

# Statement of Accounts

## 2010/2011



**SOUTHEND-ON-SEA BOROUGH COUNCIL  
STATEMENT OF ACCOUNTS  
2010/11**

**Mayor**

Councillor David Norman

**Leader of the Council**

Councillor Nigel Holdcroft

**Chief Executive and Town Clerk**

Rob Tinlin

**Head of Finance and Resources**

Joe Chesterton

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# CONTENTS

<b>EXPLANATORY FOREWORD</b>	<b>5</b>
Introduction	6
Financial Review 2010/11	8
<b>INTRODUCTORY STATEMENTS</b>	<b>14</b>
Statement of Responsibility for the Statement of Accounts	15
Approval of the Statement of Accounts	15
Head of Finance & Resources' Certificate	15
Annual Governance Statement	15
Independent Auditor's Report To The Members Of Southend-On-Sea Borough Council	25
<b>MAIN FINANCIAL STATEMENTS</b>	<b>27</b>
Movement in Reserves Statement	28
Comprehensive Income and Expenditure Statement	30
Balance Sheet	30
Cash Flow Statement	32
<b>NOTES TO THE MAIN FINANCIAL STATEMENTS</b>	<b>33</b>
Impact of the Adoption of International Financial Reporting Standards	34
Notes Contents List	41
<b>HOUSING REVENUE ACCOUNT</b>	<b>103</b>
HRA Income And Expenditure Account	104
Movement On HRA Balance	105
Calculation Of Movement On The HRA Balance	105
Notes To The HRA	106
<b>THE COLLECTION FUND</b>	<b>111</b>
The Collection Fund	112
Notes To The Collection Fund	113
<b>THE GROUP ACCOUNTS</b>	<b>117</b>
Introduction	118
Group Movement in Reserves	119
Group Comprehensive Income and Expenditure Statement	120
Group Balance Sheet	121
Group Cash Flow Statement	122
Notes to the Group Accounts	123
<b>ADDITIONAL FINANCIAL INFORMATION</b>	<b>125</b>
Members' Allowances	126
<b>ABBREVIATIONS AND GLOSSARY</b>	<b>127</b>
Abbreviations	128
Glossary	129



## **EXPLANATORY FOREWORD**



## INTRODUCTION

The information provided in this publication presents the financial position of Southend-on-Sea Borough Council as at 31 March 2011, and the financial results for the financial year 2010/11. As a large and diverse organisation, these accounts will by their nature be both technical and complex and the purpose of this foreword is to provide a guide to the accounting information and statements that follow and summarise the council's performance for the year.

Statutory accounting for Local Government has undergone a major change, in that we are now obliged to report under International Financial Reporting Standards (IFRS) rather than UK Generally Accepted Accounting Practices as in previous years. This has required the restatement of previous years accounts for the new reporting requirements. The principal areas affected by the change in financial reporting regime that have given rise to restatement are:

- Short-Term Accumulating Compensated Absences
- Leases
- Government Grants
- Investment Properties

The restatements made to previous Accounts are explained at the beginning to the "notes to the accounts" section.

The introduction of IFRS has also changed the presentation of the accounts. The core statements now comprise:

- **Movement in Reserves Statement**
- **Comprehensive Income and Expenditure Statement**
- **Balance Sheet**
- **Cash Flow Statement**

**The Movement in Reserves Statement** shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council

**The Comprehensive Income and Expenditure Account** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

**The Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'..

**The Cash Flow Statement** shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.



## EXPLANATORY FOREWORD

These four statements are then followed by notes providing more detailed information of various elements within the statements.

The main statements and their notes are supplemented by three further sections:

**The Housing Revenue Account (HRA)** reports separately on the council's landlord activities, which are consolidated into the main accounts. Detailed notes

follow these statements to expand on the information provided.

**The Collection Fund** reports separately on the collection and distribution of non-domestic rates and council tax.

**Group Accounts** consolidate the Council's main accounts with those of its subsidiary, South Essex Homes Limited.



## FINANCIAL REVIEW 2010/11

### REVENUE EXPENDITURE AND SERVICES PROVIDED

Revenue spending covers the day to day running costs of the Council's services, such as schools, social services and leisure. This spending is financed primarily from government grants, council tax and other income. The Council agreed a net budget, including Leigh-on-Sea Town Council precept, of £130.7m for 2010/11 (£127.6m for 2009/10).

In setting this budget, the Southend-on-Sea Borough Council element of council tax for Band D amounted to £1,117.89 representing a 2.95% increase over 2009/10.

The following table shows the final outturn position for 2010/11 on a net expenditure basis. The analysis of the actual costs reflects the way the Council's finances are managed, as opposed to the statutory required analysis used in the Statement of Accounts itself. The Comprehensive Income and Expenditure Statement on page 30 shows gross expenditure on services as £553.5m

	Budget £000	Actual £000	Variance £000
<b>Portfolios</b>			
Leader Policy & Finance	4,025	3,587	(438)
Deputy Leader	2,683	2,992	309
Adult Social Care, Health & Housing	53,728	52,076	(1,652)
Children & Learning	36,152	35,026	(1,126)
Corporate Support Services	5,704	4,118	(1,586)
Culture	10,452	11,668	1,216
Enterprise, Tourism & Regeneration	1,905	2,020	115
Public Protection & Waste	16,501	15,086	(1,415)
Transport & Planning	11,081	16,263	5,182
Contingencies etc	(95)	870	965
<b>Net Cost Of Services</b>	<b>142,136</b>	<b>143,706</b>	<b>1,570</b>
Capital Financing Removed	(8,198)	(17,162)	(8,964)
<b>Adjusted Net Cost Of Services</b>	<b>133,938</b>	<b>126,544</b>	<b>(7,394)</b>
Levies	412	453	41
Leigh Parish Precept	200	200	0
Financing Costs, Interest etc	9,019	8,230	(789)
<b>Net Operating Expenditure</b>	<b>143,569</b>	<b>135,427</b>	<b>(8,142)</b>
Revenue Contribution to Capital	587	1,808	1,221
Contribution to / (from) Earmarked Reserves	164	5,536	5,372
Contribution to / (from) General Reserves	0	384	384
<b>Total to be Funded from Council Tax and Formula Grant</b>	<b>144,320</b>	<b>143,155</b>	<b>(1,165)</b>
<b>Funding from Council Tax and Formula Grant</b>			
General Government Grants	(21,427)	(20,262)	1,165
Distribution From Non Domestic Rates Pool	(53,701)	(53,701)	0
Demand on Collection Fund	(68,610)	(68,610)	0
Collection Fund Surplus	(582)	(582)	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>



The table below reconciles the analysis on the Comprehensive Income and Expenditure Statement to the outturn summary on the previous page.

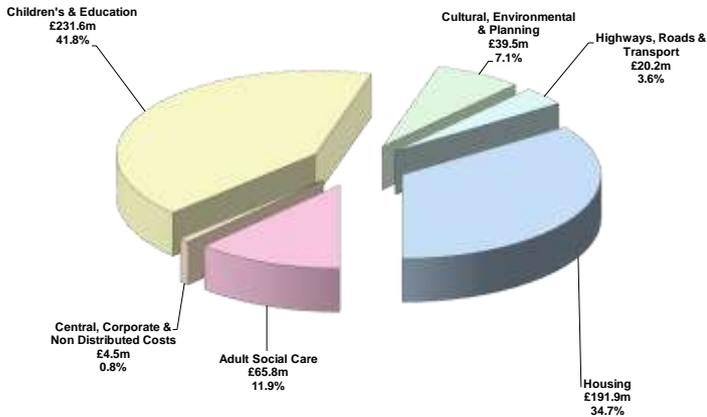
<b>Reconciliation of Gross Expenditure to Transfer to General Fund</b>		<b>2010/11 £000</b>
Gross Expenditure on Services	<i>page 30</i>	553,538
Gross Income on Services	<i>page 30</i>	(363,660)
<b>Net Expenditure on Services</b>	<b><i>page 30</i></b>	<b>189,878</b>
Other Operating Expenditure	<i>page 30</i>	752
Financing and Investment Income and Expenditure	<i>page 30</i>	13,603
Taxation and Non-Specific Grant Income	<i>page 30</i>	(161,916)
Adjustments between accounting basis and funding basis under regulation		(44,917)
Transfers to Earmarked Reserves and HRA		2,216
<b>Transfer to the General Reserve</b>		<b>(384)</b>

The “Transfer to the General Reserve” of £0.4m is common throughout, regardless of the format of the information.

Gross expenditure on services amounted to £553.5m. The charts on the following page show in broad terms the services provided for this expenditure, how this money was spent, and the sources of income that funded it.



**Gross Expenditure by Service**  
**£553.5m**

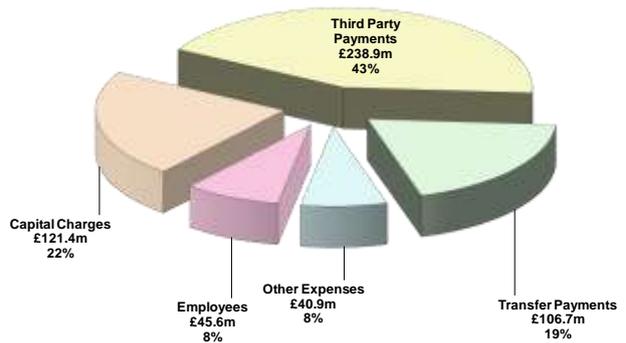


Central Services to the Public include council tax benefit and administration, all central support services, registration of births, deaths and marriages, elections and emergency planning.

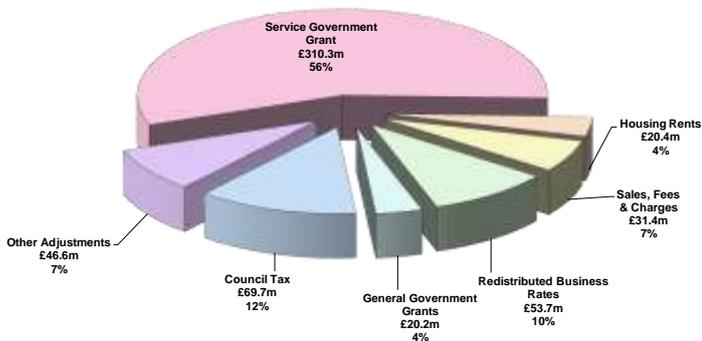
Corporate and Democratic Core includes mayoral costs, members' allowances as well as all the cost of members' activities in the capacity of democratic representation and the core costs for the provision of the management infrastructure to support the delivery of services.

Third party payments refer to the payments we make to our contractors. This accounts for the biggest proportion of our expenditure. The next largest is transfer payments, which mainly refer to Housing Benefit payments. Other expenses include maintenance of buildings, vehicle costs and purchase of supplies, whilst capital charges are notional charges made to services for the capital assets employed in the delivery of services.

**Gross Revenue Expenditure**  
**£553.5m**



**Revenue Funding Sources**  
**£553.5m**



It can be seen that over half of our income comes from Government Grants, either through grants for specific services, general government grants or our allocated share of business rates. Council tax is the next largest income stream.

Other income includes receipts for investment income, lottery grants and reimbursements.

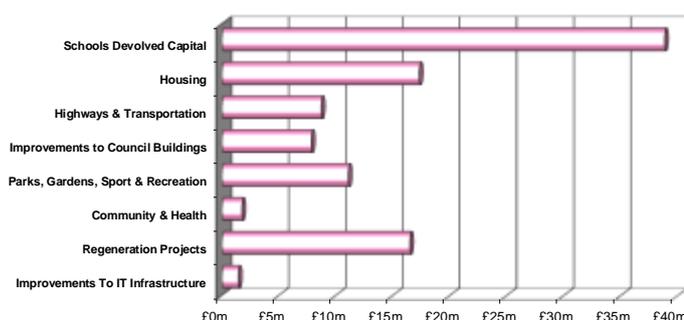


**CAPITAL EXPENDITURE**

Capital spending can generally be defined as that spending which generates assets that have a life of more than one year. This includes the acquisition or construction of new assets and expenditure that improves, and not merely maintains, the value of existing assets.

In 2010/11 the Council spent £103.5m on capital projects broadly categorised as follows:

**Capital Expenditure**

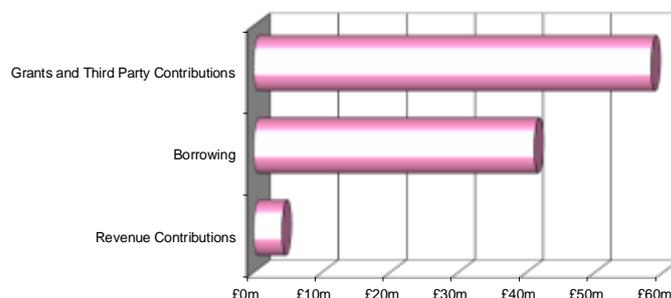


The table below describes some of the larger capital projects that the Council has undertaken this year.

	2010/11 £000
Investment in Housing Stock	17,429
Belfairs School	14,792
Chase High School	5,604
New Swimming Pool	5,599
Investment in Highways Infrastructure	5,506
City Beach	5,295
Victoria Gateway	4,968
Cuckoo Corner	2,807
Progress Road	2,768
Devolved Schools Capital	1,650
St Christopher Special School	1,628

The external funding of the capital programme comes from a number of sources, including government funding, third party (private sector) contributions, capital receipts from the sale of assets, and government approved borrowing. The following diagram shows how the £103.5m capital expenditure was funded for the 2010/11 year.

**Financing of Capital Expenditure**



As can be seen from this chart, the majority of the funding for the 2010/11 programme was received through grants, followed by borrowing then reserves.

Borrowing is kept within affordable levels, with the total accumulated long term loans owed to external lenders amounting to £195.3m at 31 March 2011 (£155.3m at 31 March 2010).

The Council also owes money to Essex County Council in respect of assets transferred to Southend-on-Sea Borough Council in 1998 as part of the Local Government Re-organisation. The amount is £16.5m at 31 March 2011 (£17.2m at 31 March 2010).

The Council's operational upper limit for borrowing has been set at £240.0m. Taking into account the borrowing outlined above, this leaves headroom of £28.2m.

This level of debt should also be viewed in relation to the Council's long term assets which have a net book value of £805.3m at 31 March 2011.

**PENSION SCHEME**

Accounting Standard IAS 19 requires the full recognition of pension fund costs and liabilities to be disclosed in the accounts. Southend-on-Sea Borough Council is a member of the Essex County Council Pension Fund and the actuaries for this fund have estimated that the fund is currently in a net deficit position. The Council's share of this deficit, taking into account assets, investments and current and future liabilities has been estimated by the actuaries to be £126.3m as at 31 March 2011 (£144.3m as at 31 March 2010). All disclosures as required by IAS 19 are included in Note 47 page 92 to the Accounts.

**HOUSING**

On 24 October 2005, Southend-on-Sea Borough Council transferred responsibility for the management of its housing stock to South Essex Homes Limited, an Arm's Length Management Organisation (ALMO), controlled by the Council. Southend-on-Sea Borough Council retains

## EXPLANATORY FOREWORD



ownership of the housing stock and the statutory responsibility for the Housing Revenue Account (HRA).

The Council is required by statute to maintain the HRA in overall surplus, which includes balances brought forward from the previous year.

For the 2010/11 year the Housing Revenue Account Statement of Movement has a surplus carried forward of £3.7m (*surplus for 2009/10 was £3.5m*) after charging an overall surplus on the Income and Expenditure Account of £0.2m (*2009/10 deficit of £0.9m*). Council rents were increased on average by 3.10% in 2010/11 (3.10% in 2009/10) in line with government guidelines.

In 2010/11 average rents per property (excluding service charges) were £64.80 per week.

The full financial performance of the HRA is reported on pages 103 to 110 of this document.

### GROUP PERFORMANCE

Local Authorities with subsidiary companies, associated companies and joint ventures are required to prepare group accounts. As a subsidiary, South Essex Homes Limited prepares and publishes its own accounts, which are then consolidated with Southend-on-Sea Borough Council. The single entity accounts for South Essex Homes Limited reports an after tax profit of £1,194k.

### CHANGES IN ACCOUNTING POLICIES

2010/11 has seen the full introduction of International Financial Reporting Standards in Local Government. As such the Council's accounting policies have been completed reviewed and refreshed as necessary to take into account the requirements of IFRS.

### OUTLOOK FOR 2011/12

The Budget Requirement for 2011/12 has been set at £130.5m for Southend-on-Sea Borough Council and £0.2m for Leigh-on-Sea Town Council. The council tax for a Band D property for 2011/12 has been set at £1,117.89 for Southend-on-Sea Borough Council plus an additional £22.55 for the Leigh-on-Sea Town Council area. Additional charges are made in respect of Essex Police Authority and Essex Fire and Rescue Authority.

Alongside the wider community of Southend, the Council faces financial challenges arising from the current economic downturn. In particular our fees and charges income and the interest earned from our cash investments is likely to be significantly lower. As part of our financial planning we have made preparations to help protect the Council's financial position and as a consequence protect the provision of frontline services to the public. However we are very aware that as central government tackles the national budget deficit, resources for local government are likely to reduce significantly over coming years.

### LOOKING FORWARD

(Extract from "Southend-on-Sea Borough Council Annual Report and Corporate Plan 2011")

2010-11 was a year of change, challenge and delivery. A new Government meant adapting to a different national agenda. We had to make very difficult decisions in order to make large budget savings. And we completed a series of hugely important projects to help transform the town.

### Budget 2011-12

Taking £15.5m out of our budget for this year means some services have had to be targeted or restricted. However, we have done our utmost to protect front line services and – unlike many other local authorities – have avoided stopping or closing services this year.

This has been possible because of the savings we've made by streamlining back office functions, merging service areas, sharing services with other organisations, investing in technology to reduce costs and in every way, driving efficiencies. These savings have also enabled us to freeze the Council Tax, which was already one of the lowest in the country.

Unfortunately, our reduced budget has meant some staff leaving the Council's employment, but we have minimised job losses by redeploying as many staff as possible and have reviewed decisions to assess the impact on the needs of the most vulnerable in our community and our staff. Along with the whole public sector, we will have to make even tougher decisions over the next three years in order to cope with increasingly scarce resources.

### Council of the Year

Despite these challenges, we have continued to make widespread improvements across a range of areas and our achievements have been increasingly recognised nationally. In 2010 we reached the final of the prestigious Local Government Chronicle Awards for 'Most Improved Council', and in 2011 we went one step better and were selected as finalists in the 'Council of the Year' category.

Several of our services have been recognised with national awards and accolades. These include street cleaning, revenues & benefits; ICT; housing; legal services; youth offending service; customer services; leisure centres; transport; museums and libraries. In addition, the Council was ranked 35th best employer in Stonewall Workplace Index, was accredited as an Investors in People (IIP) employer, reflecting continuing increases in staff and customer satisfaction levels. We must congratulate all our employees, who have worked so hard in challenging circumstances, to achieve these accolades.



**Transforming the Borough**

Our ambitious programme of infrastructure projects at City Beach, Victoria Gateway, Cuckoo Corner and Progress Road was completed on time and on budget. Traffic is now flowing better, lighting columns and other improvements at City Beach are encouraging visitors to stay longer and access to the high street has improved.

The opening of the state-of-the-art, award winning Southend Swimming and Diving Centre, ready to be used by the Olympic diving team in preparation for 2012, was a huge achievement. Arts Council awards to Metal Culture, Focal Point Gallery and the Elmer Square partnership demonstrate that Southend-on-Sea is now seen as a leading cultural centre and that national bodies have great confidence in us.

**Ambition**

We have huge ambitions for the Borough: to be recognised as the cultural capital of the East of England; to promote a thriving sustainable economy; to have first class services and flourishing, active communities. In the coming year, we will be looking at ways to put more power in the hands of communities, we will be even more innovative and entrepreneurial in our use of resources and we will continue to deliver on the transformation of the look and feel of the town.

Despite the financial constraints the Council is still investing to improve services and deliver future savings. This includes: refurbishing the Civic Centre to save money by closing four other buildings; improving ICT infrastructure to allow more efficient working; replacing the Central Library and University of Essex and South Essex College libraries through the Elmer Square project; the re-opening of a re-furbished Prttlewell Priory and the £3m enhancement of the Pier with a brand new cultural centre.

This next year will bring us many challenges, but we are confident that we will be able to meet them.

**Corporate priorities for 2011/2012**

The Council's Corporate Priorities are produced following consultation with local residents and informed by the vision and priorities of Southend Together Partnership. The priorities, while very similar to 2010/11 have been amended to reflect the challenging financial position faced by the Council.

<b>Aims</b>	<b>Priorities</b>
<b>Safe</b>	Continue to reduce crime, disorder and anti-social behaviour.  Ensure a well-maintained and attractive street scene, parks and open spaces.
<b>Clean</b>	Where possible minimise our impact on the natural environment
<b>Healthy</b>	Maintained improved outcomes for vulnerable adults and older people  Support Southend to be active and alive with sport and culture
<b>Prosperous</b>	Continue to improve outcomes for vulnerable children  Encourage the prosperity of Southend and its residents  Enable well-planned quality housing and developments that meet the needs of Southend's residents and businesses  Reduce inequalities and increase the life chances of people living in Southend
<b>Excellent</b>	Deliver strong, relevant and targeted services that meet the needs of our community

**Councillor David Norman  
The Worshipful The Mayor**



## **INTRODUCTORY STATEMENTS**



## **STATEMENT OF RESPONSIBILITY 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 Head of Finance and Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### **THE HEAD OF FINANCE AND RESOURCES' RESPONSIBILITIES**

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

In preparing this Statement of Accounts, the Head of Finance and Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

The Head of Finance and Resources has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **HEAD OF FINANCE & RESOURCES' CERTIFICATE**

I certify that these accounts present a true and fair view of the financial position of the Council at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

**Joe Chesterton, CPFA**  
**Head of Finance and Resources**  
**9 September 2011**

### **APPROVAL OF THE STATEMENT OF ACCOUNTS**

In accordance with the requirements of Regulation 8 of the Accounts and Audit Regulations 2011, I confirm that the Statement of Accounts was approved by resolution of the Audit Committee of Southend on Sea Borough Council on

**Councillor Ian Robertson**  
**Chair of Audit Committee**  
**21 September 2011**



## ANNUAL GOVERNANCE STATEMENT

### SCOPE OF RESPONSIBILITY

Southend on Sea 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, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Southend on Sea Borough Council has approved and adopted a Local Code of Governance (the Code), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in local government. 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 Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the production and publication of a Statement on Internal Control.

### THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, 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 those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and 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 and the impact should they be realised; and to manage them efficiently, effectively and economically.

The governance framework has been in place at Southend on Sea Borough Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

### OPERATION OF THE GOVERNANCE FRAMEWORK

The governance framework ensures the Council's vision and key priorities are effectively promoted and progressed through its corporate governance arrangements and business planning processes. The key elements of the governance framework are as follows:

- Community Engagement
- Business Strategy and Planning
- Financial Reporting including Budgetary Control and Asset Management
- Policy Framework
- Risk Management including Fraud and Corruption
- Health and Safety
- Business Continuity
- Performance Management
- Data Quality
- Data Management and Security
- Value for Money
- Procurement
- Partnerships
- Project Management
- Complaints
- Codes of Conduct for Members and Staff
- The operation of Cabinet, Overview and Scrutiny Committees and the Standards Committee

These areas form the main sources of assurance to be considered in any review of the internal control environment. In support of the review process, the Code has been produced setting out the detailed procedures to be reviewed in each area before an opinion on the effectiveness of the system of internal control can be expressed.

The Head of Policy and Improvement has been given the responsibility for overseeing the implementation and monitoring of the Code, through a process which consists of:

- Quarterly reports to the Corporate Management Team and the Audit Committee which set out:
  - weaknesses identified in the governance arrangements; and
  - any corrective action necessary to resolve concerns identified:

- An annual review of the governance framework supported by officer assurance statements certified by Heads of Service and Corporate Directors
- An annual report to the Corporate Management Team and the Audit Committee on the adequacy of governance arrangements
- An annual refresh of the Code, with any significant amendments being reported to the March Audit Committee.

The Council's key governance and business planning processes are also subject to audit on a risk basis. This work forms part of the evidence in support of the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's systems of internal control.

The full Code and associated appendices are available on the Southend-on-Sea Borough Council website: [www.southend.gov.uk](http://www.southend.gov.uk)

### **Review of Effectiveness**

Southend on Sea Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

### **Reviewing the Effectiveness of the Framework**

The Council's Monitoring Officer is responsible for the maintenance of the Constitution and for reviewing its relevance and effectiveness, ensuring that it is fit for purpose at all times. Any changes to the Constitution are approved by Full Council.

The Council operates within a Cabinet and Leader model of governance. Cabinet is responsible for the majority of functions of the Council within the budget and policy framework set by Full Council. Executive decisions are taken by the Cabinet collectively or by officers acting under delegated powers, depending upon the significance of the decision being made. For urgent issues, the Chief Officer can take a decision in conjunction with the Portfolio Holder.

Decisions made by the Cabinet may be called in to a scrutiny committee in accordance with the provisions of the Scrutiny Procedure Rules. A decision made by Cabinet can be called in by any 2 Members with written notice given to the Chief Executive within 5 working days from the date of publication of the digest.

The Council has three scrutiny committees which review and scrutinise proposed decisions in their respective areas of responsibility. The committees will review and

scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions. In accordance with the Health and Social Care Act 2001, the Community Services Scrutiny Committee also scrutinises health matters.

The Council has a Standards Committee to promote and maintain high ethical standards of conduct for elected and co-opted Members. A key role of the Committee is to help elected and co-elected Members to observe the Members' Code of Conduct; and to monitor the effectiveness of the Members' Code of Conduct.

The Council operates a development and training programme for Members to help support them in their strategic roles.

A local authority has a duty to ensure that it is fulfilling its responsibility for adequate and effective risk management, control and governance. To this end, the Council has in place a Member-led Audit Committee. The Audit Committee has a key role in overseeing and assessing the risk management, control, and corporate governance arrangements and advising the governing body on the adequacy and effectiveness of these arrangements.

The Council's major policy objectives and priorities are detailed in a three year Corporate Plan, developed in consultation with key stakeholders. The plan has objectives that are outcome-focused. These are intended outcomes for Southend's communities – citizens and service users. The plan articulates the authority's vision, is subject to an annual progress review and updating, and is approved by the Corporate Management Team, Cabinet, and Council.

The Corporate Plan is underpinned by detailed service plans that are monitored monthly by Departmental Management Teams to ensure that improvement is being delivered. In addition, a Monthly Performance Report is produced detailing key performance indicators that underpin the Council's Corporate Priorities. This report is monitored by Corporate Management Team, Performance Improvement Task Group, Cabinet, and Overview and Scrutiny Committees.

Financial monitoring reports are produced on a monthly basis and form part of the Council's Monthly Performance Report. Reports detail deviation from budget and are considered by Cabinet and Overview and Scrutiny Committees. A Medium Term Financial Strategy is refreshed annually and is driven by the priorities agreed by the Council and contained within the Corporate Plan.

Corporate and service risk registers were formally reviewed and reported upon each quarter. The Corporate Risk Register forms part of the Council's Monthly Performance Report, and a summary report on the Council's risk management arrangements was



produced each quarter and reported to the Audit Committee.

The Council engages with all of the communities within Southend and its arrangements are formulated within a Consultation and Engagement Strategy. Consultation and engagement activity and the results of this activity are reported and are integrated into service planning and delivery.

### INTERNAL AUDIT

The annual risk based audit plan was prepared in consultation with Corporate Directors and the Audit Committee. The audit plan was delivered with reports issued to senior managers at the conclusion of each audit highlighting internal control weaknesses identified and the actions required to address them. Recommendations were also reviewed to ensure they were implemented properly, by the due date. A quarterly summary audit report was taken to Corporate Management Team and the Audit Committee. The Head of Internal Audit annual report and opinion was also considered by Corporate Management Team and the Audit Committee.

Internal Audit has been subject to regular review by external audit in order that they can place reliance on the audit work. The statutory annual assessment of Internal Audit's performance was reviewed by external audit.

### EXTERNAL AUDIT

External Audit is undertaken by PKF (UK) LLP who review the design of controls in place within the core financial systems if relevant to their audit opinion. Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Final Report to Those Charged with Governance. The auditors also review the arrangements in place for securing data quality and value for money, as well as internal control arrangements such as risk management. This is reported to the Audit Committee, together with an action plan to address any concerns and an update of outstanding issues from previous action plans.

### EXTERNAL INSPECTIONS

External inspections review the effectiveness of the Council in those areas under review. These were undertaken through the Comprehensive Area Assessment (CAA) process, until this was ended by the Government in June 2010. CAA provided for an Organisation Assessment giving a judgement on Managing Performance and Use of Resources. The Audit Commission published an Organisational Assessment score of 3 ('performing well') for the Council, in December 2009, comprising a Managing Performance score of 3 and a Use of Resources score of 3. This demonstrated continued and sustained improvement for the Council

and an improved score was anticipated to be reported in December 2010.

External assessments for Adult and Children's Services by the Care Quality Commission and Ofsted respectively were reported in December 2010, with both being assessed as 'performing well'. Other formal inspections, including of social care registered services; unannounced inspection of front-line child protection services and schools, along with other external assessments, such as for the Equality Framework, Investors in People and service specific assessments (eg for Customer Service Excellence) provide further independent assurance of governance arrangements and the quality of service provision.

### Key Governance Issues

Key governance issues that have been identified as part of a review of the Council's governance requirements resulting from operating in a new era of external assessment and a review of manager assurance statements.

The main areas identified by managers as requiring further work are:

- Business Continuity, where the Council needs to:
  - update its business continuity plan to cover all service areas; and
  - clearly set out the services' roles and responsibilities in implementing the plan and
- Procurement: to significantly improve procurement arrangements for items of spend under the EU Threshold.

A further area that has been identified for action is the need to:

- Determine how the Council ensures that appropriate governance arrangements are established when working with partnerships, voluntary services and other non statutory bodies and that they operate satisfactorily.

## South Essex Homes Limited

### Scope of responsibility

South Essex Homes (SEH), formed in October 2005, is the Arms Length Management Organisation of Southend-on-Sea Borough Council, responsible for the management and maintenance of the Council's homes. The 2009/10 Management Fee payable to SEH from the Council for such services was £9.232 million.

There is a formally binding Management Agreement between the Council and SEH and this clearly sets out the governance arrangements that should apply between the two parties. This complies with national best practice.

SEH is managed by a board comprising five Council nominees, five tenants and five independent members. The board is ultimately responsible for ensuring that SEH establishes and maintains a sound system of internal control appropriate to the various business environments in which it operates. Committees reporting to the board include Audit Committee, Performance Committee, Personnel and Remuneration Committee and Investment and New Business Committee (INBC), who have formal, approved terms of reference.

SEH exercises control through:

- Corporate governance arrangements outlined in Memorandum and Articles of Association, Code of Governance and Financial Regulations.
- The employment of suitably qualified and experienced staff to take responsibility for key areas of the business. This is supported by a formal appraisal system.
- The preparation of forecasts and budgets that allow the committees and the executive officers to monitor the key business risks and financial objectives and identify variances arising during the monthly reporting cycle.
- Business planning based upon a balanced scorecard approach that cascades through supporting Service Plans and a Plan for Excellence that sets out key actions to enable SEH to achieve its ambitions and aspirations as set out in the Towards Excellence Strategic Vision.
- The regular reporting and review by executive management and the board of performance against objectives and targets detailed in service plans.

### The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the company is directed and controlled and its activities through which it accounts to, engages with and serves the community. It

enables the company to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and 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 company'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.

### Review of Effectiveness

SEH is responsible for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive directors and group managers within the company who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by external auditors and other review agencies and inspectorates.

The Council's processes to review on-going effectiveness of SEH include Council officers meeting with SEH officers on a monthly basis to review performance against a suite of performance indicators and its strategic aims as follows:

- Ensure fair and equal access to excellent services for all our residents and business customers.
- Bring all homes up to the Decent Homes Standard by 2014 and ensure they continue to be maintained at a level that meets residents' expectations.
- Contribute to meeting housing need and increasing the supply of affordable homes locally.
- Increase the local customer base to create a healthy, sustainable future for our business.
- Further develop the company's contribution to local neighbourhoods to improve the quality of life for our residents.
- Promote environmental sustainability and minimise the negative impact we have on the climate.

SEH's internal arrangements for ensuring the effectiveness of its governance arrangements consist of:

- The SEH board receiving monthly performance reports across operational, human resources and value for money indicators;



- The Audit and Performance Committees considering Internal Audit reports throughout the year, as well as reviewing how well strategic risks are being identified and managed;
- The production and approval of annual Manager Assurance Statements by service managers and group manager to assess compliance with key governance processes throughout the year;
- Internal Audit challenging a sample of Manager Assurance Statements and giving a view as to whether they can be relied upon to accurately reflect the robustness of the company's arrangements throughout the year.

### Internal Audit

Internal Audit services are delivered through a service level agreement with the Company's Internal Audit Services. The risk based audit plan is prepared in consultation with executive management and approved by the Audit Committee. This work includes checking that recommendations contained in audit reports are implemented properly by the due date.

The Head of Internal Audit prepares an annual report that includes an overall opinion on SEH's internal control environment based on the results of the audit work completed.

The company provided the Council with the following assurance regarding the robustness of its governance arrangements:

- Internal Audit reports;
- Summary results of Manager Assurance Statements;
- Head of Internal Audit annual report (including an opinion on the effectiveness of the company's systems of internal control); and
- Audit Committee Annual Report.

The control environment within individual service areas reviewed were generally sound with the exception this year of Hostels and the management of the Grounds Maintenance Contract.

Going forward, the company needs to consolidate its arrangements for ensuring that its strategic objectives are clearly cascaded through service plans to individual performance targets. This would provide assurances that all the company's resources are effectively focussed.

### External Audit

SEH's financial statements are subject to external audit. External Audit is undertaken by PricewaterhouseCoopers (PWC) who review the design of controls in place within

the core financial systems if relevant to their audit opinion. Where the auditor identifies weaknesses in the company's arrangements, these are highlighted in the final report to those charged with governance. The Audit Committee consider the external auditor's report and recommend adoption of the financial statements to the board.

### Action Plan

Therefore the main areas for further work in 2011/12, and which should be disclosed in the Governance Statement Action Plan are:

- **Business Continuity:** The company needs to develop a business continuity plan, covering all potential risks, referring to the Council's plan where relevant and communicate it to all staff. It should then be tested where practical to do so and the results reviewed as soon as possible.
- **Risk Management:** There needs to be more consistent application of the company's agreed approach to phrasing risks (i.e. to clearly to set out cause, event and impact of a risk occurring). This was also identified through the Business Planning review and improvement action is well advanced to re-phrase risks.
- **Business Planning:** To provide greater assurance corporate aims will be, and are, being achieved, more explicit links should be made between strategic aims, their risks, required actions and performance measures.
- **Financial Management:** To develop a longer term financial plan that demonstrates how the longer term strategic vision and objectives are going to be resourced and therefore delivered.



**Corporate Governance Action Plan 2010/11**

No.	Governance Issues	Action 2010/11	Responsible Officer	Comment on Progress
1	Key partnership arrangements	Ensure robust arrangements are in place for: <ul style="list-style-type: none"> <li>• Risk management;</li> <li>• Data quality; and</li> <li>• Performance management</li> </ul>	Partnership Manager	<p>The first level of risk management is picked up through target action plans. Some action has been taken around embedding a cycle of risk reporting.</p> <p>The Information sharing protocol was endorsed in January 2010 and has been refreshed under the new governance structures. In January 2011 the revised protocol was endorsed by Southend Together Executive.</p> <p>Performance management was monitored through the performance management group on a bi-monthly basis.</p>
2	Policy Framework	Review and strengthen the Council's policy framework	Strategy & Performance Manger	<p>A weekly policy summary was provided to all Members and senior managers, with a composite of the Government's four year Business Plans produced. This provided the Council with advanced notice of forthcoming Government and other public bodies intentions and enhanced the ability to plan policy responses.</p> <p>A partial review of the Council's overall policy framework to assess continued relevance and linkages between the individual strands was undertaken and will be finalised in 2011/12.</p>
3	Performance management	Review and strengthen the Council's performance management framework	Strategy & Performance Manger	<p>In response to the Government's changed approach to inspection and performance management, a review of the Council's performance reporting was undertaken. A revised, more streamlined approach, was agreed by Cabinet in March 2011 and put in place from April 2011.</p>
4	Risk management	Further embed the Council's risk management framework including Project and Programme Management, Fraud & Corruption, Whistle Blowing and Health & Safety	Strategy & Performance Manager	<p>The Council's two risk management groups met regularly to help drive and aligning risk management activities within Directorates and Corporately.</p> <p>An integrated risk management intranet site has been set up to pull together all risk management</p>

## INTRODUCTORY STATEMENTS



				<p>information and activities.</p> <p>Reports detailing progress on the Health and Safety action plan were presented to the Corporate Management Team (CMT) in September 2010 and March 2011. The actions, have led to a revised policy, 350 line managers trained in the Council's H&amp;S processes, two staff qualified to conduct a Quality Safety Audit to Royal Society for the Prevention of Accidents (RoSPA) standards, enabling a RoSPA level audit to be undertaken at level 3-4. Excellent progress was made on completing the actions, including embedding processes within departments.</p> <p>Project managers and programme managers working on Delivering Excellence and New Ways of Working have undertaken Prince2 training. A one day project manager course based on Prince2 has been developed in-house to enable Officers running smaller projects to align to the Prince2 framework. The one day course also incorporates risk management around projects. Risk workshops are also facilitated on request.</p> <p>A report outlining the Anti Fraud &amp; Corruption, Whistleblowing and Money Laundering work programme for the year was presented to CMT and the Audit Committee in September 2010. The actions were subsequently progressed.</p>
5	Information Management (including Data Quality, Management and Security)	Ensure robust arrangements are in place for Information Management including reviewing the format of the Manager's Assurance Statements.	Strategy & Performance Manager	Manager's Assurance Statements were reviewed to strengthen the sections relating to information management.
6	Value for money	Further embed value for money throughout the Council	Head of Policy & Improvement	Value for Money (vfm) self assessment process was developed for use in Children and Learning and Support Services

				<p>directorates. Findings from this helped inform the budget setting process and were fed into service and team plans. Other directorates have used similar methodology which also fed into budget and service planning processes.</p>
7	<p>South Essex Homes' governance arrangements.</p>	<p>Develop arrangements for the Council to ensure the governance processes for South Essex Homes are operating effectively</p>	<p>Group Manager for Housing</p>	<p>The Group Manager Community Housing is the Council's authorised client officer who has support from the Senior Planning and Performance Officer, principally on performance issues.</p> <ul style="list-style-type: none"> <li>Financial arrangements – Monthly meetings take place to review HRA capital programme (including decent homes expenditure), the position of the management fee, repairs budget, cash position and other financial issues.</li> <li>Monitoring arrangements - 6 weekly meetings held with senior officers from both organisations. Regular liaison at appropriate levels (including client officer, Chief Executive and Director meeting with their SEH counterparts) monitors strategic and operational issues, including performance against the key performance indicators of rent arrears levels and levels of decent homes.</li> </ul> <p>The Council also received monthly and quarterly updates on service / operational performance indicator targets. The key performance indicator targets of rent arrears levels and levels of decent homes are designated Council corporate priority targets and are included in the Monthly Performance Report considered by the Performance Improvement Task Group and Cabinet.</p>
8	<p>South Essex Homes' risk management process</p>	<p>Further develop and embed South Essex Homes risk management arrangements throughout all service areas.</p>	<p>Executive Director, South Essex Homes</p>	<p>Service risk registers in place and managed by group managers. There is a clear escalation and de-escalation process between the Corporate and service risk registers.</p> <p>The Corporate Risk register is reviewed monthly by the Executive</p>

**INTRODUCTORY  
STATEMENTS**



				Management Team, before being reported to the Performance Committee on a quarterly basis, where it is scrutinised and approved before being reported to the Board.
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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed on Behalf of the Council**

**Rob Tinlin**  
**Chief Executive & Town Clerk**

22 June 2011

**Councillor Nigel Holdcroft**  
**Leader of the Council**

22 June 2011



**INTRODUCTORY  
STATEMENTS**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHEND-ON-SEA BOROUGH  
COUNCIL**

**INTRODUCTORY  
STATEMENTS**



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**David Eagles**

Partner, for and on behalf of PKF (UK) LLP  
Ipswich, UK

Date:



## **MAIN FINANCIAL STATEMENTS**



**MOVEMENT IN RESERVES STATEMENT**

	Note	General Fund Balance £000	Housing Revenue Account £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000
<b>Balance at 31 March 2009</b>		<b>10,387</b>	<b>4,404</b>	<b>27,065</b>	<b>4,273</b>	<b>85</b>	<b>25,669</b>	<b>71,883</b>
<b>Movement in Reserves during 2009/10</b>								
Surplus (Deficit) on the Provision of Services		26,378	(1,669)	0	0	0	0	24,709
Other Comprehensive Income and Expenditure								0
<b>Total Comprehensive Income and Expenditure</b>		<b>26,378</b>	<b>(1,669)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,709</b>
Adjustments between accounting basis and funding basis under regulations	7	(27,474)	793	0	(806)	(85)	(6,959)	(34,531)
<b>Net Increase / Decrease before Transfers to reserves</b>		<b>(1,096)</b>	<b>(876)</b>	<b>0</b>	<b>(806)</b>	<b>(85)</b>	<b>(6,959)</b>	<b>(9,822)</b>
Transfers to / from Earmarked Reserves	8	1,880	0	(1,880)	0	0	0	0
<b>Increase / Decrease in 2009/10</b>		<b>784</b>	<b>(876)</b>	<b>(1,880)</b>	<b>(806)</b>	<b>(85)</b>	<b>(6,959)</b>	<b>(9,822)</b>
<b>Balance at 31 March 2010</b>		<b>11,171</b>	<b>3,528</b>	<b>25,185</b>	<b>3,467</b>	<b>0</b>	<b>18,710</b>	<b>62,061</b>
<b>Movement in Reserves during 2010/11</b>								
Surplus (Deficit) on the Provision of Services		28,105	(70,422)	0	0	0	0	(42,317)
Other Comprehensive Income and Expenditure								0
<b>Total Comprehensive Income and Expenditure</b>		<b>28,105</b>	<b>(70,422)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(42,317)</b>
Adjustments between accounting basis and funding basis under regulations	7	(26,072)	70,989	0	274	2,485	(10,026)	37,650
<b>Net Increase / Decrease before Transfers to reserves</b>		<b>2,033</b>	<b>567</b>	<b>0</b>	<b>274</b>	<b>2,485</b>	<b>(10,026)</b>	<b>(4,667)</b>
Transfers to / from Earmarked Reserves	8	(1,649)	(353)	2,002				0
<b>Increase / Decrease in 2010/11</b>		<b>384</b>	<b>214</b>	<b>2,002</b>	<b>274</b>	<b>2,485</b>	<b>(10,026)</b>	<b>(4,667)</b>
<b>Balance at 31 March 2011</b>		<b>11,555</b>	<b>3,742</b>	<b>27,187</b>	<b>3,741</b>	<b>2,485</b>	<b>8,684</b>	<b>57,394</b>

