

# Statement of Accounts

## 2012/2013



**SOUTHEND-ON-SEA BOROUGH COUNCIL  
STATEMENT OF ACCOUNTS  
2012/13**

**Mayor**

Councillor Brian Kelly

**Leader of the Council**

Councillor Nigel Holdcroft

**Chief Executive and Town Clerk**

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**Head of Finance and Resources**

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# **EXPLANATORY FOREWORD**

## INTRODUCTION

The information provided in this publication presents the financial position of Southend-on-Sea Borough Council as at 31 March 2013, and the financial results for the financial year 2012/13. 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.

Since the introduction of IFRS for local government accounting in 2010/11, the core financial statements 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 Council, 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 Council'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 Statement** 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 Council. The net assets of the Council (assets less

liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (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 Council 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 Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

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 2012/13

### 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 council tax requirement, including Leigh-on-Sea Town Council precept, of £69.1m for 2012/13 (£68.9m for 2011/12).

In setting this budget, the Southend-on-Sea Borough Council element of Council tax for Band D amounted to £1,117.89, the same level as 2011/12.

The following table shows the final outturn position for 2012/13 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 29 shows gross expenditure on services as £453.5m

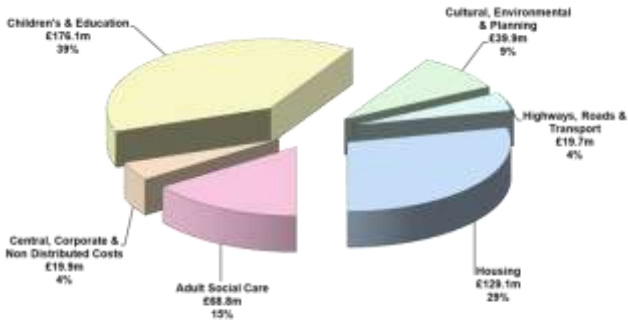
|  | Budget<br>£000 | Actual<br>£000 | Variance<br>£000 |
|--|----------------|----------------|------------------|
| <b>Portfolios</b>  |                |                |                  |
| Leader Policy & Finance                                      | 3,506          | 6,212          | 2,706            |
| Deputy Leader  | 2,693          | 2,303          | (390)            |
| Adult Social Care, Health & Housing (inc HRA)                | 51,110         | 44,496         | (6,614)          |
| Children & Learning  | 38,204         | 67,771         | 29,567           |
| Corporate Support Services                                   | 5,498          | 3,139          | (2,359)          |
| Culture & Tourism  | 11,953         | 14,553         | 2,600            |
| Public Protection, Waste & Transport                         | 24,731         | 25,884         | 1,153            |
| Planning   | 1,492          | 1,894          | 402              |
| Contingencies etc  | 5,367          | (96)           | (5,463)          |
| <b>Net Cost Of Services</b>                                  | <b>144,554</b> | <b>166,156</b> | <b>21,602</b>    |
| Capital Financing Removed                                    | (13,853)       | (43,996)       | (30,143)         |
| Other Statutory Adjustments                                  | 0              | 3,268          | 3,268            |
| <b>Adjusted Net Cost Of Services</b>                         | <b>130,701</b> | <b>125,428</b> | <b>(5,273)</b>   |
| Levies   | 409            | 514            | 105              |
| Leigh Parish Precept   | 206            | 206            | 0                |
| Financing Costs, Interest etc                                | 12,415         | 12,314         | (101)            |
| <b>Net Operating Expenditure</b>                             | <b>143,731</b> | <b>138,462</b> | <b>(5,269)</b>   |
| Revenue Contribution to Capital                              | 0              | 526            | 526              |
| Contribution to / (from) Earmarked Reserves                  | 2,323          | 6,831          | 4,508            |
| Contribution to / (from) General Reserves                    | 0              | 355            | 355              |
| <b>Total to be Funded from Council Tax and Formula Grant</b> | <b>146,054</b> | <b>146,174</b> | <b>120</b>       |
| <b>Funding from Council Tax and Formula Grant</b>            |                |                |                  |
| General Government Grants                                    | (16,653)       | (16,773)       | (120)            |
| Distribution From Non Domestic Rates Pool                    | (59,305)       | (59,305)       | 0                |
| Collection Fund Surplus                                      | (1,017)        | (1,017)        | 0                |
| <b>Council Tax Requirement</b>                               | <b>69,079</b>  | <b>69,079</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>2012/13<br/>£000</b> |
|---|-----------------------|-------------------------|
| Gross Expenditure on Services   | <i>page 28</i>        | 453,535                 |
| Gross Income on Services  | <i>page 28</i>        | (294,349)               |
| <b>Net Expenditure on Services</b>                                      | <b><i>page 28</i></b> | <b>159,186</b>          |
| Other Operating Expenditure   | <i>page 28</i>        | 1,649                   |
| Financing and Investment Income and Expenditure                         | <i>page 28</i>        | 14,923                  |
| Taxation and Non-Specific Grant Income                                  | <i>page 28</i>        | (169,268)               |
| Adjustments between accounting basis and funding basis under regulation |                       | (13,676)                |
| Transfers to Earmarked Reserves and HRA                                 |                       | 6,831                   |
| <b>Transfer to the General Reserve</b>                                  |                       | <b>(355)</b>            |

The “Transfer to the General Reserve” of £355,000 is common throughout, regardless of the format of the information. Gross expenditure on services amounted to £453.5m. 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**  
**£453.5m**

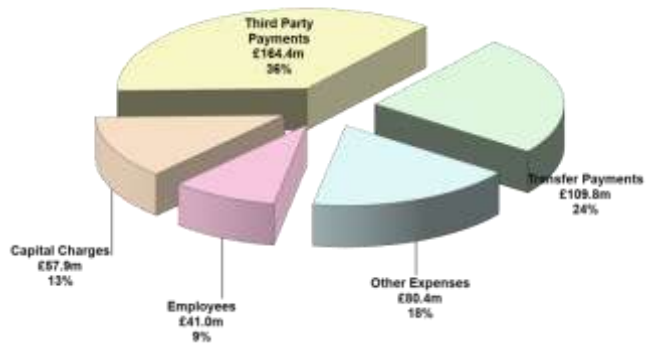


Central Services to the Public include Council tax benefit and administration, all central support services, registration of births, deaths and marriages, elections and emergency planning.

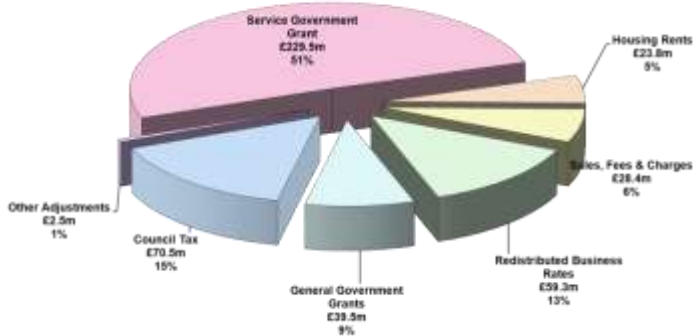
Corporate and Democratic Core includes mayoral costs, members' allowances as well as all the cost of members' activities in the capacity of democratic representation and the core costs for the provision of the management infrastructure to support the delivery of services.

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**  
**£453.5m**



**Revenue Funding Sources**  
**£453.5m**



It can be seen that the majority 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 and reimbursements.

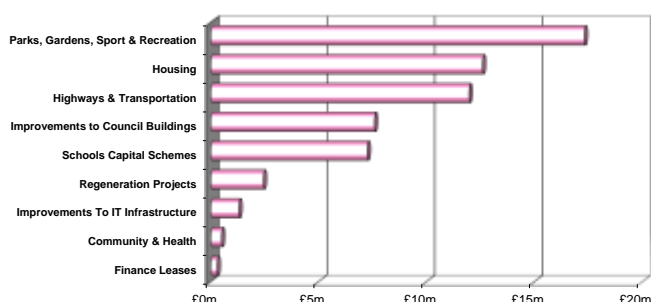


## CAPITAL EXPENDITURE

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 2012/13 the Council spent £61.3m on capital projects broadly categorised as follows:

### Capital Expenditure

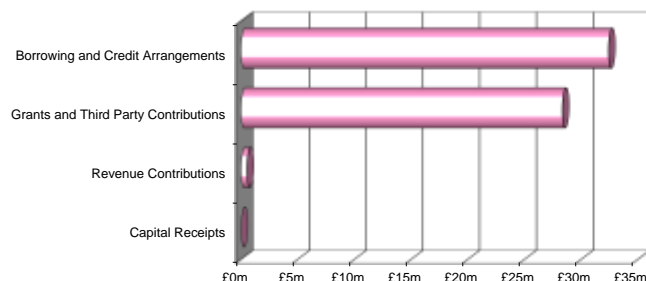


The table below describes some of the larger capital projects that the Council has undertaken this year.

|  | 2012/13<br>£000 |
|--|-----------------|
| New Library at Elmer Square            | 14,563          |
| Investment in Housing Stock            | 12,594          |
| Accommodation Strategy                 | 7,235           |
| Investment in Highways Infrastructure  | 4,418           |
| Western Esplanade Cliffs Stabilisation | 3,025           |
| Pier Infrastructure & Development      | 2,243           |
| Hinguar Primary School                 | 1,672           |
| Milton Hall Primary School             | 1,228           |
| Belfairs School                        | 1,100           |

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 borrowing. The following diagram shows how the £61.3m capital expenditure was funded for the 2012/13 year.

### Financing of Capital Expenditure



Borrowing is kept within affordable levels, with the total accumulated loans owed to external lenders amounting to £246.8m at 31 March 2013 (£241.8m at 31 March 2012).

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 £15.1m at 31 March 2013 (£15.7m at 31 March 2012).

The Council's operational upper limit for borrowing has been set at £320m. Taking into account the borrowing outlined above, this leaves headroom of £58.1m.

This level of debt should also be viewed in relation to the Council's long term assets which have a net book value of £656.6m at 31 March 2013.

### 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 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 £189.8m as at 31 March 2013 (£183.3m as at 31 March 2012). All disclosures as required by IAS 19 are included in Note 48 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 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 2012/13 year the Housing Revenue Account Statement of Movement has a surplus carried forward of £3.5m (*surplus for 2011/12 was £3.5m* ). The HRA broke even in 2012/13 (*2011/12 deficit of £0.2m* ). Council rents were increased on average by 8.05% in 2012/13 (*7.16% in 2011/12* ) in line with government guidelines.

In 2012/13 average rents per property (excluding service charges) were £75.18 per week.

The full financial performance of the HRA is reported on pages 97 to 103 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 £1.066m.

The Council is also sole trustee for a number of Trusts. Where the Trusts are material in their operation, these too have been consolidated as part of the Group Accounts.

### OUTLOOK FOR 2013/13

The Council Tax Budget Requirement for 2013/14 has been set at £60.7m for Southend-on-Sea Borough Council and £0.3m for Leigh-on-Sea Town Council. The Council tax for a Band D property for 2013/14 has been set at £1,137.42 for Southend-on-Sea Borough Council plus an additional £38.97 for the Leigh-on-Sea Town Council area. Additional charges are made in respect of Essex Police Authority and Essex Fire Authority.

Alongside the wider community of Southend, the Council continues to face financial challenges arising from the current economic downturn. In particular our fees and charges income and the interest earned from our cash investments are 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.

2013/14 sees changes introduced by central government that significantly alter the financial risks facing the Council.

- The localisation of council tax support has seen a reduced and fixed grant towards the cost of providing a scheme of council tax benefit.

- Business Rates Retention sees the Council taking a direct financial stake in the economic vitality of the Borough, with the Council sharing the risk and reward from fluctuations in our core business rates income for the first time with central government.
- Under the changes to the NHS, responsibility for Public Health was transferred to local government from 1 April 2013.

### LOOKING FORWARD

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

2012 was an amazing year for the borough and the Council. We had the fantastic experience of the Olympics, Paralympics and the Queen's Diamond Jubilee in the summer with Southend residents showing real community spirit. Over 65 street parties were held for the Jubilee and thousands turned out to welcome Olympic Flame for the torch parade.

Numerous other well established events, such as Village Green, Sparks will Fly, and the host of festivals have demonstrated once again what a diverse and exciting community we have.

In addition, the new Pier culture centre was successfully installed and opened, Prittlewell Priory reopened for the first time in three years after a stunning restoration and real progress made in building the new library and learning facility – The Forum Southend-on-Sea.

Despite the difficult economic climate, Southend is seen as a place to do business. Our creative and cultural sectors are going from strength to strength and the Airport's success has helped drive forward the local aviation and advanced engineering sector.

As the Local Government Chronicle Council of the Year for 2012, the Council has increasingly become a place that other organisations want to learn from – in terms of driving up performance, providing value for money services, and as a council that delivers.

However, after a third year of austerity measures, local government is facing one the most difficult periods in its history. We have worked hard to protect front line services by working smarter, harder and better with about a third of savings achieved by renegotiating contracts, reorganising and undertaking other corporate initiatives. However, meeting our savings requirements has meant taking some really tough decisions, such as ending the Air Show and increasing the Council Tax for the first time in three years.

Making further savings in the coming years will increasingly mean sharing service provision with other bodies, generating more income from our assets and trading, looking to others, including the local community to provide services and targeting our service provision on those in most need.

Despite this, the Council is pushing ahead with programmes to: complete the Forum Southend-on-Sea; expand childcare places to two-year olds; invest £4.5m on our sea defences; improve junctions on the A127 and make the borough wireless.

We will continue to protect and improve services where we can, and support our residents against the impact of the economic climate and we are sure 2013/14 will be an eventful and exciting year as more of our projects to transform the Borough progress, or come to fruition.

| <b>Aims</b>  | <b>Priorities</b>   |
|--------------|---|
| <b>Safe</b>  | Continue to reduce crime, disorder and anti-social behaviour.<br>Ensure a well-maintained and attractive street scene, parks and open spaces. |
| <b>Clean</b> | Where possible minimise our impact on the natural environment   |

**Healthy** Continue to improve outcomes for vulnerable adults and older people

Support Southend to be active and alive with sport and culture

Continue to improve outcomes for vulnerable children

**Prosperous** 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

**Excellent** Deliver targeted services that meet the identified needs of our community

**Councillor Brian Kelly**  
**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 2013 and its income and expenditure for the year ended 31 March 2013.



**Joe Chesterton, CPFA**  
**Head of Finance and Resources**  
**16 September 2013**

### 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 25 September 2013.

**Councillor Paul Collins**  
**Chair of Audit Committee**  
**25 September 2013**

## 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 ensuring the proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk, are in place. This responsibility extends to satisfying itself that any wholly owned subsidiary companies also have robust governance arrangements in place. To this end South Essex Homes has produced its own Annual Governance Statement which is included as part of this statement.

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. A copy of the authority's code is on the Council's website at [www.southend.gov.uk/localcodeofgovernance](http://www.southend.gov.uk/localcodeofgovernance) or can be obtained from the Policy & Partnerships Team, Civic Centre, Victoria Avenue, SS2 6ER.

This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4 of the Accounts and Audit (England) Regulations 2011 in relation to the production and publication of an Annual Governance Statement.

### 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 services and value for money.

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 on-going 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 main governance framework has been in place at Southend on Sea Borough Council for the year ended 31 March 2013 and up to the date of approval of the annual report and statement of accounts.

### THE COUNCIL'S 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
- Information Management and Security
- Value for Money
- Procurement
- Project Management
- Complaints
- Codes of Conduct for Members and Staff
- The operation of Cabinet, Scrutiny Committees, Audit Committee and the Standards Committee

These areas form the main sources of assurance to be considered in any review of the Council's governance arrangements.

The Corporate Director for the Department of Corporate Services has been given the responsibility for overseeing the implementation and monitoring of the Code, through a process which consists of:

- Regular 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 Audit Committee, endorsed by Cabinet and approved by Council.
- The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.
- The CFO in a local authority must be professionally qualified and suitably experienced.

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/localcodeofgovernance](http://www.southend.gov.uk/localcodeofgovernance).

### **Role of the Chief Financial Officer**

The Chief Financial Officer (CFO) occupies a key position in the Council, managing the Councils' finances and ensuring that resources are used wisely to secure positive results.

In order to support the post holder in the fulfilment of their duties and ensure that the Council has access to effective financial advice, in 2010 the Chartered Institute of Public Finance Accountants (CPIFA) issued a Statement on the Role of the Chief Financial Officer in Local Government. The statement:

- sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in the carrying out of their role
- includes five key principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them.

These statements are set out below:

- The CFO in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
- The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.
- The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.

The Council has the necessary arrangements and procedures in place which ensure that these principles are complied with. This is through a combination of direct compliance by the CFO and, where not directly complied with, there are alternative procedures in place to ensure that the necessary outcomes and objectives are still achieved and suitable controls are in place. For example, this may include deputising arrangements and delegated authority for financial management in the clearance of relevant Member reports.

### **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.

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 strong 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 2012, the People Scrutiny Committee also scrutinises health matters.

Since May 2012 the Council has operated an enhanced pre-Cabinet scrutiny system where scrutiny and opposition Members are given opportunities to contribute to and offer advice on key decisions prior to consideration by Cabinet using a variety of formats, including reports to Scrutiny Committees, briefings with lead Members for each party, all Member briefings and working groups.

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-opted Members to observe the Members' Code of Conduct and to monitor the effectiveness of the Members' Code of Conduct. The Standards Committee also deals with formal complaints against Members.

The Council continues to review and adjust staffing structures and has revised the responsibilities of scrutiny committees for 2013/14, reflecting new departmental structures including the Council's new public health functions and other reforms introduced by the Health and Social Care Act 2012.

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

The Corporate Plan is underpinned by detailed service plans which 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 the Scrutiny Committees.

Financial monitoring reports are produced on a monthly basis and form part of the Council's Monthly Performance Report. Reports detail explanations of variance from budget and identify a projected outturn for the year and are considered by Cabinet and the Scrutiny Committees. A three year Medium Term Financial Strategy is

refreshed annually and is driven by the priorities agreed by the Council and contained within the Corporate Plan.

The Corporate Risk Register is formally reviewed and reported upon each quarter to the Corporate Management Team, and to the Audit Committee half yearly. Departmental risk registers are reviewed regularly by Departmental Management Teams.

The Council engages with its communities 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.

The Council has a Health and Safety Policy, with an accompanying action plan that is reviewed each year and overseen by the Strategic Health and Safety Group, chaired by a Corporate Director, which has assisted the Council in reaching Level 4 out of 5 on the RoSPA (Royal Society for the Prevention of Accidents) assessment.

A complaints procedure and a whistle-blowing policy are maintained and kept under review to enable issues to be raised by public, staff, Councillors and co-opted Members when they feel appropriate standards have not been met. A report analysing complaints, comments and complements is submitted to Cabinet and Council annually.

The Council's approach to Information Management was reviewed in 2012 by the Information Commissioner's Office and graded as 'reasonable' (the second highest grading) with an agreed action plan developed to address suggested areas of improvement.

A number of reviews of financial systems resulted in 'Improvement Required' audit opinions in year, where Internal Audit concluded that the design of controls was not satisfactory and/or a number of key controls in place were not working consistently or effectively throughout the year. These systems were: the general ledger; accounts receivable (general debt); accounts receivable (recovery of social care debt); accounts payable and payroll.

However, good progress continues to be made in addressing the recommendations from Internal Audit's view of the design and/or operation of the key financial systems run on Agresso throughout the financial year. This is evidenced by the far fewer recommendations arising in the 2012/13 financial system audits compared to 2011/12.

Regular reviews of the recommendations made are addressed by the Head of Service and Departmental Management team and subsequently as part of the summary audit progress reports to Audit Committee on a quarterly basis.

Progress on actions to enhance our governance arrangements arising from the 2011/12 Annual Governance Statement were reported to Audit



Committee during the 2012/13 financial year, with relevant outcomes against the action.

#### **INTERNAL AUDIT**

The annual risk based audit plan was prepared in consultation with Corporate Directors and the Audit Committee. The audit plan was substantially 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. Periodically summary audit progress reports were taken to Corporate Management Team and the Audit Committee.

The Head of Internal Audit annual report and opinion for 2012/13 was considered by Corporate Management Team and the Audit Committee in June 2013. This stated that:

'Further work is required to clarify how the Council is obtaining assurance that its governance framework is sound and operating as designed in line with the requirements of the updated CIPFA Guidance, Delivering Good Governance.

Whilst reliance could be placed throughout the year on the control environment of many of the Council's key financial systems, this was not the case with those operating on the Agresso software application although this did improve in the latter part of the financial year.

With regard to the risk-based service reviews completed this year, opportunities exist to strengthen controls in these areas'.

External audit has confirmed it can rely on Internal Audit's financial systems work to support of the financial accounts audit. Internal Audit continues to be able to demonstrate that its audit approach complies with relevant professional standards. The annual self-assessment is subject to independent challenge to confirm the assessment is realistic and supported by appropriate evidence.

#### **EXTERNAL AUDIT**

External Audit is undertaken by BDO (formerly PKF (UK) LLP), which annually concludes whether:

- the financial statements give a true and fair view of the Council's financial affairs
- the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources
- the arrangements for preparing grant claims and other returns to Government departments are operating effectively
- grant claims reviews are accurate and prepared in accordance with the relevant terms and conditions.

Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Governance Report or the Grant Claim Certification Report. The external auditors regularly attend meetings of the Audit Committee. The Report of the External Auditor was presented to the Audit Committee.

#### **EXTERNAL INSPECTIONS**

Assurance over the control environment is also obtained from external inspections of service areas. External assessments for 2012/13 included:

- Food Services (by the Food Standards Agency); The audit highlighted areas of good practice and areas for improvement. No serious issues of non-compliance were identified. An action plan agreed with the FSA to ensure the Council is fully compliant with the FSA framework.
- Safeguarding arrangements and services for looked after children, by Ofsted. These were judged to be 'good', with 'outstanding' features for the capacity to improve and with children and young people feeling and being safe.
- Childcare provision, by Ofsted. The Council's child minders were rated as third best in England and the quality of overall early years provision was rated fourth best nationally.
- Adoption Services, by Ofsted. The service was rated as 'good'.
- Fostering Service (by Ofsted). The service was rated as 'good'.
- Delaware House, by CQC. The service was found to be 'fully compliant'.
- Priory House, by CQC. The service was found to be 'fully compliant'.
- Spencer House, by CQC. The service was found to be 'fully compliant'.
- Shared Lives, by CQC. The service was found to be 'fully compliant'.
- Saxon Lodge, by CQC. The service was found to be 'fully compliant'.
- Southend Therapy and Recovery Team - (by CQC). The service was found to be 'fully compliant'.
- Information Governance (by Information Commissioners Office). The audit found the Council's Information Governance arrangements to be 'reasonable' (2nd highest rating). The Council scored 'high assurance' (the highest rating) for 'the processing of requests for personal data' and 'reasonable assurance' for 'records management' and the 'security of personal data'

These along with other external assessments, such as for the Stonewall workplace assessment, 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. The Council is also regularly recognised through industry awards such as being recognised as:

- the Local Government Chronicle Council of the Year for 2012;
- the PPMA (Public Sector People Managers' Association) human resources team of the year in 2013;
- the Council's Benefits Team receiving a good award for excellence in staff development from the IRRV (Institute of Revenues Rating and Valuation);
- the fourth best employer in Stonewall's workplace equality index.

#### **KEY GOVERNANCE ISSUES**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below:

- The Council's approach to business continuity planning is updated that all key plans are updated, tested and communicated to staff.
- Continue to review the governance framework to ensure it is sound and operating as designed in line with the requirements of CIPFA Guidance, Delivering Good Governance in Local Government: Guidance Note for English Authorities.
- Ensure the Council's governance arrangements reflect the Health and Social Care Act – 2012, including the integration of public health functions, and the development of effective relationships with the respective health bodies.

#### **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. It is financed by a Management Fee in 2012/13, from the Council, of £9,778million, together with income from external organisations of £509k.

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**

Good governance leads to good management, good performance, good stewardship, good public engagement, ultimately good outcomes for citizens and service user. Good governance enables the Company to pursue its vision effectively, as well as underpinning that vision with mechanisms for control and management of risk.

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 on-going 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**

South Essex Homes 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, the Director of Finance 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 high quality services
- Achieve best value from the investment in residents homes and services
- Contribute to meeting housing need and increasing the availability of affordable homes locally
- Use our resources responsibly and to the maximum benefit of our customers and community
- Contribute to building vibrant, resilient and proud communities
- 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 is delivered through a Service Level Agreement with the Council's Internal Audit Services. The risk based audit plan is prepared in consultation with The Executive Management Team and approved by 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 the Audit Committee.

