

# Public Document Pack

## Southend-on-Sea Borough Council

Department for Corporate Services

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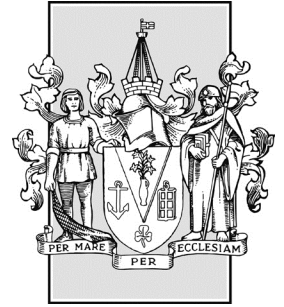
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Dear Councillor

### **AUDIT COMMITTEE - WEDNESDAY, 21ST SEPTEMBER, 2016**

Please find enclosed, for consideration at the next meeting of the Audit Committee taking place on Wednesday, 21st September, 2016, the following report(s) that were unavailable when the agenda was printed.

<b>Agenda No</b>	<b>Item</b>
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6.	<b><u>Statutory Statement of Accounts 2015-16 (Pages 1 - 164)</u></b>
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Report of Corporate Director for Corporate Services

Yours faithfully

Encs

### **Distribution**

1. Agenda and reports to all Members of the Audit Committee for attendance



# Southend-on-Sea Borough Council

Report of Corporate Director for Corporate Services  
to  
**Audit Committee**  
on  
**21 September 2016**

Report prepared by: Ian Ambrose  
Group Manager, Financial Management

Agenda  
Item No.

**6**

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## Statutory Statement of Accounts 2015/16

### *A Part 1 Public Agenda Item*

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#### **1 Purpose of Report**

To adopt the Statement of Accounts 2015/16

#### **2 Recommendation**

- 2.1 That following due consideration, that the Statement of Accounts 2015/16 be adopted and approved for publication.

#### **3 Background**

- 3.1 The Accounts and Audit Regulations 2015 require that an Authority's Annual Statement of Accounts be formally adopted by the end of September, having been previously submitted to External Audit by the Chief Finance Officer by the end of June.
- 3.2 Adoption of the Accounts can only be undertaken by the Council as a whole, or a Council Committee to which the function has been delegated. At Southend-on-Sea Borough Council, the Audit Committee has the delegated power to adopt the Accounts. In adopting the accounts, Audit Committee need to satisfy themselves that the process of drawing up the accounts is robust, and that all relevant guidance and standards have been satisfactorily followed: It is not the role of Audit Committee to pass comment on the financial outturn of the Authority per se, rather to ensure it is accurately reported.
- 3.3 Before adopting the Statement of Accounts 2015/16, Members need to understand how the structure of the accounts works. Appendix 1 guides Members through the various statements and the accompanying notes, drawing Members attention to any significant variances or changes year on year. The appendix therefore serves as an aid to Members' robust scrutiny of the Accounts prior to their adoption.

- 3.4 Members will also be mindful of the findings of the Council's external auditors BDO regarding the Accounts, as contained within their report elsewhere on this agenda. In particular Members will note that the auditor is anticipating issuing an unqualified opinion on the financial statements and on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money) conclusion.
- 3.5 The Statement of Accounts is attached at Appendix 2. After due consideration, Members are invited to adopt them.

#### **4 Next Steps**

- 4.1 Following adoption, the Statement of Accounts will be formally published on the Council's website.

#### **5 Corporate Implications**

- 5.1 **Contribution to Council's Vision & Critical Priorities**  
The accuracy, format and content of the Statement of Accounts are key determinants in maintaining the Council's reputation for financial probity and financial stewardship
- 5.2 **Financial Implications**  
The Statement of Accounts is required to present a true and fair picture of the Council's financial position at 31 March 2016 and also the income and expenditure for the financial year.
- 5.3 **Legal Implications**  
The Statement of Accounts is a statutory document required by the Accounts and Audit Regulations issued by the Secretary of State
- 5.4 **People Implications**  
There are no people implications arising from this report
- 5.5 **Property Implications**  
There are no property implications arising from this report
- 5.6 **Consultation**  
There are no consultation implications arising from this report
- 5.7 **Equalities Impact Assessment**  
There are no equalities implications arising from this report
- 5.8 **Risk Assessment**  
There are no risk implications arising from this report
- 5.9 **Value for Money**  
There are no value for money implications arising from this report
- 5.10 **Community Safety Implications**  
There are no community safety implications arising from this report

5.11 Environmental Impact  
There are no environmental implications arising from this report

**6 Background Papers**  
Detailed working papers are held by Accountancy

**7 Appendices**

**Appendix 1** Overview of the Statutory Statement of Accounts 2015/16

**Appendix 2** Statutory Statement of Accounts 2015/16

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## **Appendix 1**

### **Overview of the Statutory Statement of Accounts 2015/16**

#### **1. Introduction**

- 1.1. This overview summarises the contents of the accounts and draws Members' attention to the reasons for any significant variances in the 2015/16 position when compared to 2014/15.
- 1.2. The content and format of the Statement of Accounts have been prepared in accordance with "The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16" ("the Code") published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.3. The style of presentation and content of the Statutory Statement of Accounts are prescribed by the Accounts and Audit Regulations 2015, together with the Code, as are the explanatory notes accompanying each of the major financial statements. There has not been any change to reporting requirements under the code as in previous years, nor has there been any need to restate the previous year's financial statements.

#### **Format of the Accounts**

#### **2. Strategic Report (Page 7)**

- 2.1. The Strategic Report (also known as the narrative report) has been expanded from the Explanatory Foreword of previous years to incorporate information about the Council's performance against its corporate priorities, and to set out the principal risks and uncertainties that the Council faces.
- 2.2. The Strategic Report therefore sets out to provide a brief understandable guide to the most significant matters reported in the accounts. Any significant change impacting on the finances of the Authority or change in accounting requirements would be highlighted here. The purpose of the Strategic Report is not to comment on the policies of the authority, rather to explain the financial facts.
- 2.3. The Strategic Report shows a summarised revenue outturn position for the Council, comparing the position against the original budget set for 2015/16. This summarised information has already been reported and debated by the Cabinet when they considered the provisional outturn in June 2016. The format shown here reflects the Portfolio Holder view of the accounts that will be more readily recognisable to Members than the statutory format used in the Statements proper.
- 2.4. A summarised schedule of capital expenditure and its financing is also shown.
- 2.5. Looking forward, the Strategic Report also draws attention to changes to the Council's financial environment during 2016/17 and beyond.

### **3. Statement of Responsibilities (Page 20)**

- 3.1. This sets out the respective responsibilities of the Authority and the Head of Finance and Resources in relation to the production of the final accounts. The Council is responsible for making arrangements for the proper administration of its financial affairs, which it does through its Chief Finance Officer. It is also required to manage its affairs to secure economic, efficient and effective use of its resources, to safeguard its assets and to approve the Statement of Accounts.
- 3.2. The Head of Finance and Resources is required to produce the Statement of Accounts in accordance with proper practice, and to certify that they present a true and fair view of the financial position of the Council.
- 3.3. The approval of the Statement of Accounts, as witnessed by the Chair of Audit Committee is also incorporated here.

### **4. Annual Governance Statement (Page 21)**

- 4.1. The Annual Governance Statement is a corporate document, signed by the Chief Executive and the Leader of the Council. It was separately considered by this Committee at its last meeting, and has been incorporated into the Statement of Accounts prior to publication.

### **5. Auditor's Report (Page 35)**

- 5.1. The external auditors will provide an independent opinion as to whether the statement of accounts presents a true and fair view of the financial position of Southend-on-Sea Borough Council at 31 March 2016 and its income and expenditure for the year then ended. The proposed report is included elsewhere on this agenda and will be incorporated into the published accounts.

### **6. The Accounting Statements**

- 6.1. The main statements are:
  - Movement in Reserves Statement – showing how the authority's usable and unusable reserves have moved during the year, including adjustments made as a result of statutory regulation and mitigations;
  - Comprehensive Income and Expenditure Statement – a summary of the resources generated and consumed by the authority in the year in accordance with generally accepted accounting practices, rather than the ultimate amount falling to be met by taxation;
  - The Balance Sheet; and
  - The Cash Flow Statement.
- 6.2. Each of these core financial statements is discussed in turn below in sections 7 to 11.

### **7. The Movement in Reserves Statement (Page 40)**

- 7.1. This statement shows in summarised form how the Council's usable and unusable reserves have moved during the year, through any surplus or deficit



on the provision of services and other income and expenditure, and by other adjustments driven by regulations, such as the reversal of depreciation.

- 7.2. The statement therefore shows the “bottom line” increases or decreases in the Council’s usable reserves, as summarised below.

	Increase / (Decrease) £000	Closing Balance £000
General Fund	-	11,000
Housing Revenue Account	-	3,502
Earmarked Reserves, <i>of which</i>	16,224	85,129
<i>General Fund</i>	<i>10,504</i>	<i>58,527</i>
<i>HRA</i>	<i>7,411</i>	<i>17,141</i>
<i>Schools</i>	<i>(1,691)</i>	<i>9,461</i>
Capital Receipts	(1,755)	7,498
Major Repairs (HRA)	(2,339)	4,534
Capital Grants Unapplied	(4,813)	8,848
<b>Total Usable Reserves</b>	<b>7,317</b>	<b>120,511</b>

- 7.3. The Movement in Reserves statement is supported by a number of notes to the accounts, the most notable of which are 7 and 8.

## 8. Comprehensive Income and Expenditure Statement (Page 41)

- 8.1. This statement is fundamental to the understanding of a local authority’s activities, in that it reports the net cost for the year of the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all of the Council’s activities, including the HRA. It also includes grant income due in support of capital.

- 8.2. The statement is split into three distinct sections:

- Net Cost of Services which summarises the cost of each of the different services, net of any associated specific grants and income. The service costs have been adjusted so that they reflect the true economic pension cost of current and past service. The cost of services also includes charges for the use of assets through depreciation and impairment. Where capital expenditure takes place that does not deliver a fixed asset, so called revenue expenditure funded from capital under statute, then this too, alongside any associated grant income, also gets charged here.
- The second section contains items of income and expenditure that relate to the authority as a whole rather than to an individual service. Amongst other things, this section contains further accounting adjustments for pensions, this time to reflect the performance of the fund, precepts paid to Leigh Town Council, and the payment of a proportion of the Councils’

sale of council house receipts over to the Government. It also includes the interest payable and receivable by the Council and the principal sources of financing, that is government grants (including capital grants) and precepts. When added to the net cost of services, this section results in the surplus or deficit on provision of services.

- The final section shows other income and expenditure arising from essentially balance sheet activities, thereby resulting in Total Comprehensive Income and Expenditure for the year.

8.3. For this authority the 2015/16 Comprehensive Income and Expenditure Statement results in a surplus of £49.636M. A surplus or deficit is disclosed before any appropriations to and from reserves, including statutory mitigations. This compares with a surplus of £17.979M in 2014/15.

8.4. Principal reasons for this year on year movement are set out in note 5 to the accounts, and include

- In relation to 2014/15, £31M net increases in asset valuations and £22M actuarial losses on the pension fund
- In relation to 2015/16, £57M net increases in asset valuation, £23M charge to the Housing Revenue Account relating to downward valuation of Council Housing and £18M relating to the write out of the book value of Cecil Jones School as it converted to academy status, and £25M actuarial gains on the pension fund.

## 9. Balance Sheet (Page 42)

9.1. The Balance Sheet sets out the financial position of the Authority as at 31 March 2016. The statement shows the balances and reserves at the Authority's disposal, its long-term indebtedness, and the long-term and net current assets employed. The significant movements on the balance sheet are described below.

9.2. **Property, Plant & Equipment.** The value at which Property, Plant & Equipment assets are carried in the balance sheet has increased by a net £30M. The movement has been made up as follows:

	<b>£000</b>
Balance as at 1 April 2015	682,233
Capital Investment in year	29,453
Increases in Valuation*	76,033
Decreases in Valuation*	(40,403)
Depreciation in year	(17,507)
Disposals*	(19,224)
Transfers	1,179
<b>Balance as at 31 March 2016</b>	<b>711,764</b>

\* See the Unusable Reserves paragraph

The increases in valuation mainly related to the HRA assets including the council dwellings as a result of the rolling revaluation programme. The figure also includes an indexation increase applied to the council dwellings and other land and buildings to reflect the increase in value between the valuation date and the balance sheet date. The decreases in valuation were as a result of impairments identified as part of the rolling revaluation programme, a review carried out at the balance sheet date, and as a result of the regular review of the fixed asset register. The decreases related to various assets including council dwellings, garages and hostels.

- 9.3. **Heritage Assets.** The value at which Heritage assets are carried in the balance sheet has decreased by a net £0.6M. The movement has been made up as follows:

	<b>£000</b>
Balance as at 1 April 2015	38,009
Capital Investment in year	501
Decreases in Valuation*	(501)
Depreciation in year	(626)
<b>Balance as at 31 March 2016</b>	<b>37,383</b>

\* See the Unusable Reserves paragraph

- 9.4. **Investment Property.** The value of investment properties has increased by a net £1M. The movement has been made up as follows;

	<b>£000</b>
Balance as at 1 April 2015	22,135
Capital Investment in year	26
Revaluations and Impairments	2,189
Transfers	(1,263)
<b>Balance as at 31 March 2016</b>	<b>23,087</b>

- 9.5. **Long Term Investments.** There has been an overall increase of £13M due to the value of long term monies invested into two property funds during 2015/16. These investments were reported to Cabinet in June as part of the Annual Treasury Management Report for 2015/16.
- 9.6. **Long Term Debtors.** This primarily represents the value of deferred payments in respect of Adult Social Care provision, separately identified from the main debtors here for the first time.
- 9.7. **Short Term Investments.** (This needs to be considered together with Cash and Cash Equivalents and Short and Long Term Borrowing.) There has been an overall increase of £3M in Short term investments with the increase in value

relating to redemption of part of the investment managed by the council's external fund manager, offset by investment into a fixed term deposit account.

- 9.8. **Short Term Debtors.** Debtors to the Council have increased year on year by £0.8M. This modest movement belies the fact that there has been a significant shift from customer debt towards government debt. Reasons include the reclassification by government of academies as part of government, whereas they were previously shown under "other entities".
- 9.9. **Cash and cash equivalents.** There has been an overall decrease of £8.6M in cash and cash equivalents, this comprises a £2.9M increase in cash in the council's main bank account, an decrease of £2.5M in the cash and cash equivalents held by schools and a £9.0M decrease in investments deemed to be cash equivalents.
- 9.10. The level of the investments deemed to be cash equivalents at 31/3/16 is lower than the average of these funds managed internally during 2015/16 which is not unusual for a year end position and no PWLB borrowing was taken out during the year.
- 9.11. The movement between the balance of cash in the council's main bank account, in investments deemed to be cash equivalents and in short term investments is a consequence of the normal day to day treasury management activities of minimising risk, maintaining liquidity and maximising return commensurate with that risk.
- 9.12. **Short term Borrowing.** Short term borrowing has decreased year on year by £0.4M, reflecting the net of short term monies repaid and taken out, together with the change in PWLB borrowing identified at each year end as repayable within 12 months.
- 9.13. **Creditors.** Creditors of the Council have increased year on year by £3M due to the timing of payments around Easter.
- 9.14. **Long term Borrowing.** Long term borrowing has increased year on year by a net £3.1M due to monies being drawn down from the Green Investment Bank loan relating to the LED Street Lighting project. The Cabinet report in June on Treasury Management gave the full background to these recent treasury activities
- 9.15. **Other Long Term Liabilities - Pensions.** There has been a £15.6 million decrease in the Council's pension liability, which is the amount by which future liabilities to pay pensions exceed the assets available. The total liability stands at £160.7 million. Statutory arrangements for the funding of the deficit, whereby the deficit will be made good by increased employer contributions over the remaining working life of employees, as assessed by the scheme's actuary, means that the financial position of the Council in this regard remains healthy.
- 9.16. The net decrease is attributable to both an increase in scheme asset values and a decrease in scheme liabilities, as set out below:

	<b>£000</b>
Liability as at 1 April 2015	176,286
Increase in Assets	(3,486)
Decrease in Liabilities	(12,147)
<b>Liability as at 31 March 2016</b>	<b>160,653</b>

9.17. The increase in assets arises from the returns on investment and employer and employee contributions outweighing pension payments made to retired staff; the decrease in liabilities arises from a change in the discount rate used by the actuary, plus the inherent difference between the growth in new liabilities from current scheme membership and the discharge of liabilities to existing pensioners.

9.18. **Usable Reserves.** The movement in usable reserves is set out under paragraph 7.2 above.

9.19. **Unusable Reserves.** These comprise the following reserves:

	<b>Increase / (Decrease) £000</b>	<b>Closing Balance £000</b>
Revaluation Reserve	52,429	191,525
Available for Sale Financial Instruments Reserve	3	6
Pensions Reserve	(15,633)	(160,653)
Capital Adjustment Account	(26,548)	283,234
Deferred Capital Receipts	225	225
Collection Fund Adjustment Account	108	3,430
Short-term Accumulating Compensated Absences Reserve	(469)	(1,111)
<b>Total Unusable Reserves</b>	<b>42,319</b>	<b>316,656</b>

9.20. The Revaluation Reserve increased by a net amount of £52 million as a result of the amounts identified for revaluation by the rolling programme or other sources and by an exercise to apply an indexation uplift to the council dwellings and other land and buildings, which were permitted by the accounting code to be applied to the reserve.

9.21. The Pension Reserve movement is the contra entries for the movement in the Pensions Liability set out in 9.15 above.

9.22. The Capital Adjustment Account has decreased by £27 million mostly due to the following: impairments and revaluations downwards as a result of the prevailing economic conditions and identified as part of the revaluation rolling

programme, disposals of non-current assets and the capital financing applied in the year.

## **10. Cash Flow Statement (Page 43)**

10.1. This Statement summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes. The statement shows that there has been a net cash outflow of £8.6 million.

## **11. Notes to the Accounts (Page 45)**

11.1. The notes provide additional information and explanation behind the main statements, to aid understanding of presented figures. In line with the requirements of the Code, all of the notes have been drawn together rather than following their respective statements.

11.2. The notes proper start by setting out the Accounting Policies. The Council's accounting policies set out the technical methodologies for accounting for a wide variety of issues within its accounts. They then set out notes in support of the primary statements broadly in the same order that they occur.

## **12. Housing Revenue Account and Notes (Pages 113)**

12.1. The Housing Revenue Account is a record of revenue expenditure and income relating to the Council's own housing stock (the Landlord Function). Although strictly part of the overall General Fund, the HRA has a tight ring-fence around it that allows no general discretion to transfer sums into or out of the HRA. Expenditure and income relating to other housing functions, such as support to registered social landlords, rent rebates and homelessness, are chargeable to the General Fund proper.

12.2. Like the General Fund, the format of the HRA creates an Income and Expenditure Account, and a reconciling Statement of Movement on the HRA Balance. The movement on the Housing Revenue Account Balance for 2015/16 was as follows:

	<b>£000</b>
Balance as at 1 April 2015	3,502
Surplus / (Deficit) for year	nil
<b>Balance as at 31 March 2016</b>	<b>3,502</b>

12.3. Despite the nil change in the HRA revenue balance, the HRA actually generated a surplus after statutory adjustments of £7.4 million. Rather than increase the main revenue reserve, this has been set aside into HRA earmarked reserves, principally to fund future capital investment.

## **13. Collection Fund (Page 121)**

13.1. This account reflects the statutory requirement for billing authorities such as Southend-on-Sea Borough Council to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic

rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

13.2. A deficit of £709,000 was generated on the Fund during the year, prior to the distribution of prior year surpluses to the tune of £1,186,000. When added to previous years accumulated fund surpluses, this means that there is now an accumulated surplus at the year-end of £2,490,000. This sum will be distributed between the three principal precepting authorities, including Southend-on-Sea Borough Council, and in the case of Business Rates to Central Government also, in future years. Southend's proportion of the accumulated surplus is £3,440,000.

#### **14. Group Accounts (Page 127)**

14.1. The group accounts, that merge the accounts of Southend Borough Council, its wholly owned company South Essex Homes Ltd, and its principal Trust Funds follow the same format as the council's own statements.

14.2. South Essex Homes made a deficit of £0.383M, on a turnover of £10.1M.

#### **15. Members Allowances (Page 142)**

A schedule of allowances paid to Members and Co-opted Members is included in compliance with the requirement to publish these annually.

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# Statement of Accounts

## 2015/2016





**SOUTHEND-ON-SEA BOROUGH COUNCIL  
STATEMENT OF ACCOUNTS  
2015/16**

**Mayor**

Councillor Judith McMahon

**Leader of the Council**

Councillor John Lamb

**Chief Executive and Town Clerk**

Rob Tinlin

**Head of Finance and Resources**

Joe Chesterton

**Southend-on-Sea Borough Council**

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# **STRATEGIC REPORT**

## **INTRODUCTION FROM THE LEADER AND CHIEF EXECUTIVE**

This strategic report provides a narrative around the development and the performance of the Council over the past financial year, and sets out a commentary around the key financial and non-financial performance indicators.