	Note	Revaluation Reserve £000	Available for Sale Financial Instruments £000	Pensions Reserve £000	Capital Adjustment Account £000	Collection Fund Adjustment Account £000	Short Term Compensated Absences £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2009</b>		113,271	143	(104,288)	511,948	1,639	(2,858)	519,855	591,738
<b>Movement in Reserves during 2009/10</b>									
Surplus (Deficit) on the Provision of Services								0	24,709
Other Comprehensive Income and Expenditure		(1,211)	(111)	(36,908)				(38,230)	(38,230)
<b>Total Comprehensive Income and Expenditure</b>		<b>(1,211)</b>	<b>(111)</b>	<b>(36,908)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(38,230)</b>	<b>(13,521)</b>
Adjustments between accounting basis and funding basis under regulations	7	(674)		(3,083)	35,105	(153)	(524)	30,671	(3,860)
<b>Net Increase / Decrease before Transfers to reserves</b>		<b>(1,885)</b>	<b>(111)</b>	<b>(39,991)</b>	<b>35,105</b>	<b>(153)</b>	<b>(524)</b>	<b>(7,559)</b>	<b>(17,381)</b>
Transfers to / from Earmarked Reserves	8							0	0
<b>Increase / Decrease in 2009/10</b>		<b>(1,885)</b>	<b>(111)</b>	<b>(39,991)</b>	<b>35,105</b>	<b>(153)</b>	<b>(524)</b>	<b>(7,559)</b>	<b>(17,381)</b>
<b>Balance at 31 March 2010</b>		<b>111,386</b>	<b>32</b>	<b>(144,279)</b>	<b>547,053</b>	<b>1,486</b>	<b>(3,382)</b>	<b>512,296</b>	<b>574,357</b>
<b>Movement in Reserves during 2010/11</b>									
Surplus (Deficit) on the Provision of Services								0	(42,317)
Other Comprehensive Income and Expenditure		2,963	(13)	56				3,006	3,006
<b>Total Comprehensive Income and Expenditure</b>		<b>2,963</b>	<b>(13)</b>	<b>56</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,006</b>	<b>(39,311)</b>
Adjustments between accounting basis and funding basis under regulations	7	(481)		17,908	(56,215)	436	772	(37,580)	70
<b>Net Increase / Decrease before Transfers to reserves</b>		<b>2,482</b>	<b>(13)</b>	<b>17,964</b>	<b>(56,215)</b>	<b>436</b>	<b>772</b>	<b>(34,574)</b>	<b>(39,241)</b>
Transfers to / from Earmarked Reserves	8							0	0
<b>Increase / Decrease in 2010/11</b>		<b>2,482</b>	<b>(13)</b>	<b>17,964</b>	<b>(56,215)</b>	<b>436</b>	<b>772</b>	<b>(34,574)</b>	<b>(39,241)</b>
<b>Balance at 31 March 2011</b>		<b>113,868</b>	<b>19</b>	<b>(126,315)</b>	<b>490,838</b>	<b>1,922</b>	<b>(2,610)</b>	<b>477,722</b>	<b>535,116</b>



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2009/10			2010/11			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
21,573	(17,608)	3,965		21,616	(19,154)	2,462
38,905	(8,522)	30,383		39,626	(6,774)	32,852
214,043	(173,091)	40,952		231,578	(194,148)	37,430
10,000	(9,234)	766		20,216	(7,244)	12,972
22,853	(23,630)	(777)		48,556	(24,149)	24,407
0	0	0	43	44,135	0	44,135
91,723	(88,823)	2,900		99,159	(91,660)	7,499
64,478	(20,000)	44,478		65,752	(20,360)	45,392
844	(177)	667		5,766	(171)	5,595
110	0	110		21	0	21
0	0	0	47	(22,887)	0	(22,887)
<b>464,529</b>	<b>(341,085)</b>	<b>123,444</b>		<b>553,538</b>	<b>(363,660)</b>	<b>189,878</b>
		1,181	9			752
		13,328	10			13,603
		(162,662)	11			(161,916)
						<b>42,317</b>
		1,211				(2,963)
		111				13
		36,908				(56)
		<b>38,230</b>				<b>(3,006)</b>
		<b>13,521</b>				<b>39,311</b>

## BALANCE SHEET

1 April 2009	31 March 2010			31 March 2011
£000	£000			£000
			Notes	
737,097	791,687	Property, Plant & Equipment	12	773,080
14,440	26,466	Investment Property	13	25,754
1,845	3,709	Intangible Assets	14	5,131
2,101	1,904	Assets Held for Sale	20	1,347
2,555	53	Long Term Investments	15	73
49	51	Long Term Debtors	15	56
<b>758,087</b>	<b>823,870</b>	<b>Long Term Assets</b>		<b>805,441</b>
65,850	71,443	Short term Investments	15	53,858
0	100	Assets Held for Sale	20	1,677
562	370	Inventories	16	329
33,814	47,460	Short Term Debtors	18	35,965
35,304	48,747	Cash and Cash Equivalents	19	47,793
<b>135,530</b>	<b>168,120</b>	<b>Current Assets</b>		<b>139,622</b>
(5,730)	(57,394)	Short Term Borrowings	15	(39,968)
(40,465)	(47,081)	Short Term Creditors	21	(46,392)
(5,708)	(4,274)	Provisions	22	(5,893)
<b>(51,903)</b>	<b>(108,749)</b>	<b>Current Liabilities</b>		<b>(92,253)</b>
(2,413)	(2,091)	Long Term Creditors	15	(2,753)
(125,274)	(145,274)	Long Term Borrowing	15	(172,124)
(104,288)	(144,279)	Other Long Term Liabilities - Pensions	15	(126,315)
(18,001)	(17,240)	Other Long Term Liabilities - Other	15	(16,502)
<b>(249,976)</b>	<b>(308,884)</b>	<b>Long Term Liabilities</b>		<b>(317,694)</b>
<b>591,738</b>	<b>574,357</b>	<b>Net Assets</b>		<b>535,116</b>
71,883	62,061	Usable Reserves	23	57,394
519,855	512,296	Unusable Reserves	24	477,722
<b>591,738</b>	<b>574,357</b>	<b>Total Reserves</b>		<b>535,116</b>



## CASH FLOW STATEMENT

2009/10 £000	Notes	2010/11 £000
(24,709) Net (Surplus) or Deficit on the Provision of Services		42,317
Adjustments to Net Surplus or Deficit on the Provision of Services for 4,309 non-cash Movements		(26,132)
Adjustments for items included in the Net Surplus or Deficit on the 5,145 Provision of Services that are Investing and Financing Activities		6,599
<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> (15,255) Net cash flows from Operating Activities	25	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> 22,784
73,331 Investing Activities	26	28,188
(71,519) Financing Activities	27	(50,018)
<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> (13,443) Net Increase or Decrease in Cash and Cash Equivalents		<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> 954
(35,304) Cash and Cash Equivalents at the beginning of the Reporting Period		(48,747)
<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> <b>(48,747) Cash and Cash Equivalents at the end of the Reporting Period</b>	<b>19</b>	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> <b>(47,793)</b>



## **NOTES TO THE MAIN FINANCIAL STATEMENTS**



## **IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

### **a. Short-Term Accumulating Compensated Absences**

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used, so that there is no impact on usable reserves.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

**Opening 1 April 2009 Balance Sheet**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Accruals	(37,595)	(2,858)
Accumulated Absences Account	-	2,858

**31 March 2010 Balance Sheet**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Accruals	(43,699)	(3,382)
Accumulated Absences Account	-	3,382

**2009/10 Comprehensive Income and Expenditure Statement  
Cost of Services (Net)**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Central Services to the public	3,963	2
Cultural, environmental, Regulatory and Planning Services	30,449	12
Education and Children's Services	40,237	497
Highways and Transport Services	9,063	-
Local Authority Housing (HRA)	(777)	-
Other Housing Services	2,886	1
Adult Social Care	44,514	11
Corporate and Democratic Core	4,148	1
Non Distributed Costs	110	-

**b. Leases**

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow the council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.



**Opening 1 April 2009 Balance Sheet**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Property, plant & equipment (leased assets)	734	22
Finance Lease liability	(282)	(12)
Capital Adjustment Account	(489,042)	10

**31 March 2010 Balance Sheet**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Property, plant & equipment (leased assets)	585	11
Finance Lease liability	(275)	-
Capital Adjustment Account	(485,195)	11

**2009/10 Comprehensive Income and Expenditure Statement  
Cost of Services (Net)**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Financing and investment income & expenditure	7,822	(1)

**c. Government Grants**

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants were received in 2009/10 but not used. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

**Opening 1 April 2009 Balance Sheet**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Government Grants Deferred Account	(22,950)	22,950
Capital Adjustment Account	(489,042)	(22,950)
Grants Unapplied Account (liabilities)	(25,669)	25,669
Capital Grants Unapplied Account (reserves)	-	(25,669)

**31 March 2010 Balance Sheet**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Government Grants Deferred Account	(49,872)	49,872
Capital Adjustment Account	(485,195)	(49,872)
Grants Unapplied Account (liabilities)	(18,710)	18,710
Capital Grants Unapplied Account (reserves)	-	(18,710)

**2009/10 Comprehensive Income and Expenditure Statement  
Cost of Services (Net)**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Central Services to the public	3,963	-
Cultural, environmental, Regulatory and Planning Services	30,449	89
Education and Children's Services	40,237	215
Highways and Transport Services	9,063	135
Local Authority Housing (HRA)	(777)	-
Other Housing Services	2,886	-
Adult Social Care	44,514	30
Corporate and Democratic Core	4,148	9
Non Distributed Costs	110	-
Taxation and non-specific grant income	(136,470)	(26,192)

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

**d. Fixed Asset Reclassifications**

Under the Code, the definition and categories of fixed assets have changed. As a consequence of adopting the accounting policies required by the Code, fixed assets have been reclassified as follows:

- Investment properties reclassified as Property, plant & equipment - Other land & buildings
- Investment properties reclassified as Surplus assets not held for sale.
- Surplus assets reclassified into Surplus assets not held for sale, Assets held for sale (> 1yr), Assets held for sale (< 1yr)

This in turn has resulted in depreciation becoming chargeable on some assets through the Comprehensive Income and Expenditure Statement.



This has resulted in the following changes being made to the 2009/10 financial statements:

**Opening 1 April 2009 Balance Sheet**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Property, plant & equipment - other land & buildings	370,541	2,603
Investment Properties	17,097	(2,657)
Surplus assets, held for disposal	4,262	(2,101)
Assets held for sale (> 1yr)	-	2,101
Capital Adjustment Account	(489,042)	54

**31 March 2010 Balance Sheet**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Property, plant & equipment - other land & buildings	379,994	5,417
Investment Properties	31,972	(5,506)
Surplus assets, held for disposal	3,584	(1,990)
Assets held for sale (> 1yr)	-	1,904
Assets held for sale (< 1yr)	-	100
Capital Adjustment Account	(485,195)	75

**2009/10 Comprehensive Income and Expenditure Statement  
Cost of Services (Net)**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Central Services to the public	3,963	-
Cultural, environmental, Regulatory and Planning Services	30,449	4
Education and Children's Services	40,237	3
Highways and Transport Services	9,063	-
Local Authority Housing (HRA)	(777)	-
Other Housing Services	2,886	13
Adult Social Care	44,514	1
Corporate and Democratic Core	4,148	-
Non Distributed Costs	110	-

**e. Treatment of Impairments**

Under the Code, all impairments (whether permanent or temporarily due to economic conditions) are charged against the revaluation reserve in the first instance, with any residual amount being charged to the Comprehensive Income and Expenditure Statement. Previously only temporary impairments were treated in this way, with permanent impairments being charged directly to the Income and Expenditure Account.

As a consequence of adopting the accounting policy on impairments required by the Code, the financial statements have been amended as follows:

- Permanent impairment of the Investment Properties in the 2009/10 accounts have been charged against the revaluation reserve instead of the Comprehensive Income and Expenditure Statement.
- The amount charged to the Capital Adjustment Account regarding the reversal of the amount charged to the Comprehensive Income and Expenditure Statement, has been removed.

This has resulted in the following changes being made to the 2009/10 financial statements:



**31 March 2010 Balance Sheet**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Revaluation Reserve	(123,436)	12,050
Capital Adjustment Account	(485,195)	(12,050)

**2009/10 Comprehensive Income and Expenditure Statement  
Cost of Services (Net)**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Central Services to the public	3,963	-
Cultural, environmental, Regulatory and Planning Services	30,449	(649)
Education and Children's Services	40,237	(1)
Highways and Transport Services	9,063	(7,831)
Local Authority Housing (HRA)	(777)	-
Other Housing Services	2,886	-
Adult Social Care	44,514	(78)
Corporate and Democratic Core	4,148	(3,491)
Non Distributed Costs	110	-
(Surplus) or deficit arising on revaluation of fixed assets	(12,547)	12,050

**f. Cash and Cash Equivalents**

Under the Code, the definition of cash equivalents has changed to include deposits with financial institutions that are repayable on demand and available within 24 hours, or one working day, without penalty. Previously these deposits would have been included within investments.

As a consequence of adopting the accounting policy required by the Code, the financial instruments have been amended as follows:

- Deposits repayable on demand and available within 24 hours without penalty have been transferred from Short Term Investments to Cash and Cash Equivalents.

This has resulted in the following changes being made to the 2009/10 financial statements:

**Opening 1 April 2009 Balance Sheet**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Short Term Investments	89,264	(23,414)
Cash and Cash Equivalents	11,890	23,414

**31 March 2010 Balance Sheet**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Short Term Investments	103,638	(32,195)
Cash and Cash Equivalents	16,552	32,195



**g. Investment Property Expenditure and Income**

Under the Code, income and expenditure relating to Investment Properties no longer falls to be accounted under the Cost of Services. Instead the net position is separately identified as part of Financing and Investment Income and Expenditure.

This has resulted in the following changes being made to the 2009/10 financial statements:

**2009/10 Comprehensive Income and Expenditure Statement  
Cost of Services (Net)**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Central Services to the public	3,963	-
Cultural, environmental, Regulatory and Planning Services	30,449	374
Education and Children's Services	40,237	1
Highways and Transport Services	9,063	(601)
Local Authority Housing (HRA)	(777)	-
Other Housing Services	2,886	-
Adult Social Care	44,514	-
Corporate and Democratic Core	4,148	-
Non Distributed Costs	110	-
Gain and Loss on Investment Properties	-	226

## NOTES CONTENTS LIST

Note 1.	Accounting Policies	42
Note 2.	Accounting Standards that have been Issued but have not yet been Adopted	52
Note 3.	Critical Judgements in applying Accounting Policies	52
Note 4.	Assumptions made about the future and other major sources of estimation uncertainty	52
Note 5.	Material Items of Income and Expense	53
Note 6.	Events after the Balance Sheet date	53
Note 7.	Adjustments between Accounting Basis and Funding Basis under Regulations	53
Note 8.	Transfers to / from Earmarked Reserves	58
Note 9.	Other Operating Expenditure	59
Note 10.	Financing and Investment Income and Expenditure	59
Note 11.	Taxation and Non Specific Grant Incomes	60
Note 12.	Property, Plant and Equipment	61
Note 13.	Investment Properties	64
Note 14.	Intangible Assets	65
Note 15.	Financial Instruments	67
Note 16.	Inventories	70
Note 17.	Construction Contracts	70
Note 18.	Debtors	71
Note 19.	Cash and Cash Equivalents	71
Note 20.	Assets Held for Sale	72
Note 21.	Creditors	72
Note 22.	Provisions	73
Note 23.	Usable Reserves	73
Note 24.	Unusable Reserves	73
Note 25.	Cash Flow Statement - Operating Activities	77
Note 26.	Cash Flow Statement - Investing Activities	77
Note 27.	Cash Flow Statement - Financing Activities	78
Note 28.	Amounts Reported for Resource Allocation Decisions	78
Note 29.	Acquired and Discontinued Operations	81
Note 30.	Trading Operations	81
Note 31.	Agency Services	81
Note 32.	Road Charging Schemes	81
Note 33.	Pooled Budgets	81
Note 34.	Members' Allowances	82
Note 35.	Officers' Remuneration	83
Note 36.	External Audit Costs	85
Note 37.	Dedicated Schools Grant	85
Note 38.	Grant Income	86
Note 39.	Related Parties	87
Note 40.	Capital Expenditure and Capital Financing	89
Note 41.	Leases	90
Note 42.	PFI and Similar Contracts	92
Note 43.	Impairment Losses	92
Note 44.	Capitalisation of Borrowing Costs	92
Note 45.	Termination Benefits	92
Note 46.	Pension Schemes Accounted for as Defined Contribution Schemes	92
Note 47.	Defined Benefit Pension Schemes	92
Note 48.	Contingent Liabilities	97
Note 49.	Contingent Assets	97
Note 50.	Nature and Extent of Risks Arising from Financial Instruments	98
Note 51.	Trust Funds and Bequests	100



## Note 1. Accounting Policies

### General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which requires the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

### Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a

debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- Where it does not materially affect the accounts, and a full year's income and expenditure is recorded, an accrual need not be raised.

### Cash and Cash Equivalents

Cash and cash equivalents are represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### Charges to Revenue for Non-Current Assets

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



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

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

### **Employee Benefits**

#### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General

Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### **Post Employment Benefits**

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Essex County Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

#### **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Essex pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie 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 5.5% (based on the indicative rate of return on the weighted average of spot yields on AA-rated corporate bonds).
- The assets of Essex pension fund attributable to the Authority are included 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 pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - contributions paid to the Essex pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations

to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

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

#### Events After the Balance Sheet Date

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

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

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

#### Financial Instruments

##### *Financial Liabilities*

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

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

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

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

#### *Financial Assets*

Financial assets are classified into two types:

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

#### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount

presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

#### Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.



Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

#### **Foreign Currency Translation**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### **Government Grants and Contributions**

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

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

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

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

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

#### **Area Based Grant**

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

#### **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service

line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **Interests in Companies and Other Entities**

The Authority has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

#### **Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

#### **Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund

Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **Leases**

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### **The Authority as Lessee**

##### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment



losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

#### The Authority as Lessor

#### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve (England and Wales).

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

#### Operating Leases

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

#### Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

#### Property, Plant and Equipment

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



## Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

## Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset,

depreciated replacement cost (DRC) is used as an estimate of fair value.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

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

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

## Impairment

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

Where impairment losses are identified, they are accounted for by:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss,



adjusted for depreciation that would have been charged if the loss had not been recognised.

#### Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

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

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

#### Disposals and Non-current Assets Held for Sale

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

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

recoverable amount at the date of the decision not to sell.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement) (England and Wales). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

#### **Provisions, Contingent Liabilities and Contingent Assets**

##### *Provisions*

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the

obligation, taking into account relevant risks and uncertainties.

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

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

#### *Landfill Allowance Schemes*

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

#### *Contingent Liabilities*

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

#### *Contingent Assets*

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

#### **Reserves**

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

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

#### Revenue Expenditure Funded from Capital under Statute

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

#### **VAT**

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



**Note 2. Accounting Standards that have been Issued but have not yet been Adopted**

The adoption of FRS 30 Heritage Assets by the Code will result in a change of accounting policy.

The 2011/12 financial statements may recognise certain of the Council's assets as heritage assets for the first time, in accordance with FRS 30. The Statement of Accounts for 2010/11 do not contain any material assets that would fall under the definition of heritage assets.

**Note 3. Critical Judgements in applying Accounting Policies**

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority is the sole trustee of the Youth Commemoration Ground Trust, a charitable organisation that owns the Southend leisure and tennis centre, operated by the Authority. It has been determined that the Authority does not have control of the Trust and it is not a subsidiary of the Authority.

**Note 4. Assumptions made about the future and other major sources of estimation uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability are fully disclosed in note 47 to the accounts.
<b>Arrears</b>	At 31 March 2011, the Authority had a balance of sundry debtors for £5,971k. A review of significant balances suggested that an impairment of doubtful debts of 28% (£1,678k) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 5% increase in the amount of the impairment of doubtful debts would require an additional £299k to set aside as an allowance.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.



**Note 5. Material Items of Income and Expense**

Under the rolling programme of asset revaluation, the Authority revalued the stock of Council Housing as at 1 April 2010 that resulted in a fall in value. In addition, the Government increased the adjustment factor that translates open market values according to the type of tenancy and regional factors to reflect the fact that the property is used as social housing. This combination of events has led to an impairment adjustment of £70m passing through the Comprehensive Income and Expenditure Statement

The Government altered the basis of indexation for the Local Government Pension Scheme from RPI to CPI that has resulted in a large past service gain due to the consequential change to scheme benefits of £23m passing through the Comprehensive Income and Expenditure Statement.

**Note 6. Events after the Balance Sheet date**

The need for any disclosure of post Balance Sheet events will continue up to the date of publication of the Accounts, scheduled for 21 September 2011.

The Statement of Accounts was authorised for issue by the Head of Finance and Resources on 9 September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

It has not been necessary to adjust the financial statements and notes for any events which took place after 31 March 2011.

**Note 7. Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.



2010/11	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the comprehensive income and expenditure statement:</b>						
Charges for depreciation and impairment of non-current assets	11,956					(11,956)
Revaluation losses on property, plant and equipment						0
Movements in the market value of investment properties	339					(339)
Amortisation of intangible assets	901					(901)
Capital grants and contributions applied	(29,832)					29,832
Revenue expenditure funded from capital under statute	33,798					(33,798)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the comprehensive income and expenditure statement						0
<b>Insertion of items not debited or credited to the comprehensive income and expenditure statement:</b>						
Statutory provision for the financing of capital investment	(4,331)					4,331
Capital expenditure charged against the General Fund and HRA Balances	(1,808)	(30)				1,838
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	(18,326)		6		7,134	11,186
Application of grants to capital financing transferred to the capital adjustment account					(17,160)	17,160
<b>Adjustments primarily involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA		71,212		4,797		(76,009)
Use of the major repairs reserve to finance new capital expenditure				(2,312)		2,312



2010/11	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the comprehensive income and expenditure statement	(21)	(249)	637			(367)
Use of the capital receipts reserve towards administrative costs of non-current asset disposals						0
Use of the capital receipts reserve to finance new capital expenditure						0
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	369		(369)			0
<b>Adjustments primarily involving the Available for Sale Financial Instruments Adjustment Reserve</b>						
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(1)					1
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see note 47)	(17,908)					17,908
Employer's pensions contributions and direct payments to pensioners payable in the year						0
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>						
Amount by which council tax income credited to the comprehensive income and expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	(436)					436
<b>Adjustments primarily involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(772)					772
<b>Total Adjustments</b>	(26,072)	70,933	274	2,485	(10,026)	(37,594)



**2009/10 Comparative Figures**

**Usable Reserves**

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the comprehensive income and expenditure statement:</b>						
Charges for depreciation and impairment of non-current assets	8,154					(8,154)
Revaluation losses on property, plant and equipment						0
Movements in the market value of investment properties	(12,050)					12,050
Amortisation of intangible assets	481					(481)
Capital grants and contributions applied	(25,450)					25,450
Revenue expenditure funded from capital under statute	30,771					(30,771)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the comprehensive income and expenditure statement						0
<b>Insertion of items not debited or credited to the comprehensive income and expenditure statement:</b>						
Statutory provision for the financing of capital investment	(4,931)					4,931
Capital expenditure charged against the General Fund and HRA Balances	(2,125)					2,125
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	(26,192)				(6,959)	33,151
Application of grants to capital financing transferred to the capital adjustment account						0
<b>Adjustments primarily involving the Major Repairs Reserve</b>						
Reversal of Major Repairs Allowance credited to the HRA		211		4,946		(5,157)
Use of the major repairs reserve to finance new capital expenditure				(5,031)		5,031

2009/10 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the comprehensive income and expenditure statement	(170)	582	2,307			(2,719)
Use of the capital receipts reserve towards administrative costs of non-current asset disposals						0
Use of the capital receipts reserve to finance new capital expenditure			(2,836)			2,836
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	277		(277)			0
<b>Adjustments primarily involving the Available for Sale Financial Instruments Adjustment Reserve</b>						
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from the finance costs chargeable in the year in accordance with statutory requirements	2					(2)
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see note 47)	3,083					(3,083)
Employer's pensions contributions and direct payments to pensioners payable in the year						0
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>						
Amount by which council tax income credited to the comprehensive income and expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	152					(152)
<b>Adjustments primarily involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	524					(524)
<b>Total Adjustments</b>	(27,474)	793	(806)	(85)	(6,959)	34,531



**Note 8. Transfers to / from Earmarked Reserves**

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

Earmarked Reserves	Balance at 1 April 2009 £000	Transfers To £000	Transfers From £000	Balance at 31 March 2010 £000	Transfers To £000	Transfers From £000	Balance at 31 March 2011 £000
Schools Balances	14,103		(736)	13,367		(3,887)	9,480
Insurance	1,616			1,616	60		1,676
Capital	1,149	548	(1,142)	555	909	(753)	711
Repairs And Renewals	1,452			1,452		(582)	870
Interest Equalisation	2,930		(1,282)	1,648		(545)	1,103
MMI Reserve	94			94			94
Pensions	716	556		1,272	1,620		2,892
LABGI Grant	916	149	(287)	778		(551)	227
Building Control	379		(47)	332		(13)	319
Planning Delivery Grant	289	117	(235)	171			171
LPSA Grant	498		(220)	278	1,308	(278)	1,308
Delivering Excellence	500			500	989	(189)	1,300
Waste Management	0	500		500	843		1,343
Revenue Commitments	1,462	997	(1,462)	997	705	(426)	1,276
Futures College	144	600		744		(137)	607
Housing Benefits	433		(83)	350	700		1,050
Agresso Rollout	0			0	700		700
Redundancy Costs	0			0	530		530
Supporting People	0			0	608		608
Other	384	154	(7)	531	95	(57)	569
<b>Total GF Reserves</b>	<b>27,065</b>	<b>3,621</b>	<b>(5,501)</b>	<b>25,185</b>	<b>9,067</b>	<b>(7,418)</b>	<b>26,834</b>
HRA Heating Reserve	0			0	353		353
<b>Total Earmarked Reserves</b>	<b>27,065</b>	<b>3,621</b>	<b>(5,501)</b>	<b>25,185</b>	<b>9,420</b>	<b>(7,418)</b>	<b>27,187</b>

Insurance Reserve

A reserve that covers potential claim liabilities arising from the Employers' Liability, Public Liability, Property and Other risks retained by the Council.