The Head of Internal Audit prepares an annual report that included an overall opinion on SEH's internal control environment based on the results of the audit work completed. This was considered by the Audit Committee

Internal Audit performance is subject to annual review by the external auditor of the Council and the company in order that they can place reliance on its audit work. Internal Audit also share the results of the statutory annual assessment of compliance with the CIPFA: Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 with the company.

The Company provided the Council with the following assurance regarding the robustness of its governance arrangements during the year:

- 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 main area highlighted by Internal Audit during the year, where further work is required to improve the arrangements relates to information management.

### **External Audit**

External Audit is undertaken by Price Waterhouse Cooper (PWC) who review the design of controls in place within the core financial systems if relevant to their audit opinion on the Company's financial statements. Where the external auditor identifies any weaknesses these are reported to those charged with governance. The Audit Committee consider the external auditor's report and recommend adoption of the financial statements to the Board.

### **Key Governance Issues**

The main areas for further work identified through the Governance Assurance Process in 2013/14, and which should be disclosed in the Governance Statement Action Plan are;

- **Business Planning:** The Company needs to ensure a consistent approach to business planning, which identifies the future scope for the organisation once the Council's Task and Finish Group have completed its review. This will link to the strategic aims of the organisation and develops clear actions for the Plan for Excellence and put in place a regular monitoring process.
- **Fraud and Corruption:** Introduction of on line training to reinforce and further embed the culture of anti-fraud and corruption. The whistle blowing element of anti-fraud and corruption needs to be improved.
- **Disaster Recovery:** South Essex Homes completed the Office Accommodation Disaster Recovery Plan in 2012/13. The Company will be undertaking a test of the plan during 2013/14 which will comply with internal audit recommendations. It is anticipated that a test will occur prior to 31st July, 2013.

**Further Actions to strengthen the Council's Governance Arrangements for 2013/14**

| No. | Governance Issues   | Action 2012/13   | Date of Implementation | Responsible Officer |
|-----|---|--|------------------------|---------------------|
| 1.  | Implementation of the business continuity planning programme of work. | That the programme of work developed to continue the process of ensuring the Council's Business Continuity Planning arrangements are implemented, including ensuring Plans reflect the Council's new departmental and management structure, the process of ensuring the fall back location is fit for purpose and the arrangements tested. | March 2014             | Sally Holland       |
| 2   | Governance framework: on-going review                                 | Continue to review the governance framework to ensure it is sound and operating as designed in line with the requirements of the CIPFA Guidance, 'Delivering Good Governance in Local Government: Guidance Note for English Authorities'.  | March 2014             | Sally Holland       |
| 3   | Adapting to the new, post-April 2013, health regime.                  | Ensure the Council's governance arrangements reflect the Health and Social Care Act – 2012, including the integration of public health functions, and the development of effective relationships with the respective health bodies.  | March 2014             | Rob Tinlin          |

**Further Actions to strengthen South Essex Homes' Governance Arrangements for 2013/14**

|    |                      |  |            |               |
|----|----------------------|--|------------|---------------|
| 1  | Business Planning    | <p>The Company will ensure a consistent approach to business planning, which identifies the future scope for the organisation once the Council's Task and Finish Group have completed its review.</p> <p>Business planning will demonstrate clear links to the strategic aims of the organisation and develop clear actions for the Plan for Excellence and put in place a regular monitoring process.</p> | March 2014 | Mike Gattrell |
| 2. | Fraud and Corruption | <p>Introduce on line training to reinforce and further embed the culture of anti-fraud and corruption.</p> <p>The whistle blowing element of anti-fraud and corruption arrangements will be reviewed and improved.</p>   | March 2014 | David Lincoln |

|    |                   |   |              |                    |
|----|-------------------|---|--------------|--------------------|
| 3. | Disaster Recovery | South Essex Homes completed the Office Accommodation Disaster Recovery Plan in 2012/13. The Company will be undertaking a test of the plan during 2013/14 which will comply with internal audit recommendations | 31 July 2013 | Beverley Gallacher |
|----|-------------------|---|--------------|--------------------|

### Corporate Governance Action Plan 2011/12

| No | Governance Issue   | Action 2011/12   | Responsible Officer   | Comment on Progress  |
|----|--|--|---|--|
| 1  | Lessons from the introduction of the Agresso system, most particularly on pre-implementation design, have been recognised and will be used to the benefit of future projects                                     | <p>That relevant Project Boards ensure that a full project plan, including business change and design, is in place to oversee efficient and effective development of any new systems, reporting regularly to the Corporate Delivery Board.</p> <p>To ensure the Agresso 'programme of change' is fully implemented following the methodology and approach adopted by the Agresso Programme Board in August; agreed with the Corporate Delivery Board in September.</p> | <p>Sally Holland</p> <p>Joanna Ruffle/<br/>Joe Chesterton</p> | <p>A progress report was presented to Audit Committee on 27.3.13 outlining the recommendations from the lessons learnt end of project report on the implementation of Agresso and how these are being implemented.</p> <p>The report confirmed that each project is following Prince 2 methodology including full project plans and regular reporting to Corporate Delivery Board.</p> <p>The next phase of Agresso is using Prince 2 methodology and is overseen by the Agresso Programme Board, which receives regular highlight reports to manage implementation.</p> |
| 2  | Proper processes are still in place to ensure that all business management policy owners and senior management get in year assurance that the governance framework is being consistently applied by all services | <p>To devise and implement a 'Policy Owners Assurance Statement' to gain annual assurance that policy frameworks are up-to-date and fit for purpose;</p> <p>To review the 'Managers Assurance Statement' to ensure that it is still fit for purpose</p>  | Linda Everard   | <p>A Policy Owners Assurance Statement has been developed and is due to be applied during 2013/14.</p> <p>The Managers Assurance Statement was revised and applied for 2012/13 with some minor revisions.</p>  |
| 3  | All business continuity plans are up to date, tested and communicated to staff   | That the working group overseeing Business Continuity Planning has a full project plan in place and can give assurance that the framework has been reviewed and fully implemented across the Organisation  | Sally Holland   | <p>The BCP officer group oversaw the following actions:</p> <p>A more comprehensive and up to date Corporate BCP was developed.</p> <p>Departmental BCP Plans were updated to reflect current work arrangements and follow a common format and approach.</p>   |

|  |  |  |  |   |
|--|--|--|--|---|
|  |  |  |  | <p>Business Impact Analyses were undertaken across the Council to help prioritise service functions and activities in terms of urgent/critical and non-urgent/non-critical.</p> <p>Departmental BCP leads were briefed on Corporate BCP arrangements and agreed a more integrated and common approach across departments</p> <p>The ICT Disaster Recovery Plan was updated for systems held on the virtual environment.</p> <p>A further programme of work has been identified for 2013/14, including ensuring the fall-back location at the Tickfield Centre is fit for purpose.</p> |
|--|--|--|--|---|

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**

**16 September 2013**



**Councillor Nigel Holdcroft**

**Leader of the Council**

**16 September 2013**

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



**David Eagles** MA FCA, Partner  
for and on behalf of  
BDO LLP  
Ipswich, UK

Date:

# **MAIN FINANCIAL STATEMENTS**

## MOVEMENT IN RESERVES STATEMENT

|  | Note | General Fund Balance<br>£000 | Housing Revenue Account<br>£000 | Earmarked Reserves<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Total Usable Reserves<br>£000 |
|--|------|------------------------------|---------------------------------|----------------------------|----------------------------------|-------------------------------|----------------------------------|-------------------------------|
| <b>Balance at 31 March 2011</b>  |      | 11,555                       | 3,742                           | 27,187                     | 3,741                            | 2,485                         | 8,684                            | 57,394                        |
| <b>Movement in Reserves during 2011/12</b>                               |      |                              |                                 |                            |                                  |                               |                                  |                               |
| Surplus (Deficit) on the Provision of Services                           |      | (47,725)                     | (37,846)                        | 0                          | 0                                | 0                             | 0                                | (85,571)                      |
| Other Comprehensive Income and Expenditure                               |      | 0                            | 0                               | 0                          | 0                                | 0                             | 0                                | 0                             |
| <b>Total Comprehensive Income and Expenditure</b>                        |      | <b>(47,725)</b>              | <b>(37,846)</b>                 | <b>0</b>                   | <b>0</b>                         | <b>0</b>                      | <b>0</b>                         | <b>(85,571)</b>               |
| Adjustments between accounting basis and funding basis under regulations | 7    | 54,886                       | 37,606                          | 0                          | 44                               | (760)                         | (2,072)                          | 89,704                        |
| <b>Net Increase / Decrease before Transfers to reserves</b>              |      | <b>7,161</b>                 | <b>(240)</b>                    | <b>0</b>                   | <b>44</b>                        | <b>(760)</b>                  | <b>(2,072)</b>                   | <b>4,133</b>                  |
| Transfers to / from Earmarked Reserves                                   | 8    | (7,226)                      | 0                               | 7,226                      | 0                                | 0                             | 0                                | 0                             |
| <b>Increase / Decrease in 2011/12</b>                                    |      | <b>(65)</b>                  | <b>(240)</b>                    | <b>7,226</b>               | <b>44</b>                        | <b>(760)</b>                  | <b>(2,072)</b>                   | <b>4,133</b>                  |
| <b>Balance at 31 March 2012</b>  |      | <b>11,490</b>                | <b>3,502</b>                    | <b>34,413</b>              | <b>3,785</b>                     | <b>1,725</b>                  | <b>6,612</b>                     | <b>61,527</b>                 |
| <b>Movement in Reserves during 2012/13</b>                               |      |                              |                                 |                            |                                  |                               |                                  |                               |
| Surplus (Deficit) on the Provision of Services                           |      | (14,325)                     | 7,835                           | 0                          | 0                                | 0                             | 0                                | (6,490)                       |
| Other Comprehensive Income and Expenditure                               |      | 0                            | 0                               | 0                          | 0                                | 0                             | 0                                | 0                             |
| <b>Total Comprehensive Income and Expenditure</b>                        |      | <b>(14,325)</b>              | <b>7,835</b>                    | <b>0</b>                   | <b>0</b>                         | <b>0</b>                      | <b>0</b>                         | <b>(6,490)</b>                |
| Adjustments between accounting basis and funding basis under regulations | 7    | 19,218                       | (5,542)                         | 0                          | 1,039                            | 6,203                         | 2,435                            | 23,353                        |
| <b>Net Increase / Decrease before Transfers to reserves</b>              |      | <b>4,893</b>                 | <b>2,293</b>                    | <b>0</b>                   | <b>1,039</b>                     | <b>6,203</b>                  | <b>2,435</b>                     | <b>16,863</b>                 |
| Transfers to / from Earmarked Reserves                                   | 8    | (4,538)                      | (2,293)                         | 6,831                      | 0                                | 0                             | 0                                | 0                             |
| <b>Increase / Decrease in 2012/13</b>                                    |      | <b>355</b>                   | <b>0</b>                        | <b>6,831</b>               | <b>1,039</b>                     | <b>6,203</b>                  | <b>2,435</b>                     | <b>16,863</b>                 |
| <b>Balance at 31 March 2013</b>  |      | <b>11,845</b>                | <b>3,502</b>                    | <b>41,244</b>              | <b>4,824</b>                     | <b>7,928</b>                  | <b>9,047</b>                     | <b>78,390</b>                 |

|  | Revaluation Reserve<br>£000 | Available for Sale Financial Instruments<br>£000 | Pensions Reserve<br>£000 | Capital Adjustment Account<br>£000 | Deferred Capital Receipts<br>£000 | Collection Fund Adjustment Account<br>£000 | Accumulated Absences Account<br>£000 | Unusable Reserves<br>£000 | Total Authority Reserves<br>£000 |
|--|-----------------------------|--|--------------------------|------------------------------------|-----------------------------------|--|--------------------------------------|---------------------------|----------------------------------|
| <b>Balance at 31 March 2011</b>  | 69,311                      | 19   | (126,315)                | 438,882                            | 0                                 | 1,922                                      | (2,610)                              | 381,209                   | 438,603                          |
| <b>Movement in Reserves during 2011/12</b>                               |                             |  |                          |                                    |                                   |  |                                      |                           |                                  |
| Surplus (Deficit) on the Provision of Services                           | 0                           | 0  | 0                        | 0                                  | 0                                 | 0  | 0                                    | 0                         | (85,571)                         |
| Other Comprehensive Income and Expenditure                               | 15,151                      | (15)   | (62,561)                 | 0                                  | 0                                 | 0  | 0                                    | (47,425)                  | (47,425)                         |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>15,151</b>               | <b>(15)</b>                                      | <b>(62,561)</b>          | <b>0</b>                           | <b>0</b>                          | <b>0</b>                                   | <b>0</b>                             | <b>(47,425)</b>           | <b>(132,996)</b>                 |
| Adjustments between accounting basis and funding basis under regulations | (6,021)                     | 0  | 5,527                    | (89,442)                           | 0                                 | 326  | (94)                                 | (89,704)                  | 0                                |
| <b>Net Increase / Decrease before Transfers to reserves</b>              | <b>9,130</b>                | <b>(15)</b>                                      | <b>(57,034)</b>          | <b>(89,442)</b>                    | <b>0</b>                          | <b>326</b>                                 | <b>(94)</b>                          | <b>(137,129)</b>          | <b>(132,996)</b>                 |
| Transfers to / from Earmarked Reserves                                   | 0                           | 0  | 0                        | 0                                  | 0                                 | 0  | 0                                    | 0                         | 0                                |
| <b>Increase / Decrease in 2011/12</b>                                    | <b>9,130</b>                | <b>(15)</b>                                      | <b>(57,034)</b>          | <b>(89,442)</b>                    | <b>0</b>                          | <b>326</b>                                 | <b>(94)</b>                          | <b>(137,129)</b>          | <b>(132,996)</b>                 |
| <b>Balance at 31 March 2012</b>  | <b>78,441</b>               | <b>4</b>   | <b>(183,349)</b>         | <b>349,440</b>                     | <b>0</b>                          | <b>2,248</b>                               | <b>(2,704)</b>                       | <b>244,080</b>            | <b>305,607</b>                   |
| <b>Movement in Reserves during 2012/13</b>                               |                             |  |                          |                                    |                                   |  |                                      |                           |                                  |
| Surplus (Deficit) on the Provision of Services                           | 0                           | 0  | 0                        | 0                                  | 0                                 | 0  | 0                                    | 0                         | (6,490)                          |
| Other Comprehensive Income and Expenditure                               | (30,108)                    | (2)  | (11,420)                 | 0                                  | 0                                 | 0  | 0                                    | (41,530)                  | (41,530)                         |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>(30,108)</b>             | <b>(2)</b>                                       | <b>(11,420)</b>          | <b>0</b>                           | <b>0</b>                          | <b>0</b>                                   | <b>0</b>                             | <b>(41,530)</b>           | <b>(48,020)</b>                  |
| Adjustments between accounting basis and funding basis under regulations | (914)                       | 0  | 4,984                    | (28,349)                           | 23                                | 354  | 549                                  | (23,353)                  | 0                                |
| <b>Net Increase / Decrease before Transfers to reserves</b>              | <b>(31,022)</b>             | <b>(2)</b>                                       | <b>(6,436)</b>           | <b>(28,349)</b>                    | <b>23</b>                         | <b>354</b>                                 | <b>549</b>                           | <b>(64,883)</b>           | <b>(48,020)</b>                  |
| Transfers to / from Earmarked Reserves                                   | 0                           | 0  | 0                        | 0                                  | 0                                 | 0  | 0                                    | 0                         | 0                                |
| <b>Increase / Decrease in 2012/13</b>                                    | <b>(31,022)</b>             | <b>(2)</b>                                       | <b>(6,436)</b>           | <b>(28,349)</b>                    | <b>23</b>                         | <b>354</b>                                 | <b>549</b>                           | <b>(64,883)</b>           | <b>(48,020)</b>                  |
| <b>Balance at 31 March 2013</b>  | <b>47,419</b>               | <b>2</b>   | <b>(189,785)</b>         | <b>321,091</b>                     | <b>23</b>                         | <b>2,602</b>                               | <b>(2,155)</b>                       | <b>179,197</b>            | <b>257,587</b>                   |



## BALANCE SHEET

| 1 April 2011     | 31 March 2012    |  | 31 March 2013    |
|------------------|------------------|--|------------------|
| £000             | £000             |  | £000             |
| <b>Restated</b>  | <b>Restated</b>  |  | Notes            |
| 662,814          | 647,474          | Property, Plant & Equipment            | 12 617,234       |
| 13,753           | 8,330            | Heritage Assets                        | 13 8,187         |
| 25,754           | 25,820           | Investment Property                    | 14 26,255        |
| 5,131            | 6,014            | Intangible Assets                      | 15 3,514         |
| 1,347            | 0                | Assets Held for Sale                   | 21 271           |
| 73               | 67               | Long Term Investments                  | 16 61            |
| 56               | 45               | Long Term Debtors                      | 16 81            |
| <b>708,928</b>   | <b>687,750</b>   | <b>Long Term Assets</b>                | <b>655,603</b>   |
| 53,858           | 24,178           | Short term Investments                 | 34,546           |
| 1,677            | 1,946            | Assets Held for Sale                   | 21 1,518         |
| 329              | 293              | Inventories                            | 17 212           |
| 35,965           | 41,593           | Short Term Debtors                     | 19 38,360        |
| 47,793           | 39,644           | Cash and Cash Equivalents              | 20 33,950        |
| <b>139,622</b>   | <b>107,654</b>   | <b>Current Assets</b>                  | <b>108,586</b>   |
| (39,968)         | (21,313)         | Short Term Borrowings                  | 16 (21,484)      |
| (46,392)         | (40,958)         | Short Term Creditors                   | 22 (37,903)      |
| (5,893)          | (3,462)          | Provisions                             | 23 (4,813)       |
| <b>(92,253)</b>  | <b>(65,733)</b>  | <b>Current Liabilities</b>             | <b>(64,200)</b>  |
| (2,753)          | (3,169)          | Long Term Creditors                    | (723)            |
| (172,124)        | (221,816)        | Long Term Borrowing                    | 16 (236,816)     |
| (126,315)        | (183,349)        | Other Long Term Liabilities - Pensions | 48 (189,785)     |
| (16,502)         | (15,730)         | Other Long Term Liabilities - Other    | 16 (15,078)      |
| <b>(317,694)</b> | <b>(424,064)</b> | <b>Long Term Liabilities</b>           | <b>(442,402)</b> |
| <b>438,603</b>   | <b>305,607</b>   | <b>Net Assets</b>                      | <b>257,587</b>   |
| 57,394           | 61,527           | Usable Reserves                        | 24 78,390        |
| 381,209          | 244,080          | Unusable Reserves                      | 25 179,197       |
| <b>438,603</b>   | <b>305,607</b>   | <b>Total Reserves</b>                  | <b>257,587</b>   |

## CASH FLOW STATEMENT

| 2011/12<br>£000<br>Restated | Notes   | 2012/13<br>£000 |
|-----------------------------|---|-----------------|
| 85,571                      | Net (Surplus) or Deficit on the Provision of Services   | 6,490           |
| (62,678)                    | Adjustments to Net Surplus or Deficit on the Provision of Services for non-cash Movements   | (46,900)        |
| 9,351                       | Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities | 11,994          |
| 32,244                      | Net cash flows from Operating Activities  | (28,416)        |
| 6,295                       | Investing Activities  | 47,357          |
| (30,390)                    | Financing Activities  | (13,247)        |
| 8,149                       | Net Increase or Decrease in Cash and Cash Equivalents   | 5,694           |
| (47,793)                    | Cash and Cash Equivalents at the beginning of the Reporting Period  | (39,644)        |
| <b>(39,644)</b>             | <b>Cash and Cash Equivalents at the end of the Reporting Period</b>   | <b>20</b>       |
|                             |   | <b>(33,950)</b> |

# **NOTES TO THE MAIN FINANCIAL STATEMENTS**



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## Restatement of Prior Year Financial Statements

### Schools Land Revaluation

The Council carries out a rolling programme of revaluations that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The schools held on the Council's balance sheet were revalued during 2012/13. This valuation brought to light deficiencies in the previous valuation carried out in 2007/08 with respect to the valuation of school land. This has necessitated revisiting that earlier valuation and consequentially the restating 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 2011/12.

The following tables explain the material differences between the amounts presented in the 2011/12 financial statements and the equivalent amounts presented in the 2012/13 financial statements.

#### 2011/12 Movement in Reserves

|   | 2011/12<br>Statements<br>£'000 | Adjustments<br>Made<br>£'000 |
|---|--------------------------------|------------------------------|
| Surplus or (deficit) on provision of services - General Fund  | (56,472)                       | 8,747                        |
| Adjustments between accounting basis and funding basis under regulations - General Fund               | 63,633                         | (8,747)                      |
| Adjustments between accounting basis and funding basis under regulations - Revaluation Reserve        | (460)                          | (5,561)                      |
| Adjustments between accounting basis and funding basis under regulations - Capital Adjustment Account | (103,750)                      | 14,308                       |

#### 2011/12 Comprehensive Income and Expenditure Statement

|                             | 2011/12<br>Statements<br>£'000 | Adjustments<br>Made<br>£'000 |
|-----------------------------|--------------------------------|------------------------------|
| Other Operating Expenditure | 33,375                         | (8,747)                      |

#### Opening 1 April 2011 Balance Sheet

|                            | 2011/12<br>Statements<br>£'000 | Adjustments<br>Made<br>£'000 |
|----------------------------|--------------------------------|------------------------------|
| Property Plant & Equipment | 759,922                        | (97,178)                     |
| Revaluation Reserve        | (114,533)                      | 45,222                       |
| Capital Adjustment Reserve | (490,838)                      | 51,956                       |

#### 31 March 2012 Balance Sheet

|                            | 2011/12<br>Statements<br>£'000 | Adjustments<br>Made<br>£'000 |
|----------------------------|--------------------------------|------------------------------|
| Property Plant & Equipment | 735,905                        | (88,431)                     |
| Revaluation Reserve        | (129,224)                      | 50,783                       |
| Capital Adjustment Reserve | (387,088)                      | 37,648                       |

## Note 1. Accounting Policies

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council 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 2012/13 and the Service Reporting Code of Practice 2012/13, 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 Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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.

Accruals are not made for items under £5,000, except where in the opinion of the Chief Finance Officer the absence of an accrual for a lesser amount would lead to a misrepresentation of the cost of a service.

### Cash and Cash Equivalents

Cash and Cash Equivalents is 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 Council'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 Council'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 Council's financial position or financial performance.

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening

balances and comparative amounts for the prior period.

There have been no changes to accounting policies that require restatement of prior periods.

### **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 Council 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 Council 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 Council. 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 Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, when the Council 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 Council 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 Council 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 Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. 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 Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.4%. The discount rate is the annualised yield at the 20 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities. This approach has been updated from previous disclosures when the yield on the iBoxx AA rated over 15 year corporate bond index was used as a standard assumption for most Employers in the Fund.

- The assets of Essex Pension Fund attributable to the Council 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 Council, 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 Council 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 Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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 Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (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 Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

#### *Financial Assets*

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

#### Loans and Receivables

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

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

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 Council 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 (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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 Council 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 Council when there is reasonable assurance that:

- the Council 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.

### **Heritage Assets**

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)

The Council's Heritage Assets consist of historic seaside assets, heritage land and buildings, antiques/collectables and memorials/statues. These assets are held by the reporting entity in pursuit of its overall objectives in relation to the maintenance of the heritage. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Council's heritage assets are accounted for as follows.

#### Historic Seaside Assets

- The historic seaside assets comprise the pier, the cliff lift and the cliff bandstand. These assets are considered to be part of the fabric of the town as an historic seaside resort.

#### Heritage Land and Buildings

- These consist of the official mayor's residence, Porters, and Southchurch Hall, a grade I listed medieval manor house. These assets are considered to be part of the heritage of the town and are intended to be preserved for future generations because of their cultural, environmental or historical associations.

#### Antiques / Collectables

- These comprise furniture and furnishings, panelling, carpets, textiles, clocks, silver, plated wares and gold, works of art, ceramics and glass, books, pictures and presentation and commemorative wares. These items are reported in the Balance Sheet at insurance valuation which is based on market values. These assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.
- The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation.

#### Museum Collections

- The Council considers that obtaining valuations for the items that are exhibited within the borough's museums would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The Council does not recognise these exhibits on the Balance Sheet.

#### Memorials and Statues

- These are a statue of Queen Victoria and a War Memorial. The Council does not consider that reliable cost or valuation information can be obtained for the items due to the lack of comparable market values. Consequently, the Council does not recognise these assets on the Balance Sheet.

#### Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see "Property, Plant and Equipment" in this summary of significant accounting policies. The proceeds of any

disposals are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see "Revenue Expenditure Funded from Capital under Statute" and "Property, Plant and Equipment" in this summary of significant accounting policies).

#### Intangible Assets

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

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 Council 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 Council'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 Council can be determined by reference to an active market. In practice, no intangible asset held by the Council 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 Council 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 Council'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. Investment 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 Council 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 Council 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 Council at the end of the lease period).

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

#### **Operating Leases**

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

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

The Council as Lessor

#### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

The written-off value of disposals is not a charge against Council Tax, as the cost of 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 Council 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 (e.g. 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 Service Reporting Code of Practice 2012/13 (SeRCOP). 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 Council'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 SeRCOP 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 Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### 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 Council 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 (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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 (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation

Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (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 Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council tax, as the cost of 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 Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council 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 Council 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 Council. 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 Council 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 Council. 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 Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to

the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – 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 Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council tax.

### **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.

### **Carbon Reduction Commitment Scheme**

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

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

The Code of Practice on Local Council Accounting in the United Kingdom 2012/13 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2013.

The following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

- IAS 1 Presentation of Financial Statements – The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Council does not have any items in Other Comprehensive Income that could be reclassified.
- Service Concession Arrangements; clarifications for the recognition criteria for assets under construction or intangible assets – The Council does not have any service concession arrangements.
- IAS 12 Income taxes – This change in the accounting policy particularly affects investment properties. It is not considered that this change will affect the Statement of Accounts
- IFRS 7 Financial Instruments: Disclosures – The change in accounting policy is in relation to the offsetting of financial assets and liabilities. It is not considered that this change will affect the Statement of Accounts.

**Revision to IAS 19**

The International Accounting Standards Board have published a final version of the revised IAS19 standard, which will apply for accounting periods beginning on or after 1 January 2013.

In summary, the main changes that affect the Surplus or Deficit are:

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate;
- Some labelling changes to the Surplus or Deficit charge e.g. “Service cost” now includes what was previously described as the “Current Service Cost” plus the “Past Service Cost” plus any “Curtailements” plus any “Settlements”.

Administration expenses are now accounted for within the Surplus or Deficit charge; previously we made a deduction to the actual and expected returns on assets.

The changes set out above are effective for accounting periods beginning on or after 1 January 2013 so do not affect the disclosures for 2012/13. However had they applied the total post-employment benefit charged to the surplus or deficit on the provision of services would have increased from £8.338m currently recognised to £11.484m and the actual return on scheme assets would have increased from £30.258m currently recognised to £30.320m.

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

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

**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 Council 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 Council's Balance Sheet at 31 March 2013 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 Council with expert advice about the assumptions to be applied. | The effects on the net pensions liability are fully disclosed in note 48 to the Accounts. |

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**

An exceptional impairment of £31.487m has been charged to Education and Children's Services, principally as a result of a revaluation exercise being undertaken on School assets.

The Deficit on Revaluation of non-current assets of £30.108m consists of £5.397m of revaluation gains from the increase in the value of Property Plant and Equipment, and £35.505m of accumulated revaluation gains lost as a result of downwards revaluations.

The performance of the Essex Pension Fund during 2012/13 was worse than anticipated by the actuarial assumptions underpinning the scheme. This has led to an actuarial loss passing through the Comprehensive Income and Expenditure Account of £11.420m.

In relation to 2011/12, the Housing Revenue Account (HRA) Subsidy system has come to an end, with the HRA becoming "self-financing" from 1 April 2012. The ending of the subsidy system necessitated a settlement payment being made by the HRA to the Government of £34,692,000.

**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 25 September 2013.

The Statement of Accounts was authorised for issue by the Head of Finance and Resources on 28 June 2013. 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 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following event that took place after 31 March 2013 as it provides information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date.

- The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. It also enables local authorities to implement tax increment financing, giving them the ability to undertake borrowing against future business rates growth, supported by the forecast tax increment that accrues from additional development. The new arrangements for the retention of business rates came into effect on 1 April 2013.

When the new arrangements for the retention of business rates come into effect on 1 April 2013, local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were paid over (to Central Government) in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authorities, but would have been transferred to DCLG.

The amount of this liability is difficult to estimate, as it is based not only on the total rateable value subject to appeal, but also on the success of any appeal, the quantum of any reduction agreed and the number of years of the backdating. Therefore as a guide the Council has considered the quantum of previous years successful appeals. This would suggest a potential liability of £1.2m, of which £0.588m would rest with the Council and the remainder shared with Central Government and Essex Fire Authority.

**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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.



| 2012/13  | Usable Reserves              |                                    |                                  |                               |                                  |  |
|--|------------------------------|------------------------------------|----------------------------------|-------------------------------|----------------------------------|--|
|  | General Fund Balance<br>£000 | Housing Revenue<br>Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable<br>Reserves<br>£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 of non-current assets   | 10,739                       |                                    |                                  |                               |                                  | (10,739)                                 |
| Revaluation losses on property, plant and equipment and intangible assets  | 35,789                       | 1,428                              |                                  |                               |                                  | (37,217)                                 |
| Movements in the market value of investment properties   | (163)                        |                                    |                                  |                               |                                  | 163                                      |
| Amortisation of intangible assets  | 1,002                        |                                    |                                  |                               |                                  | (1,002)                                  |
| Capital grants and contributions applied   | (7,967)                      |                                    |                                  |                               | 2,066                            | 5,901                                    |
| Revenue expenditure funded from capital under statute  | 6,722                        |                                    |                                  |                               |                                  | (6,722)                                  |
| 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 | 1,363                        | 605                                |                                  |                               |                                  | (1,968)                                  |
| <b>Insertion of items not debited or credited to the comprehensive income and expenditure statement:</b>   |                              |                                    |                                  |                               |                                  |  |
| Statutory provision for the financing of capital investment  | (5,625)                      |                                    |                                  |                               |                                  | 5,625                                    |
| Capital expenditure charged against the General Fund and HRA Balances  | (526)                        |                                    |                                  |                               |                                  | 526                                      |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account</b>  |                              |                                    |                                  |                               |                                  |  |
| Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement  | (16,165)                     | (6,575)                            |                                  |                               | 22,740                           | 0  |
| Application of grants to capital financing transferred to the capital adjustment account   |                              |                                    |                                  |                               | (22,371)                         | 22,371                                   |
| <b>Adjustments primarily involving the Major Repairs Reserve</b>   |                              |                                    |                                  |                               |                                  |  |
| Reversal of Major Repairs Allowance credited to the HRA  |                              |                                    |                                  | 6,203                         |                                  | (6,203)                                  |
| Use of the major repairs reserve to finance new capital expenditure  |                              |                                    |                                  |                               |                                  | 0  |
| <b>Adjustments primarily involving the Deferred Capital Receipts Account</b>   |                              |                                    |                                  |                               |                                  |  |
| Transfer of deferred capital receipt recognised as income in the Comprehensive Income and Expenditure Account  | (25)                         |                                    | 2                                |                               |                                  | 23                                       |

| 2012/13   | Usable Reserves              |                                    |                                  |                               |                                  |  |
|---|------------------------------|------------------------------------|----------------------------------|-------------------------------|----------------------------------|--|
|   | General Fund Balance<br>£000 | Housing Revenue<br>Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable<br>Reserves<br>£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  | (427)                        | (1,000)                            | 1,427                            |                               |                                  | 0  |
| 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)                              |                               |                                  | 2  |
| Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool  | 388                          |                                    | (388)                            |                               |                                  | 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                       |                              |                                    |                                  |                               |                                  | 0  |
| <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 48)   | 8,338                        |                                    |                                  |                               |                                  | (8,338)                                  |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | (13,322)                     |                                    |                                  |                               |                                  | 13,322                                   |
| <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                | (354)                        |                                    |                                  |                               |                                  | 354                                      |
| <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 | (549)                        |                                    |                                  |                               |                                  | 549                                      |
| <b>Total Adjustments</b>  | 19,218                       | (5,542)                            | 1,039                            | 6,203                         | 2,435                            | (23,353)                                 |

| 2011/12 Comparative Figures<br>Restated  | Usable Reserves              |                                    |                                  |                               |                                  |  |
|--|------------------------------|------------------------------------|----------------------------------|-------------------------------|----------------------------------|--|
|  | General Fund Balance<br>£000 | Housing Revenue<br>Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable<br>Reserves<br>£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  | 41,234                       |                                    |                                  |                               |                                  | (41,234)                                 |
| Revaluation losses on property, plant and equipment and intangible assets  |                              | 1,873                              |                                  |                               |                                  | (1,873)                                  |
| Movements in the market value of investment properties   | 389                          |                                    |                                  |                               |                                  | (389)                                    |
| HRA Self Financing Adjustment  |                              | 34,692                             |                                  |                               |                                  | (34,692)                                 |
| Amortisation of intangible assets  | 1,112                        |                                    |                                  |                               |                                  | (1,112)                                  |
| Capital grants and contributions applied   | (9,080)                      |                                    |                                  |                               |                                  | 9,080                                    |
| Revenue expenditure funded from capital under statute  | 18,427                       |                                    |                                  |                               |                                  | (18,427)                                 |
| 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  | (4,459)                      |                                    |                                  |                               |                                  | 4,459                                    |
| Capital expenditure charged against the General Fund and HRA Balances  | (4,508)                      |                                    |                                  |                               |                                  | 4,508                                    |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account</b>  |                              |                                    |                                  |                               |                                  |  |
| Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement  | (6,178)                      | (84)                               |                                  |                               | 6,262                            | 0  |
| Application of grants to capital financing transferred to the capital adjustment account   |                              |                                    |                                  |                               | (8,334)                          | 8,334                                    |
| <b>Adjustments primarily involving the Major Repairs Reserve</b>   |                              |                                    |                                  |                               |                                  |  |
| Reversal of Major Repairs Allowance credited to the HRA  |                              | 814                                |                                  | 4,928                         |                                  | (5,742)                                  |
| Use of the major repairs reserve to finance new capital expenditure  |                              |                                    |                                  | (5,688)                       |                                  | 5,688                                    |
| <b>Adjustments primarily involving the Deferred Capital Receipts Account</b>   |                              |                                    |                                  |                               |                                  |  |
| Transfer of deferred capital receipt recognised as income in the Comprehensive Income and Expenditure Account  |                              |                                    |                                  |                               |                                  |  |

| 2011/12 Comparative Figures   | Usable Reserves              |                                    |                                  |                               |                                  |  |
|---|------------------------------|------------------------------------|----------------------------------|-------------------------------|----------------------------------|--|
|   | General Fund Balance<br>£000 | Housing Revenue<br>Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable<br>Reserves<br>£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  | 23,377                       | 311                                | 1,456                            |                               |                                  | (25,144)                                 |
| 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  |                              |                                    | (1,081)                          |                               |                                  | 1,081                                    |
| Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool  | 331                          |                                    | (331)                            |                               |                                  | 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                       |                              |                                    |                                  |                               |                                  | 0  |
| <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 48)   | 7,465                        |                                    |                                  |                               |                                  | (7,465)                                  |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | (12,992)                     |                                    |                                  |                               |                                  | 12,992                                   |
| <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                | (326)                        |                                    |                                  |                               |                                  | 326                                      |
| <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 | 94                           |                                    |                                  |                               |                                  | (94)                                     |
| <b>Total Adjustments</b>  | <b>54,886</b>                | <b>37,606</b>                      | <b>44</b>                        | <b>(760)</b>                  | <b>(2,072)</b>                   | <b>(89,704)</b>                          |

## 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 2012/13.

| Earmarked Reserves              | Balance at               | Transfers     |                | Balance at               | Transfers    |                | Balance at               |
|---------------------------------|--------------------------|---------------|----------------|--------------------------|--------------|----------------|--------------------------|
|                                 | 31 March<br>2011<br>£000 | To<br>£000    | From<br>£000   | 31 March<br>2012<br>£000 | To<br>£000   | From<br>£000   | 31 March<br>2013<br>£000 |
| Schools Balances                | 9,480                    | 873           | 0              | 10,353                   | 0            | (1,077)        | 9,276                    |
| <b>General Fund Reserves</b>    |                          |               |                |                          |              |                |                          |
| Capital Investment Reserves     | 2,294                    | 2,400         | (3,067)        | 1,627                    | 2,673        | 0              | 4,300                    |
| Insurance Reserves              | 1,770                    | 1,999         | 0              | 3,769                    | 95           | (679)          | 3,185                    |
| Corporate Reserves              | 7,501                    | 4,167         | (683)          | 10,985                   | 2,194        | (295)          | 12,884                   |
| Service Reserves                | 5,731                    | 2,972         | (1,432)        | 7,271                    | 2,188        | (559)          | 8,900                    |
| Monies held in Trust            | 58                       | 0             | (3)            | 55                       |              | (2)            | 53                       |
| <b>Total GF Reserves</b>        | <b>17,354</b>            | <b>11,538</b> | <b>(5,185)</b> | <b>23,707</b>            | <b>7,150</b> | <b>(1,535)</b> | <b>29,322</b>            |
| HRA Service Reserves            | 353                      | 0             | 0              | 353                      | 2,293        | 0              | 2,646                    |
| <b>Total Earmarked Reserves</b> | <b>27,187</b>            | <b>12,411</b> | <b>(5,185)</b> | <b>34,413</b>            | <b>9,443</b> | <b>(2,612)</b> | <b>41,244</b>            |

### 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.

### Capital Investment Reserves

Amounts set aside to fund future capital projects.

### Insurance Reserve

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

### Corporate Reserves

Amounts set aside to fund the costs of corporate, non-service specific activities, such as business transformation and pensions.

### Service Reserves

Amounts set aside to fund the costs of service specific activities, such as waste management and benefits subsidy. Separate service reserves are held for General Fund and Housing Revenue Account services.

### Monies held in Trust

The Council holds monies in respect of two trust funds (see note 55) and on behalf of a number of children pending them reaching the age of 18.

**Note 9. Other Operating Expenditure**

|  | 2012/13<br>£000 | 2011/12<br>£000 |
|--|-----------------|-----------------|
| Leigh Town Council Precept                               | 206             | 200             |
| Levies   | 514             | 409             |
| Payments to the Government Housing Capital Receipts Pool | 388             | 331             |
| (Gains) / Losses on the Disposal of Non-current Assets   | 541             | 23,688          |
| <b>Total</b>   | <b>1,649</b>    | <b>24,628</b>   |

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

|   | 2012/13<br>£000 | 2011/12<br>£000 |
|---|-----------------|-----------------|
| Interest Payable and Similar Charges  | 10,837          | 8,585           |
| Pensions Interest Cost and Expected Return on Pensions Assets                               | 4,671           | 3,670           |
| Interest Receivable and Similar Income  | (619)           | (1,008)         |
| Income and Expenditure in relation to Investment Properties and changes in their Fair Value | (706)           | 2,050           |
| Deficit on Traded Services  | 740             | 736             |
| <b>Total</b>  | <b>14,923</b>   | <b>14,033</b>   |

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

|                                  | 2012/13<br>£000 | 2011/12<br>£000 |
|----------------------------------|-----------------|-----------------|
| Council Tax Income               | 70,451          | 70,068          |
| Redistributed Non Domestic Rates | 59,305          | 48,899          |
| Non-Ringfenced Government Grants | 16,772          | 29,912          |
| Capital Grants and Contributions | 22,740          | 6,262           |
| <b>Total</b>                     | <b>169,268</b>  | <b>155,141</b>  |

## Note 12. Property, Plant and Equipment

| Movements in 2012/13                                | Council Dwellings | Other Land & Buildings<br>£000 | Vehicles, Plant, Furniture &<br>Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Assets under Construction<br>£000 | Total Property, Plant &<br>Equipment<br>£000 |
|---|-------------------|--------------------------------|---|-------------------------------|--------------------------|------------------------|-----------------------------------|--|
| <b>Cost or Valuation as at 1 April 2012</b>         | <b>271,976</b>    | <b>314,843</b>                 | <b>13,656</b>                                     | <b>93,603</b>                 | <b>2,622</b>             | <b>813</b>             | <b>1,489</b>                      | <b>699,002</b>                               |
| Additions   | 12,557            | 15,927                         | 2,025   | 7,437                         |                          |                        | 15,283                            | 53,229                                       |
| Revaluations via Revaluation Reserve                | 67                | (35,812)                       |   |                               |                          | 525                    |                                   | (35,220)                                     |
| Revaluations recognised in the CIES                 | (1,481)           | (34,923)                       | (65)  |                               |                          |                        |                                   | (36,469)                                     |
| Disposals   | (525)             | (889)                          | (28)  |                               |                          |                        |                                   | (1,442)                                      |
| Transfers   | (47)              | (2,191)                        |   | (9)                           |                          | (562)                  | 1,460                             | (1,349)                                      |
| <b>Gross Book Value as at 31 March 2013</b>         | <b>282,547</b>    | <b>256,955</b>                 | <b>15,588</b>                                     | <b>101,031</b>                | <b>2,622</b>             | <b>776</b>             | <b>18,232</b>                     | <b>677,751</b>                               |
| <b>Accumulated Depreciation as at 1 April 2012</b>  | <b>(10,464)</b>   | <b>(14,037)</b>                | <b>(5,975)</b>                                    | <b>(21,011)</b>               | <b>(13)</b>              | <b>(29)</b>            | <b>0</b>                          | <b>(51,529)</b>                              |
| Depreciation  | (6,110)           | (5,159)                        | (1,100)   | (4,386)                       | (7)                      | (9)                    |                                   | (16,771)                                     |
| Written out to Revaluation Reserve                  | 51                | 5,587                          |   |                               |                          |                        |                                   | 5,638  |
| Written out to the CIES                             | 53                | 1,925                          | 18  | (22)                          |                          |                        |                                   | 1,974  |
| On Impaired Assets                                  |                   |                                |   |                               |                          |                        |                                   | 0  |
| On Disposals  | 31                | 74                             | 14  |                               |                          |                        |                                   | 119  |
| On Transfers  | 3                 | 49                             |   |                               |                          |                        |                                   | 52   |
| <b>Accumulated Depreciation as at 31 March 2013</b> | <b>(16,436)</b>   | <b>(11,561)</b>                | <b>(7,043)</b>                                    | <b>(25,419)</b>               | <b>(20)</b>              | <b>(38)</b>            | <b>0</b>                          | <b>(60,517)</b>                              |
| <b>Net Book Value as at 31 March 2012</b>           | <b>261,512</b>    | <b>300,806</b>                 | <b>7,681</b>                                      | <b>72,592</b>                 | <b>2,609</b>             | <b>784</b>             | <b>1,489</b>                      | <b>647,473</b>                               |
| <b>Net Book Value as at 31 March 2013</b>           | <b>266,111</b>    | <b>245,394</b>                 | <b>8,545</b>                                      | <b>75,612</b>                 | <b>2,602</b>             | <b>738</b>             | <b>18,232</b>                     | <b>617,234</b>                               |

| <b>Movements in 2011/12</b>                         | <b>Council Dwellings</b> | <b>Other Land &amp; Buildings<br/>£000</b> | <b>Vehicles, Plant, Furniture &amp;<br/>Equipment<br/>£000</b> | <b>Infrastructure Assets<br/>£000</b> | <b>Community Assets<br/>£000</b> | <b>Surplus Assets<br/>£000</b> | <b>Assets under Construction<br/>£000</b> | <b>Total Property, Plant &amp;<br/>Equipment<br/>£000</b> |
|---|--------------------------|--|--|---------------------------------------|----------------------------------|--------------------------------|---|---|
| <b>Cost or Valuation as at 1 April 2011</b>         | <b>261,333</b>           | <b>337,238</b>                             | <b>8,914</b>   | <b>89,700</b>                         | <b>2,619</b>                     | <b>1,648</b>                   | <b>3,344</b>                              | <b>704,796</b>  |
| Additions   | 10,798                   | 16,035                                     | 3,598  | 5,795                                 |                                  | 0                              | 97  | 36,323  |
| Revaluations via Revaluation Reserve                |                          | 14,028                                     |  |                                       |                                  |                                |   | 14,028  |
| Revaluations recognised in the CIES                 | 51                       | (28,447)                                   | 1,165  | (1,942)                               | 3                                | (721)                          | (123)                                     | (30,014)  |
| Disposals   | (292)                    | (25,540)                                   | (21)   |                                       |                                  | (114)                          |   | (25,967)  |
| Transfers   | 86                       | 1,529                                      |  | 50                                    |                                  |                                | (1,829)                                   | (164)   |
| <b>Gross Book Value as at 31 March 2012</b>         | <b>271,976</b>           | <b>314,843</b>                             | <b>13,656</b>  | <b>93,603</b>                         | <b>2,622</b>                     | <b>813</b>                     | <b>1,489</b>                              | <b>699,002</b>  |
| <b>Accumulated Depreciation as at 1 April 2011</b>  | <b>(4,956)</b>           | <b>(14,438)</b>                            | <b>(5,231)</b>   | <b>(17,259)</b>                       | <b>(39)</b>                      | <b>(60)</b>                    | <b>0</b>                                  | <b>(41,983)</b>   |
| Depreciation  | (5,476)                  | (6,303)                                    | (977)  | (4,059)                               | (8)                              | (9)                            | 0   | (16,832)  |
| Written out to Revaluation Reserve                  |                          | 1,483                                      |  |                                       |                                  |                                |   | 1,483   |
| Written out to the CIES                             | (44)                     | 3,236                                      | 220  | 307                                   | 34                               | 40                             |   | 3,793   |
| On Impaired Assets                                  |                          |  |  |                                       |                                  |                                |   | 0   |
| On Disposals  | 12                       | 1,985                                      | 13   |                                       |                                  |                                |   | 2,010   |
| <b>Accumulated Depreciation as at 31 March 2012</b> | <b>(10,464)</b>          | <b>(14,037)</b>                            | <b>(5,975)</b>   | <b>(21,011)</b>                       | <b>(13)</b>                      | <b>(29)</b>                    | <b>0</b>                                  | <b>(51,529)</b>   |
| <b>Net Book Value as at 31 March 2011</b>           | <b>256,377</b>           | <b>322,800</b>                             | <b>3,683</b>   | <b>72,441</b>                         | <b>2,580</b>                     | <b>1,588</b>                   | <b>3,344</b>                              | <b>662,813</b>  |
| <b>Net Book Value as at 31 March 2012</b>           | <b>261,512</b>           | <b>300,806</b>                             | <b>7,681</b>   | <b>72,592</b>                         | <b>2,609</b>                     | <b>784</b>                     | <b>1,489</b>                              | <b>647,473</b>  |



## Depreciation

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

| 2011/12<br>Useful Economic Life<br>Years | Fixed Asset Category                     | 2012/13<br>Useful Economic Life<br>Years |
|--|--|--|
| Between 10 and 60                        | Council Dwellings                        | Between 10 and 60                        |
| Between 2 and 90                         | Other Land & Buildings                   | Between 2 and 90                         |
| Between 3 and 30                         | Vehicles, Plant, Furniture and Equipment | Between 3 and 60                         |
| Between 5 and 50                         | Infrastructure Assets                    | Between 5 and 50                         |
| Between 25 and 60                        | Community Assets                         | Between 25 and 60                        |
| Between 10 and 50                        | Surplus Assets                           | Between 10 and 50                        |
| Nil                                      | Assets Under Construction                | Nil                                      |

## Capital Commitments

At 31 March 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £26.6m. Similar commitments at 31 March 2012 amounted to £28.2m. The major commitments are:

|   | £000          |
|---|---------------|
| Elmer Square Library Project                          | 11,405        |
| Waste Transfer Station                                | 1,935         |
| Hamstel Inf and Jnr 3bcs                              | 1,747         |
| Milton Hall Primary Places - New                      | 1,363         |
| Better Bus  | 1,082         |
| Accommodation Review - Queensway House                | 1,077         |
| Enhanced Household Waste Recycling Site               | 1,000         |
| Airport Access Enhancement Contribution               | 815           |
| St Mary's Primary Main Site                           | 788           |
| Belfairs Woodland Centre Project                      | 618           |
| Focal Point Gallery - Elmer Square                    | 595           |
| Temple Sutton   | 494           |
| Western Esplanade Cliffs Stabilisation                | 467           |
| Pier Infrastructure and Development                   | 453           |
| Blenheim Remaining Demountables                       | 450           |
| CCTV relocation and equipment upgrade                 | 366           |
| Software Licencing                                    | 319           |
| Paving Improvements - Civic Centre to Central Library | 307           |
| Replace Ventilation System Belfairs Leisure           | 271           |
| Prittlewell Prince Museum                             | 209           |
| Cliffs Pavilion - House Lights                        | 180           |
| Other commitments (each < £150k)                      | 618           |
| <b>Total</b>  | <b>26,559</b> |

## Effects of Changes in Estimates

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

## Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. 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.