The Council faces enormous challenges in meeting the growing needs of local residents and in finding the savings required of us by central government. Since 2011/12 the Council has taken £56m from its budget with a further £10.5m required for 2016-17 and projected £28m savings for 2017-20.

In achieving these savings we will be doing our best to protect front line services and prioritise those most valued by local people. This also means getting the best value in commissioning services, targeting services to those who need them most, looking at new ways to do things and helping residents and communities to help themselves. This may also mean stopping certain things that we currently do and providing services in different ways. We, therefore, want to hear your views on what sort of borough you want in the future and what sort of Council is needed to make those views a reality.

Despite the challenges the Council has big ambitions for the borough and is continuing to invest in the town's

infrastructure, environment, cultural vibrancy and tourism offer. The current year will see the new seafront lagoon open, the energy efficient LED street-light replacement programme continue and more investment going into schools, parks, roads, footways, car parks, homes, the pier and seafront cliff.

The Council is also driving projects to transform the Queensway area, develop the airport business park, including the Med-Tech campus and innovation centre, re-develop Victoria Avenue and create a 'Smart City' that uses new technology to create opportunities for innovation and sustainable growth as well as developing new models of health and social care.

The May 2016 elections saw the Conservative Group return as the administration of the Council and it is determined to ensure it gets the very best outcomes for residents, businesses and visitors. It will be working hard with community groups, partners and residents to make this happen and we hope this Corporate Plan & Annual Report gives you a good flavour of what, and how, this will be done in the coming years.

On the next page is a summary of our performance over the past year. Further details of our performance can be found in the Corporate Plan and Annual Report 2016.

**Councillor John Lamb**  
**Leader of the Council**

**Rob Tinlin**  
**Chief Executive**



## Council's Performance

### CORPORATE PRIORITY PERFORMANCE MEASURES FOR 2015/16

The Council monitors a basket of key performance indicators throughout the year to assess performance against the Corporate Priorities.

Aim / Corporate Priority	Performance Measure	Target for 2015/16	Outturn for 2015/16	Outturn for 2014/15
<b>Safe</b> Create a safe environment across the town for residents, workers and visitors  Work with Essex Police and other partners to tackle crime  Look after and safeguard our children and vulnerable adults	Number of children subject to a Child Protection Plan (per 10,000 population) [Monthly Snapshot]	37.8 to 45.1	49.2	48.8
	Number of Looked After Children (per 10,000 population) [Monthly Snapshot]	54.4 to 65	68.3	60.6
	Percentage of children reported to the police as having run away that receive an independent return to home interview (where parents' consent) [Cumulative]	85%	69.05%	100%
	Score against 10 British Crime Survey crimes; Theft of vehicle, theft from vehicle, vehicle interference, domestic burglary, theft or cycle, theft from person, criminal damage, common assault, woundings or robbery [Cumulative]	7,389	8,382	7,464
<b>Clean</b> Encourage and enforce high standards of environmental stewardship  Promote the use of green technology and initiatives to benefit the local economy and environment	Percentage acceptable standard of cleanliness: litter [Cumulative]	90%	96%	94%
	Number of reported missed refuse collections per 100,000 [Monthly Snapshot]	45	40	45
	Percentage of household waste sent for reuse, recycling and composting [Cumulative]	54%	47.11%	51.25%
<b>Healthy</b> Promote healthy and active lifestyles for all  Enable the planning and development of quality, affordable housing  Work with the public and private rented sectors to provide good quality housing	Proportion of appropriate social care clients in receipt of Direct payments [Monthly Snapshot]	21%	22.2%	17.76%
	Achieving independence for older people through rehabilitation/intermediate care [Quarterly Snapshot]	86%	87.4%	86.2%
	Adults in contact with secondary mental health services living independently, with or without support (expressed as a percentage) [Quarterly Snapshot]	66%	67.5%	66.4%
	Proportion of adults with learning disabilities in paid employment [Quarterly Snapshot]	10%	10.2%	7.1%
	Delayed transfers of care from hospital (social care) [Cumulative]	24	17	18
	Number of new affordable homes acquired [Cumulative]	45 to 72	75	New Indicator
	Current Rent Arrears as percentage of rent due [Monthly Snapshot]	1.77%		1.59%
	Number of attendances at Council run or affiliated arts and sports events and facilities [Cumulative]	3,429,000	4,321,179	4,199,529
	Major planning applications determined in 13 weeks [Cumulative]	79%	90.9%	80%
	Minor planning applications determined in 8 weeks [Cumulative]	84%	90.77%	86.67%
	Other planning applications determined in 8 weeks [Cumulative]	90%	95.48%	94.40%
	Number of people successfully completing 4 week stop smoking course [Cumulative]	1,300	1,300	1,301

Aim / Corporate Priority	Performance Measure	Target for 2015/16	Outturn for 2015/16	Outturn for 2014/15
	Take up of the NHS Health Check programme – for those eligible [Cumulative]	5,673	6,617	5,739
	Number of Southend employers signed up to the Public Health Responsibility Deal [Cumulative]	40	43	43
<b>Prosperous</b> Ensure continued regeneration of the town through a culture led agenda	Percentage of Children in good or outstanding primary schools	75%	83.08%	77.2%
	Number of volunteers hours delivered within cultural services [Cumulative]	12,000	18,304	12,660
Ensure the town is 'open for business' and that new, developing and existing enterprise is nurtured and supported	Percentage of Council Tax for 2014/15 collected in year [Cumulative]	97%	97.2%	96.8%
	Percentage of Non-Domestic Rates for 2014/15 collected in year [Cumulative]	97.5%	97.8%	97.6%
Improve the life chances of our residents, especially our vulnerable children and adults, by working to reduce inequalities and social deprivation across our communities				
Ensure residents have access to high quality education to enable them to be lifelong learners and have fulfilling employment				
<b>Excellent</b> Enable communities to be self-sufficient and foster pride in the town	GovMetric measurements of satisfaction (3 channels – Phones, Face 2 Face & Web) [Cumulative]	80%	91.98%	93.24%
	Number of payments made online [Cumulative]	50,000	58,494	49,923
Work with and listen to our communities and partners to achieve better outcomes for all	Working days lost per FTE due to sickness – excluding school staff [Cumulative]	7.2	6.99	6.91
Promote and lead an entrepreneurial, creative and innovative approach to the development of our town				

## FINANCIAL REVIEW 2015/16

### 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 by government grants, Council Tax, retained Business Rates and other income such as fees and charges. The Council agreed a council tax requirement, including Leigh-on-Sea Town Council precept, of £63.7m for 2015/16 (£61.4m for 2014/15).

In setting this budget, the Southend-on-Sea Borough Council element of Council tax for Band D amounted to £1,159.56, (£1,137.42 in 2014/15).

The following table shows the final outturn position for 2015/16 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.

	Budget £000	Actual £000	Variance £000
<b>Portfolios</b>			
Leader	4,270	(892)	(5,162)
Adult Social Care & Health	39,911	43,276	3,365
Children & Learning	33,477	32,318	(1,159)
Community & Organisational Development	2,613	2,687	74
Enterprise, Tourism & Economic Development	13,943	15,988	2,045
Public Protection, Waste & Transport	25,236	25,074	(162)
Housing & Regulatory Services	7,230	17,975	10,745
Contingencies etc	4,775	(981)	(5,756)
<b>Net Cost Of Services</b>	<b>131,455</b>	<b>135,445</b>	<b>3,990</b>
Capital Financing Removed	(21,795)	(36,498)	(14,703)
Other Statutory Adjustments	(4,782)	(3,257)	1,525
<b>Adjusted Net Cost Of Services</b>	<b>104,878</b>	<b>95,690</b>	<b>(9,188)</b>
Levies	550	518	(32)
Leigh Parish Precept	362	362	0
Financing Costs, Interest etc	19,382	14,502	(4,880)
<b>Net Operating Expenditure</b>	<b>125,172</b>	<b>111,072</b>	<b>(14,100)</b>
Revenue Contribution to Capital	4,424	3,765	(659)
General Government Grants	(3,973)	(3,838)	135
Contribution to / (from) Earmarked Reserves	832	16,224	15,392
Contribution to / (from) General Reserves	0	0	0
<b>Total to be Funded from Council Tax and Formula Grant</b>	<b>126,455</b>	<b>127,223</b>	<b>768</b>
<b>Funding from Council Tax and Formula Grant</b>			
Revenue Support Grant	(28,728)	(28,728)	0
Retained Business Rates	(33,062)	(33,830)	(768)
Collection Fund Surplus	(1,000)	(1,000)	0
Council Tax	(63,665)	(63,665)	0
<b>Contribution (to) / the General Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>

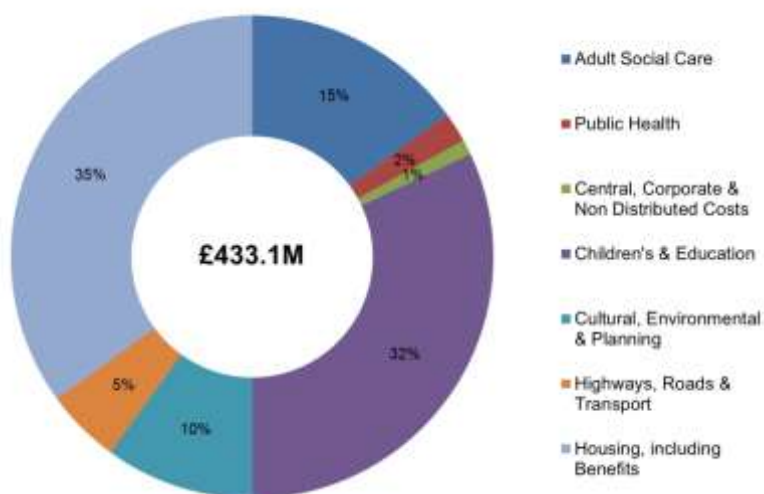
The table below reconciles the analysis on the Comprehensive Income and Expenditure Statement (page 41) to the outturn summary on the previous page.

<b>Reconciliation of Gross Expenditure to Transfer to General Fund</b>	<b>2015/16 £000</b>
Gross Expenditure on Services	433,132
Gross Income on Services	(294,735)
<b>Net Expenditure on Services</b>	<b>138,397</b>
Other Operating Expenditure	17,293
Financing and Investment Income and Expenditure	12,246
Taxation and Non-Specific Grant Income	(135,848)
Adjustments between accounting basis and funding basis under regulation	(48,312)
Transfers to Earmarked Reserves and HRA	16,224
<b>Contribution (to) / from the General Reserve</b>	<b>0</b>

The “Transfer (to) / from the General Reserve” of nil is common throughout, regardless of the format of the information.

Gross expenditure on services amounted to £433.1m. 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.

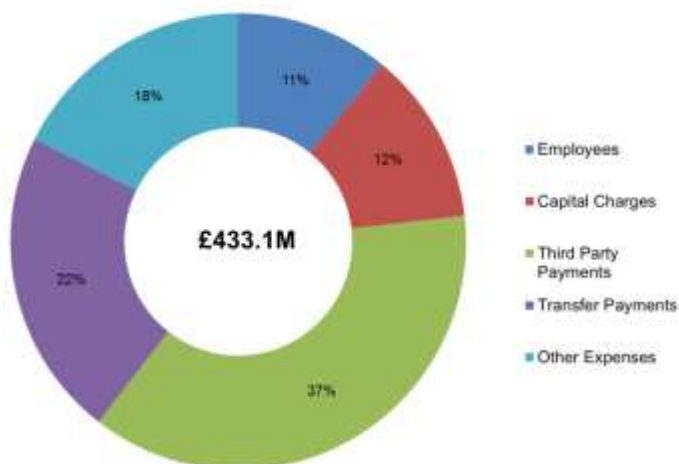
### Gross Expenditure by Service Area



Central costs include Council tax administration, all central support services, registration of births, deaths and marriages, elections and emergency planning.

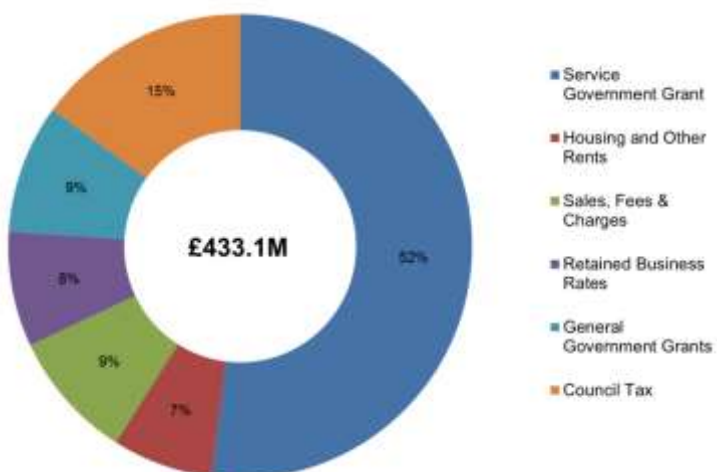
Corporate costs includes mayoral costs, members' allowances as well as all the cost of members' activities in the capacity of democratic representation and the core costs for the provision of the management infrastructure to support the delivery of services.

### Gross Expenditure by Type



Third party payments refer to the payments we make to our main contractors and to our schools. 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.

### Revenue Funding Sources



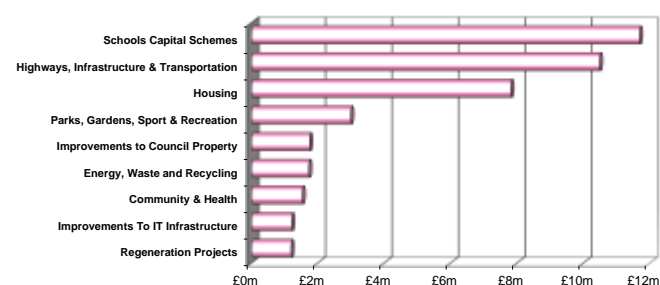
It can be seen that the majority of our income comes from Government Grants, either through grants for specific services or general government grants. Council tax is the next largest income stream.

## 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 2015/16 the Council spent £40.4m on capital projects broadly categorised as follows:

### Capital Expenditure

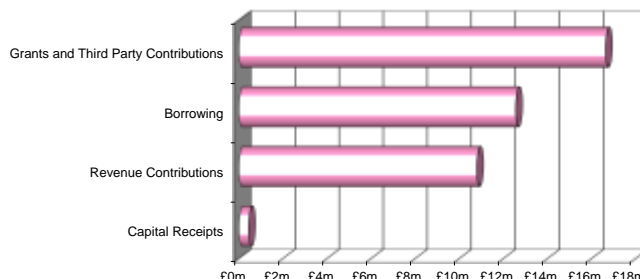


The table below describes some of the larger capital projects that the Council has undertaken this year.

	2015/16 £000
Investment in Housing Stock	7,814
Investment in Highways Infrastructure	5,718
Street Lighting Renewal	2,781
Sacred Heart Primary School	1,604
St Helens Primary School	1,520
Thorpe Greenways Infant/Junior School	1,219
St Marys Primary School	1,156
Hamstel Infant & Juniors Places	1,139

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 £40.4m capital expenditure was funded for the 2015/16 year.

### Financing of Capital Expenditure



Borrowing is kept within affordable levels, with the total accumulated loans owed to external lenders amounting to £247.3m at 31 March 2016 (£243.9m at 31 March 2015).

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 £13.1m at 31 March 2016 (£13.8m at 31 March 2015).

The Council's operational upper limit for borrowing has been set at £270m (excluding transferred debt). Taking into account the borrowing outlined above, this leaves headroom of £22.7m.

This level of debt should also be viewed in relation to the Council's long term assets which have a net book value of £790.2m at 31 March 2016.

### LONG TERM ASSETS

The Council's long term assets are those expected to provide benefits beyond 12 months and consist of Property, Plant & Equipment, Heritage Assets, Investment Property, Intangible Assets, Long Term Investments and Long Term Debtors. At 31 March 2016 the total net book value of these long term assets was £790.2m.

As a result of the Government's policy on the transfer of schools to academy status it is likely that most schools will transfer over the next few years, with a number expected to do so in the forthcoming year. Two schools became academies on 1 April 2016 and the Council is aware of a further nine schools that are considering academy status. Although the value is not yet known, this would reduce the net book value of the long term assets held of £111.3m for schools on the Council's Balance Sheet.

### 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 £160.7m as at 31 March 2016 (*£176.3m as at 31 March 2015*). All disclosures as required by IAS 19 are included in Note 41 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 2015/16 year the Housing Revenue Account has a balance carried forward of £3.5m (*£3.5m 2014/15*), having broke even again. Council rents were increased on average by 4.45% in 2015/16 (*5.76% in 2014/15*) in line with government guidelines.

In 2015/16 average rents per general needs properties (excluding service charges) were £90.17 per week, and £77.53 for sheltered accommodation.

The full financial performance of the HRA is reported on pages 113 to 119 of this document.

## GROUP PERFORMANCE

Local Authorities with subsidiary companies, associated companies and joint ventures are required to prepare group accounts. As a wholly owned 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 a pre-tax loss of £0.383m.

In addition, the Council has three other subsidiary companies and is party to two joint ventures, none of which are material to these accounts. 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 2016/17 AND BEYOND

For 2016/17, the Council had to meet a total savings requirement of over £10m due to, among other matters, reduced government funding, capital financing costs, inflation (contractual and employee) and the national insurance changes.

The Council Tax Budget Requirement for 2016/17 has been set at £67.2m for Southend-on-Sea Borough Council and £0.4m for Leigh-on-Sea Town Council. The

Council tax for a Band D property for 2016/17 has been set at £1,205.82 for Southend-on-Sea Borough Council plus an additional £45.27 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 ongoing Government fiscal consolidation. 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.

In November 2015 the Government's Autumn Statement set out the strategic direction for public expenditure. This outlined a number of significant changes to the local government funding regime which will have a significant impact on the Council's finances over time. These included:

- Providing local authorities with the power to levy a 2% increase on Council Tax to fund social care. For Southend-on-Sea, this equates to an additional £1.3m of revenue in 2016/17;
- By the end of the Parliament local government will retain 100% of business rate revenues to fund local services, in addition the Uniform Business Rate will be abolished and any local area will be able to cut business rates as at their discretion. The earliest these reforms are likely to be implemented is 2020;
- Greater flexibility for local authorities to use capital receipts to fund the revenue costs of business transformation projects;
- The government announced real-terms public health savings of 3.9% over the next 5 years and the Autumn Statement indicated that social care funds of £1.5bn would be made available by 2019/20 (beginning from 2017/18) for local government, to be included in an improved Better Care Fund; and,
- A National Funding Formula for Schools will be introduced in 2017/18.

The Council's medium term modelling has been updated to reflect the provisional four-year Funding Settlement announced in December 2015. This also takes into account inflation (both pay and contract), superannuation, increasing capital financing pressures and national insurance changes as well as allowances for specific and general risks. The current estimated overall funding gap is £28.1m over the period 2017/18 to 2019/20. There is however a degree of uncertainty around these figures as pressures and new burdens are not yet sufficiently clear.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Council's Corporate Risk Register sets out the key risks to the successful delivery of the Council's corporate aims and priorities and outlines the key controls and actions to mitigate and reduce risks, or maximise opportunities. The Corporate Management Team have identified the following areas to be included in, and then reviewed, as part of the Corporate Risk Register for 2016/17. These were formally considered by the Council's Audit Committee on 29 June 2016.

<b>Risk</b>	<b>Impact</b>
<b>Budget for 2017-20</b>	Risk that the scale of predicted funding reductions for 2017-20 budgets will result in significant adverse impact on council services
<b>Recruiting and retaining staff</b>	Risk that failure to retain or recruit staff with the required skills and experience will result in an inability to deliver key projects or services to meet expectations of residents, members, businesses and partners.
<b>Partnership arrangements</b>	Risk that failures in partnership working as a result of pressures on partner organisations reduces the ability of the Council to achieve its objectives and adversely affects service provision and council finances
<b>Housing Policy</b>	Risk that changes to government housing policy (such as selling off high value council properties) and increasing levels of housing need (notably homelessness) results in further significant pressure on council budgets
<b>Local Infrastructure</b>	Risk that failure to maintain access to future rounds of the Regional Growth Fund and Department for Transport Challenge Fund will significantly restrict future infrastructure improvements
<b>Alternative service delivery models</b>	Risk that failure to effectively manage (staffing, relationships, contracts) the transition to alternative service delivery models results in the organisation not meeting its statutory responsibilities to residents/customers
<b>Health and Social Care Integration</b>	Risk that failure to integrate health and social care effectively (inc Pioneer, Better Care Fund and Care Act) will harm the ability of the health and care system to operate at optimal levels, adversely affecting service provision and council finances
<b>Contract Management</b>	Risk that failure to embed effective contract management, combined with contract price inflation, across the authority will result in a loss of value for money, saving opportunities and/or quality of service provision
<b>Secondary education and school places</b>	Risk that failure to provide the required number of school places and failure to narrow the gap in results at secondary schools will lead to an undesirable level of young people not in education, employment or training (NEET) and significant reputational damage for the Council
<b>Surface water flooding</b>	Risk that surface water flooding, due to overwhelmed drainage infrastructure, will result in damage to property and infrastructure as well as significant disruption

More information on the principal risks and uncertainties, and the mitigations that the Council has in place can be found on the Council's website.

