



**BRENTWOOD
BOROUGH COUNCIL**

STATEMENT OF ACCOUNTS 2016/17

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NARRATIVE REPORT

1. Introduction

1.1 The Narrative Report provides a concise guide to the most significant matters reported in the Statement of Accounts for the year ended 31 March 2017, and also some contextual information about the Council.

2. Brentwood Borough

2.1 The Borough of Brentwood is situated in the southwest of Essex, 18 miles from London. It has a total area of around 15,315 hectares and a population of just over 73,500. The Borough is mostly within London's Metropolitan Green Belt, with approximately 1,215 hectares of woodland, three country parks and much farmland within its borders. This "Borough of Villages" character surrounds the town of Brentwood, a market town at the heart of the Borough with a good mix of shops, businesses, schools, and recreational facilities.

2.2 The Borough has excellent road and rail connections. The M25, A12 and A127 trunk roads flow through the Borough and there are convenient, fast rail links to London and East Anglia. These rail links will be further enhanced by the arrival of Crossrail at Brentwood and Shenfield, to be renamed the Elizabeth Line once fully operational and providing new direct links with Central London and Heathrow Airport.

2.3 Brentwood Borough Council is responsible for delivering a range of services to the residents of the Borough. Its key resources and assets are:

- a workforce of 342 full-time equivalent staff
- a housing stock of 2,473 with a value of £251.975m
- other land & buildings and vehicles & equipment valued at £39.544m

3. Contents of the Statement of Accounts

The Statement of Accounts comprises the following:

3.1 Statement of Responsibilities for the Statement of Accounts

This identifies the officer responsible for the proper administration of the Council's financial affairs. In Brentwood Borough Council this officer is the Finance Director. The Finance Director signs this statement to confirm that the Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year then ended.

3.2 Core Financial Statements, comprising:-

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

3.3 Notes to the Accounts including significant Accounting Policies (pages 17-78)

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

3.4 Housing Revenue Account (pages 80-84)

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

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3.5 Collection Fund (pages 85-87)

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

3.6 The Annual Governance Statement (pages 88-100)

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

3.7 Glossary of Terms (pages 101-107)

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

4. Corporate Plan

4.1 The Council operated under the direction of its Corporate Plan 2016-2019, **Vision for Brentwood**, during 2016/17. The key priorities of the corporate plan are:

- **Environment and Housing Management** We will find new ways of working with partners and embrace the support of communities to enhance the cleanliness of our environment and maintain the attractiveness of our Borough. We will work to ensure our housing stock is managed so that it delivers comfortable and safe homes for our tenants that are efficient and sustainable.
- **Community and Health** Brentwood is fortunate to benefit from a range of vibrant groups and organisations that enhance and support the local community. The Council will work with local businesses, community groups and the voluntary sector to ensure the future wellbeing of our Borough.
- **Economic Development** Our superior locational advantage and entrepreneurial spirit means that Brentwood is fortunate to have a strong economic foundation. In partnership with key local and regional business organisations, we can harness that force to promote the Borough, encourage a mixed economy and support sustainable development.
- **Planning and Licensing** A new Local Development Plan will shape the way our Borough will change over the next fifteen years. We will work hard to get the best outcome and achieve a good balance for residents and businesses in a way that celebrates Brentwood's unique history and quality of life; both within the borough and influencing the outcome of regional developments that will affect Brentwood residents. Our licensing policies will regulate businesses to ensure public safety and minimize environmental nuisance caused by their activities.
- **Transformation** Between 2016 and 2019 the way the Council looks and works will be transformed. We will continue the drive to make it easier for customers to access services and information, cut out bureaucracy that does not add value and make sure taxpayers' money is even more wisely spent. We will explore new income generating ideas and opportunities. We will have services delivered by those best placed to deliver excellence and

4.2 The Council maintains a corporate risk register to identify the risks which could impact on the Council's ability to achieve its objectives. Risks are reviewed by senior managers and presented to the Audit Committee quarterly.

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Currently there are 13 strategic risks that are scored on a risk matrix from 1-25, with 25 being the highest level of risk. These risks and their risk scores are:

Risk	Score
Financial pressures	25
Extension of Right to Buy to registered provider tenants	20
Roll out of Universal Credit	16
Completion of the Local Development Plan	15
Failure to deliver key corporate projects	10
Information management and security	9
Organisational capacity	8
Disaster recovery/business continuity	8
Commercial activities	8
Contract and partnership arrangement failure	8
Failure to spend HRA capital receipts	5
Lack of strategic direction	4
Outsourced and shared services arrangements	2

5. General Fund Revenue Spend Analysis

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

	Budget	Forecast outturn	Actual outturn	Variance to budget	Variance to forecast outturn
	£'000	£'000	£'000	£'000	£'000
Vision for Brentwood – Service Expenditure					
Environment and Housing Management	3,252	2,972	2,856	(396)	(116)
Community and Health	3,323	3,055	2,978	(345)	(77)
Economic Development	(427)	(397)	(620)	(193)	(223)
Planning & Licensing	1,293	1,329	1,414	121	85
Transformation	2,513	2,437	2,568	55	131
Total Spend for Vision for Brentwood	9,954	9,396	9,196	(758)	(200)
Operating and Financing Charges	497	764	735	238	(29)
Appropriations	168	485	352	184	(133)
Total Spending Requirement	10,619	10,645	10,283	(336)	(362)
Funding:					
Council Tax	(5,893)	(5,893)	(5,893)	0	0
Revenue Support Grant	(710)	(710)	(710)	0	0
Business Rates Income	(1,678)	(1,431)	(1,223)	455	208
Collection Fund Deficit	(432)	(432)	(432)	(0)	0
New Homes Bonus Grant	(1,621)	(1,621)	(1,625)	(4)	(4)
Other Government Grants	0	(273)	(400)	(400)	(127)
Total Funding	(10,334)	(10,360)	(10,283)	51	77
Net (Surplus)/Deficit for the year	285	285	0	(285)	(285)
Earmarked from working balances	300	300	223	(77)	(77)
(Surplus)/Deficit on General Fund Balances	585	585	223	(362)	(362)

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6. Housing Revenue Account Spend Analysis

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

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

	Budget	Forecast outturn	Actual outturn	Variance to budget	Variance to forecast outturn
	£'000	£'000	£'000	£'000	£'000
Expenditure:					
Repairs and Maintenance	2,410	2,317	2,048	(362)	(269)
Supervision and Management	2,812	2,763	2,785	(27)	22
Rents, Rates, Taxes and Other Charges	195	196	196	1	0
Share of Corporate Costs	455	433	419	(36)	(14)
Depreciation and Impairment	2,318	2,535	2,538	220	3
Increase in Bad Debts Provision	85	85	40	(45)	(45)
Total Expenditure	8,275	8,329	8,026	(249)	(303)
Income:					
Dwelling Income	(12,136)	(12,188)	(11,993)	143	195
Non-Dwelling Income	(539)	(533)	(484)	55	49
Charges for Services and Facilities	(825)	(859)	(856)	(31)	3
Contribution towards Expenditure	(191)	(240)	(213)	(22)	27
Total Income	(13,691)	(13,820)	(13,546)	145	274
Operating and Financing Charges	4,623	4,017	4,340	(283)	323
Appropriations	500	1,181	997	497	(184)
HRA Services (Surplus)/Deficit	(293)	(293)	(183)	110	110

6.3 The value of Council Dwellings as shown on the Balance Sheet has risen by £17.974m between 31 March 2016 and 31 March 2017, an increase of 8.1%. The value of the Council Dwellings is based on the equivalent value of privately owned properties, discounted by a social housing factor of 62%. The increase in Council Dwelling values reflects the general increase in property prices within the Borough.

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

7.1 The figures shown in tables 5.1 and 6.2 are different from those in the Comprehensive Income and Expenditure Statement, as many of the accounting adjustments and appropriations are reversed out in the Movement in Reserves Statement and therefore have no impact on the Council's actual budget position for the purpose of setting Council Tax.

7.2 A reconciliation of the accounting adjustments to what is actually chargeable to the General Fund and HRA balances to the Comprehensive Income and Expenditure Statement is highlighted in Note 1 & 2 Expenditure and Funding Analysis.

7.3 The Expenditure and Funding Analysis Notes does not necessarily correlate back to tables 5.1 and 6.2, as there are items like depreciation and appropriations which are budgeted for but are subsequently reversed out so are not actually chargeable to the General Fund and HRA balances.

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7.1 The following table shows the movement of General Fund and HRA balances including Earmarked Reserves during the year. For more detail see Note 5 to the Core Financial Statements.

	Balance at 31 March 2016 £'000	Transfers to/(from) earmarked reserves £'000	Balance at 31 March 2017 £'000
General Fund Balance	3,965	(223)	3,742
Earmarked General Fund Reserves	2,533	2,422	4,955
Total	6,498	2,199	8,697
Housing Revenue Account Balance	1,363	183	1,546
Earmarked HRA Reserves	1,903	997	2,900
Total	3,266	1,180	4,446
General Fund and HRA Closing Balances	9,764	3,379	13,143

8 Capital Programme Spend Analysis

8.1 The Council's capital expenditure on the provision of new or enhanced assets is met from the Major Repairs Reserve, capital receipts, borrowing, revenue contributions and Government and other grants and contributions.

8.2 The following table summarises the actual spending and funding position for the Capital Programme compared to the budget:

	Budget £'000	Forecast outturn £'000	Actual outturn £'000	Variance to budget £'000	Variance to forecast outturn £'000
Corporate Priorities – Service Expenditure					
Environment and Housing Management	8,310	4,397	4,123	(4,187)	(274)
Community and Health	288	210	196	(92)	(14)
Economic Development	1,718	185	244	(1,474)	59
Transformation	2,088	1,216	1,227	(861)	11
Total Spend on Corporate Priorities	12,404	6,008	5,790	(6,614)	(218)
Funding					
Capital Receipts	5,468	2,745	2,409	(3,059)	(336)
Retained HRA Capital Receipts	646	156	268	(378)	112
Government Grants	120	106	184	64	78
Major Repairs Reserve	2,318	2,527	2,158	(160)	(369)
Revenue Contributions	3,852	390	644	(3,208)	254
Section 106 Agreements	0	84	127	127	43
Total Funding	12,404	6,008	5,790	(6,614)	(218)

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9 Treasury Management and Capital Financing

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

	£'000	Average Rate %
Fixed Interest Rate Debt	2,000	
HRA Self-financing resultant debt	59,166	
Total Long Term Debt	61,166	3.42
Temporary Borrowing	3,000	0.30
Total External Debt	64,166	
Total Investments	(17,000)	0.39
Net Borrowing Position	47,166	

9.2 The HRA Self-financing resultant debt of £59.166m was taken on in March 2012, when the Council "bought itself out" of the HRA subsidy system under the Government's HRA reforms. The first tranche of this debt (£5m) matured in March 2017, with the remaining debt maturing between then and March 2042.

9.3 In addition to external debt, the Council has "internal debt" of approximately £12m, representing occasions in previous years when the Council has used its own cash resources to fund capital expenditure instead of taking out external loans.

9.4 The investments of £17.000m are all short term and are included in the Council's Balance Sheet as "Cash Equivalents."

10 Net Pension Liability and Reserve

10.1 The Council's Balance Sheet shows a net pension liability of £52.079m at 31 March 2017, offset by a reserve of the same amount. Details of the required accounting for pension schemes are contained in Note 39 to the Statement. The liability shows the underlying commitment the Council has to paying pensions in the long run and the substantial impact on the net worth of the Council.

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

11 Medium Term Financial Plan

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

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

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- 11.2 There are a number of issues impacting the MTFP including the phasing out of the Revenue Support Grant and changes to the New Homes Bonus and the Business Rates Retention Schemes.
- 11.3 The MTFP currently extends to 2019/20 and it forecasts a cumulative funding gap of £2m by 2019/20. The Council has put in place a process to identify and deliver efficiency measures and income generation opportunities in order to close this funding gap. The process is led by the Council's Head of Paid Service and is co-ordinated by the Corporate Leadership Board (CLB). As at 31 March 2017, £0.4m efficiency, £0.5m income generation and £0.1m reprioritisation savings had been identified, of which £0.980m will be delivered in 17/18.
- 11.4 The Council's accounts for 2016/17 have been prepared on the basis that the Council is a Going Concern i.e. it will remain in operational existence for the foreseeable future. In particular, the Comprehensive Income and Expenditure Accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.
- 11.5 Within the context described above, the Council's General Fund Net Forecast Spend after savings for 2017/18 is £9.769m, with an average Band D Council Tax of £178.14.

