

BRENTWOOD BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

For The Year Ended
31st March 2009

Town Hall, Ingrave Road,
Brentwood, Essex CM15 8AY

The Worshipful the Mayor
Councillor Tony R Sleep

Leader of the Council &
Chairman of the Policy Board
Councillor Mrs L McKinlay

Interim Director of Finance
John Bryant

Chief Executive
Joanna Killian

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BRENTWOOD BOROUGH COUNCIL

STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2009

FOREWORD

1. Introduction

This foreword provides an explanation of the financial aspects of the Council's activities and highlights the main characteristics of the financial position.

The accounts are supported by the Statement of Accounting Concepts and Policies and by various notes to the accounts. There is also a glossary of Financial Terms on pages 63 to 67.

The Council has amended the format of its Statement of Accounts to reflect the changes in the Code of Practice on Local Authority Accounting in the United Kingdom 2008. The Council's Statement of Accounts for the year ended 31st March 2009 are set out and consist of the following financial statements

Core Financial Statements.

- (a) **Income and Expenditure Account** discloses the income receivable and the expenditure incurred in operating the Council for the year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year. From the information in this statement it is possible to see where the money comes from to finance services.
- (b) **Statement of Movement on General Fund Balance** includes statutory and non-statutory proper practice transactions that are required in determining the Budget Requirement and the movement on the General Fund balance. The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over this period. However, local authorities are required to raise Council Tax on a different accounting basis, the main differences being:

Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed,

The payment of a share of housing capital receipts to the Government results in a reduction in the Income and Expenditure Account, but is met from the Useable Capital Receipts balance rather than Council Tax,

Retirement benefits are charged as amounts become payable to the pension fund and to pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against Council Tax that it raised for the year, taking into account the use of reserves built up over time together with contributions to reserves earmarked for future spending.

The Statement of Movement on General Fund Balance summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

- (c) **Statement of Total Recognised Gains and Losses** brings together all the gains and losses of the Council for the year and shows the aggregate increase or decrease in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes the gains and losses relating to the revaluation of fixed assets and the re-measurement of the net liability to cover the cost of retirement benefits..
- (d) **Balance Sheet** is fundamental to understand the Council's financial position at the end of the year. It includes all the assets and liabilities of all activities of the Council, including the Housing Revenue Account and Collection Fund, and shows how they are financed.
- (e) **Cash Flow Statement** summarises the inflows and outflows of cash from transactions for revenue and capital purposes. Cash is defined as cash in hand and deposits or overdrafts repayable on demand.

Supplementary Statements

- (f) **Housing Revenue Account (HRA) Income and Expenditure Account** shows the income generated and expenditure incurred by the Council's housing stock during the year.
- (g) **Statement of Movement on the Housing Revenue Account (HRA) Balance** shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the HRA Balance for the year.
- (h) **Collection Fund** shows the transactions as the billing authority in relation to Council Tax and National Non-Domestic Rates (NNDR), and illustrates how they have been distributed to the various precepting Authorities (e.g. Essex County Council) and the General Fund.

The accounts are supported by a Statement of Responsibilities and an Annual Governance Statement, which follow this review, and by various notes.

Major influences on the Authority's income, expenditure and cashflow

The following are the major influences on the Authority's income:

Government funding through the Local Government Finance Settlement (Revenue Support Grant and distribution from National Non-Domestic Rates Pool) is determined by central government. The percentage funding increase is a major factor affecting the financial health of the Council. The settlement for BBC will be considerably below inflation for the 3 years commencing 2008/09.

Council Tax. The percentage increase is determined by the Council but constrained by central government capping rules and local public opinion. The yield from Council Tax is also affected by the growth in the number of households in the district, variations to discounts payable, and collectability of unpaid debts.

Fees & Charges e.g. car park charges, planning fees. The amount of income received depends on market factors such as demand and price levels and

effectiveness of income collection. The Council (like many others) has seen a downturn in income received as a result of the current economic climate.

Specific government grant e.g. Benefits subsidy. The amount received depends on performance and the amount of expenditure eligible for subsidy by grant.

Rents & Service Charges (Housing Revenue Account only). The annual increase is determined by the Council within a framework defined by central government. The amount of income depends on the number of dwellings, performance in re-letting empty properties and collectability of debt.

The following are the major influences on the Authority's expenditure:

Employee costs including salaries, national insurance and pensions costs – the level of expenditure depends on the staffing establishment, pay award (determined at a national level) and BBC's employer pension contribution, determined by Essex County Council as the administering pensions authority.

Premises costs including energy costs, rates and building maintenance – the level of expenditure depends on the condition of property, maintenance programmes, energy consumption and price variability.

Transport costs including fuel and vehicle maintenance – the level of expenditure varies according to the level of service activity, condition of vehicles and price variability.

Supplies & services including contractors payments. Expenditure varies according to contractual indexation, level of service activity, price variability and effectiveness of procurement procedures.

Transfer payments such as Housing Benefit and Council Tax benefit – the level of expenditure varies according to the number of people entitled to receive benefit and levels of housing benefit and council tax benefit due under government rules.

Capital financing costs – the amount depends on the size of the capital programme and the methods of financing, in particular the amount of borrowing.

The following are the major influences on the Authority's cashflow:

Timing of payments including length of time taken to pay suppliers' invoices.

Receipt of income including effectiveness of debt recovery.

Schedule of payment dates relating to amounts payable to precepting authorities and central government.

2. The year in Reflection

The 2008/09 financial year produced a significant change in the national economic position and Brentwood Borough Council was not able to avoid some of the implications of the changes. We are all aware of the “credit crunch” impacting on the Council’s finances during the second half of the financial year but this in some respects provided an opportunity to commission a significant review of the Council’s finances and its financial management processes and information. In addition to this, the Council changed its external auditors from PKF to the Audit Commission and this change coupled with a change in the approach to the national “Use of Resources” assessment required a review of the internal financial and management processes.

The Council changed its approach to service planning during the summer of 2008 to place more emphasis on the service departments and their managers to be more closely involved in identifying initiatives and opportunities to modernise the services and at the same time provide some financial efficiencies. This change in accounting responsibility was then further enhanced through the budget monitoring and budget setting processes where accountability for the budgets was devolved to the services and finance provided the support and challenge process. These changes, which were supported by internal training and increased contact between finance staff and services, have been welcomed by all involved and are being further developed during 2009/10.

The Council reviewed its Medium Term Financial Strategy (MTFS) during the budget process based on the objectives and priorities within the Council’s Corporate Plan and this was approved by Members at Council on 25th February 2009. The MTFS used the information provided by the services and provides a robust review and forecast of the financial management issues that will affect the Council over the next three years. The MTFS reviewed some of the more important financial factors that will affect the Council, including, the current economic downturn and its impact on inflation and interest rates, trends in Revenue Support Grant, the efficiency targets set by Government, trends in service expenditure and income, the service planning priorities that were identified, and the Council’s capital programme, where for the first time in recent years, a 3 year programme was developed that will manage the resources available and deliver a realistic programme with the staff capacity available.

The Council continued to develop external partnership relationships, most notably with Essex County Council, but other important partnerships have been developed or continued, e.g. Local Strategic Partnership, Brentwood Leisure Trust, and relationships with local business representatives.

3. Financial Summary 2008/09

The following section provides a financial summary of the income and expenditure in relation to the General Fund, Housing Revenue Account and Capital spending during 2008/09.

General Fund Revenue Expenditure

The Revised Estimates for 2008/09 were agreed by Members at Council on 25th February 2009. The Revised Budget requirement remained at £10.608m, as had been set in February 2008. This figure was achieved by increasing the contribution to be applied from balances from £331,000 to £980,000. This use of balances also took account of additional costs in providing revised accommodation arrangements at the Town Hall to enable the Essex CC Social Services staff to occupy parts of the building.

The increase in the use of balances had arisen during 2008/09 mainly due to the effects of the general economic climate affecting the country. This affected many Council budgets but the principal impact was felt in the following areas:

- Reduced income from services, i.e. Planning fees, Building Control fees, Golf Course income and Land Charges fees.
- On-street parking fees were also significantly reduced, which followed the national trends in increased compliance by drivers.
- With the fall in interest rates during the second half of 2008/09, the Council expected to realise less income from investing its cash balances than was originally expected.

To offset these factors, Officers implemented a series of actions to reduce any further impact on the Budget position. This included a limit on any non essential expenditure from January onwards and a rigorous monitoring of both income and expenditure against the Revised Budget position.

The provisional revenue outturn position for 2008/09 is now reported as an overspend of £223,000 against the Revised Budget. This is partially offset by a transfer of £214,000 from earmarked reserves to general reserves as agreed by Council on 25 February 2009. This increases the use of reserves from a budgeted £980,000 to an actual £989,000. The reported overspend includes some costs of the Organisational Development Review, not all of which was provided for in the Budget when it was approved in February.

The table overleaf shows the summarised outturn position for the General Fund.

General Fund	Original Estimate 2008/09 £'000	Revised Estimate 2008/09 £'000	Outturn 2008/09 £'000	Variance to Revised Estimate 2008/09 £'000
Environment Panel	3,544	3,373	3,217	(156)
Leisure, Sport and Cultural Panel	1,786	1,833	1,826	(7)
Health and Housing Panel	1,102	1,017	1,056	39
Highways Panel	(690)	(596)	(425)	171
Licensing Committee	169	153	108	(45)
Policy Board	4,397	4,493	4,485	(8)
Planning Committee	616	708	715	7
NET SERVICE EXPENDITURE	10,924	10,981	10,982	1
Discretionary Assistance to Parish Councils	174	174	174	0
Net Interest payable/(receivable)	81	(28)	(150)	(122)
Depreciation and MRP	(689)	(689)	(558)	131
Contribution from Assize House Trust	(100)	(125)	(125)	0
Payments to Pension Fund	549	1,275	1,274	(1)
(Use)/contribution to Reserves and Balances	(331)	(980)	(989)	(9)
BUDGET REQUIREMENT	10,608	10,608	10,608	0
Funding:				
Revenue Support Grant		633		
Redistributed Non-Domestic Rates		4,544		
Redistributed Collection Fund Surplus		173		
Council Tax		5,258		
BUDGET REQUIREMENT		10,608		

Housing Revenue Account Revenue Expenditure

Similarly to the General Fund, the Revised Estimates for 2008/09 were agreed by Members at Council on 25th February 2009. The Revised Budget required a contribution from balances of £101,000, a reduction of £60,000 from the original estimate figure of £161,000. Revenue balances at 1st April 2008 were £353,000.

The provisional outturn figure for the HRA is an overspend of £75,000 against the Revised Budget, requiring a contribution from balances of £176,000. This will leave the overall revenue balance at only £177,000, which is considered to be below the recommended level of approximately £100 a property or about £250,000 for Brentwood's housing stock levels. In order to restore balances to an acceptable level, proposed spending on planned maintenance for 2009/10 will be reviewed to

achieve efficiency savings. In addition, a reduction of overhead costs will be sought as part of the Organisational Development Review.

Housing Revenue Account	Original Estimate 2008/09 £'000	Revised Estimate 2008/09 £'000	Outturn 2008/09 £'000	Variance to Revised Estimate 2008/09 £'000
Repairs and Maintenance	2,149	2,102	2,198	96
Supervision and Management				
- General	2,078	1,885	1,977	92
- Special	1,026	1,020	993	(27)
Capital Charges	2,115	2,062	0	(2,062)
Rent Rates and Other Charges	0	0	11	11
Impairment	0	0	62,514	62,514
Provision for Bad Debt	0	0	21	21
Unapportionable Overheads	111	206	87	(119)
Subsidy Payable	3,548	3,548	3,523	(25)
Losses on Disposal of Fixed Assets	0	0	124	124
Pension interest cost and expected return on pensions assets	0	0	228	228
Amortised premiums and discounts	0	0	25	25
EXPENDITURE	11,027	10,823	71,701	60,878
Dwelling Rents	9,413	9,327	9,325	(2)
Non Dwelling Rents	597	552	536	(16)
Charges for Services and Facilities	830	818	789	(29)
Depreciation			24,529	24,529
Interest Receivable	26	25	30	5
INCOME	10,866	10,722	35,209	24,487
DEFICIT/(SURPLUS) FOR YEAR	161	101	36,492	36,391
Additional items required by statute and non-statutory proper practice to be credited to the HRA for the year	0	0	(36,316)	36,316
DEFICIT/(SURPLUS) FOR YEAR	161	101	176	75

Capital Expenditure

The Council's Capital Expenditure on fixed assets was £3,980,000 (£3,326,000 in 2007/08). In addition there was £300,000 of Revenue Expenditure funded from Capital (previously known as deferred charges) Capital Expenditure Grants that did not result in the creation of a fixed asset for the Council (£478,000 in 2007/08). The total of these two amounts is £4,280,000. The table below details the Council's capital expenditure and how this expenditure has been financed.

Capital Programme	Original Budget 2008/09	Revised Budget 2008/09	Actual 2008/09	Variance to Revised 2008/09
	£'000	£'000	£'000	£'000
Expenditure				
General Fund	4,835	2,858	2,110	(748)
Housing Revenue Account	2,642	1,952	2,170	218
TOTAL	7,477	4,810	4,280	(530)
Funded By:				
Capital Receipts	4,271	1,629	1,415	(214)
Borrowing	345	345	249	(96)
Major Repairs Allowance	1,827	1,827	1,958	131
Grants	119	119	119	0
Movement in Creditors	0	0	0	0
Leased Assets	890	890	539	(351)
LAHSG	0	0	0	0
Revenue Contributions	0	0	0	0
TOTAL	7,452	4,810	4,280	(530)

Not fully funded

4. Borrowing

The Council's Borrowings of £7,137,000 consist of loans from the Public Work Loans Board. In addition, the Council has outstanding Finance Lease obligations of £127,000, which were used to purchase assets.

The Council has the ability to take out additional loans to meet the Council's investment, expenditure and cash flow demands. These borrowings are controlled by the policies detailed in the Treasury Management Strategy, which have regard to the Council's Prudential Indicators. Annually, the Council produces a Treasury Management Strategy Statement that reviews its borrowings and investments and identifies any long term need to take out additional loans.