The schools were revalued this year as part of the 5 year rolling programme. The significant assumptions applied in estimating their fair values were:

- The data provided by the Council was accurate at 1 April 2012;
- There are no planning proposals that are likely to have an effect on the value of the properties;
- All properties are in a reasonable state of repair and that all reasonable internal and external repairs and maintenance have been carried out;
- No contaminative uses have ever been carried out on the property.

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

|                           | Council Dwellings<br>£000 | Other Land & Buildings<br>£000 | Vehicles, Plant, Furniture &<br>Equipment<br>£000 | Surplus Assets<br>£000 | Total<br>£000  |
|---------------------------|---------------------------|--------------------------------|---|------------------------|----------------|
| Valued at historical cost | 40,695                    | 46,114                         | 15,588  | 776                    | <b>103,173</b> |
| Valued at fair value in:  |                           |                                |   |                        |                |
| 2008/2009                 |                           |                                |   |                        |                |
| Internal Valuer           | -                         | 15,264                         | -   | -                      | <b>15,264</b>  |
| External Valuer           | -                         | 4,198                          | -   | -                      | <b>4,198</b>   |
| 2009/2010                 |                           |                                |   |                        |                |
| Internal Valuer           | -                         | 14,423                         | -   | -                      | <b>14,423</b>  |
| External Valuer           | -                         | 584                            | -   | -                      | <b>584</b>     |
| 2010/2011                 |                           |                                |   |                        |                |
| Internal Valuer           | -                         | 4,258                          | -   | -                      | <b>4,258</b>   |
| External Valuer           | 241,852                   | 7,472                          | -   | -                      | <b>249,324</b> |
| 2011/2012                 |                           |                                |   |                        |                |
| Internal Valuer           | -                         | 64,288                         | -   | -                      | <b>64,288</b>  |
| External Valuer           | -                         | 10,907                         | -   | -                      | <b>10,907</b>  |
| 2012/2013                 |                           |                                |   |                        |                |
| Internal Valuer           | -                         | -                              | -   | -                      | <b>0</b>       |
| External Valuer           | -                         | 89,447                         | -   | -                      | <b>89,447</b>  |
| <b>Total</b>              | <b>282,547</b>            | <b>256,955</b>                 | <b>15,588</b>                                     | <b>776</b>             | <b>555,866</b> |

Internal valuations were carried out by Alan Richards MRICS from 2008/09.

External valuations were carried out by King Sturge LLP, Lambert Smith Hampton Limited, Wheeldon and Deacon Chartered Surveyors, Wilks Head & Eve (RICS accredited) and the Valuation Office Agency.

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 as there are some Council dwellings in the General Fund.

### Note 13. Heritage Assets

Reconciliation of the carrying value of heritage assets held by the Council:

| Movements in 2012/13                                | Historic Seaside Assets<br>£000 | Heritage Land & Buildings<br>£000 | Antiques and Collectables<br>£000 | Total Heritage Assets<br>£000 |
|---|---------------------------------|-----------------------------------|-----------------------------------|-------------------------------|
| <b>Cost or Valuation as at 1 April 2012</b>         | <b>7,379</b>                    | <b>690</b>                        | <b>665</b>                        | <b>8,734</b>                  |
| Additions   | 29                              |                                   |                                   | 29                            |
| Revaluations via Revaluation Reserve                |                                 |                                   |                                   | 0                             |
| Revaluations recognised in the CIES                 |                                 |                                   |                                   | 0                             |
| Disposals   |                                 |                                   |                                   | 0                             |
| Transfers   | (39)                            | 39                                |                                   | 0                             |
| <b>Gross Book Value as at 31 March 2013</b>         | <b>7,369</b>                    | <b>729</b>                        | <b>665</b>                        | <b>8,763</b>                  |
| <b>Accumulated Depreciation as at 1 April 2012</b>  | <b>(396)</b>                    | <b>(8)</b>                        | <b>0</b>                          | <b>(404)</b>                  |
| Depreciation  | (154)                           | (18)                              |                                   | (172)                         |
| Written out to Revaluation Reserve                  |                                 |                                   |                                   | 0                             |
| Written out to the CIES                             |                                 |                                   |                                   | 0                             |
| On Impaired Assets                                  |                                 |                                   |                                   | 0                             |
| On Disposals  |                                 |                                   |                                   | 0                             |
| <b>Accumulated Depreciation as at 31 March 2013</b> | <b>(550)</b>                    | <b>(26)</b>                       | <b>0</b>                          | <b>(576)</b>                  |
| <b>Net Book Value as at 31 March 2012</b>           | <b>6,983</b>                    | <b>682</b>                        | <b>665</b>                        | <b>8,330</b>                  |
| <b>Net Book Value as at 31 March 2013</b>           | <b>6,819</b>                    | <b>703</b>                        | <b>665</b>                        | <b>8,187</b>                  |

| Comparative Movements in 2011/12                    | Historic Seaside Assets<br>£000 | Heritage Land & Buildings<br>£000 | Antiques and Collectables<br>£000 | Total Heritage Assets<br>£000 |
|---|---------------------------------|-----------------------------------|-----------------------------------|-------------------------------|
| <b>Cost or Valuation as at 1 April 2011</b>         | <b>7,158</b>                    | <b>6,347</b>                      | <b>665</b>                        | <b>14,170</b>                 |
| Additions   | 341                             |                                   |                                   | 341                           |
| Revaluations via Revaluation Reserve                |                                 | (360)                             |                                   | (360)                         |
| Revaluations recognised in the CIES                 | (120)                           | (5,297)                           |                                   | (5,417)                       |
| Disposals   |                                 |                                   |                                   | 0                             |
| Transfers   |                                 |                                   |                                   | 0                             |
| <b>Gross Book Value as at 31 March 2012</b>         | <b>7,379</b>                    | <b>690</b>                        | <b>665</b>                        | <b>8,734</b>                  |
| <b>Accumulated Depreciation as at 1 April 2011</b>  | <b>(250)</b>                    | <b>(167)</b>                      | <b>0</b>                          | <b>(417)</b>                  |
| Depreciation  | (146)                           | (138)                             |                                   | (284)                         |
| Written out to Revaluation Reserve                  |                                 |                                   |                                   | 0                             |
| Written out to the CIES                             |                                 | 297                               |                                   | 297                           |
| On Impaired Assets                                  |                                 |                                   |                                   | 0                             |
| On Disposals  |                                 |                                   |                                   | 0                             |
| <b>Accumulated Depreciation as at 31 March 2012</b> | <b>(396)</b>                    | <b>(8)</b>                        | <b>0</b>                          | <b>(404)</b>                  |
| <b>Net Book Value as at 31 March 2011</b>           | <b>6,908</b>                    | <b>6,180</b>                      | <b>665</b>                        | <b>13,753</b>                 |
| <b>Net Book Value as at 31 March 2012</b>           | <b>6,983</b>                    | <b>682</b>                        | <b>665</b>                        | <b>8,330</b>                  |

### Basis of valuation

| Asset            | Date of last valuation | Valuer                         | Qualification | Method of valuation          |
|------------------|------------------------|--------------------------------|---------------|------------------------------|
| Cliff Lift       | 01/04/2011             | David Heales - Internal Valuer | MRICS         | Existing use value           |
| Porters          | 01/04/2011             | John Murray - VOA (external)   | MRICS         | Depreciated replacement cost |
| Porters contents | 01/03/2005             | Webb Valuations Fine Art Ltd   | FRICS         | Current replacement cost     |
| Southchurch Hall | 01/04/2011             | John Murray - VOA (external)   | MRICS         | Depreciated replacement cost |
| Pier             | 01/04/2008             | Graham Swan - Internal Valuer  | MRICS         | Depreciated replacement cost |
| Bandstand        | 01/04/2011             | David Heales - Internal Valuer | MRICS         | Existing use value           |

### Note 14. 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

|  | 2012/13<br>£000 | 2011/12<br>£000 |
|--|-----------------|-----------------|
| Rental Income from Investment Property                     | (3,677)         | (1,839)         |
| Direct operating expenses arising from Investment Property | 2,971           | 3,889           |
| <b>Net (Gain) / Loss</b>                                   | <b>(706)</b>    | <b>2,050</b>    |

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no

contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year:

|  | 2012/13<br>£000 | 2011/12<br>£000 |
|--|-----------------|-----------------|
| Balance at start of the year                   | 25,820          | 25,754          |
| Additions:                                     |                 |                 |
| Purchases                                      | 0               | 541             |
| Construction                                   | (12)            | 0               |
| Subsequent Expenditure                         | 0               | 0               |
| Disposals                                      | 0               | 0               |
| Net Gains / Losses from fair value adjustments | 0               | 0               |
| Transfers:                                     |                 |                 |
| to / from Inventories                          | 0               | 0               |
| to / from Property, Plant and Equipment        | 284             | (86)            |
| to / from Assets Held for Sale (<1 yr)         | 0               | 0               |
| to / from Assets Under Construction            | 0               | 0               |
| to / from Infrastructure Assets                | 0               | 0               |
| Revaluations and impairments                   | 163             | (389)           |
| <b>Balance at end of the year</b>              | <b>26,255</b>   | <b>25,820</b>   |

#### **Note 15. Intangible Assets**

The Council 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 Council. 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. No amortisation is charged in the initial year when the intangible asset is first capitalised. The amortisation of £1,002k charged to revenue in 2012/13 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>2012/13<br/>£000</b> | <b>2011/12<br/>£000</b> |
|---|-------------------------|-------------------------|
| Balance at start of the year                |                         |                         |
| Gross carrying amounts                      | 8,750                   | 6,755                   |
| Accumulated amortisation                    | (2,736)                 | (1,624)                 |
| <b>Net carrying amount at start of year</b> | <b>6,014</b>            | <b>5,131</b>            |
| Additions                                   | 788                     | 2,019                   |
| Impairment                                  | (3,553)                 | (24)                    |
| Transfers                                   | 0                       | 0                       |
| Amortisation written out to CIES            | 1,267                   | 0                       |
| Amortisation for current year               | (1,002)                 | (1,112)                 |
| <b>Net carrying amount at end of year</b>   | <b>3,514</b>            | <b>6,014</b>            |
| Comprising                                  |                         |                         |
| Gross carrying amounts                      | 5,985                   | 8,750                   |
| Accumulated amortisation                    | (2,471)                 | (2,736)                 |
|   | <b>3,514</b>            | <b>6,014</b>            |

## Note 16. Financial Instruments

### Categories of Financial Assets

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

|   | Long-term      |                |                | Current       |               |                |
|---|----------------|----------------|----------------|---------------|---------------|----------------|
|   | 31 March       | 31 March       | 31 March       | 31 March      | 31 March      | 31 March       |
|   | 2013<br>£000   | 2012<br>£000   | 2011<br>£000   | 2013<br>£000  | 2012<br>£000  | 2011<br>£000   |
| <b>Investments, Cash and Cash Equivalents</b>               |                |                |                |               |               |                |
| Loans and Receivables                                       | 61             | 67             | 73             | 36,172        | 33,830        | 50,952         |
| Available for sale Financial Assets                         | 0              | 0              | 0              | 32,324        | 29,991        | 50,699         |
| Financial Assets at Fair Value through Profit and Loss      | 0              | 0              | 0              | 0             | 0             | 0              |
| <b>Total Investments</b>                                    | <b>61</b>      | <b>67</b>      | <b>73</b>      | <b>68,496</b> | <b>63,821</b> | <b>101,651</b> |
| <b>Debtors</b>  |                |                |                |               |               |                |
| Loans and Receivables                                       | 81             | 45             | 56             | 27,315        | 18,545        | 13,199         |
| Financial Assets carried at Contract Amounts                | 0              | 0              | 0              | 0             | 0             | 0              |
| <b>Total Debtors</b>  | <b>81</b>      | <b>45</b>      | <b>56</b>      | <b>27,315</b> | <b>18,545</b> | <b>13,199</b>  |
| <b>Borrowings</b>   |                |                |                |               |               |                |
| Financial Liabilities at Amortised Cost                     | 251,894        | 237,546        | 188,626        | 21,484        | 21,313        | 39,968         |
| Financial Liabilities at Fair Value through Profit and Loss | 0              | 0              | 0              | 0             | 0             | 0              |
| <b>Total Borrowings</b>                                     | <b>251,894</b> | <b>237,546</b> | <b>188,626</b> | <b>21,484</b> | <b>21,313</b> | <b>39,968</b>  |
| <b>Creditors</b>  |                |                |                |               |               |                |
| Financial Liabilities at Amortised Cost                     | 485            | 2,998          | 2,472          | 19,806        | 35,361        | 36,477         |
| Financial Liabilities carried at Contract Amounts           | 0              | 0              | 0              | 0             | 0             | 0              |
| <b>Total Creditors</b>                                      | <b>485</b>     | <b>2,998</b>   | <b>2,472</b>   | <b>19,806</b> | <b>35,361</b> | <b>36,477</b>  |

## Reclassifications

There were no reclassifications of financial instruments in 2012/13.

## Income, Expense, Gains and Losses

| 2012/13   | Financial Liabilities measured<br>at Amortised Cost | Financial Assets: Loans<br>and Receivables | Financial Assets:<br>Available for Sale | Total         |
|---|---|--|---|---------------|
|   | £000  | £000                                       | £000                                    | £000          |
| Interest Expense  | 10,787  | 0  | 0                                       | 10,787        |
| Losses on Derecognition   | 0   | 0  | 0                                       | 0             |
| Reductions in Fair Value  | 0   | 0  | 0                                       | 0             |
| Impairment Losses   | 0   | 0  | 0                                       | 0             |
| Fee Expense   | 9   | 0  | 32                                      | 41            |
| <b>Total Expense in Surplus or<br/>Deficit on the Provision of<br/>Services</b>   | <b>10,796</b>                                       | <b>0</b>                                   | <b>32</b>                               | <b>10,828</b> |
| Interest Income   | 0   | (266)                                      | (339)                                   | (605)         |
| Gains on Derecognition  | 0   | 0  | 0                                       | 0             |
| Increases in Fair Value   | 0   | 0  | 0                                       | 0             |
| Interest Income accrued on Impaired<br>Financial Assets   | 0   | 0  | 0                                       | 0             |
| Fee Income  | 0   | 0  | 0                                       | 0             |
| <b>Total Income in Surplus or<br/>Deficit on the Provision of<br/>Services</b>  | <b>0</b>  | <b>(266)</b>                               | <b>(339)</b>                            | <b>(605)</b>  |
| Gains on Revaluation  | 0   | 0  | 2                                       | 2             |
| Losses on Revaluation   | 0   | 0  | 0                                       | 0             |
| Amounts Recycled to the Surplus or<br>Deficit on the Provision of Services<br>after Impairment                                | 0   | 0  | (4)                                     | (4)           |
| <b>Surplus / Deficit arising on<br/>Revaluation of Financial Assets<br/>in Other Comprehensive Income<br/>and Expenditure</b> | <b>0</b>  | <b>0</b>                                   | <b>(2)</b>                              | <b>(2)</b>    |
| <b>Net Gain / (Loss) for the year</b>   | <b>10,796</b>                                       | <b>(266)</b>                               | <b>(309)</b>                            | <b>10,221</b> |

| 2011/12 Comparative Figures   |   |  |   |              |
|---|---|--|---|--------------|
|   | Financial Liabilities measured<br>at Amortised Cost | Financial Assets: Loans<br>and Receivables | Financial Assets:<br>Available for Sale | Total        |
|   | £000  | £000                                       | £000                                    | £000         |
| Interest Expense  | 8,464   | 0  | 0                                       | 8,464        |
| Losses on Derecognition   | 0   | 0  | 0                                       | 0            |
| Reductions in Fair Value  | 0   | 0  | 0                                       | 0            |
| Impairment Losses   | 0   | 0  | 0                                       | 0            |
| Fee Expense   | 24  | 0  | 59                                      | 83           |
| <b>Total Expense in Surplus or<br/>Deficit on the Provision of<br/>Services</b>   | <b>8,488</b>  | <b>0</b>                                   | <b>59</b>                               | <b>8,547</b> |
| Interest Income   | 0   | (275)                                      | (454)                                   | (729)        |
| Gains on Derecognition  | 0   | 0  | 0                                       | 0            |
| Increases in Fair Value   | 0   | 0  | 0                                       | 0            |
| Interest Income accrued on Impaired<br>Financial Assets   | 0   | 0  | 0                                       | 0            |
| Fee Income  | 0   | 0  | 0                                       | 0            |
| <b>Total Expense in Surplus or<br/>Deficit on the Provision of<br/>Services</b>   | <b>0</b>  | <b>(275)</b>                               | <b>(454)</b>                            | <b>(729)</b> |
| Gains on Revaluation  | 0   | 0  | 4                                       | 4            |
| Losses on Revaluation   | 0   | 0  | 0                                       | 0            |
| Amounts Recycled to the Surplus or<br>Deficit on the Provision of Services<br>after Impairment                                | 0   | 0  | (19)                                    | (19)         |
| <b>Surplus / Deficit arising on<br/>Revaluation of Financial Assets<br/>in Other Comprehensive Income<br/>and Expenditure</b> | <b>0</b>  | <b>0</b>                                   | <b>(15)</b>                             | <b>(15)</b>  |
| <b>Net Gain / (Loss) for the year</b>   | <b>8,488</b>  | <b>(275)</b>                               | <b>(410)</b>                            | <b>7,803</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:

- estimated ranges of interest rates at 31 March 2013 of 1.13% to 4.22% 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 2013           |                    | 31 March 2012           |                    | 31 March 2011           |                    |
|-----------------------|-------------------------|--------------------|-------------------------|--------------------|-------------------------|--------------------|
|                       | Carrying Amount<br>£000 | Fair Value<br>£000 | Carrying Amount<br>£000 | Fair Value<br>£000 | Carrying Amount<br>£000 | Fair Value<br>£000 |
| Financial Liabilities | 293,184                 | 355,610            | 294,220                 | 345,646            | 265,071                 | 285,937            |
| Long Term Creditors   | 485                     | 485                | 2,998                   | 2,998              | 2,472                   | 2,472              |

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed and variable 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 2013) arising from a commitment to pay interest to lenders above current market rates.

|                       | 31 March 2013           |                    | 31 March 2012           |                    | 31 March 2011           |                    |
|-----------------------|-------------------------|--------------------|-------------------------|--------------------|-------------------------|--------------------|
|                       | Carrying Amount<br>£000 | Fair Value<br>£000 | Carrying Amount<br>£000 | Fair Value<br>£000 | Carrying Amount<br>£000 | Fair Value<br>£000 |
| Loans and Receivables | 95,872                  | 95,872             | 82,433                  | 82,433             | 64,224                  | 64,224             |
| Long Term Debtors     | 81                      | 81                 | 45                      | 45                 | 56                      | 56                 |

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 17. Inventories

| Consumable Stores                           | 2012/13<br>£000 | 2011/12<br>£000 |
|---|-----------------|-----------------|
| <b>Balance outstanding at start of year</b> | <b>293</b>      | <b>329</b>      |
| Purchases                                   | 260             | 440             |
| Recognised as an expense in the year        | (340)           | (476)           |
| <b>Gross carrying amount at end of year</b> | <b>212</b>      | <b>293</b>      |

#### Note 18. Construction Contracts

Note not required.

**Note 19. Debtors**

|                                    | 31 March 2013<br>£000 | 31 March 2012<br>£000<br>Re-analysed | 31 March 2011<br>£000<br>Re-analysed |
|------------------------------------|-----------------------|--------------------------------------|--------------------------------------|
| Central government bodies          | 9,029                 | 19,430                               | 17,489                               |
| Local authorities                  | 3,557                 | 3,011                                | 1,920                                |
| NHS bodies                         | 2,655                 | 2,725                                | 492                                  |
| Other entities and individuals     | 23,119                | 16,427                               | 16,064                               |
| <b>Total Debtors</b>               | <b>38,360</b>         | <b>41,593</b>                        | <b>35,965</b>                        |
| Vaule of impairment included above | (8,731)               | (8,417)                              | (7,477)                              |

**Note 20. Cash and Cash Equivalents**

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

|   | 31 March 2013<br>£000 | 31 March 2012<br>£000 | 31 March 2011<br>£000 |
|---|-----------------------|-----------------------|-----------------------|
| Cash and cash equivalents held by the Council | 19,696                | 25,682                | 35,020                |
| Bank Current Accounts                         | 14,254                | 13,962                | 14,367                |
| <b>Total Cash and Cash Equivalents</b>        | <b>33,950</b>         | <b>39,644</b>         | <b>49,387</b>         |

**Note 21. Assets Held for Sale**

|   | Current         |                 | Non Current     |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2012/13<br>£000 | 2011/12<br>£000 | 2012/13<br>£000 | 2011/12<br>£000 |
| <b>Balance at start of year</b>                         | <b>1,946</b>    | <b>1,677</b>    | <b>0</b>        | <b>1,347</b>    |
| Investment properties newly classified as held for sale |                 |                 |                 |                 |
| Impairment Losses                                       |                 | (129)           |                 |                 |
| Assets Sold   | (647)           | (1,199)         |                 |                 |
| Transfers from other Asset categories                   | 219             | 250             | 271             |                 |
| Transfers from non-current to current                   |                 | 1,347           |                 | (1,347)         |
| <b>Balance at end of year</b>                           | <b>1,518</b>    | <b>1,946</b>    | <b>271</b>      | <b>0</b>        |

## Note 22. Creditors

|                                | 31 March 2013<br>£000 | 31 March 2012<br>£000<br>Re-analysed | 31 March 2011<br>£000<br>Re-analysed |
|--------------------------------|-----------------------|--------------------------------------|--------------------------------------|
| Central government bodies      | 5,320                 | 8,818                                | 11,990                               |
| Other local authorities        | 4,524                 | 4,369                                | 2,278                                |
| NHS bodies                     | 4,642                 | 4,005                                | 1,754                                |
| Other entities and individuals | 23,417                | 23,766                               | 30,370                               |
| <b>Total Creditors</b>         | <b>37,903</b>         | <b>40,958</b>                        | <b>46,392</b>                        |

## Note 23. Provisions

|                                    | Insurance<br>£000 | Redundancy<br>£000 | Other<br>Provisions<br>£000 | Total<br>£000 |
|------------------------------------|-------------------|--------------------|-----------------------------|---------------|
| <b>Balance at 1 April 2011</b>     | 3,723             | 1,470              | 700                         | 5,893         |
| Additional provisions made in year | 255               | 1,000              | 227                         | 1,482         |
| Amounts used in year               | (1,743)           | (1,470)            | (700)                       | (3,913)       |
| <b>Balance at 1 April 2012</b>     | 2,235             | 1,000              | 227                         | 3,462         |
| Additional provisions made in year | 2,094             | 1,500              | 435                         | 4,029         |
| Amounts used in year               | (1,407)           | (1,044)            | (227)                       | (2,678)       |
| <b>Balance at 31 March 2013</b>    | <b>2,922</b>      | <b>1,456</b>       | <b>435</b>                  | <b>4,813</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) to mitigate against the risk of potential claims arising in the future.

### Redundancy

Payments to be made in 2013/14 as a result of organisational management decisions taken during 2012/13, relating to redundancy, and therefore properly chargeable to 2012/13.

## Note 24. Usable Reserves

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

## Note 25. Unusable Reserves

Movements in the Council'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 Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and 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.

|   | 2012/13<br>£000 | 2011/12<br>Restated<br>£000 |
|---|-----------------|-----------------------------|
| <b>Balance at 1 April</b>   | <b>78,441</b>   | <b>69,311</b>               |
| Upward revaluation of assets  | 5,397           | 25,747                      |
| Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the provision of services    | (35,505)        | (10,868)                    |
| Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services | (30,108)        | 14,879                      |
| Difference between fair value and historical cost depreciation  | (394)           | (460)                       |
| Balance attributable to disposal/write offs   | (520)           | (5,289)                     |
| Amount written off to the capital adjustment account  | (914)           | (5,749)                     |
| <b>Balance at 31 March</b>  | <b>47,419</b>   | <b>78,441</b>               |

### Available for Sale Financial Instrument Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council 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.

|  | 2012/13<br>£000 |          | 2011/12<br>£000 |
|--|-----------------|----------|-----------------|
| <b>Balance at 1 April</b>  |                 | <b>4</b> | <b>19</b>       |
| Upward revaluation of investments  | 2               |          | 4               |
| Downward revaluation of investments not charged to the Surplus / Deficit on the provision of services  |                 |          | 0               |
|  |                 | 2        | 4               |
| Accumulated gains on assets, sold and maturing assets written out to the comprehensive income and expenditure statement as part of other investment income |                 | (4)      | (19)            |
| <b>Balance at 31 March</b>   |                 | <b>2</b> | <b>4</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 Council 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 Council.

