



**BRENTWOOD
BOROUGH COUNCIL**

**UNAUDITED
STATEMENT OF ACCOUNTS
2021/22**

NARRATIVE REPORT

Introduction

The Narrative Report provides a concise guide to the most significant matters reported in the Statement of Accounts for the year ended 31 March 2022, identifying how the Council used its financial and non-financial resources to deliver its service objectives.

Brentwood Borough

The Borough of Brentwood is situated in the southwest of Essex, 18 miles from London and covers 15,321 hectares. The population is 77,021 based on a 2019 mid-year estimate. The majority of the population is located in the two large towns of Brentwood and Shenfield and their surrounding neighbourhoods.

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

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

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

The Council

The electorate of Brentwood is represented by 37 councillors and the Mayor covering 15 electoral wards across the Borough. The political make up is: 23 Conservative, 12 Liberal Democrat and 2 Labour. Brentwood Borough Council is responsible for delivering a range of services to the residents of the Borough.

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

The Council's organisational structure supports the work of Councillors; the structure comprises the Chief Executive and 6 Directors. In addition as required by statute the Council retains a Head of Paid Service, a Monitoring Officer and a Section 151 Officer. An Extended Leadership Team, comprised of service managers, supports the Senior leadership Team to deliver the Council's services and corporate priorities and deliver the corporate plan - Brentwood 2025.

The Corporate Strategy identifies five priority themes:

- a) Growing our economy- A thriving borough that welcomes a wealth of business and culture
- b) Protecting our environment – Developing a clean and green environment for everyone to enjoy
- c) Developing our communities – Safe and strong communities where residents live happy, health and independent lives
- d) Improving Housing – Access to a range of decent homes that meet local needs
- e) Delivering an efficient and effective Council – An ambitious and innovative Council that delivers quality services.

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The Council's key resources and assets are:

- a workforce of approximately 230 full-time equivalent staff as at 31 March 2022
- council assets to the value of £464m, of which Council investment assets with the borough totalled £17m and assets held for strategic and for redevelopment purposes totalled £99m
- a housing stock of 2,471 dwellings with a value of £294m as at 31 March 2022, generating rental income of £12m during 2021/22.
- annual income from fees & charges and investment income of £20.625m
- Council Tax income of £7.018m
- Business Rates Tax Base of £69.590m as at 31st March 2022.

The Council's wholly owned subsidiary, Seven Arches Limited, contributed £5.837m to the annual operating income for the Council as a Group, representing investment property income and interest on loans advanced from the Council and income from a service level agreement with the Council for the provision of managerial and professional services.

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

Challenges for the Future

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

Key Achievements for 2021/22

The Council made major progress in many key areas during 2021/22. The following is a summary of its key achievements.

1. Local Development Plan (LDP)

After a successful examination and consultation on amendments the Council's Local Development Plan was formally adopted on 23rd March 2022.

2. Dunton Hills Garden Village

The proposal is for a new settlement in a borough of villages, with the aim of providing 4,000 new homes, new schools, job opportunities, health and care facilities and new public spaces. During 2021-22 the project progressed by adopting the Dunton Hills Garden Village detailed design guidance as part of the LDP.

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3. Environmental Strategy

The Council this year has begun to develop an environmental strategy and action plan, the objective of which is to promote a cleaner and greener borough. Under this strategy some work in delivery has already begun including Phase 1 of delivering Electrical Vehicle chargers in Council Car Parks and the planting 7,000 trees within the borough

4. King Georges Playing Fields and Facilities

The construction of the new facilities at King George's Playing Field (KGPF) were completed this year. The Pavilion had its official open day in March 2022. The new facilities include a fully accessible pavilion building, which has new changing rooms, toilet and showers, golf club lounge, sensory room, changing places facility, new café, indoor soft play and TAG active, which is an indoor assault course that can be done as an individual or against friends and family. The Splash Pad and outdoor Adventure Play opened in the Spring of 2022

5. Affordable Housing

In October 2020, the Council established a clear and deliverable strategic Housing Development Plan. This plan aims to deliver much needed affordable housing within the borough across the HRA sites. The Council submitted a planning application to build 60 carbon neutral homes, the scheme continues to progress. The programme continues to look at further sites in the Borough with a further application being approved for 5 new homes. During 2021/22 3 new homes were delivered from a derelict garage site conversion.

6. Rochford Partnership

Identifying further opportunities for beneficial shared services arrangements with other local authorities, the Council in January 2022 approved for the creation of a formal strategic partnership between Brentwood Borough Council and Rochford District Council with a joint Chief Executive. This Partnership is set to be developed further during a planned transformation programme. The council's joint ambition is to secure a long-term sustainable future for both councils through collaboration in a Preferred Partner relationship. The councils recognise the similarity in their socio-demographics and operation scale, and both see each other as a natural Preferred Partner. By working in a partnership, both councils believe that they can achieve more together than would be possible by acting alone.

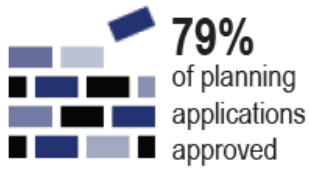
7. COVID-19

In response to the national lockdowns imposed by Central Government, the Council has had to adapt to support the borough in remaining safe due to the pandemic and now looks as to how it can support the borough as restrictions are lifted and the expectation of normality returns. The Council has looked to sustain and develop the role of the Community Support Network beyond CoVID-19 by working with Hub partners. The Brentwood Centre continued to be a vaccination centre during the year rolling out booster vaccinations to the residents. Throughout the year the Council provided over £50million to local businesses through support grants and rate reliefs from the central government schemes. The Council continues and will continue to support the borough post pandemic.

8. Other Achievements

The Council has also achieved the following during the year:

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Provided over **£50m** to local businesses through support grants and rates relief



Dunton Hills Garden Village community engagement shortlisted for 2021 Planning Awards



Approximately **500** control room assists using CCTV to detect crime & ASB

Responded to **204** incidents of ASB

600+ hours of patrols (out of hours) **Community Connect** support trailer launched

Approximately **2000** site inspections borough wide (flytips, waste etc)



£91,973 of discretionary funding awarded to 35 not-for-profit organisations for community and health projects

Approx **10,000** people safely attending **23** community events



Over **3,000** Building Control site inspections undertaken



Held the **5th** annual Brentwood Business Showcase, our biggest and best yet

32 local businesses using the Click It Local online shopping platform



Co-wheels car club introduced



Electric Scooter pilot



Secured **£749k** funding to retrofit houses

500+ fly tips cleared



EV charging pilot, and subsequent Phase 1 rolled out

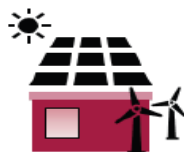


203 Estate Inspections carried out



187 weddings held at Town Hall

6 Commercial leases at the Town Hall



2 Planning applications approved for 65 carbon neutral homes and 3 new homes delivered

10,988 Repairs attended to including 1988 emergency repairs



New Procurement Strategy Approved



696 housing advice requests

11,668 rent reviews



56 Council/Committee meetings held



81 Safeguarding referrals completed

Town Hall reception reopened



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Financial Performance for 2021/22

The Council's financial performance is provided in full in the Statement of Accounts for 2021/22, in line with international financial reporting standards. The Expenditure and Funding Analysis at Note 1 of the Accounts provides a summary of the Council's financial performance under the appropriate Council Tax and HRA Rent setting regulations and financial reporting under international accounting standards.

General Fund Revenue Account

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

	Budget	Actual outturn	Variance
	£'000	£'000	£'000
Brentwood 2025– Service Expenditure			
Growing Our Economy	1,087	1,126	39
Protecting Our Environment	(2,248)	(2,086)	162
Developing Our Communities	995	814	(181)
Improving Housing	(649)	154	803
Delivering An Efficient & Effective Council	5,250	4,865	(385)
Contingency & Savings	(175)	0	175
Total Spend - Brentwood 2025	4,260	4,873	613
Operating and Financing Charges	1,543	2,190	647
Appropriations	2,768	2,085	(683)
Total Spending Requirement	8,571	9,148	577
Funding:			
Council Tax	(6,438)	(6,438)	0
Business Rates Income	(1,634)	(1,634)	0
Collection Fund Deficit	170	170	0
New Homes Bonus Grant	(529)	(529)	0
Lower Tier Service Grant	(71)	(71)	0
Income Compensation Grant	0	(254)	(254)
COVID-19 Grant	(309)	(309)	0
Other Grants	0	(83)	(83)
Total Funding	(8,811)	(9,148)	(337)
(Surplus)/deficit on General Fund Services	(240)	0	240

The General Fund provisional outturn is expected to be a break-even position compared to the £0.240m surplus budgeted for. The detailed variance report was reported to Policy, Resources and Economic Development Committee on 13th July 2022. The increased spend on the Corporate Strategy lines and operating and financing charges have been mitigated by decreasing the planned contribution to earmarked reserves (appropriations). In addition, the Council's Funding totalled more than budgeted for due to additional government funding associated to the income compensation scheme, for income loss due to the pandemic during the first quarter of 2022/22.

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The main sources of finance for the Council to deliver services is predominantly from Council Tax. This makes up 70% of the funding the Council receives in order to deliver its services to the Borough. 16% for 2021/22 was from the business rates retained by the Council, including the deficit on the Collection Fund. The remainder of funding which is approximately 14% for 2021/22 was from Government Grants.

Housing Revenue Account

The financial performance for the HRA for 2021/22 is detailed below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Expenditure:			
Repairs and Maintenance	3,008	3,063	55
Supervision and Management	3,912	3,879	(33)
Rent, Rates, Taxes and Other Charges	134	170	36
Corporate and Non-Corporate Democratic Core	376	308	(68)
Depreciation and Impairment	2,941	3,124	183
Total Expenditure	10,371	10,544	173
Income:			
Dwelling Income	(12,197)	(12,205)	(8)
Non-Dwelling Income	(347)	(265)	82
Charges for Services and Facilities	(906)	(960)	(54)
Contributions to Expenditure	(3)	(31)	(28)
Total Income	(13,453)	(13,461)	(8)
Net (Income) on HRA Services	(3,082)	(2,917)	165
HRA Share of Other Operating Income & Expenditure			
Movement in the Allowance for Bad Debts	60	156	96
Interest Payable and similar charges	2,000	2,016	16
Interest and Investment Interest	(50)	(34)	16
Contribution to Capital Financing	250	0	(250)
Net Interest on the Net Defined benefit liability	180	237	57
	2,440	2,375	(65)
Appropriations	208	100	(108)
HRA Services (Surplus)	(434)	(442)	(8)

The Housing Revenue Account (HRA) provisional outturn is a surplus of £0.442m. In line with the budgeted surplus for the year. The HRA has seen revenue cost pressure rising from its Strategic Housing Development Programme however this has been offset predominantly by no longer contributing revenue to the HRA's

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capital programme. This surplus is a welcome boost to the HRA working balance. A full variance analysis was presented to the Policy, Resources and Economic Development Committee on 13th July 2022.

Working Balances and Earmarked Reserves

The impact of the 2021/22 Outturn for the General Fund and the HRA on future working balances is detailed below:

General Fund

	2021/22	2022/23	2023/24	2024/25
	Actual	Budget	Budget	Budget
<u>General Fund Balance</u>	£'000	£'000	£'000	£'000
Working Balance B/Fwd	2,874	2,874	2,874	2,874
Surplus/(Funding Gap)	0	0	(1,404)	(1,826)
Working Balance C/fwd	2,874	2,874	1,470	1,048
G Fund Earmarked Reserves C/fwd	12,446	13,066	14,053	15,075
Total Balances	15,320	15,940	15,523	16,123

Housing Revenue Account

	2021/22	2022/23	2023/24	2024/25
	Actual	Budget	Budget	Budget
	£'000	£'000	£'000	£'000
<u>HRA Working Balance</u>				
Balance C/Fwd	1,480	1,922	1,956	2,439
Surplus/(Funding Gap)	442	34	483	461
Working Balance C/Fwd	1,922	1,956	2,439	2,900
HRA Earmarked Reserves	2,500	2,500	2,500	2,500
<u>Major Repair Reserves</u>				
Balance B/Fwd	6,473	5,153	4,530	4,530
Contributions in	3,110	2,941	2,941	2,941
Contributions out	(4,430)	(3,564)	(2,941)	(2,941)
Balance C/Fwd	5,153	4,530	4,530	4,530

General Fund reserves consist of several earmarked reserves together with an unallocated general reserve (General fund Working Balance). All reserves and balances form part of the General Fund, but the Housing Revenue Account balance is specifically 'ring fenced' for use in connection with that service.

In addition to the cash-backed reserves described above, local authorities maintain several other reserves. Some are required for statutory reasons and other reserves are required to comply with proper accounting

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practice. Reserve balances are determined each year with regard to the current risks prevalent and foreseen at that time.

The Section 151's Assurance Statement sets out the Section 151 Officer's view of the risks and uncertainties that the council is currently facing. The reserve balances at 1 April 2022/23 onwards allows for the effect of the 2020/21 outturn position and the provisional outturn for 2021/22.

Capital Programme

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

	Budget	Outturn	Variance
	£'000	£'000	£'000
Expenditure			
Protecting Our Environment	2,033	785	(1,248)
Developing Our Communities	9,124	7,338	(1,786)
Improving Housing	16,368	6,617	(9,751)
Delivering An Efficient & Effective Council	5,781	650	(5,131)
Total Expenditure	33,306	15,390	(17,916)
Funding			
Capital Receipts	(200)	(147)	53
HRA Capital Receipts	(2,230)	(1,068)	1,162
Capital Grants	(345)	(511)	(166)
Major Repairs Reserve	(7,528)	(4,430)	3,098
HRA Borrowing	(6,355)	(778)	5,577
Borrowing	(16,648)	(8,456)	8,192
Total Funding	(33,306)	(15,390)	17,916

2021/22 saw the King Georges Pavilion building completed and the Strategic Housing Development Programme deliver 3 new properties within the HRA. Work continues on the regeneration of Brookfield Close and the development of a range of smaller HRA sites to deliver new homes.

Slippage is proposed when capital schemes are not completed within the specified financial year but are still ongoing. Reasons for slippage could be delays to works starting, delay to contracts being agreed, projects being affected by resources and weather, projects requiring re-profiling are some examples. Not all underspends on schemes need to be brought forward, only those for schemes that are commitment. There is current £17.876 million of slippage within the capital programme. The slippage to be brought forward into 2022/23 was approved at the Policy, Resources & Economic Development Committee on 13th July 2022

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Treasury Management

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

Long term borrowing	£'000	Ave interest rate
HRA	57,019	3.21%
General Fund/Transferred Debt	<u>135,174</u>	1.99%
Total Long term borrowing	192,193	
Short term borrowing		
General Fund/Transferred Debt	<u>36,752</u>	0.15%
Total Short term borrowing	36,752	
Total External borrowing	228,945	
Total Investments	<u>(11,003)</u>	0.30%
Net Borrowing Position	217,942	

Since 2012 the HRA has had a business plan to manage and maintain HRA dwelling, provide for investment of existing stock and finance borrowing of £57.019m. Most of the General Fund short term borrowing has been taken out to provide capital finance to the Council's subsidiary, Seven Arches Investments Ltd and to fund the purchase of strategic property acquisitions.

The Council had a Capital Financing Requirement of £248.715m as at 31st March 2022, representing the Council's underlying borrowing need.

Pension Liability

The Council's Balance Sheet shows a net pension liability of £31.833m at 31 March 2022, offset by a reserve of the same amount. Details of the required accounting for pension schemes are contained in Note 40 to the Statement. The liability shows the underlying commitment on the Council to pay pensions in the long run and the substantial impact on the net worth of the Council.

There are statutory arrangements in place for funding the deficit. Contributions into the Pension Fund over the remaining working life of employees will increase, if required, to ensure that any deficit is made good before future pension payments become due.

Medium Term Financial Strategy and Financial Outlook

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

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

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

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

The main issues impacting the MTFS include the reduction in Government Funding and the uncertainty around future Government Funding, this is supported with The Council only receiving a settlement of one year from central government.

There is continued uncertainty over the financial impact of the pandemic on the council. The budget has been prepared assuming a decrease on predominantly car parking income with any long-lasting impact of the pandemic monitored as they arise during the year.