12. Performance Measurement

- 12.1 The Council measures its performance using a range of 25 performance indicators, split across the various service areas of the Council. These indicators have been chosen as they represent a cross section of the key services delivered to the residents of the Borough. Their purpose is:
- to enable local residents and businesses to gauge the performance of the Council
 - to enable heads of service to manage their service areas more effectively, including intervening in areas where performance is identified as below target

12.2 The following table gives a sample of performance indicators for the fourth quarters of 2015/16 and 2016/17

Service Area	Indicator	Measure	Q4 2015/16		Q4 2016/17	
			Target	Result	Target	Result
Street Scene & Environment	Residual household waste per household	kg per household - Quarterly	109kg	119.28kg	109kg	121.33kg
Finance	Number of invoices to local suppliers paid within 30 days	Monthly	95%	93.94%	95%	95.52%
Planning	Processing of planning applications as measured against targets for 'Major' application types	Quarterly	50%	65.00%	50%	82.61%
Environmental Health	Food safety/hygiene standards in food premises	% of broadly compliant food premises - Quarterly	97%	97.86%	97%	99.15%
ICT	Website uptime	Quarterly	98%	95.90%	98%	99.99%

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

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13. Changes in Accounting Standards

13.1 Following the “Telling the Story” changes to the CIPFA Code of Practice on Local Authority Accounting 2016/17 a number of amendments have been made to the Council’s core financial statements and supporting disclosure notes. This includes a simplified Movement in Reserves Statement and a Comprehensive Income and Expenditure Statement presented in the Council’s reporting format where previously the Net Cost of Services has been reported by SeRCOP classification. In line with International Financial Reporting Standards a full retrospective restatement of the 2015/16 Comprehensive Income and Expenditure Statement has been included within the 2016/17 Statement of Accounts.

14. Further Information

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

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

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

The Finance Director's Responsibilities

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

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

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

The Finance Director has also:

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

Certification by Finance Director

The Statement of Accounts gives a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended.

Jacqueline Van Mellaerts, Deputy Section 151 Officer
27 September 2017

Certification by the Chair of the Committee approving the accounts

Councillor Roger McCheyne
27 September 2017

CORE FINANCIAL STATEMENTS - MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement from the start of the year 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 shows how movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax and housing rent income for the year. The Net Increase / Decrease line shows the statutory General Fund balance and Housing Revenue Account balance following these adjustments.

Movement in Reserves Statement 2016/17

	Held for Revenue Purposes					Held for Capital Purposes		Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016	3,965	2,533	1,363	1,903	2,723	400	0	12,887	159,132	172,019
Movement in reserves during 2016/17:										
Total Comprehensive Income and Expenditure	4,457	0	5,043	0	0	0	0	9,500	17,233	26,733
Adjustments between accounting basis and funding basis under regulations (note 4)	(2,258)	0	(3,863)	0	5,375	138	381	(227)	227	0
Transfers (to)/from Earmarked Reserves	(2,422)	2,422	(997)	997	0	0	0	0	0	0
Balance at 31 March 2017	3,742	4,955	1,546	2,900	8,098	538	381	22,160	176,592	198,752

Movement in Reserves Statement 2015/16

	Held for Revenue Purposes					Held for Capital Purposes		Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2015	4,509	2,584	1,761	1,413	2,319	114	0	12,700	118,040	130,740
Movement in reserves during 2015/16:										
Total Comprehensive Income and Expenditure (see CIES p12)	(2,211)	0	6,234	0	0	0	0	4,023	37,256	41,279
Adjustments between accounting basis and funding basis under regulations (note 4)	1,616	0	(6,142)	0	404	286	0	(3,836)	3,836	0
Transfers from Earmarked Reserves	51	(51)	(490)	490	0	0	0	0	0	0
Balance at 31 March 2016	3,965	2,533	1,363	1,903	2,723	400	0	12,887	159,132	172,019

CORE FINANCIAL STATEMENTS - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2015/16 (Restated - see footnote)			2016/17		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Environment and Housing Management	6,667	(3,150)	3,517	6,494	(3,853)	2,641
Community and Health	2,543	(691)	1,852	2,396	(833)	1,563
Economic Development	983	(1,610)	(627)	1,416	(1,747)	(331)
Planning & Licensing	1,399	(1,350)	49	2,090	(1,532)	558
Transformation	24,204	(18,245)	5,959	22,550	(18,627)	3,923
Local authority housing (HRA)	5,787	(13,799)	(8,012)	7,215	(13,546)	(6,331)
Cost of Services	41,583	(38,845)	2,738	42,161	(40,138)	2,023
Other operating expenditure (note 6)	745	(579)	166	769	(3,350)	(2,581)
Financing and investment income & expenditure (note 7)	3,636	(201)	3,435	3,689	(2,439)	1,250
Taxation and non-specific grant income & expenditure (note 8)	0	(10,362)	(10,362)	0	(10,192)	(10,192)
(Surplus)/Deficit on Provision of Services	45,964	(49,987)	(4,023)	46,619	(56,119)	(9,500)
Surplus on revaluation of Property, Plant and Equipment assets	0	(33,638)	(33,638)	0	(24,130)	(24,130)
Remeasurement of the net defined benefit pension liability	(3,289)	0	(3,289)	6,901	0	6,901
Recognition of shared equity loans	0	(329)	(329)	0	(4)	(4)
Other Comprehensive Income and Expenditure	(3,289)	(33,967)	(37,256)	6,901	(24,134)	(17,233)
Total Comprehensive Income and Expenditure	42,675	(83,954)	(41,279)	53,520	(80,253)	(26,733)

Restatement of 2015/16 figures

The 2015/16 figures have been restated following the change in reporting requirements in the CIPFA Code of Practice on Local Authority Accounting 2016/17. The Cost of Services reported in the 2015/16 Statement of Accounts was based on SerCOP classifications. The Cost of Services is now presented on the basis of the Council's internal reporting structure, Vision for Brentwood.

An outcome of this transition is a change in the way in which some of the 2015/16 overhead costs are recognised within the financial statements. This has resulted in a minor difference between the Gross Expenditure and Gross Income Cost of Services line reported in the 2015/16 Statement of Accounts and the corresponding line in the above table.

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-Mar 2016 £'000	31-Mar 2017 £'000
9	Property, Plant and Equipment:-	
	Council dwellings	238,100
	Other land and buildings	28,843
	Infrastructure	492
	Community assets	2,956
	Vehicles, plant and equipment	2,316
	272,707	294,546
	Intangible Assets	188
12	Investment Property	2,860
13.1	Long-term Debtors	975
	Long-term Assets	302,395
	Inventories	71
14	Short-term Debtors	4,970
15	Cash and Cash Equivalents	9,280
16	Assets Held for Sale	1,850
	Current Assets	22,114
13.1	Short-term Borrowing	(5,090)
17	Short-term Creditors	(5,401)
32	Grants Receipts in Advance - Revenue	(645)
	Current Liabilities	(8,943)
13.1	Long-term Borrowing	(61,658)
32	Grants Receipts in Advance	(940)
39	Net Pension Liability	(44,360)
18	Provisions	(2,788)
	Long-term Liabilities	(116,814)
	Net Assets	172,019
	172,019	198,752

CORE FINANCIAL STATEMENTS - BALANCE SHEET

Note	31-Mar 2016 £'000	31-Mar 2017 £'000
4 General Fund Balance	3,965	3,742
4 Housing Revenue Account Balance	1,363	1,546
4 Capital Receipts Reserve	2,723	8,098
4 Major Repairs Reserve	0	381
4 Capital Grants Unapplied Account	400	538
5 Earmarked Reserves	4,436	7,855
Usable Reserves	12,887	22,160
20 Revaluation Reserve	82,453	103,603
21 Capital Adjustment Account	120,451	124,717
23 Deferred Capital Receipts	703	698
24 Pension Reserve	(44,360)	(52,079)
25 Accumulated Absences Adjustment Account	(104)	(86)
26 Collection Fund Adjustment Account	(11)	(261)
22 Financial Instruments Adjustment Account	0	0
Unusable Reserves	159,132	176,592
Total Reserves	172,019	198,752

These financial statements replace the unaudited financial statements certified by the Finance Director on 23 June 2017.

Jacqueline Van Mellaerts CPFA, Deputy Section 151 Officer
27 September 2017

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. The statement shows how the Council generates and uses cash and cash equivalents by classifying 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 operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are 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	2015/16		2016/17	
	£'000	£'000	£'000	£'000
Net surplus on the provision of services		(4,023)		(9,500)
Adjustments for non cash movements:-				
Depreciation of non current assets	(3,193)		(3,506)	
Amortisation of intangible assets	(226)		(124)	
Revaluation adjustments	2,802		1,104	
(Increase)/decrease in bad debts provision	(275)		(1)	
(Increase)/decrease in creditors	949		362	
Increase/(decrease) in debtors	884		46	
Increase/(decrease) in inventories	(88)		(8)	
Movement in pension liabilities	(680)		(818)	
Carrying amounts of non-current assets sold	(1,370)		(5,074)	
Increase in provisions	(1,277)		582	
Movement in value of investment properties	(63)		2,043	
Other non cash movements	(133)		(161)	
Total adjustments for non cash movements		(2,670)		(5,555)
Adjustments for investing or financing activities				
Proceeds from the sale of non-current assets	2,083		8,425	
Capital Grants	165		290	
Total adjustment for investing or financing activities		2,248		8,715
Net cash in-flow from Operating Activities		(4,445)		(6,340)
Investing Activities:-				
Purchase of property, plant & equipment and intangible assets	5,280		5,482	
Proceeds from the sale of property, plant & equipment	(2,177)		(8,434)	
(increase)/decrease in capital grants	(212)		(254)	
		2,891		(3,206)
Financing Activities:-				
Repayments of short-term and long-term borrowing	32		2,063	
Increase in Collection Fund Agency creditors	(972)		(198)	
Repayment of finance leases	13		13	
		(927)		1,878
Net increase in cash and cash equivalents		(2,481)		(7,668)
15 Cash and cash equivalents at the beginning of the reporting period		6,799		9,280
15 Cash and cash equivalents at the end of the reporting period		9,280		16,948
Movement in cash & cash equivalents		2,481		7,668

The 2016/17 cash flows for operating activities includes £2.174m for interest payable and £0.148m for investment income receivable.

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NOTES TO THE ACCOUNTS

1. Expenditure and Funding Analysis

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

2016/17	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
Environment and Housing Management	2,062	579	2,641
Local Authority Housing (HRA)	(8,058)	1,727	(6,331)
Community and Health	1,353	209	1,562
Economic Development	(956)	626	(330)
Planning & Licensing	393	165	558
Transformation	3,591	332	3,923
Net Cost of Services	(1,615)	3,638	2,023
Other Income & Expenditure	(1,764)	(9,759)	(11,523)
(Surplus)/Deficit	(3,379)	(6,121)	(9,500)
Opening General Fund, HRA and Earmark Reserve Balance at 31 March 2016	(9,764)		
Add Surplus on General Fund and HRA Balance in Year	(3,379)		
Closing General Fund, HRA and Earmark Reserve Balance 31 March 2017	(13,143)		

The above balance includes earmarked general fund and HRA reserves. The Movement in Reserves Statement on page 11 gives a split of general fund and HRA reserves.

NOTES TO THE ACCOUNTS

1. Expenditure and Funding Analysis (continued)

2015/16	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
Environment and Housing Management	2,600	917	3,517
Local Authority Housing (HRA)	(7,564)	(448)	(8,012)
Community and Health	1,551	301	1,852
Economic Development	(780)	153	(627)
Planning & Licensing	(173)	222	49
Transformation	5,634	325	5,959
Net Cost of Services	1,268	1,470	2,738
Other income & expenditure	(765)	(5,996)	(6,761)
(Surplus)/Deficit	503	(4,526)	(4,023)
Opening General Fund, HRA and Earmark Reserve Balance at 31 March 2015	(10,267)		
Less Deficit on General Fund and HRA Balance in Year	503		
Closing General Fund, HRA and Earmark Reserve Balance 31 March 2016	(9,764)		

The above balance includes earmarked general fund and HRA reserves. The Movement in Reserves Statement on page 11 gives a split of general fund and HRA reserves.

NOTES TO THE ACCOUNTS

	Adjustments between Accounting Basis and Funding Basis 2016/17			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Environment and Housing Management	352	223	5	580
Local Authority Housing (HRA)	1,611	114	2	1,727
Community and Health	80	128	1	209
Economic Development	580	47	(2)	625
Planning & Licensing	0	168	(3)	165
Transformation	73	281	(21)	333
Net Cost of Services	2,696	961	(18)	3,639
Other Income & Expenditure	(9,867)	(143)	250	(9,760)
(Surplus)/Deficit	(7,171)	818	232	(6,121)

	Adjustments between Accounting Basis and Funding Basis 2015/16			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Environment and Housing Management	530	388	(1)	917
Local Authority Housing (HRA)	(579)	134	(2)	(447)
Community and Health	233	75	(6)	302
Economic Development	72	82	(1)	153
Planning & Licensing	13	205	3	221
Transformation	231	84	9	324
Net Cost of Services	500	968	2	1,470
Other income & expenditure	(5,837)	(288)	129	(5,996)
(Surplus)/Deficit	(5,337)	680	131	(4,526)

NOTES TO THE ACCOUNTS

Adjustments for Capital Purposes

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

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

Net Change for the Pensions Adjustment

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

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

Other

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

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

NOTES TO THE ACCOUNTS

3. Expenditure & Income Analysed by Nature

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

	2015/16	2016/17
	£'000	£'000
Expenditure		
Employee benefits expenses	12,711	12,056
Other services expenses	28,251	27,710
Support services recharges	1,363	1,385
Depreciation, amortisation & impairment	721	2,525
Interest payments	2,172	2,174
Precepts & levies	361	388
Payments to the Housing Capital Receipts Pool	384	381
Total expenditure	45,963	46,619
Income		
Fees, charges and other service income	(20,496)	(18,981)
Interest and investment income	(134)	(2,215)
Income from council tax and non domestic rates	(6,712)	(7,298)
Government grants and contributions	(20,667)	(22,809)
Support service recharges income	(1,398)	(1,465)
Gain on the disposal of assets	(579)	(3,351)
Total income	(49,986)	(56,119)
Surplus on the provision of services	(4,023)	(9,500)

4. Adjustments between accounting basis and funding basis under regulations

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

General Fund Balance

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

Housing Revenue Account Balance

The HRA Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989.

