	910
Interest receivable and similar income	(645)	(1,956)
Net movement in bad debts provision	481	125
Income from investment properties	(462)	718
Changes in fair value of investment properties	(748)	(836)
Total	1,835	1,791

NOTES TO THE ACCOUNTS

8. Taxation and Non-Specific Grant Income

	2019/20	2020/21
	£'000	£'000
Council Tax Income	(6,781)	(7,058)
Non Domestic Rates	(246)	4,942
Non-ringfenced Government grants (note 32)	(2,159)	(9,827)
Capital grants and contributions (note 32)	(59)	(185)
Total	(9,245)	(12,128)

9. Property Plant and Equipment

9.1 Movements on balances in 2020/21

	Total	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Carrying Amount (Cost/Valuation)								
At 1 April 2020	308,740	261,804	33,355	6,685	1,526	2,943	1,707	720
Acquisitions	91,749	738	0	1,891			89,120	
Additions	6,264	2,277	855	0	38	0	0	3,094
Revaluation increases to the Revaluation Reserve	24,794	17,039	6,097	0	0	0	1,658	0
Revaluation decreases to Surplus/Deficit on the Provision of Services	(722)	(23)	(517)	0	0	0	(182)	0
Accumulated depreciation written out to gross carrying amount	(3,532)	(2,717)	(815)	0	0	0	0	0
Derecognition - disposals	(979)	(979)						
Transfers between categories	0	0	0	0	573	0	0	(573)
Reclassified to Investment Property	0							
At 31 March 2021	426,314	278,139	38,975	8,576	2,137	2,943	92,303	3,241
Accumulated Depreciation & Impairment								
At 1 April 2020	(5,476)	(343)	(544)	(4,190)	(393)	(6)	0	0
Depreciation charge	(3,890)	(2,649)	(781)	(448)	(12)	0	0	0
Impairment losses to the Surplus/deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - disposals	9	9	0	0	0	0	0	0
Transfers between categories	0	0	0	0	0	0	0	0
Reclassified to Investment Property	0	0	0	0	0	0	0	0
Accumulated depreciation written out to gross carrying amount	3,532	2,717	815	0	0	0	0	0
Depreciation at 31 March 2021	(5,825)	(266)	(510)	(4,638)	(405)	(6)	0	0
Net book value at 31 March 2021	420,489	277,873	38,465	3,938	1,732	2,937	92,303	3,241
Net book value at 31 March 2020	303,264	261,461	32,811	2,495	1,133	2,937	1,707	720

NOTES TO THE ACCOUNTS

9.2 Comparative Movements on Balances in 2019/20

	Total £'000	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000
Gross Carrying Amount (Cost/Valuation)								
At 1 April 2019	306,548	257,048	29,384	5,631	1,417	2,943	795	9,330
Acquisitions	4,459	4,284	0	175	0	0	0	0
Additions	6,142	798	533	879	109	0	0	3,823
Revaluation increases to the Revaluation Reserve	5,868	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	(3,091)	(2,597)	(453)	0	0	0	(41)	0
Derecognition - disposals	(357)	(308)	(49)	0	0	0	0	0
Transfers between categories	0	0	5,104	0	0	0	583	(5,687)
Reclassified to Investment Property	(8,116)	0	(1,001)	0	0	0	(369)	(6,746)
At 31 March 2020	308,740	261,804	33,355	6,685	1,526	2,943	1,707	720
Accumulated Depreciation & Impairment								
At 1 April 2019	(4,179)	0	(161)	(3,704)	(308)	(6)	0	0
Depreciation charge	(4,056)	(2,606)	(879)	(486)	(85)	0	0	0
Impairment losses to the Surplus/deficit on the Provision of Services	(343)	(336)	(7)	0	0	0	0	0
Derecognition - disposals	2	2	0	0	0	0	0	0
Transfers between categories	0	0	41	0	0	0	(41)	0
Reclassified to Investment Property	9	0	9	0	0	0	0	0
Accumulated depreciation written out to gross carrying amount	3,091	2,597	453	0	0	0	41	0
Depreciation at 31 March 2020	(5,476)	(343)	(544)	(4,190)	(393)	(6)	0	0
Net book value at 31 March 2020	303,264	261,461	32,811	2,495	1,133	2,937	1,707	720
Net book value at 31 March 2019	302,369	257,048	29,223	1,927	1,109	2,937	795	9,330

9.3 Assets Under Construction

The amount of £3.241m for Assets Under Construction is in respect of the following schemes:

- King George's Playing Fields and Football Hub Developments £2.198m
- Affordable Housing Development Schemes £1.043m

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

The Council had not entered into any capital commitments as at 31 March 2021.

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 2020/21 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 2020/21, 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 the surplus assets purchased in 2020/21 is deemed to be their purchase price. The fair value of the other 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	Other	Vehicles, Infrastructure	Community	Surplus	Assets Under	
		Dwellings	Land and	Plant and	Assets	Assets	Construction	
	£'000	£'000	Buildings	Equipment	£'000	£'000	£'000	
			£'000	£'000			£'000	
Carried at depreciated historical cost	11,848	0	0	3,938	1,732	2,937	0	3,241
Valued at fair value as at								
31 March 2017	3,518	0	3,518	0	0	0	0	0
31 March 2018	1,199	0	1,199	0	0	0	0	0
31 March 2019	3,188	0	3,188	0	0	0	0	0
31 March 2020	1,807	0	1,807	0	0	0	0	0
31 March 2021	398,929	277,873	28,753	0	0	0	92,303	0
Total Cost or Valuation	420,489	277,873	38,465	3,938	1,732	2,937	92,303	3,241

NOTES TO THE ACCOUNTS

10. Capital Expenditure and Capital Financing

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

	2019/20	2020/21
	£'000	£'000
Opening Capital Financing Requirement	93,364	119,239
<u>Capital Expenditure</u>		
Property, plant and equipment	9,997	94,919
Assets under construction	604	3,095
Long term debtors	19,000	27,500
Intangible assets	244	98
Revenue expenditure funded from capital under statute	352	226
Total Capital Expenditure	30,197	125,838
<u>Sources of Finance</u>		
Financing of capital expenditure:-		
Capital receipts	(1,517)	(668)
Government grants and other contributions	(352)	(226)
Major Repairs Reserve	(927)	(2,820)
Revenue contributions to capital expenditure	(1,473)	(500)
Total Financing of Capital Expenditure	(4,269)	(4,214)
Sums set aside from revenue for the repayment of debt	(53)	(265)
Closing Capital Financing Requirement	119,239	240,598
<u>Explanation of Movements in the Year</u>		
Net increase in the underlying need to borrow	25,875	121,358
Increase in Capital Financing Requirement	25,875	121,358

NOTES TO THE ACCOUNTS

11. Intangible Assets

The balance of £0.066m (£0.115m as at 31 March 2020) 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. It was renovated in 2012/13 and has 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 £0.718m (2019/20 £0.462m) 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.

	2019/20	2019/20	2019/20	2020/21	2020/21	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
	Shops & other premises	Land	Total	Shops & other premises	Land	Total
Balance at start of the year	5,826	2,930	8,756	14,406	2,992	17,398
Acquisitions	0	0	0	0	0	0
Net gains from fair value adjustments						
- through Comprehensive Income & Expenditure Account	686	62	748	(64)	(620)	(684)
- through Revaluation Reserve	(213)	0	(213)	0	0	0
Transfers from Assets Under Construction	6,746	0	6,746	0	0	0
Transfers from Land & Buildings & Surplus Assets	1,361	0	1,361	0	0	0
Balance at end of the year	14,406	2,992	17,398	14,342	2,372	16,714

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 £60.314m mostly represents loans totalling £60.000m 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 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	33,085	60,314			1,533	1,354	34,618	61,668
Cash and Cash Equivalents:								
Cash at Bank			2,220	21,223			2,220	21,223
Short Term Investments			10	0			10	0
Total financial assets	33,085	60,314	2,230	21,223	1,533	1,354	36,848	82,891

The short-term debtors figure excludes debtors totalling £15.705m (£3.562m in 2019/20) representing non-financial instruments such as Council Tax and 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.