The MTFS currently extends to 2024/25 and it forecasts a cumulative deficit of £2.230 million by 2024/25 for the General Fund. The Council has an ambitious agenda in a current volatile financial climate, that is restricted by government bodies. The Council aims to continue to deliver the services it currently delivers and more. However, through proposed savings and Investment Targets, the MTFS is expected to balance its 2022/23 budget. Beyond 2022/23 deficits are expected to arise and deplete existing working balances if earmark reserves are not utilised. Highlighting that the Council cannot sit still, and further savings, efficiencies and income generation ideas are to be sought to support the aspiring programme arising from the Council's Corporate Strategy.

The following key areas support delivery of the MTFS and have been considered during the development of the budget:

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

The Council is continuing to develop its MTFS to deliver the Corporate Strategy outcomes while maintaining working balances and mitigating risk. This will be addressed primarily through:

- 1) Service redesign and delivery of service strategies
- 2) Maximising income generating opportunities
- 3) A focus on supporting inward economic investment.
- 4) Continuously Reviewing fees and charges to ensure full cost recovery, where this is not possible reviewing how the associated services are delivered to reduce costs or accepting a discounted charge in return for an appropriate community benefit.
- 5) Optimising the Council's use of technology to enable new ways of working and improving service quality for our residents.
- 6) Ensuring the Council's assets are used efficiently and effectively
- 7) Creating Green Initiatives internally and throughout the borough.

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Corporate Risk Management

The Council maintains Strategic, Operational and Project risk registers to enable it to manage the risks which could impact on its ability to achieve its objectives. The risks on the Strategic Risk Register at March 2022 were:

Risk	Current Score
Failure to adopt a Local Plan in line with national policy	V High (15)
Failure to develop an Environmental strategy and action plan	Low (3)
Failure to deliver a clear Leisure Strategy for the future of leisure facilities in Brentwood	Med (8)
Failure to deliver the Council's Strategic Housing Development Plan	Med (4)
Lack of Strategic Direction	Low (4)
Failure to deliver objectives within the Corporate Strategy	Low (4)
General Fund budget forecasts could fall below the Minimum Level of Reserves	V High (15)
Unable to react to a major incident leading to a breach of our statutory duties under the Civil Contingencies Act	High (12)
Lack of capacity to effectively govern the organisation, resulting in delay in delivery of business objectives	High (12)
unable to meet the income projections for the Council	V High (20)
Non-compliance with data protection legislation	High (12)
Contract/partnership failure within organisation	Med (8)
risk from a critical cyber threat that would effect all areas of business	V High (15)

Performance Measurement

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

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

The Council's key performance indicators are reported to Members at the meeting of the Audit & Scrutiny Committee on a quarterly basis and are available to view and download from the Brentwood Council Document Library: https://document.brentwood.gov.uk/document_library.php.

The 2021/22 Statement of Accounts

The Council has prepared the 2021/22 Accounts on a going concern basis. This is on the grounds that local authorities cannot be created or dissolved without statutory prescription and it would therefore not be appropriate for their financial statements to be prepared on anything other than a going concern basis.

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Major Service Developments and Future Challenges

Dealing with one year funding settlements is a challenging situation and does not give enough time for the Council to react or plan over the medium term. However, the Council recognises the need to set a balance budget, which will require reducing costs and raising revenue for future years to reduce the forecasted future year deficits. The position as it stands is based on known assumptions now and is a 'do nothing' scenario.

In addition, the current economic climate continues to force price pressure increases With CPI (Consumer Price Index) and RPI (Retail Price Index) forecasting to reach around 10% and 13% by the Autumn of this financial year. Electricity & Gas prices have already increased and are expected to increase further by the Autumn of 2022. Fuel has seen an increase of 31.4% and PWLB borrowing rates are expected to reach around 3% for the 50-year rate. All of these factors showcase that the UK is currently battling it way through a cost-of-living crisis which the Council's MTFS will have to adjust for in order to meet increasing costs but also supporting its borough as residents face the impact of cost pressures on their own pockets.

The Council will continue to look at driving efficiencies and ways of reducing costs. All Services will need to continue to drive through efficiencies and continually review their working practices and operations to deliver efficiency and effectiveness as part of the Council's Corporate Strategy.

Although the future year deficits are increasing significantly from 2023/24, there are several initiatives, in addition to the saving targets above that the Council is reviewing that have not yet been factored into the forecasted position.

Rochford Partnership – In August 2021 it was agreed that the Council's Chief Executive would have a shared role between Brentwood Borough Council and Rochford District Council for an initial period of six months. This arrangement was subsequently made permanent with effect from 1 February 2022. Towards the end of 2021 proposals were drawn up to establish a formal strategic partnership between the two Councils moving forward from February 2022. This decision was made at Extraordinary Council on 26th January 2022. Although detailed estimates have been made of savings that the partnership is expected to achieve, the apportionment of these savings between the councils will need to be agreed following further review of the respective current structures. They have therefore not yet been included within the Medium-Term Financial Strategy.

Financial Initiatives Group (FIG) – During 2021/22 a members working group named the Financial Initiatives Group was established to ensure that the Council reviews and develops financial initiatives for presentation and consideration by Policy, Resources and Economic Development Committee (PRED) to achieve challenges for future financial years. One of the opportunities which has been identified is to set up a Regeneration Fund, which was reported to PRED on 2nd February 2022. Depending on individual business cases this fund could help the Council identify short term income generation.

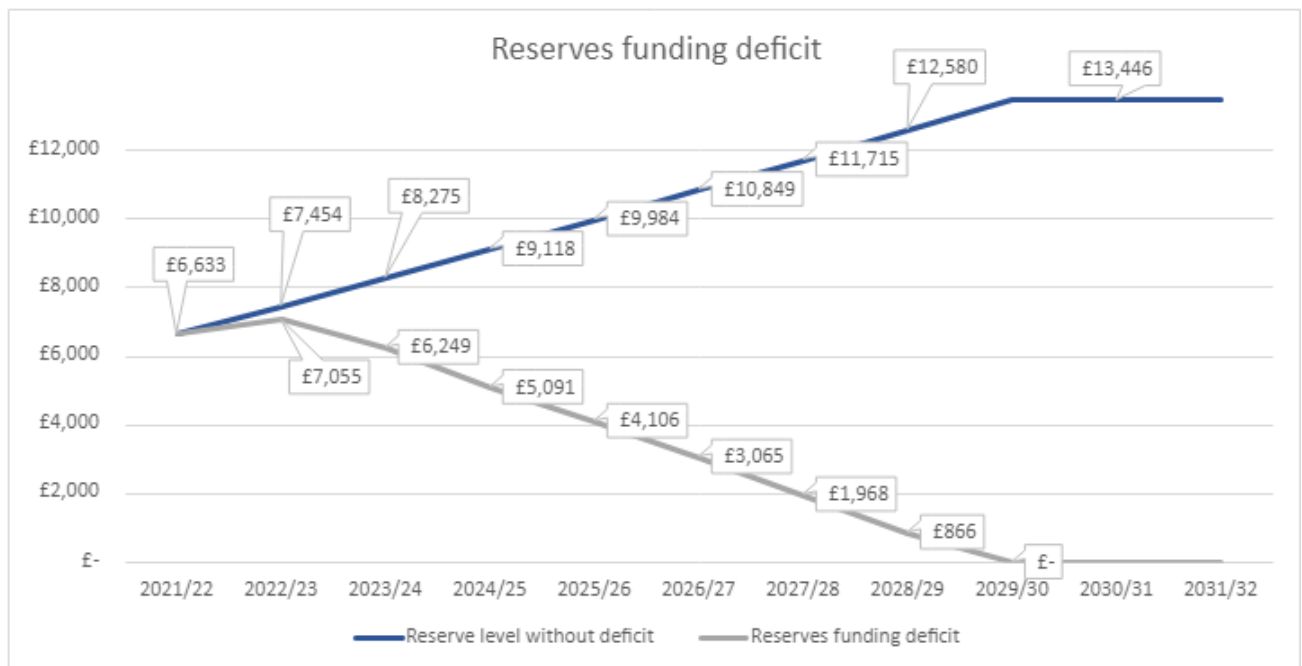
Existing Asset Growth – In the past few years, the Council has increased its property portfolio to manage and maintain regeneration within the borough. The existing Assets do have an element of growth, which the Council intends to focus and prioritise on.

Utilisation of Reserves - Currently the balance on earmarked reserves remains stagnant beyond 2022/23. This is due to the assumption that the reserves will only be utilized if there is a need for expenditure that cannot be met from the base budget. If there are no concrete plans to utilize the reserves or contribute to the reserves, it is prudently assumed that the balance will remain unchanged.

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The current MTFS forecasts a budget gap that increases annually from 2023/24. For 2022/23 the decision is to use Earmarked Reserves to fund this gap, for the short term, however the ongoing deficit assumes no utilization of reserves now, until future budget setting cycles are undertaken. The graph below highlights the total balance of reserves (available earmarked reserves and the working balances) if these were used against the forecast budget deficits currently predicted if the Council were to not make further cost saving or additional Income generation.

The purpose of this graph is to highlight that the forecast beyond 2022/23 does seem bleak, however the Council is able to fund these deficits for the short-term to generate savings and income beyond the short-term to become a self-financing and self-sufficient Council. This would mean the use of the earmarked Reserves would not be utilised as originally intended



STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

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

The Section 151 Officer's Responsibilities

The Director of Corporate Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code")

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

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

The Section 151 Officer has also:

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

Certification by Director of Corporate Resources

The Statement of Accounts gives a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended.

Jacqueline Van Mellaerts CPFA, Corporate Director (Finance & Resources) & S151 Officer
July 2022

Certification by the Chair of the Committee approving the accounts

Councillor Sandy Tanner
Chair of Audit & Scrutiny Committee
July 2022

GROUP ACCOUNTS

Introduction

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

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

Seven Arches Investments Ltd

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

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

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

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

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

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

Content of the Group Accounts

The following pages include:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement
- Notes to the Group Accounts
- Joint Venture

GROUP MOVEMENT IN RESERVES STATEMENT

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

	Held for Revenue Purposes				Held for Capital Purposes			Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority Share of Subsidiary Reserve	Total Reserves
	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000					
Balance at 31 March 2021	2,874	10,783	1,480	2,400	2,604	1,011	6,473	27,625	209,502	237,127	(5,864)	231,263
Movement in reserves during 2021/22:												
Surplus/(Deficit) on Provision of Services	(10,292)	0	(289)	0	0	0	0	(10,581)	0	(10,581)	5,703	(4,878)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	53,014	53,014	7,157	60,171
Total Comprehensive Income and Expenditure	(10,292)	0	(289)	0	0	0	0	(10,581)	53,014	42,433	12,860	55,293
Transfer of recharges from General Fund to HRA	1,638	0	(1,638)	0	0	0	0	0	0	0	0	0
Adjustments between group and authority accounts	5,837	0	0	0	0	0	0	5,837	0	5,837	(5,837)	0
Adjustments between accounting basis and funding basis under regulations	4,482	0	2,474	0	(267)	84	(1,320)	5,453	(5,453)	0	0	0
Total movement in reserves during 2021/22	1,665	0	547	0	(267)	84	(1,320)	709	47,561	48,270	7,023	55,293
Transfers (to)/from Earmarked Reserves	(1,665)	1,665	(100)	100	0	0	0	0	0	0	0	0
Balance at 31 March 2022	2,874	12,446	1,927	2,500	2,337	1,095	5,153	28,332	257,063	285,395	1,161	286,556

	Held for Revenue Purposes				Held for Capital Purposes			Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority Share of Subsidiary Reserve	Total Reserves
	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000					
Balance at 31 March 2020	3,117	4,404	1,071	2,400	2,065	751	6,345	20,153	193,981	214,134	(1,653)	212,481
Movement in reserves during 2020/21:												
Surplus/(Deficit) on Provision of Services	(1,407)	0	3,242	0	0	0	0	1,835	0	1,835	1,035	2,870
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	19,873	19,873	(3,962)	15,911
Total Comprehensive Income and Expenditure	(1,407)	0	3,242	0	0	0	0	1,835	19,873	21,708	(2,927)	18,781
Transfer of recharges from General Fund to HRA	1,696	0	(1,696)	0	0	0	0	0	0	0	0	0
Adjustments between group and authority accounts	1,285	0	0	0	0	0	0	1,285	0	1,285	(1,285)	0
Adjustments between accounting basis and funding basis under regulations	4,562	0	(1,137)	0	539	260	128	4,352	(4,352)	0	0	0
Total movement in reserves during 2020/21	6,136	0	409	0	539	260	128	7,472	15,521	22,993	(4,212)	18,781
Transfers (to)/from Earmarked Reserves	(6,379)	6,379	0	0	0	0	0	0	0	0	0	0
Balance at 31 March 2021	2,874	10,783	1,480	2,400	2,604	1,011	6,473	27,625	209,502	237,127	(5,864)	231,263

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

	2020/21			2021/22		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Growing Our Economy	5,507	(3,821)	1,686	3,935	(2,795)	1,140
Protecting Our Environment	10,589	(4,682)	5,907	12,475	(6,238)	6,237
Developing Our Communities	2,821	(1,053)	1,768	4,696	(1,801)	2,895
Improving Housing	782	(871)	(89)	1,171	(931)	240
Delivering An Efficient & Effective Council	19,741	(12,537)	7,204	17,618	(10,240)	7,378
Commercial Activity	1,520	(2,546)	(1,026)	1,359	(7,045)	(5,686)
Housing Revenue Account	8,602	(13,185)	(4,583)	11,905	(13,462)	(1,557)
Cost of Services	49,562	(38,695)	10,867	53,159	(42,512)	10,647
Other operating expenditure	1,236	(888)	348	981	(514)	467
Financing and investment income & expenditure	4,579	(479)	4,100	4,065	(324)	3,741
Taxation and non-specific grant income & expenditure	0	(18,185)	(18,185)	0	(9,977)	(9,977)
(Surplus)/Deficit on Provision of Services	55,377	(58,247)	(2,870)	58,205	(53,327)	4,878
Deficit/(surplus) on revaluation of non current assets	7,420	(25,786)	(18,366)	0	(46,704)	(46,704)
Remeasurement of the net defined benefit pension liability	2,455	0	2,455	0	(13,467)	(13,467)
Other Comprehensive Income and Expenditure	9,875	(25,786)	(15,911)	0	(60,171)	(60,171)
Total Comprehensive Income and Expenditure	65,252	(84,033)	(18,781)	58,205	(113,498)	(55,293)

GROUP BALANCE SHEET

This statement summarises the financial position of the group at 31 March 2022:

Note	31 March 2021 £'000	31 March 2022 £'000
Property, Plant and Equipment:-		
Council dwellings	277,873	294,473
Other Land and Buildings	129,051	152,511
Vehicles, plant and equipment	3,938	4,891
Infrastructure	1,732	1,755
Community Assets	2,937	2,937
Surplus Assets	3,183	5,196
Assets Under Construction	3,241	1,875
	421,955	463,638
Intangible Assets	66	17
2 Investment Property	69,685	77,927
Long-term Debtors	314	304
Long-term Assets	492,020	541,886
Short-term Investments	0	11,003
Inventories	110	175
Assets Held for Sale	0	256
3 Short-term Debtors	16,370	12,860
Cash and Cash Equivalents	24,098	5,107
Current Assets	40,578	29,401
Short-term Borrowing	(124,950)	(36,752)
4 Short-term Creditors	(18,549)	(17,239)
Provisions	(1,527)	(3,181)
Receipts in Advance - Revenue	(2,732)	(1,067)
Current Liabilities	(147,758)	(58,239)
Long-term Borrowing	(108,362)	(192,193)
Grants Receipts in Advance	(2,002)	(1,934)
Net Pension Liability	(43,213)	(31,833)
Deferred Tax Liability	0	(496)
Other Long Term Liabilities	0	(36)
Long-term Liabilities	(153,577)	(226,492)
Net Assets	231,263	286,556