Capital Reserve

Amounts set aside to fund future capital projects.

Repairs and Renewals Reserve

Amounts set aside to fund the cost of items from the capital programme that cannot be capitalised and therefore have to be charged to the Comprehensive Income and Expenditure Statement.

Interest Equalisation Reserve

Held to smooth the impact of volatile interest rates on the Council's future investment income.

MMI Reserve

Monies received under a High Court judgement in respect of old insurance claims, held in reserve pending resolution of an appeal against the judgement.

Pensions Reserve

Amounts set aside to assisting in funding expected future increases in pension costs.

LABGI / Planning Delivery / LPSA Grant Reserves

Amounts received in grant income set aside to fund future one-off projects.

Delivering Excellence

Amounts set aside to fund upfront investment costs to enable the Council to transform the way back-office functions are delivered with the view to making future efficiency savings.

Waste Management

Amounts set aside to build financial capacity to finance proposed future waste disposal solutions.

Futures College

Amounts set aside to finance grants towards the building of Futures College

Revenue Commitments Reserve

Amounts carried forward relating to items of 2010/11 budgeted expenditure that remained unused and will be carried forward for use in 2011/12 on specific projects

Schools Balances

The schools balances for both revenue and capital are all committed to be spent on the education service. The amounts disclosed in the balance sheet represent an amalgamation of unspent and overspent balances.

**Note 9. Other Operating Expenditure**

	2010/11 £000	2009/10 £000
Leigh Town Council Precept	200	168
Levies	453	323
Payments to the Government Housing Capital Receipts Pool	369	278
(Gains) / Losses on the Disposal of Non-current Assets	(270)	412
<b>Total</b>	<b>752</b>	<b>1,181</b>

**Note 10. Financing and Investment Income and Expenditure**

	2010/11 £000	2009/10 £000
Interest Payable and Similar Charges	8,374	7,717
Pensions Interest Cost and Expected Return on Pensions Assets	6,675	8,252
Interest Receivable and Similar Income	(2,573)	(3,287)
Income and Expenditure in relation to Investment Properties and changes in their Fair Value	834	226
Deficit on Traded Services	293	420
<b>Total</b>	<b>13,603</b>	<b>13,328</b>



**Note 11. Taxation and Non Specific Grant Incomes**

	<b>2010/11 £000</b>	<b>2009/10 £000</b>
Council Tax Income	69,627	67,124
Redistributed Non Domestic Rates	53,701	48,995
Non-Ringfenced Government Grants	20,262	20,351
Capital Grants and Contributions	18,326	26,192
<b>Total</b>	<b>161,916</b>	<b>162,662</b>

**Note 12. Property, Plant and Equipment**

Movements in 2010/11	Council Dwellings	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation as at 1 April 2010</b>	<b>328,146</b>	<b>395,416</b>	<b>7,723</b>	<b>71,795</b>	<b>9,315</b>	<b>1,648</b>	<b>20,169</b>	<b>834,212</b>
Additions	17,429	28,944	1,279	18,425	297	0	740	67,114
Revaluations via Revaluation Reserve	645	1,962						2,607
Revaluations recognised in the CIES	(84,545)	(2,836)	(60)	(92)				(87,533)
Disposals	(342)							(342)
Transfers		17,056		(75)			(17,560)	(579)
<b>Gross Book Value as at 31 March 2011</b>	<b>261,333</b>	<b>440,542</b>	<b>8,942</b>	<b>90,053</b>	<b>9,612</b>	<b>1,648</b>	<b>3,349</b>	<b>815,479</b>
<b>Accumulated Depreciation as at 1 April 2010</b>	<b>(14,094)</b>	<b>(10,005)</b>	<b>(4,387)</b>	<b>(13,958)</b>	<b>(27)</b>	<b>(54)</b>	<b>0</b>	<b>(42,525)</b>
Depreciation	(5,007)	(5,005)	(844)	(3,340)	(79)	(6)		(14,281)
Written out to Revaluation Reserve	329	28						357
Written out to the CIES	13,742	234						13,976
On Impaired Assets								0
On Disposals	74							74
<b>Accumulated Depreciation as at 31 March 2011</b>	<b>(4,956)</b>	<b>(14,748)</b>	<b>(5,231)</b>	<b>(17,298)</b>	<b>(106)</b>	<b>(60)</b>	<b>0</b>	<b>(42,399)</b>
<b>Net Book Value as at 31 March 2010</b>	<b>314,052</b>	<b>385,411</b>	<b>3,336</b>	<b>57,837</b>	<b>9,288</b>	<b>1,594</b>	<b>20,169</b>	<b>791,687</b>
<b>Net Book Value as at 31 March 2011</b>	<b>256,377</b>	<b>425,794</b>	<b>3,711</b>	<b>72,755</b>	<b>9,506</b>	<b>1,588</b>	<b>3,349</b>	<b>773,080</b>

**NOTES TO THE  
MAIN FINANCIAL  
STATEMENTS**



Comparative Movements in 2009/10	Council Dwellings	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation as at 1 April 2009</b>	313,595	378,757	6,955	52,813	7,202	2,164	5,736	767,222
Additions	16,977	15,068	878	18,982	2,113	2	14,433	68,453
Revaluations via Revaluation Reserve	0	(1,070)	0	0	0	(632)	0	(1,702)
Revaluations recognised in the CIES	0	0	0	0	0	0	0	0
Disposals	(1,107)	(164)	0	0	0	0	0	(1,271)
Transfers	(1,319)	2,825	(110)	0	0	114	0	1,510
<b>Gross Book Value as at 31 March 2010</b>	<b>328,146</b>	<b>395,416</b>	<b>7,723</b>	<b>71,795</b>	<b>9,315</b>	<b>1,648</b>	<b>20,169</b>	<b>834,212</b>
<b>Accumulated Depreciation as at 1 April 2009</b>	<b>(9,351)</b>	<b>(5,613)</b>	<b>(3,563)</b>	<b>(11,580)</b>	<b>(15)</b>	<b>(3)</b>	<b>0</b>	<b>(30,125)</b>
Depreciation	(4,743)	(4,410)	(824)	(2,378)	(12)	(51)	0	(12,418)
Written out to Revaluation Reserve	0	0	0	0	0	0	0	0
Written out to the CIES	0	0	0	0	0	0	0	0
On Impaired Assets	0	18	0	0	0	0	0	18
On Disposals	0	0	0	0	0	0	0	0
<b>Accumulated Depreciation as at 31 March 2010</b>	<b>(14,094)</b>	<b>(10,005)</b>	<b>(4,387)</b>	<b>(13,958)</b>	<b>(27)</b>	<b>(54)</b>	<b>0</b>	<b>(42,525)</b>
<b>Net Book Value as at 31 March 2009</b>	<b>304,244</b>	<b>373,144</b>	<b>3,392</b>	<b>41,233</b>	<b>7,187</b>	<b>2,161</b>	<b>5,736</b>	<b>737,097</b>
<b>Net Book Value as at 31 March 2010</b>	<b>314,052</b>	<b>385,411</b>	<b>3,336</b>	<b>57,837</b>	<b>9,288</b>	<b>1,594</b>	<b>20,169</b>	<b>791,687</b>

### Depreciation

The following useful lives have been used in the calculation of depreciation

2009/10 Useful Economic Life Years	Fixed Asset Category	2010/11 Useful Economic Life Years
50	Council Dwellings	Between 10 and 60
Between 2 and 90	Other Land & Buildings	Between 2 and 90
Between 3 and 30	Vehicles and Equipment	Between 3 and 20
Between 3 and 50	Infrastructure Assets	Between 20 and 50
Between Nil and 33	Community Assets	Between 10 and 50
Between 13 and 55	Surplus Assets	Between 1 and 54
Nil	Assets Under Construction	Nil

### Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £11.9m. Similar commitments at 31 March 2010 amounted to £21.6m. The major commitments are:

	£000
Accommodation Strategy	9,935
Cuckoo Corner	456
Pier Arches Remedial Works	250
Schools Access Initiative	161
Warrior Square Gardens	109
Southend Leisure & Tennis Centre Athletics Track	105
Other commitments (each < £100k)	870
<b>Total</b>	<b>11,886</b>

### Effects of Changes in Estimates

There have been no material changes made to depreciation policies or useful lives.

### Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations were carried out using both internal and external valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Housing Revenue Account assets were revalued this year, the significant assumptions applied in estimating their fair values were:

- The data provided by the Council was accurate at 1 April 2010
- Good title, free from onerous covenant and other encumbrances
- All properties have planning consent in line with their current use
- All properties conform to the Fire Precaution Regulations and any other statutory requirements
- There are no adverse ground conditions affecting the properties.



The following table shows the progress of the Council's rolling programme for the revaluations of fixed assets.

	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Surplus Assets £000</b>	<b>Total £000</b>
Valued at historical cost	17,429	61,067	8,942	1,648	<b>89,086</b>
Valued at fair value in:					
2005/2006					
Internal Valuer	-	42,919	-	-	<b>42,919</b>
2007/2008					
Internal Valuer	-	64,036	-	-	<b>64,036</b>
External Valuer	-	252,461	-	-	<b>252,461</b>
2008/2009					
Internal Valuer	-	17,474	-	-	<b>17,474</b>
External Valuer	-	645	-	-	<b>645</b>
2009/2010					
Internal Valuer	-	-	-	-	<b>0</b>
External Valuer	-	2,814	-	-	<b>2,814</b>
2010/2011					
Internal Valuer	-	(874)	-	-	<b>(874)</b>
External Valuer	243,904	-	-	-	<b>243,904</b>
<b>Total</b>	<b>261,333</b>	<b>440,542</b>	<b>8,942</b>	<b>1,648</b>	<b>712,465</b>

Internal valuations prior to 2007/08 were carried out by Graham Swan MRICS. From 2007/08, these were carried out by Alan Richards MRICS.

External valuations were carried out by King Sturge LLP, Lambert Smith Hampton Limited and Wheeldon and Deacon Chartered Surveyors (RICS accredited).

The basis for valuation is set out in the statement of accounting policies.

The figures for all council dwellings differ from the figures in the Property, Plant & Equipment HRA Note 7 page 108 as there are some council dwellings in the General Fund.

**Note 13. Investment Properties**

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

	2010/11 £000	2009/10 £000
Rental Income from Investment Property	(1,701)	(1,722)
Direct operating expenses arising from Investment Property	2,535	1,948
<b>Net (Gain) / Loss</b>	<b>834</b>	<b>226</b>

The net loss shown includes one-off revenue expenditure financed from capital under statute (REFCUS) charges relating to Southend Airport of £1,256k in 2010/11 (£646k in 2009/10). As with other REFCUS charges, these costs are reversed in the Movement in Reserves Statement and therefore do not impact the bottom line of the General Fund.

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year:

	2010/11 £000	2009/10 £000
Balance at start of the year	26,466	14,440
Additions:		
Purchases		
Construction		
Subsequent Expenditure	348	31
Disposals	0	(80)
Net Gains / Losses from fair value adjustments	0	
Transfers:		
to / from Inventories		
to / from Property, Plant and Equipment		(1,547)
to / from Assets Held for Sale (<1 yr)	(1,300)	
to / from Assets Under Construction	504	
to / from Infrastructure Assets	75	
Revaluations and impairments	(339)	13,622
<b>Balance at end of the year</b>	<b>25,754</b>	<b>26,466</b>

#### Note 14. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful economic lives of the intangible assets are between 1 and 10 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £901k charged to revenue in 2010/11 was charged to both the ICT cost centre and then absorbed as an



overhead across all the service headings in the Net Expenditure of Services, and directly to some services as appropriate. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

<b>Purchased Software Licences</b>	<b>2010/11 £000</b>	<b>2009/10 £000</b>
<b>Gross carrying amount at start of year</b>	<b>4,432</b>	<b>2,087</b>
Accumulated amortisation	(723)	(242)
<b>Net carrying amount at start of year</b>	<b>3,709</b>	<b>1,845</b>
Additions	2,323	2,246
Transfers	0	99
<u>Amortisation</u>		
For Current Year	(901)	(481)
<b>Gross carrying amount at end of year</b>	<b>6,755</b>	<b>4,432</b>
Accumulated amortisation	(1,624)	(723)
<b>Net carrying amount at end of year</b>	<b>5,131</b>	<b>3,709</b>

**Note 15. Financial Instruments**
**Categories of Financial Assets**

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

	Long-term			Current		
	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
<b>Investments</b>						
Loans and Receivables	73	53	2,555	50,952	64,536	48,324
Available for sale Financial Assets	0	0	0	50,699	55,654	52,830
Financial Assets at Fair Value through Profit and Loss	0	0	0	0	0	0
<b>Total Investments</b>	<b>73</b>	<b>53</b>	<b>2,555</b>	<b>101,651</b>	<b>120,190</b>	<b>101,154</b>
<b>Debtors</b>						
Loans and Receivables	56	51	49	13,199	12,959	15,475
Financial Assets carried at Contract Amounts	0	0	0	0	0	0
<b>Total Debtors</b>	<b>56</b>	<b>51</b>	<b>49</b>	<b>13,199</b>	<b>12,959</b>	<b>15,475</b>
<b>Borrowings</b>						
Financial Liabilities at Amortised Cost	188,626	162,514	143,275	39,968	57,394	5,720
Financial Liabilities at Fair Value through Profit and Loss	0	0	0	0	0	0
<b>Total Borrowings</b>	<b>188,626</b>	<b>162,514</b>	<b>143,275</b>	<b>39,968</b>	<b>57,394</b>	<b>5,720</b>
<b>Creditors</b>						
Financial Liabilities at Amortised Cost	2,472	1,751	2,892	36,477	36,679	29,487
Financial Liabilities carried at Contract Amounts	0	0	0	0	0	0
<b>Total Creditors</b>	<b>2,472</b>	<b>1,751</b>	<b>2,892</b>	<b>36,477</b>	<b>36,679</b>	<b>29,487</b>

**Reclassifications**

There were no reclassifications of financial instruments in 2010/11.



**Income, Expense, Gains and Losses**

2010/11	Financial Liabilities measured at Amortised Cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total
	£000	£000	£000	£000
Interest Expense	8,289	0	0	8,289
Losses on Derocognition	0	0	0	0
Reductions in Fair Value	0	0	0	0
Impairment Losses	0	0	0	0
Fee Expense	28	5	91	124
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>8,317</b>	<b>5</b>	<b>91</b>	<b>8,413</b>
Interest Income	0	(421)	(452)	(873)
Gains on Derocognition	0	0	0	0
Increases in Fair Value	0	0	0	0
Interest Income accrued on Impaired Financial Assets	0	0	0	0
Fee Income	0	0	0	0
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(421)</b>	<b>(452)</b>	<b>(873)</b>
Gains on Revaluation	0	0	19	19
Losses on Revaluation	0	0	0	0
Amounts Recycled to the Surplus or Deficit on the Provision of Services after Impairment	0	0	(32)	(32)
<b>Surplus / Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>(13)</b>	<b>(13)</b>
<b>Net Gain / (Loss) for the year</b>	<b>8,317</b>	<b>(416)</b>	<b>(374)</b>	<b>7,527</b>

<b>2009/10 Comparative Figures</b>				
	Financial Liabilities measured at Amortised Cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total
	£000	£000	£000	£000
Interest Expense	7,558	0	0	7,558
Losses on Derocognition	0	0	0	0
Reductions in Fair Value	0	0	0	0
Impairment Losses	0	0	0	0
Fee Expense	18	2	56	76
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>7,576</b>	<b>2</b>	<b>56</b>	<b>7,634</b>
Interest Income	0	(868)	(1,218)	(2,086)
Gains on Derocognition	0	0	0	0
Increases in Fair Value	0	0	0	0
Interest Income accrued on Impaired Financial Assets	0	0	0	0
Fee Income	0	0	0	0
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(868)</b>	<b>(1,218)</b>	<b>(2,086)</b>
Gains on Revaluation	0	0	32	32
Losses on Revaluation	0	0	0	0
Amounts Recycled to the Surplus or Deficit on the Provision of Services after Impairment	0	0	(143)	(143)
<b>Surplus / Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>(111)</b>	<b>(111)</b>
<b>Net Gain / (Loss) for the year</b>	<b>7,576</b>	<b>(866)</b>	<b>(1,273)</b>	<b>5,437</b>

#### **Fair Values of Assets and Liabilities**

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

**NOTES TO THE  
MAIN FINANCIAL  
STATEMENTS**



- estimated ranges of interest rates at 31 March 2011 of 1.89% to 5.31% for loans from the PWLB based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to 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 2011		31 March 2010		31 March 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	265,071	285,937	256,587	273,181	178,482	203,272
Long Term Creditors	2,472	2,472	1,751	1,751	2,892	2,892

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2011		31 March 2010		31 March 2009	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables	64,224	64,224	77,548	77,548	66,354	66,354
Long Term Debtors	56	56	51	51	49	49

Available for sale assets are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. There are no exceptions to this treatment.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

**Note 16. Inventories**

Consumable Stores	2010/11 £000	2009/10 £000
<b>Balance outstanding at start of year</b>	<b>370</b>	<b>562</b>
Purchases	393	439
Recognised as an expense in the year	(434)	(631)
<b>Gross carrying amount at end of year</b>	<b>329</b>	<b>370</b>

**Note 17. Construction Contracts**

Note not required

**Note 18. Debtors**

	31 March 2011		31 March 2010	31 March 2009
	£000	£000	£000	
Central Government	9,693		23,233	10,879
Local Authorities	1,933		2,779	1,394
Housing Rents	890		871	907
Taxation	7,785		5,775	4,138
General	16,800		13,728	16,376
Council Taxpayers	4,100		4,496	3,987
Non Domestic Rates Payers	18		25	30
Schools	310	41,529	1,088	565
Bad Debt Provision		(7,477)	(7,556)	(7,596)
Prepayments		1,913	3,021	3,134
<b>Total Debtors</b>		<b>35,965</b>	<b>47,460</b>	<b>33,814</b>

**Note 19. Cash and Cash Equivalents**

The balance of Cash and Cash Equivalents is made up of the following elements:

	31 March 2011	31 March 2010	31 March 2009
	£000	£000	£000
Cash held by the Council	35,020	34,380	18,847
Bank Current Accounts	12,773	14,367	15,905
<b>Total Cash and Cash Equivalents</b>	<b>47,793</b>	<b>48,747</b>	<b>34,752</b>



**Note 20. Assets Held for Sale**

	Current		Non Current	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
<b>Balance at start of year</b>	100	0	1,904	2,101
Investment properties newly classified as held for sale	1,300			
Impairment Losses			(180)	(97)
Assets Sold	(100)			
Transfers from non-current to current	377	100	(377)	(100)
<b>Balance at end of year</b>	<b>1,677</b>	<b>100</b>	<b>1,347</b>	<b>1,904</b>

**Note 21. Creditors**

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Central Government	7,682	5,141	1,164
Local Authorities	3,680	5,893	3,129
Taxation	3,411	3,350	3,185
General	24,015	21,249	22,566
General Receipts In Advance	4,372	6,256	7,051
Council Tax Paid In Advance	660	796	742
Schools	2,572	4,396	2,628
<b>Total Creditors</b>	<b>46,392</b>	<b>47,081</b>	<b>40,465</b>

**Note 22. Provisions**

	Insurance £000	Redundancy £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2010</b>	3,621	0	653	4,274
Additional provisions made in year	1,589	1,470	47	3,106
Amounts used in year	(1,487)	0	0	(1,487)
<b>Balance at 31 March 2011</b>	<b>3,723</b>	<b>1,470</b>	<b>700</b>	<b>5,893</b>

Insurance Provision

This reflects the total value of claims outstanding at the year end for which the Council has a future liability of uncertain timing. In addition the Council keeps an insurance reserve (shown in Note 8 page 58) to mitigate against the risk of potential claims arising in the future.