NOTES TO THE ACCOUNTS

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

It contains the balance of income and expenditure as defined by the 1989 Act which is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) is required to be recovered from tenants in future years.

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

NOTES TO THE ACCOUNTS

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

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

NOTES TO THE ACCOUNTS

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

<u>2015/16</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)	571	109	0	0	0	680
Council Tax & NNDR (transfers to/from the Collection Fund Adjustment Account)	129	0	0	0	0	129
Holiday pay (transferred to the Accumulated Absences Reserve)	5	(3)	0	0	0	2
Reversal of enties relating to capital expenditure (charged to the Capital Adjustment Account).	1,619	(2,860)	0	0	0	(1,241)
Net gain/loss on disposal of assets	134	0	0	0	0	134
Difference between finance costs charged to the CIES and finance costs chargeable in accordance with statutory requirements	(30)	0	0	0	0	(30)
Total Adjustments to Revenue Resources	2,428	(2,754)	0	0	0	(326)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(910)	(1,173)	2,083	0	0	0
Payments to the government housing receipts pool	384	0	(384)	0	0	0
Transfer of HRA resources from revenue to the Major Repairs Reserve	0	(2,215)	0	0	2,215	0
Capital Grants unapplied	(286)	0	0	286	0	0
Total Adjustments between Revenue and Capital Resources	(812)	(3,388)	1,699	286	2,215	0
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,389)	0	0	(1,389)
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	(2,215)	(2,215)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	94	0	0	94
Total Adjustments to Capital Resources	0	0	(1,295)	0	(2,215)	(3,510)
Total Adjustments	1,616	(6,142)	404	286	0	(3,836)

NOTES TO THE ACCOUNTS

5. Transfers to and from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2016/17.

	2015/16				2016/17			
	Balance	Transfers	Transfers	Balance	Balance	Transfers	Transfers	Balance
	at 1 April 2015	to CIES	from CIES	at 31 March 2016	at 1 April 2016	to CIES	from CIES	at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Reserves								
Funding Volatility	888	(426)	0	462	462	0	260	722
Organisational Transformation	483	0	292	775	775	0	879	1,654
Duchess of Kent/Nightingale	342	(4)	0	338	338	(4)	0	334
Community Alarms	291	0	0	291	291	0	0	291
Planning Delivery Grant	117	0	91	208	208	0	19	227
Asset Management	118	0	0	118	118	0	46	164
Building Control	48	0	26	74	74	0	9	83
Brentwood Community Hospital	45	0	0	45	45	0	0	45
Electoral Registration	43	0	0	43	43	0	0	43
Preventing Homelessness	38	0	0	38	38	0	0	38
Neighbourhood Plan	26	0	0	26	26	0	0	26
Economic Development	29	(9)	5	25	25	0	15	40
Community Rights	46	0	0	46	46	(8)	0	38
Land at Hanover House	0	0	16	16	16	0	0	16
New Burdens Grant	0	0	12	12	12	(12)	0	0
Brentwood Community Fund	35	(26)	0	9	9	0	0	9
Public Consultation	5	0	0	5	5	0	0	5
Civic Dinner	0	0	2	2	2	0	0	2
Single Status	30	(30)	0	0	0	0	0	0
Housing Benefit Subsidy	0	0	0	0	0	0	150	150
Pensions	0	0	0	0	0	0	177	177
Dunton Hills Development	0	0	0	0	0	0	229	229
Health and Wellbeing	0	0	0	0	0	0	26	26
Waste Management	0	0	0	0	0	0	636	636
Total General Fund Reserves	2,584	(495)	444	2,533	2,533	(24)	2,446	4,955
Housing Revenue Account Reserves								
Council Dwellings Investment Fund	1,000	0	500	1,500	1,500	0	1,000	2,500
Repairs and Maintenance	400	0	0	400	400	0	0	400
Resident Involvement Training	0	0	3	3	3	(3)	0	0
Carpets for Sheltered Schemes	13	(13)	0	0	0	0	0	0
Total Housing Revenue Account Reserves	1,413	(13)	503	1,903	1,903	(3)	1,000	2,900
Total Earmarked Reserves	3,997	(508)	947	4,436	4,436	(27)	3,446	7,855

NOTES TO THE ACCOUNTS

Transfers to and from Earmarked Reserves (continued)

The following table sets out the purpose of each reserve that had an opening balance at the start of the 2016/17 financial year, and the newly created reserves in 2016/17:-

Reserve	Purpose
<u>General Fund Reserves</u>	
Funding Volatility	To mitigate financial risks from proposed changes in respect of the localisation of Business Rates and the Council Tax Support Scheme.
Organisational Transformation	To fund the Council's ongoing programme of continuous improvement in its services, employees and members.
Duchess of Kent / Nightingale	A developer contribution provided to meet the cost of grounds maintenance at the new housing development at this site.
Community Alarms	To fund the renewal and maintenance of equipment used for emergency call alarm system operated by the Council. Government Grant and residents' contributions are paid into the reserve.
Planning Delivery Grant	Holds unspent grant and budget from previous years and will be used for work associated with the Local Development Plan.
Asset Management	To meet the cost of developing and implementing the Asset Management 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 Hospital	A developer contribution to be used for annual grounds maintenance of the former hospital site.
Electoral Registration	Carried forward unspent budgets for use in the implementation of individual electoral registration in 2017/18.
Preventing Homelessness	Carries forward unspent budgets and Government grant to be used for various initiatives in 2017/18.
Neighbourhood Plan	Carries forward Government grants to be used in connection with Doddington and West Horndon neighbourhood plans.
Economic Development	Holds Government reward grant and underspent budget which will be used to fund projects to support the Economic Development Strategy in 2017/18.
Community Rights	Contains the Government grant provided to assist in the implementation of the Localism Act.
Land at Hanover House	Section 106 Agreement to make public open space improvements at land at Hanover House.
New Burdens Grant	Grant received in 2015/16 from the Department of Work and Pensions for work to be carried out in 2016/17
Brentwood Community Fund	Holds unspent Local Strategic Partnership monies to fund agreed community projects in 2017/18.
Public Consultation	Carries forward unspent budget to be used for a borough wide satisfaction surveys.
Civic Dinner	Unspent budget to fund the Civic Dinner event to be held in 2017/18.
Single Status	The residual balance of a reserve originally set up to meet potential costs from the Single Status Project. It was closed in 2015/16.
Housing Benefit Subsidy	To support the funding of subsidy claims and the implementation of Universal Credit.
Pensions	To fund the pension liability on overtime payments, backdated to pensions changes in 2014.
Dunton Hills Development	To fund planning costs associated with the Dunton Hills Garden Village Development.
Health & Wellbeing	To fund health and wellbeing projects as determined by the Brentwood Health & Wellbeing Board.
Waste Management	To fund the development of waste management within the Borough.

NOTES TO THE ACCOUNTS

5. Transfers to and from Earmarked Reserves (continued)

Housing Revenue Account Reserves	
Council Dwellings Investment Fund	Contains an annual contribution from the HRA towards investment in the Council's housing stock.
HRA Repairs and Maintenance	Carried forward unspent budget in 2015/16.
Resident Involvement Training	To fund the appointment of a consultant to carry out a review of our resident involvement structure.
Carpets for Sheltered Schemes	Carried forward unspent budget from previous years. It was fully used in 2015/16.

6. Other Operating Expenditure

	2015/16	2016/17
	£'000	£'000
Parish Council precepts	361	388
Payments to the Government Housing Capital Receipts Pool	384	381
Gains on the disposal of non-current assets	(579)	(3,350)
Total	166	(2,581)

7. Financing and Investment Income and Expenditure

	2015/16	2016/17
	£'000	£'000
Interest payable	2,172	2,174
Net interest on the pensions net defined benefit liability	1,464	1,515
Interest receivable and similar income	(134)	(178)
Income from investment properties	(130)	(218)
Changes in the fair value of investment properties	63	(2,043)
Total	3,435	1,250

8. Taxation and Non-Specific Grant Income

	2015/16	2016/17
	£'000	£'000
Council Tax Income	(5,771)	(5,973)
Non-ringfenced Government grants (see note 32)	(3,260)	(2,735)
Non Domestic Rates	(941)	(1,325)
Capital grants and contributions	(390)	(159)
Total	(10,362)	(10,192)

NOTES TO THE ACCOUNTS

9. Property Plant and Equipment

9.1 Movements on balances in 2016/17

	Total £'000	Council Dwellings £'000	Other Land and Buildings £'000	Infra- structure £'000	Vehicles, Plant and Equipment £'000	Surplus Assets £'000	Community Assets £'000
Cost or Valuation							
At 1 April 2016	276,821	238,100	29,578	704	5,483	0	2,956
Opening balance adjustment	40	0	40	0	0	0	0
Acquisitions	2,352	895	731	0	726	0	0
Additions	3,066	2,157	595	0	314	0	0
Revaluation increases recognised in the Revaluation Reserve	22,493	16,775	5,718	0	0	0	0
Revaluation increases recognised in the Surplus or Deficit on the Provision of Services	390	220	170	0	0	0	0
Derecognition - disposals	(3,621)	(3,157)	0	0	(464)	0	0
Transfers	0	(3,014)	3,014	0	0	0	0
Asset reclassified to Investment Property	(2,151)	0	(2,151)	0	0	0	0
At 31 March 2017	299,390	251,976	37,695	704	6,059	0	2,956
At 1 April 2016	(4,114)	0	(735)	(212)	(3,167)	0	0
Opening balance adjustment	(40)	0	(40)	0	0	0	0
Depreciation charge	(3,445)	(2,353)	(556)	(14)	(520)	0	(2)
Other movements in depreciation and impairment	2,755	2,353	183	0	219	0	0
At 31 March 2017	(4,844)	0	(1,148)	(226)	(3,468)	0	(2)
At 31 March 2017	294,546	251,976	36,547	478	2,591	0	2,954
At 31 March 2016	272,707	238,100	28,843	492	2,316	0	2,956

The opening balances adjustment is the correction of an imbalance between the brought forward gross value and the brought forward depreciation balance on Other Land and Buildings.

9.2 Comparative Movements on Balances in 2015/16

	Total £'000	Council Dwellings £'000	Other Land and Buildings £'000	Infra- structure £'000	Vehicles, Plant and Equipment £'000	Surplus Assets £'000	Community Assets £'000
Cost or Valuation							
At 1 April 2015	242,626	201,224	29,578	704	6,814	1,350	2,956
Acquisitions	2,340	1,795	52	0	493	0	0
Additions	2,706	2,510	196	0	0	0	0
Revaluation increases recognised in the Revaluation Reserve	31,456	30,644	812	0	0	0	0
Revaluation increases recognised in the Surplus or Deficit on the Provision of Services	2,705	2,705	0	0	0	0	0
Derecognition - disposals	(3,202)	(778)	0	0	(1,824)	(600)	0
Asset reclassified to Assets Held for Sale	(750)	0	0	0	0	(750)	0
Asset reclassified to Investment Property	(1,060)	0	(1,060)	0	0	0	0
At 31 March 2016	276,821	238,100	29,578	704	5,483	0	2,956
At 1 April 2015	(5,211)	0	(576)	(198)	(4,437)	0	0
Depreciation charge	(3,193)	(2,040)	(585)	(14)	(554)	0	0
Other movements in depreciation and impairment	4,290	2,040	426	0	1,824	0	0
At 31 March 2016	(4,114)	0	(735)	(212)	(3,167)	0	0
At 31 March 2016	272,707	238,100	28,843	492	2,316	0	2,956
At 31 March 2015	237,415	201,224	29,002	506	2,377	1,350	2,956

NOTES TO THE ACCOUNTS

9.3 Depreciation

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

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

9.4 Capital Commitments

In December 2016 the Council entered into a contract to develop affordable housing at two sites at a value of £1.399m. Some initial work was undertaken in 2016/17 but the main part of the work will be completed during 2017/18. The contractual commitment at 31 March 2017 was £1.355m

9.5 Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The valuation of the Town Centre Multi-Storey Car Park, the Town Hall and the Golf Course at King Georges Playing Fields as at 31 March 2017 were carried out by the independent external Royal Institute of Chartered Surveyors (RICS) registered valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS. All other valuations as at that date were carried out by internal RICS registered valuers on the same bases. The bases for valuation are set out in accounting policy 41.14.