John Bryant CPFA
Interim Director of Finance
Date 12 August 2009

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's responsibilities

The Council is required:

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

I confirm that these accounts were approved by the Audit Committee held on 12 August 2009.

.....
Chairman of the Audit Committee
Date 12 August 2009

The Director of Finance's Responsibilities

The Director of Finance 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 United Kingdom 2008 ('the SORP').

In preparing this statement of accounts, the Director of Finance has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice;
- Kept proper accounting records which are up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Having undertaken the above, the Interim Director of Finance is satisfied that the statement of accounts presents fairly the financial position of the Council and its income and expenditure for the year ended 31 March 2009.

John Bryant CPFA
Interim Director of Finance
Date: 12 August 2009

STATEMENT OF ACCOUNTING CONCEPTS AND POLICIES

1. General Principles

The accounts have been prepared in accordance with the Accounts and Audit Regulations 2006 and the “Code of Practice on Local Authority Accounting in the United Kingdom 2008; A Statement of Recommended Practice” (The “SORP”), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Accounting policies are the principles, basis, conventions, rules and practices applied by the Council that specify how the financial effects of transactions and other events are reflected in the financial statements through recognising, selecting measurement basis for, and presenting assets, liabilities, gains, losses and changes in reserves.

The items disclosed in the net cost of services have been presented in accordance with Best Value Accounting Code of Practice (BVACOP). All Financial Reporting Standards (FRS) and Statements of Standard Accounting Practice (SSAP), that CIPFA has determined as being relevant to local authority accounts, have been followed.

2. Accounting Concepts

In general, the accounts are prepared on the basis of historical cost modified by the revaluation of land, buildings, vehicles and plant subject to, and in accordance with, the accounting concepts set out below.

Relevance – The accounts are prepared so as to provide readers with information about the Council’s financial performance and position that is useful for assessing the stewardship of public funds.

Reliability – The accounts are prepared on the basis that the financial information contained within them is reliable, i.e. they are free from material error, deliberate or systematic bias, complete within the bounds of materiality and represent faithfully what they intend to represent. Where there is uncertainty in measuring or recognising the existence of assets, liabilities, income and expenditure then caution or prudence has been used as a basis to inform the selection and application of accounting policies and estimation techniques.

Comparability – The accounts are prepared so as to enable comparison between financial periods. To aid comparability, the Council has applied its accounting policies consistently both during the year and between years

Understandability – Every effort has been made to make the accounts as easy to understand as possible. Nevertheless, an assumption has been made that the reader will have a reasonable knowledge of accounting and local government. Where the use of technical terms has been unavoidable, an explanation has been provided in the Glossary of Terms.

Materiality – Certain information may be excluded from the accounts on the basis that the amounts involved are not material either to the fair presentation of the financial position and transactions of the Council or to the understanding of the accounts.

Accruals – With the exception of the Cash Flow Statement, the accounts are prepared on an accruals basis. The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the accounts for the year in which those effects are experienced and not in the year in which the cash is actually received or paid.

Going Concern – The accounts are prepared on a going concern basis, i.e. on the assumption that the Council will continue to operate for the foreseeable future.

Primacy of Legislative Requirements – Where a particular accounting treatment is prescribed by legislation, then that treatment prevails even if it conflicts with one or other of the accounting concepts outlined above. In the unlikely event of this arising, a note to that effect will be included in the accounts.

3. Estimation Techniques

Estimation Techniques are the methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Details of where these have been used are contained in the relevant note to the Accounts. Where a change in an estimation technique is material, an explanation is also provided of the change and its effect on the results for the current period.

4. Debtors and Creditors

All income and expenditure has been recorded under the accruals concept. That is, sums due to or from the Council during the year are recorded in the period to which they were due, whether or not the cash has actually been received or paid in the year.

Debts due to the Council are recorded as they become due and the item Debtors shown in the Balance Sheet represents the amounts due but not received as at 31st March 2009. A provision for the non-payment of these debts is allowed for within the accounts.

5. Tangible Fixed Assets

Land and buildings assets were revalued by the District Valuer as at 31 March 2009 and, with the exception of dwellings, are included in the Balance Sheet at open market value (existing use). New purchases and enhancements are added at purchase price and are included with the asset at the next revaluation.

The surplus or deficit on the disposal of Fixed Assets is realised in the Income and Expenditure Account. This surplus or deficit is transferred from the Statement of Movement on General Fund Balance to the Capital Adjustment Account, with the consideration received allocated between the Usable Capital Receipts Reserve, and the Capital Adjustment Account.

The “De-minimus” level, the amount at which capital expenditure or income is deemed not material, has been set at £10,000. Assets purchased or sold at less than this amount are posted direct to the service revenue account(s) that are to gain benefit from their use.

Annually, the increase in value of dwellings (indexation) is estimated by using the average property sale price from the Land Registry at 31st December and adjusted if there is a significant increase in valuation by 31st March.

6. Impairment

In accordance with FRS 11, fixed asset reviews also take account of material changes arising from Impairment. Impairment is assessed when an event or circumstance changes the carrying amount that an asset is held at in the Balance Sheet. The reduction in value will be charged to services where the loss is attributable to the clear consumption of economic benefits, otherwise it is written off against any revaluation gains attributable to the relevant asset with any adjustment charged to the service.

7. Depreciation

Depreciation has been charged in the Income and Expenditure Account in accordance with the requirements of FRS 15. The FRS requires individual assets to be depreciated over their estimated useful lives. Newly acquired assets are not depreciated in the year of acquisition and assets in the course of construction are not depreciated until they are brought into use. Depreciation is calculated using the straight line method

Type of Asset	Valuation Method	Estimated Useful Life
Dwelling	Existing Use Value (Social Housing)	50 years
Other Buildings	Existing Use Value (Depreciated Replacement Cost)	5-50 years
Land	Existing Use Value	N/A
Infrastructure	Depreciated Historic Cost	50 years
Vehicle, Plant, Furniture and Equipment	Depreciated Historic Cost	5-10 years

8. Capital Charges

General Fund revenue accounts, including support services and trading accounts are charged with a capital charge for all fixed assets used in the provision of services. The charge covers the annual provision for depreciation in relation to the assets used during the year. A corresponding entry equal to the depreciation charge is taken to the Income and Expenditure Account, which ensures that the overall effect is neutral and that no cost falls to the local taxpayer.

9 Revenue Expenditure Funded from Capital (REFCS) (previously known as Deferred Charges)

A REFCS is expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. The full value of REFCS's incurred during the year are written off to the relevant services in the year they occur. Where the Council has determined to meet the cost of the REFCS from existing capital resources then the amount is reversed out via the Statement of Movement on General Fund Balance, to the Capital Adjustment Account.

10. Financial Assets and Liabilities

Premiums (expenditure) and discounts (income) arise where the Council repays a loan. Gains or losses on the repurchase or early settlement of borrowing are charged to the Income and Expenditure Account in the year. Where the repurchase is part of a

restructuring of loan portfolio, with substantially the same overall effect, gains and losses are recognised on the Balance Sheet in the Financial Instrument Adjustment Account then charged to revenue on a straight line basis over the life of the new loan (or a shorter period). Financial assets and liabilities are initially measured at fair value, i.e. the original transaction value, through the Income and Expenditure Account. The loan is then amortised over the life of the new loan charging a single calculated effective interest rate to reflect the economic substance of the gain/losses accruing under the loan restructuring instrument. Premiums and discounts related to the Housing Revenue Account are charged or credited to revenue over the life of the new loans to a maximum of ten years.

Provisions for the repayment of debt are to be found in the Capital Adjustment Account. The Statement of Movement on the General Fund Balance is charged a Minimum Revenue Provision, based upon the amount of loan debt outstanding at the beginning of the financial year.

11. Leases

The Council leases many items of vehicles, plant and equipment. Where the Council takes substantially all of the risk and reward relating to the leased asset, this is defined as a finance lease. Any lease that does not meet these conditions is defined as an operating lease.

Assets acquired by operating leases do not appear in the Balance Sheet and the rentals are charged directly to the Income and Expenditure Account.

Finance leased assets are included in the Balance Sheet at cost and depreciated on a straight line basis over the life of the lease. The interest element of the rental charge is calculated by way of the sum of the digits. Depreciation is charged to service's revenue accounts and the interest element is charged to interest payable.

12. Capital Receipts

In accordance with the Local Government Act 2003 (as amended), 75% of capital receipts arising from the disposal of dwellings through Right to Buy and 50% of the capital receipts from the sale of other Housing Revenue Account assets are paid into the Government's national pool. The remaining usable portion and the General Fund Capital Receipts are shown in the Usable Capital Receipts Reserve in the Balance Sheet, which are used to fund future years' capital expenditure or repayment of debt. 100% of General Fund capital receipts can be used to fund future capital expenditure or repay debt.

13. Stocks and Work in Progress

Stocks are recorded at replacement cost or the amount they could be sold for, whichever is lower. A stores system controls the stock, which records it at the last price each item was purchased for. Other stock and work in progress is recorded at cost. There is no significant difference between the two practices.

14. Provisions

The Council sets aside provisions for future payments which, in accordance with FRS 12, are “a liability that is of uncertain timing or amount to be settled by the transfer of economic benefit”.

15. Reserves

The Council has the power to keep certain reserves. This Council operates the following reserves:

- The **Revaluation Reserve** represents principally the balance of net surpluses arising on the periodic revaluation of assets.
- The **Capital Adjustment Account** represents the amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans.
- The **Usable Capital Receipts Reserve** represents capital receipts that have not yet been used to finance capital expenditure, or repay loan debt.
- The **Pension Reserve** represents the Council’s proportion of the pension liability deficit that is required to cover the future cost of pensions.
- The **Major Repairs Reserve** represents the amount of unspent Major Repairs Allowance. This amount can only be utilised for capital investment on Housing Revenue Account properties.
- **Revenue Balances** are amounts set aside for general purposes out of the balances of the Council’s funds.
- **Earmarked Reserves** are amounts set aside for specific purposes out of the balances of the Council’s funds.

16. Government Grants and Contributions (Revenue)

Revenue grants and contributions receivable are credited to the appropriate revenue accounts to match expenditure to which they relate. Government Grants and other contributions are accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with.

Capital grants and contributions receivable are included in Government Grants Deferred and amortised to the appropriate service revenue accounts in line with the charge for the capital expenditure being financed.

17. Support Services – Management and Administration

Estimates of staff time spent on various activities during the financial year are allocated to services, in accordance with CIPFA Best Value Accounting Code of Practice. The cost of corporate management and democratic representation is included in a separate heading and not allocated to services.

18. VAT

All transactions are recorded net of VAT, unless it is irrecoverable. Local authorities are able to recover a major part of VAT incurred from HM Revenue & Customs. The Council’s partial exemption status is reviewed on an annual basis.

19. Retirement Benefits

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

The liabilities of the scheme 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 projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 7.1%

The assets of the scheme attributable to the Council are include in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The change in the net pension's liability in the year is analysed into seven components:

- Current Service Cost – the increase in liabilities resulting in the years of service earned this year. This is allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is debited to Net Operating Expenditure in the Income and Expenditure Account
- Expected Return on Assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return. This is credited to Net Operating Expenditure in the Income and Expenditure Account.
- Gains/Losses on Settlement and Curtailments – the result of actions to relieve the Council of liabilities, or events that reduce the expected future service or accrual of benefits of employees. These are debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- Actuarial Gains and 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. These are debited/credited to the Statement of Total Recognised Gains and Losses.

- Contributions paid to the pension fund – cash paid as employers contributions to the pension fund.

Statutory provisions require that the General Fund balance be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the cash amounts paid/payable to the pension fund for the year.

Further information in respect of the Council's pension commitments and contributions paid can be found in Note 29 to the core financial statements.

20. Interest in Companies and Other Entities

The Council is required to consider its requirement to prepare Group Accounts alongside its own Financial Statements where it has material interests in subsidiaries, associates and joint ventures. The Council has gone through a process of identifying its involvement in companies, voluntary organisations and other public bodies and has established that the Council is not required to produce Group Accounts.

21. Events after the Balance Sheet date

Events arising after the Balance Sheet date are reflected in the Statement of Accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included. Events which arise after the Balance Sheet date and concern conditions which did not exist at that time are detailed in the notes to the core financial statements if they are of such materiality that their disclosure is required for the fair presentation of the financial statements.

ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

Brentwood Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Brentwood Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework, *“Delivering Good Governance in Local Government”*.

A copy of the code is available from the Town Hall. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulation 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services.

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

The governance framework has been in place at Brentwood Borough Council for the year ended 31 March 2009 and will continue to be in place up to the date of approval of the Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

This section describes the key elements of the systems and processes that comprise the Council's governance arrangements:

- **Identifying and Communicating the Council's vision of its purpose and intended outcomes for citizens and service users**

We develop, promote and communicate the Council's purpose and vision by producing, publishing and publicising our Corporate Strategic Plan widely, which is easily accessible in both paper and electronic formats. This contains the Council's Mission, Strategic Objectives and key actions for the period 2005 – 2010. It feeds into Unit Plans for individual services within the Council.

The Plan is consistent with the Community Strategy prepared by the Local Strategic Partnership and the Local Area Agreement. The Local Strategic Partnership (LSP) for the Brentwood Borough consists of a range of public, private, voluntary and community sector organisations that work together to deliver better outcomes for its residents. The Partnership is responsible for delivery of the Community Strategy 2004 – 2009.

To communicate the Corporate Strategic Plan, the Council publishes its Corporate Performance Plan, Statement of Accounts and Medium Term Financial Strategy. The Council makes full use of its website and quarterly magazines, Vision and Vision for Business and the Citizens' Panels to keep citizens informed throughout the year, as well as regular updates and promotion via local press and media releases. The Council's Corporate Document Library contains public facing copies of all of these documents.

- **Reviewing the Council's vision and its implications for the Council's governance arrangements**

Documents that the Council produces will be kept under review and development, as appropriate and our annual review of governance arrangements will take into account any changes to the Council's vision and priorities for the future.

The Audit, Overview and Scrutiny Committee (since renamed the Overview and Scrutiny Committee) has a key role in scrutinising performance against the Council's objectives as set out in the Corporate Strategic Plan and the annual Corporate Performance Plan.