Redundancy

Payments to be made in 2011/12 as a result of organisational management decisions taken during 2010/11, relating to redundancy, and therefore properly chargeable to 2010/11.

**Note 23. Usable Reserves**

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 7 and 8.

**Note 24. Unusable Reserves**

Movements in the Authority's unusable reserves are detailed in the Movement in Reserves Statement and in the individual tables below

**Revaluation Reserve**

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

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

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



	2010/11 £000	2009/10 £000
<b>Balance at 1 April</b>	<b>111,386</b>	<b>113,271</b>
Upward revaluation of assets	4,046	496
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the provision of services	(1,083)	(1,708)
Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services	2,963	(1,212)
Difference between fair value and historical cost depreciation	(481)	(673)
Amount written off to the capital adjustment reserve	(481)	(673)
<b>Balance at 31 March</b>	<b>113,868</b>	<b>111,386</b>

#### **Available for Sale Financial Instrument Reserve**

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

	2010/11 £000	2009/10 £000
<b>Balance at 1 April</b>	<b>32</b>	<b>143</b>
Upward revaluation of investments	19	32
Accumulated gains on assets, sold and maturing assets written out to the comprehensive income and expenditure statement as part of other investment income	(32)	(143)
<b>Balance at 31 March</b>	<b>19</b>	<b>32</b>

#### **Capital Adjustment Account**

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.



The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2010/11 £000	2009/10 £000
<b>Balance at 1 April</b>	<b>547,053</b>	<b>511,948</b>
<i>Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement</i>		12,030
Charges for depreciation and impairment of non-current assets	(88,021)	(24,942)
Amortisation of intangible assets	(901)	(481)
Revenue expenditure funded from capital under statute	(33,798)	(30,771)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the comprehensive income and expenditure statement	(367)	(1,351)
	(123,087)	(45,515)
Adjusting amounts written out of the revaluation reserve	481	674
Net written out amount of the cost of non-current assets consumed in the year	(122,606)	(44,841)
<i>Capital financing applied in the year</i>		
Use of the capital receipts reserve to finance new capital expenditure	0	2,836
Use of the major repairs reserve to finance new capital expenditure	2,312	4,820
Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	58,249	51,613
Statutory provision for the financing of capital investment charged against the general fund and HRA balances	4,331	4,919
Capital expenditure charged against the general fund and HRA balances	1,838	2,136
	66,730	66,324
Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement	(339)	13,622
<b>Balance at 31 March</b>	<b>490,838</b>	<b>547,053</b>



### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2010/11 £000	2009/10 £000
<b>Balance at 1 April</b>	<b>(144,279)</b>	<b>(104,288)</b>
Actuarial gains and losses on pensions, assets and liabilities	56	(36,908)
Reversal of items relating to retirement benefits, debited or credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement	5,137	(15,466)
Employer's pensions contributions and direct payments to pensioners payable in the year	12,771	12,383
<b>Balance at 31 March</b>	<b>(126,315)</b>	<b>(144,279)</b>

### Collection Fund Adjustment Account

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

	2010/11 £000	2009/10 £000
<b>Balance at 1 April</b>	<b>1,486</b>	<b>1,639</b>
Share of estimated surplus for prior year actually distributed in year	(582)	(1,058)
Adjusted share of carried forward surplus for the year	1,018	905
<b>Balance at 31 March</b>	<b>1,922</b>	<b>1,486</b>

### Accumulated Absences Account

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

	2010/11 £000	2009/10 £000
<b>Balance at 1 April</b>		(2,858)
Settlement or cancellation of accrual made at the end of the preceding year	3,382	2,858
Amounts accrued at the end of the current year	<u>(2,610)</u>	<u>(3,382)</u>
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements		(524)
	772	
<b>Balance at 31 March</b>	<b>(2,610)</b>	<b>(3,382)</b>

**Note 25. Cash Flow Statement - Operating Activities**

The Cash flows for operating activities include the following items:

	2010/11 £000	2009/10 £000
Interest Received	1,364	2,369
Interest Paid	7,963	7,514

**Note 26. Cash Flow Statement - Investing Activities**

	2010/11 £000	2009/10 £000
Purchase of property, plant and equipment, investment property and intangible assets	100,960	100,968
Purchase of short-term and long-term investments	0	5,594
Other payments for investing activities	739	761
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(125)	(1,033)
Proceeds from short-term and long-term investments	(17,586)	0
Other receipts from investing activities	(55,800)	(32,959)
<b>Net Cash Flow from Investing Activities</b>	<b>28,188</b>	<b>73,331</b>



**Note 27. Cash Flow Statement - Financing Activities**

	<b>2010/11 £000</b>	<b>2009/10 £000</b>
Cash receipts of short and long-term borrowing	(58,850)	(86,729)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	157	146
Repayments of short and long-term borrowing	8,675	15,064
<b>Net Cash Flow from Financing Activities</b>	<b>(50,018)</b>	<b>(71,519)</b>

**Note 28. Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- The cost of employees is based on cash flows (payment of employee's salaries), taking no account of the value of any untaken leave or other compensated absences not yet taken.

The income and expenditure of the Authority's portfolios recorded in the budget monitoring reports for the year is as follows:

<b>Portfolio Income and Expenditure 2010/11</b>	<b>Adult, Health &amp; Housing £000</b>	<b>Children &amp; Learning £000</b>	<b>Corporate Support £000</b>	<b>Culture £000</b>	<b>Enterprise, Tourism Environment £000</b>	<b>Leader £000</b>	<b>Public Protection &amp; Waste £000</b>	<b>Transport &amp; Planning £000</b>	<b>Total £000</b>
Fees, Charges & Other Service Income	(10,199)	(1,315)	(8,760)	(3,897)	(1,648)	(109)	(584)	(7,105)	<b>(33,617)</b>
Grants	(12,624)	(192,591)	(101,533)	(622)	(479)	(1,181)	(74)	(1,179)	<b>(310,283)</b>
<b>Total Income</b>	<b>(22,823)</b>	<b>(193,906)</b>	<b>(110,293)</b>	<b>(4,519)</b>	<b>(2,127)</b>	<b>(1,290)</b>	<b>(658)</b>	<b>(8,284)</b>	<b>(343,900)</b>
Employee Expenses	17,513	20,611	16,216	5,051	2,680	3,647	2,986	4,179	<b>72,883</b>
Other Service Expense	53,244	172,012	108,750	7,536	3,168	2,276	10,817	11,744	<b>369,547</b>
Capital Financing	1,759	31,935	3,114	2,467	725	90	171	6,573	<b>46,834</b>
Net Support Recharges	2,646	4,373	(12,802)	1,236	(606)	379	1,768	2,051	<b>(955)</b>
<b>Total Expenditure</b>	<b>75,162</b>	<b>228,931</b>	<b>115,278</b>	<b>16,290</b>	<b>5,967</b>	<b>6,392</b>	<b>15,742</b>	<b>24,547</b>	<b>488,309</b>
<b>Net Expenditure</b>	<b>52,339</b>	<b>35,025</b>	<b>4,985</b>	<b>11,771</b>	<b>3,840</b>	<b>5,102</b>	<b>15,084</b>	<b>16,263</b>	<b>144,409</b>

<b>Portfolio Income and Expenditure 2009/10 Comparative Figures</b>	<b>Adult, Health &amp; Housing £000</b>	<b>Children &amp; Learning £000</b>	<b>Corporate Support £000</b>	<b>Culture £000</b>	<b>Enterprise, Tourism Environment £000</b>	<b>Leader £000</b>	<b>Public Protection &amp; Waste £000</b>	<b>Transport &amp; Planning £000</b>	<b>Total £000</b>
Fees, Charges & Other Service Income	(9,922)	(1,340)	(8,140)	(4,129)	(2,697)	(34)	(543)	(8,054)	<b>(34,859)</b>
Grants	(15,909)	(170,674)	(95,191)	(361)	(2,034)	(446)	(185)	(2,183)	<b>(286,983)</b>
<b>Total Income</b>	<b>(25,831)</b>	<b>(172,014)</b>	<b>(103,331)</b>	<b>(4,490)</b>	<b>(4,731)</b>	<b>(480)</b>	<b>(728)</b>	<b>(10,237)</b>	<b>(321,842)</b>
Employee Expenses	17,316	19,976	16,409	5,133	3,634	1,844	3,179	4,362	<b>71,853</b>
Other Service Expense	53,883	158,444	100,915	7,967	5,152	2,736	11,139	12,745	<b>352,981</b>
Capital Financing	873	31,137	1,582	1,750	(779)	(3,344)	119	(4,376)	<b>26,962</b>
Net Support Recharges	2,166	4,075	(11,323)	1,242	(766)	373	1,490	1,889	<b>(854)</b>
<b>Total Expenditure</b>	<b>74,238</b>	<b>213,632</b>	<b>107,583</b>	<b>16,092</b>	<b>7,241</b>	<b>1,609</b>	<b>15,927</b>	<b>14,620</b>	<b>450,942</b>
<b>Net Expenditure</b>	<b>48,407</b>	<b>41,618</b>	<b>4,252</b>	<b>11,602</b>	<b>2,510</b>	<b>1,129</b>	<b>15,199</b>	<b>4,383</b>	<b>129,100</b>

### Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

	<b>2010/11 £000</b>	<b>2009/10 £000</b>
<b>Net Expenditure in the Portfolio Analysis</b>	<b>144,409</b>	<b>129,100</b>
Net Expenditure of Services not included in the Analysis	68,695	(622)
Net Expenditure of Services included in the Analysis, not included in the Comprehensive Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(1,127)	(646)
	(22,099)	(4,388)
<b>Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement</b>	<b>45,469</b>	<b>(5,656)</b>
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>189,878</b>	<b>123,444</b>

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement

# NOTES TO THE MAIN FINANCIAL STATEMENTS



2010/11

	Portfolio Analysis £000	Services not include the Analysis £000	Services in Analysis included in the I&E £000	Amounts not reporte management £000	Cost of Services in tl Comprehensive I&E £000	Corporate Amounts £000	Total £000
Fees, Charges & Other							
Service Income	(33,617)	(24,149)	4,342	51	(53,373)	(4,342)	(57,715)
Grants	(310,283)		8	(12)	(310,287)	(92,297)	(402,584)
Interest and Investment Income					0	(2,573)	(2,573)
Income from Council Tax					0	(69,627)	(69,627)
<b>Total Income</b>	<b>(343,900)</b>	<b>(24,149)</b>	<b>4,350</b>	<b>39</b>	<b>(363,660)</b>	<b>(168,839)</b>	<b>(532,499)</b>
Employee Expenses	72,883	268	(2,183)	(25,345)	45,623	2,183	47,806
Other Service Expense	369,547	15,831	(1,004)	2,906	387,280	1,004	388,284
Capital Financing	46,834	76,065	(1,757)	301	121,443	1,757	123,200
Net Support Recharges	(955)	680	(533)		(808)	533	(275)
Interest Payments					0	8,374	8,374
Pensions Interest and Expected Return					0	6,675	6,675
Precepts and Levies					0	653	653
Payments to Housing Capital Receipts Pool					0	369	369
Gain or Loss on Disposal of Fixed Assets					0	(270)	(270)
<b>Total Expenditure</b>	<b>488,309</b>	<b>92,844</b>	<b>(5,477)</b>	<b>(22,138)</b>	<b>553,538</b>	<b>21,278</b>	<b>574,816</b>
<b>Surplus or Deficit on the provision of services</b>	<b>144,409</b>	<b>68,695</b>	<b>(1,127)</b>	<b>(22,099)</b>	<b>189,878</b>	<b>(147,561)</b>	<b>42,317</b>

2009/10 comparative figures

	Portfolio Analysis £000	Services not include the Analysis £000	Services in Analysis included in the I&E £000	Amounts not reporte management £000	Cost of Services in tl Comprehensive I&E £000	Corporate Amounts £000	Total £000
Fees, Charges & Other							
Service Income	(34,859)	(23,622)	4,367	45	(54,069)	(4,367)	(58,436)
Grants	(286,983)			(33)	(287,016)	(95,538)	(382,554)
Interest and Investment Income					0	(3,287)	(3,287)
Income from Council Tax					0	(67,124)	(67,124)
<b>Total Income</b>	<b>(321,842)</b>	<b>(23,622)</b>	<b>4,367</b>	<b>12</b>	<b>(341,085)</b>	<b>(170,316)</b>	<b>(511,401)</b>
Employee Expenses	71,853	257	(2,260)	(4,651)	65,199	2,260	67,459
Other Service Expense	352,981	17,109	(1,685)	(85)	368,320	1,685	370,005
Capital Financing	26,962	4,954	(426)	337	31,827	426	32,253
Net Support Recharges	(854)	680	(642)	(1)	(817)	642	(175)
Interest Payments					0	7,717	7,717
Pensions Interest and Expected Return					0	8,252	8,252
Precepts and Levies					0	491	491
Payments to Housing Capital Receipts Pool					0	278	278
Gain or Loss on Disposal of Fixed Assets					0	412	412
<b>Total Expenditure</b>	<b>450,942</b>	<b>23,000</b>	<b>(5,013)</b>	<b>(4,400)</b>	<b>464,529</b>	<b>22,163</b>	<b>486,692</b>
<b>Surplus or Deficit on the provision of services</b>	<b>129,100</b>	<b>(622)</b>	<b>(646)</b>	<b>(4,388)</b>	<b>123,444</b>	<b>(148,153)</b>	<b>(24,709)</b>

**Note 29. Acquired and Discontinued Operations**

Note not required.

**Note 30. Trading Operations**

The Council operates two trading activities. These are,

- The Amenity Services Organisation provides a grounds maintenance service to the Council and carries out a small amount of work for other public bodies
- Building Control

	2010/11 £000	2009/10 £000
<u>The Amenity Services Organisation</u>		
Turnover	(2,247)	(2,193)
Expenditure	2,527	2,566
<b>Deficit</b>	<b>280</b>	<b>373</b>
<u>Building Control</u>		
Turnover	(402)	(452)
Expenditure	415	499
<b>Deficit</b>	<b>13</b>	<b>47</b>
<b>Total deficit on trading activities</b>	<b>293</b>	<b>420</b>

**Note 31. Agency Services**

Note not required.

**Note 32. Road Charging Schemes**

Note not required.

**Note 33. Pooled Budgets**

Section 75 of the National Health Service Act 2006 allows partnership arrangements between NHS bodies, Local Authorities and other agencies in order to improve and coordinate services. Each partner makes a contribution to the pooled budget, with the aim of focusing services and activities for particular client groups. The funds contributed are normally used for those services represented in the pooled budget, and through this process allow the organisations involved to act in a more cohesive manner.

The funding for the Learning Disability Service and the Equipment Service was held by Southend-on-Sea Borough Council. The funding for the Cumberlege Intermediate Care Centre and Nursing Care was held by South East Essex Primary Care Trust.

The following table shows the total funding to each pooled budget and Southend-on-Sea Borough Council's contribution. In each case the partner body is the South East Essex Primary Care Trust.

**NOTES TO THE  
MAIN FINANCIAL  
STATEMENTS**



	2010/11 Pool Income £000	2010/11 Pool Expenditure £000	2010/11 Net Expenditure £000	2010/11 Southend Borough Council £000	2009/10 Net Expenditure £000	2009/10 Southend Borough Council £000
Equipment Service	0	963	963	642	844	563
Cumberlege Intermediate Care Centre (CICC)	0	1,184	1,184	553	1,196	559
<b>Total</b>	<b>0</b>	<b>2,147</b>	<b>2,147</b>	<b>1,195</b>	<b>2,040</b>	<b>1,122</b>

**Note 34. Members' Allowances**

The Authority paid the following amounts to members of the council during the year.

	2010/11 £000	2009/10 £000
Basic Allowances	424	433
Special Allowances	242	221
Travel & Subsistence	4	10
<b>Total Members Allowances</b>	<b>670</b>	<b>664</b>

A full list of the members' allowances, including their travel and subsistence, is published in the Additional Financial Information Section on page 126 and on the Council's website (<http://www.southend.gov.uk>).

**Note 35. Officers' Remuneration**

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

2010/11		Performance Related Pay in respect of 2009/10							Total £
		Salary £	Consolidated into future salary £	Un- consolidated £	Pension Contribution £	Local Election: Duties £	Car Allowance: etc £		
Rob Tinlin	<b>Chief Executive</b>	147,408	1,473	0	19,206	25	2,900	171,012	
	<b>Corporate Directors</b>								
Paul Greenhalgh	Children & Learning <i>until 28/02/11</i>	105,633	1,152	0	13,775	0	0	120,560	
	<i>annualised</i>							131,520	
Sue Cook	Children & Learning <i>from 01/03/11</i>	8,409	0	0	1,085	0	56	9,550	
	<i>annualised</i>							114,600	
Sally Holland	Corporate Support Services	115,341	1,152	0	15,028	224	4,077	135,822	
Simon Lettley	Adult & Community Services	115,341	1,152	0	15,028	0	0	131,521	
Andrew Lewis	Enterprise, Tourism & Environment	109,629	1,096	0	14,284	0	2,444	127,453	
	<b>Heads of Service</b>								
Shazia Ullah	Policy & Improvement	78,069	390	0	10,121	332	0	88,912	
Sue Cook	Children's Specialist Services <i>until 28/02/11</i>	83,889	861	0	10,933	0	612	96,295	
	<i>annualised</i>							105,049	
Sue Hadley	Children's Commissioning & Learning Infrastructure	86,139	861	0	11,223	0	0	98,223	
Jane Theadom	School Support & Preventative Services	86,139	431	0	11,168	0	0	97,738	
Joe Chesterton	Finance & Resources <i>from 04/10/10</i>	43,833	0	0	5,717	0	0	49,550	
	<i>annualised</i>							101,038	
Martin Hone	Finance & Resources <i>until 04/07/10</i>	23,681	0	4,478	3,185	0	0	31,344	
	<i>annualised</i>							107,700	
Joanna Ruffie	Human Resources	86,139	861	0	11,223	0	2,471	100,694	
John Williams	Legal & Democratic Services	100,614	0	0	13,067	2,814	679	117,174	
Nick Corrigan	Customer Services	85,128	851	0	11,091	0	2,606	99,676	
Nick Harris	Culture	85,290	861	0	11,223	0	0	97,374	
Jacqui Lansley	Community Strategy & Development	71,791	360	0	9,334	124	45	81,654	
Martin Elliott	Adult Commissioning <i>until 13/06/10</i>	16,497	0	0	2,014	0	0	18,511	
	<i>annualised</i>							91,304	
Anita Thornberry	Enterprise Tourism & Regeneration	86,139	0	0	0	0	0	86,139	
Dipti Patel	Public Protection	84,240	843	0	10,989	0	3,009	99,081	
Andrew Meddle	Planning & Transport	63,739	335	0	8,696	241	2,978	75,989	

**NOTES TO THE  
MAIN FINANCIAL  
STATEMENTS**



2009/10		Performance Related Pay in respect of 2008/09							Total £
		Salary £	Consolidated into future salary £	Un-consolidated £	Pension Contribution £	Local Election Duties £	Car Allowance etc £		
Rob Tinlin	<b>Chief Executive</b>	143,883	3,525	9,425	20,231	4,236	2,909	184,209	
<b>Corporate Directors</b>									
Paul Greenhalgh	Children & Learning	112,584	2,757	5,124	15,540	0	0	136,005	
Sally Holland	Corporate Support Services	110,163	5,178	3,635	15,348	0	2,825	137,149	
Simon Leftley	Adult & Community Services	112,584	2,757	6,250	15,685	0	2,881	140,157	
Andrew Lewis	Enterprise, Tourism & Environment	103,424	6,205	0	14,142	0	2,364	126,135	
<b>Heads of Service</b>									
Shazia Ullah	Policy & Improvement	77,117	0	0	9,948	0	0	87,065	
Sue Cook	Children's Specialist Services	84,078	2,061	3,824	11,605	0	687	102,255	
Sue Hadley	Children's Commissioning & Learning Infrastructure	84,078	2,061	2,984	11,497	0	0	100,620	
Jane Theadom	School Support & Preventative Services	81,859	4,280	2,143	11,388	0	0	99,670	
Martin Hone	Finance & Resources	91,764	2,061	3,824	12,597	0	288	110,534	
Joanna Ruffle	Human Resources	80,699	5,440	1,016	11,243	0	2,984	101,382	
John Williams	Legal & Democratic Services	107,260	0	0	14,012	0	1,358	122,630	
Nick Corrigan	Customer Services	78,822	6,306	0	10,981	0	2,720	98,829	
Nick Harris	Culture	81,564	4,280	1,450	11,299	0	0	98,593	
Jacqui Lansley	Community Strategy & Development	72,888	0	0	9,061	0	0	81,949	
Martin Elliott	Adult Commissioning	71,949	5,036	0	9,931	0	315	87,231	
Anita Thornberry	Enterprise Tourism & Regeneration	81,859	4,280	1,450	0	0	0	87,589	
Dipti Patel	Public Protection	77,850	5,518	0	10,880	0	2,802	97,050	
Andrew Meddle	Planning & Transport	64,158	0	0	8,653	0	1,032	73,843	

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

	2010/11 Number of Staff	2009/10 Number of Staff
£50,000 to £54,999	49	48
£55,000 to £59,999	31	23
£60,000 to £64,999	17	15
£65,000 to £69,999	13	13
£70,000 to £74,999	10	8
£75,000 to £79,999	1	3
£80,000 to £84,999	0	2
£85,000 to £89,999	4	8
£90,000 to £94,999	0	2
£95,000 to £99,999	1	0
<b>Total</b>	<b>126</b>	<b>122</b>

Remuneration includes all sums paid to or receivable by employees, expense allowances chargeable to tax, severance payments and the money value of benefits.