The significant assumptions applied in estimating the fair values are:

Housing dwellings (using the “beacon” approach) and other dwellings

- the properties are assumed to be in reasonable repair and condition and have been valued on the basis of a desk top review
- there have been no material changes to the properties at the date of valuation

Other non-current assets

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

The table on the following page shows the valuation history of the Council’s assets:

NOTES TO THE ACCOUNTS

	Total	Council	Other	Infrastructure	Vehicles, Plant and Equipment	Community Assets
	£'000	Dwellings £'000	Land and Buildings £'000	£'000	£'000	£'000
Carried at depreciated historical cost	6,023	0	0	478	2,591	2,954
Valued at fair value as at						
31 March 2013	2,871	0	2,871	0	0	0
31 March 2014	759	0	759	0	0	0
31 March 2015	557	0	557	0	0	0
31 March 2016	5,631	0	5,631	0	0	0
31 March 2017	278,705	251,976	26,729	0	0	0
Total Cost or Valuation	294,546	251,976	36,547	478	2,591	2,954

10. Capital Expenditure and Capital Financing

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

	2015/16 £'000	2016/17 £'000
Opening Capital Financing Requirement	76,288	74,770
<u>Capital Expenditure</u>		
Property, plant and equipment	5,046	5,419
Intangible assets	234	60
Revenue expenditure funded from capital under statute	146	311
Total Capital Expenditure	5,426	5,790
<u>Sources of Finance</u>		
Financing of capital expenditure:-		
Capital receipts	(1,390)	(2,677)
Government grants and other contributions	(270)	(311)
Major Repairs Reserve	(2,215)	(2,158)
Revenue contributions to capital expenditure	(1,551)	(644)
Total Financing of Capital Expenditure	(5,426)	(5,790)
Sums set aside from revenue for the repayment of debt	(1,518)	(1,513)
Closing Capital Financing Requirement	74,770	73,257
<u>Explanation of Movements in the Year</u>		
Decrease in the underlying need to borrow (unsupported by Government financial assistance)	(1,500)	(1,500)
Assets acquired under finance leases	(18)	(13)
Decrease in Capital Financing Requirement	(1,518)	(1,513)

NOTES TO THE ACCOUNTS

11. Heritage Assets

The Council has two heritage assets, the Shenfield War Memorial and the Heritage Column. These are not recognised in the Balance Sheet because cost and valuation information is not available, and it is considered that the cost of obtaining such information would outweigh the benefit to readers of the financial statements in recognising the assets in the Balance Sheet. The Council does not have a general or specific policy for the acquisition, preservation, management and disposal of heritage assets.

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

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

12. Investment Properties

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

The Council earned £0.224m (2015/16 £0.131m) rental income from these properties, which is accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The following table summarises the movement in the fair value of the investment properties over the year. Valuations were carried out by the Council's internal valuers who are registered with the Royal Institute of Chartered Surveyors (RICS).

	2015/16 £'000	2015/16 £'000	2015/16 £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000
	Commercial premises	Land	Total	Commercial premises	Land	Total
Balance at start of the year	965	2,080	3,045	1,880	980	2,860
Net gains/(losses) from fair value adjustments	(63)	0	(63)	1,456	587	2,043
Transfers to Assets Held for Sale	0	(1,100)	(1,100)	0	0	0
Transfers from Property Plant and Equipment	978	0	978	1,935	0	1,935
Balance at end of the year	1,880	980	2,860	5,271	1,567	6,838

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

All of the properties are measured on a recurring fair value basis using other significant observable inputs (Level 2 in the fair value hierarchy as set out in IFRS13).

NOTES TO THE ACCOUNTS

12. Investment Properties (continued)

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

13. Financial Instruments

13.1 Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
<u>Financial Assets</u>				
Cash Equivalents				
Loans and receivables:				
- short term deposits			9,300	17,000
Debtors				
Loans and receivables:				
- Trade receivables & other long term debtors	975	887	1,169	1,640
Total Financial Assets	975	887	10,469	18,640

Material soft loan made by the Council

The long-term debtors figure in the above table includes £0.225m as the outstanding balance of a working capital loan made to Brentwood Leisure Trust in 2010/11. This is deemed to be a soft loan because it is interest free, but the nominal amount of the loan is carried in the Balance Sheet as it is not materially different from the fair value of the loan. The amount of the original loan was £0.613m.

	Long-term		Current	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
<u>Financial Liabilities</u>				
Borrowings				
- PWLB loans including accrued interest	(61,166)	(61,166)	(5,058)	(57)
- Short term borrowings			0	(3,000)
	(61,166)	(61,166)	(5,058)	(3,057)
Creditors				
- Trade payables & other short-term creditors			(1,216)	(1,418)
Total Financial Liabilities	(61,166)	(61,166)	(6,274)	(4,475)

The balance sheet figure of £61.625m for long-term borrowings includes £0.459m transferred debt from other local authorities, and the balance sheet figure for short-term borrowings also includes £0.004m

NOTES TO THE ACCOUNTS

transferred debt from other local authorities. These amounts are not included in the previous table as the transferred debt is not categorised as a financial instrument.

13.2 Income, Expense, Gains and Losses on Financial Instruments

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

	2015/16			2016/17		
	Financial Liabilities measured at amortised cost	Financial Assets - Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets - Loans and receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	2,172	0	2,172	2,174	0	2,174
Total expense in Surplus or Deficit on the Provision of Services	2,172	0	2,172	2,174	0	2,174
Interest income	0	(134)	(134)	0	(178)	(178)
Total income in Surplus or Deficit on the Provision of Services	0	(134)	(134)	0	(178)	(178)
Net (gain) or loss for the year	2,172	(134)	2,038	2,174	(178)	1,996

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

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

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

Public Works Loan Board (PWLb) loans are also carried at amortised cost. The fair value of these loans is calculated to be £81.095m (2015/16 £81.447m), using premature repayment rates from the PWLB under PWLB debt redemption procedures. The fair value is higher than the carrying value because most of the Council's portfolio of loans, taken out to finance Housing Revenue Account reform in 2012, are at discounted rates. The fair value includes the premium that would have to be paid if the loans were redeemed. The fair value of these loans measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken by the PWLB at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining life of the loans under the agreements with the PWLB, against what would be paid if the loans were sold at prevailing commercial market rates.

NOTES TO THE ACCOUNTS

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

The Council, however, has continuing access to funds from the PWLB at concessionary rates rather than from the commercial money markets. A supplementary measure, therefore, of the additional interest that the Council will pay as a result of its commitments to the PWLB is to compare the terms of its PWLB loans with the current PWLB borrowing rates. If a value is calculated on this basis, the carrying value of £61.166m would be valued at £71.428m.

14. Debtors

	31 March 2016 £'000	31 March 2017 £'000
Central Government bodies	1,723	1,815
Other local authorities	880	350
Other entities and individuals:		
Housing rents	632	716
Prepayments	357	458
Council Tax payers	335	331
Non Domestic Rates payers	1,075	1,076
Sundry	1,743	2,134
Less impairment allowance	(1,775)	(1,777)
Total	4,970	5,103

15. Cash and Cash Equivalents

	31 March 2016 £'000	31 March 2017 £'000
Short-term deposits with banks	9,300	17,000
Bank current accounts	(25)	(61)
Cash held by the Council	5	9
Total Cash and Cash Equivalents	9,280	16,948

16. Assets Held for Sale

	31 March 2016 £'000	31 March 2017 £'000
Balance at 1 April	0	1,850
Assets newly classified as held for sale:		
- Property, Plant & Equipment	750	0
- Investment Properties	1,100	0
Disposal of assets held for sale	0	(1,850)
Balance at 31 March	1,850	0

NOTES TO THE ACCOUNTS

17. Creditors

	31 March 2016 £'000	31 March 2017 £'000
Central Government bodies	1,735	1,977
Other local authorities	1,429	1,330
Other entities and individuals		
Council Tax payers	60	86
Non Domestic Rates payers	203	307
Sundry	1,470	1,527
Receipts in advance	504	518
Total	5,401	5,745

18. Provisions

	Non Domestic Rates Appeals £'000	Insurance Claims £'000	Legal Costs £'000	Rent Deposit Scheme £'000	Housing Benefit Subsidy Grant £'000	Total £'000
Balance at 31 March 2015	905	45	549	12	0	1,511
Additional provisions made in 2015/16	726	178	0	0	872	1,776
Amounts used in 2015/16	0	0	(50)	(1)	0	(51)
Unused amounts reversed in 2015/16	0	0	(448)	0	0	(448)
Balance at 31 March 2016	1,631	223	51	11	872	2,788
Additional provisions made in 2016/17	643	0	0	0	0	643
Amounts used in 2016/17	(329)	0	(13)	0	0	(342)
Unused amounts reversed in 2016/17	0	0	0	(11)	(872)	(883)
Balance at 31 March 2017	1,945	223	38	0	0	2,206

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 £1.945m represents the Council share of the provision.
- b) **Legal Costs**. This provision is to meet the cost of various legal proceedings against the Council.
- c) **Insurance Claims**. This provision is to meet claims from the Council's previous insurers Municipal Mutual Insurance who are subject to a Scheme of Arrangement.

NOTES TO THE ACCOUNTS

18. Provisions

- d) **Rent Deposit Scheme.** This is a provision for the cost of compensating landlords for damage caused by tenants.
- e) **Housing Benefit Subsidy Claim.** This provision was created in 2015/16 to cover the potential loss of Housing Benefit Subsidy Grant for part of 2015/16. The Council changed its revenues and benefits system during the year, and at the time of finalising the accounts for that year, there was some uncertainty whether the new system could provide sufficient evidence to enable the Council's auditors to certify the 2015/16 housing benefits subsidy grant claim in its entirety. The grant claim has subsequently been settled and the provision has therefore been closed.

19. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 11 and in note 4 on pages 21-24. Note 4 also contains an explanation of why each usable reserve is held.

20. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and gains are consumed through depreciation
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	31 March 2016 £'000	31 March 2017 £'000
Balance at 1 April	49,836	82,453
Upward revaluation of assets	33,638	25,720
Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	0	(1,590)
Net surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	33,638	24,130
Difference between fair value depreciation and historical cost depreciation	(716)	(1,049)
Accumulated gains on assets sold or scrapped	(305)	(1,931)
Amount written off to the Capital Adjustment Account	(1,021)	(2,980)
Balance at 31 March	82,453	103,603

NOTES TO THE ACCOUNTS

21. Capital Adjustment Account

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

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

	31 March 2016 £'000	31 March 2017 £'000
Balance at 1 April	114,586	120,451
Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(3,193)	(3,505)
Revaluation losses on Property, Plant and Equipment	(1,126)	(679)
Reversal of previous revaluation losses	4,026	1,784
Amortisation of Intangible assets	(226)	(124)
Revenue Expenditure Funded from Capital under Statute	(146)	(461)
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	(1,370)	(5,074)
Sub Total	(2,035)	(8,059)
Adjusting amounts written out of the Revaluation Reserve	1,021	2,980
Net written out amount of the cost of non-current assets consumed in the year	(1,014)	(5,079)
Capital Financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,389	2,677
Use of the Major Repairs Reserve to finance new capital expenditure	2,215	2,158
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	269	311
Revenue contributions to capital expenditure	1,551	644
Provision for the financing of capital investment charged against the General Fund and HRA balances	1,518	1,513
Sub Total	6,942	7,303
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(63)	2,042
Balance at 31 March	120,451	124,717

NOTES TO THE ACCOUNTS

22. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains in accordance with statutory provisions.

	31 March 2016 £'000	31 March 2017 £'000
Balance at 1 April	(30)	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	30	0
Balance at 31 March	<u>0</u>	<u>0</u>

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 2016 £'000	31 March 2017 £'000
Balance at 1 April	601	703
Recognition of gains	329	0
Transfer of net gain/loss on disposal to CIES	(134)	4
Transfer to the Capital Receipts Reserve upon receipt of cash	(93)	(9)
Balance at 31 March	<u>703</u>	<u>698</u>

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. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements, however, require benefits earned to be financed as the Council makes employer's contributions to the Pension Fund or eventually pays any pensions for which it is directly responsible.

NOTES TO THE ACCOUNTS

24. Pension Reserve (continued)

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31 March 2016 £'000	31 March 2017 £'000
Balance at 1 April	(46,969)	(44,360)
Remeasurements of the net defined benefit liability	3,289	(6,901)
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	(3,401)	(3,351)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,721	2,533
Balance at 31 March	(44,360)	(52,079)

25. Accumulated Absences Adjustment Account

The Accumulated Absences Adjustment Account absorbs the difference that would otherwise arise on the General Fund or HRA balances from accruing for compensated absences earned but not taken in the year, for example annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the balances is neutralised by transfers to and from the Account.

	31 March 2016 £'000	31 March 2017 £'000
Balance at 1 April	(102)	(104)
(Increase)/decrease in the amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2)	18
Balance at 31 March	(104)	(86)

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.