- **Measuring the quality of services for users, and ensuring they are delivered in accordance with the Council's objectives and that they represent the best use of resources**

The Council's corporate performance management framework sets out the arrangements for ensuring that we deliver services in accordance with the Council's objectives and service user needs. The performance framework encompasses corporate and service planning arrangements to ensure that we are setting appropriate targets and measuring the right things to deliver high quality, value for money services.

Performance information is captured, reported and monitored through the Council's performance management system. Budgets are aligned to corporate priorities and expenditure is monitored regularly.

Performance is reviewed regularly across the Council and with LAA Partners at different levels, including the Essex Partnership, Audit, Overview & Scrutiny Committee (since renamed the Overview and Scrutiny Committee), Management Board, Directorate and Service management teams as well as unit and team level.

Putting the Public First and Value for Money are two of the Core Values in our Corporate Strategic Plan adopted in 2005 and which are reflected in Unit Plans for individual services.

The quality of services is assessed regularly through customer satisfaction surveys including the Place Survey and the Council's own proactive pursuit of feedback from residents, focus groups, consultation with the public and stakeholders through the Citizens' Panel, Virtual Citizens' Panel, online, telephone and postal surveys, and through BVPI and local indicators. The Council holds corporate Investor in People accreditation and many services hold other quality registrations.

Unit plans are developed to reflect the Corporate Strategic Plan and objectives as well as other statutory and non-statutory plans and strategies. Resources (staff, budgets etc) are aligned to unit plans and annual budgeting processes to ensure they are directed at activities to support Council objectives. Annual efficiency targets are exploited to provide new funding for key projects where appropriate.

Members of the Council receive financial allowances in accordance with the Members' Allowances Scheme, which has been drawn up in line with recommendations from an Independent Remuneration Panel.

- **Defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

The respective roles and responsibilities of the Policy Board and all Executive Panels and Committees are set out in our Constitution and supporting documents. The Constitution also sets out the responsibilities of Officers in relation to operational and financial matters. There is a comprehensive scheme of officer delegation. Financial rules define the financial responsibilities. The various codes of conduct for Members and Officers, and the Member Officer protocol ensure that roles and responsibilities are understood.

The Director of Finance is the Council's Chief Finance Officer under Section 151 of the Local Government Act 1972. As such he is responsible to the Council for ensuring that appropriate advice is given on all financial matters and for keeping proper financial records and accounts and maintaining an effective system of internal financial control.

- **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff**

There are clearly defined Member, Officer and Officer/Member Codes of Conduct, which are regularly communicated to both members and officers alike. These are underpinned by a 'Whistleblowing' Policy, Standards Committee and Register of Interests. All are accessible via the Council's intranet Corporate Document Library or on request from the Personnel or Legal Departments.

Training is regularly undertaken on the content of the Codes and how to comply; for example briefings on the National Code of Conduct for members, Planning Code of Good Practice, Code of Recommended Practice on Local Authority Publicity, Officer and Member Information on Communication and Technology Codes, Whistleblowing and Officer Code of Conduct.

The Council has adopted a set of overarching values of accessible, approachable, effective and efficient behaviours. These complement the Codes of Conduct and enable a strong ethical framework.

Key responsibilities of the Statutory Officers, namely the Section 151 Officer and the Monitoring Officer, are to ensure internal control procedures are efficient and effective and are being complied with on a routine basis to ensure probity and sound financial standing.

The Council has responsibility for approving and maintaining the validity of the Constitution. Regular updates are approved by the Council to reflect changes in the Council's structures and processes.

- **Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedural notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks**

The Council's Constitution contains the Standing Orders Regulation of the Proceedings and Business of the Council; Standing Orders with regard to Contracts; Financial Regulations; Decision making processes; Register of Delegated Powers and similar documents. The Council undertakes an ongoing review of all these documents to ensure that they reflect the changes in the Council's risk environment and activities. The Council receives minutes of the Policy Board and of all the Committees and Panels.

The system of internal control is designed to manage risk to a reasonable level. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives to evaluate the likelihood of those risks being realised, and the impact should they be realised and to manage them efficiently, effectively and economically.

- **Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities**

The Council has an Audit, Overview and Scrutiny Committee since renamed the Audit Committee) which is independent of the panels and committee functions. This Committee is responsible for reviewing reports from the External Auditor, and the Council's Internal Auditor including:

- i. Internal Audit reports/recommendations
- ii. Audit and Inspection Annual Audit Letter
- iii. Outstanding Audit recommendations
- iv. Internal Audit Annual Report and interim monitoring reports, which make any suggestions considered necessary for improvement in practice to Council and/or the Policy Board, Panels and Committees as required as a result of those reports.

- **Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful**

The Council is aware of the limits on lawful activity imposed by the 'ultra vires' doctrine and of our responsibility to act lawfully at all times in discharging our functions.

The Council's Monitoring Officer is responsible for advising the Council if any proposal would give rise to unlawfulness or maladministration and performs a key function in ensuring lawfulness and fairness in the operation of the Council's decision making process. The Director of Finance, as Section 151 Officer, is responsible for ensuring that sound financial systems are maintained and that expenditure is lawful and appropriate.

The Council's standard committee report format ensures that all matters coming before Member bodies have received appropriate legal and financial input before reports are signed off. Multi disciplinary agenda teams ensure that all corporate aspects of a matter are considered before reporting to Members.

- **Whistleblowing and receiving and investigating complaints from the public**

Brentwood Borough Council promotes an open environment that enables staff to raise issues with confidence that they will be acted upon appropriately without fear of recrimination. The Council's Legal Services Manager is the Council's Whistleblowing Officer and there is in place an established Whistleblowing Policy with the Whistleblowing Statement published on the Staff Intranet.

The Council values all feedback from customers and uses it within its planning processes to help shape services that support customer needs. The Comments, Compliments & Complaints feedback form contains guidance on the Council's procedure and is available in paper copy from the Town Hall, Information Centre in the High Street, by post or can be completed or down loaded online. Customer complaints are investigated fairly and impartially. The Council also has two Complaints Co-ordinators. The contact details for the Head of Communications & Customer Care (now renamed Communications and Profiling Manager) are also widely publicised.

In addition, the Council has a Corporate Customer Satisfaction Survey for customers to complete and a simple card satisfaction monitoring exercise for face to face feedback at the Main Reception at

the Town Hall. All of these methods of feedback are collated and cross referenced to create a detailed understanding and highlight any common feedback.

- **Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

The Council has a long-standing history of providing or facilitating training for members and officers to ensure they have the skills needed for their work.

There are regular meetings between Members and Senior Officers. These include Chairman's Meetings and Committee briefing meetings. These meetings allow Members to be briefed on reports going through Committee, forthcoming matters for consideration and to allow Members to ask pertinent questions to inform the decision making process.

- **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

In order to engage as many people as possible across the Borough, the Council has developed a communications mix that is constantly evolving with the changing demographic and needs of the community. Depending on audience needs and profile, taking into account cost issues and value for money, communications and methods are specifically targeted and messages adapted appropriately. This enables us to engage with a varied and representative cross section of the community and ensure that all groups within the community have equal opportunity to participate. Through the use of MOSAIC, the Place Survey outcomes, our own consultations and measures as set out above, the Council continues to build a detailed understanding of its current customer base.

The Council has extensive methods of communication with all sections of the community, which include the Citizens' Panel and Virtual Citizens' Panel (approximately 2200 members); 'Vision' magazine published 4 times per year and distributed to all households in the Borough and is also available online through local libraries and other public buildings. A vehicle for two way communication it enables people to make their views known on a range of issues and services. Vision provides information on services, consultation exercises, events, initiatives, decisions, Council and community news and much more. 'Vision for Business' magazine, published 4 times per year, specifically targeted at the local business community, many of whom make regular editorial contributions and pay for advertisements within the publication.

Brentwood Borough Council has invested in corporate communication and widespread local consultation mechanisms and is delighted to have the best resident satisfaction levels in the whole of Essex, which are also amongst the highest nationally.

The Council places a strong emphasis on the areas of community engagement and consultation to achieve high levels of customer satisfaction and responsive services shaped by the local community.

A wide variety of public consultations are carried out on various issues to establish the views of the community, these are available both electronically and as a paper copy. In addition, consultations are often carried out via telephone and face to face and on occasion during evenings and weekends to ensure a truly representative response is captured. These methods include regular local surveys direct from the Council, the Place Survey, the Local Development Framework consultation process, the Citizens' Panels and the Disability Focus Group. The Council has established an ongoing Highways Localism Consultation Survey with residents, with regular feedback featured reports in 'Vision'. Questions are included on consultations asking residents which methods of communications they prefer the Council use to contact them to further target effective communications.

Communication processes with staff include regular staff briefings with the Chief Executive and Directors. The Council also has a Corporate Communications Core Group (CCCG), which is responsible for assisting in the improvement of the Council's communication and customer service

both internally and externally. Members of the CCCG act as representatives for their departments and are responsible for sharing their customer experiences and questions along with those of their colleagues, presenting ideas and making suggestions to improve the Council's customer communications.

InVision is a quarterly magazine for staff, distributed directly to staff with payslips to ensure blanket circulation. The magazine covers a variety of issues including corporate news and updates as well as human interest stories and offers the opportunity for feedback and two way communications. A substantial staff intranet system has been developed to keep staff engaged and regularly updated, with interactive and feedback facilities.

In addition, an annual staff survey is conducted and One Team, a fortnightly corporate update publication, is distributed directly to Managers, supervisors and Heads of Service for cascade to their team members during unit meetings.

Information that the Council provides can be translated into different languages and alternative formats. This also applies to our website, which carries the Crystal Mark for Plain English and is currently rated as 'Excellent' and Fully Transactional by SOCITIM (Society of Information Technology Management) and printed materials.

Strong media relationships exist including weekly Media Briefing sessions attended by Councillors and Officers, issuing of regular media releases through wide distribution list of local, regional and national contacts and regular interviews and features within local community newspapers and radio stations.

Developments in the channels through which we communicate mean that E communication is now a strong focus for the Council and demonstrates how we must develop our methods of communication alongside those of our customers.

- **Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report Governing Partnerships: Bridging the Accountability Gap, and reflecting these in the Council's overall governance arrangements**

The Council has a number of important strategic partnerships and has undertaken a review of these to ensure that they operate in a transparent way. Regular reports are made from the Chairman of these sub groups to the Brentwood Local Strategic Partnership.

The Council has entered into a partnership with Essex County Council resulting in a number of significant projects being undertaken and sharing of good practice and information.

4. REVIEW OF EFFECTIVENESS

The review of effectiveness within the Council is informed by the work of the managers within the Council who have responsibility for the development and the maintenance of the governance environment, the Head of Internal Audit's annual report and also the annual letter from the Audit Commission.

Brentwood Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Management Team within the Council, who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the External Auditors and other review agencies and inspectorates.

The key features of the Council's internal control framework are:

The Council

The key formal document governing the internal control framework for the Council is its Constitution. All delegation of decision-making is made in accordance with the requirements of the Constitution and the Scheme of Delegation, which forms part of the Constitution.

The formal rules governing the way in which the Council, its Committees and Officers conduct their business are also set out as part of the Constitution and include:

- Budget & Policy Framework
- The Financial Regulations
- Rules of Procedure for Council & Committee Meetings
- Access to Information Procedure Rules

All Committee reports are reviewed by the Monitoring Officer to ensure that they are lawful and by the Section 151 Officer for financial and risk implications prior to be presented to Members.

The Council has five Policy Committees that approve all policies and reports under each area of the Council's activities. The Audit, Overview & Scrutiny Committee (since renamed the Overview and Scrutiny Committee) has the powers to 'call in' and challenge any Committee decisions. The Audit, Overview and Scrutiny Committee (since renamed the Audit Committee) reviews financial and audit matters.

The Monitoring Officer has a duty to monitor and review the constitution to ensure that its aims and principles are current. The constitution is reviewed regularly and updates are issued as necessary. Recent changes to the Constitution have included changes to the scheme of delegation and members allowances.

The Audit, Overview & Scrutiny Committee (since renamed the Overview and Scrutiny Committee)

The Overview & Scrutiny Committee is formally responsible for monitoring and reviewing policy and advising policy committees, as well as scrutinising the performance of outside bodies and making reports and recommendations as appropriate and may receive public petitions.

The Audit, Overview and Scrutiny Committee (since renamed the Audit Committee)

The Committee monitors the performance of the Council and progress against improvement plans, fulfils the Council's Audit Committee functions in respect of External Audit, Internal Audit and Risk Management and makes reports and recommendations to Policy Committees and the Council as a whole on its policies, budget and service delivery as appropriate.

The Standards Committee

The Standards Committee met regularly throughout 2008/09 as part of the Committee cycle of meetings. It advised the Council on adopting a revised Code of Conduct compliant with the amended legislation; it responded to various government consultations on issues surrounding the Code of Conduct; it supported training for district councillors on the new Code of Conduct. It also investigated complaints that councillors had breached the Code of Conduct. Such investigations were carried out in accordance with the legislation.

Internal Audit

The role of Internal Audit is to review the internal control framework that governs the operations of the Council and, in so doing, provide an independent opinion to both Management and Members of the Council on the robustness of the Council's internal control environment.

The Internal Audit function of the Council is delivered by the Internal Audit Team. The work of the team complies fully with the requirements of CIPFA's Code of Practice for Internal Audit in Local Government in the UK and with the Code of Ethics and International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors – UK and Ireland.

Internal audit is part of the Council's corporate governance framework. Corporate governance is defined as the system by which local authorities direct and control their functions. The requirement for adequate and effective internal audit is statutory for all local authorities. Annual audit coverage is traditionally linked to a five year strategic work plan, which ensures that all services are reviewed on a cyclical basis. The frequency with which services are audited within the cycle is dependant on the result of a risk assessment, indications of performance and being reconciled to available audit resource. Management and Members are consulted about the proposed work plan.

A separate Annual Audit Plan is agreed that identifies the audits to be completed during the year, including the core fundamental systems (audited annually as part of the managed audit agreement with the Council's External Auditors) and other operational systems.

The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Service Manager, Head of Service and Director. The Head of Paid Service, the Monitoring Officer and the Section 151 Officer also receive a report of all audits completed.