GROUP BALANCE SHEET

Note	31 March 2021 £'000	31 March 2022 £'000
General Fund Balance	2,874	2,874
Housing Revenue Account Balance	1,480	1,927
Capital Receipts Reserve	2,604	2,337
Capital Grants Unapplied Account	1,011	1,095
Major Repairs Reserve	6,473	5,153
Earmarked Reserves	13,183	14,946
SAIL Retained Earnings Account	(5,864)	1,161
Usable Reserves	21,761	29,493
Revaluation Reserve	130,776	168,382
Capital Adjustment Account	127,486	124,785
Deferred Capital Receipts	300	300
Pension Reserve	(43,213)	(31,833)
Accumulated Absences Adjustment Account	(169)	(110)
Collection Fund Adjustment Account	(5,678)	(4,461)
Unusable Reserves	209,502	257,063
Total Reserves	231,263	286,556

Jacqueline Van Mellaerts CPFA, Corporate Director (Finance & Resources) & S151 Officer
July 2022

GROUP CASH FLOW STATEMENT

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

Note	2020/21		2021/22	
	£'000	£'000	£'000	£'000
Net deficit on the provision of services		(2,870)		4,878
Adjustments for non cash movements:-				
Depreciation of non current assets	(3,892)		(5,426)	
Amortisation of intangible assets	(147)		(111)	
Revaluation adjustments	1,073		(6,448)	
(Increase)/decrease in bad debts provision	(148)		(103)	
(Increase)/decrease in creditors	(15,209)		1,862	
Increase/(decrease) in debtors	3,590		(1,806)	
Increase/(decrease) in inventories	(128)		66	
Movement in pension liabilities	(920)		(2,088)	
Amounts transferred to Collection Fund Adjustment Account	(5,229)		1,218	
Amounts transferred to Accumulated Absences Adjustment Account	(81)		59	
Carrying amounts of non-current assets sold	(970)		(811)	
(Increase)/decrease in provisions	442		(160)	
Donated asset	6,060		0	
Increase/(decrease) in value of investment properties	39,141		1,269	
Other non cash movements	21		(193)	
Total adjustments for non cash movements		23,603		(12,672)
Adjustments for investing or financing activities				
Proceeds from the sale of non-current assets	1,858		1,325	
Capital Grants	605		595	
Total adjustment for investing or financing activities		2,463		1,920
Net cash in-flow from Operating Activities		23,196		(5,874)
Investing Activities:-				
Purchase of property, plant & equipment and intangible assets	98,111		14,953	
Proceeds from the sale of property, plant & equipment	(1,858)		(1,325)	
Proceeds from short term investments	(10)		11,000	
(increase)/decrease in capital grants	(542)		(595)	
		95,701		24,033
Financing Activities:-				
Cash receipts of short-term and long-term borrowing	(236,500)		(96,853)	
Repayments of short-term and long-term borrowing	99,673		101,500	
Decrease/(increase) in Collection Fund Agency balances	14,095		(3,815)	
		(122,732)		832
Net (increase)/decrease in cash and cash equivalents		(3,835)		18,991
Cash and cash equivalents at the beginning of the reporting period		20,263		24,098
Cash and cash equivalents at the end of the reporting period		<u>24,098</u>		<u>5,107</u>
Movement in cash & cash equivalents		<u>3,835</u>		<u>(18,991)</u>

NOTES TO THE GROUP ACCOUNTS

1. Group Accounting Policies

The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. The Council has consolidated its interests in the entity over which it exercises control or significant influence because they are material to the Council's balance sheet. The accounts of the Council's subsidiary, Seven Arches Investments Ltd (SAIL), have been consolidated on a line by line basis. Intra-group transactions have been eliminated before consolidation.

The Accounting Policies used in the preparation of the Group Accounts are the same as for the single entity accounts of Brentwood Borough Council, as set out in note 41 of the Notes to the Core Statement of Accounts. In following these policies and reporting requirements as determined by CIPFA, the group disclosures may differ from the disclosures in the company accounts of SAIL.

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

2. Investment Properties

	2020/21 £'000	2020/21 £'000	2020/21 £'000	2021/22 £'000	2021/22 £'000	2021/22 £'000
	Commercial Premises	Land	Total	Commercial Premises	Land	Total
Balance at start of the year	26,145	2,993	29,138	66,692	2,993	69,685
Acquired during the year	43,355	0	43,355	70	0	70
Net gains from fair value adjustments						
- through Comprehensive Income & Expenditure Account	(4,214)	0	(4,214)	8,154	274	8,428
- through Revaluation Reserve	0	0	0	0	0	0
Transfers from Assets Under Construction	1,406	0	1,406	0	0	0
Transfers to Surplus Assets	0	0	0	(256)	0	(256)
Balance at end of the year	66,692	2,993	69,685	74,660	3,267	77,927

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

NOTES TO THE GROUP ACCOUNTS

3. Debtors

	31 March 2021			31 March 2022		
	£'000	£'000	£'000	£'000	£'000	£'000
	Gross Debt	Impairment Allowance	Net Debt	Gross Debt	Impairment Allowance	Net Debt
Trade receivables	598	0	598	1,334	(87)	1,247
Housing rents arrears	1,584	(1,111)	473	1,789	(1,273)	516
Financial assets at contract amounts	2,182	(1,111)	1,071	3,123	(1,360)	1,763
Central Government	8,863	0	8,863	4,265	0	4,265
Other local authorities	4,338	0	4,338	3,848	0	3,848
Council tax arrears	678	(246)	432	676	(254)	422
Non domestic rates arrears	1,452	(551)	901	1,096	(527)	569
Other sundry receivables	1,538	(1,162)	376	1,762	(1,017)	745
Prepayments	389	0	389	1,248	0	1,248
Total	19,440	(3,070)	16,370	16,018	(3,158)	12,860

4. Creditors

	31 March 2021	31 March 2022
	£'000	£'000
Trade payables	8,431	4,059
Financial liabilities at contract amounts	8,431	4,059
Central Government	7,817	10,067
Other local authorities	507	498
Council tax pre-payments	111	130
Non domestic rates pre-payments	489	1,113
Other sundry payables	140	436
Receipts in advance	1,054	936
Total	18,549	17,239

5. Operating lease commitments

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

	31 March 2021	31 March 2022
	£'000	£'000
Not later than one year	3,875	9,757
Later than one year and not later than five years	14,850	37,672
Later than five years	23,043	89,189
Total	41,768	136,618

NOTES TO THE GROUP ACCOUNTS

5. Operating lease commitments (contd.)

The increase in the amounts receivable between 2020/21 and 2021/22 represents the future rental income from Childerditch Industrial Park, Academy Place and Baytree Centre, which were purchased at the end of 2020/21.

6. Joint Venture

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

The private sector partner is Muse Developments Ltd (part of the Morgan Sindall plc group).

The JV has identified a number of sites within the Borough for redevelopment, and it is anticipated that the first redevelopment activity will commence in 2022/23.

At the date of these accounts, the JV was operating at a loss due to the pre-development costs associated with the various sites. The arrangement is that when profits materialise from the developments, the loans will be recouped, and the remaining profits will be distributed on a 50:50 basis between the two partners.

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

CORE FINANCIAL STATEMENTS – MOVEMENT IN RESERVES STATEMENT

This statement shows the movement from the start to the end of the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other “unusable reserves”. The Statement analyses the movements in year between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax and housing rent income for the year. The balance at 31 March 2022 line shows the statutory General Fund balance and Housing Revenue Account balance following these adjustments.

Movement in Reserves Statement 2021/22

	Held for Revenue Purposes				Held for Capital Purposes			Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund	Earmarked General Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Balance at 31 March 2021	2,874	10,783	1,480	2,400	2,604	1,011	6,473	27,625	209,502	237,127
Movement in reserves during 2021/22:										
Surplus/(Deficit) on Provision of Services	(4,455)	0	(289)	0	0	0	0	(4,744)	0	(4,744)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	53,013	53,013
Total Comprehensive Income and Expenditure	(4,455)	0	(289)	0	0	0	0	(4,744)	53,013	48,269
Transfer of recharges from General Fund to HRA	1,638	0	(1,638)	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations (note 4)	4,482	0	2,474	0	(267)	83	(1,320)	5,452	(5,452)	0
Total movement in reserves during 2021/22	1,665	0	547	0	(267)	83	(1,320)	708	47,561	48,269
Transfers (to)/from Earmarked Reserves (note 5)	(1,665)	1,665	(100)	100	0	0	0	0	0	0
Balance at 31 March 2022	2,874	12,446	1,927	2,500	2,337	1,095	5,153	28,332	257,063	285,395

Movement in Reserves Statement 2020/21

	Held for Revenue Purposes				Held for Capital Purposes			Total Usable Reserves	Unusable Reserves	Total Reserves
	General Fund	Earmarked General Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Major Repairs Reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Balance at 31 March 2020	3,117	4,404	1,071	2,400	2,065	751	6,345	20,153	193,982	214,135
Movement in reserves during 2020/21:										
Surplus/(Deficit) on Provision of Services	(122)	0	3,241	0	0	0	0	3,119	0	3,119
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	19,873	19,873
Total Comprehensive Income and Expenditure	(122)	0	3,241	0	0	0	0	3,119	19,873	22,992
Transfer of recharges from General Fund to HRA	1,696	0	(1,696)	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations (note 4)	4,562	0	(1,136)	0	539	260	128	4,353	(4,353)	0
Total movement in reserves during 2020/21	6,136	0	409	0	539	260	128	7,472	15,520	22,992
Transfers (to)/from Earmarked Reserves (note 5)	(6,379)	6,379	0	0	0	0	0	0	0	0
Balance at 31 March 2021	2,874	10,783	1,480	2,400	2,604	1,011	6,473	27,625	209,502	237,127

CORE FINANCIAL STATEMENTS – COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

Note	2020/21			2021/22		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
	5,507	(3,821)	1,686	3,935	(2,795)	1,140
	10,589	(4,654)	5,935	12,475	(9,001)	3,474
	2,821	(1,053)	1,768	4,696	(1,801)	2,895
	782	(871)	(89)	1,171	(931)	240
	19,741	(11,957)	7,784	17,618	(10,897)	6,721
	8,602	(13,185)	(4,583)	11,905	(13,462)	(1,557)
	48,042	(35,541)	12,501	51,800	(38,887)	12,913
6	1,236	(888)	348	981	(514)	467
7	4,583	(2,366)	2,217	4,082	(2,741)	1,341
8	0	(18,185)	(18,185)	0	(9,977)	(9,977)
	53,861	(56,980)	(3,119)	56,863	(52,119)	4,744
21	3,497	(25,825)	(22,328)	0	(39,546)	(39,546)
40	2,455	0	2,455	0	(13,467)	(13,467)
	5,952	(25,825)	(19,873)	0	(53,013)	(53,013)
	59,813	(82,805)	(22,992)	56,863	(105,132)	(48,269)

CORE FINANCIAL STATEMENTS – BALANCE SHEET

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

Note	31 March 2021 £'000	31 March 2022 £'000
9	Property, Plant and Equipment:-	
	277,873	294,473
	129,051	152,511
	3,938	4,891
	1,732	1,755
	2,937	2,937
	3,183	5,196
	3,241	1,875
	<u>421,955</u>	<u>463,638</u>
11	66	17
13	16,714	17,797
14	60,314	60,304
	<u>499,049</u>	<u>541,756</u>
15	0	11,003
	110	175
	0	256
16	17,063	11,858
17	21,223	2,943
	<u>38,396</u>	<u>26,235</u>
15	(129,950)	(36,752)
18	(17,498)	(15,512)
32	(2,795)	(3,181)
19	(1,527)	(1,191)
	<u>(151,770)</u>	<u>(56,636)</u>
15	(103,333)	(192,193)
32	(2,002)	(1,934)
40	(43,213)	(31,833)
	<u>(148,548)</u>	<u>(225,960)</u>
	<u>237,127</u>	<u>285,395</u>

CORE FINANCIAL STATEMENTS – BALANCE SHEET

Note	31 March 2021 £'000	31 March 2022 £'000
20	2,874	2,874
20	1,480	1,927
20	2,604	2,337
20	1,011	1,095
4	6,473	5,153
5	13,183	14,946
	Usable Reserves	
	27,625	28,332
21	130,776	168,382
22	127,486	124,785
23	300	300
24	(43,213)	(31,833)
25	(169)	(110)
26	(5,678)	(4,461)
	Unusable Reserves	
	209,502	257,063
	Total Reserves	
	237,127	285,395

Jacqueline Van Mellaerts CPFA, Corporate Director (Finance & Resources) & S151 Officer
July 2022

CORE FINANCIAL STATEMENTS – CASH FLOW STATEMENT

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

Note	2020/21		2021/22	
	£'000	£'000	£'000	£'000
Net deficit/(surplus) on the provision of services		(3,119)		4,744
Adjustments for non cash movements:-				
Depreciation of non current assets	(3,892)		(5,425)	
Amortisation of intangible assets	(147)		(112)	
Revaluation adjustments	(2,850)		(6,447)	
(Increase)/decrease in bad debts provision	(148)		(103)	
(Increase)/decrease in creditors	(13,800)		1,600	
Increase/(decrease) in debtors	31,010		(2,617)	
Increase/(decrease) in inventories	(128)		66	
Movement in pension liabilities	(920)		(2,087)	
Amounts transferred to Collection Fund Adjustment Account	(5,229)		1,217	
Amounts transferred to Accumulated Absences Adjustment Account	(81)		59	
Carrying amounts of non-current assets sold	(970)		(811)	
(Increase)/decrease in provisions	442		336	
Increase/(decrease) in value of investment properties	(684)		1,269	
Donated asset	6,060		0	
Other non cash movements	21		35	
Total adjustments for non cash movements		8,684		(13,020)
Adjustments for investing or financing activities				
Proceeds from the sale of non-current assets	1,858		1,325	
Capital Grants recognised in the CIES	605		595	
Total adjustment for investing or financing activities		2,463		1,920
Net cash in-flow from Operating Activities		8,028		(6,356)
Investing Activities:-				
Purchase of property, plant & equipment and intangible assets	98,111		14,952	
Proceeds from the sale of property, plant & equipment	(1,858)		(1,325)	
Purchase of short term investments	0		11,004	
Proceeds from short term investments	(10)		0	
Capital grants	(542)		(525)	
		95,701		24,106
Financing Activities:-				
Cash receipts of short-term and long-term borrowing	(236,500)		(96,853)	
Repayments of short-term and long-term borrowing	99,673		101,198	
Decrease/(increase) in Collection Fund Agency balances	14,095		(3,815)	
		(122,732)		530
Net (increase)/decrease in cash and cash equivalents		(19,003)		18,280
17 Cash and cash equivalents at the beginning of the reporting period		2,220		21,223
17 Cash and cash equivalents at the end of the reporting period		21,223		2,943
Movement in cash & cash equivalents		19,003		(18,280)

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NOTES TO THE ACCOUNTS

1. Expenditure and Funding Analysis

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

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

<u>2021/22</u>	Net Expenditure Chargeable to the General Fund and HRA Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
Service	£000	£000	£000
Growing Our Economy	773	367	1,140
Protecting Our Environment	(2,014)	5,488	3,474
Developing Our Communities	980	1,915	2,895
Improving Housing	154	86	240
Delivering An Efficient & Effective Council	4,813	1,908	6,721
Housing Revenue Account	(542)	(1,015)	(1,557)
Net Cost of Services	4,164	8,749	12,913
Other income & expenditure Total	(6,374)	(1,795)	(8,169)
Deficit/(surplus)	(2,210)	6,954	4,744
Opening General Fund and HRA Balance at 31 March 2021*	(17,537)		
Add (Surplus) on General Fund and HRA balance in year	(2,210)		
Add transfer from Income & Expenditure to Earmarked Reserves	_____		
Closing General Fund and HRA Balance at 31 March 2022*	(19,747)		

* For a split of the closing balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 24.

NOTES TO THE ACCOUNTS

1. Expenditure and Funding Analysis (continued)

<u>2020/21</u>	Net Expenditure Chargeable to the General Fund and HRA Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
Service	£000	£000	£000
Growing Our Economy	1,507	179	1,686
Protecting Our Environment	2,189	3,746	5,935
Developing Our Communities	1,375	393	1,768
Improving Housing	70	(159)	(89)
Delivering An Efficient & Effective Council	5,733	2,051	7,784
Housing Revenue Account	(409)	(4,174)	(4,583)
Net Cost of Services	10,465	2,036	12,501
Other income & expenditure Total	(10,631)	(4,989)	(15,620)
Deficit/(surplus)	(166)	(2,953)	(3,119)
Opening General Fund and HRA Balance at 31 March 2020*	(10,992)		
Add (Surplus) on General Fund and HRA balance in year	(166)		
Add transfer from Income & Expenditure to Earmarked Reserves	(6,379)		
Closing General Fund and HRA Balance at 31 March 2021*	(17,537)		

* For a split of the closing balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 24.