**Note 36. External Audit Costs**

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2010/11 £000	2009/10 £000
Fees payable with regard to external audit services	322	361
Fees payable in respect of statutory inspection	2	63
Fees payable for the certification of grant claims and returns	83	83
Fees payable in respect of other services provided	0	22
<b>Total Audit Costs</b>	<b>407</b>	<b>529</b>

**Note 37. Dedicated Schools Grant**

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

	2010/11 Central Expenditure  £000	2010/11 Individual Schools Budget  £000	2010/11 Total  £000	2009/10 Total  £000
Final DSG for 2010/11			105,189	105,405
Brought forward from 2009/10			822	389
Carry forward to 2011/12 agreed in advance			(924)	0
<b>Agreed budgeted distribution in 2010/11</b>	<b>7,625</b>	<b>97,462</b>	<b>105,087</b>	<b>105,794</b>
Less:				
Actual central expenditure	(7,033)	0	(7,033)	10,443
Actual ISB deployed to schools	0	(97,462)	(97,462)	94,529
Local authority contribution for 2010/11	0	0	0	0
<b>Carry forward to 2011/12</b>	<b>592</b>	<b>0</b>	<b>592</b>	<b>822</b>
<b>Carry forward to 2011/12 agreed in advance</b>			<b>924</b>	<b>0</b>
<b>Total Carry Forward</b>			<b>1,516</b>	<b>822</b>



**Note 38. Grant Income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11.

	2010/11 £000	2009/10 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Non-Ringfenced Government Grants		
Formula Grant	7,798	11,309
Area Based Grant	12,464	8,894
Local Authority Business Growth Incentive	0	148
	<b>20,262</b>	<b>20,351</b>
Capital Grants and Contributions		
Victoria Gateway - HCA funding	5,183	
City Beach - HCA funding	4,000	
Progress Road - HCA funding	2,377	
Shoebury Youth Centre	1,564	
Barons Court - conversion to Primary School	1,504	
Chase High 16+ Block	1,189	6,375
Shoeburyness Diploma Accommodation	1,134	
Hamstel Infant Extension	1,107	
Schools Capital Grants		4,422
Infrastructure		3,079
London Road/Hollybrook Car Park		2,472
Redeck Pier Head		1,690
Surestart		1,341
Cliff Stabilisation		1,013
Playgrounds		805
Other	268	4,995
	<b>18,326</b>	<b>26,192</b>
<b>Total</b>	<b>38,588</b>	<b>46,543</b>

	2010/11 £000	2009/10 £000
<b>Credited to Services</b>		
Dedicated Schools Grant	105,189	105,405
Housing Benefits	83,817	78,030
Council Tax Benefits	14,903	13,883
Standards Fund	14,845	11,916
Young People's Learning Agency	13,370	0
Funding from PCT:	8,451	8,052
School Standards Grant	5,453	5,342
Early Years & Childcare	4,741	4,293
Skills Funding Agency	2,550	0
Other Local Authorities Service Provision	1,932	1,629
Housing Benefit and Council Tax Administration	1,813	2,013
Youth Offending Grants	1,093	1,000
Other Social Services Grants	921	1,128
Other Education Grants	871	295
Local Area Agreement Grants	860	284
Children's Services Grants	859	723
Supporting People	671	4,955
Cycle England	637	883
Learning and Skills Council - 6th Form Funding	0	12,218
Learning and Skills Council	16	3,147
Economic Participation Programme	322	1,780
Section 31 Grant	258	629
Other Service Grants and Contributions	17,079	4,110
REFCUS	29,636	25,301
<b>Total</b>	<b>310,287</b>	<b>287,016</b>

The Authority has recognised all of the grants and contributions received as income through the Comprehensive Income and Expenditure Statement, as any conditions attached to the grants and contributions that may have required the monies or property to be returned to the giver have been met.

### Note 39. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

#### Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments used in 2010/11 and those received but not yet applied as at 31 March 2011 are set out in Note 38.

#### Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 34. During 2010/11 services were commissioned from organisations, and grants awarded to voluntary organisations, in which certain members had an interest. In all cases contracts were entered into with full procurement rules compliance and awards made with proper consideration of declarations of interest.



- Six members were on the board of South Essex Homes Limited, which is controlled by the Council (see below).
- A member was on the board of the Housing Action Resource Project which received a grant of £134,559 from the Council.
- A member was on the executive committee of Southend Mencap which received a grant of £7,058 from the Council.
- Three members were on the committee of Southend Play Council which received a grant of £5,000 from the Council.
- One member was a trustee of Southend Citizen's Advice Bureau, which received a grant of £185,813 from the Council.
- Two members held the position of Chairman of the board of trustees of Cory Environmental Trust in Southend on Sea during the year. The trust on occasion provides funds to the Council for various projects. In 2010/11 this amounted to £93,000.
- One member was on the board of DIAL Southend, which received a grant of £26,394 from the Council.
- One member was Council Representative on the board of trustees of Southend Advocacy for Older People which received a grant of £27,281 from the Council.

In all instances, the decisions were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

**Entities Controlled or Significantly Influenced by the Authority**

Southend-on-Sea Borough Council has a dominant influence over South Essex Homes Limited, that manages the Councils' housing stock. All material transactions with the company are recorded in the notes to the consolidated group accounts.

Under IAS19 South Essex Homes Limited must account for the net surplus or deficit arising from its share of the pension assets and liabilities in respect of its employees who are members of the Essex County Council Pension Fund. As at 31 March 2011 there was a net deficit of £4,583k in respect of South Essex Homes Limited's pension liabilities. As at 31 March 2011 South Essex Homes Limited also had a retained surplus of £779k in respect of its Profit and Loss reserve. Southend-on-Sea Borough Council undertakes to provide continuing financial support to enable the financial statements of South Essex Homes Limited to be prepared on a going concern basis.

Within the year the following voluntary organisations were also given financial assistance which funded at least 20% of their expenses:

	<b>2010/11 £000</b>	<b>2009/10 £000</b>
Housing Action Research Project (HARP)	135	123
DIAL Southend	26	47
Citizens' Advice Bureau	186	181
Age Concern	19	15
<b>Total</b>	<b>366</b>	<b>366</b>

**Note 40. Capital Expenditure and Capital Financing**

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

	31 March 2011 £000	31 March 2010 £000
<b>Capital Investment</b>		
Property, Plant and Equipment	67,115	68,453
Investment Assets	348	31
Intangible Assets	2,323	2,246
Revenue Expenditure Funded from Capital Under Statute	33,835	30,771
<b>Total Capital Investment</b>	<b>103,621</b>	<b>101,501</b>
<b>Sources of Finance</b>		
Usable Capital Receipts	0	2,836
Government Grants and other Contributions	58,224	51,642
Sums set aside from Revenue:		
Direct Revenue Contributions	1,838	2,137
Major Repairs Reserve	2,312	4,820
<b>Total Financing from Internal Resources</b>	<b>62,374</b>	<b>61,435</b>
Credit arrangements	150	188
Supported Capital Borrowing	16,580	16,530
Un-supported Capital Borrowing	24,517	23,348
<b>Total Financing from Borrowing / Credit Arrangements</b>	<b>41,247</b>	<b>40,066</b>
<b>Total Capital Financing</b>	<b>103,621</b>	<b>101,501</b>

	31 March 2011 £000	31 March 2010 £000
<b>Opening Capital Financing Requirement</b>	<b>148,108</b>	<b>112,200</b>
<b>Explanation of Movements in Year</b>		
Borrowing	41,097	39,878
Finance Leases	150	188
MRP	(3,592)	(4,158)
<b>Closing Capital Financing Requirement</b>	<b>185,763</b>	<b>148,108</b>



**Note 41. Leases**

**The Council as Lessee**

Finance Leases

The Council has acquired IT equipment for schools and grounds maintenance equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Vehicles, Plant, Furniture and Equipment	435	585	745
	<b>435</b>	<b>585</b>	<b>745</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Finance Lease Liabilities (net present value of minimum lease payments):			
Current	176	275	294
Non Current	281	340	479
Finance costs payable in future years	24	34	55
<b>Minimum Lease Payments</b>	<b>481</b>	<b>649</b>	<b>828</b>

The minimum lease payments will be payable over the following periods:

Credit Risk	Minimum Lease Payments			Finance Lease Liabilities		
	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Not later than one year	190	292	321	176	275	294
Later than one year and not later than five years	291	312	418	281	295	392
Later than five years	0	45	89	0	45	87
	<b>481</b>	<b>649</b>	<b>828</b>	<b>457</b>	<b>615</b>	<b>773</b>

Operating Leases

The Council has acquired vehicles for social care and our haulage pool and grounds maintenance equipment under operating leases, which have typical lives of 5 years.

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

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Not later than one year	453	420	387
Later than one year and not later than five years	895	1,123	901
Later than five years	1,174	1,197	1,157
	<b>2,522</b>	<b>2,740</b>	<b>2,445</b>

The expenditure charged to the Cost of Service line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Minimum Lease Payments	484	476	482
	<b>484</b>	<b>476</b>	<b>482</b>

### **Authority as Lessor**

#### Operating Leases

The Authority leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Not later than one year	1,271	1,271	1,136
Later than one year and not later than five years	3,633	3,852	3,421
Later than five years	42,371	43,206	36,504
	<b>47,275</b>	<b>48,329</b>	<b>41,061</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as rental payments that vary with turnover. In 2010/11 contingent rents were estimated to be receivable by the Authority (2009/10 estimated).



**Note 42. PFI and Similar Contracts**

Note not required.

**Note 43. Impairment Losses**

The Housing Revenue Account assets were revalued at 1 April 2010 which led to an impairment due to lower market value and a higher social housing adjustment factor.

An impairment review of all material assets was carried out at the balance sheet date and this led to the impairment of the carrying value of a number of assets, the most significant of which were Farringdon Road car park and Centre Place Community Centre.

An impairment review was also undertaken of capital additions and a few were considered not to increase the asset value and therefore were impaired.

These impairments are recorded in notes 12 and 14.

**Note 44. Capitalisation of Borrowing Costs**

The Council has not capitalised any of its borrowing costs.

**Note 45. Termination Benefits**

The Authority is undergoing a significant programme of cost reduction, involving amongst other things a reduction in the number of employees. This has given rise to a number of redundancy payments that, although not actually paid in 2010/11, have been fully provided for. (See note 22).

**Note 46. Pension Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11 the Council paid £7.7m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £7.9m and 14.1%. There were no contributions remaining payable at the year end.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 47.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. Added years payments awarded in respect of the teachers' pension scheme were £33,196 (2009/10 £31,656).

**Note 47. Defined Benefit Pension Schemes**

**Participation in Pensions Schemes**

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

The Council participates in the Local Government Pension Scheme (LGPS) administered by Essex County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level to balance the pension liabilities with investment assets.

### Transactions relating to post-employment benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. 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 post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2010/11 £000	2009/10 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
Current Service Cost	11,060	7,052
Past Service Costs	(22,872)	35
Loss on Curtailments	0	127
<b>Financing and Investment Income and Expenditure</b>		
Interest Cost	21,349	19,484
Expected Return on Scheme Assets	(14,674)	(11,232)
<b>Total post-employment benefit charged to the surplus or deficit on the provision of services</b>	<b>(5,137)</b>	<b>15,466</b>
<b>Other post-employment benefit charged to the comprehensive income and expenditure statement</b>		
Actuarial gains and losses	(56)	36,908
<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(5,193)</b>	<b>52,374</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code	5,193	(52,374)
<b>Actual amount charged against the General Fund Balance for Pensions in the year</b>		
Employer's contributions payable to scheme	12,771	12,383

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £102.085m.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Authority's liabilities in the Essex County Council Pension Fund by £22.887m and has been recognised as a past service gain in accordance with guidance set down in UITF



Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

**Assets and Liabilities in Relation to Post-employment Benefits**

Reconciliation of present value of the scheme liabilities (defined benefit obligation).

	2010/11 £000	2009/10 £000
Opening Balance at 1 April	(380,073)	(274,759)
Current Service Cost	(11,060)	(7,052)
Interest Cost	(21,349)	(19,484)
Contributions by Scheme Participants	(3,961)	(3,858)
Actuarial Gains and Losses	8,885	(86,330)
Benefits Paid	12,695	11,572
Past Service Costs	22,872	(162)
<b>Closing Balance at 31 March</b>	<b>(371,991)</b>	<b>(380,073)</b>

Reconciliation of fair value of the scheme assets

	2010/11 £000	2009/10 £000
Opening Balance at 1 April	235,794	170,471
Expected Rate of Return	14,674	11,232
Actuarial Gains and Losses	(8,829)	49,422
Employer Contributions	12,771	12,383
Contributions by Scheme Participants	3,961	3,858
Benefits Paid	(12,695)	(11,572)
<b>Closing Balance at 31 March</b>	<b>245,676</b>	<b>235,794</b>

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 £22.830m gain (2009/10 £60.654m gain).

**Scheme History**

<b>Actuarial Gains/(Losses)</b>	<b>2006/07 £000</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Present Value of Liabilities	(287,396)	(318,432)	(274,759)	(380,073)	(371,991)
Fair Value of Assets	219,101	210,821	170,471	235,794	245,676
<b>Surplus / (Deficit) in the Scheme</b>	<b>(68,295)</b>	<b>(107,611)</b>	<b>(104,288)</b>	<b>(144,279)</b>	<b>(126,315)</b>

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £126.3m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy, with the deficit on the local government scheme being made good by increased contributions over the remaining working life of employees (ie before payments fall due), as 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 2011 is £13.2m

#### **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 dependent on assumptions about mortality rates, salary levels, etc. The Pension Fund liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates being based on the last full revaluation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	2010/11	2009/10
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity Investments	7.5%	7.5%
Government Bonds	4.4%	4.5%
Other Bonds	5.1%	5.2%
Property	6.5%	6.5%
Cash / Liquidity	0.5%	0.5%
<b>Mortality assumptions:</b>		
Longevity at 65 for Current Pensioners		
Men	22.6	22.1
Women	25.2	25.0
Longevity at 65 for Future Pensioners		
Men	24.0	23.1
Women	26.8	25.9
Rate of Inflation (RPI)	3.4%	3.3%
Rate of Inflation (CPI)	2.9%	2.8%
Rate of increases in salaries	4.4%	4.8%
Rate of increase in pensions	2.9%	3.3%
Rate for discounting scheme liabilities	5.5%	5.6%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%



The Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	<b>2010/11</b>	<b>2009/10</b>
	%	%
Equity Investments	69.5	67.5
Government Bonds	6.7	7.9
Other Bonds	9.5	10.0
Property	11.2	9.3
Cash / Liquidity	3.1	5.3
	<b>100.0</b>	<b>100.0</b>

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage as assets or liabilities at 31 March 2011:

	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
	%	%	%	%	%
Differences between the expected and actual return on assets	1.1	13.5	35.0	21.0	3.6
Experience gains and losses on liabilities	0.0	2.7	0.0	0.0	1.6

**Actuarial sensitivities**

	<b>Sensitivity Analysis</b>				
	<b>Central</b>	<b>+ 0.1% p.a. discount rate at 31 March 2011</b>	<b>+ 0.1% p.a. salary inflation at 31 March 2011</b>	<b>+ 0.1% p.a. expected return equities as at 31 March 2011</b>	<b>1 year addition to member's expectancy as at 31 March 2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Liabilities as at 31 March 2011	371,991	365,644	373,832	371,991	380,618
Assets as at 31 March 2011	(245,676)	(245,676)	(245,676)	(245,676)	(245,676)
Deficit / (Surplus) as at 31 March 2011	126,315	119,968	128,156	126,315	134,942
Projected Current Service Cost for year commencing 1 April 2011	10,119	9,824	10,317	10,119	10,372
The above figure is based on a % rate applied to payroll. The % rate is	17.1%	16.6%	17.4%	17.1%	17.5%
The projected pensionable payroll used in the above calculation is	59,177	59,177	59,177	59,177	59,177
Projected Expected Return on Assets for year commencing 1 April 2011	(15,700)	(15,700)	(15,700)	(15,872)	(15,700)
Projected Interest Cost for year commencing 1 April 2011	20,498	20,507	20,604	20,498	20,979

**Note 48. Contingent Liabilities**

There are potential insurance liabilities of £775k arising from the Employers' Liability, Public Liability, Property and other risks retained by the Council, that are not covered by the insurance reserve or provision. This amount, which represents the possibility that Municipal Mutual Insurers does not achieve a solvent run off and claws back previously paid claims, is based on the amount recommended in the actuarial review of insurance provisions carried out for the Council by Jardine Lloyd Thompson Public Sector Risks which used an actuarial forecasting approach.

**Note 49. Contingent Assets**

Note not required



**Note 50. Nature and Extent of Risks Arising from Financial Instruments**

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

The Authority'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 by a central treasury team, under policies approved by the council in the annual treasury management strategy. 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 deposits with banks and financial institutions, as well as credit exposures to the authority's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Moody, Standard & Poors and Fitch Ratings Services. Regard is also given to rating watches and outlooks and relevant market information as appropriate. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the authority are as detailed in the Annual Investment Strategy which can be accessed by following the link below:

[http://www.southend.gov.uk/site/scripts/documents\\_info.php?categoryID=200110&documentID=869](http://www.southend.gov.uk/site/scripts/documents_info.php?categoryID=200110&documentID=869)

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £0 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions. The accounts are prepared on an accruals basis and there is a further £33m of income that has been reflected in the 2010/11 accounts, but either the invoice has not been raised or the cash or cheque has not been received. These accruals form part of the debtors balance on the balance sheet but are not deemed to be at risk of default.

Credit Risk	Amounts £000	Historical experience of default %	31 March 2011	Estimated	31 March 2010
			Historical experience adjusted for market conditions %	maximum exposure to default and uncollectability £000	Estimated maximum exposure to default and uncollectability
Deposits With Banks And Other Financial Institutions	51,025	0.00%	0.00%	0	0
Bonds And Other Securities	50,699	0.00%	0.00%	0	0
Customers	5,971	0.74%	1.25%	300	300

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds

The past due but not impaired amount can be analysed by age as follows:



	31 March 2011 £000	31 March 2010 £000
Less Than Three Months	4,126	2,664
Three To Six Months	221	161
Six Months To One Year	263	459
More Than One Year	1,361	1,309
<b>Total</b>	<b>5,971</b>	<b>4,593</b>

#### Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy for long term borrowing is to ensure that not more than 60% of loans are due to mature between 1 and 5 years, through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	31 March 2011 £000	31 March 2010 £000
Less than 1 year	39,968	57,394
<b>Total Short Term Borrowing</b>	<b>39,968</b>	<b>57,394</b>
Between 1 and 2 years	20,000	23,150
Between 2 and 5 years	33,000	3,000
Between 5 and 10 years	7,484	7,484
Between 10 and 15 years	11,000	11,000
Between 15 and 20 years	62,015	48,515
More than 20 years	38,625	52,125
<b>Total Long Term Borrowing</b>	<b>172,124</b>	<b>145,274</b>
<b>Total Borrowing</b>	<b>212,092</b>	<b>202,668</b>

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

#### Market Risk

##### *Interest rate risk*

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall



- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. Policy is to keep an appropriate mix of fixed and variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to 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 Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team, together with its advisers, has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly 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.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£000</b>
Increase in interest payable on variable rate borrowings	43
Increase in interest receivable on variable rate investments	(889)
Increase in government grant receivable for financing costs	(17)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(863)</b>
Share of overall impact debited to the HRA	(81)
Decrease in fair value of fixed rate investment assets	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	0

*Price Risk*

The Council has no investments in equity shares, and therefore has no exposure to losses arising from movements in the price of shares.

*Foreign Exchange Risk*

The Council has very limited exposure to loss arising from movements in exchange rates.

**Note 51. Trust Funds and Bequests**

The Council is responsible for administering a number of trust funds. These funds are not Council assets, so they are not included in the balance sheet. The Council prepares the accounts for these trusts which are subject to audit or examination in accordance with the requirements of the Charity Commission.

At the 31 March 2011, the Council was sole trustee of twelve trust funds.



	Income £000	Expenditure £000	Assets £000	Liabilities £000
Beecroft Art Trust	103	228	626	1
Jones Memorial Recreation Ground Trust	57	57	156	0
Palace Theatre Charity	156	270	4,389	0
Prittlewell Priory Museum Trust	36	117	2,190	1
Priory Park Trust	393	408	448	1
The Shrubbery Trust	30	5	459	0
Victory Sports Ground Trust	68	68	11	0
Youth Commemoration Ground Trust	233	220	8,253	9
The E.D.F. Garvie Memorial Fund	0	0	2	0
The E. Cecil Jones Primary Schools Trust Fund	0	0	21	0
R. A. Jones in Memoriam Fund	0	0	17	0
Arthur Henry & Mary Thatcher Memorial Prize	0	0	9	0
<b>Total Trusts</b>	<b>1,076</b>	<b>1,373</b>	<b>16,581</b>	<b>12</b>

The purpose of each trust fund is set out below:

Beecroft Art Trust

The promotion of the study of art, music and literature and in particular, but without prejudice to the generality of the foregoing, the provision and maintenance of the Beecroft Art Gallery at Southend-on-Sea in the County of Essex as a public art gallery and library

Jones Memorial Recreation Ground Trust

The provision and maintenance of a recreation ground for the benefit of children and young persons who have not reached the age of 25 years and are resident in the borough of Southend-on-Sea, without distinction of political, religious or other opinions.

The Palace Theatre Charity

The Palace Theatre was conveyed to the Council by Mrs GE Mouillot in a deed of gift as an expression of her interest and goodwill towards the then County Borough Council.

The Theatre is used for the general benefit of the inhabitants of Southend-on-Sea

Prittlewell Priory Museum Trust

To provide a museum for the general benefit of the inhabitants of Southend-on-Sea

The Shrubbery Trust

For the enjoyment of the public as an open space under the Open Spaces Act 1906

Victory Sports Ground Trust

A public park to be known as the "Victory Sports Ground" for the benefit of the inhabitants of the Borough of Southend-on-Sea and the recreation of the public.

Priory Park Trust

To be dedicated, held, used and enjoyed as and for the purposes of a public park for the benefit of the inhabitants of the Borough of Southend-on-Sea and the recreation of the public area.

Youth Commemoration Ground Trust

The provision and maintenance of a recreation ground for the benefit of children and young persons who have not reached the age of 25 years and are resident in the Borough of Southend-on-Sea

The E Cecil Jones Primary Schools Trust Fund

Promotion and encouragement of education in the Borough of Southend-on-Sea.

R A Jones in Memoriam Fund

Promote the education of children attending primary schools in the Borough of Southend-on-Sea and providing facilities for recreation or other leisure time occupation in the interests of social welfare with the object of improving the conditions of life for children.



The Arthur Henry and Mary Thatcher Memorial Prize Trust

Providing an annual memorial scholarship or prize in the names of Arthur Henry Thatcher and Mary Elizabeth Thatcher for the advancement of education but in any form or manner in which the Corporation shall in their absolute discretion deem fit.

The E D F Garvie Memorial Fund

Promoting and encouraging education in the Borough of Southend-on-Sea.