Each audit report includes agreed recommendations for improvement (graded high, medium or low). All recommendations are regularly followed up to ensure they are acted on. An opinion of the overall internal control environment is also provided. Where assurance is deemed to be unsatisfactory, immediate action is required.

The Internal Audit Team reports directly to the Audit, Overview and Scrutiny, Committee (since renamed the Audit Committee) at each of its meetings. The Committee approves the Audit Plan and monitors the performance of the Internal Audit Team and progress against audit recommendations.

It is considered best practice that an internal review of the effectiveness of the system of internal audit is undertaken and the findings of this review have been reported to Members for their consideration. The purpose of this review was to ensure that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance.

Other Assurance Mechanisms

The Council has a Performance Management Framework through which quality of service can be measured by both local and national performance indicators. Performance targets are set and agreed for the coming three years and is monitored on a quarterly basis by Heads of Services and reported to the Management Board and Overview & Scrutiny Committee in order that corrective action can be taken where services are deemed to be under performing.

The Council was assessed as being a 'Good' authority in our Comprehensive Performance Assessment in 2004. In February 2008, the Council was assessed as providing a 'fair' access to its services, with 'promising prospects' for improvement' in our Access to Services assessment. The Council's last Direction of Travel Assessment by the Audit Commission showed a positive improvement trend.

5. SIGNIFICANT GOVERNANCE ISSUES

Action Plan

Based on the information contained in this Annual Governance Statement and the Service Assurance Statements completed by Service Managers and Directors, the following action plan has been agreed for 2009/10 to deal with the issues identified. As part of the Organisation and Development Review some of the job titles shown below will change.

Action required	Responsible officer	Due Date
Community Plan to be updated and revised version to be published.	Director of Improvement	November 2009
Annual Performance Plan to be updated and revised version to be published.	Director of Improvement	June 2009
New Corporate Strategic Plan to be produced.	Director of Improvement	March 2010
A project plan to be produced and monitored to ensure that the Council's savings and efficiency targets for 2009/10 are achieved.	Director of Improvement/Director of Finance	May 2009
A project plan to be produced and monitored to ensure that the Organisational & Development Review is implemented to achieve the agreed savings, mitigates against key risks and plans for the implementation of single status.	Executive Director (Resources)	May 2009 (for project plan) October 2009
Performance Management process to be enhanced by introducing a balanced scorecard approach including combining financial performance with operational performance.	Director of Improvement/Director of Finance	September 2009
Project Management process to be developed and operational across the organisation.	Director of Improvement	June 2009
Corporate Sustainability Strategy to be developed.	Executive Director (Customer Services)	July 2009
Whistleblowing Policy to be reviewed and up-dated.	Executive Law and Probity Officer	September 2009
Staff Code of Conduct to be reviewed and updated.	Executive Law and Probity Officer	October 2009
Members to undertake training on risk management and financial planning.	Executive Law and Probity Officer/ Director of Finance	September 2009
Risk Management Policy and Strategy to be updated and revised version to be published, to include the review of the Strategic Risk Register and Business Continuity arrangements.	Executive Director (Customer Services)	June 2009
The Council's Committee Structure to be reviewed and updated to ensure it is fit for purpose, particularly in relating to risk and audit.	Executive Law and Probity Officer	May 2009
Partnership Governance arrangements to be reviewed and updated to ensure they are fit for purpose.	Director of Improvement	November 2009

Councillor Louise McKinlay
Leader of the Council

Date 15th June 2009

Joanna Killian
Chief Executive of the Council

Date 15th June 2009

INCOME AND EXPENDITURE ACCOUNT
For the Year Ending 31 March 2009

Net Expenditure 2007/08 £'000	Notes		Gross Expenditure 2008/09 £'000	Gross Income 2008/09 £'000	Net Expenditure 2008/09 £'000
		SERVICE EXPENDITURE			
1,067		Central Services to the Public	5,460	(4,090)	1,370
1,761		Cultural and Related Services	4,828	(3,050)	1,778
3,778		Environmental Services	5,761	(2,217)	3,544
1,107		Planning and Development Services	2,940	(1,756)	1,184
49		Highways, Road and Transport Services	3,210	(3,025)	185
1,319		Housing Services	13,770	(12,839)	931
1,105		Corporate and Democratic Core	2,056	(326)	1,730
529		Non Distributed Costs	6,833	0	6,833
10,715		Net Cost of General Fund Services	44,858	(27,303)	17,555
6,916		Housing Revenue Account	46,708	(10,650)	36,058
17,631		Net Cost of Services	91,566	(37,953)	53,613
(6)	10	Loss/(Gain) on disposal of fixed assets			124
161		Parish council precepts			204
200		Discretionary assistance to parish councils			174
553		Interest payable and similar charges			514
561	28	Contributions of housing capital receipts to Government Pool			200
(786)		Interest and investment income			(664)
460	29	Pension interest costs and expected return on pension assets			1,660
18,774		Net Operating Expenditure			55,825
		SOURCES OF FINANCE			
(5,153)		Demand from the Collection Fund			(5,461)
(130)		Prior year's surplus transferred from the Collection Fund			(173)
(731)		Revenue Support Grant			(633)
(4,355)		Distribution from non-domestic rate pool			(4,544)
0		Area Based Grant			(23)
8,405		Deficit for the Year			44,991

STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE
For the Year Ending 31 March 2009

2007/08 £'000	Note		2008/09 £'000
8,405		Deficit for the year on the Income and Expenditure Account	44,991
(8,858)	7	Net additional amount required by statute and non-proper practice to be credited to the General Fund Balance for the year	(44,002)
(453)		(Increase)/Decrease in General Fund Balance for the Year	989
(2,281)		General Fund Balance brought forward at 31 March 2008	(2,734)
(2,734)		General Fund Balance carried forward at 31 March 2009	(1,745)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the Year Ending 31 March 2009

2007/08 £'000	Note		2008/09 £'000
8,405		Deficit on the Income and Expenditure Account	44,991
(149)		(Surplus)/Deficit on Collection Fund	267
-	25	(Surplus) arising on Revaluation of Fixed Assets	(9,551)
11,036	29	Actuarial (Gains)/Losses on Pension fund Assets and Liabilities	(2,561)
732		Impact of the write off of Deferred Premiums at 1 April 2007	0
20		Other (Gains)/Losses	(89)
20,044		Total Recognised (Gain)/Loss for the year	33,057

BALANCE SHEET - As at 31 March 2009

31 Mar 08			31 Mar 09
£'000	Notes		£'000
		Fixed Assets:	
		Tangible Fixed Assets	
442,659		- Dwellings	405,752
35,679		- Land and Building	41,244
891		- Infrastructure	368
528		- Vehicles, Plant and Equipment	870
479,757	11	Total Operational Fixed Assets	448,234
7,578	11	Investment Properties – non-operational assets	6,149
-		Deferred Premium	-
272	15	Long Term Debtors	257
487,607		TOTAL FIXED ASSETS	454,640
		Current Assets:	
212	16	Stocks and Work-in-Progress	275
4,966	17	Temporary Investments	5,007
5,743	18	Debtors	6,125
209		Cash & Bank	0
498,737		TOTAL ASSETS	466,047
		Current Liabilities:	
(173)	13	Finance Leases	(35)
(31)	20	Deferred Liabilities	(30)
(5,185)	21	Creditors	(6,912)
-		Bank Overdraft	(769)
493,348		TOTAL ASSETS LESS CURRENT LIABILITIES	458,301
		Long Term Liabilities:	
(128)	13	Finance Leases	(92)
(7,215)	19	Long Term Borrowing	(7,215)
(734)	20	Deferred Liabilities	(705)
(506)	22	Government Grants Unapplied	(456)
(272)	23	Deferred Capital Receipts	(257)
(31,506)	29	Liabilities relating to defined benefit pension scheme	(29,676)
(250)	24	Provisions	(220)
452,737		TOTAL ASSETS LESS LIABILITIES	419,680
		Financed By:	
472,623	26	Capital Adjustment Account	430,231
(627)	27	Financial Instrument Adjustment Account	(523)
-	25	Revaluation Reserve	9,551
6,955	28	Usable Capital Receipts Reserve	6,586
(31,506)	29	Pension Reserve	(29,676)
131	HRA5	Major Repairs Reserve	0
774	30	Earmarked Reserves	570
4,387	33	Revenue Balances	2,940
452,737		TOTAL NET WORTH	419,680

John Bryant CPFA
Interim Director of Finance
Date 12 August 2009

CASH FLOW STATEMENT

For the Year Ending 31 March 2009

2007/08 £'000	Notes		2008/09 £'000
470	37	REVENUE ACTIVITIES	
		Net Cash (Inflow)/Outflow From Revenue Activities	(1,309)
		SERVICING OF FINANCE	
		<u>Cash Outflows</u>	
446		Interest Paid	514
4		Interest element of Finance Lease	2
450			516
		<u>Cash Inflows</u>	
(739)		Interest Received	(793)
(289)		Net Cash (Inflow) From Servicing of Finance	(277)
		CAPITAL ACTIVITIES	
		<u>Cash Outflows</u>	
3,209		Purchase of Fixed Assets	2,943
478		Other Capital Cash Payments	742
3,687			3,685
		<u>Cash Inflows</u>	
(875)		Sale of Fixed Assets	(1,262)
(23)		Repayments of Mortgages	(15)
(196)		Capital Grants Received	(216)
(1,094)			(1,493)
2,593		Net Cash Outflow from Capital Activities	2,192
2,774		Net Cash (Inflow)/Outflow Before Financing	606
		MANAGEMENT OF LIQUID RESOURCES	
		<u>Cash Inflow</u>	
(2,000)		Net increase/(decrease) in short term deposits	1,000
-		Net increase in short term investments	(830)
			170
		FINANCING	
		<u>Cash Outflows</u>	
31		Repayment of Borrowing and Deferred Liabilities	30
139		Repayment of Capital element of Leases	172
170			202
944	36	Decrease in Cash	978

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Expenditure under Section 137, Local Government Act 1972

Section 137(3) of the Local Government Act 1972 empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's expenditure under this power during 2008/09 was £83,000 mainly in donations to voluntary bodies working in the local area (£73,000 in 2007/08).

2. Publicity Expenditure

Section 5(1) of the Local Government Act 1986 requires the Council to disclose expenditure on publicity. The table below shows the expenditure incurred during 2008/09 on the following broad categories

2007/08 £'000		2008/09 £'000
48	Public Information and External Relations	7
49	Recruitment Advertising	11
32	Other Advertising	33
32	Vision Magazine	50
161		101

3. Building Regulation Fee Earning Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. The Council sets charges for work carried out in relation to building regulations with an aim of covering all costs incurred. However, certain activities performed cannot be charged for. The statement below shows the total cost of operating the building control service divided between the chargeable and non-chargeable activities.

2007/08 £'000		Non- Chargeable £'000	Chargeable £'000	2008/09 £'000
493	Employee & Other Expenditure	126	276	402
(359)	Income	-	(307)	(307)
134		126	(31)	95

4. Trading Accounts - Trade Waste Collection Services

The Council operates a Trade Refuse Collection Services for non domestic properties. The Costs and Income relating to this service are included under Environmental Services in the Income and Expenditure Account and summarised below.

2007/08 £'000		2008/09 £'000
122	Employees	169
330	Other Expenditure	296
(647)	Income	(578)
(195)		(113)

5. Audit Fees

In respect of 2008/09 the Council incurred the following fees relating to external audit and inspection.

2007/08 £'000		2008/09 £'000
151	Audit fees payable under the Code of Audit Practice	167
18	Audit fees payable to the Audit Commission	0
39	Audit fees payable for the certification of grant claims	59
6	Professional fees payable in respect of other services	0
214		226

6. Remuneration of £50,000 or more

The Accounts and Audit Regulations 2003 require the disclosure of the remuneration/emoluments of employees where such amounts exceed £50,000, in bands of £10,000. The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £10,000 were:

2007/08 No.		2008/09 No.
9	£50,000 - £59,999	11
2	£60,000 - £69,999	1
2	£70,000 - £79,999	-
2	£80,000 - £89,999	3
1	£90,000 - £99,999	-
-	£100,000 - £129,999	-
1	£130,000 - £139,999	-
-	£140,000 - £319,999	-
-	£320,000 - £329,999	1

7. Amounts Additional to the Deficit on Income and Expenditure Account Credited to General Fund

2007/08 £'000		Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on General Fund Balance for the Year	2008/09 £'000
(1,326)		Depreciation and impairment of General Fund Assets	(6,125)
(2,002)	HRA3	Depreciation and impairment of HRA Fixed Assets	(31,611)
(5,343)	HRA5	Excess of Depreciation charged to HRA services over Movement on Major Repairs Allowance element of Housing Subsidy	(4,548)
(478)	11(iii)	Write down of REFCS (previously deferred charges) to be financed from capital resources	(747)
196	22	Government Grants Unapplied amortisation	119
6	10	Net Gain/(Loss) on sale of Fixed Assets	(124)
(2,428)	29	Net charges made for retirement benefits in accordance with FRS 17	(3,304)
2,435		Actual amounts charged against GF balance re: pensions	2,573
(8,940)			(43,767)

Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on General Fund Balance			
323		Minimum Revenue Provision	345
732		Write down of Deferred Premiums	0
223		Capital expenditure charged to Revenue	0
(561)	28	Transfer from Usable Capital Receipts Reserve to meet payments to the Housing Capital Receipt Pool	(200)
<u>717</u>			<u>145</u>
Transfers to and from the General Fund that are required to be taken into account when determining the Movement on General Fund Balance for the year			
(6)	HRA	Statutorily required transfer of the surplus or deficit for the year on the Housing Revenue Account calculated in accordance with statute to the HRA Balance	(176)
(652)		Net Transfer of Deferred Premiums to Financial Instrument Adjustment Account	0
23	30	Net Transfer to or from Earmarked Reserves	(204)
<u>(635)</u>			<u>(380)</u>
<u>(8,858)</u>		Net additional amount required by statute and Non-proper practice to be credited to the General Fund for the year	<u>(44,002)</u>

The Income and Expenditure Account is fundamental to the understanding of a local authority's activities. It brings together all of the Council's functions and summarises all of the resources that have been consumed in providing services during the year. The Income and Expenditure Account shows the Council's financial position before allowing for statutory transactions and those of non proper practice in determining the Council's budget, and in turn the Council Tax. The above table details these additional transactions required to determine the General Fund Balance.