NOTES TO THE ACCOUNTS

2. Notes to the Expenditure and Funding Analysis

Adjustments between Accounting Basis and Funding Basis 2021/22				
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Growing Our Economy	0	388	(21)	367
Protecting Our Environment	4,187	999	302	5,488
Developing Our Communities	1,656	204	55	1,915
Improving Housing	(58)	147	(3)	86
Delivering An Efficient & Effective Council	558	194	1,156	1,908
Housing Revenue Account	2,536	247	(3,798)	(1,015)
Net Cost of Services	8,879	2,179	(2,309)	8,749
Other Income & Expenditure	(2,652)	(261)	1,118	(1,795)
Total	6,227	1,918	(1,191)	6,954

Adjustments between Accounting Basis and Funding Basis 2020/21				
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Growing Our Economy	0	159	20	179
Protecting Our Environment	2,681	465	600	3,746
Developing Our Communities	158	100	135	393
Improving Housing	(244)	66	19	(159)
Delivering An Efficient & Effective Council	834	177	1,040	2,051
Housing Revenue Account	(1,307)	156	(3,023)	(4,174)
Net Cost of Services	2,122	1,123	(1,209)	2,036
Other Income & Expenditure	(1,304)	(248)	2,378	826
Total	818	875	1,169	2,862

NOTES TO THE ACCOUNTS

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

Adjustments for Capital Purposes

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

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

Net Change for the Pensions Adjustment

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

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

Other

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

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

NOTES TO THE ACCOUNTS

3a. Expenditure & Income Analysed by Nature

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

Expenditure	2020/21 £'000	2021/22 £'000
Employee benefits expenses	12,418	14,249
Other services expenses	28,668	25,238
Depreciation, amortisation & impairment (note 9)	7,573	10,716
Interest payments	3,966	5,679
Precepts & levies (note 6)	576	604
Payments to the Housing Capital Receipts Pool (note 6)	660	377
Total expenditure	53,861	56,863
Income		
Fees, charges and other service income		
- Revenue from contracts with service recipients (note 3b)	(19,075)	(20,625)
- Other income	(1,512)	(6,133)
Interest and investment income (note 7)	(1,956)	(2,442)
Income from council tax and non domestic rates	(2,113)	(4,369)
Grants and contributions (note 32)	(25,376)	(18,036)
Gain on revaluation of investment properties (note 13)	0	0
Donated asset	(6,060)	0
Gain on the disposal of assets (note 6)	(888)	(514)
Total income	(56,980)	(52,119)
Deficit on the provision of services	(3,119)	4,744

3b. Revenue from Contract with Service Recipients

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

	31 March 2021 £'000	31 March 2022 £'000
Revenue from contracts with service recipients	(19,075)	(20,625)
Increase in provision for impairment	225	150
Total included in CIES	(18,850)	(20,475)

NOTES TO THE ACCOUNTS

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

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

	31 March	31 March
	2021	2022
	£'000	£'000
Receivables (included as debtors - see note 16)	965	1,679
Total included in Balance Sheet	965	1,679

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

	31 March	31 March
	2021	2022
	£'000	£'000
Not later than one year	(506)	(522)
Later than one year	0	0
Total	(506)	(522)

4. Adjustments between accounting basis and funding basis under regulations

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

a) General Fund Balance

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

b) Housing Revenue Account Balance

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

c) Major Repairs Reserve

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

NOTES TO THE ACCOUNTS

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

d) Capital Receipts Reserve

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

e) Capital Grants Unapplied

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

<u>2021/22</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)	1,670	417	0	0	0	2,087
Council Tax & NNDR (transfers to/from the Collection Fund Adjustment Account)	(1,218)	0	0	0	0	(1,218)
Holiday pay (transferred to/from to the Accumulated Absences Reserve)	(43)	(15)	0	0	0	(58)
Reversal of entries relating to capital expenditure (charged to the Capital Adjustment Account).	4,341	6,457	0	0	0	10,798
Total Adjustments to Revenue Resources	4,750	6,859	0	0	0	11,609
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds to the Capital Receipts Reserve	(50)	(1,275)	1,325	0	0	0
Payments to the government housing receipts pool	377	0	(377)	0	0	0
Transfer of HRA resources from revenue to the Major Repairs Reserve	0	(3,110)	0	0	3,110	0
Capital Grants unapplied	(595)	0	0	83	0	(512)
Total Adjustments between Revenue and Capital Resources	(268)	(4,385)	948	83	3,110	(512)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(1,215)	0	0	(1,215)
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	(4,430)	(4,430)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
Total Adjustments to Capital Resources	0	0	(1,215)	0	(4,430)	(5,645)
Total Adjustments	4,482	2,474	(267)	83	(1,320)	5,452

NOTES TO THE ACCOUNTS

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

<u>2020/21</u>	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Major Repairs Reserve £'000	Total £'000
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive & Income Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pension costs (transferred to/from the Pensions Reserve)	765	156	0	0	0	921
Council Tax & NNDR (transfers to/from the Collection Fund Adjustment Account)	5,229	0	0	0	0	5,229
Holiday pay (transferred to/from to the Accumulated Absences Reserve)	67	13	0	0	0	80
Reversal of entries relating to capital expenditure (charged to the Capital Adjustment Account).	(1,545)	3,492	0	0	0	1,947
Total Adjustments to Revenue Resources	4,516	3,661	0	0	0	8,177
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds to the Capital Receipts Reserve	(10)	(1,848)	1,858	0	0	0
Payments to the government housing receipts pool	660	0	(660)	0	0	0
Transfer of HRA resources from revenue to the Major Repairs Reserve	0	(2,949)	0	0	2,949	0
Capital Grants unapplied	(604)	0	0	260	0	(344)
Total Adjustments between Revenue and Capital Resources	46	(4,797)	1,198	260	2,949	(344)
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(668)	0	0	(668)
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	(2,821)	(2,821)
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	9	0	0	9
Total Adjustments to Capital Resources	0	0	(659)	0	(2,821)	(3,480)
Total Adjustments	4,562	(1,136)	539	260	128	4,353

5. Transfers to and from Earmarked Reserves

This note sets out the amounts transferred to and from the General Fund and Housing Revenue Account balances and earmarked reserves in 2021/22.

	2020/21					2021/22				
	Balance at 1 April 2020	Transfers to CIES	Internal transfers	Transfers from CIES	Balance at 31 March 2021	Balance at 1 April 2021	Transfers to CIES	Internal transfers	Transfers from CIES	Balance at 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund										
Mitigation Reserves										
Inflation & Financing Mitigation	0	0	0	0	0	0	0	20	790	810
Funding Volatility	1,345	(63)	(198)	259	1,343	1,343	0	0	0	1,343
Housing Benefit Subsidy	150	0	0	0	150	150	0	0	0	150
Insurance and Risk Management	25	0	0	0	25	25	0	0	12	37
In Borough Regeneration	0	0	0	426	426	426	0	0	1,505	1,931
Total Mitigation Reserves	1,520	(63)	(198)	685	1,944	1,944	0	20	2,307	4,271

NOTES TO THE ACCOUNTS

	2020/21					2021/22				
	Balance at 1 April 2020	Transfers to CIES	Internal transfers	Transfers from CIES	Balance at 31 March 2021	Balance at 1 April 2021	Transfers to CIES	Internal transfers	Transfers from CIES	Balance at 31 March 2022
	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund										
Service Reserves										
ICT Investment	100	0	(100)	0	0	0	0	0	0	0
Community Alarms	112	0	(112)	0	0	0	0	0	0	0
Asset Management	164	0	0	0	164	164	0	0	0	164
Electoral Registration	43	0	0	0	43	43	0	0	0	43
Economic Development	300	0	0	0	300	300	0	0	0	300
Brentwood Community Fund	2	0	(2)	0	0	0	0	0	0	0
High Street Fund	200	0	0	0	200	200	0	0	0	200
Environmental Initiatives	100	(8)	0	0	92	92	(40)	148	0	200
Planning Enforcement	200	(70)	0	0	130	130	0	0	50	180
Service Investment and Initiatives	200	(4)	0	0	196	196	0	0	4	200
Legal Resource	0	0	100	0	100	100	0	0	0	100
Leisure Contingency	0	(200)	200	200	200	200	(200)	21	51	72
LGV Driver Training	0	0	0	10	10	10	0	0	0	10
Parking Strategy/MSCP Clean	0	0	0	21	21	21	(21)	0	0	0
Digital, Customer & Comms	0	0	0	134	134	134	0	0	0	134
Planning Development	0	0	0	78	78	78	0	0	149	227
Election Costs	0	0	0	70	70	70	(70)	0	0	0
Rochford Partnership	0	0	0	0	0	0	0	0	300	300
Other Licences	0	0	0	0	0	0	0	0	3	3
Corporate Training	0	0	0	0	0	0	0	0	18	18
Apprentice Incentive	0	0	0	0	0	0	0	0	8	8
Street Scene Initiatives Creation	0	0	0	0	0	0	0	200	0	200
Staff Achievement & Recognition	0	0	0	0	0	0	0	3	0	3
Total Service Reserves	1,421	(282)	86	513	1,738	1,738	(331)	372	583	2,362
Specific Reserves										
Waste Management	595	(190)	0	0	405	405	0	(405)	0	0
Dunton Hills Development	15	(15)	0	0	0	0	0	0	0	0
Nightingale Maintenance	302	(4)	0	0	298	298	(6)	0	0	292
Planning Delivery Grant	53	(53)	0	0	0	0	0	0	0	0
Preventing Homelessness	119	(19)	0	0	100	100	0	0	0	100
EU Exit Grant	153	0	(100)	0	53	53	0	(53)	0	0
Brentwood Community Hospital	40	0	0	0	40	40	0	0	0	40
Community Rights	38	0	0	0	38	38	0	0	0	38
Health and Wellbeing	61	0	0	20	81	81	0	0	22	103
Neighbourhood Plan	26	0	0	0	26	26	0	0	0	26
Land at Hanover House	13	(3)	0	0	10	10	0	0	0	10
Willowbrook Rosen Crescent	7	0	0	0	7	7	0	0	0	7
Play Area Grant	12	(12)	0	0	0	0	0	0	0	0
COVID-19 Support Grant	29	(29)	0	0	0	0	0	0	0	0
Council Tax Hardship Fund	0	0	0	26	26	26	0	0	0	26
Open Data Funding to LA's	0	0	0	1	1	1	0	0	0	1
ARG Grant	0	0	0	0	0	0	0	24	0	24
New Burden funding post payment assurance	0	0	0	0	0	0	0	131	0	131
Total Specific Reserves	1,463	(325)	(100)	47	1,085	1,085	(6)	(303)	22	798
COVID-19 Specific Reserves										
ECC - Night Time Economy Grant	0	0	0	14	14	14	(14)	0	0	0
New Burdens for SBSG	0	0	0	130	130	130	0	0	0	130
New Burdens LADGF (covid-19)	0	0	0	59	59	59	0	0	166	225
Test and Trace Admin	0	0	0	50	50	50	(27)	0	41	64
New burdens CT Hardship Fund and BRR	0	0	0	20	20	20	0	0	0	20
Tax Income Guarantee Scheme	0	0	0	591	591	591	(151)	0	0	440
COVID 19 Volatility	0	0	212	200	412	412	0	0	0	412
NDR Collection Fund Deficit	0	0	0	4,740	4,740	4,740	(4,804)	0	3,788	3,724
Total COVID-19 Specific Reserves	0	0	212	5,804	6,016	6,016	(4,996)	0	3,995	5,015
Total General Fund Reserves	4,404	(670)	0	7,049	10,783	10,783	(5,333)	89	6,907	12,446
Housing Revenue Account Reserves										
Council Dwellings Investment Fund	2,400	0	0	0	2,400	2,400	0	0	100	2,500
Total Housing Revenue Account Reserves	2,400	0	0	0	2,400	2,400	0	0	100	2,500
Total Earmarked Reserves	6,804	(670)	0	7,049	13,183	13,183	(5,333)	89	7,007	14,946

NOTES TO THE ACCOUNTS

5. Transfers to and from Earmarked Reserves (continued)

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

<u>General Fund Reserves</u>	<u>Purpose</u>
<u>Mitigation Reserves</u>	
Inflation & Financing Mitigation	To support the uncertainty around the Council's finances connected with the cost of living crisis
Funding Volatility	To mitigate the uncertainty and financial risks connected with Government Funding
Housing Benefit Subsidy	To support the funding of subsidy claims
Insurance and Risk Management	To support and mitigate high risks identified through the corporate risk register.
In Borough Regeneration	To support the council's plans for regeneration in the borough.
<u>Service Reserves</u>	
ICT Investment	To fund investment in the Council's ICT structure.
Community Alarms	To fund the expansion of the community alarm service and the upgrading of the equipment .
Asset Management	To fund the costs of developing and implementing the Council's asset management programme.
Electoral Registration	To fund future changes to registration, and the implementation of the Canvass Reform 2020
Economic Development	To fund the development of the Council's Economic Development Strategy
Brentwood Community Fund	To fund agreed community projects.
High Street Fund	To aid corporate objectives for growing the economy in town and village centres
Environmental Initiatives	To develop environmental initiatives that will reduce reduce the Council's carbon footprint.
Planning Enforcement	To aid the dealing with unauthorised incursions and related enforcement work
Service Investment and Initiatives	To mitigate one off costs for any identified service investments or initiatives in year
Legal Resources	To fund the cost of unexpected legal case work
Leisure Contingency	To support the interim direct management by the Council of the Brentwood Leisure
LGV Driver Training	To fund mandatory CPC training for LGV drivers
Parking Strategy/MSCP Clean	To fund specialised cleansing in the Multi Storey Car Park and costs associated with the Parking Strategy
Digital, Customer & Comms	To fund schemes such as customer service accreditation and development of social media engagement
Planning Development	To fund ongoing costs associated with dealing with planning applications
Election Costs	To fund election services costs
Rochford Partnership	To fund the development of the partnership
Other Licences	Pavement licence grant to be utilised during 2022/23
Corporate Training	To fund investment in staff training and development
Apprenticeship Investment Programme	To maintain a rolling programme of apprenticeships at the Council.
Street Scene Initiatives Creation	To fund development of one off initiatives within Street Scene service area.
Staff Achievement & Recognition	To recognise and celebrate staff achievements
<u>Service Reserves</u>	
Waste Management	To fund the development of waste management within the Borough.
Dunton Hills Development	To fund planning costs associated with the Dunton Hills Garden Village Development.
Nightingale Maintenance	To meet the cost of grounds maintenance at the new housing development at this site.
Planning Delivery Grant	To fund work associated with the Local Development Plan.
Preventing Homelessness	To fund prevention initiatives and new costs associated with the Homelessness Reduction Act 2018.
EU Exit Grant	To fund preparations required of the Council when the UK exits the EU.
Brentwood Community Hospital	To fund grounds maintenance of the former hospital site.
Willowbrook Rosen Crescent	To fund the cost of hedge maintenance at this location.
Community Rights	To fund costs associated with Community Rights to Buy and Assets of Community Value
Play Area Grant	Park improvement funding, earmarked specifically to contribute to the Council's play area strategy
Health and Wellbeing	To fund projects as determined by the Brentwood Health & Wellbeing Board.
Neighbourhood Plan	To fund future costs associated with the with Doddinghurst and West Horndon Neighbourhood Plans.
Land at Hanover House	To fund public open space improvements at land at Hanover House.
COVID-19 Support Grant	To assist local authorities deal with the financial pressures caused by the COVID-19 pandemic
Leisure Strategy	To fund the Council's Leisure Service review.
Council Tax Hardship Fund	To fund Council Tax reliefs for Council Tax payers financial Hardship Grant
Open Data Funding to LA's	To support additional work for DCA authorities in handling queries related to open UPRN/USRN data.
Additional Restrictions Grant	To hold grants funding that may need to be repaid to Government
New Burden post payment assurance	To fund the reconciliation required by Government regarding all administered grants.