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.

|  | 2012/13  |                | 2011/12          |
|--|----------|----------------|------------------|
|  | £000     | £000           | Restated<br>£000 |
| <b>Balance at 1 April</b>  |          | <b>349,440</b> | <b>438,882</b>   |
| <i>Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement</i>                         |          |                | 0                |
| Charges for depreciation and impairment of non-current assets  | (53,756) |                | (49,230)         |
| Amortisation of intangible assets  | (1,002)  |                | (1,112)          |
| HRA Self Financing Settlement  |          |                | (34,692)         |
| Revenue expenditure funded from capital under statute  | (6,747)  |                | (18,427)         |
| 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 | (1,851)  |                | (19,587)         |
|  |          | (63,356)       | (123,048)        |
| Adjusting amounts written out of the revaluation reserve   |          | 394            | 460              |
| Net written out amount of the cost of non-current assets consumed in the year  |          | (62,962)       | (122,588)        |
| <i>Capital financing applied in the year</i>   |          |                |                  |
| Use of the capital receipts reserve to finance new capital expenditure   | 2        |                | 1,081            |
| Use of the major repairs reserve to finance new capital expenditure  | 0        |                | 5,688            |
| Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing                | 28,297   |                | 17,167           |
| Statutory provision for the financing of capital investment charged against the general fund and HRA balances  | 5,625    |                | 4,459            |
| Capital expenditure charged against the general fund and HRA balances  | 526      |                | 4,508            |
|  |          | 34,450         | 32,903           |
| Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement                           |          | 163            | 243              |
| <b>Balance at 31 March</b>   |          | <b>321,091</b> | <b>349,440</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 Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council 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 Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

|   | 2012/13<br>£000  | 2011/12<br>£000  |
|---|------------------|------------------|
| <b>Balance at 1 April</b>   | <b>(183,349)</b> | <b>(126,315)</b> |
| Actuarial gains and losses on pensions, assets and liabilities  | (11,420)         | (62,561)         |
| Reversal of items relating to retirement benefits, debited or credited to the surplus or deficit on the provision of services in the CIES | (8,338)          | (7,465)          |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | 13,322           | 12,992           |
| <b>Balance at 31 March</b>  | <b>(189,785)</b> | <b>(183,349)</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.

|  | 2012/13<br>£000 | 2011/12<br>£000 |
|--|-----------------|-----------------|
| <b>Balance at 1 April</b>  | <b>2,248</b>    | <b>1,922</b>    |
| Share of estimated surplus for prior year actually distributed in year | (1,017)         | (905)           |
| Adjusted share of carried forward surplus for the year                 | 1,371           | 1,231           |
| <b>Balance at 31 March</b>   | <b>2,602</b>    | <b>2,248</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, e.g. 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.

|  | 2012/13<br>£000 | 2011/12<br>£000 |
|--|-----------------|-----------------|
| <b>Balance at 1 April</b>  |                 | <b>(2,610)</b>  |
| Settlement or cancellation of accrual made at the end of the preceding year  | 2,704           | 2,610           |
| Amounts accrued at the end of the current year   | <u>(2,155)</u>  | <u>(2,704)</u>  |
| Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements | 549             | (94)            |
| <b>Balance at 31 March</b>   | <b>(2,155)</b>  | <b>(2,704)</b>  |

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

The Cash flows for operating activities include the following items:

|   | 2012/13<br>£000 | 2011/12<br>£000 |
|---|-----------------|-----------------|
| Interest Received                               | (4,217)         | (1,041)         |
| Interest Paid                                   | 14,415          | 8,621           |
| Council Tax Agency Adjustment                   | 1,796           | 1,771           |
| <b>Net Cash Flows from Operating Activities</b> | <b>11,994</b>   | <b>9,351</b>    |

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

|  | 2012/13<br>£000 | 2011/12<br>£000 |
|--|-----------------|-----------------|
| Purchase of property, plant and equipment, investment property and intangible assets               | 54,584          | 57,403          |
| Purchase of short-term and long-term investments   | 10,367          | 0               |
| Other payments for investing activities  | 0               | 771             |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (1,500)         | (1,483)         |
| Proceeds from short-term and long-term investments   | 0               | (29,680)        |
| Other receipts from investing activities   | (16,094)        | (20,716)        |
| <b>Net Cash Flow from Investing Activities</b>   | <b>47,357</b>   | <b>6,295</b>    |

## Note 28. Cash Flow Statement - Financing Activities

|   | 2012/13<br>£000 | 2011/12<br>£000 |
|---|-----------------|-----------------|
| Cash receipts of short and long-term borrowing  | (43,000)        | (69,692)        |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases | 204             | 179             |
| Repayments of short and long-term borrowing   | 28,000          | 38,750          |
| Other payments for financing activities   | 1,549           | 373             |
| <b>Net Cash Flow from Financing Activities</b>  | <b>(13,247)</b> | <b>(30,390)</b> |

## Note 29. 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 Council'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 Council's portfolios recorded in the budget monitoring reports for the year is as follows:

| Portfolio Income and Expenditure 2012/13 | Adult, Health & Housing<br>£000 | Children & Learning<br>£000 | Corporate Support<br>£000 | Culture & Tourism<br>£000 | Leader<br>£000 | Deputy Leader<br>£000 | Public Protection, Waste & Transport<br>£000 | Planning<br>£000 | Total<br>£000    |
|--|---------------------------------|-----------------------------|---------------------------|---------------------------|----------------|-----------------------|--|------------------|------------------|
| Fees, Charges & Other Service Income     | (11,126)                        | (1,403)                     | (7,152)                   | (3,404)                   | (104)          | (118)                 | (7,191)                                      | (688)            | <b>(31,186)</b>  |
| Grants                                   | (9,920)                         | (102,601)                   | (112,152)                 | (1,266)                   | (20)           | (477)                 | (1,852)                                      | (985)            | <b>(229,273)</b> |
| <b>Total Income</b>                      | <b>(21,046)</b>                 | <b>(104,004)</b>            | <b>(119,304)</b>          | <b>(4,670)</b>            | <b>(124)</b>   | <b>(595)</b>          | <b>(9,043)</b>                               | <b>(1,673)</b>   | <b>(260,459)</b> |
| Employee Expenses                        | 15,687                          | 15,537                      | 14,698                    | 5,710                     | 4,285          | 494                   | 4,618  | 1,650            | <b>62,679</b>    |
| Other Service Expense                    | 50,249                          | 113,045                     | 116,879                   | 7,481                     | 1,503          | 1,285                 | 22,468                                       | 901              | <b>313,811</b>   |
| Capital Financing                        | 737                             | 38,171                      | 5,724                     | 4,353                     | 0              | 812                   | 5,608  | 1                | <b>55,406</b>    |
| Net Support Recharges                    | 2,895                           | 5,022                       | (14,858)                  | 1,679                     | 548            | 306                   | 2,233  | 1,015            | <b>(1,160)</b>   |
| <b>Total Expenditure</b>                 | <b>69,568</b>                   | <b>171,775</b>              | <b>122,443</b>            | <b>19,223</b>             | <b>6,336</b>   | <b>2,897</b>          | <b>34,927</b>                                | <b>3,567</b>     | <b>430,736</b>   |
| <b>Net Expenditure</b>                   | <b>48,522</b>                   | <b>67,771</b>               | <b>3,139</b>              | <b>14,553</b>             | <b>6,212</b>   | <b>2,302</b>          | <b>25,884</b>                                | <b>1,894</b>     | <b>170,277</b>   |



| <b>Portfolio Income and Expenditure 2011/12 Comparative Figures</b> | <b>Adult, Health &amp; Housing<br/>£000</b> | <b>Children &amp; Learning<br/>£000</b> | <b>Corporate Support<br/>£000</b> | <b>Culture<br/>£000</b> | <b>Leader<br/>£000</b> | <b>Deputy Leader<br/>£000</b> | <b>Public Protection,<br/>Waste &amp; Transport<br/>£000</b> | <b>Planning<br/>£000</b> | <b>Total<br/>£000</b> |
|---|---|---|-----------------------------------|-------------------------|------------------------|-------------------------------|--|--------------------------|-----------------------|
| Fees, Charges & Other Service Income                                | (10,828)                                    | (1,599)                                 | (9,349)                           | (3,087)                 | (139)                  | (1)                           | (7,456)  | (1,025)                  | <b>(33,484)</b>       |
| Grants  | (7,100)                                     | (122,897)                               | (105,561)                         | (905)                   | (8)                    | (75)                          | (1,542)  | (999)                    | <b>(239,087)</b>      |
| <b>Total Income</b>   | <b>(17,928)</b>                             | <b>(124,496)</b>                        | <b>(114,910)</b>                  | <b>(3,992)</b>          | <b>(147)</b>           | <b>(76)</b>                   | <b>(8,998)</b>   | <b>(2,024)</b>           | <b>(272,571)</b>      |
| Employee Expenses   | 15,739                                      | 16,969                                  | 15,176                            | 5,661                   | 2,937                  | 469                           | 5,101  | 1,655                    | <b>63,707</b>         |
| Other Service Expense   | 50,668                                      | 127,996                                 | 113,482                           | 7,712                   | (185)                  | 1,043                         | 21,371   | 1,127                    | <b>323,214</b>        |
| Capital Financing   | 2,479                                       | 16,822                                  | 12,714                            | 15,282                  | 0                      | 159                           | 12,305   | 1                        | <b>59,762</b>         |
| Net Support Recharges   | 2,905                                       | 4,839                                   | (14,609)                          | 1,400                   | 543                    | 140                           | 2,480  | 1,114                    | <b>(1,188)</b>        |
| <b>Total Expenditure</b>  | <b>71,791</b>                               | <b>166,626</b>                          | <b>126,763</b>                    | <b>30,055</b>           | <b>3,295</b>           | <b>1,811</b>                  | <b>41,257</b>  | <b>3,897</b>             | <b>445,495</b>        |
| <b>Net Expenditure</b>  | <b>53,863</b>                               | <b>42,130</b>                           | <b>11,853</b>                     | <b>26,063</b>           | <b>3,148</b>           | <b>1,735</b>                  | <b>32,259</b>  | <b>1,873</b>             | <b>172,924</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

|  | 2012/13<br>£000 | 2011/12<br>£000 |
|--|-----------------|-----------------|
| <b>Net Expenditure in the Portfolio Analysis</b>   | <b>170,277</b>  | <b>172,924</b>  |
| Net Expenditure of Services not included in the Analysis   | (4,024)         | 35,879          |
| Net Expenditure of Services included in the Analysis, not included in the Comprehensive                    | (34)            | (2,786)         |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis   | (7,033)         | (3,966)         |
| <b>Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement</b> | <b>(11,091)</b> | <b>29,127</b>   |
| <b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>                              | <b>159,186</b>  | <b>202,051</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

2012/13

|  | Portfolio Analysis<br>£000 | Services not included<br>in the Analysis<br>£000 | Services in Analysis,<br>not included in the I&E<br>£000 | Amounts not reported<br>to management<br>£000 | Cost of Services in the<br>Comprehensive I&E<br>£000 | Corporate Amounts<br>£000 | Total<br>£000    |
|--|----------------------------|--|--|---|--|---------------------------|------------------|
| Fees, Charges & Other                                      |                            |  |  |   |  |                           |                  |
| Service Income   | (31,186)                   | (27,583)   | 4,451  | (97)  | (54,415)   | (4,451)                   | (58,866)         |
| Grants   | (229,273)                  | (37)   | 0  | 0   | (229,310)  | (98,817)                  | (328,127)        |
| Interest and Investment<br>Income                          | 0                          | 0  | 0  | 0   | 0  | (619)                     | (619)            |
| Income from Council Tax                                    | 0                          | 0  | 0  | 0   | 0  | (70,451)                  | (70,451)         |
| <b>Total Income</b>  | <b>(260,459)</b>           | <b>(27,620)</b>                                  | <b>4,451</b>   | <b>(97)</b>                                   | <b>(283,725)</b>                                     | <b>(174,338)</b>          | <b>(458,063)</b> |
| Employee Expenses  | 62,679                     | 336  | (2,216)  | (6,945)                                       | 53,854   | 2,216                     | 56,070           |
| Other Service Expense                                      | 313,811                    | 14,809   | (1,722)  | 0   | 326,898  | 1,722                     | 328,620          |
| Capital Financing  | 55,406                     | 7,724  | (1,678)  | 9   | 61,461   | 1,678                     | 63,139           |
| Net Support Recharges                                      | (1,160)                    | 727  | 1,131  | 0   | 698  | (1,131)                   | (433)            |
| Interest Payments  | 0                          | 0  | 0  | 0   | 0  | 10,837                    | 10,837           |
| Pensions Interest and<br>Expected Return                   | 0                          | 0  | 0  | 0   | 0  | 4,671                     | 4,671            |
| Precepts and Levies  | 0                          | 0  | 0  | 0   | 0  | 720                       | 720              |
| Payments to Housing  |                            |  |  |   |  |                           |                  |
| Capital Receipts Pool                                      | 0                          | 0  | 0  | 0   | 0  | 388                       | 388              |
| Gain or Loss on Disposal of<br>Fixed Assets                | 0                          | 0  | 0  | 0   | 0  | 541                       | 541              |
| <b>Total Expenditure</b>                                   | <b>430,736</b>             | <b>23,596</b>                                    | <b>(4,485)</b>   | <b>(6,936)</b>                                | <b>442,911</b>                                       | <b>21,642</b>             | <b>464,553</b>   |
| <b>Surplus or Deficit on the<br/>provision of services</b> | <b>170,277</b>             | <b>(4,024)</b>                                   | <b>(34)</b>  | <b>(7,033)</b>                                | <b>159,186</b>                                       | <b>(152,696)</b>          | <b>6,490</b>     |

2011/12 comparative figures

|  | Portfolio Analysis<br>£000 | Services not included<br>in the Analysis<br>£000 | Services in Analysis,<br>not included in the I&E<br>£000 | Amounts not reported<br>to management<br>£000 | Cost of Services in the<br>Comprehensive I&E<br>£000 | Corporate Amounts<br>£000 | Total<br>£000    |
|--|----------------------------|--|--|---|--|---------------------------|------------------|
| Fees, Charges & Other                                      |                            |  |  |   |  |                           |                  |
| Service Income   | (33,484)                   | (25,142)   | 4,499  | (855)   | (54,982)   | (4,499)                   | (59,481)         |
| Grants   | (239,087)                  | 0  | 2  | 0   | (239,085)  | (85,075)                  | (324,160)        |
| Interest and Investment<br>Income                          | 0                          | 0  | 0  | 0   | 0  | (1,008)                   | (1,008)          |
| Income from Council Tax                                    | 0                          | 0  | 0  | 0   | 0  | (70,068)                  | (70,068)         |
| <b>Total Income</b>  | <b>(272,571)</b>           | <b>(25,142)</b>                                  | <b>4,501</b>   | <b>(855)</b>                                  | <b>(294,067)</b>                                     | <b>(160,650)</b>          | <b>(454,717)</b> |
| Employee Expenses  | 63,707                     | 323  | (2,164)  | (4,600)                                       | 57,266   | 2,164                     | 59,430           |
| Other Service Expense                                      | 323,214                    | 17,583   | (1,601)  | 0   | 339,196  | 1,601                     | 340,797          |
| Capital Financing  | 59,762                     | 42,307   | (2,714)  | 1,489   | 100,844  | 2,714                     | 103,558          |
| Net Support Recharges                                      | (1,188)                    | 808  | (808)  | 0   | (1,188)  | 808                       | (380)            |
| Interest Payments  | 0                          | 0  | 0  | 0   | 0  | 8,585                     | 8,585            |
| Pensions Interest and<br>Expected Return                   | 0                          | 0  | 0  | 0   | 0  | 3,670                     | 3,670            |
| Precepts and Levies  | 0                          | 0  | 0  | 0   | 0  | 609                       | 609              |
| Payments to Housing  |                            |  |  |   |  |                           |                  |
| Capital Receipts Pool                                      | 0                          | 0  | 0  | 0   | 0  | 331                       | 331              |
| Gain or Loss on Disposal of<br>Fixed Assets                | 0                          | 0  | 0  | 0   | 0  | 23,688                    | 23,688           |
| <b>Total Expenditure</b>                                   | <b>445,495</b>             | <b>61,021</b>                                    | <b>(7,287)</b>   | <b>(3,111)</b>                                | <b>496,118</b>                                       | <b>44,170</b>             | <b>540,288</b>   |
| <b>Surplus or Deficit on the<br/>provision of services</b> | <b>172,924</b>             | <b>35,879</b>                                    | <b>(2,786)</b>   | <b>(3,966)</b>                                | <b>202,051</b>                                       | <b>(116,480)</b>          | <b>85,571</b>    |

**Note 30. Acquired and Discontinued Operations**

Note not required.

**Note 31. 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

|  | 2012/13<br>£000 | 2011/12<br>£000 |
|--|-----------------|-----------------|
| <u>The Amenity Services Organisation</u>   |                 |                 |
| Turnover                                   | (2,424)         | (2,322)         |
| Expenditure                                | 3,083           | 2,950           |
| <b>Deficit</b>                             | <b>659</b>      | <b>628</b>      |
| <u>Building Control</u>                    |                 |                 |
| Turnover                                   | (286)           | (339)           |
| Expenditure                                | 367             | 447             |
| <b>Deficit</b>                             | <b>81</b>       | <b>108</b>      |
| <b>Total deficit on trading activities</b> | <b>740</b>      | <b>736</b>      |

**Note 32. Agency Services**

Note not required.

**Note 33. Road Charging Schemes**

Note not required.

**Note 34. 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.

|  | 2012/13<br>Pool<br>Expenditure<br>£000 | 2012/13<br>Southend<br>Borough<br>Council<br>£000 | 2011/12<br>Net<br>Expenditure<br>£000 | 2011/12<br>Southend<br>Borough<br>Council<br>£000 |
|--|--|---|---------------------------------------|---|
| Equipment Service                          | 855                                    | 561   | 895                                   | 597   |
| Cumberlege Intermediate Care Centre (CICC) | 1,178                                  | 408   | 1,184                                 | 511   |
| <b>Total</b>                               | <b>2,033</b>                           | <b>969</b>  | <b>2,079</b>                          | <b>1,108</b>                                      |

**Note 35. Members' Allowances**

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

|                                 | 2012/13<br>£000 | 2011/12<br>£000 |
|---------------------------------|-----------------|-----------------|
| Basic Allowances                | 429             | 428             |
| Special Allowances              | 199             | 211             |
| Travel & Subsistence            | 1               | 2               |
| <b>Total Members Allowances</b> | <b>629</b>      | <b>641</b>      |

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

**Note 36. Officers' Remuneration**

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

| 2012/13  | Performance Related Pay in respect of 2011/12 |                                 |                 | Pension Contribution | Local Elections Duties | Car Allowances etc | Total             |
|--|---|---------------------------------|-----------------|----------------------|------------------------|--------------------|-------------------|
|  | Salary  | Consolidated into future salary | Un-consolidated |                      |                        |                    |                   |
|  | £   | £                               | £               | £                    | £                      | £                  | £                 |
| <b>Chief Executive</b>   | 148,881                                       | 0                               | 0               | 18,610               | 7,234                  | 3,703              | 178,429           |
| <b>Corporate Directors</b>   |   |                                 |                 |                      |                        |                    |                   |
| Children & Learning to 10/02/2013<br><i>annualised</i>                         | 87,870  | 0                               | 0               | 10,887               | 0                      | 847                | 99,604<br>115,049 |
| Corporate Support Services   | 116,493                                       | 0                               | 0               | 14,562               | 568                    | 452                | 132,075           |
| Adult & Community Services   | 116,493                                       | 0                               | 0               | 14,562               | 0                      | 0                  | 131,055           |
| Enterprise, Tourism & Environment  | 110,725                                       | 0                               | 0               | 13,841               | 0                      | 0                  | 124,566           |
| <b>Heads of Service</b>  |   |                                 |                 |                      |                        |                    |                   |
| Policy & Improvement to 09/06/2012<br><i>annualised</i>                        | 17,747  | 0                               | 0               | 1,880                | 0                      | 0                  | 19,626<br>102,337 |
| Children's Commissioning & Learning Infrastructure                             | 87,000  | 0                               | 0               | 10,875               | 0                      | 0                  | 97,875            |
| School Support & Preventative Services   | 86,570  | 0                               | 0               | 10,821               | 0                      | 1,047              | 98,438            |
| Specialist Childrens Services  | 72,715  | 0                               | 0               | 9,089                | 0                      | 0                  | 81,804            |
| Finance & Resources  | 90,755  | 0                               | 0               | 11,273               | 124                    | 1,245              | 103,397           |
| Human Resources  | 87,000  | 0                               | 0               | 10,875               | 0                      | 999                | 98,874            |
| Legal & Democratic Services  | 94,684  | 0                               | 0               | 11,835               | 2,988                  | 0                  | 109,507           |
| Customer Services  | 85,979  | 0                               | 0               | 10,747               | 248                    | 1,481              | 98,455            |
| Culture  | 87,000  | 0                               | 0               | 10,875               | 0                      | 0                  | 97,875            |
| Community Strategy & Development   | 72,360  | 0                               | 0               | 9,045                | 408                    | 0                  | 81,813            |
| Enterprise Tourism & Regeneration  | 82,293  | 0                               | 0               | 0                    | 0                      | 1,016              | 83,309            |
| Interim Enterprise Tourism & Regeneration from 23/01/2013<br><i>annualised</i> | 12,316  | 0                               |                 | 1,600                | 0                      | 0                  | 13,916<br>74,696  |
| Public Protection  | 85,183  |                                 |                 | 10,648               | 0                      | 5,509              | 101,340           |
| Planning & Transport to 02/10/2012<br><i>annualised</i>                        | 34,067  |                                 |                 | 4,258                | 284                    | 1,248              | 39,857<br>78,637  |
| Planning & Transport from 22/10/2012<br><i>annualised</i>                      | 28,123  |                                 |                 | 3,515                | 0                      | 1,257              | 32,895<br>74,577  |

| 2011/12  | Performance Related Pay in respect of 2010/11 |  |                          |                              |                                |                            |         | Total<br>£ |
|--|---|--|--------------------------|------------------------------|--------------------------------|----------------------------|---------|------------|
|  | Salary<br>£                                   | Consolidated<br>into future<br>salary<br>£ | Un-<br>consolidated<br>£ | Pension<br>Contribution<br>£ | Local Elections<br>Duties<br>£ | Car Allowances<br>etc<br>£ |         |            |
| <b>Chief Executive</b>   | 148,881                                       | 0  | 0                        | 18,610                       | 4,822                          | 2,900                      | 175,213 |            |
| <b>Corporate Directors</b>                                       |   |  |                          |                              |                                |                            |         |            |
| Children & Learning  | 100,911                                       | 0  | 0                        | 12,614                       | 0                              | 668                        | 114,193 |            |
| Corporate Support Services                                       | 116,493                                       | 0  | 0                        | 14,562                       | 182                            | 4,077                      | 135,314 |            |
| Adult & Community Services                                       | 116,493                                       | 0  | 0                        | 14,562                       | 62                             | 0                          | 131,117 |            |
| Enterprise, Tourism & Environment                                | 110,725                                       | 0  | 0                        | 13,841                       | 0                              | 2,444                      | 127,010 |            |
| <b>Heads of Service</b>  |   |  |                          |                              |                                |                            |         |            |
| Policy & Improvement   | 78,459  | 0  | 0                        | 9,807                        | 188                            | 0                          | 88,454  |            |
| Children's Commissioning & Learning Infrastructure               | 87,000  | 0  | 0                        | 10,875                       | 0                              | 0                          | 97,875  |            |
| School Support & Preventative Services                           | 86,570  | 0  | 0                        | 10,821                       | 0                              | 0                          | 97,391  |            |
| Specialist Childrens Services <i>from 16/5/11<br/>annualised</i> | 58,877  | 0  | 0                        | 3,506                        | 0                              | 0                          | 62,383  |            |
| Finance & Resources  | 90,185  | 185  | 0                        | 11,279                       | 0                              | 0                          | 101,649 |            |
| Human Resources  | 87,000  | 0  | 0                        | 10,875                       | 0                              | 0                          | 97,875  |            |
| Legal & Democratic Services                                      | 98,191  | 0  | 0                        | 12,278                       | 586                            | 2,471                      | 113,526 |            |
| Customer Services  | 85,979  | 0  | 0                        | 10,747                       | 62                             | 2,606                      | 99,394  |            |
| Culture  | 86,139  | 861  | 0                        | 10,875                       | 0                              | 0                          | 97,875  |            |
| Community Strategy & Development                                 | 72,360  | 0  | 0                        | 9,045                        | 86                             | 45                         | 81,536  |            |
| Enterprise Tourism & Regeneration                                | 86,139  | 0  | 0                        | 0                            | 0                              | 0                          | 86,139  |            |
| Public Protection  | 85,183  | 0  | 0                        | 10,648                       | 0                              | 3,009                      | 98,840  |            |
| Planning & Transport   | 67,409  | 0  | 0                        | 8,426                        | 24                             | 2,978                      | 78,837  |            |