NOTES TO THE ACCOUNTS

	31 March 2016 £'000	31 March 2017 £'000
Balance at 1 April	118	(11)
Amount by which Council Tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and NNDR income calculated for the year in accordance with statutory requirements	(129)	(250)
Balance at 31 March	(11)	(261)

27. Trading Operations

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

	2015/16 £'000	2016/17 £'000
Car Parks		
Income	(1,596)	(1,731)
Expenditure	921	924
Surplus	(675)	(807)
Trade Waste Collection		
Income	(498)	(533)
Expenditure	272	371
Surplus	(226)	(162)

28. Members' Allowances

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

	2015/16 £'000	2016/17 £'000
Allowances	273	266
Total	273	266

NOTES TO THE ACCOUNTS

29. Officers' Remuneration

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

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

Notes:-

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

NOTES TO THE ACCOUNTS

29. Officers' Remuneration (continued)

2015/16	Note	Salary, Fees and Allowances	Compensation for loss of Office	Employer's Pension Contribution	Total
Post		£	£	£	£
Head of Paid Service	1	70,361	0	9,940	80,301
Head of Street Scene and Community	2	61,853	0	8,783	70,636
Head of Customer Services	3	46,390	0	6,587	52,977
Head of Housing	4	0	0	0	0
Head of Borough Health, Safety and Localism	5	51,372	32,881	8,783	93,036
Head of Planning	6	50,890	0	7,226	58,116
Head of Planning and Environmental Health	7	18,624	55,000	4,601	78,225
Finance Director	8	58,446	0	8,299	66,745
Director of Strategy and Corporate Services	9	12,602	0	0	12,602
Chief Executive	10	0	0	0	0
Monitoring Officer and Head of Support Service	11	43,133	0	5,855	48,988
Total		413,671	87,881	60,074	561,626

Notes:-

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

NOTES TO THE ACCOUNTS

29. Officers' Remuneration (continued)

10. The Chief Executive post was covered on an interim part time basis until 31st May 2015 at a cost of £8,697. The post was then deleted. The annualised salary is £105,000.

11. The Monitoring Officer and Head of Support Service left the Council on 30th November 2015 and the post was deleted. The annualised salary was £61,853.

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:

	2015/16	2016/17
Remuneration Band	Number of employees	Number of employees
£50,000 - £54,999	0	2
£55,000 - £59,999	0	0
£60,000 - £64,999	0	1

Off Payroll Arrangements

In common with other local authorities, the Council engages interim staff to provide temporary cover for vacant posts and to obtain specialist skills and experience. The cost of five of these interim staff was more than £50,000 in each instance, at a total cost of £403,344. The sums represent the amounts paid by the Council to the supplying agencies, not the remuneration earned by each individual.

Exit Packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
							£	£
£0 - £20,000	0	0	5	5	5	5	57,423	38,844
£20,001 - £40,000	0	0	2	3	2	3	65,142	73,638
£40,001 - £60,000	0	0	1	1	1	1	55,000	53,655
£60,001 - £80,000	0	0	0	0	0	0	0	0
Over £160,000	0	0	1	0	1	0	160,258	0
Total	0	0	9	9	9	9	337,823	166,137

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

NOTES TO THE ACCOUNTS

30. Termination Benefits

The costs in the Exit Packages table represent the liabilities incurred by the Council upon the termination of the contracts of a number of its employees in 2016/17. The total, £166,137, was in respect of agreed departures of employees following service reviews.

31. External Audit Costs

	2015/16	2016/17
	£'000	£'000
Fees payable in respect of external audit services carried out by the appointed auditor for the year	68	68
Fees payable for the certification of grant claims and returns for the year	18	29
Total	86	97

In addition to the above, a total of £3,875 is included in the 2016/17 Comprehensive Income and Expenditure Statement in respect of additional work required for 2015/16 accounts.

32. Grant Income

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

	2015/16	2016/17
	£'000	£'000
Credited to Taxation and Non-specific Grant Income:		
Revenue Support Grant	1,259	710
New Homes Bonus Scheme	1,460	1,625
Business Rates (s31 Grants)		
- Inflation Cap	11	23
- Reoccupation Relief	7	10
- Retail Relief	209	4
- Small Business Relief	249	283
Community Halls contribution re. Sale of Warley Training	0	100
Council Tax Freeze Grant	57	0
Developers' Section 106 Grants	390	59
Transparency Code Set Up Grant	8	8
Transition Grant	0	72
Total	3,650	2,894

NOTES TO THE ACCOUNTS

32. Grant Income (continued)

Credited to Services:	2015/16	2016/17
	£'000	£'000
Rent Allowances	8,899	9,526
Rent Rebates	6,582	6,803
Food Waste Grant	395	360
Housing Benefit Administration	209	169
Supporting People	180	107
Disabled Facilities Grant	165	290
NNDR Cost of Collection	105	108
Property Searches New Burdens	65	5
Council Tax		
- Local Support Scheme Administration	59	66
- Local Support Scheme	15	0
- Family Annexes Discount	0	1
Weekly Collection Support Scheme	54	636
Discretionary Housing Payment Grant	51	69
Fraud and Error Reduction Incentive Scheme	20	0
Local Authority IT Payment	18	0
S106 Land at Hanover House	16	0
Health Wellbeing Board	0	27
Council Tax Sharing Agreement - ECC	0	168
Council Tax Sharing Agreement - Police	0	22
Council Tax Sharing Agreement - Fire	0	10
Dunton Hills Garden Village funding	0	214
Custom Build LA payment	0	15
Local Authority Data Sharing	2	26
New Burdens Brownfield Land Registers	0	15
Other grants	38	40
Total	16,873	18,677

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

NOTES TO THE ACCOUNTS

32. Grant Income (continued)

	31 March 2016	31 March 2017
	£'000	£'000
Grants Receipts in Advance (Revenue Grants)		
<u>Current Liabilities</u>		
Weekly Collection Support Scheme	636	0
Discretionary Housing Payment Grant	7	0
Countrywide and Environmental Stewardship	2	5
Council Tax Sharing Agreement - ECC	0	114
Council Tax Sharing Agreement - Police	0	12
Council Tax Sharing Agreement - Fire	0	6
Total	645	137
Grants Receipts in Advance (Capital Grants)		
<u>Developers' Contributions</u>		
Former Warley Hospital Site	808	808
Former British Gas Site	13	13
Willowbrook School	12	13
Mascalls Park	107	7
73 High Street	0	61
1 Fairfield Road	0	2
Total	940	904

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 readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have limited the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of the funding in the form of grants and prescribes the terms of many of the transactions the Council has with other parties (for example Council Tax bills, housing benefits). Grants received from Government departments are shown in note 32.

NOTES TO THE ACCOUNTS

33. Related Parties (continued)

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2016/17 is shown in note 28. In addition, grants totalling £117,058 were paid to voluntary organisations the governing bodies of which included at least one Member representing the Council. In all instances the grants were made with proper consideration of declarations of interest.

Entities in which Members have a controlling interest

Members of the Council are required to review and complete a register of Members Financial interests. All Members who completed a return submitted a nil return for 2016/17.

Other Public Bodies

Essex County Council

Three Members of the Council were also members of Essex County Council during the financial year. One of those Members sits on Essex Fire Authority. The Council paid Essex County Council a total of £359,195:

- £75,596 for the provision of professional services
- £253,425 for trade waste
- £30,174 for planning and land charges services.

The Council was paid £1,553,369 by Essex County Council during the year:

- £1,297,031 in respect of recycling and waste disposal
- £106,250 was in respect of the highways ranger service.
- The balance was in respect of a number of other services ranging from the provision of community alarms to grass cutting and weed spraying.

London Borough of Barking and Dagenham

In 2016/17, the Council paid the London Borough of Barking and Dagenham £378,550 for the provision of legal services.

Thurrock Council

The Council paid Thurrock Council £94,974 in 2016/17, for the provision of professional services.

Basildon Borough Council

The Council paid Basildon Borough Council a total of £282,389 in 2016/17:

- £233,649 for provision of a shared Revenues and Benefits Service
- £36,885 for waste disposal
- The balance was for the provision of other services

Parish Council

In 2016/17 the Council paid grants totalling £97,931 to Parish Councils within its area.

NOTES TO THE ACCOUNTS

Entities Controlled or Significantly Influenced by the Council

The Council has an arrangement with Brentwood Leisure Trust whereby the company provides sport and leisure services within the borough. The Trust manages Brentwood Leisure Centre and the Council's community halls, in addition to using the premises for its own purposes. The Council does not have power over the Trust, is not an investor in it and does not share control of its activities. As such the Council has no interest in the Trust as a subsidiary, associate or joint venture respectively. The Council paid the Trust a total of £162,375 in 2016/17 (£179,781 in 2015/16). The Trust was a debtor of the Council at 31 March 2017 in the amount of £225,346 (£287,301 at 31 March 2016) in respect of a loan to the Trust.

34. Leases

Council as Lessor

Finance Leases

The Council has leased out land upon which flats at Thorndon Court and Becketts Court, Warley have been built. These are on finance leases with remaining terms of 77 years and 79 years respectively. The Council has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding.

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

The gross investment is made up of the following amounts:

	31 March 2016	31 March 2017
	£'000	£'000
Finance lease debtors (net present value of minimum lease payments):		
Long-term debtor	288	280
Unearned finance income	1,380	1,348
Gross investment in the lease	1,668	1,628

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

	Gross investment in lease		Minimum Lease Payments	
	31 March 2016	31 March 2017	31 March 2016	31 March 2017
	£'000	£'000	£'000	£'000
Not later than one year	22	22	22	22
Later than one year and not later than five years	88	87	88	87
Later than five years	1,558	1,519	1,558	1,519
Total	1,668	1,628	1,668	1,628

NOTES TO THE ACCOUNTS

34. Leases (continued)

The minimum lease payments do not include rents that are contingent on the events taking place after the lease was entered into, such as adjustments following rent reviews. No contingent rents were receivable by the Council in 2016/17 (none in 2015/16).

Operating Leases

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

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

	31 March 2016 (Restated) £'000	31 March 2017 £'000
Not later than one year	407	412
Later than one year and not later than five years	1,507	1,238
Later than five years	2,399	2,766
Total	4,313	4,416

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 2016/17 (none in 2015/16).

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

The 2017/18 Code of Practice on Local Authority Accounting in the UK introduces the following accounting changes:

- Amendments to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

Neither of the above changes are anticipated to have a material impact upon the information contained in the Council's Statement of Accounts for 2016/17, or future years

36. Events after the reporting period

No events have occurred between the year-end and the date that the Statement of Accounts was issued that have a bearing upon the financial results of the past year and the financial position presented in the Balance Sheet.

NOTES TO THE ACCOUNTS

36a. Date of authorisation for issue

The Statement of Accounts was authorised for issue by Jacqueline Van Mellaerts, Deputy S151 Officer, on Wednesday 27 September 2017 .

37. Nature and extent of risks arising from financial instruments

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

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

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

Credit Risk

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

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

Deposits are limited to £4 million per institution. No limit is placed on loans to the UK Government. Time limits are also specified for counterparties of varying types and ratings.

The following analysis summarises the Council's potential maximum exposure to credit risk for 2016-17 based on past and current market conditions. No credit limits were exceeded during 2016-17 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

NOTES TO THE ACCOUNTS

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

	Amount at 31 March 2017	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2017	Estimated maximum exposure at 31 March 2017	Estimated maximum exposure at 31 March 2016
	£'000	%	%	£'000	£'000
Deposits with banks and other institutions	17,000				0
Customers	1,640	30	30	488	435
Brentwood Leisure Trust - Long term Loan	163				0
Total	18,803			488	435

The outstanding customer balances as at 31 March 2017 are analysed by age as follows:

	31 March 2016	31 March 2017
	£'000	£'000
Less than three months	410	514
Three to six months	71	269
Six months to one year	92	230
More than one year	596	627
Total	1,169	1,640

Customer debts can be further analysed as follows:

	31 March 2016 Carrying amount	31 March 2017		
		Customer debt	Provision for impairment	Carrying amount
	£'000	£'000	£'000	£'000
Dwellings rents	260	716	426	290
Other	474	924	62	862
Total	734	1,640	488	1,152

NOTES TO THE ACCOUNTS

Liquidity Risk

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

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

The maturity analysis of financial liabilities is as follows:

	31 March 2016 £'000	31 March 2017 £'000
Less than one year	5,001	0
Between one and two years	0	0
Between two and five years	0	5,001
Between five and ten years	5,001	10,002
Between ten and twenty years	25,411	15,409
Between twenty and thirty years	29,174	29,174
More than thirty years	1,637	1,637
Total	66,224	61,223

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

Market Risk

Interest Rate Risk

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

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

NOTES TO THE ACCOUNTS

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

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

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

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

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

According to this assessment strategy, if interest rates had been 0.5% higher at 31 March 2017, with all other variables held constant, the annualised interest receivable on the Council's investments/cash equivalents would have increased by £113,980. The movements would be reversed if interest rates had been 0.5% lower. Such a movement would have had a negligible effect on the fair value of the Council's investments/cash equivalents.

All the Council's borrowings are at a fixed rate. As a result, a 1% movement in interest rates at 31 March 2017 would have had no effect on interest payable. A 1% change in the current value of the borrowings, however, would result in movement of £611,660.

Price Risk and Foreign Exchange Risk

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

NOTES TO THE ACCOUNTS

38. Assumptions made about the future and other major sources of estimation uncertainty The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows.

Property, Plant and Equipment

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

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

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

It is estimated that the annual depreciation charges for Council dwellings would increase by £35,457 and for other buildings by £41,146 for every year that useful lives had to be reduced.