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 2020 £'000	31 March 2021 £'000						
Amortised cost					(2,610)	(7,520)	(2,610)	(7,520)
Borrowing:								
- PWLB	(61,166)	(103,159)	(57)	(5,237)			(61,223)	(108,396)
- Money Market			(35,061)	(124,709)			(35,061)	(124,709)
- transferred debt	(181)	(174)	(4)	(4)			(185)	(178)
Total Financial Liabilities	(61,347)	(103,333)	(35,122)	(129,950)	(2,610)	(7,520)	(99,079)	(240,803)

The creditors figure excludes creditors totalling £9.972m (£3.109m in 2019/20) 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:-

	2019/20		2020/21	
	Financial Liabilities measured at amortised cost	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Financial assets measured at amortised cost
	£'000	£'000	£'000	£'000
Interest expense	2,244		2,830	
Interest income		(645)		(1,956)

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 2020		31 March 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Financial Assets:				
Short Term Investments	10	10	0	0
Cash and Cash Equivalents	2,220	2,220	21,223	21,223
Short Term Debtors	1,533	1,533	1,354	1,354
Long Term Debtors	33,085	33,085	60,314	60,314
Total Financial Assets	36,848	36,848	82,891	82,891
Financial Liabilities:				
PWLB debt	(61,166)	(69,900)	(108,396)	(122,017)
Transferred Debt	(181)	(181)	(178)	(177)
Short Term Creditors	(2,610)	(2,610)	(7,520)	(7,520)
Short Term Borrowing	(35,122)	(35,122)	(124,709)	(124,709)
Total Financial Liabilities	(99,079)	(107,813)	(240,803)	(254,423)

16. Debtors

	31 March 2020			31 March 2021		
	Gross Debt	Impairment Allowance	Net Debt	Gross Debt	Impairment Allowance	Net Debt
	£'000	£'000	£'000	£'000	£'000	£'000
Trade receivables	522	(78)	444	591	(99)	492
Housing rents arrears	1,475	(974)	501	1,584	(1,111)	473
Financial assets at contract amounts	1,997	(1,052)	945	2,175	(1,210)	965
Central Government	973	0	973	8,859	0	8,859
Other local authorities	1,463	0	1,463	4,338	0	4,338
Council tax arrears	535	(246)	289	678	(246)	432
Non domestic rates arrears	1,006	(473)	533	1,452	(551)	901
Other sundry receivables	1,632	(1,074)	558	2,238	(1,063)	1,175
Prepayments	334	0	334	389	0	389
Total	7,940	(2,845)	5,095	20,129	(3,070)	17,059

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 2020	31 March 2021
	£'000	£'000
Bank current accounts	2,212	21,220
Cash floats	8	3
Total Cash and Cash Equivalents	2,220	21,223

NOTES TO THE ACCOUNTS

18. Creditors

	31 March 2020 £'000	31 March 2021 £'000
Trade payables	2,316	6,743
Financial liabilities at contract amounts	2,316	6,743
Central Government	818	7,811
Other local authorities	754	507
Council tax pre-payments	132	111
Non domestic rates pre-payments	253	489
Other sundry payables	293	777
Receipts in advance	1,153	1,054
Total	5,719	17,492

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

19. Provisions

	Non Domestic Rates Appeals £'000	Insurance Claims £'000	Legal Claims £'000	Planning Appeals £'000	Total £'000
Balance at 31 March 2019	1,100	223	95	0	1,418
Additional provisions made in 2019/20	139	0	408	85	632
Amounts used in 2019/20	(36)	0	(46)	0	(82)
Balance at 31 March 2020	1,203	223	457	85	1,968
Additional provisions made in 2020/21	188	0	5	14	207
Amounts used in 2020/21	(188)	0	(411)	(49)	(648)
Balance at 31 March 2021	1,203	223	51	50	1,527

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 timing of the settlement of these liabilities is uncertain, but the Council has taken the view that they are likely to be settled within 12 months of the balance sheet date. The balances as at 31 March 2021 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.

	31 March 2020 £'000	31 March 2021 £'000
Balance at 1 April	106,232	110,226
Upward revaluation of Property, Plant & Equipment	11,526	28,896
Downward revaluation of Property, Plant & Equipment	(5,658)	(4,102)
Sub total	5,868	24,794
Upward revaluation of Investment Properties	40	0
Downward revaluation of Investment Properties	(253)	0
Sub total	(213)	0
Difference between fair value depreciation and historical cost depreciation	(1,538)	(1,414)
Accumulated gains on assets sold or scrapped	(123)	(364)
Amount written off to the Capital Adjustment Account	(1,661)	(1,778)
Balance at 31 March	110,226	133,242

22. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

NOTES TO THE ACCOUNTS

22. Capital Adjustment Account (continued)

	31 March 2019 £'000	31 March 2020 £'000
Balance at 1 April	125,157	123,821
Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(4,399)	(3,892)
Revaluation losses on Property, Plant and Equipment	(2,713)	(722)
Reversal of previous revaluation losses	0	0
Amortisation of Intangible assets	(254)	(147)
Revenue Expenditure Funded from Capital under Statute	(352)	(226)
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	(355)	(969)
Sub Total	(8,073)	(5,956)
Adjusting amounts written out of the Revaluation Reserve	1,661	1,778
Net written out amount of the cost of non-current assets consumed in the year	(6,412)	(4,178)
Capital Financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,517	668
Use of the Major Repairs Reserve to finance new capital expenditure	927	2,820
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	358	459
Revenue contributions to capital expenditure	1,473	500
Provision for the financing of capital investment charged against the General Fund and HRA balances	53	263
Sub Total	4,328	4,710
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	748	(684)
Balance at 31 March	123,821	123,669

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 2020 £'000	31 March 2021 £'000
Balance at 1 April	378	308
Recognition of gains	28	0
Transfer of net gain/(loss) on disposal to CIES	(17)	0
Transfer to the Capital Receipts Reserve upon receipt of cash	(81)	(8)
Balance at 31 March	308	300

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 2020 £'000	31 March 2021 £'000
Balance at 1 April	(41,454)	(39,837)
Remeasurements of the net defined benefit liability	2,479	(2,455)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,562)	(3,487)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,700	2,566
Balance at 31 March	(39,837)	(43,213)

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 2020 £'000	31 March 2021 £'000
Balance at 1 April	(86)	(88)
(Increase)/decrease	(2)	(81)
Balance at 31 March	(88)	(169)

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 2020 £'000	31 March 2021 £'000
Balance at 1 April	(382)	(449)
Increase/decrease	(67)	(5,226)
Balance at 31 March	(449)	(5,675)

NOTES TO THE ACCOUNTS

27. Trading Operations

The Council operates car parks and collects trade waste, which generate income. The income from these operations reduced significantly in 2020/21 due to the financial impact of the pandemic. Details of income and expenditure (which are included in Protecting Our Environment in the Comprehensive Income and Expenditure Statement) are as follows:

	2019/20	2020/21
	£'000	£'000
Car Parks		
Income	(2,125)	(1,003)
Expenditure	1,005	1,030
(Surplus)/deficit	(1,120)	27
Trade Waste Collection		
Income	(576)	(410)
Expenditure	375	342
Surplus	(201)	(68)

28. Members' Allowances

The Council paid £0.266m to Members of the Council during the year (£0.274m in 2019/20).

29. Officers' Remuneration

The remuneration paid to the Council's senior employees during 2020/21 was as follows:

Post	Note	Salary, Fees and Allowances	Bonus	Compensation for loss of Office	Employer's Pension Contribution	Total
		£	£	£	£	£
Chief Executive		125,000	0	0	23,738	148,738
<u>Senior leadership structure wef 1 November 2020</u>						
Strategic Director (Deputy Chief Executive)	1	33,999	0	0	6,766	40,765
Corporate Director (Planning & Environment)	2	28,252	0	0	5,622	33,874
Corporate Director (Housing & Community Safety)	2	28,652	0	0	5,052	33,704
Corporate Director (Environment & Communities)	2	28,252	0	0	5,622	33,874
Corporate Director (Digital & Community Engagement)	3	33,208	0	0	6,608	39,816
Corporate Director (Finance & Resources) - S151 Officer	4	11,301	0	0	2,249	13,550
Corporate Director (Law & Governance) - Monitoring Officer	4	33,208	0	0	6,608	39,816
<u>Senior leadership structure up to 31 October 2020</u>						
Chief Operating Officer		44,581	0	0	8,550	53,131
Director of Planning & Economy		37,542	0	0	7,471	45,013
Director of Commercial Services		8,738	0	0	1,327	10,065
Director of Housing & Enforcement		38,102	0	0	7,582	45,685
Director of Environment		37,542	0	0	7,471	45,013
Director of Corporate Resources (S151 Officer)		44,581	0	0	8,872	53,452
Director of Law & Governance (Monitoring Officer)		42,915	0	0	8,540	51,455
		575,872	0	0	112,078	687,950