The assets of these trusts were donated by individuals to provide facilities for the good of the local community. The Council is also responsible for two bequests both made for the acquisition of works of art. These balances are included in the specific reserves.

	<b>2010/11 £000</b>	<b>2009/10 £000</b>
S Thorpe Smith Bequest	33	33
Emily Briggs Bequest	17	17
<b>Total Bequests</b>	<b>50</b>	<b>50</b>



# HOUSING REVENUE ACCOUNT



## HRA INCOME AND EXPENDITURE ACCOUNT

2009/10 £000			2010/11 £000
	<b>Income</b>		
(20,219)	Dwelling Rents (Gross)		(20,080)
(303)	Non Dwelling Rents (Gross)		(301)
(3,108)	Charges for Services and Facilities		(3,767)
<b>(23,630)</b>	<b>Total Income</b>		<b>(24,148)</b>
	<b>Expenditure</b>		
5,547	Repairs and Maintenance		4,501
9,941	Supervision and Management		9,302
666	Rents, Rates, Taxes and other Charges		666
1,510	Negative Housing Revenue Account Subsidy Payable	<i>(HRA Note 3)</i>	1,870
194	Provision for Bad and Doubtful Debts	<i>(HRA Note 4)</i>	226
4,744	Depreciation and impairment on Dwellings	<i>(HRA Note 5)</i>	75,810
202	Depreciation on Other Assets	<i>(HRA Note 5)</i>	255
49	Debt Management Expenses	<i>(HRA Note 5)</i>	61
<b>22,853</b>	<b>Total Expenditure</b>		<b>92,691</b>
<b>(777)</b>	<b>Net cost of HRA services as included in the whole authority Income and Expenditure Account</b>		<b>68,543</b>
<b>153</b>	<b>HRA services share of Corporate and Democratic Core</b>		<b>153</b>
<b>(624)</b>	<b>HRA share of the Operating Income and Expenditure as included in the Whole Authority Income and Expenditure Account</b>		<b>68,696</b>
582	Loss/(Profit) on Sale of HRA Fixed Assets		(249)
1,802	Interest Payable and Similar Charges		2,049
(91)	Interest Receivable		(74)
<b>1,669</b>	<b>Deficit for the year on HRA services</b>		<b>70,422</b>



### MOVEMENT ON THE HRA BALANCE

2009/10 £000		2010/11 £000
1,669	Deficit for the year on the Housing Revenue Account Income And Expenditure Account	70,422
(793)	Net additional amount required by statute to be credited to the HRA Balance for the year	(70,636)
<b>876</b>	<b>Decrease/(Increase) in the Housing Revenue Account Balance</b>	<b>(214)</b>
(4,404)	Housing Revenue Account - Balance Brought Forward	(3,528)
<b>(3,528)</b>	<b>Housing Revenue Account - Balance Carried Forward</b>	<b>(3,742)</b>

This Statement takes the outturn on the HRA Income and Expenditure Account and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

### CALCULATION OF MOVEMENT ON THE HRA BALANCE

2009/10 £000		2010/11 £000
	<b>Amounts included in the HRA Income And Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year</b>	
(582)	(Loss)/Profit on Sale of HRA Fixed Assets	249
	<b>Amounts not included in the HRA Income And Expenditure Account but required to be included by statute when determining the Movement on the HRA Balance for the year</b>	
(211)	Transfer to / (from) Major Repairs Reserve	(71,268)
0	Revenue Contribution to Capital	30
0	Transfer to / (from) Earmarked Reserve	353
<b>(793)</b>	<b>Net Additional Amount required to be credited to the Housing Revenue Account Balance for the year.</b>	<b>(70,636)</b>



## NOTES TO THE HRA

### HRA Note 1. Analysis of Housing Stock

	2010/11 Number of Properties	2009/10 Number of Properties
Houses And Bungalows	2,155	2,158
Flats	3,978	3,979
<b>Stock At 31 March 2011</b>	<b>6,133</b>	<b>6,137</b>

### HRA Note 2. Rent Arrears

Cumulative rent arrears in respect of HRA properties at 31 March 2011 including service charges and water were £0.9m (At 31 March 2010 service charges and water were £0.9m).

### HRA Note 3. Government Subsidy

	2010/11 £000	2009/10 £000
Guideline Rent Income	20,609	19,610
Interest on Receipts	1	2
Management & Maintenance Allowance	(11,152)	(11,084)
Major Repairs Allowance	(4,797)	(4,766)
Charges for Capital Allowance	(2,757)	(2,270)
Negative Housing Revenue Account Subsidy Payable	1,904	1,492
Prior Year Adjustment	(34)	18
<b>Government Subsidy</b>	<b>1,870</b>	<b>1,510</b>

### HRA Note 4. Provision for Bad and Doubtful Debts

Additional provision for bad debts in 2010/11 was £0.2m (2009/10 was £0.2m). The provision stood at £0.7m at 31 March 2010 (£0.7m at 31 March 2009). Debts amounting to £0.2m were written off during 2010/11 (£0.2m were written off during 2009/10).



**HRA Note 5. Depreciation**

Depreciation – a charge for depreciation has also been made covering dwellings. The useful economic life for dwellings, other buildings and non-operational assets are in accordance with the componentisation policy as set out in note 12. The Major Repairs Allowance (MRA) is matched against the cost of depreciation. Land is not depreciated due to having an indefinite life.

	2010/11 £000	2009/10 £000
<b>Item 8 Debit</b>		
<u>Depreciation and Impairment</u>		
Council Dwellings	75,810	4,744
Non-Council Dwellings	255	202
<b>Total Depreciation</b>	<b>76,065</b>	<b>4,946</b>
Debt Management Expenses	61	49
Loan Interest Payable	2,049	1,802
<b>Item 8 Credit</b>		
Interest Receivable	(74)	(91)
Appropriation From Major Repairs Reserve	(71,268)	(211)
<b>Net Effect On HRA</b>	<b>6,833</b>	<b>6,495</b>

**HRA Note 6. Major Repairs Reserve**

The Reserve consists of a Major Repairs Allowance (MRA) introduced in 2001/02 which represents the estimated long-term annual average amount of capital spending required to maintain the housing stock in its current condition.

The MRA is an element used within the HRA Subsidy calculation to determine the level of overall subsidy receivable or payable to the government, and is used to represent the annual depreciation of the housing stock.

	2010/11 £000	2009/10 £000
<b>Balance at 1 April</b>	<b>0</b>	<b>85</b>
Transfers In	76,065	4,946
Used To Fund Capital (Council Dwellings)	(2,312)	(4,820)
Capital Accounting Adjustment	(71,268)	(211)
<b>Balance at 31 March</b>	<b>2,485</b>	<b>0</b>



**HRA Note 7. Property, Plant and Equipment**

The Fixed Assets for the Housing Revenue Account are as follows:

The assets are shown at existing use value to reflect the fact that they are used for social housing and are less than market value.

The restated Open Market Value (OMV) of council dwellings at 1 April 2010 amounted to £630.5m. It should be noted that the difference between the vacant possession value, or the OMV above, and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than market value.

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Infra- Structure</b>	<b>Non- Operational Investment Properties</b>	<b>For Sale in less than 1 Year</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
<b>Gross Book Value as at 31 March 2010</b>	<b>327,999</b>	<b>10,100</b>	<b>1,615</b>	<b>1,740</b>	<b>0</b>	<b>63</b>	<b>341,517</b>
Accumulated Depreciation as at 31 March 2010	(14,025)	(486)	(155)	(61)	0	(1)	(14,728)
<b>Net Book Value as at 31 March 2010</b>	<b>313,974</b>	<b>9,614</b>	<b>1,460</b>	<b>1,679</b>	<b>0</b>	<b>62</b>	<b>326,789</b>
Additions	17,429						17,429
Disposals	(342)						(342)
Transfers				(1,299)	1,299		0
Revaluations	747	1,902					2,649
Impairment RR	(102)	(598)					(700)
Impairment I&E	(84,545)	(466)					(85,011)
<u>Depreciation</u>							
For Current Year	(5,007)	(23)					(5,030)
On Disposals	74						74
On Impaired Assets - RR	329	28					357
On Impaired Assets - I&E	13,742	234					13,976
<b>Gross Book Value as at 31 March 2011</b>	<b>261,186</b>	<b>10,938</b>	<b>1,615</b>	<b>441</b>	<b>1,299</b>	<b>63</b>	<b>275,542</b>
Accumulated Depreciation as at 31 March 2011	(5,216)	(275)	(155)	(61)		(1)	(5,708)
<b>Net Book Value as at 31 March 2011</b>	<b>255,970</b>	<b>10,663</b>	<b>1,460</b>	<b>380</b>	<b>1,299</b>	<b>62</b>	<b>269,834</b>

The Housing Revenue Account assets were revalued at 1 April 2010 which led to an impairment of £71,285k due to lower market value and a higher social housing adjustment factor.

An impairment review was also undertaken of capital additions and £37k was considered not to increase the asset value and was therefore impaired.



**HRA Note 8. Capital Expenditure**

	31 March 2011 £000	31 March 2010 £000
Expenditure on maintaining the value of Council Dwellings		0
Purchase or enhancement of Council Dwellings	17,429	16,976
<b>Total HRA Capital Expenditure</b>	<b>17,429</b>	<b>16,976</b>
<u>Financed by:-</u>		
Usable capital receipts	0	1,054
<b>Total Financed By Capital Receipts</b>	<b>0</b>	<b>1,054</b>
<u>Revenue contributions:-</u>		
General reserves	30	0
Major repairs reserve	2,312	4,820
Third Party	55	28
Capital Grant	0	74
<b>Total Revenue Contributions</b>	<b>2,397</b>	<b>4,922</b>
<u>Borrowing:-</u>		
Supported Capital Expenditure	14,908	11,000
Unsupported Capital Expenditure	124	0
<b>Total Capital Expenditure</b>	<b>17,429</b>	<b>16,976</b>

**HRA Note 9. Capital Receipts**

	Council Dwellings 2010/11 £000	Council Dwellings 2009/10 £000
<b>Capital Receipts from Disposals During the Year</b>	<b>517</b>	<b>527</b>





## **THE COLLECTION FUND**



**THE COLLECTION FUND**

2009/10 £000		2010/11 £000
	<b>Income</b>	
65,734	Income from Council Tax <i>(Collection Fund Note 1)</i>	67,568
41,577	Income Collectable from Business Ratepayers <i>(Collection Fund Note 2)</i>	39,982
	<b>Transfers from General Fund</b>	14,757
13,781	Council Tax Benefits	
<b>121,092</b>	<b>Total Income</b>	<b>122,307</b>
	<b>Expenditure</b>	
	<b>Precepts and Demands</b>	
7,801	Essex Police Authority	8,085
3,931	Essex Fire Authority	4,065
66,219	Southend-on-Sea Borough Council	68,609
<b>77,951</b>	<b>Total Precepts And Demands</b>	<b>80,759</b>
	<b>Business Rate</b>	
41,321	Payment to National Pool	39,731
256	Costs of Collection	251
<b>41,577</b>	<b>Total Business Rate</b>	<b>39,982</b>
	<b>Provisions</b>	
698	Council Tax Appeals and Non-Collection	890
(200)	Council Tax Write-offs	(522)
<b>120,026</b>	<b>Sub-Total</b>	<b>121,109</b>
	<b>Use of Council Tax Balance</b>	
1,058	Council Tax - Southend-on-Sea Borough Council	582
123	Council Tax - Essex Police Authority	69
63	Council Tax - Essex Fire Authority	34
<b>121,270</b>	<b>Total Expenditure</b>	<b>121,794</b>
<b>(178)</b>	<b>Increase/(Decrease) in Balance</b>	<b>513</b>
<b>1,928</b>	<b>Balance as at 1 April</b>	<b>1,750</b>
<b>1,750</b>	<b>Balance as at 31 March</b> <i>(Collection Fund Note 4)</i>	<b>2,263</b>

The balance on the Collection Fund as at 31 March 2011 was £2,262,809. £1,065,000 of this balance is committed in support of the 2011/12 council tax.



## NOTES TO THE COLLECTION FUND

### Collection Fund Note 1. Income from Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex Police Authority, Essex Fire Authority and Southend-on-Sea Borough Council for the forthcoming year and dividing this by the council tax base. The basic amount for a Band D property (£1,140.51 for the Leigh-on-Sea Town Council area and £1,117.89 for all other parts of the Borough) is multiplied by the proportion specified for the particular band to give an individual amount due.

The number of chargeable dwellings for council tax in each valuation band (adjusted for dwellings where discounts apply) for the year was as follows:

	Number of Dwellings	Ratio	Equivalent Number of Dwellings
Valuation Band - A*	11	5/9	6
Valuation Band - A	13,092	6/9	8,728
Valuation Band - B	13,103	7/9	10,191
Valuation Band - C	20,310	8/9	18,053
Valuation Band - D	11,246	9/9	11,246
Valuation Band - E	5,981	11/9	7,310
Valuation Band - F	3,291	13/9	4,754
Valuation Band - G	1,392	15/9	2,320
Valuation Band - H	79	18/9	157
	<b>68,505</b>		<b>62,765</b>
Less:			
Adjustment For Collection Of Rates And Anticipated Changes During The Year For Successful Appeals Against Valuation Banding, New Properties, Demolitions, Disabled Persons Relief And Exempt Properties.			1,569
* Reductions For Band A Disabled.			
			<b>61,196</b>

### Collection Fund Note 2. Non-Domestic Rates

Non Domestic Rates are organised on a national basis. The Government specified an amount of 41.4p in 2010/11 (48.5p in 2009/10) with a small business rate of 40.7p in 2010/11 (48.1p in 2009/10) and, subject to the effects of transitional arrangements, local businesses pay rates that are calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a Non Domestic Rates pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

After relief and provisions, the Non Domestic Rates income collectable was £39,982,440 for 2010/11 (£41,576,725 for 2009/10). The year end rateable value for the Council's area was £120,511,387 at 31 March 2011 (£102,885,226 at 31 March 2010). The Valuation Office undertook a national revaluation of properties at 1 April 2010.



**Collection Fund Note 3. Council Tax Appeals and Non-Collection**

There was an decrease of £172,257 in 2010/11 (an increase of £297,358 in 2009/10) in the provision for bad and doubtful debts for Council Tax.

**Collection Fund Note 4. Collection Fund Balance**

The Community Charge Collection Fund was closed at 31 March 2007 and any income received after this date has been included in the Council Tax Collection Fund. The balance of £2,263,000 on the Collection Fund is split between Essex Police Authority, Essex Fire Authority and this Council, in proportion to the value of the respective precept demands made by the three authorities on the Collection Fund and will be reflected in future year's Council Tax.

	<b>31 March 2011</b>	<b>31 March 2010</b>
	<b>£000</b>	<b>£000</b>
Council Tax - Southend-on-Sea Borough Council	1,923	1,487
Council Tax - Essex Police Authority	226	175
Council Tax - Essex Fire Authority	114	88
<b>Total</b>	<b>2,263</b>	<b>1,750</b>

<b>Shown on Balance Sheet as:</b>	<b>31 March 2011</b>	<b>31 March 2010</b>
	<b>£000</b>	<b>£000</b>
Collection Fund Adjustment Account	1,923	1,487
Creditors Falling Due Within One Year	272	(47)
Debtors	68	310
<b>Total</b>	<b>2,263</b>	<b>1,750</b>



**Collection Fund Note 5. Council Tax Levels**

Each domestic dwelling has been allocated to one of eight bands according to the open market value at 1 April 1991. The amount per band is as follows:

<b>Valuation Band</b>	<b>Range of Values</b>	<b>Council Tax 2010/11 Leigh-on-Sea Town Council Area</b>	<b>Council Tax 2010/11 All other parts of the Borough</b>	<b>Ratio to Band D</b>
	<b>£</b>	<b>£</b>	<b>£</b>	
A	Up to and including 40,000	892.70	877.62	6/9
B	40,001 - 52,000	1,041.48	1,023.89	7/9
C	52,001 - 68,000	1,190.27	1,170.16	8/9
D	68,001 - 88,000	1,339.05	1,316.43	1
E	88,001 - 120,000	1,636.62	1,608.97	11/9
F	120,001 - 160,000	1,934.18	1,901.51	13/9
G	160,001 - 320,000	2,231.75	2,194.05	15/9
H	More than 320,000	2,678.10	2,632.86	18/9
<b>Band D</b>		<b>2009/10</b>	<b>2010/11</b>	<b>% increase</b>
		<b>£</b>	<b>£</b>	
		1,085.85	1,117.89	2.95
		64.62	66.42	2.79
		128.25	132.12	3.02
		<b>1,278.72</b>	<b>1,316.43</b>	<b>2.95</b>
		19.26	22.62	17.45
		<b>1,297.98</b>	<b>1,339.05</b>	<b>3.16</b>





# **THE GROUP ACCOUNTS**



## **INTRODUCTION**

Many local authorities now provide services through partner organisations which operate under the control of the Council.

The Code requires that, where a Council has material financial interests and a significant level of control over one or more entities, it should prepare Group Accounts.

Southend-on-Sea Borough Council has reviewed the relationships it has with its partner organisations to determine the scope of the Council group. The only organisation that the Council considers to fall within the legal definitions of group accounts is South Essex Homes Limited.

### **SOUTH ESSEX HOMES**

Southend-on-Sea Borough Council established an Arms Length Management Organisation registered as South Essex Homes Limited on 16 May 2005 and transferred responsibility for the management of its housing stock to the company on 24 October 2005. South Essex Homes Limited has no share capital, is limited by guarantee and is controlled by the Council. The Council is committed to meet all accumulated deficits or losses.

### **GROUP ACCOUNTING POLICIES**

South Essex Homes Limited accounting policies have been realigned in order to ensure they are consistent with the Group Accounting policies.



## GROUP MOVEMENT IN RESERVES

	Usable Reserves £000	Unusable Reserves £000	Total Group Reserves £000
<b>Balance at 31 March 2009</b>	<b>71,674</b>	<b>518,159</b>	<b>589,833</b>
<b>Movement in Reserves during</b>			
Surplus (Deficit) on the Provision of Services	24,503		24,503
Other Comprehensive Income and Expenditure		(39,818)	(39,818)
<b>Total Comprehensive Income and Expenditure</b>	<b>24,503</b>	<b>(39,818)</b>	<b>(15,315)</b>
Adjustments between accounting basis and funding basis under regulations	(34,531)	30,671	(3,860)
<b>Net Increase / Decrease before Transfers to reserves</b>	<b>(10,028)</b>	<b>(9,147)</b>	<b>(19,175)</b>
Transfers to / from Earmarked Reserves			0
<b>Increase / Decrease in 2009/10</b>	<b>(10,028)</b>	<b>(9,147)</b>	<b>(19,175)</b>
<b>Balance at 31 March 2010</b>	<b>61,646</b>	<b>509,012</b>	<b>570,658</b>
<b>Movement in Reserves during</b>			
Surplus (Deficit) on the Provision of Services	(41,123)		(41,123)
Other Comprehensive Income and Expenditure		1,856	1,856
<b>Total Comprehensive Income and Expenditure</b>	<b>(41,123)</b>	<b>1,856</b>	<b>(39,267)</b>
Adjustments between accounting basis and funding basis under regulations	37,650	(37,580)	70
<b>Net Increase / Decrease before Transfers to reserves</b>	<b>(3,473)</b>	<b>(35,724)</b>	<b>(39,197)</b>
Transfers to / from Earmarked Reserves			0
<b>Increase / Decrease in 2010/11</b>	<b>(3,473)</b>	<b>(35,724)</b>	<b>(39,197)</b>
<b>Balance at 31 March 2011</b>	<b>58,173</b>	<b>473,288</b>	<b>531,461</b>



## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2009/10			2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
21,573	(17,608)	3,965	21,616	(19,154)	2,462
38,801	(8,522)	30,279	39,626	(6,774)	32,852
214,043	(173,091)	40,952	231,578	(194,148)	37,430
10,000	(9,234)	766	20,216	(7,244)	12,972
22,300	(23,086)	(786)	47,899	(23,693)	24,206
0	0	0	44,135	0	44,135
91,723	(88,823)	2,900	99,159	(91,660)	7,499
64,478	(20,000)	44,478	65,752	(20,360)	45,392
844	(177)	667	5,766	(171)	5,595
110	0	110	21	0	21
0	0	0	(24,033)	0	(24,033)
<b>463,872</b>	<b>(340,541)</b>	<b>123,331</b>	<b>551,735</b>	<b>(363,204)</b>	<b>188,531</b>
		1,181			752
		13,646			13,743
		(162,662)			(161,916)
					<b>41,110</b>
		1			13
					<b>41,123</b>
		1,211			(2,963)
		111			13
		38,496			1,094
					<b>(1,856)</b>
		<b>15,315</b>			<b>39,267</b>



## GROUP BALANCE SHEET

1 April 2009	31 March 2010		31 March 2011
£000	£000		£000
737,097	791,687	Property, Plant & Equipment	773,088
14,440	26,466	Investment Property	25,754
1,845	3,709	Intangible Assets	5,131
2,101	1,904	Assets Held for Sale	1,347
2,555	53	Long Term Investments	73
49	51	Long Term Debtors	56
<b>758,087</b>	<b>823,870</b>	<b>Long Term Assets</b>	<b>805,449</b>
65,850	71,443	Short term Investments	55,358
0	100	Assets Held for Sale	1,677
562	370	Inventories	329
33,134	46,408	Short Term Debtors	34,406
38,671	52,558	Cash and Cash Equivalents	50,762
<b>138,217</b>	<b>170,879</b>	<b>Current Assets</b>	<b>142,532</b>
(701)	(512)	Cash and Cash Equivalents	(536)
(5,730)	(57,394)	Short Term Borrowings	(39,968)
(42,577)	(48,647)	Short Term Creditors	(47,792)
(5,791)	(4,412)	Provisions	(5,947)
<b>(54,799)</b>	<b>(110,965)</b>	<b>Current Liabilities</b>	<b>(94,243)</b>
(2,413)	(2,091)	Long Term Creditors	(2,753)
(125,274)	(145,274)	Long Term Borrowing	(172,124)
(123,985)	(165,761)	Other Long Term Liabilities	(147,400)
0	0	Donated Assets Account	0
0	0	Capital Grants Received in Advance	0
<b>(251,672)</b>	<b>(313,126)</b>	<b>Long Term Liabilities</b>	<b>(322,277)</b>
<b>589,833</b>	<b>570,658</b>	<b>Net Assets</b>	<b>531,461</b>
71,674	61,646	Usable Reserves	58,173
518,159	509,012	Unusable Reserves	473,288
<b>589,833</b>	<b>570,658</b>	<b>Total Reserves</b>	<b>531,461</b>



## GROUP CASH FLOW STATEMENT

2009/10 £000	2010/11 £000
(24,504) Net (Surplus) or Deficit on the Provision of Services	41,123
Adjustments to Net Surplus or Deficit on the Provision of Services for 3,446 non-cash Movements	(24,223)
Adjustments for items included in the Net Surplus or Deficit on the 5,170 Provision of Services that are Investing and Financing Activities	6,750
<hr style="width: 100%; border: 0.5px solid black; margin-top: 10px; margin-bottom: 10px;"/> (15,888) Net cash flows from Operating Activities	<hr style="width: 100%; border: 0.5px solid black; margin-top: 10px; margin-bottom: 10px;"/> 23,650
73,331 Investing Activities	28,188
(71,519) Financing Activities	(50,018)
<hr style="width: 100%; border: 0.5px solid black; margin-top: 10px; margin-bottom: 10px;"/> (14,076) Net Increase or Decrease in Cash and Cash Equivalents	<hr style="width: 100%; border: 0.5px solid black; margin-top: 10px; margin-bottom: 10px;"/> 1,820
(37,970) Cash and Cash Equivalents at the beginning of the Reporting Period	(52,046)
<hr style="width: 100%; border: 0.5px solid black; margin-top: 10px; margin-bottom: 10px;"/> <b>(52,046) Cash and Cash Equivalents at the end of the Reporting Period</b>	<hr style="width: 100%; border: 0.5px solid black; margin-top: 10px; margin-bottom: 10px;"/> <b>(50,226)</b>



## **NOTES TO THE GROUP ACCOUNTS**

The notes have only been produced where they are materially different to the notes supplied with the Council's primary statements.