Fair value measurement of investment properties

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

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

NOTES TO THE ACCOUNTS

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

Pensions Liability

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

The impact of changes in these assumptions is shown in the sensitivity analysis table at paragraph 40.9.

Debtors

At 31 March 2017 the Council had a balance of debtors of £5.103m, or £2.938m excluding central and local government bodies. The latter sum is net of an average impairment of debtors of 35% (£1.777m). In the current economic climate, however, it is not certain that such an allowance would be sufficient.

If collection rates were to deteriorate, a 50% increase in the amount of the estimated impairment of debts would require an additional £0.888m to be set aside as an allowance.

NOTES TO THE ACCOUNTS – PENSION LIABILITIES

39. Defined Benefit Pension Schemes

39.1 Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

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

39.2 Fund Valuation and Disclosures – data sources

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

- the results of the valuation as at 31 March 2016
- estimated whole fund income and expenditure items for the period to 31 March 2017
- provisional fund returns for the period to 31 March 2017
- estimated fund income and expenditure in respect of the employer for the period to 31 March 2017
- details of any new retirements for the period to 31 March 2017 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

39.3 Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge that the Council is required to make against Council Tax, however, is based on the cash payable in the year, and the real cost of post-employment / retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

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

NOTES TO THE ACCOUNTS – PENSION LIABILITIES

39.3 Transactions relating to Post-Employment Benefits (continued)

	Local Government Pension Scheme	Discretionary Benefits Arrangements	Total	Local Government Pension Scheme	Discretionary Benefits Arrangements	Total
	2015/16 £'000	2015/16 £'000	2015/16 £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000
Service cost comprising						
Current service cost	1,873	0	1,873	1,725	0	1,725
Past service costs including curtailments	30	0	30	81	0	81
Gain on settlements	0	0	0	0	0	0
Administration	34	0	34	30	0	30
Net interest expense	1,353	111	1,464	1,401	114	1,515
Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services	3,290	111	3,401	3,237	114	3,351
Remeasurement of the net defined benefit comprising:						
Return on plan assets (excluding the amount included in the net interest expense)	677	0	677	(11,134)	0	(11,134)
Other actuarial (gains) / losses on assets	0	0	0	(214)	0	(214)
Actuarial gains and losses arising on changes in financial assumptions	(3,879)	(64)	(3,943)	20,970	317	21,287
Actuarial gains and losses arising on changes in demographic assumptions	0	0	0	(2,579)	(166)	(2,745)
Experience (gain) / loss on defined benefit obligation	0	(23)	(23)	(312)	19	(293)
Sub total	(3,202)	(87)	(3,289)	6,731	170	6,901
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	88	24	112	9,968	284	10,252
Reversal of net charges for post employment benefits in accordance with IAS19	(3,290)	(111)	(3,401)	(3,237)	(114)	(3,351)
Actual Amount Charged against the General Fund and HRA Balances for the Year						
Contributions / payments charged to the General Fund	2,163	197	2,360	1,999	206	2,205
Contributions / payments charged to the Housing Revenue Account	329	32	361	298	30	328
Employer's contributions payable to the Pension Fund	2,492	229	2,721	2,297	236	2,533

NOTES TO THE ACCOUNTS – PENSION LIABILITIES

39.4 Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

	Local Government Pension Scheme	Discretionary Benefits Arrangements	Total	Local Government Pension Scheme	Discretionary Benefits Arrangements	Total
	2015/16	2015/16	2015/16	2016/17	2016/17	2016/17
	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of the defined benefit obligation	(111,526)	(3,375)	(114,901)	(132,857)	(3,422)	(136,279)
Fair value of plan assets	70,541	0	70,541	84,200	0	84,200
Net liability arising from defined benefit obligation	(40,985)	(3,375)	(44,360)	(48,657)	(3,422)	(52,079)

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

	Local Government Pension Scheme	
	2015/16	2016/17
	£'000	£'000
Opening fair value of scheme assets	69,695	70,541
Interest income	2,216	2,464
Remeasurement of the return on plan assets (excluding the amount included in the net interest expense)	(677)	11,134
Other actuarial gains / (losses)	0	214
Administration expenses	(34)	(30)
Contributions from employer	2,721	2,533
Contributions from employees into the scheme	458	427
Benefits paid	(3,838)	(3,083)
Settlements made	0	0
Closing fair value of scheme assets	70,541	84,200

NOTES TO THE ACCOUNTS – PENSION LIABILITIES

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

	Funded liabilities: Local Government Pension Scheme	Unfunded liabilities: Discretionary Benefits	Total Liabilities	Funded liabilities: Local Government Pension Scheme	Unfunded liabilities: Discretionary Benefits	Total Liabilities
	2015/16 £'000	2015/16 £'000	2015/16 £'000	2016/17 £'000	2016/17 £'000	2016/17 £'000
Opening balance at 1 April	(113,073)	(3,591)	(116,664)	(111,526)	(3,375)	(114,901)
Current service cost	(1,873)	0	(1,873)	(1,725)	0	(1,725)
Interest cost	(3,569)	(111)	(3,680)	(3,865)	(114)	(3,979)
Contributions from scheme participants	(458)	0	(458)	(427)	0	(427)
Remeasurement actuarial gains and losses						
- Arising from changes in demographic assumptions	0	0	0	2,579	166	2,745
- Arising from changes in financial assumptions	3,879	64	3,943	(20,970)	(317)	(21,287)
Experience gains / (losses)	0	23	23	312	(19)	293
Settlements liabilities extinguished	0	0	0	0	0	0
Benefits paid	3,598	240	3,838	2,846	237	3,083
Past service cost	(30)	0	(30)	(81)	0	(81)
Closing balance at 31 March	(111,526)	(3,375)	(114,901)	(132,857)	(3,422)	(136,279)

39.7 Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2017 is estimated to be 19%. 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 2016		31 March 2017	
	£'000	%	£'000	%
Equities	47,742	68%	57,510	68%
Gilts	2,081	3%	3,186	4%
Other Bonds	3,386	5%	3,422	4%
Property	8,401	12%	8,191	10%
Cash	2,291	3%	2,535	3%
Alternative Assets	3,136	4%	5,616	7%
Other Managed Funds	3,504	5%	3,740	4%
Total	70,541	100%	84,200	100%

NOTES TO THE ACCOUNTS – PENSION LIABILITIES

39.7 Assets (continued)

Bid values have been estimated by the actuary where necessary and the final asset allocation of the Fund assets as at 31 March 2017 is likely to be different from that shown as a result of estimation techniques. Based on the above the Council's share of the assets of the Fund is approximately 1%.

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

Asset Class	31 March 2016		31 March 2017	
	%	%	%	%
	Quoted	Unquoted	Quoted	Unquoted
UK Equities	8.1%	0.0%	7.7%	0%
Oversees Equities	54.4%	0.0%	55.7%	0%
Index Linked UK Government Securities	2.9%	0.0%	3.8%	0%
UK Corporate Bonds	4.8%	0.0%	4.1%	0%
Property	4.5%	7.5%	6.2%	3.6%
Others	-1.9%	19.7%	-0.2%	19.1%
Total	72.8%	27.2%	77.3%	22.7%

39.8 Liabilities

To assess the value of the Council's liabilities at 31 March 2017, the actuary has rolled forward the value of the liabilities calculated for the funding valuation as at 31 March 2016, using financial assumptions that comply with International Accounting Standard 19 (IAS 19).

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

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

It is not possible to assess the accuracy of the estimated liability as at 31 March 2017 without completing a full valuation. The actuary is satisfied, however, that the approach of rolling forward the previous valuation data to 31 March 2017 should not introduce any material distortions in the results provided that the actual experience of the Council and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the last formal valuation. From the information received by the actuary there appears to be no evidence that this approach is inappropriate.

NOTES TO THE ACCOUNTS – PENSION LIABILITIES

39.8 Liabilities (continued)

The demographic assumptions used by the actuary have been:

	2015/16	2016/17
<u>Mortality assumptions - life expectancy from age 65</u>		
Retiring today:		
Men	22.9	22.1
Women	25.3	24.6
Retiring in 20 years:		
Men	25.2	24.3
Women	27.7	26.9

The actuary has also made the following assumptions:

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

The financial assumptions used by the actuary have been:

Assumption	31 March 2015		31 March 2016		31 March 2017	
	% p.a.	Real	% p.a.	Real	% p.a.	Real
RPI Increases	3.1	0.0	3.2	0.0	3.5	0.0
CPI Increases	2.2	-0.9	2.3	-0.9	2.6	-0.9
Salary Increases	4.0	0.9	4.1	0.9	4.1	0.6
Pension Increases	2.2	-0.9	2.3	-0.9	2.6	-0.9
Discount Rate	3.2	0.1	3.5	0.3	2.7	-0.8

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

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 17 year point on the BoE market implied inflation curve. This is consistent with the approach used at the last accounting date. The RPI assumption is therefore 3.5%.

NOTES TO THE ACCOUNTS – PENSION LIABILITIES

39.8 Liabilities (continued)

As future pension increases are expected to be based on CPI rather than RPI, the actuary has made a further assumption about CPI which is that it will be 0.9% below RPI, i.e. 2.6%. This is considered to be a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

Salaries are then assumed to increase at 1.5% above CPI in addition to a promotional scale. However, we have allowed for a short-term overlay from 31st March 2016 to 31 March 2020 for salaries to rise in line with CPI.

39.9 Sensitivity Analysis

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysis changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

Sensitivity Analysis			
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present Value of Total Obligation	134,000	136,279	138,599
Projected Service Cost	2,478	2,535	2,593
Adjustment to long term salary increase	0.10%	0.00%	-0.10%
Present Value of Total Obligation	136,526	136,279	136,033
Projected Service Cost	2,535	2,535	2,535
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	-0.10%
Present Value of Total Obligation	138,351	136,279	134,241
Projected Service Cost	2,593	2,535	2,478
Adjustment to mortality age rating assumption	+1 Year	None	- 1 Year
Present Value of Total Obligation	141,573	136,279	131,189
Projected Service Cost	2,616	2,535	2,457

NOTES TO THE ACCOUNTS – PENSION LIABILITIES

39.10 Impact on the Council's Cash Flows

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

The latest triennial valuation was carried out as at 31 March 2016 and will set contributions for the period 1 April 2017 to 31 March 2020.

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

39.11 Projected 2017-18 pension expense

The Council's 2017-18 projected pension expense, excluding the capitalised cost of any early retirements or augmentations which may occur after 31 March 2017, is:

	£'000
Service Cost	2,535
Net Interest on the defined benefit liability (asset)	1,373
Administration expenses	35
Total	3,943
Employer Contributions	2,357

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

40. Critical judgments in applying accounting policies

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

- a) There is a high degree of uncertainty about future funding for Local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- b) Although the Council has identified two Heritage Assets, the Council considers that the cost of obtaining valuations of the assets in order to recognise them on the Balance Sheet outweighs the benefit of such recognition to the users of the financial statements.
- c) The Brentwood Leisure Trust manages Brentwood Leisure Centre and the Council's Community Halls. The Council has determined that, under IFRS10, the Trust is not a subsidiary or an associate of, nor a part of a joint venture with, the Council. As such, the Council considers that it is not required to consolidate the financial statements of the Council and the Trust.
- d) International Financial Reporting Standards require that component accounting should be applied as far as possible to the Council's non-current assets, although the degree of componentisation is a matter for the Council. The Council has determined that, in all material aspects, a basic land and buildings apportionment is sufficient, especially given that the Council's housing stock is not broken down into its component parts for depreciation purposes.
- e) New arrangements for the retention of business rates (NDR) came into force on 1 April 2013 at which date the Council assumed the liability for refunding ratepayers who successfully appeal against the rateable value of their properties. The Council has made provision for potential successful appeals to 31 March 2017 (see also notes 4 and 19).
- f) The Council has examined its leases and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive, and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership to the lessor.
- g) Investment properties have been classified by the Council using the identifiable criteria under International Financial Reporting Standards of being solely held for rental income or for capital appreciation. This review and assessment may be subject to interpretation.

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

41. Significant Accounting Policies

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

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 2017. 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 2016/17 (the Code) and the Service Reporting Code of Practice (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

41.2 Accruals of Income and Expenditure

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

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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

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

Termination Benefits

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

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits

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

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

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

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

- 2) Remeasurements comprising:
 - the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains or losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pension Reserve as Other Comprehensive Income and Expenditure
- 3) Contributions paid to the fund – cash paid as employer’s contributions to the Pension Fund in settlement of liabilities, not accounted for as an expense.

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

Discretionary Benefits

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

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

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

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

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

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

41.6 Charges to Revenue for Non-current Assets

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

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

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

41.7 Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR.

Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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

41.8 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.

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the investments that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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

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:

- 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.