8 Related Party Transactions

Financial Reporting Standard 8 (FRS8) concerns "Related Party Disclosures". FRS8 was designed to ensure that the financial statements contain the necessary disclosures to draw attention to the possibility that the reported financial position and results have been affected by the existence of related parties and by material transactions with the related parties. The disclosure information is intended to permit readers to judge the extent of any effect.

The Statement of Accounts already includes appropriate references to related parties such as central government, the pension fund, other local and precepting authorities. However they do not include anything in relation to elected Members and senior management, for this purpose. Close family members or members of the same household are also regarded as related parties.

For 2008/09 there were no relevant disclosures.

9. Members' Allowances

The total for Members' Allowances paid in the year was £318,670 (2007/08 £310,140), as detailed in Appendix 1.

10. Loss or Surplus on the Disposal of Fixed Assets

2007/08 £'000			2008/09 £'000
940	11(i)	Value of Dwellings sold under Right to Buy	1,370
(12)		Repayment of Right to Buy Discount	(0)
0		Value of dwellings transferred to RSL (The Retreat)	0
(905)		Sale proceeds	(1,279)
4		Costs associated with RTB sales	48
(23)	15 &23	Repayment of Mortgages	(15)
4		Loss of the disposal of HRA fixed assets	124
(10)		(Surplus) on the disposal of GF fixed assets	(0)
(6)		Loss/(surplus) on disposal of fixed assets	124

11. Fixed Assets

(i) Movements in assets during the year were as follows:

	Operational Assets				Non-Operational Assets		Total Assets £'000
	Council Dwellings £'000	Other Land and Buildings £'000	infrastructure £'000	Vehicles, Plant, Furniture & Equipment £'000	Total Operational Assets £'000	Investment Assets £'000	
Cost or Valuation							
Balance at 31 March 2008	467,358	38,369	1,024	1,391	508,142	7,902	516,044
Acquisitions	2,170	361	0	99	2,630	348	2,978
Disposals	(1,370)	0	0	0	(1,370)	0	(1,370)
Revaluation	(62,406)	2,517	0	0	(59,889)	(2,101)	(61,990)
Indexation	0	0	0	0	0	0	0
					0	0	0
Balance at 31 March 2009	405,752	41,247	1,024	1,490	449,513	6,149	455,662
Depreciation							
Balance at 31 March 2008	(24,699)	(2,690)	(133)	(863)	(28,385)	(324)	(28,709)
Annual Charge	(6,204)	(714)	(21)	(259)	(7,198)	(81)	(7,279)
Disposals	0	0	0	0	0	0	0
Write-off following revaluation	30,903	3,401	0	0	34,304	405	34,709
Balance at 31 March 2009	0	(3)	(154)	(1,122)	(1,279)	0	(1,279)
Net Fixed Assets at 31 March 2008	442,659	35,679	891	528	479,757	7,578	487,335
Movement in 2008/09	36,907	(5,565)	21	160	31,523	1,429	32,952
Net Fixed Assets at 31 March 2009	405,752	41,244	870	368	448,234	6,149	454,383

Note – The values shown for Council dwellings include 12 General Fund properties. The values relating to HRA properties are shown at Note 3 to the HRA.

Further information on the valuation and its method are detailed in the Accounting Policies

(ii) Assets in Council possession include:

31 Mar 08		Operational	31 Mar 09
Number			Number
2,556	Dwellings		2,549
3	Depots & Workshops		3
5	Car Parks		5
1	Multi-Storey Car Park		1
1	Leisure Centres (leased to BLT at peppercorn rent)		1
2	Art Centres		2
545 Ha	Parks & Recreation Grounds		545 Ha
3	Cemeteries		3
5	Public Halls		5
1	Parks Nursery		1
25	Commercial Properties		25

Note – only 2,537 of the assets shown as properties relate to the HRA. The rest are General Fund. The details of HRA properties are shown at Note 2 to the HRA.

31 Mar 08		Non - Operational	31 Mar 09
Number			Number
3	Offices		3
51	Retail Shops		51
2	Kiosks		2
1	Training Centre		1
2	Car Parks		2
1	Public Halls		1
1	Service Station		1

(iii) Capital expenditure and financing:

2007/08		2008/09
£'000		£'000
	<u>Capital Expenditure</u>	
3,326	Capital Investment	3,533
478	REFCS (previously Deferred Charges)	747
3,804		4,280
	<u>Financing</u>	
(1,698)	Major Repairs Allowance	(1,958)
(345)	Borrowings	(249)
(280)	Leasing	(539)
(50)	Movement in creditors	-
(1,012)	Capital Receipts	(1,415)
(223)	Revenue	-
(196)	Grant	(119)
(3,804)		(4,280)

£747,000 of REFCS (previously deferred charges) were written off to the Income and Expenditure Account (£478,000 in 2007/08)

(iv) Depreciation

The District Valuer Service valuation at the 31st March 2009 included specific information on asset lives and split the value between land and buildings. The building costs of individual assets are depreciated over the assets useful life. In respect of Council Dwellings, the value of the building element is depreciated over 50 years.

(v) Capital commitments:

The estimated value of significant commitments under capital contracts totalled some £1,073,076 as at 31 March 2009 (£154,000 as at 31 March 2008). These relate to the Brentwood Leisure Trust Football Grant £199,665 and Merrymeade House £873,411.

(vi) Valuation:

All Fixed assets were valued by the District Valuer on 31st March 2009 and included in the balance sheet at Depreciated Replacement Cost.

12 Trust Funds

Assizes House Trust Fund was previously shown as an asset of the Council and included within the Council's Balance Sheet. This treatment is incorrect and has been corrected. This has resulted in restatement of the amounts in respect of Creditors (Note 21) and Temporary Investments (Note 17).

13. Assets Held under Finance Leases

The Council has use of computer equipment, vehicles, plant and equipment financed under the terms of finance leases. The value of assets held under finance leases are as follows.

Leased Assets	Balance at 01 Apr 08	Additions/charge for the year	Disposals	Balance at 31 Mar 09
	£'000	£'000	£'000	£'000
Vehicle, Plant and Equipment	773	0	-	773
Depreciation	(472)	(174)	-	(646)
Net book Value	301	(174)	-	127

The payments the Council are committed to make over the next 5 years are analysed below:

2007/08	Finance lease obligations	2008/09
£'000	Payable between:	£'000
173	1 year	35
128	2 – 5 years	92
301		127

The assets are depreciated by straight line over the life of the lease. Interest is calculated by sum of digits and the outstanding lease obligation is equal to its net book value. Included in Liabilities on the Balance Sheet is £127,000 of outstanding lease obligations which matches the net book value of the assets held under finance lease.

14. Assets used under Operating Leases

The Council has use of vehicles, plant and equipment under the terms of operating leases. The amount paid under these arrangements and charged to the Income and Expenditure Account in 2008/09 was £xxx,xxx (2007/08 £382,429).

2007/08 £'000	Operating lease obligations	2008/09 £'000
	Payable between:	
43	1 year	258
290	2 – 5 years	197
-	Over 5 years	-

15. Long Term Debtors

Amounts due to the Council under mortgages granted for house and office purchase and improvements. The amounts received for these mortgages matched on the Balance Sheet by Deferred Capital Receipts, disclosed in Note 23.

	Balance at 01 Apr 08 £'000	Repayments £'000	Balance at 31 Mar 09 £'000
Sale of Council Houses	58	(15)	43
Rent to Mortgages	214	-	214
	272	(15)	257

16. Stocks and Work in Progress

31 Mar 08 £'000	Stocks:	31 Mar 09 £'000
Restated		
177	Depot	189
15	Housing	13
141	Other	18
333	Total Stocks	220
6	Work in Progress: Rechargeable Works	55
339	Total Stocks and Work in Progress	275

17. Temporary Investments

31 Mar 08 £'000		Ave. Int. Rate	31 Mar 09 £'000
Restated			
5,000	Fixed Rate Investments	2.95%	4,000
1,250	Variable Rate Investments	0.74%	2,250
(1,477)	Less investments in respect of Assizes Trust		(1,307)
193	Accrued Interest at the 31 March		64
4,966			5,007

Fixed Rate Investments are deposits invested for a fixed period, up to 364 days, and Variable Rate Investments are deposits that are repayable on demand.

18. Debtors

31 Mar 08		31 Mar 09
£'000		£'000
	<u>Amounts falling due in one year:</u>	
1,447	Government Departments	837
-	Local Authorities	8
480	Housing Rents	482
520	Prepayments	939
84	Agency Accounts	29
1,990	Collection Fund	2,643
2,167	Sundry	1,916
6,688		6,854
	<u>Amounts falling due after one year:</u>	
70	Car Purchase Scheme	89
19	Charge on Properties	20
11	Loans to Organisations	10
100		119
(1,045)	Provision for Doubtful Debts	(848)
5,743	Total Debtors	6,125

19. Long Term Borrowing

31 Mar 08		Range of Interest Rates Payable	31 Mar 09
£'000		%	£'000
7,137	Public Works Loan Board	4.350 – 8.875	7,137
0	Local Authority Bonds	8.670 – 12.000	0
78	Accrued interest at 31 March		78
7,215			7,215

All the outstanding PWLB loans are repayable in over 10 years; interest is due in 1 year.

20. Deferred Liabilities

Deferred liabilities are loans associated with assets that were transferred to the Council when the relevant boundary changes were made..

31 Mar 08		31 Mar 09
£'000		£'000
248	Chelmsford Borough Council	240
517	Epping Forest District Council	495
765	Total Deferred Liabilities	735

	<u>Analysis by maturity:</u>	
31	Payable within 1 year	30

31	Within 1 – 2 years	30
99	Within 2 – 5 years	91
181	Within 5 – 10 years	152
423	More than 10 years	432
734	Payable after more than 1 year	705

21. Creditors

31-Mar-08 £'000		Creditors	31-Mar-09 £'000
1,135		Government Departments	1,742
381		Local Authorities	570
72		Housing Rents	20
544		Collection Fund	652
674		Deferred Income	792
1,477		Assize House Trust Fund	1,307
1,051		Former Warley Hospital Site S106	851
1,328		Sundry	2,285
6,662			8,220
(1,477)		Assize House Trust Fund - Previously shown incorrectly as a creditor - see note 12 Trust Funds	(1,307)
5,185		Total Creditors	6,912

22. Government Grants Unapplied

Government Grants Unapplied represents amounts received from Government departments. The contributions are used to finance capital expenditure as projects proceed.

Government Grants Unapplied	Balance at 1 Apr 08 £'000	Receipts in year £'000	Payments in year £'000	31-Mar-09 £'000
Disabled Facilities Grant	0	119	(119)	0
Housing Grants	0	97	0	97
Implementing Electronic Government	241	0	(67)	174
Recycling Grants	265	0	(80)	185
	506	216	(266)	456

The recycling grants are credited to revenue over the life of the asset they are supporting. The IEG grant is credited to revenue to match the expenditure on the enhancements to IT software, licenses and hardware.

23. Deferred Capital Receipts

Amounts derived from the sale of assets, which will be received in instalments over agreed periods. They arise from mortgages on sale of Council houses.

	31 Mar 08 £'000	New Advances £'000	Amounts Repaid £'000	31 Mar 09 £'000
Right To Buy Mortgages	272	-	(15)	257

24. Provisions

	Balance at 01 Apr 08 £'000	Amounts utilised £'000	Balance at 31 Mar 09 £'000
Lease Provision	250	-30	220

Lease Provision covers the costs relating to the return condition of leased plant and equipment at the end of their contracts. Leases cover a period of 3 to 7 years and the value of the return condition depend on the condition, age and contracted conditions in the lease.

25. Revaluation Reserve

The Revaluation Reserve contains revaluations gains recognised since 1 April 2008. Gains arising before that date have been consolidated into the Capital Adjustment Account. The reserve records the accumulated valuation gains on the fixed assets held by the Authority arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movement in value. The reserve cannot be used to finance capital expenditure.

	2008/09 £'000
Balance from Fixed asset Restatement Account	0
Transfer to Capital Adjustment Account	0
Balance as at 31 March 2008 (restated)	0
<u>Movement in Year:</u>	
Increase in valuation	9,551
Disposals	0
Balance as at 31 March 2009	9,551

26. Capital Adjustment Account

The Capital Adjustment Account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements. It also includes revaluation adjustments that arose before 1 April 2008, the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal, set against the resources that have been set aside to finance capital expenditure. The account cannot be used to support council tax or finance capital expenditure.

	2008/09 £'000
Balance Brought Forward at 1 April 2008	472,623
<u>Notes</u> <u>Movement in Year:</u>	
28 Use of Capital Receipts	1,414
7 Contribution From Revenue	0
7 Minimum Revenue Provision	345
11(i) Depreciation	(7,279)
7 Disabled Facilities Grant	119
7 Write Off REFCS (previously Deferred Charges) and Loan Premium	(747)
HRA6 Use of Major Repair Allowance	1,958

7	Impairment and Revaluation of Fixed Assets (HRA and GF)	(67,735)
	Write down of depreciation on revaluation of HRA Fixed Assets	30,903
11(i)	Disposal of Fixed Assets	(1,370)
	Balance as at 31 March 2009	430,231

27. Financial Instrument Adjustment Account

The Financial Instrument Adjustment Account allows for the differences in statutory requirements and proper accounting practice for borrowing and investments. The deferred premiums in this Account relate to the costs incurred for the early redemption of loans. The premium is charged to the General Fund over the life of the new loan or 10 years for loans associated with the Housing Revenue Account.

		2008/09
		£'000
	Balance Brought Forward as at 1 April 2008	627
	<u>Movement in Year:</u>	
	Deferred Premiums charged to HRA	(25)
	Deferred Premiums charged to General Fund	(79)
	Balance as at 31 March 2009	523

28. Usable Capital Receipts Reserve

The Usable Capital Receipt Reserve holds the proceeds of fixed asset sales available to meet future capital investment.