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

|                      | 2012/13         |           |            | 2011/12         |           |            |
|----------------------|-----------------|-----------|------------|-----------------|-----------|------------|
|                      | Number of Staff |           |            | Number of Staff |           |            |
|                      | Council         | Schools   | Total      | Council         | Schools   | Total      |
| £50,000 to £54,999   | 26              | 13        | 39         | 29              | 19        | 48         |
| £55,000 to £59,999   | 14              | 11        | 25         | 8               | 14        | 22         |
| £60,000 to £64,999   | 2               | 10        | 12         | 9               | 6         | 15         |
| £65,000 to £69,999   | 5               | 7         | 12         | 2               | 14        | 16         |
| £70,000 to £74,999   | 2               | 7         | 9          | 3               | 4         | 7          |
| £75,000 to £79,999   | 0               | 3         | 3          | 0               | 2         | 2          |
| £80,000 to £84,999   | 0               | 2         | 2          | 0               | 1         | 1          |
| £85,000 to £89,999   | 0               | 0         | 0          | 0               | 0         | 0          |
| £90,000 to £94,999   | 0               | 0         | 0          | 0               | 1         | 1          |
| £95,000 to £99,999   | 0               | 0         | 0          | 0               | 1         | 1          |
| £100,000 to £104,999 | 0               | 0         | 0          | 0               | 0         | 0          |
| £105,000 to £109,999 | 0               | 1         | 1          | 0               | 1         | 1          |
| <b>Total</b>         | <b>49</b>       | <b>54</b> | <b>103</b> | <b>51</b>       | <b>63</b> | <b>114</b> |

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

#### Exit package cost band including special payments

|                      | Total number of exit packages by cost band |           |           |            |           |            | Total cost of exit packages |                   |
|----------------------|--|-----------|-----------|------------|-----------|------------|-----------------------------|-------------------|
|                      | 2012/13                                    |           |           | 2011/12    |           |            | 2012/13                     | 2011/12           |
|                      | Compulsory                                 | Other     | Total     | Compulsory | Other     | Total      |                             |                   |
| <b>Council Staff</b> |  |           |           |            |           |            |                             |                   |
| £0 - £19,999         | 8  | 13        | 21        | 22         | 54        | 76         | £211,522                    | £646,100          |
| £20,000 - £39,999    | 3  | 14        | 17        | 2          | 16        | 18         | £541,028                    | £539,288          |
| £40,000 - £59,999    | 1  | 1         | 2         | 2          | 2         | 4          | £92,982                     | £179,358          |
| <b>Total</b>         | <b>12</b>                                  | <b>28</b> | <b>40</b> | <b>26</b>  | <b>72</b> | <b>98</b>  | <b>£845,532</b>             | <b>£1,364,746</b> |
| <b>School Staff</b>  |  |           |           |            |           |            |                             |                   |
| £0 - £19,999         | 24   | 6         | 30        | 17         | 3         | 20         | £135,451                    | £65,066           |
| <b>Total</b>         | <b>24</b>                                  | <b>6</b>  | <b>30</b> | <b>17</b>  | <b>3</b>  | <b>20</b>  | <b>£135,451</b>             | <b>£65,066</b>    |
| <b>Total</b>         | <b>36</b>                                  | <b>34</b> | <b>70</b> | <b>43</b>  | <b>75</b> | <b>118</b> | <b>£980,983</b>             | <b>£1,429,812</b> |

#### Note 37. External Audit Costs

The Council 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 Council's external auditors:

|  | 2012/13<br>£000 | 2011/12<br>£000 |
|--|-----------------|-----------------|
| Fees payable with regard to external audit services            | 225             | 316             |
| Fees payable in respect of statutory inspection                | 0               | 0               |
| Fees payable for the certification of grant claims and returns | 35              | 85              |
| Fees payable in respect of other services provided             | 0               | 2               |
| <b>Total Audit Costs</b>                                       | <b>260</b>      | <b>403</b>      |

**Note 38. 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). An element of DSG is recouped by the Department to fund academy schools in the council's area. 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 2011. 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 2012/13 are as follows:

|  | 2012/13<br>Central<br>Expenditure | 2012/13<br>Individual<br>Schools<br>Budget | 2012/13<br>Total | 2011/12<br>Total |
|--|-----------------------------------|--|------------------|------------------|
|  | £000                              | £000                                       | £000             | £000             |
| Final DSG for 2012/13 before<br>Academy Recoupment |                                   |  | 129,641          | 128,211          |
| Academy Figure Recouped for<br>2012/13             |                                   |  | (43,082)         | (25,329)         |
| Total DSG after Academy<br>Recoupment for 2012/13  |                                   |  | 86,559           | 102,882          |
| Brought forward from 2011/12                       |                                   |  | 1,720            | 1,516            |
| Carry forward to 2013/14 agreed in<br>advance      |                                   |  | 0                | (967)            |
| <b>Agreed budgeted distribution in<br/>2012/13</b> | <b>8,809</b>                      | <b>79,470</b>                              | <b>88,279</b>    | <b>103,431</b>   |
| Less:  |                                   |  |                  |                  |
| Actual central expenditure                         | (7,850)                           | 0  | (7,850)          | (8,709)          |
| Actual ISB deployed to schools                     | 0                                 | (79,354)                                   | (79,354)         | (93,969)         |
| Local authority contribution for<br>2012/13        | 0                                 | 0  | 0                | 0                |
| <b>Carry forward to 2013/14</b>                    | <b>959</b>                        | <b>116</b>                                 | <b>1,075</b>     | <b>753</b>       |
| <b>Carry forward to 2013/14 agreed in advance</b>  |                                   |  | <b>0</b>         | <b>967</b>       |
| <b>Total Carry Forward</b>                         |                                   |  | <b>1,075</b>     | <b>1,720</b>     |

**Note 39. Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13.



|   | 2012/13<br>£000 | 2011/12<br>£000 |
|---|-----------------|-----------------|
| <b>Credited to Taxation and Non Specific Grant Income</b> |                 |                 |
| <b>Non-Ringfenced Government Grants</b>                   |                 |                 |
| Formula Grant   | 1,150           | 15,115          |
| Council Tax Freeze Grant                                  | 1,721           | 1,716           |
| Early Intervention Grant                                  | 8,063           | 7,775           |
| Learning Disabilities Transfer Grant                      | 4,876           | 4,748           |
| New Homes Bonus   | 580             | 262             |
| Other non-ringfenced government grants                    | 382             | 296             |
|   | <b>16,772</b>   | <b>29,912</b>   |
| <b>Capital Grants and Contributions</b>                   |                 |                 |
| Highways Infrastructure                                   | 5,699           | 2,472           |
| Elmer Square Library                                      | 7,400           | 0               |
| Housing   | 6,575           | 0               |
| Hinguar Primary School                                    | 1,672           | 2,197           |
| Lancaster Primary School                                  | 620             | 0               |
| Barons Court - conversion to Primary School               | 0               | 458             |
| Contribution to Civic Centre 2nd Main Feeder              | 0               | 119             |
| Other   | 774             | 1,016           |
|   | <b>22,740</b>   | <b>6,262</b>    |
| <b>Total</b>  | <b>39,512</b>   | <b>36,174</b>   |

|  | 2012/13<br>£000 | 2011/12<br>£000 |
|--|-----------------|-----------------|
| <b>Credited to Services</b>                    |                 |                 |
| Dedicated Schools Grant                        | 88,279          | 102,882         |
| Housing Benefits                               | 95,136          | 88,382          |
| Council Tax Benefits                           | 14,648          | 14,865          |
| Young People's Learning Agency                 | 0               | 5,471           |
| Education Funding Agency                       | 3,705           | 0               |
| Funding from PCT                               | 6,542           | 3,100           |
| Additional Schools Grant                       | 143             | 102             |
| Arts Council Grant                             | 50              | 0               |
| Early Years & Childcare                        | 5               | 224             |
| Skills Funding Agency                          | 637             | 2,355           |
| Positive Futures                               | 191             | 131             |
| Other Local Authorities Service Provision      | 2,242           | 817             |
| Housing Benefit and Council Tax Administration | 1,640           | 1,812           |
| Youth Offending Grants                         | 507             | 594             |
| Other Social Services Grants                   | 718             | 2,422           |
| Other Education Grants                         | 2,905           | 3,022           |
| Grant to Fund EU Project                       | 44              | 0               |
| Heritage Lottery Fund Grant                    | 19              | 0               |
| Food Standards Agency                          | 4               | 0               |
| Surface Water Management Plan                  | 166             | 147             |
| Local Sustainable Transport Function           | 730             | 557             |
| Children's Services Grants                     | 341             | 309             |
| Supporting People                              | 172             | 150             |
| Police and Crime Commissioner Elections        | 169             | 0               |
| Cycle England                                  | 0               | 39              |
| Community Safety Crime Reduction Grant         | 13              | 0               |
| Economic Participation Programme               | 1               | 7               |
| Section 31 Grant                               | 635             | 0               |
| Other Service Grants and Contributions         | 1,587           | 2,619           |
| REFCUS   | 7,967           | 9,080           |
| <b>Total</b>                                   | <b>229,196</b>  | <b>239,087</b>  |

The Council 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 40. Related Parties**

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

##### **Central Government**

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments used in 2012/13 and those received but not yet applied as at 31 March 2013 are set out in Note 39.

##### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2012/13 is shown in Note 35. During 2012/13 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.

- Five Members were on the board of South Essex Homes Limited, which is controlled by the Council (see below).
- A Member was Council Representative on the board of trustees of the Homeless Action Resource Project which received £135,000 under a commissioned contract from the Council.
- One Member was a trustee of Southend Citizen's Advice Bureau, which received £233,000 under a commissioned contract from the Council.
- One Member formally held the position of Chairman of the board of trustees of Cory Environmental Trust in Southend on Sea during the year. However as she was the Mayor during part of the year, the Chairmanship was delegated to another Member as her substitute. The trust on occasion provides funds to the Council for various projects. In 2012/13 this amounted to £75,000.
- Two Members were Council Representatives on the board of trustees of SOS Domestic Abuse Projects which received £20,000 under a commissioned contract from the Council.
- One member was Treasurer of Tram Stop Shelter which received a grant of £2,000 from the Council.
- Three Members were Council Representatives on the board of trustees of Southend Arts Council which received a grant of £500 from the Council
- One Member was Council Representative on the board of DIAL Southend, which received a grant of £1,500 from the Council.
- One member was Council Representative on the board of trustees of Age Concern which received £11,000 under a commissioned contract 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 Council**

Southend-on-Sea Borough Council has a dominant influence over South Essex Homes Limited, which manages the Council's 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 2013 there was a net deficit of £7,995k in respect of South Essex Homes Limited's pension liabilities. As at 31 March 2013 South Essex Homes Limited also had a retained surplus of £2,019k 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.

#### Note 41. 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 Council, 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 Council that has yet to be financed. The CFR is analysed in the second part of this note.

|   | 31 March 2013<br>£000 | 31 March 2012<br>£000 |
|---|-----------------------|-----------------------|
| <b>Capital Investment</b>                                   |                       |                       |
| Property, Plant and Equipment                               | 53,706                | 33,708                |
| Investment Assets   | 25                    | 541                   |
| Intangible Assets   | 788                   | 2,019                 |
| Heritage Assets   | 29                    | 2,956                 |
| Revenue Expenditure Funded from Capital Under Statute       | 6,722                 | 18,427                |
| <b>Total Capital Investment</b>                             | <b>61,270</b>         | <b>57,651</b>         |
| <b>Sources of Finance</b>                                   |                       |                       |
| Usable Capital Receipts                                     | 2                     | 1,080                 |
| Government Grants and other Contributions                   | 28,335                | 17,167                |
| Sums set aside from Revenue:                                |                       |                       |
| Direct Revenue Contributions                                | 526                   | 4,508                 |
| Major Repairs Reserve                                       | 0                     | 5,688                 |
| <b>Total Financing from Internal Resources</b>              | <b>28,863</b>         | <b>28,443</b>         |
| Credit arrangements   | 298                   | 34                    |
| Supported Capital Borrowing                                 | 0                     | 6,813                 |
| Un-supported Capital Borrowing                              | 32,109                | 22,361                |
| <b>Total Financing from Borrowing / Credit Arrangements</b> | <b>32,407</b>         | <b>29,208</b>         |
| <b>Total Capital Financing</b>                              | <b>61,270</b>         | <b>57,651</b>         |

|  | 31 March 2013<br>£000 | 31 March 2012<br>£000 |
|--|-----------------------|-----------------------|
| <b>Opening Capital Financing Requirement</b> | <b>245,974</b>        | <b>185,763</b>        |
| <b>Explanation of Movements in Year</b>      |                       |                       |
| Borrowing                                    | 32,109                | 29,174                |
| Finance Leases                               | 298                   | 34                    |
| HRA Self Financing Settlement                | 0                     | 34,692                |
| MRP  | (4,974)               | (3,689)               |
| <b>Closing Capital Financing Requirement</b> | <b>273,407</b>        | <b>245,974</b>        |

## Note 42. 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 2013<br>£000 | 31 March 2012<br>£000 |
|--|-----------------------|-----------------------|
| Vehicles, Plant, Furniture and Equipment | 653                   | 290                   |
|  | <b>653</b>            | <b>290</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 Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

|  | 31 March 2013<br>£000 | 31 March 2012<br>£000 |
|--|-----------------------|-----------------------|
| Finance Lease Liabilities (net present value of minimum lease payments): |                       |                       |
| Current  | 160                   | 134                   |
| Non Current  | 239                   | 171                   |
| Finance costs payable in future years                                    | 15                    | 12                    |
| <b>Minimum Lease Payments</b>  | <b>414</b>            | <b>317</b>            |

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

| Credit Risk                                       | Minimum Lease Payments |                       | Finance Lease Liabilities |                       |
|---|------------------------|-----------------------|---------------------------|-----------------------|
|   | 31 March 2013<br>£000  | 31 March 2012<br>£000 | 31 March 2013<br>£000     | 31 March 2012<br>£000 |
| Not later than one year                           | 171                    | 142                   | 160                       | 134                   |
| Later than one year and not later than five years | 242                    | 175                   | 239                       | 171                   |
| Later than five years                             | 0                      | 0                     | 0                         | 0                     |
|   | <b>413</b>             | <b>317</b>            | <b>399</b>                | <b>305</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 operating leases in future years are:

|   | 31 March 2013<br>£000 | 31 March 2012<br>£000 |
|---|-----------------------|-----------------------|
| Not later than one year                           | 400                   | 457                   |
| Later than one year and not later than five years | 908                   | 1,186                 |
| Later than five years                             | 1,285                 | 1,413                 |
|   | <b>2,593</b>          | <b>3,056</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 2013<br>£000 | 31 March 2012<br>£000 |
|------------------------|-----------------------|-----------------------|
| Minimum Lease Payments | 400                   | 457                   |
|                        | <b>400</b>            | <b>457</b>            |

### **Council as Lessor**

#### Operating Leases

The Council 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 operating leases in future years are:

|   | 31 March 2013<br>£000 | 31 March 2012<br>£000 |
|---|-----------------------|-----------------------|
| Not later than one year                           | 1,338                 | 1,316                 |
| Later than one year and not later than five years | 3,752                 | 3,730                 |
| Later than five years                             | 44,688                | 42,277                |
|   | <b>49,778</b>         | <b>47,323</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 2012/13 £0 contingent rents were estimated to be receivable by the Council (2011/12 £19,000 estimated).

**Note 43. PFI and Similar Contracts**

Note not required.

**Note 44. Impairment Losses**

Various General fund assets were revalued at 1 April 2012 which led to an impairment, the most significant of which were Blenheim Primary School, Chase High School, Edwards Hall Primary School and Fairways Primary School.

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 Adventure Island, Queensway House and the Focus Youth 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.

**Note 45. Capitalisation of Borrowing Costs**

The Council has not capitalised any of its borrowing costs.

**Note 46. Termination Benefits**

The Council 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 2012/13, have been fully provided for. (See note 23).

**Note 47. Pension Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the Council 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 Council 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 Council 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 2012/13 the Council paid £4.7m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2011/12 were £5.9m and 14.1%. There were no contributions remaining payable at the year end.

The Council 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. Added years payments awarded in respect of the teachers' pension scheme were £15,345 (2011/12 £21,302).

**Note 48. 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:

|   | 2012/13<br>£000 | 2011/12<br>£000 |
|---|-----------------|-----------------|
| <b>Comprehensive Income and Expenditure Statement</b>   |                 |                 |
| <b>Cost of Services</b>   |                 |                 |
| Current Service Cost  | 10,612          | 8,395           |
| Past Service Costs  | 0               | 0               |
| Loss on Curtailments  | (6,945)         | (4,600)         |
| <b>Financing and Investment Income and Expenditure</b>  |                 |                 |
| Interest Cost   | 18,868          | 20,232          |
| Expected Return on Scheme Assets  | (14,197)        | (16,562)        |
| <b>Total post-employment benefit charged to the surplus or deficit on the provision of services</b>   | <b>8,338</b>    | <b>7,465</b>    |
| <b>Other post-employment benefit charged to the comprehensive income and expenditure statement</b>  |                 |                 |
| Actuarial gains and losses  | 11,420          | 62,561          |
| <b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>  | <b>19,758</b>   | <b>70,026</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 | (19,758)        | (70,026)        |
| <b>Actual amount charged against the General Fund Balance for Pensions in the year</b>  |                 |                 |
| Employer's contributions payable to scheme  | 13,322          | 12,992          |

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement since 1 April 2002 to 31 March 2013 is a loss of £176.066m.

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

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

|   | 2012/13<br>£000  | 2011/12<br>£000  |
|---|------------------|------------------|
| Opening Balance at 1 April              | (431,730)        | (371,991)        |
| Current Service Cost                    | (10,612)         | (8,395)          |
| Interest Cost                           | (18,868)         | (20,232)         |
| Actuarial Gains and Losses              | (27,482)         | (48,744)         |
| Losses on Curtailments                  | (431)            | (919)            |
| Liabilities extinguished on Settlements | 11,503           | 10,322           |
| Contributions by Scheme Participants    | (3,190)          | (3,515)          |
| Benefits Paid                           | 14,910           | 11,744           |
| Past Service Costs                      | 0                | 0                |
| <b>Closing Balance at 31 March</b>      | <b>(465,900)</b> | <b>(431,730)</b> |

#### Reconciliation of fair value of the scheme assets

|                                      | 2012/13<br>£000 | 2011/12<br>£000 |
|--------------------------------------|-----------------|-----------------|
| Opening Balance at 1 April           | 248,381         | 245,676         |
| Expected Rate of Return              | 14,197          | 16,562          |
| Actuarial Gains and Losses           | 16,062          | (13,817)        |
| Employer Contributions               | 13,322          | 12,992          |
| Contributions by Scheme Participants | 3,190           | 3,515           |
| Benefits Paid                        | (14,910)        | (11,744)        |
| Payment of Bulk Transfer Value       | (4,127)         | (4,803)         |
| <b>Closing Balance at 31 March</b>   | <b>276,115</b>  | <b>248,381</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 £30.258m gain (2011/12 £2.747m gain).

#### Scheme History

| Actuarial Gains/(Losses)                 | 2008/09<br>£000  | 2009/10<br>£000  | 2010/11<br>£000  | 2011/12<br>£000  | 2012/13<br>£000  |
|--|------------------|------------------|------------------|------------------|------------------|
| Present Value of Liabilities             | (274,759)        | (380,073)        | (371,991)        | (431,730)        | (465,900)        |
| Fair Value of Assets                     | 170,471          | 235,794          | 245,676          | 248,381          | 276,115          |
| <b>Surplus / (Deficit) in the Scheme</b> | <b>(104,288)</b> | <b>(144,279)</b> | <b>(126,315)</b> | <b>(183,349)</b> | <b>(189,785)</b> |

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £189.8m has a substantial impact on the net worth of



the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council 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 2014 is £11.9m

#### **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 Barnett Waddingham, 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:

|  | 2012/13   | 2011/12   |
|--|-----------|-----------|
| <b>Long-term expected rate of return on assets in the scheme:</b>        |           |           |
| Equity Investments   | 6.1%      | 6.4%      |
| Government Bonds   | 3.0%      | 3.3%      |
| Other Bonds  | 4.1%      | 4.6%      |
| Property   | 5.1%      | 5.4%      |
| Cash / Liquidity   | 0.5%      | 0.5%      |
| Alternative Assets   | 6.1%      | n/a       |
| <br>Average  | <br>5.4%  | <br>5.8%  |
| <b>Mortality assumptions:</b>  |           |           |
| Longevity at 65 for Current Pensioners                                   |           |           |
| Men  | 22.7      | 22.7      |
| Women  | 25.3      | 25.3      |
| Longevity at 65 for Future Pensioners                                    |           |           |
| Men  | 24.2      | 24.1      |
| Women  | 26.9      | 26.8      |
| <br>Rate of Inflation (RPI)  | <br>3.4%  | <br>3.3%  |
| Rate of Inflation (CPI)  | 2.6%      | 2.5%      |
| Rate of increases in salaries  | 4.4%      | 4.3%      |
| Rate of increase in pensions   | 2.6%      | 2.5%      |
| Rate for discounting scheme liabilities                                  | 4.4%      | 4.6%      |
| <br>Take-up of option to convert annual pension into retirement lump sum | <br>50.0% | <br>50.0% |

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

|                    | 2012/13      | 2011/12      |
|--------------------|--------------|--------------|
|                    | %            | %            |
| Equity Investments | 64.0         | 70.0         |
| Government Bonds   | 7.0          | 4.0          |
| Other Bonds        | 8.0          | 10.0         |
| Property           | 12.0         | 14.0         |
| Cash / Liquidity   | 4.0          | 2.0          |
| Alternative Assets | 5.0          | 0.0          |
|                    | <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 2012/13 can be analysed into the following categories, measured as a percentage as assets or liabilities at 31 March 2013:

|  | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
|--|---------|---------|---------|---------|---------|
|  | %       | %       | %       | %       | %       |
| Differences between the expected and actual return on assets | 35.0    | 21.0    | 3.6     | (5.6)   | 5.8     |
| Experience gains and losses on liabilities                   | 0.0     | 0.0     | 1.6     | (0.3)   | 0.0     |

### Actuarial sensitivities

|   | <b>Sensitivity Analysis</b> |  |  |   |  |
|---|-----------------------------|--|--|---|--|
|   | Central                     | + 0.1% p.a. discount rate<br>as at 31 March 2013 | - 0.1% p.a. discount rate<br>as at 31 March 2013 | 1 year addition to member's<br>life expectancy as at<br>31 March 2013 | 1 year reduction to member's<br>life expectancy as at<br>31 March 2013 |
|   | £000                        | £000   | £000   | £000  | £000   |
| Present Value of Total Obligation                               | 465,900                     | 456,529  | 475,518  | 449,428   | 482,528  |
| Projected current service cost for year commencing 1 April 2013 | 11,666                      | 11,303   | 12,040   | 11,145  | 12,193   |

**Note 49. Contingent Liabilities**

As at 31 March 2013, the Council had the following contingent liability

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £175,000 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present

**Note 50. Contingent Assets**

Note not required

**Note 51. Nature and Extent of Risks Arising from Financial Instruments**

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out 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 Council'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, the credit ratings being set 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 Council are as detailed in the Annual Investment Strategy which can be accessed from the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £36m 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 Council's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

The following analysis summarises the Council'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 £29m of income that has been reflected in the 2012/13 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<br>£000 | Historical<br>experience of<br>default<br>% | 31 March 2013   | Estimated<br>maximum<br>exposure to<br>default and<br>uncollectability<br>£000 | 31 March 2012  |
|---|-----------------|---|---|--|--|
|   |                 |   | Historical<br>experience<br>adjusted for<br>market<br>conditions<br>% |  | Estimated<br>maximum<br>exposure to<br>default and<br>uncollectability<br>£000 |
| Deposits With Banks And<br>Other Financial Institutions | 36,233          | 0.00%                                       | 0.00%   | 0  | 0  |
| Bonds And Other<br>Securities                           | 32,324          | 0.00%                                       | 0.00%   | 0  | 0  |
| Customers   | 8,914           | 0.67%                                       | 1.25%   | 250  | 250  |