NOTES TO THE ACCOUNTS

5. Transfers to and from Earmarked Reserves (continued)

<u>Covid Specific Reserves</u>	<u>Purpose</u>
ECC - Night Time Economy Grant	To support licensed premises during the easing of the lockdown restrictions
New Burdens for SBSG	To fund the administration of COVID 19 discretionary grants to support small businesses
New Burdens LADGF (covid-19)	To fund COVID 19 local authority discretionary grants
Test and Trace Admin	To fund the administration of the Test and Trace programme
New burdens CT Hardship Fund and BRR	To fund the administration of delivering Council Tax and Business Rates relief.
Tax Income Guarantee (TIG) Scheme	To carry TIG received in 2021/22 to offset the future year deficits on the Collection Fund
COVID 19 Volatility	To mitigate any financial pressures on services caused by the COVID-19 pandemic.
NDR Collection Fund Deficit	To carry forward S31 Grant received in 2021/22 to offset the deficit carried forward on the NDR Collection Fund due to the extended Retail Relief Scheme in 2021/22

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

6. Other Operating Expenditure

	2020/21	2021/22
	£'000	£'000
Parish Council precepts	577	604
Payments to the Government Housing Capital Receipts Pool	660	377
Gains on the disposal of non-current assets	(889)	(514)
Total	348	467

7. Financing and Investment Income and Expenditure

	2020/21	2021/22
	£'000	£'000
Interest payable	2,830	4,403
Net interest on the pensions net defined benefit liability	910	839
Interest receivable and similar income	(1,956)	(2,442)
Net movement in bad debts provision	125	109
Income from investment properties	(376)	(299)
Changes in fair value of investment properties	684	(1,269)
Total	2,217	1,341

NOTES TO THE ACCOUNTS

8. Taxation and Non-Specific Grant Income

	2020/21	2021/22
	£'000	£'000
Council Tax Income	(7,058)	(7,009)
Non Domestic Rates	4,945	2,641
Non-ringfenced Government grants (note 32)	(9,827)	(5,434)
Donated asset	(6,060)	0
Capital grants and contributions (note 32)	(185)	(175)
Total	(18,185)	(9,977)

9. Property Plant and Equipment

9.1 Movements on balances in 2021/22

	Total	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra- structure	Community Assets	Surplus Assets	Assets Under Construction
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Carrying Amount (Cost/Valuation)								
At 1 April 2021	427,213	278,139	129,540	8,155	2,012	2,943	3,183	3,241
Acquisitions	1,579	0	0	1,579	0	0	0	0
Additions	13,241	4,430	544	0	99	0	0	8,168
Revaluation net increases to the Revaluation Reserve	39,546	17,072	20,943	0	0	0	1,531	0
Revaluation net decreases to Deficit on the Provision of Services	(6,447)	(2,395)	(4,052)	0	0	0	0	0
Accumulated depreciation written out to gross carrying amount	(5,101)	(2,764)	(2,337)	0	0	0	0	0
Derecognition - disposals	(1,839)	(819)	0	(1,020)	0	0	0	0
Assets Under Construction reclassified	0	1,120	7,932	0	0	0	482	(9,534)
At 31 March 2022	468,192	294,783	152,570	8,714	2,111	2,943	5,196	1,875
Accumulated Depreciation & Impairment								
At 1 April 2021	(5,258)	(266)	(489)	(4,217)	(280)	(6)	0	0
Depreciation charge	(5,425)	(2,816)	(1,907)	(626)	(76)	0	0	0
Impairment losses to the Surplus/deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - disposals	1,028	8	0	1,020	0	0	0	0
Accumulated depreciation written out to gross carrying amount	5,101	2,764	2,337	0	0	0	0	0
Depreciation at 31 March 2022	(4,554)	(310)	(59)	(3,823)	(356)	(6)	0	0
Net book value at 31 March 2022	463,638	294,473	152,511	4,891	1,755	2,937	5,196	1,875
Net book value at 31 March 2021	421,955	277,873	129,051	3,938	1,732	2,937	3,183	3,241

NOTES TO THE ACCOUNTS

9.2 Comparative Movements on Balances in 2020/21

	Total £'000	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000
Gross Carrying Amount (Cost/Valuation)								
At 1 April 2020	308,740	261,804	33,355	6,685	1,526	2,943	1,707	720
Acquisitions	91,749	738	89,120	1,891	0	0	0	0
Additions	6,264	2,277	855	0	38	0	0	3,094
Transferred/donated assets	6,060	0	6,060	0	0	0	0	0
Revaluation increases to the Revaluation Reserve	22,328	17,039	3,631	0	0	0	1,658	0
Revaluation decreases to Surplus/Deficit on the Provision of Services	(2,850)	(23)	(2,645)	0	0	0	(182)	0
Accumulated depreciation written out to gross carrying amount	(4,099)	(2,717)	(836)	(421)	(125)	0	0	0
Derecognition - disposals	(979)	(979)	0	0	0	0	0	0
Transfers between categories	0	0	0	0	573	0	0	(573)
Reclassified to Investment Property	0	0	0	0	0	0	0	0
At 31 March 2021	427,213	278,139	129,540	8,155	2,012	2,943	3,183	3,241
Accumulated Depreciation & Impairment								
At 1 April 2020	(5,476)	(343)	(544)	(4,190)	(393)	(6)	0	0
Depreciation charge	(3,890)	(2,649)	(781)	(448)	(12)	0	0	0
Impairment losses to the Surplus/deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - disposals	9	9	0	0	0	0	0	0
Transfers between categories	0	0	0	0	0	0	0	0
Reclassified to Investment Property	0	0	0	0	0	0	0	0
Accumulated depreciation written out to gross carrying amount	4,099	2,717	836	421	125	0	0	0
Depreciation at 31 March 2021	(5,258)	(266)	(489)	(4,217)	(280)	(6)	0	0

9.3 Assets Under Construction

The amount of £1.875m for Assets Under Construction is in respect of the following schemes:

- Affordable Housing Development Schemes £1.769m
- Football Hub £0.106m

9.4 Depreciation

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

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

NOTES TO THE ACCOUNTS

9.5 Capital Commitments

The Council had not entered into any capital commitments as at 31 March 2022.

9.6 Revaluations

The Council carries out a rolling programme of valuations that ensures that a full revaluation all non-current assets requiring to be measured at fair value is carried out at least every five years. The valuations in 2021/22 were carried out by Wilks Head Eve, an independent firm of Royal Institute of Chartered Surveyors (RICS) registered valuers in accordance with the methodologies and bases for estimation set out in the professional standards of the RICS, and in the CIPFA Code. The bases for valuation are set out in accounting policy 41.16.

Council Dwellings

Council dwellings are valued using the beacon approach. The stock is broken down into archetypes groups, with an average value based on beacon values applied to each group. A full revaluation of the housing stock was last carried out in 2017/18. A desktop review was carried out in 2021/22, which involved reviewing the value of each beacon in the light of a number of information sources, including:

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

Other non-current assets

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

Surplus Assets

All of the Council's surplus assets have been assessed as Level 2 in the fair value hierarchy for valuation purposes. The fair value of the surplus assets purchased in 2021/22 is deemed to be their purchase price. The fair value of the other surplus assets has been measured using a market approach using current market conditions, recent sales prices and other relevant information for similar assets. Market conditions for these asset types are such that the levels of observable inputs are significant.

Valuation history of the Council's assets

	Total	Council	Other	Vehicles,	Infrastructure	Community	Surplus	Assets Under
		Dwellings	Land and	Plant and		Assets	Assets	Construction
	£'000	£'000	Buildings	Equipment	£'000	£'000	£'000	£'000
			£'000	£'000	£'000	£'000	£'000	£'000
Carried at depreciated historical cost	11,458	0		4,891	1,755	2,937	0	1,875
Valued at fair value as at								
31 March 2018	1,218	0	1,218	0	0	0	0	0
31 March 2019	2,324	0	2,324	0	0	0	0	0
31 March 2020	1,941	0	1,941	0	0	0	0	0
31 March 2021	612	0	612	0	0	0	0	0
31 March 2022	446,085	294,473	146,416	0	0	0	5,196	0
Total Cost or Valuation	463,638	294,473	152,511	4,891	1,755	2,937	5,196	1,875

NOTES TO THE ACCOUNTS

10. Capital Expenditure and Capital Financing

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

	2020/21	2021/22
	£'000	£'000
Opening Capital Financing Requirement	119,234	240,473
<u>Capital Expenditure</u>		
Property, plant and equipment	94,918	12,942
Assets under construction	3,095	1,948
Long term debtors	27,500	0
Intangible assets	98	62
Revenue expenditure funded from capital under statute	225	438
Total Capital Expenditure	125,836	15,390
<u>Sources of Finance</u>		
Financing of capital expenditure:-		
Capital receipts	(668)	(1,214)
Government grants and other contributions	(344)	(511)
Major Repairs Reserve	(2,820)	(4,430)
Revenue contributions to capital expenditure	(500)	0
Total Financing of Capital Expenditure	(4,332)	(6,155)
Sums set aside from revenue for the repayment of debt	(265)	(1,071)
Closing Capital Financing Requirement	240,473	248,637
<u>Explanation of Movements in the Year</u>		
Net increase in the underlying need to borrow	121,234	8,164
Increase in Capital Financing Requirement	121,234	8,164

NOTES TO THE ACCOUNTS

11. Intangible Assets

The balance of £0.0.17m (£0.066m as at 31 March 2021) represents the costs of strategic developments to the Council ICT systems and infrastructure, including the development of cloud-based systems.

12. Heritage Assets

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

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

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

13. Investment Properties

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

The Council earned £0.299m (2021/21 £0.376m) rental income from these properties, which is accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

	2020/21 £'000	2020/21 £'000	2020/21 £'000	2021/22 £'000	2021/22 £'000	2021/22 £'000
	Shops & other premises	Land	Total	Shops & other premises	Land	Total
Balance at start of the year	14,406	2,992	17,398	14,342	2,372	16,714
Enhancements	0	0	0	70	0	70
Net (losses)/gains from fair value adjustments						
- through Comprehensive Income & Expenditure Account	(64)	(620)	(684)	995	274	1,269
- through Revaluation Reserve	0	0	0	0	0	0
Transfer to Surplus Assets	0	0	0	(256)	0	(256)
Balance at end of the year	14,342	2,372	16,714	15,151	2,646	17,797

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

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

NOTES TO THE ACCOUNTS

13. Investment Properties (continued)

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

14. Long Term Debtors

The balance of £60.304m mostly represents loans totalling £60.000m made by the Council to its wholly owned Company, Seven Arches Investments Ltd, as detailed in the Related Parties disclosure note.

15. Financial Instruments

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

15.1 Financial Assets

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

	Long-Term		Short-Term				Total	
	Debtors		Investments & Cash Equivalents		Debtors			
	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
Amortised cost	60,314	60,304			1,354	3,186	61,668	63,490
Cash and Cash Equivalents:								
Cash at Bank			21,223	2,943			21,223	2,943
Short Term Investments			0	11,003			0	11,003
Total financial assets	60,314	60,304	21,223	13,946	1,354	3,186	82,891	77,436

The short-term debtors figure excludes debtors totalling £8.672m (£15.705m as at 31 March 2021) representing non-financial instruments such as Council Tax and NDR arrears.

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

15.2 Financial Liabilities

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

NOTES TO THE ACCOUNTS

15. Financial Instruments (continued)

	Long-Term		Short-Term				Total	
	Borrowings		Borrowings		Creditors		Total	
	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
Amortised cost					(7,520)	(2,768)	(7,520)	(2,768)
Borrowing:								
- PWLB	(103,159)	(192,019)	(5,237)	(731)			(108,396)	(192,750)
- Money Market			(124,709)	(36,017)			(124,709)	(36,017)
- transferred debt	(174)	(174)	(4)	(4)			(178)	(178)
Total Financial Liabilities	(103,333)	(192,193)	(129,950)	(36,752)	(7,520)	(2,768)	(240,803)	(231,713)

The creditors figure excludes creditors totalling £12.744m (£9.972m in 2020/21) representing non-financial instruments such as Council Tax and NDR prepayments.

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

Income, Expense, Gains and Losses on Financial Instruments

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

	2020/21		2021/22	
	Financial Liabilities measured at amortised cost £'000	Financial assets measured at amortised cost £'000	Financial liabilities measured at amortised cost £'000	Financial assets measured at amortised cost £'000
Interest expense	2,830		4,403	
Interest income		(1,956)		(2,442)

15.3 Fair value of Financial Assets and Liabilities

The fair value of financial assets and liabilities are used as a comparison to the carrying value disclosed in the Balance Sheet. In most instances, the carrying amount is deemed to be a fair approximation of fair value. The fair value of PWLB debt has been calculated by comparing the terms of these loans against current PWLB borrowing rates. The fair values are shown in the table on the following page:

NOTES TO THE ACCOUNTS

15. Financial Instruments (continued)

	31 March 2021		31 March 2022	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial Assets:				
Short Term Investments	0	0	11,003	11,003
Cash and Cash Equivalents	21,223	21,223	2,943	2,943
Short Term Debtors	1,354	1,354	3,186	3,186
Long Term Debtors	60,314	60,314	60,304	60,304
Total Financial Assets	82,891	82,891	77,436	77,436
Financial Liabilities:				
PWLB debt	(108,396)	(122,017)	(192,019)	(183,213)
Transferred Debt	(178)	(178)	(178)	(178)
Short Term Creditors	(7,520)	(7,520)	(2,768)	(2,768)
Short Term Borrowing	(124,709)	(124,709)	(36,748)	(36,748)
Total Financial Liabilities	(240,803)	(254,424)	(231,713)	(222,907)

16. Debtors

	31 March 2021			31 March 2022		
	Gross Debt £'000	Impairment Allowance £'000	Net Debt £'000	Gross Debt £'000	Impairment Allowance £'000	Net Debt £'000
Trade receivables	591	(99)	492	1,250	(87)	1,163
Housing rents arrears	1,584	(1,111)	473	1,789	(1,273)	516
Financial assets at contract amounts	2,175	(1,210)	965	3,039	(1,360)	1,679
Central Government	8,863	0	8,863	4,234	0	4,234
Other local authorities	4,338	0	4,338	3,848	0	3,848
Council tax arrears	678	(246)	432	676	(254)	422
Non domestic rates arrears	1,452	(551)	901	1,096	(527)	569
Other sundry receivables	2,238	(1,063)	1,175	1,648	(1,017)	631
Prepayments	389	0	389	475	0	475
Total	20,133	(3,070)	17,063	15,016	(3,158)	11,858

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

17. Cash and Cash Equivalents/Cash Overdrawn

	31 March 2021 £'000	31 March 2022 £'000
Bank current accounts	21,220	2,939
Cash floats	3	4
Total Cash and Cash Equivalents	21,223	2,943

NOTES TO THE ACCOUNTS

18. Creditors

	31 March 2021 £'000	31 March 2022 £'000
Trade payables	6,743	2,332
Financial liabilities at contract amounts	6,743	2,332
Central Government	7,817	10,067
Other local authorities	507	498
Council tax pre-payments	111	130
Non domestic rates pre-payments	489	1,113
Other sundry payables	777	436
Receipts in advance	1,054	936
Total	17,498	15,512

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

19. Provisions

	Non Domestic Rates Appeals £'000	Insurance Claims £'000	Legal Claims £'000	Planning Appeals £'000	Total £'000
Balance at 31 March 2020	1,203	223	457	85	1,968
Additional/reduced provisions in 2020/21	188	0	5	14	207
Amounts used in 2020/21	(188)	0	(411)	(49)	(648)
Balance at 31 March 2021	1,203	223	51	50	1,527
Additional/(reduced) provisions in 2021/22	(161)	0	8	0	(153)
Amounts used in 2021/22	(183)	0	0	0	(183)
Balance at 31 March 2022	859	223	59	50	1,191

Nature and purpose of each provision:

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

NOTES TO THE ACCOUNTS

19. Provisions (continued)

The timing of the settlement of these liabilities is uncertain, but the Council has taken the view that they are likely to be settled within 12 months of the balance sheet date. The balances as at 31 March 2022 have therefore been classified as short-term liabilities.

20. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on page 22 and in note 4 on pages 33-35. Note 4 also contains an explanation of why each usable reserve is held.

21. Revaluation Reserve

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

	31 March 2021 £'000	31 March 2022 £'000
Balance at 1 April	110,226	130,776
Upward revaluation of Property, Plant & Equipment	25,824	44,897
Downward revaluation of Property, Plant & Equipment	(3,496)	(5,351)
Sub total	22,328	39,546
Upward revaluation of Investment Properties	0	0
Downward revaluation of Investment Properties	0	0
Sub total	0	0
Difference between fair value depreciation and historical cost depreciation	(1,414)	(1,598)
Accumulated gains on assets sold or scrapped	(364)	(342)
Amount written off to the Capital Adjustment Account	(1,778)	(1,940)
Balance at 31 March	130,776	168,382

22. Capital Adjustment Account

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

NOTES TO THE ACCOUNTS

22. Capital Adjustment Account (continued)

	31 March 2021 £'000	31 March 2022 £'000
Balance at 1 April	123,821	127,486
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	(3,892)	(5,425)
Revaluation losses on Property, Plant and Equipment	(2,850)	(6,447)
Amortisation of Intangible assets	(147)	(112)
Revenue Expenditure Funded from Capital under Statute	(226)	(342)
Donated/transferred assets	6,060	0
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	(969)	(811)
Sub Total	(2,024)	(13,137)
Adjusting amounts written out of the Revaluation Reserve	1,778	1,940
Net written out amount of the cost of non-current assets consumed in the year	(246)	(11,197)
Capital Financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	668	1,215
Use of the Major Repairs Reserve to finance new capital expenditure	2,820	4,430
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	344	511
Revenue contributions to capital expenditure	500	0
Provision for the financing of capital investment charged against the General Fund and HRA balances	263	1,071
Sub Total	4,595	7,227
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(684)	1,269
Balance at 31 March	127,486	124,785

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 2021 £'000	31 March 2022 £'000
Balance at 1 April	308	300
Recognition of gains	0	0
Transfer of net gain/(loss) on disposal to CIES	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	(8)	0
Balance at 31 March	300	300

NOTES TO THE ACCOUNTS

24. Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

	31 March	31 March
	2021	2022
	£'000	£'000
Balance at 1 April	(39,837)	(43,213)
Remeasurements of the net defined benefit liability	(2,455)	13,467
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	(3,487)	(4,751)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,566	2,664
Balance at 31 March	(43,213)	(31,833)

25. Accumulated Absences Adjustment Account

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

	31 March	31 March
	2021	2022
	£'000	£'000
Balance at 1 April	(88)	(169)
(Increase)/decrease	(81)	59
Balance at 31 March	(169)	(110)

26. Collection Fund Adjustment Account

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

	31 March	31 March
	2021	2022
	£'000	£'000
Balance at 1 April	(449)	(5,678)
Increase/decrease	(5,229)	1,217
Balance at 31 March	(5,678)	(4,461)

NOTES TO THE ACCOUNTS

27. Trading Operations

The Council operates car parks and collects trade waste, which generate income. Details of income and expenditure (which are included in Protecting Our Environment in the Comprehensive Income and Expenditure Statement) are as follows:

	2020/21	2021/22
	£'000	£'000
Car Parks		
Income	(1,003)	(1,253)
Expenditure	1,030	641
(Surplus)/deficit	27	(612)
Trade Waste Collection		
Income	(410)	(596)
Expenditure	342	147
Surplus	(68)	(449)

28. Members' Allowances

The Council paid £0.275m to Members of the Council during the year (£0.266m in 2020/21).

29. Officers' Remuneration

The remuneration paid to the Council's senior employees during 2021/22 was as follows:

Post	Note	Salary, Fees and Allowances	Bonus	Employer's Pension Contribution	Total
		£	£	£	£
Chief Executive	1	129,167	12,500	28,192	169,859
Strategic Director (Deputy Chief Executive)		84,842	0	16,621	101,463
Strategic Director (Regeneration & Housing Development)	2	26,185	0	0	26,185
Corporate Director (Planning & Environment)		70,773	0	13,821	84,594
Corporate Director (Housing & Community Safety)		70,773	0	14,243	85,016
Corporate Director (Environment & Communities)		70,773	0	13,821	84,594
Corporate Director (Digital & Community Engagement)		35,769	0	13,029	48,798
Corporate Director (Finance & Resources) - S151 Officer		81,192	0	16,157	97,349
Corporate Director (Law & Governance) - Monitoring Officer		81,186	0	16,156	97,342
		650,660	12,500	132,040	795,200

- Chief Executive.** The postholder was appointed as joint chief executive of Brentwood District Council and Rochford District Council from 1 February 2022, following a six month trial period. The annualised salary up to 1 February 2022 was £125,000, and the annualised salary from 1 February 2022 was £150,000. The costs of the post are shared equally between the two authorities.
- Strategic Director (Regeneration & Housing Development).** The post holder was in post from 4 January 2022. The annualised salary is £106,172.

NOTES TO THE ACCOUNTS

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

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

NOTES TO THE ACCOUNTS

29. Officers' Remuneration (continued)

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

The Council recharges SAIL for the costs of seconded officers.

Employees earning more than £50,000

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

NOTES TO THE ACCOUNTS

Remuneration Band	2020/21	2021/22
	Number of employees	Number of employees
£50,000 - £54,999	1	8
£55,000 - £59,999	6	6

The Council undertook a review of its Tier 4 management known as extended leadership team. This new structure was implemented from 1st August 2021 and resulted in an increase of posts remunerated at over £50k.

Off Payroll Arrangements

The Council engages interim staff to provide temporary cover for vacant posts and to obtain specialist skills and experience. The cost of 5 of these interim staff (12 in 2020/21) was more than £50,000 in each instance, at a total cost of £397,802 (£979,744 in 2020/21). The sums represent the amounts paid by the Council to the supplying agencies. The Council's recruitment policies were followed in all of these interim appointments.

30. Termination Benefits

Exit Packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
							£000	£000
£0 - £20,000	0	0	0	0	0	0	0	0
£20,001 - £40,000	0	0	0	1	0	1	0	20
£40,001 - £60,000	0	0	0	1	0	1	0	48
Total	0	0	0	2	0	2	0	68

The costs in the above Exit Packages table represent the liabilities incurred by the Council upon the termination of the contracts of a number of its employees.

31. External Audit Costs

	2020/21	2021/22
	£'000	£'000
Fees payable in respect of external audit services carried out by the appointed auditor for the year		
- planned fees	52	54
- additional fees	29	33
Fees payable for the certification of grant claims and returns for the year	17	17
Rebate received in year from PSAA	0	(10)
Total	98	94

NOTES TO THE ACCOUNTS

32. Grant Income

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

	2020/21	2021/22
	£'000	£'000
Credited to Taxation and Non-specific Grant Income:		
Non-ringfenced Government grants		
New Homes Bonus Scheme	697	529
Business Rates Relief	6,106	3,578
Covid-19 LA Support Grant	953	309
Income Compensation Scheme Sales Fees and Charges	1,106	254
New burdens CT Hardship Fund and BRR	20	0
Council Tax Hardship Fund	346	0
Tax Income Guarantee Scheme Grant	591	(38)
Transparency Code Set Up Grant	8	8
Lower Tier Services Grant	0	71
LCTS	0	76
Covid-19 Additional Relief Fund	0	647
Sub total	9,827	5,434
Capital grants and contributions		
Developers' Section 106 Grants	47	168
Contribution towards fit out of DWP area at Town Hall	44	0
Contribution towards inclusive playspace at KGPF	100	0
Sub total	191	168
Total	10,018	5,602

NOTES TO THE ACCOUNTS

	2020/21	2021/22
Credited to Services:	£'000	£'000
COVID-19 support grants		
Additional Restrictions Support Grant (ARG)	2,460	1,050
LA Discretionary Grant Fund (LADGF)	904	0
Local Restriction Support Grant (LRSG) Open	216	0
New Burdens for SBSG Discretionary scheme	130	0
National Leisure Recovery Fund	112	8
New Burdens funding re. Post Payment Assurance, Reconciliation and Debt Recovery	0	131
Test and Trace Support Payments - Discretionary Payments	50	347
Contain Outbreak Management Fund COMF	0	55
Welcome Back Fund	0	56
Reopening High Streets Safely Fund	0	66
New Burdens LADGF	59	167
Test and Trace Admin	77	40
LA Compliance & Enforcement	0	15
Total COVID-19 support grants	4,008	1,935
Rent Allowances & Rebates		
Rent Allowances	5,100	4,769
Rent Rebates	4,307	3,935
Discretionary Housing Payments	148	128
Housing Benefit Administration	127	120
Total Rent Allowances & Rebates	9,682	8,952

NOTES TO THE ACCOUNTS

32. Grant Income (continued)

Other grants		
Food Waste Grant	398	405
Disabled Facilities Grant	420	420
Council Tax Sharing Agreement - Essex CC	111	131
Dunton Hills Garden Village funding	130	0
Preventing Homelessness Grant	165	246
Non Domestic Rates-Cost of Collection	104	102
Council Tax Support	57	66
New Changing Places Facility At King George's Playing	0	100
Community Hub Funding	0	92
Other grants individually less than £0.050m	283	239
Total Other grants	1,668	1,801
Total	15,358	12,688

The Council received a number of grants and contributions during 2021/22 that not been recognised as income as at 31 March 2022 because they have conditions attached to them that could require the monies to be returned to the grantor. The balances at the year-end were as follows:

	31 March 2021	31 March 2022
	£'000	£'000
<u>Grants Receipts in Advance (Revenue Grants)</u>		
Current Liabilities:		
Council Tax Rebate Grants	0	2,965
Covid Funding to encourage Residents to Isolate (T&T)	123	0
Covid Contact Tracing Grant	88	0
Test and Trace Support Payments - Programme costs	39	0
Local Restriction Support Grant (LRSG) Closed	1,038	0
Closed Business Lockdown Payment CBLP	1,354	0
Other grants	153	216
Total	2,795	3,181
<u>Grants Receipts in Advance (Capital Grants)</u>		
Developers' Contributions:		
Mountnessing Scrapyard	1,102	1,051
Former Elliots Nightclub	200	189
Doddinghurst Surgery, Outings Lane, Doddinghurst	171	172
Eclipse Ongar Road, Brentwood	72	72
La Plata Wood, Brentwood	64	57
73 High Street, Brentwood	61	61
S106 Brentwood Blood Centre	83	83
M25 J29 Garden Communities Programme	121	121
Other grants individually less than £0.050m	128	128
Total	2,002	1,934

NOTES TO THE ACCOUNTS

33. Related Parties

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

UK Government

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

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2021/22 is disclosed in note 32. In addition, grants and other payments totalling £21,378 (£104,431 in 2020/21) were paid to voluntary organisations whose governing bodies included at least one Member representing the Council. In all instances the grants were made with full consideration to the Declaration of Interest.

Entities in which Members have a Controlling Interest

Members of the Council are required to review and complete a Register of Members Interest and a Declaration of Financial Interest form. Nil Returns were received from most Members in regard to finance related matters for 2021/22. Those declaring financial information included two receipts of a grant in relation to COVID-19 which totalled £12,92. One Member occupies the post of Police, Fire & Crime Commissioner for Essex. Details of this are shown under the Other Public Bodies (Essex Police).

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

a) Essex County Council

Two Council Members were also members of Essex County Council during the financial year.

The Council Tax and Non Domestic Rates precepts paid by the Council to Essex County Council are disclosed in the Collection Fund on pages 91-93.

The Council paid Essex County Council a total of £219,634 (£225,592 in 2020/21):

- £147,014 for trade waste disposal (£154,495 in 2020/21)
- £23,936 for professional services (£13,960 in 2020/21)
- £9,834 for planning and land charges services (£27,347 in 2020/21)
- £38,850 for the provision of other services (£43,750 in 2020/21).

The Council was paid £4,111,037 by Essex County Council during the year (£1,729,741 in 2020/21):

- £3,572,024 in respect of recycling and waste disposal (£1,005,994 in 2020/21)
- £237,400 in respect of the highways ranger service (£161,200 in 2020/21).
- £304,613 in respect of other services and grants (£562,547 in 2020/21).

b) Essex Police/Essex Police & Crime Commissioner

Essex Police paid £53,500 to the Council during the year (£22,300 in 2020/21) for the provision of office and parking space at Brentwood Town Hall.

NOTES TO THE ACCOUNTS

33. Related Parties (continued)

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

c) Essex County Fire and Rescue Service (ECFRS)

There were no financial transactions between ECFRS and Brentwood Borough Council during 2021/22. The Council Tax precepts and Non Domestic Rates precepts paid by the Council to the Essex Fire & Rescue Service are disclosed in the Collection Fund on pages 91-93.

d) London Borough of Barking & Dagenham

The Council paid the London Borough of Barking & Dagenham £35,820 during the year (£116,082 in 2020/21) for the provision of legal services.

e) Thurrock Council

The Council paid Thurrock Council £347,849 (£362,019 in 2020/21), for the provision of various professional services.

f) Basildon Borough Council

The Council paid Basildon Borough Council a total of £1,489,614 during 2021/22 2020/21 (£1,411,651 in 2020/21):

- £1,373,117 for provision of a shared Revenues and Benefits Service (£1,358,603 in 2020/21)
- £106,507 for other services, mainly housing (£53,049 in 2020/21)

g) Parish Councils

The Council paid grants totalling £612,972 to Parish Councils within its area in 2021/22 (£578,914 in 2020/21).

h) Association of South Essex Local Authorities

This is a partnership of six neighbouring local authorities that have come together to promote economic growth and prosperity in the South Essex region. The local authority partners are Basildon, Brentwood, Castle Point, Rochford, Southend-on-Sea and Thurrock. The Council paid a subscription of £66,750 to the group (£60,000 in 2020/21). The subscription is paid to Castle Point Borough Council, the administering authority.

Entities Controlled or Significantly Influenced by the Council

a) Seven Arches Investments Ltd (SAIL)

This is the Council's wholly owned subsidiary company, further details about which can be found within the Group Accounts on pages 13-21.

There is a facility agreement in place between the Council and SAIL, which enables SAIL to request to draw down loans from the Council, repayable in 2048. SAIL has drawn down loans of £60,000,000.

The Council received £5,836,918 from SAIL in 2021/22 (£1,890,460 in 20/21) representing:

- £2,400,000 interest (£1,890,460 in 2020/21)
- £2,991,438 rents (£168,338 in 2020/21)
- £420,653 recharged management costs (£405,742 in 2020/21)
- £24,827 other income (£43,587 in 2021/21)

NOTES TO THE ACCOUNTS

33. Related Parties (continued)

b) Rochford District Council

During 2021/22 Brentwood Borough Council entered into a shared working agreement with Rochford District Council, named "OneTeam". The aim of the partnership is to create a more collaborative way of working creating efficiencies and improvements to council services for both Brentwood and Rochford residents. Income of £86,063 was received from Rochford District Council in relation to the shared staffing arrangement

34. Leases

Council as Lessor - Operating Leases

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

	31 March 2021 £'000	31 March 2022 £'000
Not later than one year	460	4,779
Later than one year and not later than five years	1,597	18,716
Later than five years	2,446	64,107
Total	4,503	87,602

The increase in the amounts receivable between 2020/21 and 2021/22 represents the future rental income from Childeritch Industrial Park, Academy Place and Baytree Centre, which were purchased at the end of 2020/21. 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 2021/22 (none in 2020/21).

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

The 2022/23 Code of Practice on Local Authority Accounting in the UK is expected to introduce the following accounting standards:

- 1) Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
 - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
 - IAS 37 (Onerous contracts) – clarifies the intention of the standard
 - IFRS 16 (Leases) – amendment removes a misleading example, not referenced in the Code material
 - IAS 41 (Agriculture).
- 2) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

None of the above standards are anticipated to have a material impact upon the Council's single entity or Group Accounts in 2022/23.

36. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by Jacqueline Van Mellaerts CPFA, Corporate Director (Finance & Resources) & S151 Officer, on July 2022. As at that date, no post balance sheet events have been identified for the Council's core financial statements.

NOTES TO THE ACCOUNTS

37. Nature and extent of risks arising from financial instruments

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

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

Credit Risk

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

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

The Council makes a provision for impairment of trade receivables using a provision matrix, based on historical observed default rates over the lifecycle of trade. The loss allowance is calculated as follows:

Stage	31 March 2021		31 March 2022	
	Gross carrying amount	Impairment provision	Gross carrying amount	Impairment provision
	£'000	£'000	£'000	£'000
Less than one year	528	31	1160	19
More than one year	63	68	90	68
Total	591	99	1,250	87

The Council also makes a provision for impairment of housing rent arrears, based on historical observed default rates of debts at the various stages of the Council's debt recovery cycle. This methodology produces an impairment provision of £1.273m (2020/21 £1.111m) against rent arrears of £1.789m (2020/21 £1.584m).

Liquidity Risk

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

NOTES TO THE ACCOUNTS

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

	31 March 2021			31 March 2022		
	Principal	Accrued interest	Total	Principal	Accrued interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Less than one year	129,500	210	129,710	36,000	17	36,017
Between one and five years	0	0	0	10,000	2	10,002
Between five and ten years	20,400	7	20,407	17,400	99	17,499
Between ten and twenty years	30,000	82	30,082	42,853	41	42,894
Between twenty and thirty years	31,166	104	31,270	31,166	105	31,271
More than thirty years	21,778	43	21,821	90,777	485	91,262
Total	232,844	446	233,290	228,196	749	228,945

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

Market Risk

Interest Rate Risk.

All of the Council's investments and borrowing at 31 March 2022 were at fixed rates of interest. The Council was therefore not exposed to risk of additional costs on resulting from increases in interest rates.

Price Risk and Foreign Exchange Risk

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made considering historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Balance Sheet at 31 March 2022 for which there is a risk of material adjustment in the forthcoming financial year are set out in the following paragraphs.

NOTES TO THE ACCOUNTS

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

Uncertainty	Effect if Actual Result differ from Assumptions
<p>Property, Plant & Equipment Council dwelling, other land & buildings and surplus assets are valued by a RICS registered valuer sufficiently frequently to ensure that their carrying amount is not materially different from their current / fair value at the year-end.</p>	<p>A 1% increase or decrease in the value of these assets would increase or decrease their carrying value by approximately £4.5m.</p>
<p>Fair Value Measurements When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council commissions relevant experts (e.g. valuers, treasury advisors and actuaries), to identify the relevant valuation techniques and the estimated fair values (e.g. Interest rates yields or yields for similar financial instruments).</p> <p>These advisors consider and report to the Council local/national economic and operational trends and forecasts, in estimating the fair value of its assets and liabilities (e.g. national house price statistics and local commercial rental market trends in valuing the Council's property assets).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Note 15.</p>	<p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets. The risks associated with financial instruments are documented in note 37. A 1% increase or decrease in the value of the Council's investment properties would increase or decrease their carrying value by approximately £0.17m.</p>

NOTES TO THE ACCOUNTS

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

Uncertainty	Effect if Actual Result differ from Assumptions
<p>Pensions Liability Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates and expected returns on pension fund assets. Barnett Waddingham, an independent firm of actuaries, has been engaged to provide the Council with expert advice about the assumptions to be applied. Further information can be found in Note 40.</p>	<p>A sensitivity analysis on pension liabilities is included in note 40.</p>
<p>Business Rates Appeals The provision for losses in non-domestic rates income arising from appeals against assessed rateable values in the 2005 and 2010 lists is based on an assessment using the historical experience of appeals and an analysis of the details of appeals held by the Valuation Office Agency. The 2017 revaluation and the introduction by the Government of the Check, Challenge and Appeal process for appeals presents a difficulty in establishing an appropriate provision against the 2017 list because there is an absence of active appeals on which to base the calculation of an appeals provision. The provision for the 2017 list is based on potential losses against the 2017 list, based on successful and outstanding appeals against the 2010 list, and potential new appeals identified by the Council's non-domestic rates advisors.</p>	<p>The provision against the 2017 list is difficult to estimate as the number of successful appeals is unknown, as is the number of businesses likely to appeal against their change in business rates. If underestimated there will be higher write off costs than provided for and this will therefore reduce the income within the Collection Fund.</p> <p>A 10% increase in the Business Rates Appeals provision would increase the Council's provision by £0.100m, representing 40% of the increase to the Collection Fund of £0.250m.</p>
<p>Provision for Bad and Doubtful Debts At 31 March 2022, the Council had a balance of short-term debtors of £20.133m.</p>	<p>In the current climate it is not certain that such an allowance will continue to be sufficient. If collection rates were to deteriorate, further consideration would be given to reviewing the criteria for calculating the provision, with a view to increasing the provision held by the Council.</p>

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

39. Critical judgments in applying accounting policies

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

Valuation of Property, Plant and Equipment

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

COVID-19 Support Measures

As part of the COVID-19 response, the government announced a range of grant schemes to support businesses, and individuals required to self-isolate, to be administered by local billing authorities. The Council has assessed whether it should be accounting for the grants paid to them and the distribution of the grants to eligible recipients, as either principal or agent transactions in accordance with Section 2.6 (Principal and Agent Transactions) of the Code. The Council has deemed that £5.5m of income and expenditure represents agent transactions (recognised in the Council's balance sheet) and £1.9m of income and expenditure represents principal transactions (recognised in the Council's Income & Expenditure Statement).

Group Accounts Boundary assessment

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

Classification of Leases

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

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

40. Defined Benefit Pension Schemes

40.1 Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

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

40.2 Fund Valuation and Disclosures – data sources

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

- the results of the valuation as at 31 March 2019 which was carried out for funding purposes and the results of the 31 March 2022 IAS19 report, which was carried out for accounting purposes;
- estimated whole fund income and expenditure items for the period to 31 March 2022
- fund investment returns for the period to 28 February 2021 and market returns thereafter for the period to 31 March 2022
- estimated fund income and expenditure in respect of the employer for the period to 31 March 2021
- details of any new early retirements for the period to 31 March 2022 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.
- details of any settlements for the period to 31 March 2022

40.3 Transactions Relating to Post-employment Benefits

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

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

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

40.3 Transactions Relating to Post-employment Benefits (continued)

	Local Government Pension Scheme	Discretionary Benefits Arrangements	Total	Local Government Pension Scheme	Discretionary Benefits Arrangements	Total
	2020/21	2020/21	2020/21	2021/22	2021/22	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Service cost comprising:						
Current service cost	2,438	0	2,438	3,822	0	3,822
Past service costs including curtailments	0	0	0	36	0	36
Gain on settlements	84	0	84	0	0	0
Administration	55	0	55	54	0	54
Net interest expense	849	61	910	787	52	839
Total Post-employment Benefits Charged to the Surplus or Deficit on the Provision of Services	3,426	61	3,487	4,699	52	4,751
Remeasurement of the net defined benefit comprising:						
Return on plan assets (excluding the amount included in the net interest expense)	(22,719)	0	(22,719)	(8,798)	0	(8,798)
Other actuarial (gains) / losses on assets	0	0	0	0	0	0
Actuarial gains and losses arising on changes in financial assumptions	28,896	233	29,129	(4,950)	(45)	(4,995)
Actuarial gains and losses arising on changes in demographic assumptions	(2,060)	(41)	(2,101)	0	0	0
Experience (gain) / loss on defined benefit obligation	(1,812)	(42)	(1,854)	320	6	326
Sub total	2,305	150	2,455	(13,428)	(39)	(13,467)
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	5,731	211	5,942	(8,729)	13	(8,716)
Reversal of net charges for post employment benefits in accordance with IAS19	(3,426)	(61)	(3,487)	(4,699)	(52)	(4,751)
Actual Amount Charged against the General Fund and HRA Balances for the Year						
Contributions / payments charged to the General Fund	1,909	180	2,089	1,951	170	2,121
Contributions / payments charged to the Housing Revenue Account	436	41	477	498	44	542
Employer's contributions payable to the Pension Fund	2,345	221	2,566	2,449	214	2,663

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

40.4 Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local	Discretionary	Total	Local	Discretionary	Total
	Government	Benefits		Government	Benefits	
	Pension	Arrangements		Pension	Arrangements	
	Scheme			Scheme		
	2020/21	2020/21	2020/21	2021/22	2021/22	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of the defined benefit obligation	(150,981)	(2,696)	(153,677)	(149,856)	(2,495)	(152,351)
Fair value of plan assets	110,464	0	110,464	120,518	0	120,518
Net liability arising from defined benefit obligation	(40,517)	(2,696)	(43,213)	(29,338)	(2,495)	(31,833)

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

	2020/21	2021/22
	£'000	£'000
Opening fair value of scheme assets	87,026	110,464
Interest on assets	2,034	2,200
Return on assets less interest	22,719	8,798
Other actuarial gains / (losses)	0	0
Administration expenses	(55)	(54)
Contributions from employer	2,566	2,676
Contributions from employees into the scheme	486	529
Benefits paid	(4,448)	(4,083)
Settlements made	136	0
Closing fair value of scheme assets	110,464	120,530

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

	Funded	Unfunded	Total	Funded	Unfunded	Total
	liabilities:	liabilities:	Liabilities	liabilities:	liabilities:	Liabilities
	LGPS	Discretionary		LGPS	Discretionary	
	Benefits	Benefits		Benefits	Benefits	
	2017/18	2020/21	2020/21	2021/22	2021/22	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance at 1 April	(124,155)	(2,708)	(126,863)	(150,981)	(2,696)	(153,677)
Current service cost	(2,438)	0	(2,438)	(3,822)	0	(3,822)
Interest cost	(2,883)	(61)	(2,944)	(2,987)	(52)	(3,039)
Contributions from scheme participants	(486)	0	(486)	(529)	0	(529)
Changes in demographic assumptions	2,060	41	2,101	0	0	0
Changes in financial assumptions	(28,896)	(233)	(29,129)	4,950	45	4,995
Experience gains/(losses)	1,812	42	1,854	(332)	6	(326)
Liabilities assumed on settlements	(220)	0	(220)	0	0	0
Benefits paid	4,225	223	4,448	3,869	215	4,084
Past service cost	0	0	0	(36)	0	(36)
Closing balance at 31 March	(150,981)	(2,696)	(153,677)	(149,868)	(2,482)	(152,350)

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

40.7 Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is estimated to be 10% (28.65% for the year to 31 March 2021). 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 2021		31 March 2022	
	£'000	%	£'000	%
Equities	68,245	61%	72,359	60%
Gilts	2,850	3%	2,877	3%
Other Bonds	5,540	5%	5,277	4%
Property	7,863	7%	9,884	8%
Cash	5,212	5%	3,058	3%
Alternative Assets	12,760	12%	14,892	12%
Other Managed Funds	7,976	7%	12,165	10%
Total	110,446	100%	120,512	100%

Bid values have been estimated by the actuary where necessary and the final asset allocation of the Fund assets as at 31 March 2022 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 1.26%.

40.8 Liabilities

Valuation of the employer's liabilities

To assess the value of the Council's liabilities at 31 March 2022, the actuary has rolled forward the value of the liabilities calculated for the funding valuation as at 31 March 2019, using financial assumptions that comply with International Accounting Standard 19 (IAS 19). The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the schemes as well as pensions and lump sums that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

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 2022 without completing a full valuation. The actuary is satisfied, however, that the approach of rolling forward the previous valuation data to 31 March 2022 should not introduce any material distortions in the results provided that the actual experience of the Council and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the last formal valuation. From the information received by the actuary there is no evidence that this approach is inappropriate.

Demographic Assumptions

The key demographic assumptions are the mortality assumptions. The assumptions determined by the actuary are:

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

40.8 Liabilities (continued)

	2020/21	2021/22
<u>Mortality assumptions - life expectancy from age 65</u>		
Retiring today:		
Men	21.6	21.6
Women	23.4	23.7
Retiring in 20 years:		
Men	22.9	23.0
Women	24.7	25.1

The base table mortality assumptions used are the ones adopted for the funds' latest triennial funding valuations.

The mortality improvement projections are based on the version of the Continuous Mortality Investigations model, CMI_2020, which was released in March 2021. This model includes a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results.

The actuary has also made the following assumptions:

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

Financial Assumptions

The financial assumptions determined by the actuary are:

Assumption	31 March	31 March	31 March	31 March
	2019	2020	2021	2022
	% p.a.	% p.a.	% p.a.	% p.a.
Salary Increases	3.95	2.95	3.85	2.95
Pension Increases	2.45	1.95	2.85	1.95
Discount Rate	2.40	2.35	2.00	2.35

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

The discount rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The actuaries have used the Single Equivalent Discount Rate (SEDR) methodology to derive the appropriate discount rate. This involves taking sample cashflows for employers at each duration year (from 2 to 30 years) and derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation. In carrying out this derivation they use the annualised Merrill Lynch AA rated corporate bond yield curve and assume the curve is flat beyond the 30 year point.

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

40.8 Liabilities (continued)

Inflation Assumptions

The Single Equivalent Inflation Rate (SEIR) approach has been used to derive an appropriate RPI assumption. The SEIR adopted is such that the single assumed rate of inflation results in the same liability value as that resulting from applying the BoE implied inflation curve, which is assumed to be flat beyond the 40 year point.

Gilt-implied inflation rates are considered to be distorted by supply and demand factors at medium and longer terms. An Inflation Risk Premium (IRP) of 0.4% at medium and longer terms (from 10 years) has therefore been allowed for. This results in an overall IRP of between 0.0% p.a. and 0.3% p.a. depending on the term of the liabilities (for terms ranging from 2 years up to 30 years).

Assumptions are rounded to the nearest 0.05% and sample cashflows for employers at each duration year (from 2 to 30 years) have been used in deriving the assumptions for employers.

It is expected that RPI will be on average 1.0% p.a. lower than it would have otherwise been from 2030 as a result of the proposed alignment of RPI to CPIH (and CPI) from that date. It is therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030, and will be in line with RPI inflation thereafter. This results in an assumed gap between the two inflation measures of between 0.25% p.a. and 0.85% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years).

40.9 Sensitivity Analysis

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

Sensitivity Analysis			
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present Value of Total Obligation	149,663	152,351	155,091
Projected Service Cost	3,557	3,679	3,804
Adjustment to long term salary increase	0.10%	0.00%	-0.10%
Present Value of Total Obligation	152,543	152,351	152,161
Projected Service Cost	3,681	3,679	3,677
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	-0.10%
Present Value of Total Obligation	154,878	152,351	149,869
Projected Service Cost	3,803	3,679	3,558
Adjustment to mortality age rating assumption	+1 Year	None	- 1 Year
Present Value of Total Obligation	159,201	152,351	145,810
Projected Service Cost	3,832	3,679	3,531

NOTES TO THE ACCOUNTS - PENSION LIABILITIES

40.10 Impact on the Council's Cash Flows

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

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

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

40.11 Projected 2022-23 pension expense

The Council's 2022-23 projected pension expense, excluding the capitalised cost of any early retirements or augmentations which may occur after 31 March 2022, is:

	£'000
Service Cost	3,679
Net Interest on the defined benefit liability (asset)	792
Administration expenses	53
Total	4,524
Employer Contributions	2,548

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41. Significant Accounting Policies

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

41.1 General Principles

The Statement of Accounts summarises the Council's transactions for the financial year and its position at the year end of 31 March 2022. 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 2021/22 (the Code), supported by International Financial Reporting Standards (IFRS).