NOTES TO THE ACCOUNTS

1. **Strategic Director (Deputy Chief Executive).** The postholder was in post from 1 November 2020. The annualised salary of this post is £81,598. There was also a second Strategic Director post, which was vacant during the year.
2. **Corporate Directors (Planning & Economy, Housing & Community Safety, Environment & Communities)** Each of the postholders were in post from 1 November 2020 and each post has an annualised salary of £67,805. The Corporate Director (Housing & Community Safety) receives an annual car allowance of £960.
3. **Corporate Director (Digital & Customer Engagement).** This a 2 year fixed term position, which was recruited to with effect from 1 February 2021. The annualised salary is £67,805.
4. **Corporate Directors (Finance & Resources - S151 Officer and Law & Governance - Monitoring Officer)** Both of the post holders were in post from 1 November 2020. The annualised salary for both positions is £74,698 and as statutory roles, both attract an additional £5,000 annual allowance.
5. **Director of Commercial Services**
The postholder was in post until 30 April 2020. The annualised salary was £80,000

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

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

NOTES TO THE ACCOUNTS

29. Officers' Remuneration (continued)

1. **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.
2. **Chief Operating Officer.** The costs shown in the above table are the substantive costs of this role for the year. The postholder also received additional remuneration for the roles of Acting Chief Executive (see note 1) and Interim Monitoring Officer (see note 4).
3. **Head of Legal Services (Monitoring Officer).** The annualised salary was £74,183. The postholder was seconded to Seven Arches Investment Limited (SAIL) from November 2018, for approximately 30 hours a week whilst working in post for the Council for 1 day a week. The postholder left the Council's employment in August 2019.
4. **Interim Monitoring Officer.** An interim was appointed for 1 day per week from 1st September until 13th December 2019. The recruitment of the interim was in line with the Council's normal recruitment process. From 14th December 2019 until 1st March 2020, the Chief Operating Officer was Interim Monitoring Officer. The costs shown in the above table 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.

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:

NOTES TO THE ACCOUNTS

Remuneration Band	2019/20	2020/21
	Number of employees	Number of employees
£50,000 - £54,999	6	1
£55,000 - £59,999	1	6

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 12 of these interim staff (11 in 2019/20) was more than £50,000 in each instance, at a total cost of £979,744 (£834,112 in 2019/20). 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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
							£000	£000
£20,001 - £40,000	0	0	1	0	1	0	25	0
£40,001 - £60,000	0	0	1	0	1	0	56	0
£80,001 - £100,000	0	0	1	0	1	0	94	0
Total	0	0	0	3	3	3	175	0

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. There were no exit packages during 2020/21. The total of £175,387 in 2019/20 was in respect of agreed departures of employees following service reviews.

31. External Audit Costs

	2019/20	2020/21
	£'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	0	29
Fees payable for the certification of grant claims and returns for the year	35	17
Rebate received in year from PSAA	(6)	0
Total	81	98

32. Grant Income

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

NOTES TO THE ACCOUNTS

	2019/20	2020/21
	£'000	£'000
Credited to Taxation and Non-specific Grant Income:		
Non-ringfenced Government grants		
New Homes Bonus Scheme	677	697
Business Rates Relief	1,395	6,106
EU Exit Preparation Grant	35	0
Covid-19 LA Support Grant	29	953
Income Compensation Scheme Sales Fees and Charges	0	1,106
New burdens CT Hardship Fund and BRR	0	20
Council Tax Hardship Fund	0	346
Tax Income Guarantee Scheme Grant	0	591
Business Rate Relief New Burdens	9	0
Transparency Code Set Up Grant	8	8
Levy Account Surplus Grant	6	0
Sub total	2,159	9,827
Capital grants and contributions		
Developers' Section 106 Grants	59	47
Contribution towards fit out of DWP area at Town Hall	0	44
Contribution towards inclusive playspace at KGPF	0	100
Sub total	59	191
Total	2,218	10,018

	2019/20	2020/21
	£'000	£'000
Credited to Services:		
COVID-19 support grants		
Additional Restrictions Support Grant (ARG)	0	2,460
LA Discretionary Grant Fund (LADGF)	0	904
Local Restriction Support Grant (LRSG) Open	0	216
New Burdens for SBSG Discretionary scheme	0	130
National Leisure Recovery Fund	0	112
Test and Trace Support Payments - Discretionary Payments	0	77
New Burdens LADGF	0	59
Test and Trace Admin	0	50
Total COVID-19 support grants	0	4,008
Rent Allowances & Rebates		
Rent Allowances	5,499	5,100
Rent Rebates	4,746	4,307
Discretionary Housing Payments	91	148
Housing Benefit Administration	123	127
Total Rent Allowances & Rebates	10,459	9,682
Other grants		
Food Waste Grant	389	398
Disabled Facilities Grant	370	420
Council Tax Sharing Agreement - Essex CC	168	111
Dunton Hills Garden Village funding	250	130
Preventing Homelessness Grant	124	165
Non Domestic Rates-Cost of Collection	102	104
Council Tax Support	57	57
Other grants individually less than £0.050m	210	283
Total Other grants	12,129	11,350
Total	12,129	15,358

NOTES TO THE ACCOUNTS

32. Grant Income (continued)

The Council received a number of grants and contributions during 2020/21 that not been recognised as income as at 31 March 2021 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 2020	31 March 2021
	£'000	£'000
<u>Grants Receipts in Advance (Revenue Grants)</u>		
Current Liabilities:		
Business Rates Relief	1,395	0
Covid Funding to encourage Residents to Isolate (T&T)	0	123
Covid Contact Tracing Grant	0	88
Test and Trace Support Payments - Programme costs	0	39
Local Restriction Support Grant (LRSB) Closed	0	1,038
Closed Business Lockdown Payment CBLP	0	1,354
Other grants	46	140
Total	1,441	2,782
<u>Grants Receipts in Advance (Capital Grants)</u>		
Developers' Contributions:		
Mountnessing Scrapyard	1,115	1,102
Former Elliots Nightclub	221	200
Doddinghurst Surgery, Outings Lane, Doddinghurst	176	171
Eclipse Ongar Road, Brentwood	72	72
La Plata Wood, Brentwood	71	64
73 High Street, Brentwood	61	61
S106 Brentwood Blood Centre	0	83
M25 J29 Garden Communities Programme	0	121
Other grants individually less than £0.050m	128	128
Total	1,844	2,002

NOTES TO THE ACCOUNTS

33. Related Parties

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

UK Government

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

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2020/21 is disclosed in note 32. In addition, grants and other payments totalling £104,431 (£80,464 in 2019/20) were paid to voluntary organisations whose governing bodies 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. Nil Returns were received from most Members in regards to finance related matters for 2020/21. Those declaring financial information were in receipt of a grant in relation to COVID-19 which totalled £20,000. One 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 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 £225,592 (£316,524 in 2019/20):

- £154,495 for trade waste disposal (£257,976 in 2019/20)
- £13,690 for planning and land charges services (£15,219 in 2019/20)
- £43,750 for the provision of other services (£43,329 in 2019/20).

The Council was paid £1,7299,741 by Essex County Council during the year (£1,377,298 in 2019/20):

- £1,005,994 in respect of recycling and waste disposal (£1,150,298 in 2019/20)
- £161,200 in respect of the highways ranger service (£161,200 in 2019/20).
- £562,547 in respect of other services and grants (£35,725 in 2019/20).

b) Essex Police/Essex Police & Crime Commissioner

Essex Police paid £22,300 to the Council during the year (£53,500 in 2019/20) for the provision of office and parking space at Brentwood Town Hall.

NOTES TO THE ACCOUNTS

33. Related Parties (continued)

The Council Tax precepts paid by the Council to the Essex Police & Crime Commissioner are disclosed in the Collection Fund on pages 91-93.

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 £0 (£6,224 in 2019/20). 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 £116,082 during the year (£155,926 in 2019/20) for the provision of legal services.

e) Thurrock Council

The Council paid Thurrock Council £362,019 (436,575 in 2019/20), for the provision of various professional services, and received £3,359 from Thurrock (£20,296 in 2019/20) for the provision of environmental health services.

f) Basildon Borough Council

The Council paid Basildon Borough Council a total of £1,411,651 in 2019/20 (£1,485,285 in 2019/20):

- £1,358,603 for provision of a shared Revenues and Benefits Service (£1,377,715 in 2019/20)
- £53,049 for other services, mainly housing (£107,570 in 2019/20)

g) Parish Councils

The Council paid grants totalling £578,914 to Parish Councils within its area (£546,667 in 2019/20).