2007/08		2008/09
£'000		£'000
7,646	Balance as at 1 April 2008	6,955
	<u>Movement in Year:</u>	
876	Amounts Arising From Sale of Assets	1,279
23	Amounts Arising From Mortgages	15
(1,012)	Amounts Applied – Other	(1,415)
(17)	Costs associated with Right to Buy sales	(48)
(561)	Appropriation to revenue to meet payments to the Capital Receipt Pool	(200)
6,955	Balance as at 31 March 2009	6,586

29. Defined Benefit Pension Scheme

PARTICIPATION IN PENSION SCHEMES

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme (LGPS), administered by Essex County Council. This is a funded scheme, where both the Authority and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with its assets.

TRANSACTIONS RELATING TO RETIREMENT BENEFITS

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

Income & Expenditure Account

2007/08 £000		2008/09 £000	
	Net Cost of Services		
1,324	- Current Service Cost	1,480	
644	- Past Service Cost	54	
0	- Curtailment	110	
1,968		1,644	
	Net Operating Expenditure:		
4,032	- Interest Cost	4,918	
(3,569)	- Expected Return on Scheme Assets	(3,258)	
463		1,660	
2,428	Net Charge to the Income and Expenditure Account	3,304	

Statement of Movement in the General Fund Balance

2007/08 £000		2008/09 £000
(2,428)	Reversal of Net Charges made for Retirement Benefits in Accordance with FRS17	(3,304)
	Actual amounts charged against the General Fund Balance for pensions in the Year:	
2,435	Employers Contributions Payable to the Scheme	2,573
7	Net Movement	(731)

In addition, to the recognised gains and losses included in the Income and Expenditure account, actuarial gains of £2.561m were included in the Statement of Total Recognised Gains and Losses.

RECONCILIATION OF PRESENT VALUE OF THE SCHEME LIABILITIES

	2007/08 £000s	2008/09 £000s
Balance as at 1 of April	(75,033)	(81,242)
Current Service Cost	(1,324)	(1,480)
Interest Cost	(4,032)	(4,918)
Contributions by Scheme Participants	(489)	(534)
Past Service Costs	(644)	(54)
Actuarial Gain / (Losses) on Liabilities	(2,278)	16,448

Curtailments	-	(110)
Benefits / Transfers paid	2,558	3,237
Balance as at 31 March	(81,242)	(68,653)

RECONCILIATION OF FAIR VALUE OF THE SCHEME ASSETS

	2007/08 £000s	2008/09 £000s
Balance as at 1 April	54,550	49,736
Expected Rate of Return	3,569	3,258
Actuarial Gain / (Losses)	(8,749)	(13,887)
Employer Contributions	2,435	2,573
Contributions by scheme Participants	489	534
Benefits / transfers paid	(2,558)	(3,237)
Balance as at 31 March	49,736	38,977

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £10.629m (2007/08 £2.298m)

SCHEME HISTORY

	2007/08 £000	2008/09 £000
Present Value of Liabilities	(81,242)	(68,653)
Fair Value of Assets	49,736	38,977
Surplus / (Deficit) in the Scheme	31,506	(29,676)

Further information can be found in the Councils Pension fund Annual Report, which is available upon request from: The Pension Manager, Essex County Council (Pension Division) County Hall, Chelmsford, Essex, CM1 1JZ

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total net liability of £29.676 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy.

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £2.527m.

BASIS FOR ESTIMATING ASSETS AND LIABILITIES

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The fund liabilities have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2007.

The main assumptions used in their calculations have been:

2007/08		2008/09
3.60%	Rate of Inflation	3.30%
5.10%	Rate of Increase in Salaries	4.80%
3.60%	Rate of Increase in Pensions	3.30%
6.10%	Rate for Discounting Scheme Liabilities	7.10%
50.00%	Take-up of option to convert annual pension into retirement lump sum	50.00%
	Long-term expected rate of return on assets in the scheme:	
7.50%	Equity Investments	7.50%
4.00%	Government Bonds	4.00%
6.00%	Other Bonds	6.00%
5.25%	Cash/Liquidity	0.50%
.N/A	Other	N/A
	Mortality Assumptions:	
	Longevity Assumptions at 65 for current pensioners	
22.00	Men	22.00
24.80	Women	24.90
	Longevity Assumptions at 65 for future pensioners	
22.20	Men	22.20
23.10	Women	23.10

The Fund's assets consist of the following asset classifications:

31 March 2008		31 March 2009
£000s		£000s
34,914	Equity Investments	29,037
4,675	Government Bonds	3,391
3,283	Other Bonds	2,066
5,322	Property	3,820
1,542	Cash/Liquidity	663
0	Other	0
49,736		38,977

The Fund's assets consist of the following categories, by proportion of the total assets held by the fund:

31 March 2008		31 March 2009
%		%
70.20	Equity Investments	74.50
9.40	Government Bonds	8.70

6.60	Other Bonds	5.30
10.70	Property	9.80
3.10	Cash/Liquidity	1.70
0	Other	0
100.0		100.0

30. Earmarked Reserves

	01 Apr 08	Receipts	Payments	Transfers	31 Mar 09
	£'000	£'000	£'000	£'000	£'000
Piper Life Line	169	111	(62)	0	218
Cricket Pitch Construction	8	0	0	0	8
Larkins	94	0	0	(94)	0
Tommy Wilson Centre	6	0	0	0	6
Environmental Seminars	42	9	(14)	0	37
Insurance Claims	297	0	0	0	297
Liz Bottomley Trust Fund	4	0	0	0	4
Olympics 2012	120	0	0	(120)	0
Carry Forward of Budgets	34	0	(34)	0	0
Total Earmarked Reserves	774	120	(110)	(214)	570

Piper Life Line is an account for the emergency call alarm system operated by the Council.

Larkins is an insurance claim for a pavilion destroyed on Larkins Playing Fields. Members agreed at the meeting of the Council on 25th February 2009 to transfer this reserve into the General Fund Balance.

Insurance Claims is in relation to the Council's previous insurers (Municipal Mutual Insurance) who are in a Scheme of Arrangement. The earmarked reserve is an estimate for when it may be necessary to cover both claims that are in the process of settlement and any others that may still arise.

Olympics 2012 was held for future costs in relation to the preparation and promotion of Brentwood for the Olympic Games in 2012. Members agreed at the meeting of the Council on 25th February 2009 to transfer this reserve into the General Fund Balance.

Carry Forward of Budgets is the budget provision to be carried over to the next financial year for revenue projects that have not been completed by 31 March. This facility has not been applied for 2008/09.

31. Analysis of Government Grants

2007/08			2008/09
£'000			£'000
10,869	DWP	Rent Allowances and Rebates	12,151
3,603	DWP	Council Tax	3,743
731	DCLG	Revenue Support	633
4,354	DCLG	Receipts from NNDR Pool	4,544
910		Others	409
20,467			21,480

32. Analysis of Net Assets Employed

31 Mar 08 £'000		31 Mar 09 £'000
3,852	General Fund	37,550
447,590	Housing Revenue Account	381,106
1,289	Collection Fund	1,022
452,731		419,678

33. Revenue Balances

31 Mar 08 £'000		31 Mar 09 £'000
11	Suspense	(5)
2,734	General Fund	1,745
353	Housing Revenue Account	177
1	Community Charge	1
1,288	Council Tax	1,022
4,387		2,940

The Council Tax surplus will be credited to the General Fund and to Essex County Council, Essex Police Authority and the Essex County Fire and Rescue Service. The Suspense Account contains non-significant income unallocated at the end of the year.

34. Contingent Liabilities

At 31 March 2009 the Council had not completed its Equal Pay review and is therefore unable to quantify any additional cost that may arise from these reviews. The review will be completed during the 2009/10 financial year and should be quantifiable at 31 March 2010.

The Council's previous insurers (Municipal Mutual Insurance) are in a Scheme of Arrangement. There is an estimated outstanding contingent liability of £297,000, which has been set aside in an earmarked reserve for when it may be necessary to cover both claims that are in the process of settlement and any others that may still arise.

35. Agency Agreements

(a) Civil Parking Enforcement

The Council operates the parking enforcement in the Borough under an agency agreement with Essex County Council, the highways authority.

2007/08 £'000		2008/09 £'000
513	Expenditure	511
(469)	Income	(341)
44		170

(b) Highways Agency

The Council operates a local Highway partnership in conjunction with Essex County Council, the Highways Authority.

2007/08 £'000	2008/09 £'000
542	548
(522)	(509)
20	39

36. Analysis of change in net funds/(debt)

	01 April 08 £000	31 March 09 £000	Movement £000
Short Term Deposits and Investments	4,966	5,007	41
Cash and Bank	209	0	(209)
Finance Leases <1 year	(173)	(35)	138
Deferred Liabilities < 1 year	(31)	(30)	1
Bank Overdraft	0	(769)	(769)
Finance Leases > 1 year	(128)	(92)	36
Long Term Borrowing	(7,215)	(7,215)	0
Deferred Liabilities > 1 year	(734)	(705)	29
Increase in net cash flow	(1,629)	(2,532)	(733)
Reconciliation of cash flow to movement in net funds/(debt)			
Decrease in cash and cash equivalents			(978)
Cash to pay finance leases			174
Cash to pay deferred liabilities			30
Movement on Interest Accrued			(129)
Cash from Management of Liquid Resources			170
Movement in net debt			(733)

37. Reconciliation of net cash flows from revenue activities

2007/08 £'000		2008/09 £'000
8,405	<u>Deficit/(Surplus) on:</u>	
(149)	Income and Expenditure Account	44,991
8,256	Collection Fund	267
	<u>Non-cash items:</u>	
(1,326)	Depreciation and Impairment	
	- GF fixed assets	(6,125)
(9,174)	- HRA fixed assets	(37,985)
(240)	Write down of REFCS (previously deferred charges)	(747)
6	Net loss on disposal of fixed assets	(124)
7	Movement in pension reserve	(731)
2	Movement in suspense accounts	(18)
7	Movement in Provision	30

119	Amortisation of Grants	119
(126)	Other Non Cash Adjustments	125
(10,725)		(45,456)
	<u>Items on an accruals basis:</u>	
0	Increase/(decrease) in stocks and WIP	63
122	Increase/(decrease) in Debtors	365
2,449	(Increase)/decrease in Creditors	(1,689)
2,571		(1,261)
	<u>Other items:</u>	
(371)	Interest Paid	(514)
739	Interest Received	664
368		150
470	Net Cash (Inflow)/Outflow from Operating Activities	(1,309)

38. Reconciliation of Liquid Resources

Liquid resources are comprised of short term asset investments that can be sold or converted into cash without any material impact or consequential effect, financial or otherwise, upon the Council.

	01 Apr 08 £000	31 Mar 09 £000	Movement £000
Short Term Investments	5,000	4,000	(1,000)
Short Term Deposits	1,250	2,250	1,000
	6,250	6,250	0
Less			
Assizes Trust Investment	1,477	1,307	(170)
	4,773	4,943	170

39. Authorisation for Issue

The statement of accounts were authorised for issue by the Interim Director of Finance on 7 August 2009.

40. Note to the Accounts on Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments: Loans and Receivables values exclude Assize House Trust Fund.

	Long-Term		Current	
	31 Mar 08 £000	31 Mar 09 £000	31 Mar 08 £000 Restated	31 Mar 09 £000
Total Borrowings:				
Financial Liabilities at amortised cost	(7,215)	(7,215)	-	
Deferred liabilities	(734)	(705)	(31)	(30)
Total Investments:				
Loans and receivables	-		4,966	5,007

41. Note to the Accounts on Financial Instrument gains/losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

Income and Expenditure Account	Liabilities measured at amortised cost £000	Loans and receivables £000	Total £000
Interest payable and similar charges	(514)	-	(514)
Interest and investment income	-	664	664
Net gain/(loss) for the year	(514)	664	150

No fair value gains or losses have been recognised in the Income and Expenditure Account.

42. Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flow that will take place over the remaining term of the instrument, using the following assumptions.

- Estimated interest rate at 31 March 2009 of 5.39% for loans with the PWLB
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31 March 08		31 March 09	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	(7,215)	(9,227)	(7,215)	(9,033)
Deferred Liabilities	(765)	(989)	(735)	(920)
Loans and Receivables at amortised cost	4,966	4,966	5,007	5,007

The fair value of the financial liabilities is greater than the carrying amount because the Council has fixed rate loans where the interest rate payable is greater than the rates available for similar loans at the balance sheet date. Loans and receivables are all less than 365 days and therefore the fair value has been assessed as not significantly different to the carrying amount. The values for Loans and Receivables have been restated to exclude Assize House Trust Fund.

43 Disclosure of the nature and extent of risks arising from financial instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out under policies approved by the Council in the annual Treasury Strategy Statement. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from the deposits with banks and financial institutions, as well as credit exposure to the Council's customers. Deposits are made with the Council's Bank, Local Authorities and the top 20 Building Societies that have a Moody's rating of P1/A3/C or better. There is a maximum total amount of £5m deposited with any one borrower.

The Council's potential exposure to credit risk is assessed as minimal as Local Authorities, the Council's bank and selected Building Societies have not defaulted on payments.

The Council's credit for customers totals £5,026m which is detailed below. The Council monitors its arrears and ensures effective recovery of debt, but because of customer circumstances and particularly in the current economic position, has to be considerate of their financial position.

31 Mar 08		31 Mar 09
£000		£000
1,470	Council Tax	1,665
520	Business Rates	978
480	Dwelling Rent	481
1,351	Sundry Invoices	1,902
3,821	TOTAL	5,026

The Council regularly monitors its collection rates and has consistently recovered over 97% of Council Tax, Business Rates and Dwelling Rents. These collection rates are reported as part of the Council's performance management statistics.

Liquidity Risk

As the Council has ready access to borrowing from the Public Works Loan Board, there is no significant risk that it will be unable to raise finances to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates. The strategy is to ensure that no more than 30% of loans are due to mature within a rolling 12 month period and 50% in 24 months. Liquid Risk is currently not a significant risk as all borrowings mature in more than 15 years.