In addition the outcome of the EU Referendum also presents potential financial risks to the Council on numerous fronts. There is the potential for further reductions in funding, given statements by the Chancellor of the Exchequer about the possible need to rebalance the national budget following new forecasts in autumn 2016 by the Office for Budget Responsibility for the size of the economy and the health of the public finances. The Council also benefits from EU grant funding for a number of its projects, the future of which is currently uncertain. In addition, the volatility displayed in the financial markets, if persistent, also has the potential to reduce the returns the Council derives from its investments.



## THE FINANCIAL STATEMENTS

The information provided in this publication presents the financial position of Southend-on-Sea Borough Council as at 31 March 2016, and the financial results for the financial year 2015/16. 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 unusable 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 and Associated Companies, and Charitable Trusts.



# **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 2016 and its income and expenditure for the year ended 31 March 2016.



**Joe Chesterton, CPFA**  
Head of Finance and Resources  
21 September 2016

### APPROVAL OF THE STATEMENT OF ACCOUNTS

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 21 September 2016.

**Councillor Davidson**  
Chair of Audit Committee  
21 September 2016

# 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, including 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 part of the Council's constitution and is available on the Council's website at [www.southend.gov.uk/constitution](http://www.southend.gov.uk/constitution) or can be obtained from the Policy, Engagement and Communications 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 2016 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
- Asset Management
- Performance Management
- Data Quality
- Information Management and Security
- Value for Money
- Procurement
- Project Management
- Complaints
- Ethical Governance – including Codes of conduct for Members and staff
- Workforce Management
- 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 Corporate Services has the responsibility for overseeing the implementation and monitoring of 'The Code', through a process which includes:

- 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; and

- An annual review of 'The Code', with any significant amendments being reported to the Audit Committee, endorsed by Cabinet and approved by Council.

The Council's key governance and business planning processes are also subject to audit on a risk basis. Such work completed during the year 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 system of internal control.

Key elements of the Local Code of Governance are outlined below:

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 a Cabinet and strong leader model of governance, with the Leader (who is appointed by Full Council for a four year term) appointing up to 9 other Councillors to form the Cabinet. 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.

The Council has three Scrutiny Committees which review and scrutinise proposed decisions in their respective areas of responsibility – People, Place and Policy & Resources. 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.

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 two Members with written notice given to the Chief Executive within five working days from the date of publication of the digest.

Since May 2012 the Council has operated a 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. This is achieved by reports to Scrutiny Committees and the outcomes of cross party 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 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 Corporate Plan and Annual Report. The plan articulates the authority's vision, is subject to regular progress review, and is approved by the Corporate Management Team, Cabinet, and Council.

The Corporate Plan and Annual Report is underpinned by detailed service plans which are monitored monthly by Departmental Management Teams. In addition, a monthly performance report outlines key performance indicators that underpin the Council's corporate priorities and corporate priority actions. This is monitored by the Corporate Management Team, Cabinet, and each Scrutiny Committee.

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 outlined in the Corporate Plan and Annual Report.

The Corporate Risk Register is formally reviewed each quarter by the Corporate Management Team and 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 framework. Consultation and engagement activity and the results of this activity are reported and 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 5 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.

## Role of the Chief Financial Officer

The Chief Financial Officer (CFO) occupies a key position in 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; and
- 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 principles are:

- 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 aligned 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 CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose; and
- The CFO in a local authority must be professionally qualified and suitably experienced.

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, ensuring there are alternative procedures in place to make sure 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

The 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

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; by comments made by external auditors and other review agencies and inspectorates and by a governance self-assessment reviewed by the Good Governance Group.

The May 2015 Council elections resulted in a new joint administration with three Southend Independence Group councillors joining the existing administration of Independent, Labour and Liberal Democrat councillors. This new four political group coalition was maintained throughout the year, with the Council's decision making processes continuing to prove effective. A renewed joint administration agreement, and associated commitments, for 2015/16 was adopted by the Council in July 2015, providing a high level policy framework for Council officers and members to work to.

2015/16 saw the Council undertake a 'summer/autumn of challenge', with a series of peer reviews to enable the Council to take stock of progress, assess challenges ahead and obtain an independent reality check to aid thinking about the future direction of the Council. The peer reviews consisted of:

- LGA Health and Wellbeing Board peer challenge: 23 to 26 July;
- Children's Safeguarding (Eastern Region LGA Sector Led Improvement programme) Peer Challenge: 15 to 17 September;
- LGA Public Health peer challenge: 30 September to 1 October;
- LGA Corporate Peer Challenge: 13-16 October;
- A local authority school improvement peer review 18 and 19 November.

Following the four day on-site review, the Corporate Peer Challenge feedback (reported to Cabinet on 5.1.16) stated that the Council is one that 'constantly strives to improve outcomes for its residents and itself' with all stakeholders referring to 'the 10 year journey to date that has led to many significant improvements for the borough and for the Council'. It also states that the Council ... 'has a track record of achieving' ... is recognised by stakeholders as having a 'can do' attitude, has benefited from 'an enduring and purposeful senior management leadership' with the Council, both politically and managerially having 'faced and met the significant financial challenges to date'

The review highlighted a number of issues for the Council to consider going forward. These included: to more clearly articulate its future direction; look to invest more in member development; develop more commercial/alternative service models; look at a more transformational budget process; maximise opportunities for 'cross-wire' working across the organisation and ensure governance arrangements are appropriate for the future.

The feedback was considered by the Corporate Management Team (CMT), Cabinet and Scrutiny Committees and is informing thinking on the future of the borough and the Council. This complemented a series of community conversations (called 'Our Town, Our Future') with local business, community groups and partners along with a programme of 'Leader meetings' with community groups. In addition, the Council has developed a targeted intervention programme for managers and staff, 'Doing the Right Thing', to embed good governance practice, particularly in relation to ethical governance.

The Department for People commissioned the LGA Eastern Region Sector Led Improvement Programme, in September 2015, to conduct a peer review of children's services with a particular focus on safeguarding. The experienced Peer Review team focussed on the 'front door' (the first point of contact for families, *children* and professionals), the 'early help offer', the first contact team and working with partners including the Local Safeguarding Children's Board. The team were very impressed with staff commitment at all levels, noting a very strong emphasis on ensuring children are safeguarded (report to Cabinet, 5.1.16).

In particular, they were impressed with early help and the ability of staff to respond to safeguarding referrals in a timely manner, the level of resources being put into child sexual exploitation (CSE) and evidence of good partnership working. An action plan was developed and agreed by the Council to respond to areas of concern identified, with good progress being made against all areas. This includes the development of the Southend Multi-Agency Risk Assessment Conference (MARAC) to tackle domestic abuse and a new early help model of service provision.

The local authority school improvement peer review undertaken in November 2015 proved helpful in addressing challenges and building relationships with schools, in particular moving the Council's model of school improvement forward, in the light of the Education White Paper (Education Excellence Everywhere) and related Government policy developments.

The Health and Wellbeing Board (HWB) responded positively to recommendations from a Local Government Association(LGA) 'follow up' Peer Review in July 2015, by focusing on five 'Big Ticket' priorities and ensuring time for more strategic discussion to address system needs and opportunities. The Board has established, and regularly monitors, a set of performance measures which are driving forward progress for three 'Broad Impact Goals':

- Increased Physical Activity (prevention of ill health);
- Increased aspiration and opportunity (addressing inequality);
- Increased personal responsibility and participation (sustainability).

The Board has agreed a decision making structure which is now 'business as usual', with further strategy development sessions scheduled to inform longer term strategic priorities. The Board commenced its governance role for the A Better Start Southend programme.

The Public Health Peer Review, undertook an appraisal of the current service and made a number of recommendations which are being taken forward.

The Council was a key and active partner in discussions to develop a submission for a Greater Essex devolution bid for greater freedoms and flexibilities, in September 2015, from all local authorities in the County. However, both Southend and Thurrock Councils made clear that neither was willing to support a proposal that includes a Directly Elected Mayor.

The Council pursued its agenda for economic growth through the South Essex Growth Partnership and through continuing to explore potential partnership opportunities with Thurrock Council, as part of its preference for a Thames Gateway based approach.

The Council played, and plays, an active part in the Essex Success Regime, one of three such areas the country identified as having deep-rooted, systemic pressures in the field of health and social care. The Council has brought the benefit of its experience and expertise to the regime of management and financial support and to the desire for greater programme discipline to speed up the pace of change.

The Council further progressed its culture change programme, The Southend Way, which is focussed on three areas of:

- Engaging Leadership
- Focused Performance
- Resilience and Growth

To assess the impact of the programme, and other related work, the Council undertook its regular employee engagement survey providing invaluable staff feedback at organisation, directorate, service and group manager levels. The breakdown of results has enabled focussed support in areas where feedback was less positive. The response rate, of 68%, was 11% higher than the 2013 survey with the overall 'engagement score' 1% higher. From 84 questions all but four were above or in line with the local government benchmark, bearing out the award of IIP Gold to the organisation in February 2015 and feedback from the corporate peer reviewers that the Council's employee engagement was 'second to none'.

The Council's Staff Code of Conduct was significantly reviewed and updated to take account of developments in recent years (notably staff use of social media) and was agreed by Council in February 2016. In addition, the Council's Pay Policy Statement and Reward Policy for 2015/16 was agreed at the February 2015 Council meeting and for 2016/17 at the February 2016 Council



meeting.

Seven issues were subject to pre-Cabinet scrutiny through reports being considered by a Scrutiny Committee during 2015/16, with other issues (such as future provision of secondary school places) considered through working parties. All budget items were referred directly to the three scrutiny committees. There were 24 'call-ins' from Cabinet to the Policy & Resources, 14 to the People and 21 to the Place scrutiny committees. Three 'in-depth' scrutiny reviews were undertaken: 'Transition arrangements from children's to adult life'; 'Control of personal debt and the advantages of employment' and '20mph speed limits in residential streets'.

The revised and enhanced member development programme for 2014/15 was continued for 2015/16, with an extensive induction programme for new members. The member induction included: sessions on service areas, getting the most from ICT, a bus tour of the borough and one to one briefings on Member Code of Conduct with the Monitoring Officer. Information packs with key sources of information were also made available, along with a dvd outlining the role of a councillor, and key information available via the Council's e-learning portal (SPARK). In total, 30 member training sessions were held during the year on a range of subjects, which included development control, safeguarding, illegal money lending, risk, corporate parenting and child sexual exploitation. In light of continuing budgetary savings the Council continues to review and adjust staffing structures to meet budgetary requirements and to align services appropriately. The integrated joint commissioning arrangements with Southend CCG began on 1 April 2015, with a new Joint Associate Director of Integrated Care Commissioning to drive improved outcomes for service users and efficiency. The housing function was aligned to the Head of Adult Services from 1 April 2015 in order to better align social care and housing services, particularly given the high level of cross-over of clients between the two areas.

The Council's approach to information management is reviewed each year in respect of completing the Health and Social Care Information Centre Information Governance toolkit, enabling organisational assessment against Department of Health information governance policies and standards. The Council achieved level 3 (the highest possible, in 17/28 requirements and level 2 in the remaining 11) against the required standards. The Department of Health continues to use the Council as a reference site for its work on health and social care integration and the Information Commissioner's Office continues to use the Council as a reference authority in relation to its work in processing Subject Access Requests.

The Good Governance Group of senior managers met quarterly to review the Council's governance arrangements to ensure they are fit for purpose and comply with good practice requirements and ensure that

sufficient assurance is available throughout the year to support the production of the Annual Governance Statement. The group oversaw the agreement by Cabinet, in September 2015, of the Council's revised Local Code of Governance and Corporate Risk Policy and Toolkit.

Service reviews and other assessments identified areas requiring an update to the Council's contract management framework. Work to address these areas has been undertaken to:

- Update the Council's Financial Regulations
- Update the Council's Contract Procedure Rules
- Update the Council's Procurement Strategy and Toolkit
- Implement a new e-procurement system
- Collate Council contracts and related documentation
- Develop performance information to assess compliance with Contract Procedure Rules

Appendix 2 highlights the significant progress made in these areas of risk and in relation to the current payroll system (notably the upgrade of the payroll system in June 2015). However, risks to the payroll system will be a continuing area of focus for 2016/17 following a further Internal Audit review.

The Corporate Management Team has undertaken a review of the Council's corporate risk management arrangements, resulting in an updated corporate policy and toolkit for use by council staff.

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 governance arrangements arising from the 2014/15 Annual Governance Statement were reported to Audit Committee during the 2015/16 financial year, with relevant outcomes against the action.

The Council continued to explore new models of service delivery. It approved the establishment of a Local Authority Trading Company to manage Delaware House, Priory House adult care homes and Viking Day Centre to lead improvements in social care across the borough's care economy. The Council's partnership with OVO energy, enabling residents to switch to a Southend specific deal resulted in 4,000 residents signing up to Southend Energy as their partner by end of March 2016. The Council also continued its role in the innovative tripartite management of The Forum, Southend-on-Sea library and learning zone, with South Essex College and the University of Essex.

## 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 2015/16 was considered by the Corporate Management Team and the Audit Committee in June 2016. This stated that:

'As reported last year, where audits identified the need for improvement, the common theme was managers needing to ensure they have a clear understanding of the:

- day-to-day actions taken by their staff; and or
- suite of 'management information' needed to inform them of key actions taken by staff and performance achieved; and or
- checks and balances needed in day-to-day activity to reduce the chance of error, omission or fraud.

It is opportune for the Council to confirm that risk and performance continues to be managed effectively, day-to-day, by operational managers, in support of the delivery of service objectives.

As part of this work, particular consideration needs to be given to ensuring there is clarity around roles and responsibilities where processes cross team, service, department or organisational boundaries. Without clear accountabilities, processes may not operate as efficiently and effectively as possible.

Otherwise, the design and operation of the Council's risk management, control and governance framework is considered to be satisfactory'.

The in-house service has substantially conformed to the relevant professional standards throughout the year and the Council's operational requirements throughout the year.

I have obtained assurance from the external supplier regarding its conformance with relevant professional standards, but have not independently confirmed this with regards to audit work completed at the Council.'

The only area where the Council has chosen not to implement the Public Sector Internal Audit Standards relates to the involvement of the Audit Committee in the appointment and removal of the Head of Internal Audit, as the Council's normal human resources practices would already mitigate this perceived potential risk.

External audit has confirmed it can rely on Internal Audit's financial systems work to support of the financial accounts audit where appropriate.

## EXTERNAL AUDIT

External Audit is undertaken by BDO 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, and
- Grant claims reviews are fairly stated and the return has been prepared in accordance with the relevant terms and conditions.

Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Final Report to Those Charged with Governance or the Grant Claim Certification Report. The external auditor attends meetings of the Audit Committee and provides a progress report on their recommendations twice a year. The Progress Report to those Charged with Governance and the Annual Audit Letter 2014/15 were presented to the January 2016 Audit Committee.

## EXTERNAL INSPECTIONS

Assurance over the control environment is also obtained from external inspections and assessments of service areas. External assessments for 2015/16 included:

- The five peer challenges outlined above.
- Three Ofsted primary school inspections (2 'good', 1 'Inadequate').
- One Ofsted secondary school inspection ('requires improvement').

These along with other external assessments, provide further independent assurance of governance arrangements and the quality of service provision. The Council is also regularly recognised through industry awards such as:

- The Council's Senior Leadership Team won the Municipal Journal's (MJ) 2016 Senior Leadership Team award.
- The Council's Services For Schools team were commended in the MJ's 2016 Excellence in Community Engagement award.
- The Council won a National Cleansing Award (silver) from the Chartered Institute of Waste Management.
- The Council was ranked 82nd in the top 100 in Stonewall's workplace equality index and ranked 9<sup>th</sup> highest local authority and 7<sup>th</sup> out of 45 local authorities in the Stonewall Education Equality Index.
- All seven of Southend's beaches have been awarded the prestigious Keep Britain Tidy 'seaside award', including three beaches achieving the top Blue Flag award.

- The Council's planning team were shortlisted for the Royal Town Planning Institute (RTPI) Awards for Planning Excellence.

**CONCLUSION**

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.

Actions to be specifically addressed are outlined below (pages 29 - 32).

**South Essex Homes Limited**

**Scope of responsibility**

South Essex Homes (SEH), formed in October 2005, is the Arm's 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 2015/16, from the Council, of £9,264k together with income from external organisations of £677k.

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 four Council nominees, three tenants and three 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 and Personnel and Remuneration Committee. In addition, the commercial subsidiary – Atilius Ltd reports directly to its parent company.

**The Purpose of the Governance Framework**

Good governance leads to good management, good performance, good stewardship, good public engagement, and 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 an acceptable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Company's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

**The Governance Framework**

The Key elements of the Governance Framework are:

- Community Engagement
- Business Strategy
- Financial Reporting including budgetary control
- Risk Management including Anti-fraud and Corruption
- Health and Safety
- Asset Management
- Performance Management & Data Quality
- Value for Money

- Corporate governance arrangements outlined in The 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 that cascades through the organisation, supporting Service Plans and key actions to enable SEH to achieve its ambitions and aspirations as set out in the Vision 2020 Business Plan.
- The regular reporting and review by Executive Management and the Board of performance against objectives and targets detailed in service plans.
- The Board has two Committees which review and scrutinise delegated work from the Board in accordance with the Terms of Reference.
- The Company operates a development and training programme for the Board Directors developed from appraisals and one to ones and Committee self-assessment which are carried out annually.

## 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;

- Deliver Value to the Council
- Empower Residents and Staff
- Manage High Quality Homes
- Provide Excellent Services
- Engage with Communities

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 Committee undertaking a review of the Risk Management Strategy and the Strategic Risk Register to ensure that Risks are relevant and applicable and that the Board Members are responsible for ensuring that Risks are monitored effectively by the Executive Management Team.
- The Audit Committee undertaking a review of both its effectiveness as well as the operational arrangements
- 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;
- The Corporate Services Manager then independently checking that the evidence supports the service manager's assessment of how well each of the business management processes have operated in their area.
- Internal Audit auditing these arrangements to evaluate whether the company operates a robust process for assessing how well services have applied the critical business management systems throughout the year.
- The Company undertaking a review of leaseholder services and voids and allocations during 2015/16. A number of actions were identified to improve the service and the Board receive an update at each meeting on progress against actions.

- South Essex Homes continuing to review and adjust staffing structures aligning them with the services provision and the business plan Vision 2020.

## Internal Audit

Internal Audit is delivered through a Service Level Agreement with the Council's Internal Audit Services. The Charter, Strategy and 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 performance report was taken to the Audit Committee.

The Head of Internal Audit also prepared an Annual Report that was considered by the Audit Committee.

Head of Internal Audit Opinion for the year ended 31 March 2016 was as follows:

'Overall, the design and operation of the company's risk management, control and governance framework was satisfactory throughout the year, with the opportunity to strengthen these arrangements in some areas.

Particular focus has been given by the company, to further developing the processes for managing the Careline service and the Door Entry Service and Repair Contract

The service has substantially conformed to the relevant professional standards throughout the year.

There continues to be a high level of compliance with the requirements of the CIPFA Statement on the Role of the Head of Internal Audit.'

The Council's external auditor continues to confirm that internal audit's financial systems work can be relied upon when undertaking the audit of the statement of accounts.

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 adequacy and effectiveness of the company's governance, risk management and control framework); and
- Audit Committee Annual Report.

## External Audit

External Audit of the annual financial statements was undertaken by Scrutton Bland with the view to expressing an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

In carrying out the audit work Scrutton Bland considered whether the financial statements were free from 'material misstatement'. Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. An item will normally be considered material if its omission would reasonably influence the decisions of those using the financial statements.

Scrutton Bland issued a report to management at the conclusion of the audit work. This included a management letter containing comments and recommendations for improvements in operations and internal control in respect of the Company. This was discussed with management prior to the issue of the final report. The report also includes details of significant

adjusted and unadjusted items that arose as a result of the audit work.