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. The Council paid a subscription of £60,000 to the group (£60,000 in 2019/20).

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 2020/21 SAIL drew down a loan totalling £27,500,000 to SAIL (£19,000,000 in 2019/20) making a total draw-down of £60,000,000.

The Council received interest totalling £1,890,460 (£561,000 in 2019/20), rent totalling £168,338, recharged management costs totalling £405,742 (£390,000 in 2019/20) and other income totalling £43,587 from SAIL,

b) Brentwood Leisure Trust

Due to COVID-19 Brentwood Leisure Trust, which operated the Council's leisure centre, went into liquidation. This resulted in the Council bringing the operation of the centre back in house during

NOTES TO THE ACCOUNTS

33. Related Parties (continued)

November 2020. Leisure and hospitality services had seen significant impact during the pandemic and the centre was only able to operate for three weeks under the Council's control before another lockdown was imposed. The Council has sought consultancy support to support it in managing the leisure facility whilst it considers the future of the Brentwood Centre. The Trust was a debtor to the Council and the balance of £0.363m was written off during 2020/21. The Council has been successful in securing £0.110m from Sport of England for the management of the centre. The current budget assumption is that the Council will be able to run the centre and financially break even. The Council agreed to use £0.200m from working balances to help support operating costs at the centre. In addition, capital works were completed at the centre to ensure it remained COVID-19 secure. The site was also being used as a COVID-19 testing and vaccination centre as at the date of the signing of these account. Financial transactions between Brentwood Borough Council and Brentwood Leisure Trust outside of any loan arrangements were minimal. These included £750 of staff costs and £180 of income in relation to a licensing fee.

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 2020	31 March 2021
	£'000	£'000
Finance lease debtors (net present value of minimum lease payments):		
Long-term debtor	16	7
Unearned finance income	576	567
Gross investment in the lease	592	574

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

	<u>Gross investment in lease</u>		<u>Minimum Lease Payments</u>	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000
Not later than one year	8	8	8	8
Later than one year and not later than five years	33	32	33	32
Later than five years	551	534	551	534
Total	592	574	592	574

NOTES TO THE ACCOUNTS

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 2020/21 (none in 2019/20).

34. Leases (continued)

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 2020 £'000	31 March 2021 £'000
Not later than one year	526	460
Later than one year and not later than five years	1,666	1,597
Later than five years	2,736	2,446
Total	4,928	4,503

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 2020/21 (none in 2019/20).

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

The 2021/22 Code of Practice on Local Authority Accounting in the UK is expected to introduce the following accounting standards:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

None of the above standards are anticipated to have a material impact upon the Council's single entity or Group Accounts in 2021/22.

36. Events after the Balance Sheet date

To be updated for final version.

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 Impairment	
	carrying amount	provision
	£'000	£'000
Less than one year	71	31
More than one year	520	68
Total	591	99

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 COVID-19 pandemic. This methodology produces an impairment provision of £1.111m against rent arrears of £1.584m

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 2020			31 March 2021		
	Principal	Accrued interest	Total	Principal	Accrued interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Less than one year	35,000	61	35,061	129,500	210	129,710
Between one and five years	5,000	1	5,001	0	0	0
Between five and ten years	10,400	7	10,407	20,400	7	20,407
Between ten and twenty years	30,000	8	30,008	30,000	82	30,082
Between twenty and thirty years	14,166	4	14,170	31,166	104	31,270
More than thirty years	1,785	37	1,822	21,778	43	21,821
Total	96,351	118	96,469	232,844	446	233,290

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 2021 were at fixed rates of interest. The Council was therefore not exposed to risk of additional costs on resulting from increases in interest rates.

Price Risk and Foreign Exchange Risk

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made considering historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming financial year are set out in the following paragraphs.

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>Property, Plant & Equipment Council dwelling, other land & buildings and surplus assets 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.</p>	<p>A 1% increase or decrease in the value of these assets would increase or decrease their carrying value by approximately £3.2m.</p>
<p>Fair Value Measurements When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council commissions relevant experts (e.g. valuers, treasury advisors and actuaries), to identify the relevant valuation techniques and the estimated fair values (e.g. Interest rates yields or yields for similar financial instruments).</p> <p>These advisors consider and report to the Council local/national economic and operational trends and forecasts, in estimating the fair value of its assets and liabilities (e.g. national house price statistics and local commercial rental market trends in valuing the Council's property assets).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Note 15.</p>	<p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets. The risks associated with financial instruments are documented in note 37. A 1% increase or decrease in the value of the Council's investment properties would increase or decrease their carrying value by approximately £1.05m.</p>

NOTES TO THE ACCOUNTS

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

Uncertainty	Effect if Actual Result differ from Assumptions
<p>Pensions Liability Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates and expected returns on pension fund assets. Barnett Waddingham, an independent firm of actuaries, has been engaged to provide the Council with expert advice about the assumptions to be applied. Further information can be found in Note 40.</p>	<p>A sensitivity analysis on pension liabilities is included in note 40.</p>
<p>Business Rates Appeals The provision for losses in non-domestic rates income arising from appeals against assessed rateable values in the 2005 and 2010 lists is based on an assessment using the historical experience of appeals and an analysis of the details of appeals held by the Valuation Office Agency. The 2017 revaluation and the introduction by the Government of the Check, Challenge and Appeal process for appeals presents a difficulty in establishing an appropriate provision against the 2017 list because there is an absence of active appeals on which to base the calculation of an appeals provision. 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. A 10% increase in the Business Rates Appeals provision would increase the Council's provision by £0.120m, representing 40% of the increase to the Collection Fund of £0.300m.</p>
<p>Provision for Bad and Doubtful Debts At 31 March 2021, the Council had a balance of short-term debtors of £20.129m. A review of significant balances suggested that an impairment of doubtful debts of £2.845m was appropriate.</p>	<p>In the current climate it is not certain that such an allowance will continue to be sufficient. If collection rates were to deteriorate, further consideration would be given to reviewing the criteria for calculating the provision, with a view to increasing the provision held by the Council.</p>

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

39. Critical judgments in applying accounting policies

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

Surplus Assets & Investment Properties

The Council has deemed that the three strategic property acquisitions in 2020/21, valued at £89m, meet the criteria contained with the Code to be classified as surplus assets. The assets have been acquired for economic regeneration and other strategic purposes.

The Council has classified its investment properties based on the criteria set out in the Code of being solely held for rental income or for capital appreciation.

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.

COVID-19 Support Measures

As part of the COVID-19 response, the government announced a range of grant schemes to support businesses, and individuals required to self-isolate, to be administered by local billing authorities. The Council has assessed whether it should be accounting for the grants paid to them and the distribution of the grants to eligible recipients, as either principal or agent transactions in accordance with Section 2.6 (Principal and Agent Transactions) of the Code. The Council has deemed that £24.1m of income and expenditure represents agent transactions (recognised in the Council's balance sheet) and £3.7m of income and expenditure represents principal transactions (recognised in the Council's Income & Expenditure Statement).

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

Classification of Leases

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.