### **Group Note 1. Details of Subsidiary Company:**

South Essex Homes Limited – Company registration number 05453601

### **Group Note 2. Financial Performance:**

In 2010/11 the turnover of South Essex Homes Limited amounted to £10.4m.

On 31 March 2011 the company had net liabilities valued at £3.7m.

### **Group Note 3. Intercompany transactions:**

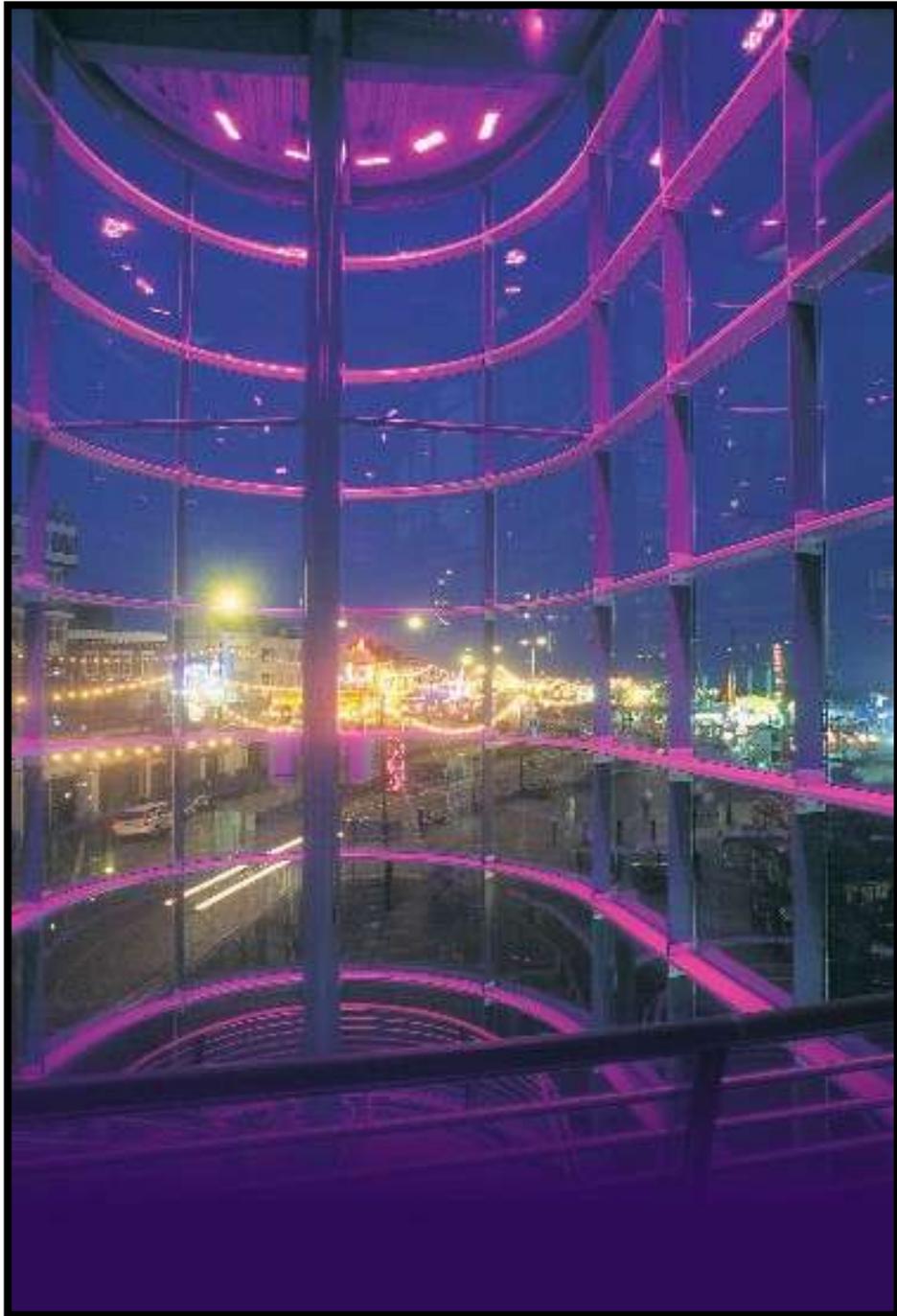
The Council paid fees of £10.3m to South Essex Homes Limited for the management of its housing stock.

The Council provides several services for its subsidiary for which South Essex Homes Limited paid £0.6m. These transactions have been removed from the Group Comprehensive Income and Expenditure Account.

All intra company debtor and creditor balances in the individual entities primary statements have been removed from the Group Balance Sheet.

### **Group Note 4. Accounts:**

The financial accounts of South Essex Homes Limited can be obtained from Philip Lyons, Chair of the Board, Cheviot House, 70 Baxter Avenue, Southend-on-Sea, SS2 6JA.





**ADDITIONAL  
FINANCIAL  
INFORMATION**



## MEMBERS' ALLOWANCES

Members' Allowances		Basic Allowances	Special Allowances	Travel & Subsistence	Total
		£	£	£	£
<b>Elected Councillors</b>					
P	ASHLEY	8,368.92	1,569.20	0.00	9,938.12
M	ASSENHEIM	8,302.20	937.44	0.00	9,239.64
ST	AYLEN	8,302.20	0.00	0.00	8,302.20
M	BETSON	8,368.92	0.00	0.00	8,368.92
M	BORTON	8,302.20	0.00	0.00	8,302.20
RAH	BROWN	8,368.92	1,991.96	0.00	10,360.88
S	BURDETT	7,498.76	345.92	0.00	7,844.68
M	CAUNCE	7,498.76	0.00	0.00	7,498.76
SJ	CARR	7,565.48	3,782.79	10.40	11,358.67
J	CLINKSCALES	8,368.92	0.00	90.10	8,459.02
P	COLLINS	7,498.76	0.00	0.00	7,498.76
A	COX	8,368.92	12,378.83	0.00	20,747.75
A	CRYSTALL	8,302.20	0.00	0.00	8,302.20
E	DAY	8,368.92	6,770.50	0.00	15,139.42
AJ	DELANEY	8,302.20	0.00	32.00	8,334.20
MF	EVANS	8,368.92	6,496.54	0.00	14,865.46
MA	FLEWITT	8,368.92	10,461.08	155.70	18,985.70
N	FOLKARD	8,368.92	2,864.09	326.75	11,559.76
J	GARSTON	8,302.20	6,226.68	0.00	14,528.88
SG	GEORGE	8,368.92	0.00	0.00	8,368.92
I	GILBERT	8,302.20	2,068.43	0.00	10,370.63
B	GODWIN	8,302.20	1,037.88	0.00	9,340.08
M	GRIMWADE	8,302.20	0.00	100.10	8,402.30
S	HABERMEL	8,318.88	10,887.77	0.00	19,206.65
R	HADLEY	8,368.92	10,456.91	246.80	19,072.63
T	HOLDCROFT	8,302.20	33,208.92	0.00	41,511.12
AE	HOLLAND	8,368.92	11,934.05	58.10	20,361.07
GM	HORRIGAN	8,302.20	937.44	28.40	9,268.04
D	JARVIS	8,368.92	10,461.08	58.10	18,888.10
A	KAYE	7,498.76	0.00	0.00	7,498.76
B	KELLY	8,368.92	11,315.90	268.40	19,953.22
JL	LAMB	8,368.92	15,575.08	1,752.11	25,696.11
G	LEWIN	8,368.92	1,046.20	0.00	9,415.12
GE	LONGLEY	8,302.20	7,783.32	0.00	16,085.52
J	LUTY	8,368.92	0.00	0.00	8,368.92
J	McMAHON	825.76	0.00	0.00	825.76
R	MORGAN	8,302.20	1,037.88	0.00	9,340.08
AJ	MORING	8,368.92	10,461.08	43.20	18,873.20
D	NORMAN	8,318.88	7,726.00	0.00	16,044.88
T	PAINTON	825.76	103.23	0.00	928.99
PE	RAYNER	8,368.92	2,092.40	0.00	10,461.32
C	ROAST	8,302.20	0.00	0.00	8,302.20
IT	ROBERTSON	8,368.92	10,461.08	211.20	19,041.20
B	ROBIN	8,368.92	1,418.56	0.00	9,787.48
M	ROYSTON	825.76	0.00	0.00	825.76
D	RUSSELL	7,498.76	937.44	0.00	8,436.20
L	SALTER	8,368.92	6,513.17	0.00	14,882.09
BG	SMITH	825.76	1,472.98	0.00	2,298.74
M	STAFFORD	8,302.20	0.00	0.00	8,302.20
MW	TERRY	8,310.54	4,584.82	0.00	12,895.36
M	VELMURUGAN	8,368.92	0.00	0.00	8,368.92
AM	WAITE	8,302.20	10,377.72	666.46	19,346.38
CW	WALKER	8,368.92	1,583.32	100.40	10,052.64
PA	WEXHAM	8,302.20	0.00	24.00	8,326.20
D	WHITE	825.76	309.67	0.00	1,135.43
R	WOODLEY	8,302.20	1,037.88	0.00	9,340.08
<b>Co-opted Members</b>					
L	BARNARD	-	1,255.36	0.00	1,255.36
E	CAMP	-	1,046.20	0.00	1,046.20
V	COPELAND	-	1,255.36	0.00	1,255.36
I	GRUBB	-	1,046.20	0.00	1,046.20
F	KEENAN	-	415.12	0.00	415.12
M	LAMBERT	-	415.12	0.00	415.12
J	MORGAN	-	1,045.85	0.00	1,045.85
R	PETERS	-	210.46	73.60	284.06
S	ROBERTS	-	1,046.20	0.00	1,046.20
P	STROUDLEY	-	1,046.20	0.00	1,046.20
J	TETLEY	-	1,952.77	0.00	1,952.77
R	WILLIAMS	-	437.65	0.00	437.65
<b>Total</b>		<b>424,430.06</b>	<b>241,827.73</b>	<b>4,245.82</b>	<b>670,503.61</b>



## **ABBREVIATIONS and GLOSSARY**

## **ABBREVIATIONS**

ALMO	Arm's-Length Management Organisation
BVACOP	Best Value Accounting Code of Practice
CIPFA	Chartered Institute of Public Finance and Accountancy
CIES	Comprehensive Income and Expenditure Statement
DCLG	Department for Communities and Local Government
DEFRA	Department for Environment, Food and Rural Affairs
DoE	Department for Education
DSG	Dedicated Schools Grant
EIR	Effective Interest Rate
FRS	Financial Reporting Standard
HRA	Housing Revenue Account
LAA	Local Area Agreement
LATS	Landfill Allowance Trading Scheme
LEA	Local Education Authority
LGPS	Local Government Pension Scheme
LSP	Local Strategic Partnership
MRA	Major Repairs Allowance
MRICS	Member of the Royal Institute of Chartered Surveyors
MRP	Minimum Revenue Provision
MRR	Major Repairs Reserve
NPV	Net Present Value
OMV	Open Market Value
PWLB	Public Works Loan Board
SEH	South Essex Homes Limited
SOLACE	Society of Local Authority Chief Executives
TPA	Teachers' Pension Agency
UEL	Useful Economic Life
VAT	Value Added Tax

## GLOSSARY

<b>Accounting Period</b>	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local authority accounts. The end of the accounting period is the balance sheet date.
<b>Accounting Statements</b>	The council's Core Financial Statements, Notes and Supplementary Financial Statements.
<b>Accrual</b>	A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.
<b>Accumulating Absences Account</b>	Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. In local authorities, annual leave, flexitime and time in lieu would usually be accumulating. Accumulating absences are typically earned by employees as they provide services. The Government has issued regulations which mean that the Council is only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.
<b>Actuary</b>	A suitably qualified independent consultant employed to advise the Council upon the financial position of the Pension Fund
<b>Amortisation</b>	Amortisation is the writing down of costs to the Income and Expenditure Account over a number of years.
<b>Appropriations</b>	Appropriations are the transfer of resources between, to and from the various reserves.
<b>Area Based Grant</b>	A general government grant that can be used for any purpose.
<b>Asset</b>	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 whereas a current asset (e.g. inventory or short-term debtors) can readily be converted into cash.
<b>Audit of Accounts</b>	An independent examination of the council's accounts to ensure that the relevant legal obligations, accounting standards and codes of practice have been followed.
<b>Audit Commission</b>	An independent body, established under the Local Government Finance Act 1982. The Audit Commission is responsible for appointing external auditors to local authorities and setting standards for those auditors, carrying out national studies to promote economy, efficiency and effectiveness in the provision of Council services and defining comparative indicators of Council performance that are published annually.
<b>Balance Sheet</b>	A financial statement that summarises the council's assets, liabilities and other balances at the end of the accounting period.
<b>BVACOP</b>	Best Value Accounting Code of Practice. The system of local authority accounting and reporting which reflects, in particular, the duty to secure and demonstrate 'best value' in the provision of services. BVACOP lays down the required content and presentation of costs of service activities.
<b>Billing Authority</b>	A local authority such as Southend-on-Sea Borough Council charged by statute with responsibility for the collection of and accounting for Council Tax and non-domestic rates (NNDR; business rates).

<b>Budget</b>	A budget is a financial statement that expresses a council's service delivery plans and capital programmes in monetary terms, covering the financial year.
<b>Budget Requirement</b>	The estimated revenue expenditure on general fund services that needs to be financed from the council tax after deducting income from fees and charges, certain specific grants and any funding from reserves. It is referred to by the Minister for Local Government when deciding the criteria for capping Council revenue expenditure.
<b>Capital Charges</b>	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. Before 2006-07 this was made up of depreciation and a "Capital Financing Charge" – a notional amount of interest. From 2006-07 onwards the Capital Financing Charge has been removed.
<b>Capital Expenditure</b>	(or capital spending) – Section 40 of the Local Government and Housing Act 1989 defines 'expenditure for capital purposes'. This includes spending on the acquisition of assets either directly by the council or indirectly in the form of grants to other persons or bodies. Expenditure that does not fall within this definition must be charged to a revenue account.
<b>Capital Financing</b>	The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.
<b>Capital Programme</b>	The capital schemes the council intends to carry out over a specified time period.
<b>Capital Receipt</b>	The proceeds from the disposal of land and other assets, so long as the amount is £10,000 or more. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used for revenue purposes.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.
<b>Collection Fund</b>	A separate fund maintained by a billing authority that records the expenditure and income relating to council tax and non-domestic rates, along with payments to precepting authorities, the national pool of non-domestic rates and its own general fund.
<b>Community Assets</b>	Assets that the council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions in their disposal. Examples of community assets are parks and historical buildings.
<b>Consistency</b>	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
<b>Contingent Liability</b>	A possible obligation arising 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. Alternatively, a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of that obligation cannot be measured with sufficient reliability.
<b>Council Tax</b>	The main source of local taxation to local authorities. Council tax is levied on households within its area by the billing Council and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.
<b>Council Tax Benefit</b>	Assistance provided by billing authorities to adults on low incomes to help them pay their Council tax bill. The cost to authorities of Council tax benefit is largely met by government grant.

<b>Creditor</b>	Amounts owed by the council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.
<b>Debtor</b>	Amounts due to the council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.
<b>Depreciation</b>	The measure of the cost of the benefits of a fixed asset which have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of the asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
<b>Dedicated Schools Grant (DSG)</b>	Grant funding system for schools through specific grant.
<b>Events after the Balance Sheet Date</b>	Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue. Also referred to as Post Balance Sheet Events.
<b>Exceptional Items</b>	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 so that the financial statements give a true and fair view.
<b>External Audit</b>	The independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
<b>Finance Lease</b>	A lease which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee, which is treated in the Government's capital control system as a credit arrangement as if it were similar to borrowing. The value of the asset is held on the council's Balance Sheet
<b>Financial Instruments</b>	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
<b>Financial Regulations</b>	A written code of procedures approved by the council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative procedures and budgeting systems.
<b>General Fund</b>	The main revenue fund of a billing Council. Day-to-day spending on services is met from the fund. Spending on the provision of Council houses, however, must be charged to a separate Housing Revenue Account.
<b>Gross Expenditure</b>	The total cost of providing the council's services before taking into account income from government grants and fees and charges for services.
<b>Housing Benefits</b>	A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central Government.
<b>Housing Revenue Account (HRA)</b>	A separate, statutory account inside the General Fund which includes the expenditure and income arising from the provision of housing accommodation by the council acting as landlord.

<b>HRA Subsidy</b>	HRA subsidy is paid to meet any shortfall between expenditure and income, based on a model of each authority's HRA. Where, according to this model, a council's HRA income is greater than its HRA expenditure then the government collects the resulting 'negative subsidy' from the authority. The calculation makes assumptions about an authority's need to spend and about the income it can reasonably be expected to receive. The figures used are therefore mainly notional. They will differ from the actual income and expenditure that is included in the council's actual HRA.
<b>Income and Expenditure Account</b>	An account which summarises resources generated and consumed in the provision of services.
<b>Infrastructure Assets</b>	Fixed assets belonging to the council which do not necessarily have a resale value (e.g. highways).
<b>Internal Audit</b>	An independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
<b>International Financial Reporting Standard (IFRS)</b>	International Financial Reporting Standards cover particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these standards is mandatory and any departure from them must be disclosed and explained. The standards originated in the commercial sector and some are not directly relevant to local authority accounts.
<b>Inventory</b>	These comprise one or more of the following categories: goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.
<b>Minimum Revenue Provision (MRP)</b>	This is the amount to be set aside for the repayment of debt. Each local authority has a general duty to make an MRP charge to its revenue account each year, which it considers to be prudent.
<b>National Non-Domestic Rate (NDR)</b>	A standard rate in the pound set by the Government payable on the assessed rateable value of properties used for business purposes. Also known as Non-Domestic or Business rates.
<b>Net Expenditure</b>	Gross expenditure less specific service income.
<b>Non-Operational Assets</b>	Fixed assets held by the council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties or assets surplus to requirements, pending sale or redevelopment.
<b>Operating Lease</b>	A type of lease, usually of computer equipment, office equipment, furniture, etc which is similar to renting and therefore represents a revenue cost. Ownership of the asset remains with the lessor.
<b>Operational Assets</b>	Fixed assets held and occupied, used or consumed by the council in the direct delivery of those services for which it has a statutory or discretionary responsibility.
<b>Outturn</b>	Actual income and expenditure in a financial year.
<b>Pension Fund</b>	An employees' pension fund maintained by a Council, or group of authorities, in order to make pension payments on retirement of participants. It is financed from contributions from the employing Council, the employee and investment income.

<b>Precept</b>	The levy made by Precepting authorities on billing authorities, e.g. Southend-on-Sea Borough Council. The major precepting authorities are Essex Police Authority and Essex Fire Authority. The Leigh-on-Sea Town Council also raise money by means of a precept on the billing authority.
<b>Public Works Loan Board (PWLB)</b>	A central government agency which provides long- and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source, subject to them being able to afford the interest and principle repayments.
<b>Provision</b>	An amount set aside for liabilities or losses that are certain to arise but owing to their inherent nature cannot be quantified with absolute certainty.
<b>Prudential Code</b>	The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.
<b>Rateable Value</b>	The annual assumed rental value of a property that is used for business purposes.
<b>Revenue Expenditure Financed from Capital under Statute (REFCUS)</b>	Capital expenditure which may be properly treated as such, but which does not result in, or remain matched with, tangible fixed assets. An example of REFCUS would be capital expenditure on improvement grants.
<b>Reserves</b>	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the council.
<b>Revenue Support Grant</b>	A grant paid by the Government to councils, contributing towards the costs of their services, as opposed to specific grants, which may only be used for a specific purpose.
<b>Specific Grants</b>	The term used to describe all government grants – including supplementary and special grants – to local authorities that are to be used for a particular purpose, as opposed to non service specific grants such as revenue support grant and area based grant.
<b>Subjective Analysis</b>	This is an analysis of income or expenditure according to type. Such expenditure headings are wages and salaries, capital charges, building maintenance, consumable materials. On the income side, the examples are government grant, fees and charges.
<b>Supplementary Financial Statements</b>	Additional financial statements comprising the Housing Revenue Account and Collection Fund. Together with the Core Financial Statements comprise the council's Accounting Statements.
<b>Temporary Investment</b>	Money invested for a period of less than one year.
<b>Trust Funds</b>	Funds administered by the council for such purposes as prizes charities and specific projects usually as a result of individual legacies and donations.
<b>Value for Money (VFM)</b>	A term that describes a service or product that demonstrates a good balance between its cost, quality and usefulness to the customer. A VFM audit takes into account the economy, efficiency and effectiveness (known as the 'three Es') of a Council service, function or activity.



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