The Audit Committee consider the external auditor's report and recommends adoption of the financial statements to the Board

#### Key Governance Issues

The main areas for further work identified through the Governance Assurance Process in 2015/16, and which should be disclosed in the Governance Statement Action Plan are;

- Value for Money – To review and update the Value for Money Strategy in accordance with the HCA regulations on value for money & governance financial viability standards

#### Further Actions to strengthen the Council's Governance Arrangements for 2016/17

No.	Governance Issues	Action	Date of Implementation	Responsible Officer
1.	Payroll system	To implement all outstanding audit recommendations relating to the Payroll system	March 2017	Joanna Ruffle – Head of People and Policy
2.	Combined authority and joint working	To play an active part in on-going discussions with neighbouring local authorities on joint working (including devolution deals) which will promote the Council's economic growth agenda and other interests, challenging options for a directly elected mayor, developing the South Essex growth agenda and contributing to the Thames Estuary Commission.	March 2017	Rob Tinlin – Chief Executive and Town Clerk
3.	Ofsted Inspection of Children's Services	To implement any recommendations arising from the Ofsted Inspection of Children's Services in April-May 2016.	March 2017	Simon Leftley – Corporate Director for People

#### Further Actions to strengthen South Essex Homes' Governance Arrangements for 2016/17

No.	Governance Issues	Action	Date of Implementation	Responsible Officer
1.	Value for Money	To complete a self-assessment based on HCA formula To produce the Value for Money	March 2017	David Lincoln Director of Finance

No.	Governance Issues	Action	Date of Implementation	Responsible Officer
		Strategy and to complete a framework of performance measures to be monitored on an annual basis		

### Council's Corporate Governance Action Plan 2015/16

No	Governance Issue	Action	Responsible Officer	Comment on Progress
1	Contracts Management Framework	<p>That the Council continues to update the contract management framework, including:</p> <ul style="list-style-type: none"> <li>• Updating the Council's Financial Regulations.</li> <li>• Updating the Council's Contract Procedure Rules</li> <li>• Updating the Council's Procurement Strategy and Toolkit.</li> <li>• Implementing a new e-procurement system</li> <li>• Collating and recording Council contracts and related documentation.</li> <li>• Developing performance information to assess compliance with Contract Procedure Rules</li> </ul>	<p>Simon Leftley (Corporate Director for People)</p> <p>Sally Holland (Corporate Director for Corporate Services)</p>	<p>Revised Financial Procedure Rules and Scheme of delegation were agreed by Council in July 2015, with all staff notified of revised procedures in August 'In the Loop' staff bulletin and a series of staff briefing sessions.</p> <p>The Council's Procurement Strategy and toolkit have been completed and procurements are now run via the new e-procurement system. Further development is required to get the 'quick quote module (for under £25,000 contracts) in place. Contract management application is being tested for wider roll out.</p> <p>Contracts are recorded on the Corporate Contracts Register. The vast majority of corporate contracts are held by the Corporate Procurement Team, either electronically or in hard copy. The contract management supporting documents are also retained by the team, although there is a need to move this documentation into the e-procurement system.</p> <p>Processes and systems are in place to ensure compliance with the Contract Procedure Rules, including the Agresso gatekeeper process, process review and performance monitoring of compliance. The Corporate Performance Team provide support and analysis to service areas in relation to effective contract management and in developing and embedding contract manager skills across the Council.</p>
2	Staff Code of	To introduce and embed a new	Sally Holland	Revised staff Code of Conduct

No	Governance Issue	Action	Responsible Officer	Comment on Progress
	Conduct	staff code of conduct that reflects the current needs of the council and encompassing standards required of staff in relation to personal conduct, declarations of interest, political neutrality, gifts and hospitality, use of social media and procuring/managing contracts, among others.	(Corporate Director for Corporate Services)  Joanna Ruffle (Head of People and Policy)	agreed by Council in February 2016 encompassing issues of staff personal conduct, declarations of interest, political neutrality, gifts and hospitality, use of social media and procuring/managing contracts, among others. This is complemented by a new social media policy for staff.  The new Code is being communicated to staff through a development programme, 'Do the Right Thing' which will encompass a range of competence and ethical issues.
3	Payroll assurance	To complete the upgrade of the payroll system and to implement all outstanding audit recommendations in full.	Joanna Ruffle (Head of People and Policy)	The upgrade of the payroll system (to Milestone 4) was completed in June 2015. Significant progress has been made in respect of the 2015 Internal Audit actions and further actions are being identified and agreed as part of the 2016 Audit.
4	Direct Payments	To implement all outstanding audit recommendations in full	Simon Leftley (Corporate Director for People)	All outstanding audit recommendations have been implemented in full.

#### South Essex Home's Corporate Governance Action Plan 2015/16

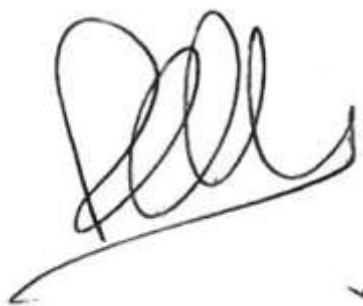
No	Governance Issue	Action	Responsible Officer	Comment on Progress
1	Risk Management Framework	A review of the Company's Risk Management Framework has been carried out incorporating risk appetite and a focus on the key strategic risks. The company will now be arranging a programme of training needs for the Board and Staff to be undertaken in workshops with updates at Staff Briefing sessions.	David Lincoln  Beverley Gallacher	The roles and responsibilities of the Board, EMT and Managers is understood and the company understands the appetite for risk as an organisation  Risks are being identified at an early stage and are aligned to the business plan actions and focus on the strategic business.  All staff report to their Managers on identified risks and the Group Managers regularly review the operational risk register and keep it up to date and directly linked to the organisations business planning actions.

No	Governance Issue	Action	Responsible Officer	Comment on Progress
				<p>Roles and responsibilities within the risk management framework are understood and adhered to.</p> <p>All members of staff are aware of the risk management framework and that everyone is part of it</p>
2	Value for Money	To review and update the Value for Money Register & Value for Money Strategy in accordance with the HCA regulations on value for money & governance financial viability standards	David Lincoln	The Audit Committee have agreed for the review to be extended for completion in 2016/17
3	Business Continuity and Disaster Recovery	To complete a review of the business continuity processes for South Essex Homes in partnership with Southend Borough Council and to further to test the Disaster Recovery Plan for South Essex Homes following our relocation.	Mario Ambrose	<p>Partnering with SBC Business Continuity. Plan to ensure that South Essex Homes has business continuity if access to the Civic Centre or system failure occurred.</p> <p>The partnership working with the Council incorporates the requirements of South Essex Homes</p> <p>Assurance is being given to the EMT and the Board that processes and procedures contained within the plan work in practice.</p> <p>A test has taken place on a number of scenarios that could occur in practice and ensure that systems are available and outage is reduced.</p>
4.	Atilius Limited	To review the governance assurance arrangements and internal controls mechanisms of Atilius Limited (the company's trading subsidiary)	Mike Gatrell	<p>The Financial Regulations and Scheme of Delegation has been agreed by the Board of Atilius and South Essex Homes.</p> <p>The Inter-company agreement protocols are included at each Board Meeting of the parent Board ensuring that performance is being adhered to.</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**

**30 June 2016**

**Councillor John Lamb**

**Leader of the Council**

**30 June 2016**



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







# **MAIN FINANCIAL STATEMENTS**

## MOVEMENT IN RESERVES STATEMENT

Note	Revenue Reserves			Capital Reserves				Unusable Reserves							£000 Total Usable Reserves	£000 Total Authority Reserves
	£000 General Fund Balance	£000 Housing Revenue Account	£000 Earmarked Reserves	£000 Capital Receipts Reserve	£000 Major Repairs Reserve	£000 Capital Grants Unapplied	£000 Revaluation Reserve	£000 Available for Sale Financial Instruments	£000 Pensions Reserve	£000 Capital Adjustment Account	£000 Deferred Capital Receipts	£000 Collection Fund Adjustment Account	£000 Accumulated Absences Account	£000 Unusable Reserves		
<b>Balance at 31 March 2014</b>	11,000	3,502	63,240	7,719	7,311	8,750	101,522	109,672	2	(158,923)	315,186	7	3,941	(1,854)	268,031	369,553
<b>Movement in Reserves during 2014/15</b>																
Surplus (Deficit) on the Provision of Services	5,379	3,090	0	0	0	0	8,469	0	0	0	0	0	0	0	0	8,469
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	31,253	1	(21,743)	0	0	0	0	9,511	9,511
<b>Total Comprehensive Income and Expenditure</b>	<b>5,379</b>	<b>3,090</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,469</b>	<b>31,253</b>	<b>1</b>	<b>(21,743)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,511</b>	<b>17,980</b>
Adjustments between accounting basis and funding basis under regulations	7 (4,145)	1,341	0	1,534	(438)	4,911	3,203	(1,829)	0	4,380	(5,404)	(7)	(619)	274	(3,205)	(2)
<b>Net Increase / Decrease before Transfers to earmarked reserves</b>	<b>1,234</b>	<b>4,431</b>	<b>0</b>	<b>1,534</b>	<b>(438)</b>	<b>4,911</b>	<b>11,672</b>	<b>29,424</b>	<b>1</b>	<b>(17,363)</b>	<b>(5,404)</b>	<b>(7)</b>	<b>(619)</b>	<b>274</b>	<b>6,306</b>	<b>17,978</b>
Transfers to / from Earmarked Reserves	8 (1,234)	(4,431)	5,665	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Increase / Decrease in 2014/15</b>	<b>0</b>	<b>0</b>	<b>5,665</b>	<b>1,534</b>	<b>(438)</b>	<b>4,911</b>	<b>11,672</b>	<b>29,424</b>	<b>1</b>	<b>(17,363)</b>	<b>(5,404)</b>	<b>(7)</b>	<b>(619)</b>	<b>274</b>	<b>6,306</b>	<b>17,978</b>
<b>Balance at 31 March 2015</b>	<b>11,000</b>	<b>3,502</b>	<b>68,905</b>	<b>9,253</b>	<b>6,873</b>	<b>13,661</b>	<b>113,194</b>	<b>139,096</b>	<b>3</b>	<b>(176,286)</b>	<b>309,782</b>	<b>0</b>	<b>3,322</b>	<b>(1,580)</b>	<b>274,337</b>	<b>387,531</b>
<b>Movement in Reserves during 2015/16</b>																
Surplus (Deficit) on the Provision of Services	(19,237)	(12,851)	0	0	0	0	(32,088)	0	0	0	0	0	0	0	0	(32,088)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	56,982	3	24,739	0	0	0	0	81,724	81,724
<b>Total Comprehensive Income and Expenditure</b>	<b>(19,237)</b>	<b>(12,851)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(32,088)</b>	<b>56,982</b>	<b>3</b>	<b>24,739</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>81,724</b>	<b>49,636</b>
Adjustments between accounting basis and funding basis under regulations	7 28,052	20,260	0	(1,755)	(2,339)	(4,813)	39,405	(4,553)	0	(9,106)	(26,548)	225	108	469	(39,405)	0
<b>Net Increase / Decrease before Transfers to earmarked reserves</b>	<b>8,815</b>	<b>7,409</b>	<b>0</b>	<b>(1,755)</b>	<b>(2,339)</b>	<b>(4,813)</b>	<b>7,317</b>	<b>52,429</b>	<b>3</b>	<b>15,633</b>	<b>(26,548)</b>	<b>225</b>	<b>108</b>	<b>469</b>	<b>42,319</b>	<b>49,636</b>
Transfers to / from Earmarked Reserves	8 (8,815)	(7,409)	16,224	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Increase / Decrease in 2015/16</b>	<b>0</b>	<b>0</b>	<b>16,224</b>	<b>(1,755)</b>	<b>(2,339)</b>	<b>(4,813)</b>	<b>7,317</b>	<b>52,429</b>	<b>3</b>	<b>15,633</b>	<b>(26,548)</b>	<b>225</b>	<b>108</b>	<b>469</b>	<b>42,319</b>	<b>49,636</b>
<b>Balance at 31 March 2016</b>	<b>11,000</b>	<b>3,502</b>	<b>85,129</b>	<b>7,498</b>	<b>4,534</b>	<b>8,848</b>	<b>120,511</b>	<b>191,525</b>	<b>6</b>	<b>(160,653)</b>	<b>283,234</b>	<b>225</b>	<b>3,430</b>	<b>(1,111)</b>	<b>316,656</b>	<b>437,167</b>



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/15			2015/16			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
4,311	(2,029)	2,282		4,568	(2,051)	2,517
20,367	(3,058)	17,309		18,081	(4,188)	13,893
18,237	(3,292)	14,945		19,496	(4,949)	14,547
3,131	(1,917)	1,214		3,416	(1,613)	1,803
137,803	(109,129)	28,674		140,407	(107,167)	33,240
7,625	(7,715)	(90)		9,163	(8,428)	735
23,884	(10,811)	13,073		22,357	(10,651)	11,706
24,858	(30,491)	(5,633)		21,465	(34,687)	(13,222)
0	0	0		23,027	0	23,027
106,663	(101,110)	5,553		105,775	(98,424)	7,351
60,538	(18,277)	42,261		64,693	(22,179)	42,514
6,577	(138)	6,439		2,827	(398)	2,429
287	0	287		(2,143)	0	(2,143)
<b>414,281</b>	<b>(287,967)</b>	<b>126,314</b>		<b>433,132</b>	<b>(294,735)</b>	<b>138,397</b>
		616	9			17,293
		20,097	10			12,246
		(155,496)	11			(135,848)
						<b>32,088</b>
		(31,252)	5			(56,982)
		21,743	5			(24,739)
		(9,509)				(81,721)
		(1)				(3)
		(1)				(3)
						<b>(81,724)</b>
						<b>(49,636)</b>

## BALANCE SHEET

31 March 2015 £000		31 March 2016 £000
	Notes	
682,233	Property, Plant & Equipment 12	711,764
38,009	Heritage Assets 13	37,383
22,135	Investment Property 14	23,087
3,873	Intangible Assets	4,052
42	Long Term Investments 15	12,748
131	Long Term Debtors 15	1,191
<b>746,423</b>	<b>Long Term Assets</b>	<b>790,225</b>
34,871	Short term Investments 15	37,906
0	Assets Held for Sale	54
186	Inventories	22
31,866	Short Term Debtors 16	32,672
52,222	Cash and Cash Equivalents 15, 17	43,596
<b>119,145</b>	<b>Current Assets</b>	<b>114,250</b>
(15,968)	Short Term Borrowings 15	(16,298)
(35,623)	Short Term Creditors 18	(38,599)
(8,322)	Provisions 19	(7,579)
<b>(59,913)</b>	<b>Current Liabilities</b>	<b>(62,476)</b>
(92)	Long Term Creditors	(40)
(227,939)	Long Term Borrowing 15	(230,994)
(176,286)	Other Long Term Liabilities - Pensions 41	(160,653)
(13,807)	Other Long Term Liabilities - Other 15	(13,145)
<b>(418,124)</b>	<b>Long Term Liabilities</b>	<b>(404,832)</b>
<b>387,531</b>	<b>Net Assets</b>	<b>437,167</b>
113,194	Usable Reserves 20	120,511
274,337	Unusable Reserves 21	316,656
<b>387,531</b>	<b>Total Reserves</b>	<b>437,167</b>

## CASH FLOW STATEMENT

2014/15 £000 Restated	Notes	2015/16 £000
(8,469) Net (Surplus) or Deficit on the Provision of Services		32,088
Adjustments to Net Surplus or Deficit on the Provision of Services for (29,346) non-cash Movements	23	(65,222)
Adjustments for items included in the Net Surplus or Deficit on the 17,977 Provision of Services that are Investing and Financing Activities	24	5,115
(19,838) Net cash flows from Operating Activities		(28,019)
13,166 Investing Activities	25	41,492
8,448 Financing Activities	26	(4,847)
1,776 Net (Increase) or Decrease in Cash and Cash Equivalents		8,626
(53,998) Cash and Cash Equivalents at the beginning of the Reporting Period		(52,222)
<b>(52,222) Cash and Cash Equivalents at the end of the Reporting Period</b>	<b>17</b>	<b>(43,596)</b>



# **NOTES TO THE MAIN FINANCIAL STATEMENTS**



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## Note 1. Accounting Policies

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2015/16 and the Service Reporting Code of Practice 2015/16, 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 Head of Finance and Resources 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, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made 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 are no changes to accounting policies in 2015/16 which requires 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 non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible 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 (e.g. 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, e.g. 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to 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**

Different groups of employees of the Council are members of three separate pension schemes:

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

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the teachers' and NHS schemes 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 and the Public Health Services line is charged with the employer's contributions payable to the NHS Pensions Scheme.

#### **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 3.6%. The discount rate is the annualised yield at the 18 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 is consistent with the approach used at the last accounting date.
- 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 the following components:

- Service cost comprising
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment 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
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period

to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprises:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- 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).

#### 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, museum collections 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.
- The Saxon King artefacts form part of the Council's heritage assets and have been valued by a specialist in archaeology. These items are reported in the Balance Sheet at this valuation which is based on sale prices of comparable

material and museum valuations for loan purposes, where relevant. These assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

#### 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).

#### Interests in Companies and Other Entities

The Council only has material interests in wholly owned companies that have the nature of subsidiaries which 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.

#### 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 benefiting 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 2015/16 (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. For schools, capitalisation takes place for community and foundation schools only. Capital expenditure on voluntary aided schools, foundation trust schools or academies is treated as Revenue Expenditure Funded from Capital Under Statute.

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

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

Assets included in the Balance Sheet at current value are revalued or have indexation adjustments applied sufficiently regularly to ensure that their carrying amount is not materially different from their current 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.

#### 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, or other useful life agreed as reasonable

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 losses previously 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.

### *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.

## **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.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

The Code requires implementation from 1 April 2016. It is not anticipated that these accounting changes will have a material impact on the Statement of Accounts. However, in the 2016/17 year the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and reporting requirements as a result of the Telling the Story review of the presentation of local authority financial statements.

**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, particularly in light of the outcome of the EU referendum held on 23 June 2016. 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.
- In line with accounting standards and the Code on group accounts and consolidation, all maintained schools in the Borough are now considered to be entities controlled by the Council. Rather than produce group accounts the Code allows the income, expenditure, assets, liabilities, reserves and cash flows of each school to be recognised in the Council's single entity accounts.
- All community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet. For the foundation schools the control of the land and buildings is vested with the Governing Body and so they are included on the Councils' Balance Sheet. For the foundation trust schools the land and buildings are vested with the trust so they are not included on the Council's Balance Sheet. For the Voluntary Aided schools the two Dioceses own the title to the assets, the schools use the assets under "mere" licences which pass no interest to the school and the Dioceses have not ceded control of the assets to the school, so the land and buildings used by the schools are not included on the Council's Balance Sheet. Academies are not considered to be maintained schools in the Council's control so the land and building assets are not owned by the Council and not included on the Council's Balance Sheet.

**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 2016 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 41 to the Accounts.
<b>Property, Plant and Equipment Revaluations</b>	The uncertainties arise as a result of the estimations used by the valuer. The basis of these estimations is set out in note 12 but different valuers could arrive at different results whilst still using the same basis for those estimations.	The actual value of the asset only becomes apparent when it is sold. The accounting treatment is set out in the disposals paragraph of the Property, Plant and Equipment section of Note 1.

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

In relation to 2015/16:

- The Surplus on Revaluation of non-current assets of £56.982m consists of £70.331m of revaluation gains from the increase in the value of Property Plant and Equipment, and £13.349m of accumulated revaluation gains lost as a result of downwards revaluation and impairment losses.
- As part of the revaluation rolling programme various Housing Revenue Account assets were revalued at 1 April 2015. For Council Dwellings this led to the upwards revaluation of some properties totalling £36.300m and downwards revaluation of other properties totalling £34.227m. Of this downwards revaluation £11.200m has been written down against the Revaluation Reserve. £23.027m has been written down against the Local Authority Housing service line in the Comprehensive Income and Expenditure Statement as there was insufficient balance on the Revaluation Reserve.
- On 1 September 2015 Cecil Jones Foundation School transferred to academy status. As a result the carrying amount of the asset of £17.643m has been written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.
- The performance of the Essex Pension Fund during 2015/16 was better than anticipated by the actuarial assumptions underpinning the scheme. This has led to an actuarial gain passing through the Comprehensive Income and Expenditure Account of £24.739m

In relation to 2014/15:

- The Surplus on Revaluation of non-current assets of £31.252m consists of £33.117m of revaluation gains from the increase in the value of Property Plant and Equipment, £1.591m of revaluation gains from the increase in the value of Heritage Assets, and £3.456m of accumulated revaluation gains lost as a result of downwards revaluation and impairment losses.
- The performance of the Essex Pension Fund during 2014/15 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 £21.743m.