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

40. Defined Benefit Pension Schemes

40.1 Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

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

40.2 Fund Valuation and Disclosures – data sources

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

- the results of the valuation as at 31 March 2019 which was carried out for funding purposes and the results of the 31 March 2021 IAS19 report, which was carried out for accounting purposes;
- estimated whole fund income and expenditure items for the period to 31 March 2021
- fund investment returns for the period to 28 February 2021 and market returns thereafter for the period to 31 March 2021
- estimated fund income and expenditure in respect of the employer for the period to 31 March 2021
- details of any new early retirements for the period to 31 March 2021 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 2021

40.3 Transactions Relating to Post-employment Benefits

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

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

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

40.3 Transactions Relating to Post-employment Benefits (continued)

	Local Government Pension Scheme	Discretionary Benefits Arrangements	Total	Local Government Pension Scheme	Discretionary Benefits Arrangements	Total
	2019/20 £'000	2019/20 £'000	2019/20 £'000	2020/21 £'000	2020/21 £'000	2020/21 £'000
Service cost comprising:						
Current service cost	2,546	0	2,546	2,438	0	2,546
Past service costs including curtailments	23	0	23	0	0	23
Gain on settlements	0	0	0	84	0	0
Administration	29	0	29	55	0	29
Net interest expense	895	69	964	849	61	964
Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services	3,493	69	3,562	3,426	61	3,562
Remeasurement of the net defined benefit comprising:						
Return on plan assets (excluding the amount included in the net interest expense)	7,049	0	7,049	(22,719)	0	(22,719)
Other actuarial (gains) / losses on assets	392	0	0	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	(11,171)	(108)	(11,279)	28,896	233	29,129
Actuarial gains and losses arising on changes in demographic assumptions	(518)	(3)	(521)	(2,060)	(41)	(2,101)
Experience (gain) / loss on defined benefit obligation	1,904	(24)	0	(1,812)	(42)	(1,854)
Sub total	(2,344)	(135)	(4,751)	2,305	150	2,455
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	1,149	(66)	(1,189)	5,731	211	6,017
Reversal of net charges for post employment benefits in accordance with IAS19	(3,493)	(69)	(3,562)	(3,426)	(61)	(3,487)
Actual Amount Charged against the General Fund and HRA Balances for the Year						
Contributions / payments charged to the General Fund	2,091	191	2,282	1,909	180	2,089
Contributions / payments charged to the Housing Revenue Account	383	35	418	436	41	477
Employer's contributions payable to the Pension Fund	2,474	226	2,700	2,345	221	2,566

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		
	2019/20	2019/20	2019/20	2020/21	2020/21	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of the defined benefit obligation	(124,155)	(2,708)	(126,863)	(150,981)	(2,696)	(153,677)
Fair value of plan assets	87,026	0	87,026	110,464	0	110,464
Net liability arising from defined benefit obligation	(37,129)	(2,708)	(39,837)	(40,517)	(2,696)	(43,213)

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

	2019/20	2020/21
	£'000	£'000
Opening fair value of scheme assets	93,874	87,026
Interest on assets	2,233	2,034
Return on assets less interest	(7,049)	22,719
Other actuarial gains / (losses)	(392)	0
Administration expenses	(29)	(55)
Contributions from employer	2,700	2,566
Contributions from employees into the scheme	464	486
Benefits paid	(4,775)	(4,448)
Settlements made	0	136
Closing fair value of scheme assets	87,026	110,464

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	2019/20	2019/20	2020/21	2020/21	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	(132,328)	(3,000)	(135,328)	(124,155)	(2,708)	(126,863)
Current service cost	(2,546)	0	(2,546)	(2,438)	0	(2,438)
Interest cost	(3,128)	(69)	(3,197)	(2,883)	(61)	(2,944)
Contributions from scheme participants	(464)	0	(464)	(486)	0	(486)
Changes in demographic assumptions	518	3	521	2,060	41	2,101
Changes in financial assumptions	11,171	108	11,279	(28,896)	(233)	(29,129)
Experience gains/(losses)	(1,904)	24	(1,880)	1,812	42	1,854
Liabilities assumed on settlements	0	0	0	(220)		(220)
Benefits paid	4,549	226	4,775	4,225	223	4,448
Past service cost	(23)	0	(23)	0	0	0
Closing balance at 31 March	(124,155)	(2,708)	(126,863)	(150,981)	(2,696)	(153,677)

The increase in scheme liabilities is due to various factors, including assumed future salary pension increases and the impact of the change in derivation of future assumed RPI and CPI inflation as noted on page 71.

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 2021 is estimated to be 28.65% (-5% for the year to 31 March 2019). The strong returns for the Fund in 2020/21 reflect the recovery in markets post the beginning of the beginning of the Covid pandemic. 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 2020		31 March 2021	
	£'000	%	£'000	%
Equities	50,928	59%	68,245	61%
Gilts	3,750	4%	2,850	3%
Other Bonds	5,272	6%	5,540	5%
Property	7,824	9%	7,863	7%
Cash	3,617	4%	5,212	5%
Alternative Assets	10,022	12%	12,760	12%
Other Managed Funds	5,594	6%	7,976	7%
Total	87,007	100%	110,446	100%

Bid values have been estimated by the actuary where necessary and the final asset allocation of the Fund assets as at 31 March 2021 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 1.27%.

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 2020		31 March 2021	
	%	%	%	%
	Quoted	Unquoted	Quoted	Unquoted
UK Equities	4.2%	0.0%	4.5%	0.0%
Oversees Equities	49.2%	0.0%	53.1%	0.0%
Index Linked UK Government Securities	4.3%	0.0%	2.6%	0.0%
UK Corporate Bonds	6.1%	0.0%	5.0%	0.0%
Property	2.5%	6.5%	2.1%	5.0%
Others	0.0%	27.1%	0.0%	27.7%
Net Current Assets	0.0%	0.1%	0.0%	0.0%
Total	66.3%	33.7%	67.3%	32.7%

40.8 Liabilities

To assess the value of the Council's liabilities at 31 March 2021, 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 2021 without completing a full valuation. The actuary is satisfied, however, that the approach of rolling forward the previous valuation data to 31 March 2021 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:

	2019/20	2020/21
<u>Mortality assumptions - life expectancy from age 65</u>		
Retiring today:		
Men	21.8	21.6
Women	23.7	23.4
Retiring in 20 years:		
Men	23.2	22.9
Women	25.2	24.7

The mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigations model, CMI_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results.

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.

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

40.8 Liabilities (continued)

The financial assumptions used by the actuary have been:

Assumption	31 March 2018		31 March 2019		31 March 2020		31 March 2021	
	% p.a.	Real						
RPI Increases	3.4	0.0	3.5	0.0	2.8	0.0	3.25	0.00
CPI Increases	2.4	-1.0	2.5	-1.0	2.0	-0.8	2.85	-0.40
Salary Increases	3.9	0.5	4.0	0.5	3.0	0.2	3.85	0.60
Pension Increases	2.4	-1.0	2.5	-1.0	2.0	-0.8	2.85	-0.40
Discount Rate	2.6	-0.8	2.4	-1.1	2.4	-0.4	2.00	-1.25

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). 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 0.40% below RPI, i.e. 2.85%. This is considered to be a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the employer's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the anticipated reform of RPI inflation following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor suggesting this reform is now likely to take effect from 2030.

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

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

Sensitivity Analysis			
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present Value of Total Obligation	150,949	153,677	156,457
Projected Service Cost	3,606	3,729	3,855
Adjustment to long term salary increase	0.10%	0.00%	-0.10%
Present Value of Total Obligation	153,876	153,677	153,479
Projected Service Cost	3,731	3,729	3,727
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	-0.10%
Present Value of Total Obligation	156,231	153,677	151,167
Projected Service Cost	3,854	3,729	3,607
Adjustment to mortality age rating assumption	+1 Year	None	- 1 Year
Present Value of Total Obligation	162,063	153,677	145,757
Projected Service Cost	3,900	3,729	3,564

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 2021-22 pension expense

The Council's 2021-22 projected pension expense, excluding the capitalised cost of any early retirements or augmentations which may occur after 31 March 2021, is:

	£'000
Service Cost	3,729
Net Interest on the defined benefit liability (asset)	838
Administration expenses	69
Total	4,636
Employer Contributions	2,417

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41. Significant Accounting Policies

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

41.1 General Principles

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year end of 31 March 2021. 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.

41.2 Accruals of Income and Expenditure

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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

41.3 Cash and Cash Equivalents

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

41.4 Charges to Revenue for Non-current Assets

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

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

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

41.5 Council Tax and Non-Domestic Rates

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

41.6 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Post-employment Benefits

Employees of the Council are members of the Local Government Pension Scheme (LGPS) which provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. The LGPS Fund is administered by Essex County Council and is accounted for as a defined benefits scheme:

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.6 Employee Benefits (continued)

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

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

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

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

41.7 Events after the Balance Sheet Date

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

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

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

41.8 Financial Instruments

Financial Liabilities

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

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

Financial Assets

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

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

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

Financial Assets measured at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the financial assets held by the Council, this means that the amount presented in the Balance Sheet represents the outstanding principal receivable (plus accrued interest) and interest credited to the CIES represents the amount receivable for the year in the loan agreement.