Market Risk

Interest Rate Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movement in interest rate have an impact on the Council's finances. For instance, a rise in interest rate would have the following effects:

- Borrowing at variable rate – the interest expense charged to the Income and Expenditure Account would rise
- Borrowing at fixed rate – the fair value of the liabilities borrowings will fall
- Investments at variable rate – the interest credited to the Income and Expenditure Account will rise
- Investments at fixed rate – the fair value of the assets will fall

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

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstance makes it favourable, fixed rate loans will be repaid early to limit exposure losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The Council has an effective strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

At 31 March 2009, if the interest rates had been 1% higher (with all other variables constant) interest receivable on variable rate loans would increase by £138,000 (of which £3,500 would be credited with the HRA).

All of the Council's borrowing is at a fixed rate therefore there is no exposure to market interest rate risk for interest payable.

The Council is not exposed to price risk or foreign exchange risk as no equity shares or financial assets or liabilities in denominations of foreign currency are held.

44 Post Balance Sheet Events

There are no significant post balance sheet events.

45 Local Area Agreement (LAA)

The Council is a participant in a LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2008/09, the LAA completed the third and final year of its three year agreement.

The purpose of the LAA is:

- To form an agreement between the Essex Partnership, Essex County Council, Essex's Health Organisations, Fire and Police Services, the Essex Learning and Skills Council, Essex's twelve Local Strategic Partnerships and District and Borough Council's, and other local partners including the Community and Voluntary Sector and the Government (represented by Government Office for the East of England), to achieve fourteen outcomes that are regarded as being key to making Essex a better place to live and work.

- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Essex by pooling and aligning funding streams.

The LAA partners are:

Local Government Bodies

- Essex County Council, Basildon District Council, Braintree District Council, Brentwood Borough Council, Castle Point Borough Council, Chelmsford Borough Council, Colchester Borough Council, Epping Forest District Council, Harlow District Council, Maldon District Council, Rochford District Council, Tendring District Council, Uttlesford District Council.

Local Strategic Partnerships (LSP)

- Basildon District LSP, Braintree PACT (Partners and Communities Together), Brentwood LSP, Castle Point LSP, Chelmsford Strategic Partnership Board, Colchester 2020 LSP, Epping Forest LSP, Harlow 2020 Partnership, Maldon 2010 Partnership, Rochford LSP, Tendring LSP, Uttlesford Futures.

Community Protection Authorities

- Essex County Fire and Rescue Service, Essex Police Authority, National Probation Service.

Health Bodies

- South East Essex PCT, South West Essex PCT, West Essex PCT, Mid Essex PCT and North East Essex PCT, Basildon and Thurrock University Hospitals NHS Foundation Trust, SE Partnership NHS Trust, East of England Strategic Health Authority.

Learning Bodies

- Essex Learning and Skills Council, Essex Southend and Thurrock Connexions, University of Essex.

Voluntary Organisations

- Essex County for Voluntary Youth Services.

Other Organisations

- Sport England, Haven Gateway Partnership, Thames Gateway South Essex Partnership, ESTIC, Families in Focus, Interlock, Rural Community Council for Essex, Essex Partnership Steering Group.

Essex County Council acts as the accountable body for the LAA. This means that they are responsible for the distribution of the grant paid by the Government Office to the partners involved. The total amount of LAA grant received by the accountable body for action planning in 2008/09 was £15million. The Brentwood LSP received £261,825 of this total.

**HOUSING REVENUE ACCOUNT
INCOME AND EXPENDITURE ACCOUNT
For the Year Ending 31 March 2009**

2007/08 £'000	Notes		2008/09 £'000
		<u>Income</u>	
(8,996)		Dwelling Rent	(9,325)
(518)		Non Dwelling Rent	(536)
(9,514)			(9,861)
(750)		Charges for services & facilities	(789)
(10,264)		Total Income	(10,650)
		<u>Expenditure</u>	
2,091		Repairs and Maintenance	2,198
1,906		Supervision and Management	1,977
826		Special Services	993
11		Rent, Rates, Taxes & Other Charges	11
33		Provision for Bad and Doubtful Debts	21
3,139	HRA8	Subsidy Payable	3,523
2,002	HRA3	Impairment	62,514
7,172	HRA3	Depreciation	(24,529)
17,180		Total Expenditure	46,708
6,916		Net Cost of HRA Service per the Council's Income and Expenditure Account	36,058
59		HRA services share of Corporate and Democratic Core	87
106		HRA share if other amounts included in the whole Council Net Cost of Services but not allocated to specific services	-
7,081		Net Cost of Service	36,145
4	11	Losses on disposal of Fixed Assets	124
76		Pension Interest cost and expected return on Assets	228
25	27	Amortised Premiums and Discounts	25
(55)		HRA Investment Income	(30)
7,131		Deficit for the Year	36,492

STATEMENT OF MOVEMENT OF HRA BALANCE
For the Year Ending 31 March 2009

2007/08 £'000	Note		2008/09 £'000
7,131		Deficit for the Year ending 31 March 2009	36,492
(7,125)	HRA1	Net additional amount required by statute and Non-proper practice to be credited to the HRA for the year	(36,316)
	6	Movement on HRA Balances	176
(359)		Balance at 31 March 2008	(353)
(353)		Balance at 31 March 2009	(177)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Notes to Statement of Movement on HRA Balance

2007/08 £'000	Notes	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on HRA Balance for the Year	2008/09 £'000
(2,002)		Impairment on HRA Assets	(62,514)
(5,343)		Excess of Depreciation charged to HRA services over Movement on Major Repairs Allowance element of Housing Subsidy	(4,548)
		Difference between any other item of income and expenditure determined in accordance with the SORP and statutory HRA requirements	30,903
(4)		(Losses) on disposal of Fixed Assets	(124)
1		Amount by which pension costs calculated in accordance with the SORP are different from the contributions due under the pension scheme regulations	(33)
(7,348)			(36,316)
223		Amount not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on HRA Balance	
		Capital expenditure charged to Revenue Balances	-
(7,125)			(36,316)

2. Housing Stock

31 Mar 08		31 Mar 09
No.		No.
	Flat	
606	1 Bedroom	605
513	2 Bedroom	513
62	3 Bedroom	62
	House/Bungalow	
290	1 Bedroom	290
403	2 Bedroom	403

656	3 Bedroom	650
14	4 Bedroom	14
2,544		2,537

In addition the Council retained a proportion of the equity in 18 properties (19 at 31 March 2008) purchased for sale on a shared ownership basis.

3. HRA Fixed Assets

	Total £'000	Dwellings £'000	Other £'000
Balance as at 01 Apr 08	472,708	464,387	8,321
Acquisitions	2,170	2,170	-
Disposals	(1,380)	(1,380)	-
Revaluation	(59,616)	(61,834)	2,218
Indexation	-	-	-
Balance as at 31 Mar 09	413,882	403,343	10,539

Depreciation:			
Balance as at 01 Apr 08	(25,471)	(24,577)	(894)
Annual Charge	(6,375)	(6,152)	(223)
Disposals	-	-	-
Balance as at 31 Mar 09	(31,846)	(30,729)	(1,117)
Net Fixed Assets 31 Mar 09	382,036	372,614	9,422
Net Fixed Assets 01 Apr 08	447,237	439,810	7,427

The reduction in value of the Council Dwellings has been charged to the HRA Income and Expenditure Account, then reversed out in the Statement of Movement in HRA balances to the Capital Adjustment Account (Balance Sheet). The reduction of value is the result of a reduction of the average property value.

4. Vacant Possession Value

HRA dwellings are valued in the balance sheet at existing use value for social housing, which is 54% of the vacant possession value. This reduction in value reflects the economic cost of providing council housing at less than open market rent.

Vacant possession value as at 01 Apr 09	£843,354,000
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5. Major Repairs Reserve

2007/08 £'000		2008/09 £'000
0	Balance as at 01 Apr 08	131
7,172	Depreciation	6,375
(5,343)	Transfers to HRA	(4,548)
(1,698)	Financing of Capital Expenditure (Dwellings)	(1,958)
131	Balances as at 31 Mar 09	0

6. Capital Expenditure and Financing

2007/08 £'000		2008/09 £'000
2,357	Expenditure	2,170
	Financed by:	
345	Borrowing	345
91	Useable Capital receipts	(133)
-	Grants	-
223	Revenue Contributions	0
1,698	Major Repairs Reserve	1,958
2,357	Total Capital Financing	2,170

All of the capital expenditure in the year related to dwellings. There was £91,000 of capital expenditure that did not result in a fixed asset.

7. Capital Receipts

Capital receipts of the value of £1,380,000 (£940,000 in 2007/08) were generated in the year, all of which related to dwellings.

8. HRA Subsidy

2007/08 £'000		2008/09 £'000
	Expenditure	
1,308	Allowances for Management	1,304
2,488	Allowance for Maintenance	2,538
1,829	Allowance for Major Repairs	1,827
199	Charges for Capital	213
5,824		5,882
	Income	
(9,065)	Rent	(9,431)
108	Rental Constraint Allowance	-
(8,957)		(9,431)
(6)	Interest on Receipts	(30)
(8,963)		(9,461)
(3,139)	Subsidy Payable	(3,579)

9. Rent Arrears

31 Mar 08 £'000		31 Mar 09 £'000
260	Arrears at 31 March	276
100	Provision for bad and doubtful debt	111

10. Pension Costs

The HRA proportion of pension transactions, disclosed in accordance with FRS17, is included in the statement of accounts. The actual HRA pension costs for the year ending 31 March 2009 are £147,000 (£165,000 in 2007/08).

COLLECTION FUND
For the Year Ending 31 March 2009

2007/08 £'000		2008/09 £'000
	<u>Income:</u>	
(24,359)	2 Business Ratepayers	(27,341)
(40,063)	3 Council Tax	(42,060)
(3,393)	3 Council Tax Benefit	(3,643)
(67,815)	Total Income	(73,044)
	<u>Expenditure:</u>	
	Precepts and Demands	
31,335	- Essex County Council	33,083
3,635	- Essex Police Authority	3,863
1,871	- Essex County Fire and Rescue Service	1,969
4,992	- Brentwood Borough Council	5,257
161	- Parish Councils	204
41,994	Total Precepts and Demands	44,376
225	Provision for Bad & Doubtful Debts	176
	Business Rates	
24,253	Payment to National Pool	27,235
106	Costs of Collection	106
	Distribution of Previous Year's Council Tax Surplus	
814	- Essex County Council	1,058
94	- Essex Police Authority	123
50	- Essex County Fire and Rescue Service	63
130	- Brentwood Borough Council	174
67,666	Total Expenditure	73,311
(149)	Movement on Collection Fund	267
(1,140)	Balance at 31 March 2008	(1,289)
(1,289)	5 Balance at 31 March 2009	(1,022)

NOTES TO THE COLLECTION FUND

1. General

This account reflects the statutory requirement to maintain a separate Collection Fund, which shows the transactions in relation to National Non-Domestic Rates, Council Tax and residual Community Charge. It illustrates the way in which these have been distributed to precepting authorities and the Council's General Fund. The Collection Fund balances are consolidated within the Council's Balance Sheet.

2. Business Ratepayers

National Non-Domestic Rates (NNDR) are organised on a national basis. The rateable value, total for Brentwood as at 31 March 2009 was £65,495,775 (£65,495,775 at 31 March 2008), is multiplied by a specified amount set by Government, i.e.46.2p (44.4p in 2007/08) or 45.8p for businesses with rateable value of under £10,000 applying for small business rates relief. The proceeds from NNDR are collected by the Council and paid into a national pool before being re-distributed per head of population, and are shown in the Income and Expenditure Account.

2007/08 £'000		2008/09 £'000
28,343	Gross Debit - NNDR	30,241
	<u>Less:</u>	
6	Transitional Relief	(33)
(1,953)	Charity Relief	(2,180)
(1,865)	Empty Allowances	(565)
(91)	Provision for Write offs	(198)
76	Brentwood Borough Council Discretionary Relief	82
(157)	Other Adjustments	(6)
(3,984)		(2,900)
24,359	Net Income from Business Ratepayers	27,341

3. Council Tax

2007/08 £'000		2008/09 £'000
48,244	Gross Council Tax	50,767
	<u>Less:</u>	
(36)	Disablement Discounts	(39)
(3,339)	Single Person Discount	(3,539)
(378)	Other Discounts	(402)
(1,035)	Exemptions	(1,084)
(4,788)		(5,064)
(3,393)	<u>Less: Council Tax Benefit</u>	(3,643)
40,063	Net Council Tax Due	42,060

4. Bad Debts Written Off

2007/08 £'000		2008/09 £'000
229	Council Tax	140
119	National Non-Domestic Rate	98
348		238

5. Balance Carried Forward

2007/08 £'000		2008/09 £'000
(1)	Community Charge	(1)
(1,288)	Council Tax Surplus	(1,021)
(1,289)		(1,022)

The Council Tax Surplus is to be shared and taken into account by both billing and major precepting authorities, i.e. Brentwood Borough Council, Essex County Council, Essex County Fire and Rescue Service and Essex Police Authority, in calculating their basic amount of Council Tax for subsequent years.