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

The Statement of Accounts was authorised for issue by the Head of Finance and Resources on 21 September 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 1 April 2016 two primary schools changed to academy status with the long term assets transferring to the academy trust. This will have the effect of reducing the net book value of schools long term asset by £5.8m

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

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

**General Fund Balance**

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

**Housing Revenue Account Balance**

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

**Major Repairs Reserve**

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

**Capital Receipts Reserve**

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

**Capital Grants Unapplied**

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

2015/16	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the comprehensive income and expenditure statement:</b>						
Charges for depreciation of non-current assets	13,091	5,042	-	-	-	(18,133)
Revaluation and impairment losses on property, plant and equipment and intangible assets	1,213	20,687	-	-	-	(21,900)
Movements in the market value of investment properties	(2,202)	13	-	-	-	2,189
Amortisation of intangible assets	711	-	-	-	-	(711)
Capital grants and contributions applied	(4,221)	1,615	-	-	(4,458)	7,064
Revenue expenditure funded from capital under statute	9,278	240	-	-	-	(9,518)
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	17,738	1,486	-	-	-	(19,224)
<b>Insertion of items not debited or credited to the comprehensive income and expenditure statement:</b>						
Statutory provision for the financing of capital investment	(4,442)	-	-	-	-	4,442
Capital expenditure charged against the General Fund and HRA Balances	(3,765)	-	-	-	-	3,765
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	(7,291)	(1,557)	-	-	8,848	-
Application of grants to capital financing transferred to the capital adjustment account	-	-	-	-	(9,203)	9,203
<b>Adjustments primarily involving the Major Repairs Reserve</b>						
Reverse MRA credited to HRA	-	(5,042)	-	-	-	5,042
Reversal of HRA Depreciation credited to the Major Repairs Reserve	-	-	-	5,042	-	(5,042)
Use of the major repairs reserve to finance new capital expenditure	-	-	-	(7,381)	-	7,381
<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	(225)	-	-	-	-	225

2015/16	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the comprehensive income and expenditure statement	(924)	(2,224)	3,148	-	-	-
Use of the capital receipts reserve towards administrative costs of non-current asset disposals	-	-	-	-	-	-
Use of the capital receipts reserve to repay borrowing	-	-	(3,900)	-	-	3,900
Use of the capital receipts reserve to finance new capital expenditure	-	-	(441)	-	-	441
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	562	-	(562)	-	-	-
<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)	17,559	-	-	-	-	(17,559)
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,453)	-	-	-	-	8,453
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>						
Amount by which council tax and business rate income credited to the comprehensive income and expenditure statement is different from council tax and business rate income calculated for the year in accordance with statutory requirements	(108)	-	-	-	-	108
<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	(469)	-	-	-	-	469
<b>Total Adjustments</b>	<b>28,052</b>	<b>20,260</b>	<b>(1,755)</b>	<b>(2,339)</b>	<b>(4,813)</b>	<b>(39,405)</b>

2014/15 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the comprehensive income and expenditure statement:</b>						
Charges for depreciation of non-current assets	12,184	8,626	-	-	-	(20,810)
Revaluation and impairment losses on property, plant and equipment and intangible assets	10,862	179	-	-	-	(11,041)
Movements in the market value of investment properties	3,129	-	-	-	-	(3,129)
Amortisation of intangible assets	550	-	-	-	-	(550)
Capital grants and contributions applied	(9,112)	1,218	-	-	2,648	5,246
Revenue expenditure funded from capital under statute	5,485	340	-	-	-	(5,825)
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	279	1,151	-	-	-	(1,430)
<b>Insertion of items not debited or credited to the comprehensive income and expenditure statement:</b>						
Statutory provision for the financing of capital investment	(7,738)	-	-	-	-	7,738
Capital expenditure charged against the General Fund and HRA Balances	(3,682)	-	-	-	-	3,682
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	(12,030)	(1,631)	-	-	13,661	-
Application of grants to capital financing transferred to the capital adjustment account	-	-	-	-	(11,398)	11,398
<b>Adjustments primarily involving the Major Repairs Reserve</b>						
Reverse MRA credited to HRA	-	(8,626)	-	-	-	8,626
Reversal of HRA Depreciation credited to the Major Repairs Reserve	-	1,678	-	6,948	-	(8,626)
Use of the major repairs reserve to finance new capital expenditure	-	-	-	(7,386)	-	7,386
<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	-	-	7	-	-	(7)



2014/15 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the comprehensive income and expenditure statement	(550)	(1,594)	2,144	-	-	-
Use of the capital receipts reserve towards administrative costs of non-current asset disposals	-	-	-	-	-	-
Use of the capital receipts reserve to repay borrowing	-	-	-	-	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	(104)	-	-	104
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	513	-	(513)	-	-	-
<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)	18,677	-	-	-	-	(18,677)
Employer's pensions contributions and direct payments to pensioners payable in the year	(23,057)	-	-	-	-	23,057
<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	619	-	-	-	-	(619)
<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	(274)	-	-	-	-	274
<b>Total Adjustments</b>	<b>(4,145)</b>	<b>1,341</b>	<b>1,534</b>	<b>(438)</b>	<b>4,911</b>	<b>(3,203)</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 2015/16.

Earmarked Reserves	Balance at	Transfers		Balance at	Transfers		Balance at
	31 March 2014 £000	To £000	From £000	31 March 2015 £000	To £000	From £000	31 March 2016 £000
<b>Schools Balances</b>	<b>8,839</b>	<b>2,313</b>	<b>0</b>	<b>11,152</b>	<b>0</b>	<b>(1,691)</b>	<b>9,461</b>
<b>General Fund Reserves</b>							
Capital Investment Reserves	6,128	2,000	(830)	7,298	1,711	0	9,009
Insurance Reserves	3,534	886	(386)	4,034	899	0	4,933
Corporate Reserves	18,465	5,941	(10,922)	13,484	10,804	(2,498)	21,790
Service Reserves	12,030	6,838	(1,612)	17,256	2,092	(2,327)	17,021
Grants Reserves	8,892	4,939	(7,933)	5,898	2,365	(2,542)	5,721
Monies held in Trust	53	0	0	53	0	0	53
<b>Total GF Reserves</b>	<b>49,102</b>	<b>20,604</b>	<b>(21,683)</b>	<b>48,023</b>	<b>17,871</b>	<b>(7,367)</b>	<b>58,527</b>
HRA Service Reserves	5,299	4,934	(503)	9,730	7,486	(75)	17,141
<b>Total Earmarked Reserves</b>	<b>63,240</b>	<b>27,851</b>	<b>(22,186)</b>	<b>68,905</b>	<b>25,357</b>	<b>(9,133)</b>	<b>85,129</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.

### Grants Reserves

In compliance with Recommended Practice, service grant income received in the year has been fully recognised, even where it has not necessarily been or planned to be spent. In these cases the spending power of the grant has been preserved through the use of earmarked reserves.

### Monies held in Trust

The Council holds monies in respect of two trust funds (see note 45) and on behalf of a number of children pending them reaching the age of 18.

**Note 9. Other Operating Expenditure**

	2015/16 £000	2014/15 £000
Leigh Town Council Precept and Grant	381	330
Levies	499	488
Payments to the Government Housing Capital Receipts Pool	562	513
(Gains) / Losses on the Disposal of Non-current Assets	15,851	(715)
<b>Total</b>	<b>17,293</b>	<b>616</b>

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

	2015/16 £000	2014/15 £000
Interest Payable and Similar Charges	11,119	11,641
Interest on net pension liability	5,609	6,484
Interest Receivable and Similar Income	(1,060)	(617)
Income and Expenditure in relation to Investment Properties and changes in their Fair Value	(4,202)	2,027
Deficit on Traded Services	780	562
<b>Total</b>	<b>12,246</b>	<b>20,097</b>

See also note 14 for more information on Investment Properties.

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

	2015/16 £000	2014/15 £000
Council Tax Income	65,735	63,237
Retained Business Rates	32,867	32,735
Non-Ringfenced Government Grants	32,566	43,521
Capital Grants and Contributions	4,680	16,003
<b>Total</b>	<b>135,848</b>	<b>155,496</b>

Note 12. Property, Plant and Equipment

Movements in 2015/16	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation as at 1 April 2015</b>	<b>331,069</b>	<b>309,146</b>	<b>13,577</b>	<b>114,097</b>	<b>1,522</b>	<b>426</b>	<b>1,788</b>	<b>771,625</b>
Additions	6,981	12,187	1,140	8,303	0	0	842	29,453
Revaluations via Revaluation Reserve	23,142	10,379	0	0	0	(71)	0	33,450
Revaluations recognised in the CIES	(28,165)	(1,361)	(152)	(520)	(111)	(419)	0	(30,728)
Disposals	(1,508)	(18,531)	0	0	0	0	0	(20,039)
Transfers	(1,565)	2,018	0	0	0	704	0	1,157
<b>Gross Book Value as at 31 March 2016</b>	<b>329,954</b>	<b>313,838</b>	<b>14,565</b>	<b>121,880</b>	<b>1,411</b>	<b>640</b>	<b>2,630</b>	<b>784,918</b>
<b>Accumulated Depreciation as at 1 April 2015</b>	<b>(31,221)</b>	<b>(16,728)</b>	<b>(6,757)</b>	<b>(34,649)</b>	<b>(18)</b>	<b>(19)</b>	<b>0</b>	<b>(89,392)</b>
Depreciation	(4,839)	(6,432)	(905)	(5,327)	0	(4)	0	(17,507)
Written out to Revaluation Reserve	23,045	479	0	0	0	8	0	23,532
Written out to the CIES	8,035	1,138	25	115	18	45	0	9,376
On Disposals	22	793	0	0	0	0	0	815
On Transfers	85	(28)	0	0	0	(35)	0	22
<b>Accumulated Depreciation as at 31 March 2016</b>	<b>(4,873)</b>	<b>(20,778)</b>	<b>(7,637)</b>	<b>(39,861)</b>	<b>0</b>	<b>(5)</b>	<b>0</b>	<b>(73,154)</b>
<b>Net Book Value as at 31 March 2015</b>	<b>299,848</b>	<b>292,418</b>	<b>6,820</b>	<b>79,448</b>	<b>1,504</b>	<b>407</b>	<b>1,788</b>	<b>682,233</b>
<b>Net Book Value as at 31 March 2016</b>	<b>325,081</b>	<b>293,060</b>	<b>6,928</b>	<b>82,019</b>	<b>1,411</b>	<b>635</b>	<b>2,630</b>	<b>711,764</b>

<b>Movements in 2014/15</b>	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets under Construction £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>
<b>Cost or Valuation as at 1 April 2014</b>	<b>301,371</b>	<b>301,296</b>	<b>12,556</b>	<b>107,407</b>	<b>2,491</b>	<b>437</b>	<b>1,608</b>	<b>727,166</b>
Additions	7,378	12,609	1,892	7,469	0	0	399	29,747
Revaluations via Revaluation Reserve	23,558	5,295	0	0	(32)	1	0	28,822
Revaluations recognised in the CIES	(179)	(10,000)	(840)	(779)	(919)	(12)	0	(12,729)
Disposals	(1,278)	(300)	(31)	0	(18)	0	0	(1,627)
Transfers	219	246	0	0	0	0	(219)	246
<b>Gross Book Value as at 31 March 2015</b>	<b>331,069</b>	<b>309,146</b>	<b>13,577</b>	<b>114,097</b>	<b>1,522</b>	<b>426</b>	<b>1,788</b>	<b>771,625</b>
<b>Accumulated Depreciation as at 1 April 2014</b>	<b>(22,817)</b>	<b>(13,276)</b>	<b>(6,170)</b>	<b>(30,056)</b>	<b>(14)</b>	<b>(17)</b>	<b>0</b>	<b>(72,350)</b>
Depreciation	(8,531)	(5,871)	(906)	(4,863)	(4)	(5)	0	(20,180)
Written out to Revaluation Reserve	0	839	0	0	0	0	0	839
Written out to the CIES	0	1,473	288	270	0	3	0	2,034
On Disposals	127	104	31	0	0	0	0	262
On Transfers	0	3	0	0	0	0	0	3
<b>Accumulated Depreciation as at 31 March 2015</b>	<b>(31,221)</b>	<b>(16,728)</b>	<b>(6,757)</b>	<b>(34,649)</b>	<b>(18)</b>	<b>(19)</b>	<b>0</b>	<b>(89,392)</b>
<b>Net Book Value as at 31 March 2014</b>	<b>278,554</b>	<b>288,020</b>	<b>6,386</b>	<b>77,351</b>	<b>2,477</b>	<b>420</b>	<b>1,608</b>	<b>654,816</b>
<b>Net Book Value as at 31 March 2015</b>	<b>299,848</b>	<b>292,418</b>	<b>6,820</b>	<b>79,448</b>	<b>1,504</b>	<b>407</b>	<b>1,788</b>	<b>682,233</b>

## Depreciation

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

<b>2014/15 Useful Economic Life Years</b>	<b>Fixed Asset Category</b>	<b>2015/16 Useful Economic Life Years</b>
Between 2 and 60	Council Dwellings	Between 2 and 60
Between 1 and 90	Other Land & Buildings	Between 2 and 90
Between 2 and 40	Vehicles, Plant, Furniture and Equipment	Between 2 and 40
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 46
Nil	Assets Under Construction	Nil

## Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current 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 (RICS). 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.

A variety of assets were revalued this year, some as part of the 5 year rolling programme. The main assets were the Housing Revenue Account council dwellings, investment properties, garages and hostels. The significant assumptions applied in estimating their current values were:

- The data provided by the Council was accurate at 1 April 2015;
- The Council has good title to the asset, free from onerous covenant and other encumbrances;
- There are no planning proposals that are likely to have an effect on the value of the properties;
- All properties are at a suitable level of condition for service provision and that all 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.

<b>Year of Rolling Programme</b>	<b>Internal/ External Valuation</b>	<b>Valuer</b>	<b>Assets Revalued</b>
2011/2012	Internal	Alan Richards MRICS	Council administrative buildings, car parks, libraries and community centres
2011/2012	External	Valuation Office Agency	Porters and Southchurch Hall
2012/2013	External	Wilks Head & Eve	Schools
2013/2014	External	Wilks Head & Eve	Theatres, parks, pier assets (excluding structure), Southend Adult Community Centre and General Fund council dwellings
2014/2015	External	Wilks Head & Eve	Investment properties, foundation schools, pier structure and the Forum
2015/2016	External	Wilks Head & Eve	Housing Revenue Account council dwellings, investment properties, garages and hostels

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

## Note 13. Heritage Assets

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

	Historic Seaside Assets £000	Heritage Land & Buildings £000	Antiques and Collectables £000	Museum Collections £000	Total Heritage Assets £000
<b>Movements in 2015/16</b>					
<b>Cost or Valuation as at 1 April 2015</b>	<b>35,663</b>	<b>914</b>	<b>665</b>	<b>1,501</b>	<b>38,743</b>
Additions	501	0	0	0	501
Revaluations via Revaluation Reserve	0	0	0	0	0
Revaluations recognised in the CIES	(501)	0	0	0	(501)
<b>Gross Book Value as at 31 March 2016</b>	<b>35,663</b>	<b>914</b>	<b>665</b>	<b>1,501</b>	<b>38,743</b>
<b>Accumulated Depreciation as at 1 April 2015</b>	<b>(670)</b>	<b>(64)</b>	<b>0</b>	<b>0</b>	<b>(734)</b>
Depreciation	(604)	(22)	0	0	(626)
Written out to the CIES	0	0	0	0	0
<b>Accumulated Depreciation as at 31 March 2016</b>	<b>(1,274)</b>	<b>(86)</b>	<b>0</b>	<b>0</b>	<b>(1,360)</b>
<b>Net Book Value as at 31 March 2015</b>	<b>34,993</b>	<b>850</b>	<b>665</b>	<b>1,501</b>	<b>38,009</b>
<b>Net Book Value as at 31 March 2016</b>	<b>34,389</b>	<b>828</b>	<b>665</b>	<b>1,501</b>	<b>37,383</b>

	Historic Seaside Assets £000	Heritage Land & Buildings £000	Antiques and Collectables £000	Museum Collections £000	Total Heritage Assets £000
<b>Comparative Movements in 2014/15</b>					
<b>Cost or Valuation as at 1 April 2014</b>	<b>34,166</b>	<b>843</b>	<b>665</b>	<b>1,501</b>	<b>37,175</b>
Additions	201	76	0	0	277
Revaluations via Revaluation Reserve	1,591	0	0	0	1,591
Revaluations recognised in the CIES	(295)	(5)	0	0	(300)
<b>Gross Book Value as at 31 March 2015</b>	<b>35,663</b>	<b>914</b>	<b>665</b>	<b>1,501</b>	<b>38,743</b>
<b>Accumulated Depreciation as at 1 April 2014</b>	<b>(88)</b>	<b>(44)</b>	<b>0</b>	<b>0</b>	<b>(132)</b>
Depreciation	(610)	(20)	0	0	(630)
Written out to the CIES	28	0	0	0	28
<b>Accumulated Depreciation as at 31 March 2015</b>	<b>(670)</b>	<b>(64)</b>	<b>0</b>	<b>0</b>	<b>(734)</b>
<b>Net Book Value as at 31 March 2014</b>	<b>34,078</b>	<b>799</b>	<b>665</b>	<b>1,501</b>	<b>37,043</b>
<b>Net Book Value as at 31 March 2015</b>	<b>34,993</b>	<b>850</b>	<b>665</b>	<b>1,501</b>	<b>38,009</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	01/04/2014	Wilks Head and Eve (external)	MRICS	Depreciated replacement cost
Bandstand	01/04/2011	David Heales - Internal Valuer	MRICS	Existing use value
Saxon King artefacts	01/10/2009	Lesley Webster FSA - Society for Medieval Archaeology	FSA	Current replacement cost

### 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:

	2015/16 £000	2014/15 £000
Income from Investment Property	(4,488)	(3,359)
Direct operating expenses arising from Investment Property	286	5,386
<b>Net (Gain) / Loss</b>	<b>(4,202)</b>	<b>2,027</b>

The income (2015/16) and the direct operating expenses (2014/15) in the table above include the revaluation gains and impairment losses shown in the table below respectively.

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:

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Balance at start of the year	22,135	25,516
Additions:		
Subsequent Expenditure	26	62
Disposals	0	(65)
Transfers:		
(to) / from Inventories		
(to) / from Property, Plant and Equipment	(1,233)	(249)
(to) / from Intangibles	(30)	0
Revaluations and impairments	2,189	(3,129)
<b>Balance at end of the year</b>	<b>23,087</b>	<b>22,135</b>

**Note 15. Financial Instruments**

## Categories of Financial Instruments

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

	<b>Long-term</b>		<b>Current</b>	
	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
<b>Investments, Cash and Cash Equivalents</b>				
Loans and Receivables	37	42	34,948	29,220
Available for sale Financial Assets	12,711	0	46,554	57,873
<b>Total Investments</b>	<b>12,748</b>	<b>42</b>	<b>81,502</b>	<b>87,093</b>
<b>Debtors</b>				
Loans and Receivables	1,191	131	25,413	25,403
<b>Total Debtors</b>	<b>1,191</b>	<b>131</b>	<b>25,413</b>	<b>25,403</b>
<b>Borrowings</b>				
Financial Liabilities at Amortised Cost	244,139	241,746	16,298	15,968
<b>Total Borrowings</b>	<b>244,139</b>	<b>241,746</b>	<b>16,298</b>	<b>15,968</b>
<b>Creditors</b>				
Financial Liabilities at Amortised Cost	7	43	26,146	21,836
<b>Total Creditors</b>	<b>7</b>	<b>43</b>	<b>26,146</b>	<b>21,836</b>

**Reclassifications**

There were no reclassifications of financial instruments in 2015/16.