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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

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

41.11 Investment Property

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

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

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

41.12 Leases

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

The Council as Lessee

Finance Leases

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

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

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

The Council as Lessor

Finance Leases

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

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

41.13 Overheads and Support Services

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

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

41.14 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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

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

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

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

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

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

Impairment

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight line allocation over the useful life of the property as estimated by the valuer (see also Note 12.3)

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

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

NOTES TO THE ACCOUNTS – ACCOUNTING POLICIES

41.15 Provisions

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

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

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

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

41.16 Reserves

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

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

41.17 Revenue Expenditure Funded from Capital under Statute

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

41.18 VAT

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

HRA INCOME AND EXPENDITURE STATEMENT

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

Note	2015/16 £'000	2016/17 £'000
Expenditure		
Repairs and maintenance	2,925	2,048
Supervision and management	2,711	2,897
Rent, rates, taxes and other charges	263	196
Depreciation and impairment of non-current assets	(579)	1,611
Movement in the allowance for bad debts	9	40
Total Expenditure	5,329	6,792
Income		
Dwelling rents	(12,143)	(11,993)
Non-dwelling rents	(546)	(484)
Charges for services and facilities	(854)	(856)
Contributions towards expenditure	(255)	(213)
Total Income	(13,798)	(13,546)
Net Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(8,469)	(6,754)
HRA share of Corporate and Democratic Core	457	423
HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services	0	0
Net Expenditure of HRA Services	(8,012)	(6,331)
HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement		
Gain on sale of HRA non-current assets	(403)	(909)
Interest payable and debt management expenses	2,055	2,062
Interest and investment income	(76)	(62)
Pensions net interest expense	202	196
Surplus for the year on HRA services	(6,234)	(5,044)

HOUSING REVENUE ACCOUNT STATEMENT

1. Movement on the HRA Statement

		2015/16	2016/17
		£'000	£'000
Note	Balance on the HRA at the end of the previous year	1,761	1,363
	Surplus for the year on the HRA Income and Expenditure Statement	6,234	5,043
HRA1	Adjustments between accounting basis and funding basis under the legislative framework	(6,142)	(3,863)
	Increase or (decrease) before transfers to or from reserves	92	1,180
HRA1	Transfers (to) or from earmarked reserves	(490)	(997)
	Increase or (decrease) in the year on the HRA	(398)	183
	Balance on the HRA at the end of the current year	1,363	1,546

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Movement on the HRA Statement

	2015/16 £'000	2016/17 £'000
Adjustments between accounting basis and funding basis		
Gain or loss on sale of HRA non-current assets	(403)	(909)
HRA share of contributions to or from the Pensions Reserve	109	96
Transfers to or from the Major Repairs Reserve	(2,215)	(2,538)
Transfers to or from the Capital Adjustment Account	(3,630)	(514)
Transfers to or from the Accumulated Absences Adjustment Account	(3)	2
Total adjustments between accounting basis and funding basis	(6,142)	(3,863)
Transfers to earmarked reserves	(490)	(997)
Total Movement	(6,632)	(4,860)

2. Housing Stock

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

	31 March 2016	31 March 2017
Flats		
1 Bedroom	596	592
2 Bedroom	503	498
3 Bedroom	60	60
Total Flats	1,159	1,150
Houses and Bungalows		
1 Bedroom	288	287
2 Bedroom	387	384
3 Bedroom	631	631
4 Bedroom	14	14
Total Houses and Bungalows	1,320	1,316
Equity share properties		
1 Bedroom	5	5
2 Bedroom	2	2
Total Equity share properties	7	7
Total Housing Stock	2,486	2,473

NOTES TO THE HOUSING REVENUE ACCOUNT

3. HRA Non-current Assets

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

	31 March 2016 £'000	31 March 2017 £'000
Dwellings	234,202	251,976
Other land and buildings	7,631	5,723
Total	241,833	257,699

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

	Dwellings £'000	Other Land and Buildings £'000	Equipment £'000	Total £'000
Net Book Value at 31 March 2015	197,513	7,697	2	205,212
Changes during the year	36,689	(66)	(2)	36,621
Net Book Value at 31 March 2016	234,202	7,631	0	241,833
Changes during the year	17,774	(1,908)	0	15,866
Net Book Value at 31 March 2017	251,976	5,723	0	257,699

Depreciation and impairment charges during the year were as follows:

	2015/16 £'000	2016/17 £'000
<u>Depreciation</u>		
Dwellings	2,003	2,374
Other land and buildings	210	164
Vehicles, furniture, plant and equipment	2	0
Total	2,215	2,538
<u>Valuation loss / Impairment</u>		
Dwellings	2,802	(935)
Other land and buildings	0	0
Total	2,802	(935)
 Dwellings	 (799)	 1,439
Other land and buildings	210	164
Vehicles, furniture, plant and equipment	2	0
Total	(587)	1,603

NOTES TO THE HOUSING REVENUE ACCOUNT

The housing stock was revalued in 2016/17 resulting in an amount of £0.963m being credited as a reversal of losses and impairment in previous years (£3.9million in 2015/16) and a total of £0.028m being charged to the HRA as a revaluation loss (£1.0 million in 2015/16).

The vacant possession value of dwellings within the Council's HRA was £663.088m at 31 March 2017 (£610.44m at 31 March 2016). 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

	2015/16	2016/17
	£'000	£'000
Balance at 1 April	0	0
Amount transferred to the reserve during the year	2,215	2,538
Financing of capital expenditure	(2,215)	(2,157)
Balance at 31 March	0	381

5. Capital Transactions

Capital Expenditure and Financing

	2015/16	2016/17
	£'000	£'000
Capital Expenditure - Enhancements	2,510	2,157
Capital Expenditure - Acquisitions	1,795	895
Total Capital Expenditure	4,305	3,052
Sources of Finance:		
Major Repairs Reserve	2,215	2,157
Retained Capital Receipts	539	269
Revenue contribution to capital expenditure	1,551	626
Total Financing	4,305	3,052

Capital Receipts

	2015/16	2016/17
	£'000	£'000
Capital receipts from disposal of land, houses and other property		
Sale of dwellings – Usable Receipts	1,173	3,188

NOTES TO THE HOUSING REVENUE ACCOUNT

6. Rent Arrears

	2015/16	2016/17
	£'000	£'000
Gross rent arrears at 31 March	586	616
Provision for doubtful debts	(299)	(336)
Net Rent Arrears at 31 March	287	280

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.

	2015/16	2016/17
	£'000	£'000
HRA Income and Expenditure Statement		
Net Expenditure on HRA Services		
Current service cost	263	224
Administration expenses	5	4
HRA Share of Operating Income and Expenditure		
Net interest cost	202	196
Net Charge to the Income and Expenditure Statement	470	424
Movement on the HRA Statement		
Reversal of net charges made for retirement benefits	(469)	(424)
Employer's Contribution to the Scheme	360	328
HRA share of contributions to or from the Pensions Reserve	(109)	(96)

COLLECTION FUND

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

Note	2015/16			2016/17		
	Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
<u>Amounts required by statute to be debited to the Fund</u>						
Council Tax receivable	(47,286)	0	(47,286)	(49,481)	0	(49,481)
NDR receivable	0	(29,459)	(29,459)	0	(30,865)	(30,865)
Contribution to previous year's NDR deficit	0	(1,196)	(1,196)	0	0	0
Total amounts credited to the Fund	(47,286)	(30,655)	(77,941)	(49,481)	(30,865)	(80,346)
<u>Amounts required by statute to be debited to the Fund</u>						
Council Tax Precepts						
Essex County Council	33,858	0	33,858	35,927	0	35,927
Police & Crime Commissioner for Essex	4,585	0	4,585	4,835	0	4,835
Essex Fire Authority	2,069	0	2,069	2,151	0	2,151
Brentwood Borough Council	5,600	0	5,600	5,893	0	5,893
Total Council Tax Precepts	46,112	0	46,112	48,806	0	48,806
Distribution of NDR Income						
Central Government	0	15,071	15,071	0	15,092	15,092
Brentwood Borough Council	0	12,057	12,057	0	12,073	12,073
Essex County Council	0	2,713	2,713	0	2,716	2,716
Essex Fire Authority	0	301	301	0	302	302
Costs of Collection	0	105	105	0	108	108
Total Distribution of NDR Income	0	30,247	30,247	0	30,291	30,291
Transitional Protection Payment	0	0	0	0	(103)	(103)
Impairment of Debts						
Write-offs	0	309	309	123	735	858
Allowance for Impairment	(233)	546	313	(114)	(312)	(426)
Total Impairment of Debts	(233)	855	622	9	423	432
Distribution of previous year's Council Tax surplus	1,000	0	1,000	1,000	0	1,000
4 Distribution of previous year's NDR surplus	0	0	0	0	776	776
Total Movement on Fund Balance in the year	(407)	447	40	334	522	856

COLLECTION FUND

Movement on the Collection Fund

Note	2015/16 £'000	2016/17 £'000
Council Tax		
Opening Fund Balance	1,430	1,837
Closing Fund Balance	1,837	1,503
Movement on Fund Balance in the year	407	(334)
2 NDR		
Opening Fund Balance	(137)	(584)
Closing Fund Balance	(584)	(1,106)
Movement on Fund Balance in the year	(447)	(522)
Total Movement on Fund Balance in the year	(40)	(856)

Notes to the Collection Fund

1. Council Tax Base

The Council Tax base is calculated across eight different valuation bands. The total number of properties in each band is adjusted for discounts and premiums and reduced by an allowance for estimated non-collection (1% for 2016/17). The number of properties for each band is scaled up or down by the ratio to band D, giving a Council Tax base expressed as the number of band D equivalent properties. The Council Tax base for 2016/17 was 31,790 (31,156 for 2015/16). The following table shows the Council Tax base by band:-

Band	Range of Property Values	Band D Ratio	2015/16		2016/17	
			Number of properties	Number of Band D equivalent properties	Number of properties	Number of Band D equivalent properties
A	Up to £40,000	6/9	354	236	367	244
B	£40,001 - £52,000	7/9	1,636	1,272	1,687	1,312
C	£52,001 - £68,000	8/9	4,606	4,094	4,762	4,233
D	£68,001 - £88,000	9/9	6,802	6,802	6,935	6,935
E	£88,001 - £120,000	11/9	5,018	6,133	5,124	6,263
F	£120,001 - £160,000	13/9	3,998	5,774	4,050	5,850
G	£160,001 - £320,000	15/9	3,495	5,825	3,544	5,907
H	More than £320,000	18/9	510	1,020	523	1,046
Total			26,417	31,156	26,992	31,790

COLLECTION FUND

2. Income from Council Tax

For 2016/17 the Council set a Band D Council Tax of £1,523.05 (excluding parish precepts), made up of its own precept and precepts from Essex County Council, Police & Crime Commissioner for Essex and Essex Fire Authority. The amount paid by each household is the band D amount multiplied by the Band D ratio for the property.

3. Income from Non Domestic Rates

The Council calculates the rates due on non-domestic properties within its boundary by multiplying the rateable value of each property by a multiplier. The total amount, less certain reliefs and other deductions, is shared between Central Government (50%), Essex County Council (9%), Essex Fire Authority, with the remainder (40%) being retained by the Council. The Gross Non-Domestic Rateable Value for the Brentwood Borough Council area at 31 March 2017 was £75,483,093 (£75,602,796 at 31 March 2016). The standard NDR multiplier for the year was 49.7p (49.3p in 2015/16) and the small business multiplier was 48.4.p (48.0p in 2015/16).

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

These have been distributed as follows:

	Council Tax		NNDR	
	2015-16 £'000	2016-17 £'000	2015-16 £'000	2016-17 £'000
Central Government	0	0	(597)	388
Essex County Council	737	735	(108)	70
Police & Crime Commissioner for Essex	98	99	0	0
Essex Fire Authority	45	45	(12)	8
Brentwood Borough Council	120	121	(478)	310
Total	1,000	1,000	(1,195)	776

ANNUAL GOVERNANCE STATEMENT 2016/17

1. **Scope of Responsibility**

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

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

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

2. **Purpose of the governance framework**

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and the activities through which it accounts and engages with the community. It enables the Council to monitor the achievement of its strategic priorities and to consider if 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 2017 and up to the date of approval of the annual report and Statement of Accounts.

3. **Governance framework**

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

The six core principles are:

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

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

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

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

Brentwood Borough Council is responsible for several key services and functions, including:

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

In November 2015 the Council adopted a new Corporate Plan for the years 2016-2019, **Vision for Brentwood**. The key priorities of the Corporate Plan are:

- **Environment and Housing Management** - We will find new ways of working with partners and will embrace the support of communities to enhance the cleanliness of our environment and maintain the attractiveness of our Borough. We will work to ensure our housing stock is managed so that it delivers comfortable and safe homes for our tenants that are efficient and sustainable.
- **Community and Health** – Brentwood is fortunate to benefit from a range of vibrant groups and organisations that enhance and support the local community. The Council will work with local businesses, community groups and the voluntary sector to ensure the future wellbeing of the Borough.
- **Economic Development** – Our superior locational advantage and entrepreneurial spirit means that Brentwood is fortunate to have a strong economic foundation. In partnership with key local and regional business organisations, we can harness that force to promote the Borough, encourage a mixed economy and support sustainable development.

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- **Planning and Licensing** – A new Local Development Plan will shape the way our Borough will change over the next fifteen years. We will work hard to get the best outcome and achieve a good balance for residents and businesses in a way that celebrates Brentwood’s unique history and quality of life; both within the borough and influencing the outcome of regional developments that will affect Brentwood residents. Our licensing policies will regulate businesses to ensure public safety and minimise environmental nuisance caused by their activities.
- **Transformation** – Between 2016 and 2019 the way the Council looks and works is being transformed. We will continue the drive to make it easier for customers to access services and information, cut out bureaucracy that does not add value and make sure taxpayers’ money is even more wisely spent. We will explore new income generating ideas and opportunities. We will have services delivered by those best placed to deliver excellence and value-for-money, whilst holding onto and enhancing our role, duties and powers as local council and community leader.