6. Council Tax Base

	A	B	C	D	E	F	G	H	TOTAL
Total No. of Properties (after adjusting for discounts)	435.56	2,128.00	5,265.06	6,957.81	4,971.43	3,960.34	3,490.48	446.82	27,655.50
Ratio to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	
Band D Equivalentents	290.37	1,655.11	4,680.05	6,957.81	6,076.19	5,720.50	5,817.46	893.64	32,091.13
Less Adjustments	4.37	24.81	70.15	104.41	91.09	85.90	87.26	13.44	481.43
Council Tax Base	286.00	1,630.30	4,609.90	6,853.40	5,985.10	5,634.60	5,730.20	880.20	31,609.70

APPENDIX ONE

Members' Allowances

The totals for members allowances paid in 2008/09 are shown below

	Basic Allowance £	Special Responsibility allowance £	TOTAL £
ASPINELL B R	6,612.00		6,612.00
ASPINELL M J	5,474.45		5,474.45
BAKER P J	6,612.00	5,835.00	12,447.00
BRAID A E	6,612.00		6,612.00
BREHAUT M R	6,612.00		6,612.00
CARTER R A	5,989.90		5,989.90
CHILVERS K A	6,612.00		6,612.00
COE A	6,612.00	548.20	7,160.20
ELPHICK C D	639.87		639.87
FARAGHER P J	639.87		639.87
GOLDING L A	6,612.00	1,061.04	7,673.04
GOLDING M D	5,989.90		5,989.90
GOOD D A G	639.87		639.87
HARDY D M	639.87		639.87
HARRISON R	6,612.00		6,612.00
HENWOOD M J W	6,612.00		6,612.00
HOLMES J E	6,612.00	1,061.04	7,673.04
HONES N C	6,612.00		6,612.00
HOSSACK C R	6,612.00	128.35	6,740.35
KEEBLE R C	5,989.90		5,989.90
KENDALL D J	6,612.00	5,835.00	12,447.00
KENNY F J M	3,048.87	1,984.73	5,033.60
LEE L M	6,612.00	5,257.50	11,869.50
LE-SURF M	6,612.00	2,564.10	9,176.10
LEWIS B K	6,612.00	10,379.20	16,991.20
LLOYD W A	6,612.00	932.69	7,544.69
MACLELLAN G E	6,612.00		6,612.00
MCCHEYNE R J	5,989.90		5,989.90
MCGINLEY J A	6,612.00	9,144.96	15,756.96
MCKINLAY L J	6,612.00	5,835.00	12,447.00
MINNS D	6,612.00	5,835.00	12,447.00
MONNICKENDAM J	6,612.00	1,061.04	7,673.04
PARKER K	6,612.00	5,835.00	12,447.00
PAYNE D	6,612.00	705.85	7,317.85
POUND J I	6,612.00	1,061.04	7,673.04
QUIRK R S	6,612.00	5,835.00	12,447.00
REED M P	2,718.27		2,718.27
SHEEHAN K	6,612.00	3,399.24	10,011.24
SLEEP A	6,612.00	705.85	7,317.85
SPARLING K M	6,612.00		6,612.00
STRAW R G	6,612.00		6,612.00
TEE D W	6,612.00	932.69	7,544.69
TOTAL	242,732.67	75,937.52	318,670.19

APPENDIX TWO

Glossary of terms

Term	Explanation
Accounting period	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 st April and ending on 31 st March the following year, for local authority accounts. The end of the accounting period is the balance sheet date.
Accrual	An accrual is a sum included in the accounts to cover income or expenditure attributable to an accounting period for goods received or work done, for which payment has not been received/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	An actuary is a suitably qualified independent consultant employed to advise the Council upon 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.
Appropriation	An Appropriation is the transfer of resources between the reserves.
Asset	An item having value measurable in monetary terms. Assets can either be defined as fixed or current. A fixed asset has use and value for more than one year where a current asset (e.g. stocks or short term debtors) can readily be converted into cash.
Balance Sheet	This is a summary of the financial position of the Council. It shows the balances and reserves at the Council's disposal, long term indebtedness and fixed and net current assets employed.
Best Value Accounting Code of Practice (BVACOP)	The system of local authority accounting and reporting has been modernised to meet the changing needs of modern local government particularly the duty to secure and demonstrate "best value" in the provision of services. The new Best Value Accounting Code of Practice provides guidance on the content and presentation of costs and service activities.
Billing Authority	A local authority charged by statute with the responsibility for the collection of, and accounting for, Council Tax, NNDR and residual Community Charge.
Budget	A budget is a financial statement that expresses the Council's service delivery plans and capital programmes in monetary terms. This normally covers the same period as the financial year but increasingly Councils are preparing medium term budgets covering 3 to 5 years.
Capital Adjustment Account	This account represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets, or for the repayment of external loans.
Capital Expenditure	This is expenditure on the acquisition or refurbishment of fixed 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 spending 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 the national pool.
Chartered Institute of Public Finance and Accountancy	CIPFA is the main professional body for accountants working in the public service. It produces guidance in relation to various matters concerning the public sector including financial and governance issues. It also produces Statements of Recommended Practice (SORP's) which local authorities must adhere to in producing their financial statements. Where a part of any SORP is not being adhered to, this must be specifically disclosed and the impact of this non-adherence be declared.
Collection Fund	A fund administered by the Council for the collection of Council Tax and National Non-Domestic Rates. Council Tax is paid into this fund and the net requirements of Essex County Council, Essex Police Authority, Essex County Fire and Rescue Service, Borough and Parish Councils are met from the Fund. Any surplus or deficit is shared between the various authorities other than Parish Councils.
Contingent liability	Contingent liabilities are possible or present obligations that arise 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. Contingent liabilities are not recognised in the accounts as an item of expenditure.
Council Tax	A local tax set by local authorities in order to finance their budget requirement. The level set by a Council will be dependent on its expenditure in relation to its Formula Grant.
Creditors	Amounts due, but not yet paid by the Council, for work done, goods received or services rendered during the financial year.
Current Assets	An asset held which will be used, or received, within the next financial year.
Current Liabilities	An amount which will become payable, or could be called in, within the next financial year.
Debtors	Amounts due, but not yet received by the Council, for work done or services supplied, during the financial year.
Deferred receipts	Deferred receipts represent 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 or retirement benefit other than a defined contribution scheme. Usually the scheme rules define the benefits 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 cost or revalued amount of the benefits of the fixed 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 employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996.
Exceptional Items	Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence such that the financial statements give a true and fair view.
Fees and charges	Charges made to the public for a variety of services such as parking charges, letting of community halls and the hire of sporting facilities.
Finance leases	Finance leases transfer all the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the lessee's Balance Sheet (also see 'Operating Leases').
Fixed assets – intangible	Assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) and will bring benefits to the Council for more than one financial year.
Fixed assets – tangible	Assets that have physical substance and are held for the provision of services, or for administration purposes, on a continuing basis.
Housing Revenue Account (HRA)	A separate account to the General Fund which includes the expenditure and income arising with the provision of housing accommodation by the Council
Income and Expenditure Account	This records all the income the Council has received to fund the day to day expenditure on the services it has provided during the financial year.
Investments	<p>A long term investment is intended to be held for use on a continuing basis in the activities of the Council. Investments are so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.</p> <p>Investments, other than those related to the pensions fund that do not meet the above criteria, are classified as current assets.</p>
National non domestic rates	These rates are the means by which local businesses contribute to the cost of providing local authority services. Business rates are paid into a national pool. The pool is then divided between all authorities in proportion to their formula grant allocation.
Net Worth	This is the overall value of the Balance Sheet at the end of the financial period.
Non operational assets	Fixed assets not directly used or consumed in the delivery of services, or for the service or strategic objectives of the Council. Examples include assets that are surplus to requirements, pending sale or redevelopment and assets under construction.

Operating leases	Operating leases are agreements for the rental of assets where the rewards and risks of ownership of the asset remain with the leasing company. The annual rentals are charged directly to the Income and Expenditure Account (also see Finance Leases).
Operational assets	Fixed assets held and occupied, used or consumed in the direct delivery of those services for which it has a statutory or discretionary responsibility or for the service of the strategic objectives of the authority.
Outturn	The actual results for the financial year in question.
Precept	The amount paid to each of the Essex County Council, Essex Police Authority, Essex County Fire and Rescue Service and Parish Councils from the Collection Fund to meet the cost of each authority's services.
Premium (PWLB)	In the event of the Council prematurely repaying a loan to the Public Works Loan Board (PWLB) it will be required to pay to the PWLB the difference between the present value of the remaining payments of principal and interest due on the loan and that calculated based on the rates of interest in force when the repayment is confirmed.
Provisions	An amount set aside to provide for a liability that is likely to be incurred but where the exact amount and the date on which it will arise is uncertain.
Public Works Loan Board (PWLB)	The PWLB is 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 to or receivable by an employee, including sums due by way of expense allowances and the estimated money value of any other benefits received by an employee otherwise than in cash. This excludes employers' pension contributions to the Pension Fund.
Reserves	The Council's accumulated surplus income in excess of expenditure, which can be used to finance future spending and is available to meet unforeseen financial events. Earmarked reserves are amounts set aside for a specific purpose in one financial year and can be carried forward to meet expenditure in future years.
Revaluation Reserve	This account represents the balance of the net surpluses arising on the revaluation of fixed assets.
Revenue Expenditure Funded from Capital under Statute (previously Deferred Charges)	Capital expenditure which may be properly capitalised but which does not result in or remain matched with tangible fixed assets, owned by the Council e.g. expenditure on Improvement Grants
Revenue Support Grant	This is the Central Government financial support towards the general expenditure of local authorities.

Retirement benefits	All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.
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 Director of Finance is the Council's Section 151 Officer.
Statement of Recommended Practice (SORP)	The Code of Practice on Local Authority Accounting or "SORP" sets out the arrangements required to be followed in the Statement of Accounts. It constitutes "proper accounting practice" and is recognised as such by statute.
Statement of Standard Accounting Practice	These are methods of accounting approved by the Accounting Standards Committee and are applicable to all accounts which are intended to give a true and fair view. They are gradually being replaced by Financial Reporting Standards.

Independent auditors' report to the Members of Brentwood Borough Council

Opinion on the financial statements

Independent auditor's report to the Members of Brentwood Borough Council Opinion on the financial statements

I have audited the accounting statements and related notes of Brentwood Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Brentwood Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts (the Code).

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board except that the scope of my work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

However, the evidence available to me was limited because:

1. I have been unable to obtain sufficient appropriate evidence to support:

Balance sheet

- Council Dwellings held in the balance sheet at £405.752 million;
- the disposal of Council Dwellings valued at £1.370 million (note 11(i));
- the valuation of Infrastructure assets at £0.870 million (note 11(i));
- the classification of £15.808 million of Other Land and Buildings as being specialised assets;
- the classification of two car parks held in the balance sheet at £1.115 million as non-operational assets;
- the Merrymeade House capital commitment disclosed at £0.873 million (note 11(v));
- debtors held in the balance sheet at £6.125 million including the provision for doubtful debts of £0.848 million (note 18);
- creditors held in the balance sheet at £6.912 million;
- the bank overdraft held in the balance sheet at £0.769 million;
- any adjustment to creditors that would be necessary to recognise the liability for finance leases that are accounted for as operating leases;
- £1.307 million excluded from temporary investments (note 7) and creditors (note 21) the balance sheet relating to a Trust Fund;
- the revaluation reserve held in the balance sheet at £9.551 million;
- 'Amounts Applied – Other' within the Useable Capital Receipts Reserve recorded at £1.415 million (note 28);

Income and expenditure account

- gross service expenditure in the income and expenditure account of £91.556 million;
- gross service income in the income and expenditure account of £37.953 million;

- Interest payable and similar charges in the income and expenditure account of £0.514 million;

Statement of Movement on the General Fund Balance

- the depreciation and impairment of General Fund assets of £6.125 million;
- the depreciation and impairment of HRA fixed assets of £31.611 million;
- the calculation of the Minimum Revenue Provision of £0.345 million;

Cash flow statement

- net cash outflow from revenue activities in the cash flow statement of £1.266 million;
- capital cash outflows in the cash flow statement of £3.685 million;
- capital cash inflows in the cash flow statement of £1.493 million;

Collection Fund

- the distribution of previous year's council tax surplus in the collection fund of £1.418 million.

2. Management has declined to provide written representations on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist, in particular:

- The design and implementation of internal control systems to prevent and detect fraud or error;
- Any instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council;
- The completeness and appropriateness of methods to estimate accruals, provisions, depreciation, impairment, asset valuations and pension scheme assets and liabilities;
- The completeness of contingent liabilities;
- The completeness of related party transactions;
- The existence of post-balance sheet events;

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion: Disclaimer on view given by the Statement of Accounts

Within Note 3 to the Housing Revenue Account the value of council dwellings at 1 April 2008 is disclosed as £439.810 million. The Council has valued these at existing use value rather than on an existing use value – social housing as required by the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice. In consequence, council dwellings as at 1 April 2008 in Note 3 to the Housing Revenue Account are overstated by approximately £202.313 million.

As set out in note 14, the Council has leased vehicles, plant and equipment and accounts for the leases as operating leases. In my view, application of Statement of Standard Accounting Practice (SSAP) 21 requires certain of these leases to be accounted for as finance leases. In consequence, fixed assets included in the balance sheet as at 31 March 2009 are understated by £1.402 million.

Because of the possible effect of the limitation in evidence available to me detailed in the 'basis of audit opinion' above, I am unable to form an opinion as to whether the financial statements present fairly the financial position of Brentwood Borough Council at 31 March 2009 and its income and expenditure for the year then ended.

Other matter

I reviewed the annual governance statement prepared by Brentwood Borough Council. In my opinion, the Authority's comments concerning significant governance issues do not appropriately reflect my understanding of the governance framework because the governance statement does not refer to significant internal control weaknesses:

- failure to reconcile the fixed asset register to other systems operated by the Council;
- failure to carry out monthly reconciliations of bank balances recorded in the Council's accounting system to the records held by its bankers;
- failure to carry out regular debtor and creditor control account reconciliations.
- failure to implement the recommendations raised by Internal Audit; and
- the absence of a Head of Internal Audit Opinion.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Adverse Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing, I identified that:

- the Council failed to put in place appropriate arrangements for the preparation of its financial statements for the year ended 31 March 2009 in consequence of which I was unable to obtain sufficient appropriate audit evidence and have issued a disclaimer of opinion on the financial statements;
- data security arrangements are weak and staff are unaware of data quality requirements;
- basic control weaknesses were identified as part of my audit, for example failure to raise purchase orders and failure to carry out bank and control account reconciliations. Risk management arrangements are weak with no arrangements to manage risks arising from partnerships; and

- workforce planning is not fully integrated with corporate plans and has yet to be embedded at the service level and the Council lacks a full analysis of gaps in skills.

For the reasons set out above, and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am not satisfied that, in all significant respects, Brentwood Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009, in that it did not put in place adequate arrangements for:

- timely and reliable financial reporting that meets the needs of internal users, stakeholders and local people;
- producing relevant and reliable data and information to support decision making and manage performance;
- managing its risks and maintaining a sound system of internal control; and
- planning, organising and developing its workforce effectively to support the achievement of its strategic priorities.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul King
Officer of the Audit Commission

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10 December 2009