## Income, Expense, Gains and Losses

2015/16	Financial Liabilities measured at Amortised Cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total
	£000	£000	£000	£000
Interest Expense	11,084	0	0	11,084
Fee Expense	79	0	367	446
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>11,163</b>	<b>0</b>	<b>367</b>	<b>11,530</b>
Interest Income	0	(170)	(889)	(1,059)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(170)</b>	<b>(889)</b>	<b>(1,059)</b>
Gains on Revaluation	0	0	7	7
Amounts Recycled to the Surplus or Deficit on the Provision of Services after Impairment	0	0	(3)	(3)
<b>Surplus / Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>4</b>
<b>Net Gain / (Loss) for the year</b>	<b>11,163</b>	<b>(170)</b>	<b>(518)</b>	<b>10,475</b>

<b>2014/15 Comparative Figures</b>				
	<b>Financial Liabilities measured at Amortised Cost</b>	<b>Financial Assets: Loans and Receivables</b>	<b>Financial Assets: Available for Sale</b>	<b>Total</b>
	<b>£000</b>	<b>Restated £000</b>	<b>Restated £000</b>	<b>£000</b>
Interest Expense	11,609	0	0	11,609
Fee Expense	0	0	77	77
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>11,609</b>	<b>0</b>	<b>77</b>	<b>11,686</b>
Interest Income	0	(216)	(391)	(607)
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(216)</b>	<b>(391)</b>	<b>(607)</b>
Gains on Revaluation	0	0	3	3
Amounts Recycled to the Surplus or Deficit on the Provision of Services after Impairment	0	0	(2)	(2)
<b>Surplus / Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>
<b>Net Gain / (Loss) for the year</b>	<b>11,609</b>	<b>(216)</b>	<b>(313)</b>	<b>11,080</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 2016 of 1.33% to 3.32% 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 the same as the carrying amount except where shown below:

	31 March 2016		31 March 2015	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	286,583	339,711	279,550	370,981
Long Term Creditors	7	7	43	43

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2016 Carrying Amount £000	31 March 2015 Carrying Amount £000
Loans and Receivables	119,663	112,538
Long Term Debtors	1,191	131

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

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

**Note 16. Debtors**

	<b>31 March 2016</b>	<b>31 March 2015</b>
	<b>£000</b>	<b>£000</b>
Central government bodies	13,675	6,785
Local authorities	2,136	1,365
NHS bodies	1,026	313
Public corporations and trading funds	1	0
Other entities and individuals	15,834	23,403
<b>Total Debtors</b>	<b>32,672</b>	<b>31,866</b>
Value of impairment included above	(12,456)	(11,092)

**Note 17. Cash and Cash Equivalents**

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

	<b>31 March 2016</b>	<b>31 March 2015</b>
	<b>£000</b>	<b>£000</b>
Cash and cash equivalents held by the Council	30,008	36,106
Bank Current Accounts	13,588	16,116
<b>Total Cash and Cash Equivalents</b>	<b>43,596</b>	<b>52,222</b>

## Note 18. Creditors

	31 March 2016 £000	31 March 2015 £000
Central government bodies	7,101	8,408
Other local authorities	3,537	3,298
NHS bodies	379	248
Other entities and individuals	27,582	23,669
<b>Total Creditors</b>	<b>38,599</b>	<b>35,623</b>

## Note 19. Provisions

	Insurance £000	Redundancy £000	Business Rate Appeals £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2014</b>	3,920	1,102	727	500	6,249
Additional provisions made in year	1,924	500	1,377	1,387	5,188
Amounts used in year	(1,183)	(848)	(843)	(241)	(3,115)
<b>Balance at 1 April 2015</b>	4,661	754	1,261	1,646	8,322
Additional provisions made in year	(637)	1,500	1,660	0	2,523
Amounts used in year	(155)	(1,248)	(1,043)	(820)	(3,266)
<b>Balance at 31 March 2016</b>	<b>3,869</b>	<b>1,006</b>	<b>1,878</b>	<b>826</b>	<b>7,579</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 2016/17 as a result of organisational management decisions taken during 2015/16, relating to redundancy, and therefore properly chargeable to 2015/16.

### Business Rates Appeals Provision

This reflects the Council's share of the potential for successful appeals by local businesses against the rateable value of the premises they use, and therefore the potential need for the Council to refund rates paid in 2015/16 and prior years. The overall liability is shared with Central Government and the Essex Fire Service.

## Note 20. Usable Reserves

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



## Note 21. 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.

	2015/16	2014/15
	£000	£000
<b>Balance at 1 April</b>	<b>139,096</b>	<b>109,672</b>
Upward revaluation of assets	70,331	34,708
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the provision of services	(13,349)	(3,456)
Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services	56,982	31,252
Difference between fair value and historical cost depreciation	(2,491)	(1,734)
Balance attributable to disposal/write offs	(2,062)	(94)
Amount written off to the capital adjustment account	(4,553)	(1,828)
<b>Balance at 31 March</b>	<b>191,525</b>	<b>139,096</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, downward revaluation and impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current 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.

	2015/16		2014/15
	£000	£000	£000
<b>Balance at 1 April</b>		<b>309,782</b>	<b>315,186</b>
<i>Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement</i>			
Charges for depreciation and revaluation gains and losses and impairment losses on non-current assets	(40,033)		(31,851)
Amortisation of intangible assets	(711)		(550)
Revenue expenditure funded from capital under statute	(9,518)		(5,726)
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	(19,224)		(1,430)
		(69,486)	(39,557)
Adjusting amounts written out of the revaluation reserve		4,553	1,826
Net written out amount of the cost of non-current assets consumed in the year		(64,933)	(37,731)
<i>Capital financing applied in the year</i>			
Use of the capital receipts reserve to finance new capital expenditure	441		104
Use of the major repairs reserve to finance new capital expenditure	7,021		7,386
Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	16,627		16,645
Statutory provision for the financing of capital investment charged against the general fund and HRA balances	4,442		7,738
Use of the capital receipts reserve to repay borrowing	3,900		0
Capital expenditure charged against the general fund and HRA balances	3,765		3,583
		36,196	35,456
Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement		2,189	(3,129)
<b>Balance at 31 March</b>		<b>283,234</b>	<b>309,782</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.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>(176,286)</b>	<b>(158,923)</b>
Remeasurements of the net defined benefit liability/(asset)	24,739	(21,743)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(17,559)	(18,677)
Employer's pensions contributions and direct payments to pensioners payable in the year	8,453	23,057
<b>Balance at 31 March</b>	<b>(160,653)</b>	<b>(176,286)</b>

## Note 22. Cash Flow Statement - Interest Paid and Received

The interest paid and received figures are included within the Net (Surplus) or Deficit on the Provision of Services line of the Cash Flow Statement. The amounts are as follows:

	2015/16 £000	2014/15 £000
Interest paid	11,141	11,759
Interest received	(241)	(335)
<b>Net Cash Flows from Interest Paid and Received</b>	<b>10,900</b>	<b>11,424</b>

These figures differ from the Interest Payable and Similar Charges and Interest Receivable and Similar Income figures in Note 10, as they do not include accruals and other non-cash items.

**Note 23. Cash Flow Statement – Non-Cash Movements**

The Cash flows for non-cash movements include the following items:

	2015/16 £000	2014/15 Restated £000
Depreciation of Non Current Assets	(18,133)	(20,810)
Downward Revaluation and Impairment Losses of Non Current Assets	(21,900)	(11,041)
Amortisations	(711)	(550)
(Increase)/Decrease in impairment for provision for bad debts	(1,557)	(1,355)
(Increase)/Decrease in Creditors	(2,962)	(530)
Increase/(Decrease) in Debtors	3,449	6,598
Increase/(Decrease) in Inventories	(164)	(42)
Net retirement benefits per IAS19	(9,106)	4,380
Carrying amount of assets disposed/sold	(19,224)	(1,430)
Reverse out the movement on the provision debited or credited to the Comprehensive Income and Expenditure Statement and replace with the cash payments made in the year out of the provision	743	(2,072)
Movements in the value of investment properties	2,189	(3,129)
Removal of Council Tax and Business Rates Agency		
Adjustments from Comprehensive Income and Expenditure Statement	2,163	654
Other	(9)	(19)
<b>Net Cash Flows from Operating Activities</b>	<b>(65,222)</b>	<b>(29,346)</b>

**Note 24. Cash Flow Statement - Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities**

The Cash flows for adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities include the following items:

	2015/16 £000	2014/15 £000
Capital Grants credited to Surplus or deficit on the provision of services	11,454	21,555
REFCUS	(9,518)	(5,727)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,148	2,144
Proceeds from short-term and long-term investments	31	5
<b>Net Cash Flow Adjustments</b>	<b>5,115</b>	<b>17,977</b>

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

	2015/16	2014/15
	£000	Restated £000
Purchase of property, plant and equipment, investment property and intangible assets	40,405	36,741
Purchase of short-term and long-term investments	18,220	129
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,148)	(2,144)
Proceeds from short-term and long-term investments	(2,531)	(5)
Other receipts from investing activities	(11,454)	(21,555)
<b>Net Cash Flow from Investing Activities</b>	<b>41,492</b>	<b>13,166</b>

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

	2015/16	2014/15
	£000	£000
Cash receipts of short and long-term borrowing	(18,089)	(9,241)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	125	194
Repayments of short and long-term borrowing	14,618	17,500
Other payments for financing activities	(1,501)	(5)
<b>Net Cash Flow from Financing Activities</b>	<b>(4,847)</b>	<b>8,448</b>

**Note 27. 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 Service Reporting 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.

In May 2015, the Council's Portfolio structure changed following the formation of a new administration post elections. It is not practical to restate the prior year for this change, and it would not be reflective of how that year was monitored through Cabinet. 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 2015/16**

	Health & Adult Social Care £000	Children & Learning £000	Community & Organisational Development £000	Enterprise, Tourism & Economic Development £000	Leader £000	Public Protection, Waste & Transport £000	Housing & Regulatory Services £000	Total £000
Fees, Charges & Other Service Income	(11,585)	(6,483)	(9,996)	(3,488)	(4,989)	(8,740)	(1,816)	<b>(47,097)</b>
Grants	(19,275)	(98,335)	(91,866)	(1,222)	(734)	(3,357)	(1,285)	<b>(216,074)</b>
<b>Total Income</b>	<b>(30,860)</b>	<b>(104,818)</b>	<b>(101,862)</b>	<b>(4,710)</b>	<b>(5,723)</b>	<b>(12,097)</b>	<b>(3,101)</b>	<b>(263,171)</b>
Employee Expenses	13,062	15,705	9,879	7,412	5,428	4,037	4,362	<b>59,885</b>
Other Service Expense	52,236	110,840	99,992	7,248	6,122	23,644	4,105	<b>304,187</b>
Capital Financing	280	6,884	1,071	4,271	(309)	8,392	1,452	<b>22,041</b>
Net Support Recharges	8,558	4,573	(6,393)	1,767	(6,582)	1,098	1,359	<b>4,380</b>
<b>Total Expenditure</b>	<b>74,136</b>	<b>138,002</b>	<b>104,549</b>	<b>20,698</b>	<b>4,659</b>	<b>37,171</b>	<b>11,278</b>	<b>390,493</b>
<b>Net Expenditure</b>	<b>43,276</b>	<b>33,184</b>	<b>2,687</b>	<b>15,988</b>	<b>(1,064)</b>	<b>25,074</b>	<b>8,177</b>	<b>127,322</b>

**Portfolio Income and Expenditure 2014/15 Comparative Figures**

	Adult, Health & Housing £000	Children & Learning £000	Community Development £000	Enterprise, Tourism & Economic Development	Leader £000	Public Protection, Waste & Transport £000	Regulatory Services £000	Total £000
Fees, Charges & Other Service Income	(10,303)	(1,037)	(8,529)	(3,758)	(5,828)	(8,122)	(1,658)	<b>(39,235)</b>
Grants	(9,479)	(115,737)	(101,783)	(945)	(651)	(3,290)	(63)	<b>(231,948)</b>
<b>Total Income</b>	<b>(19,782)</b>	<b>(116,774)</b>	<b>(110,312)</b>	<b>(4,703)</b>	<b>(6,479)</b>	<b>(11,412)</b>	<b>(1,721)</b>	<b>(271,183)</b>
Employee Expenses	16,163	13,836	6,237	6,375	13,300	4,497	2,101	<b>62,509</b>
Other Service Expense	46,575	120,808	105,598	7,935	8,296	22,738	392	<b>312,342</b>
Capital Financing	920	5,832	212	7,703	7,787	9,672	0	<b>32,126</b>
Net Support Recharges	2,776	4,946	842	1,849	(13,766)	697	1,399	<b>(1,257)</b>
<b>Total Expenditure</b>	<b>66,434</b>	<b>145,422</b>	<b>112,889</b>	<b>23,862</b>	<b>15,617</b>	<b>37,604</b>	<b>3,892</b>	<b>405,720</b>
<b>Net Expenditure</b>	<b>46,652</b>	<b>28,648</b>	<b>2,577</b>	<b>19,159</b>	<b>9,138</b>	<b>26,192</b>	<b>2,171</b>	<b>134,537</b>

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

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

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
<b>Net Expenditure in the Portfolio Analysis</b>	<b>127,322</b>	<b>134,537</b>
Net Expenditure of Services not included in the Analysis	9,805	(5,633)
Net Expenditure of Services included in the Analysis, not included in the Comprehensive Income and Expenditure Statement	3,400	(2,589)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(2,130)	(1)
<b>Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement</b>	<b>11,075</b>	<b>(8,223)</b>
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>138,397</b>	<b>126,314</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

2015/16

	Portfolio Analysis £000	Services not included in the Analysis £000	Services in Analysis, not included in the I&E £000	Amounts not reported to management £000	Cost of Services in the Comprehensive I&E £000	Corporate Amounts £000	Total £000
Fees, Charges & Other							
Service Income	(47,097)	(31,617)	7,446	0	(71,268)	(7,481)	(78,749)
Grants	(216,074)	(167)	0	0	(216,241)	(37,246)	(253,487)
Interest and Investment							
Income	0	0	0	0	0	(1,060)	(1,060)
Income from Council Tax	0	0	0	0	0	(65,512)	(65,512)
Income from Business							
Rates	0	0	0	0	0	(33,090)	(33,090)
<b>Total Income</b>	<b>(263,171)</b>	<b>(31,784)</b>	<b>7,446</b>	<b>0</b>	<b>(287,509)</b>	<b>(144,389)</b>	<b>(431,898)</b>
Employee Expenses	59,885	286	(2,476)	(2,522)	55,173	2,476	57,649
Other Service Expense	304,187	14,788	(1,453)	13	317,535	1,453	318,988
Capital Financing	22,041	25,730	(63)	379	48,087	76	48,163
Net Support Recharges	4,380	785	(54)	0	5,111	54	5,165
Interest Payments	0	0	0	0	0	11,119	11,119
Pensions Interest and							
Expected Return	0	0	0	0	0	5,609	5,609
Precepts and Levies	0	0	0	0	0	880	880
Payments to Housing							
Capital Receipts Pool	0	0	0	0	0	562	562
Gain or Loss on Disposal of							
Fixed Assets	0	0	0	0	0	15,851	15,851
<b>Total Expenditure</b>	<b>390,493</b>	<b>41,589</b>	<b>(4,046)</b>	<b>(2,130)</b>	<b>425,906</b>	<b>38,080</b>	<b>463,986</b>
<b>Surplus or Deficit on the provision of services</b>	<b>127,322</b>	<b>9,805</b>	<b>3,400</b>	<b>(2,130)</b>	<b>138,397</b>	<b>(106,309)</b>	<b>32,088</b>

2014/15 comparative figures

	Portfolio Analysis £000	Services not included in the Analysis £000	Services in Analysis, not included in the I&E £000	Amounts not reported to management £000	Cost of Services in the Comprehensive I&E £000	Corporate Amounts £000	Total £000
Fees, Charges & Other							
Service Income	(39,235)	(30,281)	4,866	(288)	(64,938)	(4,866)	(69,804)
Grants	(231,948)	(209)	0	0	(232,157)	(59,524)	(291,681)
Interest and Investment							
Income	0	0	0	0	0	(617)	(617)
Income from Council Tax	0	0	0	0	0	(63,237)	(63,237)
Income from Business							
Rates	0	0	0	0	0	(32,735)	(32,735)
<b>Total Income</b>	<b>(271,183)</b>	<b>(30,490)</b>	<b>4,866</b>	<b>(288)</b>	<b>(297,095)</b>	<b>(160,979)</b>	<b>(458,074)</b>
Employee Expenses	62,509	288	(1,931)	273	61,139	1,931	63,070
Other Service Expense	312,342	14,999	(1,251)	0	326,090	1,251	327,341
Capital Financing	32,126	8,805	(2,761)	14	38,184	2,761	40,945
Net Support Recharges	(1,257)	765	(1,512)	0	(2,004)	1,512	(492)
Interest Payments	0	0	0	0	0	11,641	11,641
Pensions Interest and							
Expected Return	0	0	0	0	0	6,484	6,484
Precepts and Levies	0	0	0	0	0	818	818
Payments to Housing							
Capital Receipts Pool	0	0	0	0	0	513	513
Gain or Loss on Disposal of							
Fixed Assets	0	0	0	0	0	(715)	(715)
<b>Total Expenditure</b>	<b>405,720</b>	<b>24,857</b>	<b>(7,455)</b>	<b>287</b>	<b>423,409</b>	<b>26,196</b>	<b>449,605</b>
<b>Surplus or Deficit on the provision of services</b>	<b>134,537</b>	<b>(5,633)</b>	<b>(2,589)</b>	<b>(1)</b>	<b>126,314</b>	<b>(134,783)</b>	<b>(8,469)</b>



**Note 28. Pooled Budgets**

The Better Care Fund, an annual agreement between Southend-on-Sea Borough Council and Southend Clinical Commissioning Group, came into place for the 2015/16 financial year. The purpose of the fund is to encourage the integration of Health and Adult Social Care commissioning. The agreement is made in accordance with Section 75 of the National Health Service Act 2006 and any surplus or deficit generated will be the responsibility of the respective partner to whom it is attributable. The pooled budget is hosted by Southend-on-Sea Borough Council on behalf of the two partners in line with the agreement.

	<b>2015/16 £000</b>
<b>Funding provided to the pooled budget</b>	
Southend-on-Sea Borough Council	(1,153)
Southend Clinical Commissioning Group	(11,689)
<b>Total Funding</b>	<b>(12,842)</b>
<b>Expenditure met from the pooled budget</b>	
Southend-on-Sea Borough Council	6,671
Southend Clinical Commissioning Group	6,171
<b>Total Expenditure</b>	<b>12,842</b>
<b>Net Pooled Budget</b>	<b>0</b>
<b>Southend-on-Sea Borough Council share</b>	<b>0</b>

**Note 29. Members' Allowances**

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

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Basic Allowances	440	437
Special Allowances	187	187
Travel & Subsistence	1	1
<b>Total Members Allowances</b>	<b>628</b>	<b>625</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 30. Officers' Remuneration

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

<b>2015/16</b>					
<b>Post holder information (Post title)</b>	<b>Salary (including fees &amp; Allowances)</b>	<b>Benefits in Kind (e.g. Car Allowance)</b>	<b>Total Remuneration excluding pension contributions 2015/16</b>	<b>Pension contribution</b>	<b>Total Remuneration including pension contributions 2015/16</b>
	£	£	£	£	£
<b>Chief Executive - Rob Tinlin</b> <i>annualised as reduced hours</i>	120,296	635	<b>120,931</b>	0	<b>120,931</b> <b>151,164</b>
<b>Corporate Directors</b>					
Corporate Services	117,658	0	<b>117,658</b>	16,943	<b>134,601</b>
People	125,343	0	<b>125,343</b>	18,049	<b>143,392</b>
Place	114,292	0	<b>114,292</b>	16,458	<b>130,750</b>
Public Health	121,368	0	<b>121,368</b>	10,866	<b>132,234</b>
<b>Heads of Service</b>					
Legal & Democratic Services	95,504	0	<b>95,504</b>	13,753	<b>109,257</b>
Finance & Resources	92,843	1,892	<b>94,735</b>	12,992	<b>107,727</b>
People & Policy	87,870	0	<b>87,870</b>	12,653	<b>100,523</b>
Customer Services	87,870	0	<b>87,870</b>	12,653	<b>100,523</b>
Joint Associate Director of Integrated Care Commissioning	92,870	212	<b>93,082</b>	13,373	<b>106,455</b>
Adult Services to 29 May 2015 <i>annualised</i>	23,800	0	<b>23,800</b>	0	<b>23,800</b> <b>147,237</b>
Adult Services from 13 April 2015 <i>annualised</i>	87,167	0	<b>87,167</b>	11,220	<b>98,387</b> <b>101,444</b>
Children's Services	75,628	0	<b>75,628</b>	10,890	<b>86,518</b>
Learning to 9 August 2015 <i>annualised</i>	31,416	613	<b>32,029</b>	4,524	<b>36,553</b> <b>101,846</b>
Learning from 1 January 2016 <i>annualised</i>	18,625	0	<b>18,625</b>	2,682	<b>21,307</b> <b>85,462</b>
Culture	87,870	0	<b>87,870</b>	12,653	<b>100,523</b>
Public Protection	87,870	0	<b>87,870</b>	12,653	<b>100,523</b>
Planning & Transport	74,344	1,467	<b>75,811</b>	10,706	<b>86,517</b>
Economy, Regeneration & Tourism	69,235	0	<b>69,235</b>	9,970	<b>79,205</b>
Public Health	83,250	0	<b>83,250</b>	7,453	<b>90,703</b>