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

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

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

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

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

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

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

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

The Constitution details the roles and functions of the committee, panels and officers. A Forward Plan is prepared for each Committee/Panel which outlines the key decisions which will be made during the year. A list of the Council's committees for 2016/17, including committees introduced and decommissioned during the year, is shown below:

Annual Council

Committees

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

Ordinary Council

- Extraordinary Council
- Ordinary Council

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Regulatory Committees

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

Constitution Working Group

- Constitution Working Group

The Corporate Leadership Board (CLB) consists of the Head of Paid Service, Chief Finance Officer (Section 151 Officer), Monitoring Officer and each Head of Service. CLB meets on a regular basis and supports the Council in providing the strategic direction for delivering the policies and priorities. It also considers other governance issues including risk management, performance management and financial management. The purpose of CLB is:

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

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

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

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

During the Autumn of 2016, the Council engaged in a review of its constitution in attempts to build upon the good work in this area during 2015/16 and take account of new developments. To this end the Constitution Working Group was convened several times to develop new and improved procedures around planning and to update the Council's financial regulations. These changes have since been agreed at Ordinary Council.

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

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

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

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

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

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

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

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

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

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

During 2016-17 the Council held a number of Panels which carry out regulatory or scrutiny functions. This included an Audit and Scrutiny Committee. The main aim of this committee is to act as a 'critical friend' to the Council in order to promote better services, policies and decisions. Overview and scrutiny makes a difference by ensuring that local decision-making is better, that local services are improved and that local democracy is strengthened. Scrutiny ensures that the committees and panels are held to account for the

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decisions that they make and their impact upon the borough and its residents. The Audit and Scrutiny Committee performs all overview and scrutiny functions on behalf of the Council.

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

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

Six Audit and Scrutiny Committee meetings took place during the 2016/17 municipal year and no decisions were called in.

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

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

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

Support the Council's aims to:

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

Enable the Council to:

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

Improve our customers' lives by:

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

Risks are identified by senior management and reviewed on a quarterly basis by the Council's Risk Management Officer. The Risks are assessed and monitored at Corporate Leadership Board and the Audit

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and Scrutiny Committee as they oversee and management of risk in accordance with the Council's corporate aims and objectives. Their aim is to:

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

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

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

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 one2one appraisals.

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

Key principles of training and development at the Council are:

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

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

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

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

The Council has a Customer Complaints Policy which details how the Council will respond to a complaint and is available on the Council’s website.

Regular reports on Corporate Complaints are monitored by the Audit and Scrutiny Committee. The process is robust and the Council has never had a finding of maladministration made against it.

All Council meetings are open to the public, except where personal or confidential matters are to be discussed. All agendas and minutes are placed on the Council’s public website, and are also available by contacting the Council direct, should electronic access not be possible.

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

4. Review of effectiveness

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

Constitution

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

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

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

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Standards

The Council has a Members Complaints Procedure, consisting of the following three stages:

Filter Stage:

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

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

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

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

Investigations and decision-making process:

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

Sanction:

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

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

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

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Audit and Scrutiny Committee

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

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

Internal Audit

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

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

The Internal Audit opinion for the year ended 31 March 2016 is one of **moderate assurance** which means that there is a sound system of internal control in operation in most systems, adequately designed to meet the Council's objectives, and controls are generally being applied consistently.

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

- a) Five audits, including the reviews completed on the Local Development Plan, Licensing, Policy, (Financial Systems) and Risk Management and Governance, received moderate assurance which means that there is generally a sound system of internal control designed to achieve system objectives with some exceptions.
- b) Three audit reviews received a limited assurance opinion, which means that the system of internal controls is weakened with system objectives at risk of not being achieved. The audits where a limited assurance opinion was given are as follows
 - Contract management and procurement: Internal audit found that contracts are not held in a central location with contract managers not always aware of where these are and how much the contract is worth, documentation involved in the procurement of contracts is not always retained to provide evidence of appropriate justification, contracts are not always in place for services provided, despite payments being made by the Council, in one case to a poorly performing supplier,

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determination of ongoing contract management arrangements and key performance indicators should form part of the procurement process.

- **Housing Benefit Subsidy:** The Council has not routinely reviewed the level of housing benefit subsidy due compared to the housing benefits paid. This reduces the Council's control over its subsidy claim, makes it more difficult to resolve issues that may have existed throughout a subsidy period and, during 2016, contributed toward the initial submission of a subsidy claim with significant overlooked calculation issues. Governance and planning for key phases of the shared service implementation has been insufficient, has not been adequately recorded and also contributed to the need for a late postponement of the service relocation and TUPE transfer of employees. Information regarding procedures used to transfer payment files between Basildon and Brentwood has not been provided for audit despite regular requests and agreement by management to do so. This may indicate the cause of issues experienced with file transfers during 2016, however we are unable to conclude with any certainty without having reviewed the requested information.
- **Housing Services:** Fraud risk awareness varied amongst staff and they did not make best use of the information available to them to detect potential fraud. Although compliance checks were undertaken by the contractor providing remedial works, the Council has not had access to compliance certificates for the majority of its housing stock. Contract management has not been effective through the life of the Housing Contracts and contractors have not complied with some key requirements. Tenancy checks and audits are not regularly undertaken on all tenants and tenancy agreements could not be located for some tenancies. Evidence of appropriate checks on Right to Buy applications did not exist for some applications. There were discrepancies in the upload of information on charging for leaseholder properties and records did not enable reconciliation of the total service charges and allocation of those charges. Records are not maintained of details of surveys and inspections carried out to review contractor inspection reports and work requirements, or of tests conducted by Council staff and there is no system for ensuring queries are resolved.

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

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

One review remains to be fully reported at the time of drafting this report: Financial Systems.

The Council asked us to defer our planned work on Customer Services, Cyber Security and IT Security and Governance due to the changes being made to further digitise customer service arrangements and the transition of IT arrangements happening as part of the Town Hall location move. The IT team recognise that there are issues that need to be addressed and there would be limited value in the audit taking place and reporting known issues. Therefore, this work will now take place later in 2017, once Customer Services and IT have made the transition and improvements planned.

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External Audit

The External Auditor's Audit Results Report for 2015/16 contained the following key messages:

- Ernst & Young issued an unqualified opinion on the 2015/16 financial statements including the Statement of Accounts.
- Ernst & Young concluded that the Council had in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

5. Significant Governance Issues

A number of key governance issues that have been identified by the Council, Internal Audit and External Audit and agreed at Corporate Leadership Board to be addressed in 2017/18 for areas of improvement.

	Issue	Outcome
1	Performance Indicators –Although the Council does report to Corporate Leadership Board and members on key performance indicators. It realises this could be strengthened and better structured.	Aim to enhance performance delivery to evidence transformational activity. Already we have seen improvements in project and programmed reports and the establishment of a Scrutiny committee (now separate from Audit) to review progress. Reports will be regularly reviewed by committee members at the relevant committees and exceptions reported.
2	General Data Protection Regulations – Data Protection Act 1998 will be replaced by GDPR in May 2018.	To update the Councils Policies to ensure the Council is compliance with existing requirements before GDPR is implemented. Furthermore to then commence review and upgrade of policies to be compliant with anticipated GDPR standards.
3	Contract and Procurement Management - The council identifies that Contract Management training is essential for officers and members and should be constantly reviewed.	The Council will review its processes and provide training throughout the year to officers and members to ensure consistency.
4	Preparation of Early Closedown – The deadlines for the production and audit of the accounts have been brought forward to 31 st May 2018 and 31 st July 2018 respectively.	External Audit will continue to work with management to bring forward as much work as possible in preparation with the new deadlines.
5	Housing Benefit Subsidy – Housing Benefit Subsidy needs to be routinely reviewed with the Housing Benefits Paid.	The Council will implement liaison meetings for an operational perspective to increase communication with the shared service which will include subsidy arrangements

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6	Saving Targets – The Council has set challenging savings targets over the coming years and further savings are likely to be required.	The Council will strengthen its current Budget Challenge meetings alongside the Budget working Group to maintain a sustainable Medium Term Financial Plan
7	Housing Services – The Council acknowledges Policies and processes of this service area require improvement to meet audit recommendations.	The Council will ensure that it Improves its Procedures, policies & Contract Management arrangements potentially using alternative resources available.
8	Income Generation – Further reductions in Government funding is inevitable. Alternative revenue streams need to be continually explored.	Monitor the Council's Asset Management Strategy to consider new opportunities around property investment and asset management in order to generate new revenue streams

The Council recognises that it is in a period of great transformation which is being undertaken in a period of immense financial pressure - such a time is unprecedented in local government history. However, the Council does recognise that the pace of change will always need to be supported by transparency and openness and most importantly decisions are shown to be taken to support investments and based on complete financial data. The Council believes this is the case but it also recognises that the soundness of business cases and existing evaluations of services, in terms of Member evidence is an area that will improve over the next financial year as project and programmes are embedded across the organisation and the accompanying measurements are introduced.

Signed:

Louise McKinlay, Leader of the Council
26 September 2017

Philip Ruck, Chief Executive
26 September 2017

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 reflected in the financial statements through: <ul style="list-style-type: none"> • recognising • selecting measurement bases for and • presenting assets, liabilities, gains, losses and changes to reserves.
Accrual	A sum included in the accounts to cover income or expenditure attributable to an accounting period for goods received or works done, for which payment has not been received or made by the end of that accounting period. In other words, income and expenditure are recognised when they are earned or incurred, not when money is received or paid.
Actuary	A suitably qualified independent consultant employed to advise Essex councils on the financial position of the Pension Fund.
Actuarial gains and losses	Actuarial gains or losses for defined benefit pension schemes arise because events have not coincided with the actuarial assumptions made, or the actuarial assumptions have changed.
Agency	Agreement that the Council can undertake services on behalf of other authorities or the Government in its area.
Appropriation	The transfer of resources between the revenue or capital accounts and reserves held by the Council.
Asset	An item having value measurable in monetary terms. Assets can either be defined as non-current or current. A non-current asset has use and value for more than one year whereas a current asset (e.g. stocks or short term debtors) can more readily be converted into cash.
Audit	An independent examination of an organisation's activities, either by an internal audit section or equivalent or the organisation's external auditor.
Balance Sheet	This is a summary of the financial position of the Council. It shows the long-term and current assets and liabilities of the Council and its reserves.
Billing Authority	This is the Council as the body responsible for billing and collecting the Council Tax from all residential properties within the borough on behalf of itself, Essex County Council, Essex Fire Authority, Essex Police Authority and Parish Councils. The Council is also responsible for the billing and collection of National Non-Domestic Rates (NNDR or Business Rates) from commercial properties in the borough.
Budget	A budget is a financial statement that expresses the Council's service delivery plans and capital programmes in monetary terms.

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 Charge	A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services.
Capital Expenditure	Expenditure on the acquisition or refurbishment of non-current assets and other eligible items that will be of benefit to the Council in providing its services for more than one year.
Capital Financing	The raising of money to pay for capital expenditure. Capital financing methods include borrowing, direct revenue funding, use of capital receipts, capital grants, capital contributions and revenue reserves.
Capital Programme	The Council's plans for capital expenditure and funding over future years, including the purchase or improvement of buildings and the acquisition of vehicles and major items of equipment.
Capital Receipts	Proceeds from the sale of assets, which may be used to finance new capital expenditure, set aside for the repayment of external loans or paid to a national pool (if from the sale of HRA dwellings).
Capitalise	To treat expenditure as capital expenditure, including some expenditure which would normally be classed as revenue expenditure (see also REFCUS).
Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is the lead professional accountancy body for the public sector. CIPFA produces guidance in relation to various matters concerning the public sector including financial and governance issues.
CIPFA LASAAC 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.

GLOSSARY

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

GLOSSARY

Finance Lease	Such a lease transfers all the risks and rewards of ownership of a non-current asset to the lessee, and is included as a non-current asset in the Balance Sheet of the lessee. (See, for comparison, "Operating Lease").
Financial Asset	A right to future economic benefits controlled by the Council that is represented by cash, the equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity, or a contractual right to exchange financial assets and/or liabilities with another entity under conditions that are potentially favourable to the Council.
Financial Instrument	A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial Liability	An obligation to transfer economic benefits controlled by the Council that is represented by a contractual obligation to deliver cash or another financial asset to another entity, or a contractual obligation to exchange financial assets and/or liabilities with another entity under conditions that are potentially unfavourable to the Council.
Financial Reporting Standards (FRS's)	Issued by the Accounting Standards Board and provide standards for the preparation of financial statements. The Council's accounts are prepared in accordance with FRS's (or SSAP's where these remain in force) where they apply to local authorities.
General Fund (GF)	The main revenue account of a local authority from which revenue payments are made to meet the costs of providing services.
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)

GLOSSARY

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.
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.

GLOSSARY

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

GLOSSARY

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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