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

41.2 Accruals of Income and Expenditure

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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

41.3 Cash and Cash Equivalents

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

41.4 Charges to Revenue for Non-current Assets

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

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

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

41.5 Council Tax and Non-Domestic Rates

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

Accounting for Council Tax and NDR

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

41.6 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Post-employment Benefits

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

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.6 Employee Benefits (continued)

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

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

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

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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

Discretionary Benefits

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

41.7 Events after the Balance Sheet Date

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

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

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

41.8 Financial Instruments

Financial Liabilities

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

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

Financial Assets

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

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

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

Financial Assets measured at amortised cost

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

Expected Credit Loss Model

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

41.9 Fair Value Measurement

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

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

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

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

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

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

41.10 Government Grants and Contributions

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

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

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

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

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

41.11 Interests in Companies

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

41.12 Investment Property

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

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

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

41.13 Leases

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.13 Leases

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

Council as Lessee - Operating Leases

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

Council as Lessor - Operating Leases

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

41.14 Overheads and Support Services

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

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

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

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

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

41.16 Property, Plant and Equipment

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

Recognition

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.16 Property, Plant and Equipment (continued)

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.16 Property, Plant and Equipment (continued)

Impairment

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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

Depreciation is calculated on the following bases:

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

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

Disposals and Non-current Assets Held for Sale

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

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.16 Property, Plant and Equipment (continued)

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

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

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

41.17 Provisions

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

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

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

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

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

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES

41.18 Reserves

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

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

41.19 Revenue Expenditure Funded from Capital under Statute

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

41.20 VAT

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

HOUSING REVENUE ACCOUNT

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

	2020/21	2021/22
	£'000	£'000
Expenditure		
Repairs and maintenance	2,999	3,063
Supervision and management	2,421	3,013
Rent, rates, taxes and other charges	161	170
Depreciation and impairment of non-current assets	3,021	5,660
Total Expenditure	8,602	11,906
Income		
Dwelling rents	(12,001)	(12,205)
Non-dwelling rents	(315)	(265)
Charges for services and facilities	(869)	(992)
Total Income	(13,185)	(13,462)
Net Income of HRA Services as included in the Comprehensive Income and Expenditure Statement	(4,583)	(1,556)
Net Income of HRA Services	(4,583)	(1,556)
HRA share of Other Operating Income and Expenditure		
Gain on sale of HRA non-current assets	(878)	(464)
Interest payable and debt management expenses	1,960	2,016
Interest and investment income	(44)	(33)
Movement in the allowance for bad debts	135	156
Pensions net interest expense	169	171
Deficit/(surplus) for the year on HRA services	(3,241)	290

HOUSING REVENUE ACCOUNT

Movement on the HRA Statement

Note	2020/21 £'000	2021/22 £'000
Balance on the HRA at the end of the previous year	1,071	1,480
Surplus/(deficit) for the year on the HRA Income and Expenditure Statement	3,241	(290)
1 Adjustments between accounting basis and funding basis	(1,137)	2,474
Transfer of recharges from the General Fund Account	(1,695)	(1,637)
Increase before transfers to or from reserves	409	547
Transfers from earmarked reserves	0	(100)
(Decrease)/increase in the year on the HRA	409	447
Balance on the HRA at the end of the current year	1,480	1,927

HOUSING REVENUE ACCOUNT - NOTES

1. Adjustments between accounting basis and funding basis

	2020/21	2021/22
	£'000	£'000
Gain or loss on sale of HRA non-current assets	878	464
HRA share of contributions to or from the Pensions Reserve	(156)	(417)
Transfers to or from the Major Repairs Reserve	2,949	3,110
Transfers to or from the Capital Adjustment Account	(2,521)	(3,143)
Transfers to or from the Accumulated Absences Adjustment Account	(13)	15
Total adjustments between accounting basis and funding basis	1,137	29

2. Housing Stock

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

	31 March 2021	31 March 2022
Flats		
1 Bedroom	532	532
2 Bedroom	495	494
3 Bedroom	60	60
Total Flats	1,087	1,086
Houses and Bungalows		
1 Bedroom	344	344
2 Bedroom	388	383
3 Bedroom	635	637
4 Bedroom	14	14
Total Houses and Bungalows	1,381	1,378
Equity share properties		
1 Bedroom	2	2
2 Bedroom	5	5
Total Equity share properties	7	7
Total Housing Stock	2,475	2,471

HOUSING REVENUE ACCOUNT - NOTES

3. HRA Non-current Assets

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

	31 March 2021	31 March 2022
	£'000	£'000
<u>Property Plant & Equipment</u>		
Dwellings	277,873	294,473
Other land and buildings	6,094	5,294
Surplus assets	400	400
Assets under construction	1,043	1,769
Sub Total	285,410	301,936
Intangible Assets	33	0
Total all Assets	285,443	301,936

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

	Dwellings	Other Land and Buildings	Surplus Assets	Assets Under Constructio	Total
	£'000	£'000	£'000	£'000	£'000
Net Book Value at 31 March 2020	261,461	6,198	251	282	268,192
Changes during the year	16,412	(31)	149	761	17,291
Net Book Value at 31 March 2021	277,873	6,167	400	1,043	285,483
Changes during the year	16,600	(873)	0	726	16,453
Net Book Value at 31 March 2022	294,473	5,294	400	1,769	301,936

Depreciation and amortisation charges during the year were as follows:

	2020/21	2021/22
	£'000	£'000
<u>Depreciation</u>		
Dwellings	2,640	2,816
Other land and buildings	308	294
Total depreciation	2,948	3,110
<u>Amortisation</u>		
Software	50	32
Total	2,998	3,142

HOUSING REVENUE ACCOUNT - NOTES

Revaluation losses during the year were as follows:

	2020/21	2021/22
	£'000	£'000
Dwellings	23	2,395
Other land and buildings	0	107
Surplus Assets	0	0
Total revaluation losses	23	2,502

Vacant possession value of dwellings

The vacant possession value of dwellings within the Council's HRA was £775.037m at 31 March 2022 (£731.242m at 31 March 2021). 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

	2020/21	2021/22
	£'000	£'000
Balance at 1 April	6,345	6,473
Amount transferred to the reserve during the year	2,948	3,110
Financing of capital expenditure	(2,820)	(4,430)
Balance at 31 March	6,473	5,153

5. Capital Transactions

a) Capital Expenditure and Financing

	2020/21	2021/22
	£'000	£'000
Capital Expenditure:		
Acquisition of new housing stock	738	0
Affordable housing development	822	1,846
Enhancements to existing housing stock	2,277	4,430
Enhancements to sewerage & water treatment plant	543	0
Enhancements to housing management IT system	16	0
Total Capital Expenditure	4,396	6,276
Sources of Finance:		
Major Repairs Reserve	(2,820)	(4,430)
Retained Capital Receipts	(468)	(1,067)
Revenue contribution to capital expenditure	(500)	0
Borrowing	(608)	(779)
Total Financing	(4,396)	(6,276)

HOUSING REVENUE ACCOUNT - NOTES

b) Capital Receipts

Receipts from disposal of dwellings and land were £1.324m in 2021/22 (£1.853m in 2020/21).

6. Rent Arrears

	2020/21	2021/22
	£'000	£'000
Gross rent arrears at 31 March	1,429	1,639
Provision for doubtful debts	(891)	(1,106)
Net Rent Arrears at 31 March	538	533

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

7. Pension Costs

The following figures represent the cost of pensions attributable to the HRA and explain the HRA share of contributions to or from the Pensions Reserve. Further details of the treatment of pension costs are shown in note 40 of the Core Financial Statements, together with details of the assumptions made in calculating the figures included in this note.

	2020/21	2021/22
	£'000	£'000
HRA Income and Expenditure Statement		
Net Expenditure on HRA Services		
Current service cost	454	777
Administration expenses	10	11
HRA Share of Operating Income and Expenditure		
Net interest cost	169	171
Net Charge to the Income and Expenditure Statement	633	959
Movement on the HRA Statement		
Reversal of net charges made for retirement benefits	(633)	(959)
Employer's Contribution to the Scheme	478	542
HRA contribution to the Pensions Reserve	(155)	(417)

COLLECTION FUND

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

	2020/21			2021/22		
	Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
Amounts required by statute to be debited to the Fund						
Council Tax receivable	(60,023)	0	(60,023)	(61,424)		(61,424)
NDR receivable	0	(13,325)	(13,325)		(17,614)	(17,614)
Total amounts credited to the Fund	(60,023)	(13,325)	(73,348)	(61,424)	(17,614)	(79,038)
Amounts required by statute to be debited to the Fund						
Council Tax Precepts						
Essex County Council	43,554	0	43,554	44,586	0	44,586
Police & Crime Commissioner for Essex	6,548	0	6,548	6,934	0	6,934
Essex Fire & Rescue Authority	2,436	0	2,436	2,457	0	2,457
Brentwood Borough Council	6,960	0	6,960	7,042	0	7,042
Total Council Tax Precepts	59,498	0	59,498	61,019	0	61,019
Distribution of NDR Income						
Central Government	0	13,238	13,238	0	13,459	13,459
Brentwood Borough Council	0	10,590	10,590	0	10,768	10,768
Essex County Council	0	2,383	2,383	0	2,423	2,423
Essex Fire & Rescue Authority	0	265	265	0	269	269
Costs of Collection	0	104	104	0	103	103
Total Distribution of NDR Income	0	26,580	26,580	0	27,022	27,022
Transitional Protection Payment	0	6	6	0	25	25
Council Tax Hardship Grant	(231)	0	(231)	0	0	0
Impairment of Debts						
Write-offs	(113)	40	(73)	598	315	913
Allowance for Impairment	23	197	220	106	(60)	46
Total Impairment of Debts	(90)	237	147	704	255	959
Distribution of previous year's Council Tax surplus (note 4)	319	0	319	146	0	146
Distribution of previous year's NDR deficit (note 4)	0	(274)	(274)	0	(12,856)	(12,856)
Total Movement on Fund Balance in the year	(617)	13,461	12,697	445	(3,168)	(2,723)
Movement on the Collection Fund						
Opening fund balance	(181)	1,175	994	(708)	14,399	13,691
Movement on fund balance in the year	(527)	13,224	12,697	445	(3,168)	(2,723)
Closing fund balance (note 5)	(708)	14,399	13,691	(263)	11,231	10,968

COLLECTION FUND

Notes to the Collection Fund

1. Council Tax Base

The Council Tax base is calculated across eight different valuation bands. The total number of properties in each band is adjusted for discounts and premiums. The number of properties for each band is reduced by an allowance of 1% for non-collection and scaled up or down by the band D ratio, giving a Council Tax base expressed as the number of band D equivalent properties. The Council Tax base for 2021/22 as at 31 March 2022 was 34,161 (33,741 as at 31 March 2021). The following table shows the Council Tax base by valuation band.

Band	Range of Property Values	Band D Ratio	2020/21		2021/22	
			Number of dwellings equivalents after applying discounts, premiums and local tax support	Number of Band D equivalent properties (including 1% non collection allowance)	Number of dwellings equivalents after applying discounts, premiums and local tax support	Number of Band D equivalent properties (including 1% non collection allowance)
A	Up to £40,000	6/9	422	281	439	292
B	£40,001 - £52,000	7/9	1,938	1,508	1,963	1,527
C	£52,001 - £68,000	8/9	5,167	4,593	5,209	4,630
D	£68,001 - £88,000	9/9	7,327	7,327	7,390	7,390
E	£88,001 - £120,000	11/9	5,504	6,727	5,585	6,826
F	£120,001 - £160,000	13/9	4,160	6,008	4,215	6,088
G	£160,001 - £320,000	15/9	3,679	6,132	3,730	6,217
H	More than £320,000	18/9	583	1,165	596	1,191
Total			28,780	33,741	29,127	34,161

2. Income from Council Tax

For 2021/22 the Council set a Band D Council Tax (excluding parish precepts) of £1,816.96 (£1,787.26 in 2020/21), made up of its own precept and precepts from Essex County Council, Police & Crime Commissioner for Essex and Essex Fire Authority. The amount paid by each household is the band D amount multiplied by the Band D ratio for the property.

3. Income from Non Domestic Rates

The Council calculates the rates due on non-domestic properties within its boundary by multiplying the rateable value of each property by a multiplier. The total amount, less certain reliefs and other deductions, is shared between Central Government (50%), Essex County Council (9%), Essex Fire Authority (1%), with the remainder (40%) being retained by the Council.

The Gross Non-Domestic Rateable Value for the Brentwood Borough Council area at 31 March 2022 was £65,910,176 (£68,017,340 at 31 March 2021).

The standard NDR multiplier for the year was frozen at 51.2p (51.2p in 2020/21) and the small business multiplier at 49.9p (49.9p in 2020/21).

COLLECTION FUND

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

	Council Tax		NDR	
	2020-21	2021-22	2020-21	2021-22
	£'000	£'000	£'000	£'000
Central Government	0	0	(137)	(6,428)
Essex County Council	233	107	(25)	(1,157)
Police & Crime Commissioner for Essex	35	16	0	0
Essex Fire & Rescue Authority	13	6	(2)	(128)
Brentwood Borough Council	38	17	(110)	(5,143)
Total	319	146	(274)	(12,856)

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

	Council Tax		NDR	
	2020-21	2021-22	2020-21	2021-22
	£'000	£'000	£'000	£'000
Central Government	0		7,200	5,615
Essex County Council	(517)	(191)	1,296	1,011
Police & Crime Commissioner for Essex	(80)	(30)	0	0
Essex Fire & Rescue Authority	(29)	(11)	144	112
Brentwood Borough Council	(82)	(31)	5,759	4,493
Total	(708)	(263)	14,399	11,231

GLOSSARY

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

GLOSSARY

Capital Adjustment Account	This account represents amounts set aside from revenue resources or capital receipts to finance expenditure on non-current assets, or for the repayment of external loans.
Capital Expenditure	Expenditure on the acquisition or refurbishment of non-current assets and other eligible items that will be of benefit to the Council in providing its services for more than one year.
Capital Financing	The raising of money to pay for capital expenditure. Capital financing methods include borrowing, direct revenue funding, use of capital receipts, capital grants, capital contributions and revenue reserves.
Capital Programme	The Council's plans for capital expenditure and funding over future years, including the purchase or improvement of buildings and the acquisition of vehicles and major items of equipment.
Capital Receipts	Proceeds from the sale of assets, which may be used to finance new capital expenditure, set aside for the repayment of external loans or paid to a national pool (if from the sale of HRA dwellings).
Capitalise	To treat expenditure as capital expenditure, including some expenditure which would normally be classed as revenue expenditure (see also REFCUS).
Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is the lead professional accountancy body for the public sector. CIPFA produces guidance in relation to various matters concerning the public sector including financial and governance issues.
CIPFA LASAAC Local Authority Code Board	The board responsible for preparing, maintaining, developing and issuing the Code of Practice (see below). The board is a partnership between CIPFA (England, Northern Ireland and Wales) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).
Code of Practice (COP)	Code of Practice on Local Authority Accounting in the United Kingdom .
Collection Fund	A fund administered by the Council which accounts for the collection of Council Tax and National Non-Domestic Rates (NNDR or Business Rates). Council Tax is paid into this fund and distributed to the Council, Essex County Council, Essex Police Authority, Essex County Fire Authority and Parish Councils. NNDR is paid over to the Government (less an allowance for the costs of collection) which distributes it nationally on the basis of population.
Comprehensive Income and Expenditure Statement (CI&ES)	A statement which records all the day to day income and expenditure of the Council on General Fund or Housing Revenue Account services provided during the financial year.
Contingent Liability	A possible or present obligation that arises from past events, whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. A contingent liability is not recognised in the Balance Sheet but disclosed in a note to the accounts.
Council Tax	A local tax charged to the occupiers of residential properties which is used to help finance the budget requirement of the Council and Preceptors for the year.
Credit Loss	A measure of how much the Council would lose if the amounts owed to it by debtors and borrowers are not repaid. Defined as the shortfall between all the cash flows that are due contractually to the Council and those that it expects to receive.

GLOSSARY

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.
Fees and Charges	Amounts paid by the public for a variety of services such as parking, letting of community halls and the hire of sporting facilities.
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Finance Lease	Such a lease transfers all the risks and rewards of ownership of a non-current asset to the lessee, and is included as a non-current asset in the Balance Sheet of the lessee. (See, for comparison, "Operating Lease").
Financial Asset	A right to future economic benefits controlled by the Council that is represented by cash, the equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity, or a contractual right to exchange financial assets and/or liabilities with another entity under conditions that are potentially favourable to the Council.
Financial Instrument	A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial Liability	An obligation to transfer economic benefits controlled by the Council that is represented by a contractual obligation to deliver cash or another financial asset to another entity, or a contractual obligation to exchange financial assets and/or liabilities with another entity under conditions that are potentially unfavourable to the Council.

GLOSSARY

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

GLOSSARY

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