2014/15

	Salary (Including fees & Allowances) £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding pension contributions 2014/15 £	Pension contribution £	Total Remuneration including pension contributions 2014/15 £
<b>Chief Executive - Rob Tinlin</b> <i>annualised as reduced hours</i>	120,832	4,023	<b>124,855</b>	0	<b>124,855</b> <b>156,068</b>
<b>Corporate Directors</b>					
Corporate Services	118,182	0	<b>118,182</b>	17,018	<b>135,200</b>
People	125,867	0	<b>125,867</b>	18,125	<b>143,992</b>
Place	112,447	0	<b>112,447</b>	16,192	<b>128,639</b>
Public Health	121,939	0	<b>121,939</b>	10,688	<b>132,627</b>
<b>Heads of Service</b>					
Legal & Democratic Services	95,947	0	<b>95,947</b>	13,816	<b>109,763</b>
Finance & Resources	91,468	1,568	<b>93,036</b>	13,171	<b>106,207</b>
People & Policy	88,262	1,145	<b>89,407</b>	12,710	<b>102,117</b>
Customer Services	87,976	2,358	<b>90,334</b>	12,668	<b>103,002</b>
Procurement, Commissioning & Strategic Housing	83,276	0	<b>83,276</b>	11,992	<b>95,268</b>
Adult Services to 9 November 2014 <i>annualised</i>	52,925	0	<b>52,925</b>	7,621	<b>60,546</b> <b>99,100</b>
Adult Services from 1 November 2014 <i>annualised</i>	55,800	0	<b>55,800</b>	0	<b>55,800</b> <b>134,881</b>
Children's Services to 8 October 2014 <i>annualised</i>	45,371	0	<b>45,371</b>	6,533	<b>51,904</b> <b>99,189</b>
Children's Services from 11 August 2014 <i>annualised</i>	47,751	0	<b>47,751</b>	6,876	<b>54,627</b> <b>85,575</b>
Learning	88,262	1,248	<b>89,510</b>	12,710	<b>102,220</b>
Culture	88,262	0	<b>88,262</b>	12,710	<b>100,972</b>
Public Protection	86,550	2,882	<b>89,432</b>	12,463	<b>101,895</b>
Planning & Transport	73,419	1,916	<b>75,335</b>	10,533	<b>85,868</b>
Economy, Regeneration & Tourism	68,126	0	<b>68,126</b>	9,809	<b>77,935</b>
Public Health	83,250	0	<b>83,250</b>	7,297	<b>90,547</b>

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

	2015/16			2014/15		
	Number of Staff			Number of Staff		
	Council	Schools	Total	Council	Schools	Total
£50,000 to £54,999	31	23	54	34	26	60
£55,000 to £59,999	20	16	36	13	22	35
£60,000 to £64,999	3	15	18	4	13	17
£65,000 to £69,999	8	5	13	9	10	19
£70,000 to £74,999	1	6	7	1	3	4
£75,000 to £79,999	1	6	7	0	6	6
£80,000 to £84,999	0	3	3	0	2	2
£85,000 to £89,999	0	3	3	0	4	4
£90,000 to £94,999	0	2	2	0	0	0
£95,000 to £99,999	0	1	1	0	0	0
£100,000 to £104,999	0	0	0	0	0	0
£105,000 to £109,999	0	0	0	0	1	1
£110,000 to £114,999	0	0	0	0	0	0
£115,000 to £119,999	0	1	1	0	0	0
<b>Total</b>	<b>64</b>	<b>81</b>	<b>145</b>	<b>61</b>	<b>87</b>	<b>148</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	
	2015/16			2014/15			2015/16	2014/15
	Compulsory	Other	Total	Compulsory	Other	Total		
<b>Council Staff</b>								
£0 - £19,999	6	23	29	2	22	24	£306,100	£243,580
£20,000 - £39,999	1	9	10	1	13	14	£288,924	£403,840
£40,000 - £59,999	1	1	2	0	0	0	£87,354	£0
<b>Total</b>	<b>8</b>	<b>33</b>	<b>41</b>	<b>3</b>	<b>35</b>	<b>38</b>	<b>£682,378</b>	<b>£647,420</b>
<b>School Staff</b>								
£0 - £19,999	11	6	17	11	0	11	£74,754	£75,856
£20,000 - £39,999	1	0	1	2	0	2	£27,987	£71,139
£40,000 - £59,999	1	1	2	0	0	0	£88,359	£0
£60,000 - £79,999	0	0	0	0	0	0	£0	£0
<b>Total</b>	<b>13</b>	<b>7</b>	<b>20</b>	<b>13</b>	<b>0</b>	<b>13</b>	<b>£191,100</b>	<b>£146,995</b>
<b>Total</b>	<b>21</b>	<b>40</b>	<b>61</b>	<b>16</b>	<b>35</b>	<b>51</b>	<b>£873,478</b>	<b>£794,415</b>

### Note 31. 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:

	2015/16 £000	2014/15 £000
Fees payable with regard to external audit services	143	190
Fees payable for the certification of grant claims and returns	32	28
Fees payable in respect of other services provided	6	7
<b>Total Audit Costs</b>	<b>181</b>	<b>225</b>

### Note 32. 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 ring fenced 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 2015/16 are as follows:

	2015/16 Central Expenditure £000	2015/16 Individual Schools Budget £000	2015/16 Total £000	2014/15 Total £000
Final DSG for 2015/16 before academy recoupment			137,014	136,234
Academy figure recouped for 2015/16			(57,126)	(46,941)
Total DSG after academy recoupment for 2015/16			79,888	89,293
Early Years Adjustment			331	0
Plus: Brought forward from 2014/15			1,606	739
Less: Carry forward to 2016/17 agreed in advance			(1,187)	0
<b>Total DSG available</b>			<b>80,638</b>	<b>90,032</b>
Agreed initial budgeted distribution in 2015/16	12,103	79,096	91,199	89,821
In year adjustments (early years, academy recoupment and NNDR adjustments)	0	(10,561)	(10,561)	211
<b>Final budget distribution for 2015/16</b>	<b>12,103</b>	<b>68,535</b>	<b>80,638</b>	<b>90,032</b>
Less: Actual central expenditure	(12,190)		(12,190)	(11,801)
Less: Actual ISB deployed to schools		(68,041)	(68,041)	(76,625)
<b>Carry forward to 2016/17</b>	<b>(87)</b>	<b>494</b>	<b>407</b>	<b>1,606</b>
Plus: Carry forward to 2016/17 agreed in advance			1,187	0
<b>Total Carry forward to 2016/17</b>			<b>1,594</b>	<b>1,606</b>

**Note 33. Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16.

	2015/16 £000	2014/15 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
<b>Non-Ringfenced Government Grants</b>		
Revenue Support Grant	28,728	38,981
Education Support Grant	1,791	2,423
New Homes Bonus	1,973	1,931
Other non-ringfenced government grants	74	186
	<b>32,566</b>	<b>43,521</b>
<b>Capital Grants and Contributions</b>		
Highways Infrastructure	3,231	7,403
Street Lighting Renewal	1,397	0
Leisure	244	0
Housing	209	195
Elmer Square Library	136	20
Coastal Defence	59	192
Coastal Communities Fund	18	1,144
Information Technology	18	0
Schools	(699)	4,971
Thorpe Greenways	0	1,174
City Deal Incubation Centre	0	651
Chalkwell Park/Priory Park Tennis courts	0	234
Hinguar Primary School	0	3
Other	67	16
	<b>4,680</b>	<b>16,003</b>
<b>Total</b>	<b>37,246</b>	<b>59,524</b>

The capital grants and contributions relating to schools are shown as a negative figure. This is due to amounts recognised in the 2014/15 Comprehensive Income and Expenditure Statement as Non-Specific Grant Income being reclassified as REFCUS grants credited to services in the 2015/16 Comprehensive Income and Expenditure Statement.

	2015/16 £000	2014/15 £000
<b>Credited to Services</b>		
Housing Benefits	90,422	91,643
Dedicated Schools Grant	80,219	89,292
Public Health Grant	8,832	8,060
REFCUS	6,792	5,535
Funding from Clinical Commissioning Groups	5,935	3,574
Pupil Premium	5,632	6,734
Education Funding Agency	3,907	2,984
Funding from NHS England and other NHS Bodies	3,155	4,898
Other Service Grants and Contributions	2,841	3,386
Skills Funding Agency	1,989	2,683
Housing Benefit Administration	1,393	1,565
Care Act Implementation	1,115	0
Waste Infrastructure Credits	764	0
Local Sustainable Transport Function	690	735
Troubled Families	642	628
Arts Council Grant	523	448
Youth Offending Grants	417	331
Independent Living Fund	331	0
Children's Services Grants	258	1,979
Supporting People	210	150
Social Fund	0	602
Weekly Waste Collection	0	500
<b>Total</b>	<b>216,067</b>	<b>225,727</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 34. 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 UK Government**

Central UK 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, and other areas of the public sector, used in 2015/16 and those received but not yet applied as at 31 March 2016 are set out in Note 33.

In addition the Council works in partnership with Southend Clinical Commissioning Group through a pooled budget arrangement.



### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2015/16 is shown in Note 29.

As part of their roles, Members are often appointed to be the Council's representatives on outside bodies, and occasionally hold similar roles in their own right. Separately the Council may commission services from these organisations, or potentially grant aid them under its voluntary sector grants programme. In all cases contracts were entered into with full procurement rules compliance and awards 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 Civic Offices during office hours.

It is considered that these transactions do not constitute related party transactions

### **Officers**

Three officers act as Board members to two of the Council's wholly owned subsidiaries – Southend Trading Corporation Limited and Southend Independent Living Limited. Southend Trading Corporation Limited has ceased trading. The officers do not hold any pecuniary stake in the companies, nor take any director fee. The Council however is reimbursed for officer time spent on company business.

### **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. Four Members were on the board of South Essex Homes Limited. 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 2016 there was a net deficit of £6.967M in respect of South Essex Homes Limited's pension liabilities. As at 31 March 2016 South Essex Homes Limited also had a retained surplus of £1.882M 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 35. 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 2016 £000	31 March 2015 £000
<b>Capital Investment</b>		
Property, Plant and Equipment	29,453	29,747
Investment Assets	26	62
Intangible Assets	907	990
Heritage Assets	501	277
Revenue Expenditure Funded from Capital Under Statute	9,518	5,726
<b>Total Capital Investment</b>	<b>40,405</b>	<b>36,802</b>
<b>Sources of Finance</b>		
Usable Capital Receipts	441	104
Government Grants and other Contributions	16,627	16,645
Sums set aside from Revenue:		
Direct Revenue Contributions	3,765	3,582
Major Repairs Reserve	7,021	7,386
<b>Total Financing from Internal Resources</b>	<b>27,854</b>	<b>27,717</b>
Credit arrangements	0	62
Un-supported Capital Borrowing	12,551	9,023
<b>Total Financing from Borrowing / Credit Arrangements</b>	<b>12,551</b>	<b>9,085</b>
<b>Total Capital Financing</b>	<b>40,405</b>	<b>36,802</b>

	31 March 2016 £000	31 March 2015 £000
<b>Opening Capital Financing Requirement</b>	<b>283,646</b>	<b>281,648</b>
<b>Explanation of Movements in Year</b>		
Borrowing	12,551	9,023
Finance Leases	0	62
Capital receipts used to repay borrowing	(3,900)	0
MRP	(3,781)	(7,087)
<b>Closing Capital Financing Requirement</b>	<b>288,516</b>	<b>283,646</b>
<b>of which</b>		
General Fund CFR	189,776	183,588
Housing Revenue Account CFR	98,740	100,058
	<b>288,516</b>	<b>283,646</b>

## Note 36. Leases

### The Council as Lessee

#### Finance Leases

The Council has acquired IT equipment and a minibus 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.

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.

With effect from 30 September 2013 the Council leased a proportion of the library and education centre at The Forum from the Forum Management Company Limited on a finance lease, based on the gross internal area used. There was no premium paid and the rent is a peppercorn so there are no minimum lease payments to disclose.

On 1 January 2014 the Council leased the Darlington Childrens Centre from the Darlington School Academy Trust on a finance lease. There was no premium paid and the rent is a peppercorn so there are no minimum lease payments to disclose.

#### Operating Leases

The Council has acquired vehicles for social care, vehicles for South Essex homes, our haulage pool and grounds maintenance equipment and photocopiers for schools under operating leases, which have typical lives of 5 to 7 years.

### 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 2016 £000	31 March 2015 £000
Not later than one year	1,588	1,519
Later than one year and not later than five years	5,748	5,361
Later than five years	69,021	64,283
	<b>76,357</b>	<b>71,163</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 2015/16 £136,000 contingent rents were estimated to be receivable by the Council (2014/15 £136,000 estimated).

#### Finance Leases

On 14 August 2013 the Council leased the Belfairs Woodland Centre to Essex Wildlife Trust Limited on a finance lease with a term of 25 years. There was no premium paid and the rent is a peppercorn so there

are no minimum lease payments to disclose at 31 March 2016. The Council has a gross investment in the lease of £318,000, as there are no minimum lease payments and the residual value is anticipated to be half the net book value of the asset, as the lease term is half the estimated useful economic life. The gross investment is expected to be received at the end of the lease.

With effect from 30 September 2013 the Council leased the library and education centre at The Forum to the Forum Management Company Limited on a finance lease with a term of 98½ years. There was no premium paid and the rent is a peppercorn so there are no minimum lease payments to disclose. The Council does not have any gross investment in the lease, as there are no minimum lease payments and no residual value anticipated for the property.

On 1 January 2014 the Council leased Darlington School to the Darlington School Academy Trust under a finance lease with a term of 125 years. There was no premium paid and the rent is a peppercorn so there are no minimum lease payments to disclose. The Council does not have any gross investment in the lease, as there are no minimum lease payments and no residual value anticipated for the property.

**Note 37. Downward Revaluation and Impairment Losses**

Various Housing Revenue Account assets were revalued at 1 April 2015 which led to a downward valuation or impairment loss, the most significant of which were some of the Council Dwellings, hostels and garages.

An impairment review of all material assets was carried out at the balance sheet date and this led to the downward revaluation or impairment of the carrying value of a number of assets, the most significant of which were Friars and Thorpedene libraries, Southend Youth House (Focus) and the Chase Leisure 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.

As a result of the regular review of the fixed asset register small downward revaluations and impairments were identified within the Other Land and Buildings, Vehicles, Plant, Furniture and Equipment, Infrastructure, Community Assets and Investment Assets categories of assets.

**Note 38. Capitalisation of Borrowing Costs**

The Council has not capitalised any of its borrowing costs.

**Note 39. 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 2015/16, have been fully provided for. (See note 19).

**Note 40. Pension Schemes Accounted for as Defined Contribution Schemes**

**Teachers' Pension Scheme**

Teachers employed by the Council are members of the Teachers' Pension Scheme (TPS), 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 2015/16 the Council paid £4.4m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% (16.48% from 1 September 2015) of pensionable pay. The figures for 2014/15 were £4.5m and 14.1% respectively. 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. There were no added years payments awarded in respect of the teachers' pension scheme in 2015/16 (2014/15 £6,588).

It is estimated that the Council will pay £4.0m to the TPS in 2016/17.

#### **NHS Staff Pension Scheme**

A number of NHS staff transferred to the Council as of 1 April 2013 as part of the transfer of Public Health from the NHS. These staff have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff 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 an unfunded defined benefit scheme. However, the Council is not able to identify its share of the 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 2015/16, the Council paid £125,000 (2014/15 £95,000) in respect of retirement benefits to NHS Pensions in respect of staff who have transferred into the Council from the NHS, representing 14% of pensionable pay. It is estimated that the Council will similarly pay £125,000 to NHS Pensions in 2016/17.

#### **Note 41. 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 makes contributions towards the cost of post-employment (retirement) benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in 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:

	2015/16 £000	2014/15 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
Current Service Cost	14,472	11,920
(Gain) / Loss from Settlement	(3,194)	(295)
Cost of Curtailments	496	428
Administration Expense	176	140
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	5,609	6,484
<b>Total post-employment benefit charged to the surplus or deficit on the provision of services</b>	<b>17,559</b>	<b>18,677</b>
<b>Other post-employment benefit charged to the comprehensive income and expenditure statement</b>		
Return on plan assets in excess of interest	3,271	(29,762)
Change in financial assumptions	(27,878)	51,801
Experience gain on defined benefit obligation	(132)	(296)
<b>Remeasurements and Other Comprehensive Income</b>	<b>(24,739)</b>	<b>21,743</b>
<b>Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement</b>	<b>(7,180)</b>	<b>40,420</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	7,180	(40,420)
<b>Actual amount charged against the General Fund Balance for Pensions in the year</b>		
Employer's contributions payable to scheme	8,453	23,057

In 2014/15 the Council pre-funded three years' worth of scheme deficit payments as part of the annual employer's contribution to the scheme, thereby obtaining a reduction in future payments it would otherwise have had to pay.

### Pension Assets and Liabilities Recognised in the Balance Sheet

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

<b>Actuarial Gains/(Losses)</b>	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Present Value of the defined benefit obligation	524,060	536,207
Fair Value of Plan Assets	(363,407)	(359,921)
<b>Net Liability arising from defined benefit obligation</b>	<b>160,653</b>	<b>176,286</b>

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

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Opening Balance at 1 April	536,207	465,060
Current Service Cost	14,472	11,920
Interest Cost	17,408	20,149
Contributions by Scheme Participants	3,524	3,438
Actuarial gains / losses arising from changes in financial assumptions	(27,878)	51,801
Other	(132)	(296)
Losses on Curtailments	496	428
Benefits Paid	(15,356)	(15,171)
Liabilities extinguished on Settlements	(4,681)	(1,122)
<b>Closing Balance at 31 March</b>	<b>524,060</b>	<b>536,207</b>

## Reconciliation of fair value of the scheme assets

	2015/16 £000	2014/15 £000
Opening Balance at 1 April	359,921	306,137
Interest Income	11,799	13,665
The return on plan assets, excluding the amount included in the net interest expense	(3,271)	29,762
Employer Contributions	8,453	23,057
Contributions by Scheme Participants	3,524	3,438
Benefits Paid	(15,356)	(15,171)
Payment of Bulk Transfer Value	(1,487)	(827)
Administrative Expense	(176)	(140)
<b>Closing Balance at 31 March</b>	<b>363,407</b>	<b>359,921</b>

## Local Government Pension Scheme assets

The estimated asset allocation as at 31 March is as follows:

	2015/16		2014/15	
	£000	%	£000	%
Equity Investments	245,959	68	242,123	67
Government Bonds	10,714	3	15,813	4
Other Bonds	17,443	5	34,449	10
Property	43,277	12	39,093	11
Cash / Liquidity	11,805	3	7,891	2
Alternative Assets	16,157	4	20,552	6
Other Managed Funds	18,052	5	0	0
	<b>363,407</b>	<b>100</b>	<b>359,921</b>	<b>100</b>

Of the equities allocation, 13% are UK investments and 87% are overseas investments. 100% of the equities are listed.

The Government Bonds allocation consists entirely of UK index linked government securities.

The Other Bonds allocation consists entirely of UK corporate bonds.

Of the Property allocation, 38% is listed

The Alternative Assets allocation is made up of 52% in Private Equity, 34% in Infrastructure and 14% in Timber.



### 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 2013.

The significant assumptions used by the actuary have been:

	2015/16	2014/15
<b>Mortality assumptions:</b>		
Longevity at 65 for Current Pensioners		
Men	22.9	22.8
Women	25.3	25.2
Longevity at 65 for Future Pensioners		
Men	25.2	25.1
Women	27.7	27.6
Rate of Inflation (RPI)	3.2%	3.2%
Rate of Inflation (CPI)	2.3%	2.3%
Rate of increases in salaries	4.1%	4.1%
Rate of increase in pensions	2.3%	2.3%
Rate for discounting scheme liabilities	3.6%	3.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies of the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	16.0	(15.5)
Rate of inflation (increase or decrease by 0.1%)	8.4	(8.2)
Rate of increase in salaries (increase or decrease by 0.1%)	0.8	(0.8)
Rate of increase in pensions (increase or decrease by 0.1%)	8.4	(8.2)
Rate of discounting scheme liabilities (increase or decrease by 0.1%)	(8.9)	9.1

### **Impact on the Council's Cash Flows**

One of the objectives of the scheme is to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 14 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2016.

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

The Council anticipates to pay £7.702M expected contribution to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 18 years (18 years 2014/15).

### **Note 42. Contingent Liabilities**

The Council is party to a joint waste agreement with Essex County Council. Under that agreement, the Council sends its residual waste to a waste treatment plant in Basildon. Essex County Council entered into a Private Finance Initiative contract for the design, construction and operation of the waste treatment plant in May 2012. In accordance with the contract Essex County Council is working with the contractor to ensure the contract milestones that trigger entitlement to payment and relevant acceptance tests criteria will be met to the satisfaction of the Council before the contract 'long stop date' in January 2017.

### **Note 43. 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. The risk with banks and financial institutions 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 £35m 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 2016 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.

Credit Risk	Amounts £000	Historical experience of default %	31 March 2016	Estimated maximum exposure to default and uncollectability £000	31 March 2015
			Historical experience adjusted for market conditions %		Estimated maximum exposure to default and uncollectability £000
Deposits With Banks And Other Financial Institutions	34,985	0.00%	0.00%	0	0
Bonds And Other Securities	59,265	0.00%	0.00%	0	0
Customers	26,702	0.49%	0.92%	220	230

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 2016 £000	31 March 2015 £000
Less Than Three Months	3,726	6,118
Three To Six Months	432	383
Six Months To One Year	453	402
More Than One Year	3,407	1,942
<b>Total</b>	<b>8,018</b>	<b>8,845</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 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 40% 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 2016	31 March 2015
	£000	£000
Less than 1 year	10,561	20,649
Between 1 and 2 years	10,807	10,525
Between 2 and 5 years	39,106	38,661
Between 5 and 10 years	59,933	58,950
Between 10 and 15 years	111,268	96,866
Between 15 and 20 years	78,788	90,462
More than 20 years	119,848	131,634
<b>Total Cost of Loans Over Their Life</b>	<b>430,311</b>	<b>447,747</b>
This total consists of:		
Principal Amount of Loans	231,029	237,816
Future Interest Element	199,282	209,931
<b>Total Cost of Loans Over Their Life</b>	<b>430,311</b>	<b>447,747</b>

These amounts are higher than those recognised in note 15 to the Balance Sheet as they include the interest for each year of the loans, included in the year it falls due.