No credit limits were exceeded during the reporting period and the Council 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 2013<br>£000 | 31 March 2012<br>£000 |
|------------------------|-----------------------|-----------------------|
| Less Than Three Months | 5,485                 | 4,826                 |
| Three To Six Months    | 624                   | 437                   |
| Six Months To One Year | 708                   | 1,130                 |
| More Than One Year     | 2,097                 | 1,511                 |
| <b>Total</b>           | <b>8,914</b>          | <b>7,904</b>          |

#### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the other Local Authorities 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 Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council 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 2 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 2013<br>£000 | 31 March 2012<br>£000 |
|-----------------------------------|-----------------------|-----------------------|
| Less than 1 year                  | 20,000                | 21,313                |
| <b>Total Short Term Borrowing</b> | <b>20,000</b>         | <b>21,313</b>         |
| Between 1 and 2 years             | 13,000                | 10,000                |
| Between 2 and 5 years             | 10,000                | 23,000                |
| Between 5 and 10 years            | 10,484                | 10,484                |
| Between 10 and 15 years           | 40,207                | 29,615                |
| Between 15 and 20 years           | 57,500                | 48,092                |
| More than 20 years                | 105,625               | 100,625               |
| <b>Total Long Term Borrowing</b>  | <b>236,816</b>        | <b>221,816</b>        |
| <b>Total Borrowing</b>            | <b>256,816</b>        | <b>243,129</b>        |

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

## Market Risk

### *Interest rate risk*

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. 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 Council 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 Council'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 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 2013, 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   | 100          |
| Increase in interest receivable on variable rate investments   | (663)        |
| Increase in government grant receivable for financing costs  | (39)         |
| <b>Impact on Surplus or Deficit on the Provision of Services</b>   | <b>(602)</b> |
| Share of overall impact debited to the HRA   | (103)        |
| 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 52. Heritage Assets: Five year summary of transactions**

| Heritage Assets: Five Year Summary of Transactions   | 2008/09  | 2009/10  | 2010/11  | 2011/12  | 2012/13  |
|--|----------|----------|----------|----------|----------|
|  | £000     | £000     | £000     | £000     | £000     |
| <b>Cost of Acquisitions of Heritage Assets</b>       |          |          |          |          |          |
| Historic Seaside Assets                              | 0        | 0        | 0        | 0        | 0        |
| Heritage Land and Buildings                          | 0        | 0        | 0        | 0        | 0        |
| Antiques and Collectables                            | 0        | 0        | 0        | 0        | 0        |
| <b>Total cost of Purchases</b>                       | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |
| <b>Value of Heritage Assets Acquired by Donation</b> |          |          |          |          |          |
| Historic Seaside Assets                              | 0        | 0        | 0        | 0        | 0        |
| Heritage Land and Buildings                          | 0        | 0        | 0        | 0        | 0        |
| Antiques and Collectables                            | 0        | 0        | 0        | 0        | 0        |
| <b>Total Donations</b>                               | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |
| <b>Disposals of Historic Seaside Assets</b>          |          |          |          |          |          |
| <b>Carrying Value</b>                                | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |
| <b>Proceeds</b>                                      | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |
| <b>Disposals of Heritage Land and Buildings</b>      |          |          |          |          |          |
| <b>Carrying Value</b>                                | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |
| <b>Proceeds</b>                                      | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |
| <b>Disposals of Antiques and Collectables</b>        |          |          |          |          |          |
| <b>Carrying Value</b>                                | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |
| <b>Proceeds</b>                                      | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |
| <b>Impairment recognised in the period</b>           |          |          |          |          |          |
| Historic Seaside Assets                              | 0        | 0        | 0        | 0        | 0        |
| Heritage Land and Buildings                          | 0        | 0        | 0        | 0        | 0        |
| Antiques and Collectables                            | 0        | 0        | 0        | 0        | 0        |

**Note 53. Heritage Assets: Further information**

The Council's Heritage Assets consist of historic seaside assets, heritage land and buildings, antiques/collectables, museum exhibits and memorials/statues.

**Historic Seaside Assets**

The historic seaside assets comprise the pier, the cliff lift and the cliff bandstand. These assets are considered to be part of the fabric of the town as an historic seaside resort.

**Heritage Land and Buildings**

These consist of the official mayor's residence, Porters, and Southchurch Hall, a grade I listed medieval manor house. These assets are considered to be part of the heritage of the town and are intended to be preserved for future generations because of their cultural, environmental or historical associations.

**Antiques / Collectables**

These comprise furniture and furnishings, panelling, carpets, textiles, clocks, silver, plated wares and gold, works of art, ceramics and glass, books, pictures and presentation and commemorative wares. These antiques/collectables date from between the 16<sup>th</sup> Century and the 20<sup>th</sup> Century.

**Museum Collections**

The Council considers that obtaining valuations for the items that are exhibited within the borough's museums would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The Council does not recognise these exhibits on the Balance Sheet. The Saxon King exhibits are not currently owned by the Council.

#### Memorials and Statues

These are a statue of Queen Victoria which was presented to the town to mark the Queens Jubilee in 1897, and a Lutyens War Memorial to commemorate lives lost in the First World War which was built in 1920. The Council does not consider that reliable cost or valuation information can be obtained for the items due to the lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet.

#### Note 54. Heritage Assets: Change in Accounting Policy required by the Code of Practice

Note not required

#### Note 55. 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 2013, the Council was sole trustee of the twelve trust funds. Some (\*) are consolidated into the Council's Group Accounts on the grounds of materiality.

|   | Income<br>£000 | Expenditure<br>£000 | Assets<br>£000 | Liabilities<br>£000 |
|---|----------------|---------------------|----------------|---------------------|
| Beecroft Art Trust                            | 85             | 210                 | 377            | 2                   |
| Jones Memorial Recreation Ground Trust        | 55             | 55                  | 156            | 0                   |
| Palace Theatre Charity *                      | 197            | 311                 | 4,163          | 3                   |
| Prittlevell Priory Museum Trust *             | 34             | 116                 | 1,885          | 1                   |
| Priory Park Trust                             | 395            | 409                 | 419            | 1                   |
| The Shrubbery Trust *                         | 31             | 6                   | 512            | 0                   |
| Victory Sports Ground Trust                   | 68             | 68                  | 11             | 0                   |
| Youth Commemoration Ground Trust *            | 463            | 451                 | 8,271          | 1                   |
| 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>1,328</b>   | <b>1,626</b>        | <b>15,843</b>  | <b>8</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

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.

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.

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 D F Garvie Memorial Fund

Promoting and encouraging education 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 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.

|                        | 2012/13<br>£000 | 2011/12<br>£000 |
|------------------------|-----------------|-----------------|
| 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 STATEMENT

| 2011/12<br>£000 |   | 2012/13<br>£000 |
|-----------------|---|-----------------|
|                 | <b>Income</b>   |                 |
| (21,594)        | Dwelling Rents (Gross)  | (23,492)        |
| (332)           | Non Dwelling Rents (Gross)  | (321)           |
| (3,997)         | Charges for Services and Facilities   | (4,336)         |
| <b>(25,923)</b> | <b>Total Income</b>   | <b>(28,149)</b> |
|                 | <b>Expenditure</b>  |                 |
| 5,097           | Repairs and Maintenance   | 5,036           |
| 9,896           | Supervision and Management  | 9,943           |
| 637             | Rents, Rates, Taxes and other Charges   | 574             |
| 2,775           | Negative Housing Revenue Account Subsidy Payable  | 153             |
| 249             | Provision for Bad and Doubtful Debts  | 202             |
| 5,469           | Depreciation and impairment on Dwellings  | 7,536           |
| 34,692          | Self Financing Settlement   | -               |
| 2,146           | Depreciation and impairment on Other Assets   | 112             |
| 61              | Debt Management Expenses  | 39              |
| <b>61,022</b>   | <b>Total Expenditure</b>  | <b>23,595</b>   |
| <b>35,099</b>   | <b>Net cost of HRA services as included in the whole authority Income and Expenditure Account</b> | <b>(4,554)</b>  |
| 153             | HRA services share of Corporate and Democratic Core   | 160             |
| <b>35,252</b>   | <b>Net Cost of HRA Services</b>   | <b>(4,394)</b>  |
| 311             | Loss/(Profit) on Sale of HRA Fixed Assets   | (395)           |
| 2,429           | Interest Payable and Similar Charges  | 3,620           |
| (84)            | General Grants  | (6,575)         |
| (62)            | Interest Receivable   | (91)            |
| <b>37,846</b>   | <b>(Surplus) / Deficit for the year on HRA services</b>   | <b>(7,835)</b>  |

## MOVEMENT ON THE HRA BALANCE

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.

| 2011/12<br>£000 |  | 2012/13<br>£000 |
|-----------------|--|-----------------|
| 37,846          | Surplus for the year on the Housing Revenue Account Income And Expenditure Account       | (7,835)         |
| (37,606)        | Net additional amount required by statute to be credited to the HRA Balance for the year | 7,835           |
| <b>240</b>      | <b>Decrease/(Increase) in the Housing Revenue Account Balance</b>                        | <b>0</b>        |
| (3,742)         | Housing Revenue Account - Balance Brought Forward  | (3,502)         |
| <b>(3,502)</b>  | <b>Housing Revenue Account - Balance Carried Forward</b>                                 | <b>(3,502)</b>  |

## CALCULATION OF MOVEMENT ON THE HRA BALANCE

| 2011/12<br>£000 |  | 2012/13<br>£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>     |                 |
| (311)           | (Loss)/Profit on Sale of HRA Fixed Assets  | 395             |
| 84              | General Grants   | 6,575           |
|                 | <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> |                 |
| (814)           | Transfer to / (from) Major Repairs Reserve   | 0               |
| (36,565)        | Transfer to / (from) Capital Adjustment Reserve  | (1,428)         |
| 0               | Transfer to / (from) Earmarked Reserves  | 2,293           |
| <b>(37,606)</b> | <b>Net Additional Amount required to be credited to the Housing Revenue Account Balance for the year.</b>  | <b>7,835</b>    |

## NOTES TO THE HRA

### HRA Note 1. Analysis of Housing Stock

|                               | 2012/13<br>Number of<br>Properties | 2011/12<br>Number of<br>Properties |
|-------------------------------|------------------------------------|------------------------------------|
| Houses And Bungalows          | 2,143                              | 2,152                              |
| Flats                         | 3,924                              | 3,951                              |
| <b>Stock at 31 March 2013</b> | <b>6,067</b>                       | <b>6,103</b>                       |

### HRA Note 2. Rent Arrears

Cumulative rent arrears in respect of HRA properties at 31 March 2013 including service charges and water were £0.9m (At 31 March 2012 service charges and water were £0.9m).

### HRA Note 3. Government Subsidy

Notwithstanding the demise of the HRA Subsidy regime as at 31 March 2012, a final payment was made to the Government under the previous regime relating to an adjustment in respect of previous years.

|  | 2012/13<br>£000 | 2011/12<br>£000 |
|--|-----------------|-----------------|
| Guideline Rent Income                            |                 | 21,724          |
| Interest on Receipts                             |                 | 1               |
| Management & Maintenance Allowance               |                 | (11,358)        |
| Major Repairs Allowance                          |                 | (4,928)         |
| Charges for Capital Allowance                    |                 | <u>(2,885)</u>  |
| Negative Housing Revenue Account Subsidy Payable |                 | 2,554           |
| Accrual for change in interest rate              |                 | (80)            |
| Adjustment in respect of previous years          | 153             | 301             |
| <b>Government Subsidy Payable</b>                | <b>153</b>      | <b>2,775</b>    |

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

Additional provision for bad debts in 2012/13 was £0.2m (2011/12 was £0.2m). The provision stood at £0.7m at 31 March 2013 (£0.7m at 31 March 2012). Debts amounting to £0.2m were written off during 2012/13 (£0.2m were written off during 2012/13).

## 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.

|   | 2012/13<br>£000 | 2011/12<br>£000 |
|---|-----------------|-----------------|
| <b>Item 8 Debit</b>                           |                 |                 |
| <u>Depreciation</u>                           |                 |                 |
| Council Dwellings                             | 6,108           | 5,476           |
| Non-Council Dwellings                         | 95              | 266             |
| <u>Impairment</u>                             |                 |                 |
| Council Dwellings                             | 1,428           | (7)             |
| Non-Council Dwellings                         | 17              | 1,880           |
| <b>Total Depreciation and Impairment</b>      | <b>7,648</b>    | <b>7,615</b>    |
| <b>Self Financing Settlement</b>              | <b>0</b>        | <b>34,692</b>   |
| Debt Management Expenses                      | 39              | 61              |
| Loan Interest Payable                         | 3,620           | 2,429           |
| <b>Item 8 Credit</b>                          |                 |                 |
| Interest Receivable                           | (91)            | (62)            |
| Appropriation From Major Repairs Reserve      | 0               | (814)           |
| Appropriation From Capital Adjustment Account | (1,429)         | (36,565)        |
| <b>Net Effect On HRA</b>                      | <b>9,787</b>    | <b>7,356</b>    |

## HRA Note 6. Major Repairs Reserve

The Reserve consists of depreciation charged to the HRA transferred to the account via the Capital Adjustment Account, against which is charged any allowable statutory mitigation. The balance on the reserve is available to fund future capital expenditure within the HRA.

|  | 2012/13<br>£000 | 2011/12<br>£000 |
|--|-----------------|-----------------|
| <b>Balance at 1 April</b>                | <b>1,725</b>    | <b>2,485</b>    |
| Transfers In                             | 6,203           | 5,742           |
| Used To Fund Capital (Council Dwellings) | 0               | (5,688)         |
| Capital Accounting Adjustment            | 0               | (814)           |
| <b>Balance at 31 March</b>               | <b>7,928</b>    | <b>1,725</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 Open Market Value (OMV) of Council dwellings at 1 April 2011 amounted to £630.4m. 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.

|  | Council<br>Dwellings | Other<br>Land &<br>Buildings | Infra-<br>Structure | Non-<br>Operational<br>Investment<br>Properties | For Sale<br>in less<br>than 1<br>Year | Surplus<br>Assets | Total          |
|--|----------------------|------------------------------|---------------------|---|---------------------------------------|-------------------|----------------|
|  | £000                 | £000                         | £000                | £000  | £000                                  | £000              | £000           |
| <b>Gross Book Value as at 31 March 2012</b>  | <b>271,890</b>       | <b>8,789</b>                 | <b>1,615</b>        | <b>448</b>                                      | <b>100</b>                            | <b>61</b>         | <b>282,903</b> |
| Accumulated Depreciation as at 31 March 2012 | (10,464)             | (245)                        | (157)               | (69)  | 0                                     | 4                 | (10,931)       |
| <b>Net Book Value as at 31 March 2012</b>    | <b>261,426</b>       | <b>8,544</b>                 | <b>1,458</b>        | <b>379</b>                                      | <b>100</b>                            | <b>65</b>         | <b>271,972</b> |
| Additions                                    | 12,557               |                              |                     |   |                                       |                   | 12,557         |
| Disposals                                    | (525)                | (117)                        |                     |   |                                       |                   | (642)          |
| Transfers                                    | (47)                 | (1,147)                      | (1,613)             | 707   | (53)                                  | (66)              | (2,219)        |
| Revaluations                                 | 67                   |                              |                     |   |                                       |                   | 67             |
| Impairments via Revaluation Reserve          |                      | (34)                         |                     |   |                                       |                   | (34)           |
| Impairment I&E                               | (1,481)              | (20)                         |                     |   |                                       |                   | (1,501)        |
| <u>Depreciation</u>                          |                      |                              |                     |   |                                       |                   |                |
| For Current Year                             | (6,108)              | (95)                         |                     |   |                                       |                   | (6,203)        |
| On Disposals                                 | 31                   | 6                            |                     |   |                                       |                   | 37             |
| Transfers                                    | 3                    |                              | 155                 | 61  | (3)                                   | 1                 | 217            |
| Revaluations                                 | 51                   |                              |                     |   |                                       |                   | 51             |
| Impairments                                  | 53                   | 3                            |                     |   |                                       |                   | 56             |
| <b>Gross Book Value as at 31 March 2013</b>  | <b>282,461</b>       | <b>7,471</b>                 | <b>2</b>            | <b>1,155</b>                                    | <b>47</b>                             | <b>(5)</b>        | <b>291,165</b> |
| Accumulated Depreciation as at 31 March 2013 | (16,434)             | (331)                        | (2)                 | (8)   | (3)                                   | 5                 | (16,773)       |
| <b>Net Book Value as at 31 March 2013</b>    | <b>266,027</b>       | <b>7,140</b>                 | <b>0</b>            | <b>1,147</b>                                    | <b>44</b>                             | <b>0</b>          | <b>274,392</b> |

**HRA Note 8. Capital Expenditure**

|   | 31 March 2013<br>£000 | 31 March 2012<br>£000 |
|---|-----------------------|-----------------------|
| Purchase or enhancement of Council Dwellings              | 12,557                | 10,758                |
| Expenditure on maintaining the value of Council Dwellings | 37                    | 41                    |
| <b>Total HRA Capital Expenditure</b>                      | <b>12,594</b>         | <b>10,799</b>         |
| <u>Financed by:-</u>                                      |                       |                       |
| Usable Capital Receipts                                   | 0                     | 1,081                 |
| <b>Total Financed By Capital Receipts</b>                 | <b>0</b>              | <b>1,081</b>          |
| <u>Revenue contributions:-</u>                            |                       |                       |
| General Reserves  | 0                     | 0                     |
| Major Repairs Reserve                                     | 0                     | 5,688                 |
| Third Party   | 76                    | 59                    |
| Capital Grant   | 6,536                 | 25                    |
| <b>Total Revenue Contributions</b>                        | <b>6,612</b>          | <b>5,772</b>          |
| <u>Borrowing:-</u>  |                       |                       |
| Supported Capital Expenditure                             | 0                     | 3,946                 |
| Unsupported Capital Expenditure                           | 5,982                 | 0                     |
| <b>Total Capital Expenditure</b>                          | <b>12,594</b>         | <b>10,799</b>         |

**HRA Note 9. Capital Receipts**

|  | Council Dwellings<br>2012/13<br>£000 | Council Dwellings<br>2011/12<br>£000 |
|--|--------------------------------------|--------------------------------------|
| <b>Capital Receipts from Disposals During the Year</b> | <b>1,000</b>                         | <b>1,210</b>                         |

# **THE COLLECTION FUND**



## THE COLLECTION FUND

| 2011/12<br>£000 |  | 2012/13<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Income</b>  |                 |
| 67,760          | Income from Council Tax <span style="float: right;"><i>(Collection Fund Note 1)</i></span>                     | 68,632          |
| 42,692          | Income Collectable from Business Ratepayers <span style="float: right;"><i>(Collection Fund Note 2)</i></span> | 41,314          |
|                 | <b>Transfers from General Fund</b>   |                 |
| 14,734          | Council Tax Benefits   | 14,621          |
| <b>125,186</b>  | <b>Total Income</b>  | <b>124,567</b>  |
|                 | <b>Expenditure</b>   |                 |
|                 | <b>Precepts and Demands</b>  |                 |
| 8,112           | Essex Police Authority   | 8,423           |
| 4,078           | Essex Fire Authority   | 4,092           |
| 68,837          | Southend-on-Sea Borough Council  | 69,080          |
| <b>81,027</b>   | <b>Total Precepts And Demands</b>  | <b>81,595</b>   |
|                 | <b>Business Rate</b>   |                 |
| 42,448          | Payment to National Pool   | 41,074          |
| 244             | Costs of Collection  | 240             |
| <b>42,692</b>   | <b>Total Business Rate</b>   | <b>41,314</b>   |
|                 | <b>Provisions</b>  |                 |
| 454             | Council Tax Appeals and Non-Collection   | 239             |
| (438)           | Council Tax Write-offs   | (204)           |
| <b>123,735</b>  | <b>Sub-Total</b>   | <b>122,944</b>  |
|                 | <b>Use of Council Tax Balance</b>  |                 |
| 905             | Council Tax - Southend-on-Sea Borough Council  | 1,017           |
| 107             | Council Tax - Essex Police Authority   | 120             |
| 54              | Council Tax - Essex Fire Authority   | 60              |
| <b>124,801</b>  | <b>Total Expenditure</b>   | <b>124,141</b>  |
| <b>385</b>      | <b>Increase/(Decrease) in Balance</b>  | <b>426</b>      |
| <b>2,263</b>    | <b>Balance as at 1 April</b>   | <b>2,648</b>    |
| <b>2,648</b>    | <b>Balance as at 31 March</b> <span style="float: right;"><i>(Collection Fund Note 4)</i></span>               | <b>3,074</b>    |

The balance on the Collection Fund as at 31 March 2013 was £3,073,965. £827,000 of this balance is committed in support of the 2013/14 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 (£1,141.08 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<br>of<br>Dwellings | Ratio | Equivalent<br>Number of<br>Dwellings |
|---|---------------------------|-------|--------------------------------------|
| Valuation Band - A*   | 12                        | 5/9   | 7                                    |
| Valuation Band - A  | 13,195                    | 6/9   | 8,797                                |
| Valuation Band - B  | 13,228                    | 7/9   | 10,289                               |
| Valuation Band - C  | 20,500                    | 8/9   | 18,222                               |
| Valuation Band - D  | 11,251                    | 9/9   | 11,251                               |
| Valuation Band - E  | 6,023                     | 11/9  | 7,361                                |
| Valuation Band - F  | 3,297                     | 13/9  | 4,762                                |
| Valuation Band - G  | 1,400                     | 15/9  | 2,333                                |
| Valuation Band - H  | 84                        | 18/9  | 168                                  |
|   | <b>68,990</b>             |       | <b>63,190</b>                        |
| Less:   |                           |       |                                      |
| Adjustment For Collection Of Rates And Anticipated Changes<br>During The Year For Successful Appeals Against Valuation<br>Banding, New Properties, Demolitions, Disabled Persons Relief And<br>Exempt Properties. |                           |       | 1,580                                |
| * Reductions For Band A Disabled.   |                           |       |                                      |
|   |                           |       | <b>Council Tax Base 61,610</b>       |

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

Non Domestic Rates are organised on a national basis. The Government specified an amount of 45.8p in 2012/13 (*43.3p in 2011/12*) with a small business rate of 45.0p in 2012/13 (*42.6p in 2011/12*) 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 £41,314,245 for 2012/13 (*£42,692,171 for 2011/12*). The year-end rateable value for the Council's

area was £119,633,135 at 31 March 2013 (£119,631,327 at 31 March 2012). 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 a decrease of £150,592 in 2012/13 (an increase of £284,399 in 2011/12) 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 £3,074,000 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.

|   | 31 March 2013<br>£000 | 31 March 2012<br>£000 |
|---|-----------------------|-----------------------|
| Council Tax - Southend-on-Sea Borough Council | 2,603                 | 2,249                 |
| Council Tax - Essex Police Authority          | 317                   | 267                   |
| Council Tax - Essex Fire Authority            | 154                   | 132                   |
| <b>Total</b>                                  | <b>3,074</b>          | <b>2,648</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:

| Valuation Band                            | Range of Values            | Council Tax 2012/13<br>Leigh-on-Sea<br>Town Council<br>Area | Council Tax 2012/13<br>All other parts<br>of the Borough | Ratio to<br>Band D |
|---|----------------------------|---|--|--------------------|
|   | £                          | £   | £  |                    |
| A   | Up to and including 40,000 | 896.14  | 880.68   | 6/9                |
| B   | 40,001 - 52,000            | 1,045.50  | 1,027.46   | 7/9                |
| C   | 52,001 - 68,000            | 1,194.85  | 1,174.24   | 8/9                |
| D   | 68,001 - 88,000            | 1,344.21  | 1,321.02   | 1                  |
| E   | 88,001 - 120,000           | 1,642.92  | 1,614.58   | 11/9               |
| F   | 120,001 - 160,000          | 1,941.64  | 1,908.14   | 13/9               |
| G   | 160,001 - 320,000          | 2,240.35  | 2,201.70   | 15/9               |
| H   | More than 320,000          | 2,688.42  | 2,642.04   | 18/9               |
| <b>Band D</b>                             |                            | <b>2011/12<br/>£</b>  | <b>2012/13<br/>£</b>                                     | <b>% increase</b>  |
| Southend-on-Sea Borough Council           |                            | 1,117.89  | 1,117.89   | -                  |
| Essex Fire Authority                      |                            | 66.42   | 66.42  | -                  |
| Essex Police Authority                    |                            | 132.12  | 136.71   | 3.47               |
| Other than Leigh-on-Sea Town Council Area |                            | 1,316.43  | 1,321.02   | 0.35               |
| Leigh-on-Sea Town Council                 |                            | 22.55   | 23.19  | 2.84               |
| Leigh-on-Sea Town Council Area            |                            | 1,338.98  | 1,344.21   | 0.39               |

# **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. As at 31 March 2013, the Council had four wholly owned companies that it considers to fall within the legal definitions of group accounts. These are

- South Essex Homes Limited
- Southend Trading Corporation Limited
- Southend Equipment Supplies Limited, and
- Southend Business Services Limited

Southend Business Services Limited has yet to trade. Of the other three companies, only South Essex Homes Limited traded at a material level during the year, and therefore is the only company subject to consolidation.