Expected Credit Loss Model

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

41.9 Fair Value Measurement

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

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

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

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

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

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

41.10 Government Grants and Contributions

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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

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

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

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

41.11 Interests in Companies

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

41.12 Investment Property

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

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

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

41.13 Leases

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.13 Leases

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

Council as Lessee - Operating Leases

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

Council as Lessor - Operating Leases

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

41.14 Overheads and Support Services

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

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

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

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

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

41.16 Property, Plant and Equipment

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

Recognition

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.16 Property, Plant and Equipment (continued)

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.16 Property, Plant and Equipment (continued)

Impairment

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line 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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.16 Property, Plant and Equipment (continued)

classed as Held for Sale - and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

41.17 Provisions

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

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

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

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

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.18 Reserves

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

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

41.19 Revenue Expenditure Funded from Capital under Statute

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

41.20 VAT

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

HOUSING REVENUE ACCOUNT

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

	2019/20	2020/21
	£'000	£'000
Expenditure		
Repairs and maintenance	3,075	2,999
Supervision and management	2,257	2,414
Rent, rates, taxes and other charges	207	161
Depreciation and impairment of non-current assets	5,650	3,021
Total Expenditure	11,189	8,595
Income		
Dwelling rents	(11,750)	(12,001)
Non-dwelling rents	(336)	(315)
Charges for services and facilities	(841)	(862)
Total Income	(12,927)	(13,178)
Net Income of HRA Services as included in the Comprehensive Income and Expenditure Statement	(1,738)	(4,583)
Net Income of HRA Services	(1,738)	(4,583)
HRA share of Other Operating Income and Expenditure		
Gain on sale of HRA non-current assets	(190)	(878)
Interest payable and debt management expenses	1,937	1,960
Interest and investment income	(101)	(44)
Movement in the allowance for bad debts	273	135
Pensions net interest expense	149	169
Deficit/(surplus) for the year on HRA services	330	(3,241)

HOUSING REVENUE ACCOUNT

Movement on the HRA Statement

Note	2019/20 £'000	2020/21 £'000
Balance on the HRA at the end of the previous year	1,901	1,071
Surplus/(deficit) for the year on the HRA Income and Expenditure Statement	(330)	3,241
1 Adjustments between accounting basis and funding basis	1,170	(1,137)
Transfer of recharges from the General Fund Account	(1,670)	(1,695)
Increase before transfers to or from reserves	(830)	409
Transfers from earmarked reserves	0	0
(Decrease)/increase in the year on the HRA	(830)	409
Balance on the HRA at the end of the current year	1,071	1,480

HOUSING REVENUE ACCOUNT - NOTES

1. Adjustments between accounting basis and funding basis

	2019/20	2020/21
	£'000	£'000
Gain or loss on sale of HRA non-current assets	190	878
HRA share of contributions to or from the Pensions Reserve	(130)	(156)
Transfers to or from the Major Repairs Reserve	2,946	2,949
Transfers to or from the Capital Adjustment Account	(4,177)	(2,521)
Transfers to or from the Accumulated Absences Adjustment Account	1	(13)
Total adjustments between accounting basis and funding basis	(1,170)	1,137

2. Housing Stock

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

	31 March 2020	31 March 2021
Flats		
1 Bedroom	533	532
2 Bedroom	497	495
3 Bedroom	60	60
Total Flats	1,090	1,087
Houses and Bungalows		
1 Bedroom	345	344
2 Bedroom	389	388
3 Bedroom	638	635
4 Bedroom	13	14
Total Houses and Bungalows	1,385	1,381
Equity share properties		
1 Bedroom	2	2
2 Bedroom	5	5
Total Equity share properties	7	7
Total Housing Stock	2,482	2,475

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 2020	31 March 2021
	£'000	£'000
<u>Property Plant & Equipment</u>		
Dwellings	261,461	277,873
Other land and buildings	6,198	6,094
Surplus assets	282	1,043
Assets under construction	251	400
Sub Total	268,192	285,410
Intangible Assets	99	33
Total all Assets	268,291	285,443

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

	Dwellings	Other Land and Buildings	Surplus Assets	AUC	Total
	£'000	£'000	£'000	£'000	£'000
Net Book Value at 31 March 2019	257,048	6,576	0	115	263,739
Changes during the year	4,413	(378)	282	136	4,453
Net Book Value at 31 March 2020	261,461	6,198	282	251	268,192
Changes during the year	16,412	(104)	761	149	17,218
Net Book Value at 31 March 2021	277,873	6,094	1,043	400	285,410

Depreciation and amortisation charges during the year were as follows:

	2019/20	2020/21
	£'000	£'000
<u>Depreciation</u>		
Dwellings	2,606	2,640
Other land and buildings	307	309
Total depreciation	2,913	2,949
<u>Amortisation</u>		
Software	33	49
Total	2,946	2,998

HOUSING REVENUE ACCOUNT - NOTES

Revaluation losses during the year were as follows:

	2019/20	2020/21
	£'000	£'000
Dwellings	2,680	23
Other land and buildings	7	0
Surplus Assets	17	0
Total revaluation losses	2,704	23

Vacant possession value of dwellings

The vacant possession value of dwellings within the Council's HRA was £731.242m at 31 March 2021 (£688.054m at 31 March 2020). 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

	2019/20	2020/21
	£'000	£'000
Balance at 1 April	4,326	6,345
Amount transferred to the reserve during the year	2,946	2,950
Financing of capital expenditure	(927)	(2,820)
Balance at 31 March	6,345	6,475

5. Capital Transactions

a) Capital Expenditure and Financing

	2019/20	2020/21
	£'000	£'000
Capital Expenditure:		
Acquisition of new housing stock	4,284	738
Affordable housing development	106	822
Enhancements to existing housing stock	798	2,277
Enhancements to sewerage & water treatment plant	30	543
Enhancements to housing management IT system	99	16
Total Capital Expenditure	5,317	4,396
Sources of Finance:		
Major Repairs Reserve	(927)	(2,820)
Retained Capital Receipts	(1,317)	(468)
Revenue contribution to capital expenditure	(1,473)	(500)
Borrowing	(1,600)	(608)
Total Financing	(5,317)	(4,396)

HOUSING REVENUE ACCOUNT - NOTES

b) Capital Receipts

Receipts from disposal of dwellings and land were £1.853m in 2020/21 (£0.495m in 2019/20).

6. Rent Arrears

	2019/20	2020/21
	£'000	£'000
Gross rent arrears at 31 March	1,332	1,429
Provision for doubtful debts	(816)	(891)
Net Rent Arrears at 31 March	516	538

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.

	2019/20	2020/21
	£'000	£'000
HRA Income and Expenditure Statement		
Net Expenditure on HRA Services		
Current service cost	395	454
Administration expenses	4	10
HRA Share of Operating Income and Expenditure		
Net interest cost	149	169
Net Charge to the Income and Expenditure Statement	548	633
Movement on the HRA Statement		
Reversal of net charges made for retirement benefits	(548)	(633)
Employer's Contribution to the Scheme	418	478
HRA contribution to the Pensions Reserve	(130)	(155)

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).

	2019/20			2020/21		
	Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
Amounts required by statute to be debited to the Fund						
Council Tax receivable	(58,076)	0	(58,076)	(60,023)	0	(60,023)
NDR receivable	0	(25,958)	(25,958)	0	(13,346)	(13,346)
Total amounts credited to the Fund	(58,076)	(25,958)	(84,034)	(60,023)	(13,346)	(73,369)
Amounts required by statute to be debited to the Fund						
Council Tax Precepts						
Essex County Council	41,750	0	41,750	43,554	0	43,554
Police & Crime Commissioner for Essex	6,341	0	6,341	6,548	0	6,548
Essex Fire & Rescue Authority	2,381	0	2,381	2,436	0	2,436
Brentwood Borough Council	6,748	0	6,748	6,960	0	6,960
Total Council Tax Precepts	57,220	0	57,220	59,498	0	59,498
Distribution of NDR Income						
Central Government	0	13,191	13,191	0	13,238	13,238
Brentwood Borough Council	0	10,553	10,553	0	10,590	10,590
Essex County Council	0	2,374	2,374	0	2,383	2,383
Essex Fire & Rescue Authority	0	264	264	0	265	265
Costs of Collection	0	102	102	0	104	104
Total Distribution of NDR Income	0	26,484	26,484	0	26,580	26,580
Transitional Protection Payment	0	5	5	0	21	21
Council Tax Hardship Grant	0	0	0	(231)	0	(231)
Impairment of Debts						
Write-offs	(2)	430	428	(113)	40	(73)
Allowance for Impairment	572	124	696	23	197	220
Total Impairment of Debts	570	554	1,124	(90)	237	147
Distribution of previous year's Council Tax surplus (note 4)	364	0	364	319	0	319
Distribution of previous year's NDR deficit (note 4)	0	(943)	(943)	0	(274)	(274)
Total Movement on Fund Balance in the year	78	142	220	(527)	13,218	12,691
Movement on the Collection Fund						
Opening fund balance	(259)	1,033	774	(181)	1,175	994
Movement on fund balance in the year	78	142	220	(527)	13,218	12,691
Closing fund balance (note 5)	(181)	1,175	994	(708)	14,393	13,685

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 2021 was 33,294 (33,294 as at 31 March 2020). The following table shows the Council Tax base by valuation band.