### **SOUTH ESSEX HOMES**

Southend-on-Sea Borough Council established an Arm's 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.

### **TRUST FUNDS AND BEQUESTS**

(See also Note 55 to the main accounts). The Council is responsible for administering a number of trust funds. These funds are not Council assets, so they are not included in the Council's own 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 2013, the Council was sole trustee of twelve trust funds. Although the Council would require the agreement of the Charity Commission to alter the aims and objectives of the Charities, or indeed to dispose of any charity assets, the Council does have significant control over the day to day operations. Of these only four are material to the Council's operations and therefore been subject to consolidation. See the Restatement Note below for an explanation of the impact of this change.

### **GROUP ACCOUNTING POLICIES**

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

## GROUP MOVEMENT IN RESERVES

|  | Usable Reserves<br>£000 | Unusable Reserves<br>£000 | Total Group Reserves<br>£000 |
|--|-------------------------|---------------------------|------------------------------|
| <b>Balance at 31 March 2011</b>  | <b>60,590</b>           | <b>389,564</b>            | <b>450,154</b>               |
| <b>Movement in Reserves during 2011/12</b>                               |                         |                           |                              |
| Surplus (Deficit) on the Provision of Services                           | (85,564)                |                           | (85,564)                     |
| Other Comprehensive Income and Expenditure                               |                         | (51,153)                  | (51,153)                     |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>(85,564)</b>         | <b>(51,153)</b>           | <b>(136,717)</b>             |
| Adjustments between accounting basis and funding basis under regulations | 90,010                  | (90,010)                  | 0                            |
| <b>Net Increase / Decrease before Transfers to reserves</b>              | <b>4,446</b>            | <b>(141,163)</b>          | <b>(136,717)</b>             |
| Transfers to / from Earmarked Reserves                                   |                         |                           | 0                            |
| <b>Increase / Decrease in 2011/12</b>                                    | <b>4,446</b>            | <b>(141,163)</b>          | <b>(136,717)</b>             |
| <b>Balance at 31 March 2012</b>  | <b>65,036</b>           | <b>248,401</b>            | <b>313,437</b>               |
| <b>Movement in Reserves during 2012/13</b>                               |                         |                           |                              |
| Surplus (Deficit) on the Provision of Services                           | (5,581)                 |                           | (5,581)                      |
| Other Comprehensive Income and Expenditure                               |                         | (41,636)                  | (41,636)                     |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>(5,581)</b>          | <b>(41,636)</b>           | <b>(47,217)</b>              |
| Adjustments between accounting basis and funding basis under regulations | 23,659                  | (23,659)                  | 0                            |
| <b>Net Increase / Decrease before Transfers to reserves</b>              | <b>18,078</b>           | <b>(65,295)</b>           | <b>(47,217)</b>              |
| Transfers to / from Earmarked Reserves                                   |                         |                           | 0                            |
| <b>Increase / Decrease in 2012/13</b>                                    | <b>18,078</b>           | <b>(65,295)</b>           | <b>(47,217)</b>              |
| <b>Balance at 31 March 2013</b>  | <b>83,114</b>           | <b>183,106</b>            | <b>266,220</b>               |

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2011/12                                  |                         |                            | 2012/13   |                              |                         |                            |
|--|-------------------------|----------------------------|---|------------------------------|-------------------------|----------------------------|
| Gross<br>Expenditure<br>£000<br>Restated | Gross<br>Income<br>£000 | Net<br>Expenditure<br>£000 |   | Gross<br>Expenditure<br>£000 | Gross<br>Income<br>£000 | Net<br>Expenditure<br>£000 |
| 19,080                                   | (16,397)                | 2,683                      | Central Services to the Public  | 18,919                       | (16,247)                | 2,672                      |
| 28,870                                   | (3,304)                 | 25,566                     | Cultural Services   | 17,446                       | (3,798)                 | 13,648                     |
| 20,954                                   | (3,761)                 | 17,193                     | Environmental and Regulatory<br>Services                              | 20,173                       | (4,668)                 | 15,505                     |
| 2,764                                    | (559)                   | 2,205                      | Planning Services   | 2,205                        | (522)                   | 1,683                      |
| 172,062                                  | (130,460)               | 41,602                     | Education and Children's Services                                     | 176,128                      | (108,524)               | 67,604                     |
|  |                         |                            | Exceptional cost of Education and<br>Children's Impairment            | 0                            | 0                       | 0                          |
| 25,659                                   | (9,284)                 | 16,375                     | Highways and Transport Services                                       | 19,675                       | (8,635)                 | 11,040                     |
| 25,869                                   | (24,872)                | 997                        | Local Authority Housing (HRA)   | 22,326                       | (27,568)                | (5,242)                    |
|  |                         |                            | Exceptional cost of HRA Self<br>Financing Settlement                  | 0                            | 0                       | 0                          |
| 34,692                                   | 0                       | 34,692                     | Other Housing Services  | 105,538                      | (100,424)               | 5,114                      |
| 102,666                                  | (95,501)                | 7,165                      | Adult Social Care   | 68,802                       | (23,579)                | 45,223                     |
| 69,497                                   | (21,059)                | 48,438                     | Corporate and Democratic Core   | 7,896                        | (339)                   | 7,557                      |
| 8,716                                    | (789)                   | 7,927                      | Non Distributed Costs   | (6,936)                      |                         | (6,936)                    |
| (3,111)                                  | 0                       | (3,111)                    |   |                              |                         |                            |
| <b>507,718</b>                           | <b>(305,986)</b>        | <b>201,732</b>             | <b>Cost of Services</b>   | <b>452,172</b>               | <b>(294,304)</b>        | <b>157,868</b>             |
|  |                         | 24,628                     | Other Operating Expenditure   |                              |                         | 1,649                      |
|  |                         |                            | Financing and Investment Income and<br>Expenditure                    |                              |                         | 15,317                     |
|  |                         | 14,345                     | Taxation and Non-Specific Grant                                       |                              |                         | (169,268)                  |
|  |                         | (155,141)                  | Income  |                              |                         |                            |
|  |                         | <b>85,564</b>              | <b>(Surplus) or Deficit on Provision of<br/>Services</b>              |                              |                         | <b>5,566</b>               |
|  |                         | 1                          | Tax Expenses of Subsidiary  |                              |                         | 15                         |
|  |                         | <b>85,565</b>              | <b>Group (Surplus)/Deficit</b>  |                              |                         | <b>5,581</b>               |
|  |                         |                            | Surplus or Deficit on Revaluation of<br>Property, Plant and Equipment |                              |                         | 30,108                     |
|  |                         | (15,151)                   | Assets  |                              |                         | 2                          |
|  |                         | 15                         | Available for Sale Financial Assets                                   |                              |                         | 11,525                     |
|  |                         |                            | Actuarial gains / losses on Pension<br>Assets / Liabilities           |                              |                         |                            |
|  |                         | 66,288                     | <b>Other Comprehensive Income and<br/>Expenditure</b>                 |                              |                         | <b>41,635</b>              |
|  |                         | <b>51,152</b>              | <b>Total Comprehensive Income and<br/>Expenditure</b>                 |                              |                         | <b>47,216</b>              |
|  |                         | <b>136,717</b>             |   |                              |                         |                            |

## GROUP BALANCE SHEET

| 31 March 2011    | 31 March 2012    |                                      | 31 March 2013    |
|------------------|------------------|--------------------------------------|------------------|
| £000             | £000             |                                      | £000             |
| Restated         | Restated         |                                      |                  |
| 673,270          | 657,703          | Property, Plant & Equipment          | 627,236          |
| 15,800           | 10,295           | Heritage Assets                      | 10,070           |
| 25,993           | 26,059           | Investment Property                  | 26,494           |
| 5,131            | 6,014            | Intangible Assets                    | 3,514            |
| 1,347            | 0                | Assets Held for Sale                 | 271              |
| 73               | 67               | Long Term Investments                | 61               |
| 56               | 45               | Long Term Debtors                    | 81               |
| <b>721,670</b>   | <b>700,183</b>   | <b>Long Term Assets</b>              | <b>667,727</b>   |
| 55,358           | 27,178           | Short term Investments               | 38,046           |
| 1,677            | 1,946            | Assets Held for Sale                 | 1,518            |
| 329              | 293              | Inventories                          | 212              |
| 34,406           | 39,310           | Short Term Debtors                   | 36,304           |
| 50,763           | 40,521           | Cash and Cash Equivalents            | 34,841           |
| <b>142,533</b>   | <b>109,248</b>   | <b>Current Assets</b>                | <b>110,921</b>   |
| (536)            | (330)            | Cash and Cash Equivalents            | (79)             |
| (39,968)         | (21,313)         | Short Term Borrowings                | (21,484)         |
| (45,376)         | (38,493)         | Short Term Creditors                 | (35,578)         |
| (5,947)          | (3,462)          | Provisions                           | (4,813)          |
| <b>(91,827)</b>  | <b>(63,598)</b>  | <b>Current Liabilities</b>           | <b>(61,954)</b>  |
| (2,753)          | (3,169)          | Long Term Creditors                  | (723)            |
| 0                | 0                | Provisions                           | (77)             |
| (172,124)        | (221,816)        | Long Term Borrowing                  | (236,816)        |
| (130,843)        | (191,681)        | Other Long Term Liabilities-Pensions | (197,780)        |
| (16,502)         | (15,730)         | Other Long Term Liabilities-Other    | (15,078)         |
| 0                | 0                | Capital Grants Received in Advance   | 0                |
| <b>(322,222)</b> | <b>(432,396)</b> | <b>Long Term Liabilities</b>         | <b>(450,474)</b> |
| <b>450,154</b>   | <b>313,437</b>   | <b>Net Assets</b>                    | <b>266,220</b>   |
| 60,590           | 65,036           | Usable Reserves                      | 83,114           |
| 389,564          | 248,401          | Unusable Reserves                    | 183,106          |
| <b>450,154</b>   | <b>313,437</b>   | <b>Total Reserves</b>                | <b>266,220</b>   |



## GROUP CASH FLOW STATEMENT

| <b>2011/12</b>  |  | <b>2012/13</b>  |
|-----------------|--|-----------------|
| <b>£000</b>     |  | <b>£000</b>     |
| 85,565          | Net (Surplus) or Deficit on the Provision of Services                  | 5,581           |
|                 | Adjustments to Net Surplus or Deficit on the Provision of Services for |                 |
| (62,246)        | non-cash Movements   | (46,714)        |
|                 | Adjustments for items included in the Net Surplus or Deficit on the    |                 |
| 10,812          | Provision of Services that are Investing and Financing Activities      | 12,452          |
| 34,131          | Net cash flows from Operating Activities                               | (28,681)        |
| 6,295           | Investing Activities   | 47,357          |
| (30,390)        | Financing Activities   | (13,247)        |
| 10,036          | Net Increase or Decrease in Cash and Cash Equivalents                  | 5,429           |
| (50,227)        | Cash and Cash Equivalents at the beginning of the Reporting Period     | (40,191)        |
| <b>(40,191)</b> | <b>Cash and Cash Equivalents at the end of the Reporting Period</b>    | <b>(34,762)</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.

### Restatement of Group Accounts

#### Inclusion of Trust Funds

Having reviewed the nature of the control the Council has over the Trust Funds for which it is sole trustee, it has been concluded that control does exist, and as such the related balances and transactions should be included within the Council's group accounts. Therefore in addition to the restatement of the Council's own financial statements as set out on page 34 above, it has also been necessary to restate the group financial statements to incorporate the Trust Funds.

The following tables explain the material differences between the amounts presented in the 2011/12 financial statements and the equivalent amounts presented in the 2012/13 financial statements.

#### 2011/12 Movement in Reserves

|  | 2011/12<br>Statements<br>£'000 | Adjustments<br>Made<br>£'000 |
|--|--------------------------------|------------------------------|
| Surplus or (deficit) on provision of services  | (94,155)                       | (156)                        |
| Other Comprehensive Income and Expenditure   | (51,152)                       | (1)                          |
| Adjustments between accounting basis and funding basis under regulations - Usable Reserves   | 98,451                         | (306)                        |
| Adjustments between accounting basis and funding basis under regulations - Unusable Reserves | (98,451)                       | 306                          |

#### Opening 1 April 2011 Balance Sheet

|                                 | 2011/12<br>Statements<br>£'000 | Adjustments<br>Made<br>£'000 |
|---------------------------------|--------------------------------|------------------------------|
| Property Plant & Equipment      | 760,000                        | 10,448                       |
| Heritage Assets                 | 13,753                         | 2,047                        |
| Investment Property             | 25,754                         | 239                          |
| Short Term Creditors            | (47,781)                       | 2,405                        |
| Usable Reserves - Trust Funds   | (58,184)                       | (2,406)                      |
| Unusable Reserves - Trust Funds | (474,008)                      | (12,734)                     |

#### 31 March 2012 Balance Sheet

|                                 | 2011/12<br>Statements<br>£'000 | Adjustments<br>Made<br>£'000 |
|---------------------------------|--------------------------------|------------------------------|
| Property Plant & Equipment      | 735,911                        | 10,223                       |
| Heritage Assets                 | 8,330                          | 1,965                        |
| Investment Property             | 25,820                         | 239                          |
| Short Term Creditors            | (41,049)                       | 2,556                        |
| Usable Reserves - Trust Funds   | (62,480)                       | (2,556)                      |
| Unusable Reserves - Trust Funds | (324,405)                      | (12,427)                     |

#### 2011/12 Comprehensive Income and Expenditure Statement Cost of Services (Net)

|   | 2011/12<br>Statements<br>£'000 | Adjustments<br>Made<br>£'000 |
|---|--------------------------------|------------------------------|
| Cultural Services                               | 25,695                         | (129)                        |
| Financing and Investment Income and Expenditure | 14,059                         | 286                          |

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

South Essex Homes Limited – Company registration number 05453601

**Group Note 2. Financial Performance:**

**South Essex Homes**

|                   | Turnover      | Expenditure  | Assets       | Liabilities   |
|-------------------|---------------|--------------|--------------|---------------|
|                   | £000          | £000         | £000         | £000          |
| South Essex Homes | 10,710        | 9,644        | 4,608        | 10,800        |
| <b>Total</b>      | <b>10,710</b> | <b>9,644</b> | <b>4,608</b> | <b>10,800</b> |

On 31 March 2013 the company had net liabilities valued at £6.192m. This comprises retained profits of £2.019m, set against a pension reserve of £8.211m. The Council provides a guarantee for the pension reserve, so that South Essex Homes can continue to be regarded as a going concern.

**Trust Accounts**

|                                  | Income     | Expenditure | Assets        | Liabilities |
|----------------------------------|------------|-------------|---------------|-------------|
|                                  | £000       | £000        | £000          | £000        |
| Youth Commemoration Ground Trust | 463        | 451         | 8,271         | 1           |
| Palace Theatre Charity           | 197        | 311         | 4,163         | 3           |
| Prittlevell Priory Museum Trust  | 34         | 116         | 1,885         | 1           |
| The Shrubbery Trust              | 31         | 6           | 512           | 0           |
| <b>Total Trusts</b>              | <b>725</b> | <b>884</b>  | <b>14,831</b> | <b>5</b>    |

**Group Note 3. Intercompany transactions:**

**South Essex Homes**

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 £0.5m. These transactions have been removed from the Group Comprehensive Income and Expenditure Statement.

**Trust Accounts**

The Trusts generate little or no income in their own right. As such the Council provides either free services or a direct operating subsidy, by way of a grant. In total the Council supported the operation of the consolidated Trusts by £0.645M. In addition the Council paid interest on cash balances held. These transactions have been removed from the Group Comprehensive Income and Expenditure Statement

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 the Chair of the Board, Cheviot House, 70 Baxter Avenue, Southend-on-Sea, SS2 6JA.

The Financial accounts of the Trusts can be obtained from the Head of Finance and Resources, Southend-on-Sea Borough Council, PO Box 6, Civic Centre, Victoria Avenue, Southend-on-Sea, Essex, SS2 6ER

**ADDITIONAL  
FINANCIAL  
INFORMATION**

## MEMBERS' ALLOWANCES

| Members' Allowances        |      | Basic Allowances  | Special Allowances | Travel & Subsistence | Total             |
|----------------------------|------|-------------------|--------------------|----------------------|-------------------|
|                            |      | £                 | £                  | £                    | £                 |
| <b>Elected Councillors</b> |      |                   |                    |                      |                   |
| ASHLEY                     | P    | 767.93            | 575.95             |                      | 1,343.88          |
| ASSENHEIM                  | M    | 8,402.04          | 1,097.72           |                      | 9,499.76          |
| AYLING                     | B    | 7,634.11          |                    | 9.40                 | 7,643.51          |
| AYLEN                      | ST   | 8,402.04          |                    |                      | 8,402.04          |
| BETSON                     | M    | 8,402.04          |                    |                      | 8,402.04          |
| BORTON                     | M    | 8,402.04          |                    |                      | 8,402.04          |
| BROWN                      | RAH  | 8,402.04          | 135.52             |                      | 8,537.56          |
| BURDETT                    | L    | 8,402.04          | 1,260.36           |                      | 9,662.40          |
| BYFORD                     | T    | 8,402.04          |                    |                      | 8,402.04          |
| CARR                       | SJ   | 8,402.04          | 11,742.49          |                      | 20,144.53         |
| CAUNCE                     | M    | 8,402.04          |                    |                      | 8,402.04          |
| CHALK                      | A    | 8,402.04          |                    |                      | 8,402.04          |
| COLLINS                    | P    | 8,402.04          | 1,829.47           |                      | 10,231.51         |
| COURTENAY                  | J    | 8,402.04          | 9,175.59           |                      | 17,577.63         |
| COX                        | TM   | 8,402.04          | 10,502.52          |                      | 18,904.56         |
| CRYSTALL                   | A    | 8,402.04          |                    |                      | 8,402.04          |
| DAY                        | E    | 8,402.04          | 813.09             |                      | 9,215.13          |
| DELANEY                    | AJ   | 767.93            |                    |                      | 767.93            |
| EVANS                      | MF   | 8,402.04          | 5,041.20           |                      | 13,443.24         |
| EVERITT                    | R    |                   | 304.84             |                      | 304.84            |
| FLEWITT                    | MA   | 8,402.04          | 2,452.88           |                      | 10,854.92         |
| FOLKARD                    | N    | 767.93            | 115.19             | 8.00                 | 891.12            |
| GARSTON                    | J    | 8,402.04          | 10,502.52          |                      | 18,904.56         |
| GARSTON                    | D    | 7,634.11          | 914.72             |                      | 8,548.83          |
| GILBERT                    | I    | 8,402.04          | 4,883.10           |                      | 13,285.14         |
| GODWIN                     | B    | 8,402.04          |                    |                      | 8,402.04          |
| GRIMWADE                   | M    | 8,402.04          |                    |                      | 8,402.04          |
| HABERMEL                   | S    | 8,402.04          | 4,201.08           |                      | 12,603.12         |
| HADLEY                     | R    | 8,402.04          | 4,621.08           | 47.40                | 13,070.52         |
| HOLDCROFT                  | TM   | 8,402.04          | 29,406.96          |                      | 37,809.00         |
| HOLLAND                    | AE   | 8,402.04          | 6,301.56           | 12.00                | 14,715.60         |
| HORRIGAN MBE               | GM   | 8,402.04          | 135.52             |                      | 8,537.56          |
| JARVIS                     | DJ   | 8,402.04          | 10,502.52          | 31.30                | 18,935.86         |
| JONES                      | ADAM | 8,402.04          |                    |                      | 8,402.04          |
| JONES                      | ANNE | 7,634.11          |                    |                      | 7,634.11          |
| KAYE                       | A    | 8,402.04          | 5,488.47           |                      | 13,890.51         |
| KELLY                      | BT   | 8,402.04          | 3,708.64           | 161.60               | 12,272.28         |
| LAMB                       | JL   | 8,402.04          | 15,123.96          | 438.00               | 23,964.00         |
| LEWIN                      | G    | 8,402.04          |                    |                      | 8,402.04          |
| LONGLEY                    | GE   | 8,402.04          | 7,814.78           |                      | 16,216.82         |
| McMAHON                    | J    | 8,402.04          |                    |                      | 8,402.04          |
| MORGAN                     | J    |                   | 1,050.00           |                      | 1,050.00          |
| MORGAN                     | R    | 8,402.04          |                    |                      | 8,402.04          |
| MORING                     | AJ   | 8,402.04          | 10,502.52          | 18.50                | 18,923.06         |
| NORMAN                     | DA   | 8,402.04          | 8,706.95           | 32.00                | 17,140.99         |
| ROBERTSON                  | IT   | 8,402.04          | 271.01             |                      | 8,673.05          |
| ROBIN                      | B    | 767.93            | 115.19             |                      | 883.12            |
| RUSSELL                    | D    | 8,402.04          |                    |                      | 8,402.04          |
| SALTER                     | L    | 8,402.04          | 10,502.52          | 150.40               | 19,054.96         |
| STAFFORD                   | M    | 8,402.04          | 914.72             |                      | 9,316.76          |
| TERRY                      | MW   | 8,402.04          | 8,322.98           |                      | 16,725.02         |
| VAN LOOY                   | P    | 8,402.04          |                    |                      | 8,402.04          |
| VELMURUGAN                 | M    | 8,402.04          |                    |                      | 8,402.04          |
| WALKER                     | CW   | 8,402.04          |                    |                      | 8,402.04          |
| WARE-LANE                  | J    | 7,634.11          |                    |                      | 7,634.11          |
| WEXHAM                     | PA   | 8,402.04          |                    | 27.60                | 8,429.64          |
| WILLIAMS                   | R    |                   | 1,050.00           |                      | 1,050.00          |
| WOODLEY                    | R    | 8,402.04          | 5,488.47           |                      | 13,890.51         |
| <b>Co- Opted Members</b>   |      |                   |                    |                      |                   |
| CLARKE                     | A    |                   | 252.00             |                      | 252.00            |
| GRUBB                      | I    |                   | 252.00             |                      | 252.00            |
| BARNARD                    | L    |                   | 252.00             |                      | 252.00            |
| COPELAND                   | V    |                   | 252.00             |                      | 252.00            |
| CAMP                       | E    |                   | 252.00             |                      | 252.00            |
| SPIBY                      | D    |                   | 187.65             |                      | 187.65            |
| STROUDLEY                  | P    |                   | 42.00              |                      | 42.00             |
| RICKETT                    | M    |                   | 180.19             |                      | 180.19            |
| ROBERTS                    | S    |                   | 126.00             |                      | 126.00            |
| TETLEY                     | J    |                   | 2,100.96           |                      | 2,100.96          |
| <b>Total</b>               |      | <b>428,504.04</b> | <b>199,472.89</b>  | <b>936.20</b>        | <b>628,913.13</b> |

# **ABBREVIATIONS and GLOSSARY**

## **ABBREVIATIONS**

|        |   |
|--------|---|
| ALMO   | Arm's-Length Management Organisation                  |
| 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    |
| DfE    | 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                             |
| SeRCOP | Service Reporting Code of Practice                    |
| 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 Council 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 Comprehensive Income and Expenditure Statement 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 non-current or current. A non-current 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>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.   |

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| <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 non-current 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>Comprehensive Income and Expenditure Statement</b> | An account which summarises resources generated and consumed in the provision of services.   |
| <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.  |

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| <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 non-current 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 non-current 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 Dwellings, 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.  |

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| <b>HRA Subsidy</b>                                       | HRA subsidy is paid to meet any shortfall between expenditure and income, based on a model of each Council'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 Council. The calculation makes assumptions about an Council'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>Infrastructure Assets</b>                             | Non-current 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 Council 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>                                | Non-current 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.   |

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| <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>SeRCOP</b>   | Service Reporting Code of Practice. The system of local authority accounting and reporting the provision of services. SeRCOP lays down the required content and presentation of costs of service activities.   |
| <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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