Band	Range of Property Values	Band D Ratio	2019/20		2020/21	
			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	412	272	422	281
B	£40,001 - £52,000	7/9	1,927	1,484	1,938	1,508
C	£52,001 - £68,000	8/9	5,181	4,559	5,167	4,593
D	£68,001 - £88,000	9/9	7,309	7,236	7,327	7,327
E	£88,001 - £120,000	11/9	5,507	6,663	5,504	6,727
F	£120,001 - £160,000	13/9	4,125	5,899	4,160	6,008
G	£160,001 - £320,000	15/9	3,656	6,033	3,679	6,132
H	More than £320,000	18/9	580	1,148	583	1,165
Total			28,697	33,294	28,780	33,741

2. Income from Council Tax

For 2020/21 the Council set a Band D Council Tax (excluding parish precepts) of £1,787.26 (£1,724.48 in 2019/20), 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 2021 was £68,017,340 (£71,278,764 at 31 March 2020). The reduction in the Rateable Value is mostly due to the removal during 2020/21 of the Ford Motor Company European HQ from the Rating List following its closure during 2019/20

The standard NDR multiplier for the year was 51.2p (50.4p in 2019/20) and the small business multiplier was 49.9p (49.1.p in 2019/20).

COLLECTION FUND

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

	Council Tax		NDR	
	2019-20 £'000	2020-21 £'000	2019-20 £'000	2020-21 £'000
Central Government	0	0	(472)	(137)
Essex County Council	268	233	(85)	(25)
Police & Crime Commissioner for Essex	37	35	0	0
Essex Fire & Rescue Authority	15	13	(9)	(2)
Brentwood Borough Council	44	38	(377)	(110)
Total	364	319	(943)	(274)

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

	Council Tax		NDR	
	2019-20 £'000	2020-21 £'000	2019-20 £'000	2020-21 £'000
Central Government	0		587	7,197
Essex County Council	(133)	(517)	106	1,295
Police & Crime Commissioner for Essex	(20)	(80)	0	0
Essex Fire & Rescue Authority	(7)	(29)	12	144
Brentwood Borough Council	(21)	(82)	470	5,757
Total	(181)	(708)	1,175	14,393

GLOSSARY

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

GLOSSARY

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

GLOSSARY

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

GLOSSARY

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

GLOSSARY

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

GLOSSARY

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

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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.

1. Key Elements of the Governance framework

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

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

ANNUAL GOVERNANCE STATEMENT

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

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

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

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

The Monitoring Officer has a duty to monitor and review the Constitution to ensure that its aims and principles are current and effective. The Constitution was adopted by the Council at a meeting held on 15th May 2013. The Constitution Working Group is in place to review effectiveness of and to ensure it conforms to best practice. The Monitoring officer has the authority to make and has made minor changes as appropriate throughout the year. The Constitution Working Group met six times throughout 2020-21.

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

Further, the Council's Independent Persons 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.
- Health and Safety Policy.
- Safeguarding Children's Policy.
- Corporate Complaints Policy
- Persistent and Unreasonable Behaviour Policy

ANNUAL GOVERNANCE STATEMENT

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 2021/22 to 2023/24, 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.

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.

ANNUAL GOVERNANCE STATEMENT

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 2019 and an addendum of focussed changes to the pre-submission Local Plan was carried out in October 2019. Hearing session subsequently began with the inspector virtually in December 2020 and all appropriate elements of the process have been communicated with members and published on the Council’s website.

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 2020/21, following a number of working groups. The process is robust and includes reviewing complaints made to the Local Government Ombudsman and Housing Ombudsman. The Policy was reviewed and updated in April 2021 in line with the Local Government Ombudsman good practice.

ANNUAL GOVERNANCE STATEMENT

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.

Due to the COVID-19 pandemic and the original lockdown in March 2020, all committee meetings were suspended until further notice, following government legislation which came into force on 4th April 2020, Subsequently an Extra-ordinary Council meeting was held on 29th June 2020 which enabled the Council to hold remote and hybrid meetings, subject to social distancing rules. This meeting also approved a revised calendar of meetings that was developed for the first 5 months of the year, until October 2020, only forecasting meetings of the Emergency, Planning & Licensing and Audit & Scrutiny Committees. The normal committee cycle was proposed to start in October at the earliest due to the current situation and was regularly reviewed by the Monitoring Officer. This ensured that business critical meetings continued and the decision making of the Council could continue in the most effective and efficient way during the unprecedented times.

This same meeting agreed terms and conditions of an Emergency Committee and was formalised in the Council constitution. The Emergency Committee took on the decisions of the Committees that were suspended and followed the calendar of meetings in that regard. The Chief Executive in consultation with the Leader made initial recommendations of what Council business matters were brought to the Committee. The reports which came to the Committee was assessed by the Monitoring Officer to ensure that the decisions being requested were urgent decisions that could not be deferred or were not within the scheme of delegations to officers.

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, example for this during 2020/21 is the consultation on zero carbon Council homes at Brookfield Close.

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

The Corporate Strategy – Brentwood 2025 was approved by Council on 22nd January 2020 following consultation with members and the public. The five-year Corporate Strategy identifies the Council's key priorities and outlines annual objectives against these priorities.

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.

ANNUAL GOVERNANCE STATEMENT

The Key 2020/21 Objectives were:

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

ANNUAL GOVERNANCE STATEMENT

An annual review of achievements against the Corporate Strategy during 2020/21 was approved at Ordinary Council on 10th March 2021. This review also identifies the key objectives for 2021/22. An annual review and annual objective setting will take place each year of the strategy's life cycle.

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

The Council currently manages 25 key performance indicators regularly with designated service managers, which are monitored and reported to the Senior Leadership Team. During 2020/21 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. These meetings were held virtually due to the pandemic. The Key Performance Indicators are made public via the Council's website using data share.

The Council continued to maintain the Corporate Project Management Register. Project Highlight Reports are updated and the summary is reviewed at the Senior Leadership Team (SLT) level. 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. During 2020/21, conflicting priorities of COVID-19 did mean that the project register was reported to SLT less frequently than usual. More recently it has been decided by SLT to set up a project programme board, which sits out of the weekly SLT meetings, which will discuss new projects (PoaP) in detail, subject to receiving commentary from subject matter experts such as Finance, ICT & HR.

Work continued on the Local Development Plan, Consultation on the pre-submission Local Plan (Reg19) was carried out in February 2019 and an addendum of focussed changes to the pre-submission Local Plan was carried out in October 2019. This work also facilitated discussion on Economic Growth, Housing, Leisure and Infrastructure all of which are vital to the Borough's future. On 22nd January 2020 Council approved the addendum of focussed changes to the pre-submission Local Plan and the Local Plan was submitted to the planning inspectorate (Reg 22) in February 2020. Inspectors' initial questions were received in May 2020 and the hearing session began in December 2020. The examination process continues, with the inspectors report expected to be issued in December 2021 for then adoption to take place in March 2022.

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 MTFS 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.

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.

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 Leadership team (SLT). Following the departure of the Council's Monitoring Officer, the role was advertised and

ANNUAL GOVERNANCE STATEMENT

the successful candidate was appointed and began their role in March 2020. SLT went through a further restructure in September 2020 which identified two new posts to the team and Job descriptions were realigned to reflect consistency across the Corporate Director and Strategic Director roles.

The Senior Leadership Team (SLT) consists of nine posts 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, ensuring that the Council's meets its corporate strategy objectives.

The Extended Leadership Team (ELT) consists of the Senior Leadership Team (SLT) as well as key Senior managers and Officers. ELT meet on a fortnightly basis and support SLT to develop strategies and polices 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 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 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 Ordinary Council meeting is in place in July 2021 to consider joint committee arrangements.

The Council is committed to work-life balance and offers a range of schemes for its staff, including flexible working hours, job sharing, part-time working, home working, flexible retirement and compressed hours. All Human Resources Policies can be found on the Councils HR Sharepoint site. During 2019/20 the decision was taken to bring our HR & Recruitment service in house. Even through this was implemented during the pandemic, we have noticed considerable benefits and changes to the organisation. The Council also looked for a new payroll provider, as the decision was taken not to extend the Thurrock arrangement. Our payroll requirements were successfully transferred to Braintree Council and implemented from April 2021.

ANNUAL GOVERNANCE STATEMENT

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. During 2020/21, majority of external training was carried out virtually. An Aspiring Managers Development Programme was implemented in June 2020 and two cohorts were established for line managers and emerging managers within the organisation.

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. As part of the COVID-19 response, 121 wellbeing checks ins were rolled out across the organisation to ensure staff were being communicated with, assisted and supported throughout the pandemic which included their mental health and wellbeing as well as their practical needs.

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. Due to the unprecedented times of the pandemic, management decision was taken to relax the appraisal system for 2019/20 & 2020/21. It has been made clear to staff and managers that the Council needs to ensure that this system is followed for 2021/22. The system is looking to be reviewed to make sure that it is fit for purpose.

The Council has implemented a workforce strategy, which is currently being monitored across the organisation using a constructed monitoring tool. Values and behaviour workshops were established to identify the Council's Corporate Values for the organisation. The process is in its final stages and will be realigned with the workforce strategy.

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:

ANNUAL GOVERNANCE STATEMENT

- 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.

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, Extended Leadership Team (through risk owners) 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 which are now included. There were also some fundamental changes to the risk matrix, which is now more evenly spread between likelihood and impact. All the Councils Risks are in process of been amended in line with the new strategy objectives. An officer risk working group has been established and is led by Corporate Director (Finance & Resources) to ensure risk are reviewed regularly and in line with Committee reporting timetable.

The Audit and Scrutiny Committee met four times during the year 2020/21, virtually and in a hybrid capacity. 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 Council's Data Protection Officer (DPO) is the ICT manager for the Council. In March 2020 the Council appointed a Monitoring Officer who provides support and assistance to the DPO along with a third party provider.

The General Data Protection Regulations (GDPR) came into effect in 2016 with direct effect, the Government had two years into which to incorporate the Directive into statute. The Data Protection Act 2018 came into effect on the 25 May 2018. At the time the Council implemented all the necessary policies and procedures to ensure compliance. The Council will through its Information Governance Group review and ensure all policies of the Council are kept up to date and relevant including all relating to Data Protection.

ANNUAL GOVERNANCE STATEMENT

The Council's Senior Information Risk Officer (SIRO) is currently the Council's Corporate Director (Finance & Resources).

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. Officers periodically hold Budget Challenge Panel sessions, chaired by the Chief Executive, where managers are questioned over performance and future actions to address budgetary concerns. During 2020/21 these sessions were conducted on an informal basis due to challenges arising from the Covid-19 pandemic.

Budget monitoring reports are periodically presented to the Policy, Resources & Economic Development (PRED) Committee to inform members of the Council's financial performance against budget and proposed outturn for the financial year.

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 Strategy and financial objectives. PRED as delegated shareholder is responsible for the monitoring the performance and risks associated with the activity of SAIL, the Council's 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 Council's 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 and Health Committee (Introduced May 2019)
- Environment, Enforcement and Housing Committee (Introduced May 2019)
- Policy, Resources and Economic Development Committee (Introduced May 2019)

ANNUAL GOVERNANCE STATEMENT

Regulatory Committees

- Audit and Scrutiny Committee (introduced May 2018)
- Licensing/Appeals Sub-Committee
- Planning and Licensing Committee

Working Groups

- Constitution Working Group
- Leisure Strategy Working Group
- Local Development Plan Working Group
- Performance & Formal Complaints Working Group
- Brentwood Leisure Trust 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 Corporate Director (Digital & Engagement).

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 have been provided training and feedback of the system was presented to Audit and Scrutiny Committee, as part of the digital action plan, further improvements to the system will be reviewed during 2021.

2. 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.

ANNUAL GOVERNANCE STATEMENT

The opinion is as follows:

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

In forming our view we have taken into account that:

- The Council has incurred an overspend against budget in 2020/21, although it has worked hard to contain this to £243,000 despite significant reductions in Government Funding and the pressures of the Covid-19 pandemic. 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.
- In respect of the design of the controls, substantial assurance was provided in eight out of twelve assurance audits, moderate assurance opinions were provided in three areas and limited in one operational area (Street Cleaning/Fly Tipping/Enforcement). These opinions are a slight deterioration compared with 2019-20, when there were no limited assurances (see page 19).
- In respect of the operational effectiveness of the controls, an opinion of substantial assurance was provided in three areas, moderate assurance in six areas and limited assurance in three areas (Sickness Absence, Licensing and Street Cleaning/Fly Tipping/Enforcement). These opinions are a deterioration compared with 2019-20, when there were no limited assurances (see page 19).
- Management has responded positively to reports issued and action plans have been developed to address the recommendations raised, although we have experienced delays in responses to reports and audit requests.
- We have confirmed that 82% of recommendations due for implementation by the date of reporting had been completed, which is a decrease from the 94% in the prior year.
- Overall, therefore, we have noted a deterioration in the control environment compared to last year, although not to the extent that is necessary to downgrade our overall opinion.
- We understand that the lapse in controls in some areas this year, such as sickness absence management in the depot and the operational areas of Licensing and Street Cleaning/Fly Tipping/Enforcement is as a result of the ongoing Covid-19 pandemic and the consequent strain on resources.

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 2021.

External Audit

The External Auditor's Audit Results Report for 2019/20 was reported to Audit and Scrutiny Committee in November 2020. Outstanding matters were required before an opinion could be issued. This work was subsequently completed and an opinion issued on 28 May 2021.

In Ernst & Youngs 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.

ANNUAL GOVERNANCE STATEMENT

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 2020/21 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 2019/20	Aims in 2020/21	Progress in 2020/21
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.	Corporate Strategy was reviewed 10 th March 2021 and new Objectives set for 2021-22
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.	Business and Recovery Plans were approved and regular updates to committee undertaken to the COVID-19 response.
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.	The LDP process continues. Public hearing began in December 2020 and the examination process continues
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.	Appropriate Governance arrangements are in place for the Council's wholly owned company and Joint Venture Partner.
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	Constitution working group meets regularly and makes suggestions to committee for changes.
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	Digital Strategy, Communication protocol and Housing Development Strategy have all been implemented throughout the year. Further strategies continue to be developed.
Housing	To continue to improve the Council's Housing stock compliance works in according with appropriate legislation.	Progress continues to be improved. Various strategies, procedures and guidelines have been put in place.
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.	ASELA has continued to progress its projects including housing, sustainable park, 'virtual' university, digital infrastructure and connectivity.
Data Protection arrangements	To review the existing arrangements following the ceasing of the previous MOU arrangements with Thurrock Council.	The DPO continues to be held by the ICT Manager and an Information Governance group is in place.

ANNUAL GOVERNANCE STATEMENT

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 2021/22 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 2020/21	Aims in 2021/22
1.	COVID-19 Pandemic	Review existing strategic partnership arrangements and business continuity processes as a result of the COVID-19 pandemic.
2.	Local Development Plan (LDP)	Examination process continues. Inspectors report is expected in December 2021, for adoption to take place In March 2022.
3.	Association of South Essex Local Authorities (ASELA)	To continue to deliver on the association's key priorities including digital infrastructure, connectivity, housing, education and skills.
4.	Organisational Review	To complete the Extended Leadership Team review to enable up to date and effective structures to provide service delivery.
5.	Strategies	To review existing and produce new strategies across the Council such as Car Parking Strategy, Environmental Strategy Empty Homes and Asset & Investment Strategy
6.	Information Governance	To embed Information Governance arrangements including the rollout of the corporate information governance framework and information architecture.
7.	Programme and Project Management	To refine and embed the council's standards for project management including the initiation, planning, execution, control and closure of projects to ensure they meet the outcomes expected. Thereby strengthening accountability and transparency in decision-making to ensure Corporate Plan and service objectives are met.

ANNUAL GOVERNANCE STATEMENT

5. Conclusion

We are satisfied that the Annual Governance Statement is an accurate reflection of the Council's governance arrangements for 2020/21. We propose over the coming year to take steps to address issues reported above during 2021/22 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
July 2021**

**Jonathan Stephenson
Chief Executive
July 2021**