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 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 2016, 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	0
Increase in interest receivable on variable rate investments	(955)
Increase in government grant receivable for financing costs	0
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(955)</b>
Share of overall impact debited to the HRA	(121)
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.

The Council holds investments in property funds and therefore has exposure to losses arising from movements in the price of the units of those funds. However, the interest equalisation reserve will be used to capture some of the income in the years when the property values are rising, and will then be available to offset any losses should property values fall, therefore not impacting the General Fund Balance.

*Foreign Exchange Risk*

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

#### **Note 44. Heritage Assets**

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 artefacts form part of the Council's heritage assets and have been valued by a specialist in archaeology. These items are reported in the Balance Sheet at this valuation which is based on sale prices of comparable material and museum valuations for loan purposes, where relevant. The valuations also take into account the condition of the objects, their rare or unique nature and their relationship to material from other high-status burial contexts such as Sutton Hoo and Taplow. These assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. Of these items, £748,000 are currently in storage within the borough with the remainder on loan to a museum in London.

##### 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 45. 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 2016, the Council was sole trustee of eight trust funds. Some (\*) are consolidated into the Council's Group Accounts on the grounds of materiality. On 25<sup>th</sup> February 2016, four trust funds were closed, with their assets transferred to the Southend Education Fund, under the control of the Essex Community Foundation. The new trust has similar aims and objectives, but the Council is no longer the trustee.

<b>2015/16</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Assets £000</b>	<b>Liabilities £000</b>
Beecroft Art Trust *	183	308	1,970	1
Jones Memorial Recreation Ground Trust *	44	45	155	1
Palace Theatre Charity *	156	270	3,820	1
Prittlewell Priory Museum Trust *	130	219	1,647	1
Priory Park Trust *	310	325	374	1
The Shrubbery Trust *	42	11	636	0
Victory Sports Ground Trust	50	50	11	1
Youth Commemoration Ground Trust *	178	167	8,296	0
<b>Closed in year</b>				
The E.D.F. Garvie Memorial Fund	0	2	0	0
The E. Cecil Jones Primary Schools Trust Fund	0	22	0	0
R. A. Jones in Memoriam Fund	0	17	0	0
Arthur Henry & Mary Thatcher Memorial Prize	0	9	0	0
<b>Total Trusts</b>	<b>1,093</b>	<b>1,445</b>	<b>16,909</b>	<b>6</b>

<b>2014/15</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Assets £000</b>	<b>Liabilities £000</b>
Beecroft Art Trust *	123	248	2,086	9
Jones Memorial Recreation Ground Trust *	50	50	156	2
Palace Theatre Charity *	91	205	3,952	19
Prittlewell Priory Museum Trust *	113	200	1,738	3
Priory Park Trust *	347	361	397	9
The Shrubbery Trust *	30	4	606	0
Victory Sports Ground Trust	61	61	12	2
Youth Commemoration Ground Trust *	244	235	8,287	2
The E.D.F. Garvie Memorial Fund	0	0	2	0
The E. Cecil Jones Primary Schools Trust Fund	1	0	22	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>1,060</b>	<b>1,364</b>	<b>17,284</b>	<b>46</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 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.

	2015/16 £000	2014/15 £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

Restated 2014/15 £000		2015/16 £000
	<b>Income</b>	
(25,904)	Dwelling Rents (Gross)	(26,806)
(326)	Non Dwelling Rents (Gross)	(603)
(4,792)	Charges for Services and Facilities	(4,470)
0	Revaluation Gains	(3,054)
<b>(31,022)</b>	<b>Total Income</b>	<b>(34,933)</b>
	<b>Expenditure</b>	
5,400	Repairs and Maintenance	5,155
9,741	Supervision and Management	9,910
626	Rents, Rates, Taxes and other Charges	714
232	Provision for Bad and Doubtful Debts	101
8,704	Depreciation and impairment on Dwellings	27,864
101	Depreciation and impairment on Other Assets	933
54	Debt Management Expenses	54
<b>24,858</b>	<b>Total Expenditure</b>	<b>44,731</b>
<b>(6,164)</b>	<b>Net cost of HRA services as included in the whole authority Income and Expenditure Account</b>	<b>9,798</b>
168	HRA services share of Corporate and Democratic Core	172
<b>(5,996)</b>	<b>Net Cost of HRA Services</b>	<b>9,970</b>
(444)	Loss/(Profit) on Sale of HRA Fixed Assets	(738)
3,663	Interest Payable and Similar Charges	3,549
(204)	General Grants	224
(109)	Interest Receivable	(154)
<b>(3,090)</b>	<b>(Surplus) / Deficit for the year on HRA services</b>	<b>12,851</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.

2014/15 £000		2015/16 £000
(3,090)	Surplus for the year on the Housing Revenue Account Income And Expenditure Account	12,851
(1,341)	Net additional amount required by statute to be credited to the HRA Balance for the year	(20,260)
4,431	Transfer to / (from) Earmarked Reserves	7,409
<b>0</b>	<b>Decrease/(Increase) in the Housing Revenue Account Balance</b>	<b>0</b>
(3,502)	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

2014/15 £000		2015/16 £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>	
444	(Loss)/Profit on Sale of HRA Fixed Assets	738
413	General Grants / Service Grants	16
	<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>	
(1,678)	Transfer to / (from) Major Repairs Reserve	0
(179)	Transfer to / (from) Capital Adjustment Account - Impairment	(20,701)
(341)	Transfer to / (from) Capital Adjustment Account - REFCUS	(313)
4,431	<b>Transfer to / (from) Earmarked Reserves</b>	<b>7,409</b>
<b>3,090</b>	<b>Net Additional Amount required to be credited to the Housing Revenue Account Balance for the year</b>	<b>(12,851)</b>

## NOTES TO THE HRA

### HRA Note 1. Analysis of Housing Stock

	Number of Properties 31 March 2016	Number of Properties 31 March 2015
Houses And Bungalows	2,104	2,120
Flats	3,892	3,896
	<b>5,996</b>	<b>6,016</b>

### HRA Note 2. Rent Arrears

Cumulative rent arrears in respect of HRA properties at 31 March 2016 including service charges and water were £0.9m (At 31 March 2015 service charges and water were £0.9m).

### HRA Note 3. 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 and in line with those shown 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.

	2015/16 £000	2014/15 £000
<b>Item 8 Debit</b>		
<u>Depreciation</u>		
Council Dwellings	4,832	8,525
Non-Council Dwellings	210	101
<u>Impairment</u>		
Council Dwellings	23,032	179
Non-Council Dwellings	723	0
<b>Total Depreciation and Impairment</b>	<b>28,797</b>	<b>8,805</b>
Debt Management Expenses	54	54
Loan Interest Payable	3,549	3,663
<b>Item 8 Credit</b>		
Interest Receivable	(154)	(109)
<u>Revaluation Gains</u>		
Council Dwellings	(2,902)	0
Non-Council Dwellings	(152)	0
Appropriation From Major Repairs Reserve	0	(1,678)
Appropriation From Capital Adjustment Account - Impairment	(20,701)	(179)
Appropriation From Capital Adjustment Account - REFCUS	(313)	(341)
<b>Net Effect On HRA</b>	<b>8,178</b>	<b>10,215</b>

**HRA Note 4. 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.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>6,873</b>	<b>7,311</b>
Transfers In	5,042	8,626
Used To Fund Capital (Council Dwellings)	(7,381)	(7,386)
Statutory Mitigation	0	(1,678)
<b>Balance at 31 March</b>	<b>4,534</b>	<b>6,873</b>

## HRA Note 5. 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 2015 amounted to £595.8m. 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. The Government increased the discount for social housing value by 1% from 1 April 2015.

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Assets Under Construction</b>	<b>Non-Operational Investment Properties</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Gross Book Value as at 31 March 2015</b>	<b>330,698</b>	<b>7,822</b>	<b>20</b>	<b>695</b>	<b>339,235</b>
Accumulated Depreciation as at 31 March 2015	(31,207)	(508)	0	0	(31,715)
<b>Net Book Value as at 31 March 2015</b>	<b>299,491</b>	<b>7,314</b>	<b>20</b>	<b>695</b>	<b>307,520</b>
Additions	6,981	265	328	0	7,574
Disposals	(1,509)	0	0	0	(1,509)
Transfers	(1,507)	(118)	0	307	(1,318)
Revaluations	23,056	2,993	0	0	26,049
Impairment I&E	(28,165)	(642)	0	(13)	(28,820)
<u>Depreciation</u>					
For Current Year	(4,832)	(210)	0	0	(5,042)
On Disposals	22	0	0	0	22
Transfers	92	(71)	0	(21)	0
Revaluations	23,038	479	0	0	23,517
Impairments	8,035	84	0	0	8,119
<b>Gross Book Value as at 31 March 2016</b>	<b>329,554</b>	<b>10,320</b>	<b>348</b>	<b>989</b>	<b>341,211</b>
Accumulated Depreciation as at 31 March 2016	(4,852)	(226)	0	(21)	(5,099)
<b>Net Book Value as at 31 March 2016</b>	<b>324,702</b>	<b>10,094</b>	<b>348</b>	<b>968</b>	<b>336,112</b>

HRA Note 6. Capital Expenditure

	31 March 2016 £000	31 March 2015 £000
Purchase or enhancement of Council Dwellings	7,569	7,621
Expenditure on maintaining the value of Council Dwellings	5	72
REFCUS	240	341
<b>Total HRA Capital Expenditure</b>	<b>7,814</b>	<b>8,034</b>
<u>Financed by:-</u>		
Usable Capital Receipts	417	103
<b>Total Financed By Capital Receipts</b>	<b>417</b>	<b>103</b>
<u>Revenue contributions:-</u>		
Major Repairs Reserve	7,021	7,386
Third Party	376	495
Capital Grant	0	50
<b>Total Revenue Contributions</b>	<b>7,397</b>	<b>7,931</b>
<b>Total Capital Expenditure</b>	<b>7,814</b>	<b>8,034</b>





# **THE COLLECTION FUND**

## THE COLLECTION FUND

2014/15 £000		2015/16 £000 Council Tax	2015/16 £000 NNDR	2015/16 £000 Total	Collection Fund Note
<b>INCOME</b>					
75,520	Income from Council Tax	78,181	0	78,181	1
45,620	Income Collectable from Business Ratepayers	0	45,291	45,291	2
<b>121,140</b>	<b>Total Income</b>	<b>78,181</b>	<b>45,291</b>	<b>123,472</b>	
<b>EXPENDITURE</b>					
<b>Precepts and Demands</b>					
61,446	Southend-on-Sea Borough Council	63,663	0	63,663	
7,755	Essex Police Authority	8,033	0	8,033	
3,570	Essex Fire Authority	3,626	0	3,626	
<b>Business Rates</b>					
23,519	Payments to Government	0	23,224	23,224	
470	Payments to Fire Authority	0	464	464	
23,049	Payments to Southend-on-Sea Borough Council	0	22,759	22,759	
240	Costs of Collection	0	239	239	
<b>Doubtful Debt and Appeals Provisions</b>					
775	Provisions	155	96	251	
(36)	Write-offs	261	492	753	
2,811	NNDR Provision for Appeals	0	3,388	3,388	
(1,721)	NNDR Settlement of Appeals	0	(2,128)	(2,128)	
<b>121,878</b>	<b>Total Expenditure</b>	<b>75,738</b>	<b>48,534</b>	<b>124,272</b>	
<b>USE OF BALANCES</b>					
<b>Council Tax</b>					
1,000	Southend-on-Sea Borough Council	1,001	0	1,001	
0	Government				
124	Council Tax - Essex Police Authority	127	0	127	
58	Council Tax - Essex Fire Authority	58	0	58	
<b>Business Rates</b>					
0	Government	0	(626)	(626)	
0	Southend-on-Sea Borough Council	0	(638)	(638)	
0	Essex Fire Authority	0	(13)	(13)	
<b>(1,920)</b>	<b>(Deficit) / Surplus for the year</b>	<b>1,257</b>	<b>(1,966)</b>	<b>(709)</b>	
<b>COLLECTION FUND BALANCE</b>					
5,119	Balance brought forward at 1 April	4,973	(1,774)	3,199	
(1,920)	(Deficit)/Surplus for the year (as above)	1,257	(1,966)	(709)	
<b>3,199</b>	<b>Balance Carried Forward at 31 March</b>	<b>6,230</b>	<b>(3,740)</b>	<b>2,490</b>	
<b>ALLOCATED TO:</b>					
(887)	Government	0	(1,870)	(1,870)	
241	Police Authority	662	0	662	
512	Fire Authority	295	(37)	258	
3,333	Southend-on-Sea Borough Council	5,273	(1,833)	3,440	
<b>3,199</b>	<b>Balance Carried Forward at 31 March</b>	<b>6,230</b>	<b>(3,740)</b>	<b>2,490</b>	

## 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 (£1,415.97 for the Leigh-on-Sea Town Council area and £1,373.13 for all other parts of the Borough) is multiplied by the proportion specified for the particular band to give an individual amount due.

The number of chargeable dwellings for Council Tax in each Valuation Band (adjusted for dwellings where discounts apply) for the year was as follows:

	Number of Dwellings	Ratio	Equivalent Number of Dwellings
Valuation Band - A*	20.89	5/9	11.61
Valuation Band - A	9,221.87	6/9	6,147.91
Valuation Band - B	10,688.01	7/9	8,312.90
Valuation Band - C	18,585.61	8/9	16,520.54
Valuation Band - D	10,737.11	9/9	10,737.11
Valuation Band - E	5,934.10	11/9	7,252.79
Valuation Band - F	3,289.44	13/9	4,751.41
Valuation Band - G	1,418.24	15/9	2,363.73
Valuation Band - H	90.75	18/9	181.50
	<b>59,986.02</b>		<b>56,279.50</b>
Less:			
Adjustment for Collection of Rates and anticipated changes during the year for successful Appeals against Valuation Banding, New Properties, Demolitions, Disabled Persons Relief and Exempt Properties.			1,688.38
* Reductions For Band A Disabled.			
			<b>54,591.12</b>

### Collection Fund Note 2 Non-Domestic Rates

Non Domestic Rates are organised on a national basis. The Government specified an amount of 49.3p in 2015/16 (48.2p in 2014/15) with a small business rate of 48.0p in 2015/16 (47.1p in 2014/15) 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 50% of the proceeds over to the Government for onward redistribution in line

with need. The Council retains 49% of the proceeds, with the final 1% being passed over to Essex Fire Authority.

After relief and provisions, the Non Domestic Rates income collectable was £43,748,880 for 2015/16 (£44,212,891 for 2014/15). The year-end rateable value for the Council's area was £121,261,295 at 31 March 2016 (£121,586,352 at 31 March 2015). The Valuation Office undertook a national revaluation of properties at 1 April 2010.

### Collection Fund Note 3 Provisions for Non-collection and NNDR Appeals

Within the Collection Fund there are the following provisions;

- A provision of £2,220,000 as at 31 March 2016 for bad and doubtful debts for Council Tax (£2,065,000 as at 31 March 2015)
- A provision of £667,000 as at 31 March 2016 for bad and doubtful debts for NNDR (£572,000 as at 31 March 2015)
- A provision of £3,833,000 as at 31 March 2016 for the potential impact of successful appeals by businesses against their rateable values (£2,573,000 as at 31 March 2015).

### 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 £9,230,000 on the Council Tax 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.

Under business rates retention, the deficit balance of £3,470,000 on the NNDR Collection Fund is split between Central Government, Essex Fire Authority and this Council, in the statutory proportions 50%, 1% and 49% respectively.

	31 March 2016 £000	31 March 2015 £000
Council Tax - Southend-on-Sea Borough Council	5,273	4,202
Council Tax - Essex Police Authority	662	241
Council Tax - Essex Fire Authority	295	530
NNDR - Southend-on-Sea Borough Council	(1,833)	(869)
NNDR - Government	(1,870)	(887)
NNDR - Essex Fire Authority	(37)	(18)
<b>Total</b>	<b>2,490</b>	<b>3,199</b>

Shown on Balance Sheet as:	31 March 2016 £000	31 March 2015 £000 Restated
Collection Fund Adjustment Account	3,440	3,333
Creditors Falling Due Within One Year	957	771
Debtors	(1,907)	(905)
<b>Total</b>	<b>2,490</b>	<b>3,199</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 2015/16 Leigh-on-Sea Town Council Area £	Council Tax 2015/16 All other parts of the Borough £	Ratio to Band D
A	Up to and including 40,000	943.98	915.42	6/9
B	40,001 - 52,000	1,101.31	1,067.99	7/9
C	52,001 - 68,000	1,258.64	1,220.56	8/9
D	68,001 - 88,000	1,415.97	1,373.13	1
E	88,001 - 120,000	1,730.63	1,678.27	11/9
F	120,001 - 160,000	2,045.29	1,983.41	13/9
G	160,001 - 320,000	2,359.95	2,288.55	15/9
H	More than 320,000	2,831.94	2,746.26	18/9
<b>Band D</b>		<b>2014/15 £</b>	<b>2015/16 £</b>	<b>% increase</b>
Southend-on-Sea Borough Council		1,137.42	1,159.56	1.95
Essex Fire Authority		66.42	66.42	-
Essex Police Authority		144.27	147.15	1.996
Other than Leigh-on-Sea Town Council Area		1,348.11	1,373.13	1.86
Leigh-on-Sea Town Council		36.34	42.84	17.89
Leigh-on-Sea Town Council Area		1,384.45	1,415.97	2.28



# **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.

### **WHOLLY OWNED COMPANIES**

As at 31 March 2016, 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 Independent Living Limited, and
- Southend Business Services Limited

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.

Southend Trading Corporation Limited is a company that was established to exploit the Council's telephony assets by selling surplus capacity to the public and private sectors. It has ceased trading as at 31 March 2015.

Southend Independent Living is primarily an internet trading company providing innovative and useful items that can assist in everyday life.

Southend Business Services Limited has yet to trade.

Of the four companies, only South Essex Homes Limited traded at a material level during the year, and therefore is the only company subject to consolidation.

### **JOINT VENTURES**

The Council participates in two joint ventures, where it has a significant level of control. These are:

- PSP Asset LLP
- Southend-on-Sea Forum Management Limited

PSP Asset LLP is a vehicle through which the Council is able to redevelop surplus assets. It is jointly controlled with a partner company BVSF on a 50:50 basis. Although some assets have been formally transferred to the LLP, and it holds options on others, the Council's proportion of net assets is immaterial to the accounts and therefore has not been consolidated into the group accounts.

Southend-on-Sea Forum Management Limited has been established as a vehicle through which The Forum Southend-on-Sea is managed. The Forum Southend-on-Sea is a partnership between Southend-on-Sea Borough Council, the University of Essex and South Essex College. The Forum Southend-on-Sea is also the new home of the Focal Point Gallery. The Council has equal voting rights as the other two partners. The Council's proportion of net assets is immaterial to the accounts and has not been consolidated into the group accounts.

### **TRUST FUNDS AND BEQUESTS**

(See also Note 45 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 2016, the Council was sole trustee of eight 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 seven are considered material to the Council's operations and therefore been subject to consolidation.



**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 £000	Unusable Reserves £000	Total Group Reserves £000
<b>Balance at 31 March 2014</b>	<b>106,525</b>	<b>273,960</b>	<b>380,485</b>
<b>Movement in Reserves during 2014/15 Restated</b>			
Surplus (Deficit) on the Provision of Services	7,581	0	7,581
Other Comprehensive Income and Expenditure	0	10,470	10,470
<b>Total Comprehensive Income and Expenditure</b>	<b>7,581</b>	<b>10,470</b>	<b>18,051</b>
Adjustments between accounting basis and funding basis under regulations	3,815	(3,817)	(2)
<b>Net Increase / Decrease before Transfers to reserves</b>	<b>11,396</b>	<b>6,653</b>	<b>18,049</b>
Transfers to / from Earmarked Reserves	0	0	0
<b>Increase / Decrease in 2014/15</b>	<b>11,396</b>	<b>6,653</b>	<b>18,049</b>
<b>Balance at 31 March 2015</b>	<b>117,921</b>	<b>280,613</b>	<b>398,534</b>
<b>Movement in Reserves during 2015/16</b>			
Surplus (Deficit) on the Provision of Services	(32,772)	0	(32,772)
Other Comprehensive Income and Expenditure	0	83,214	83,214
<b>Total Comprehensive Income and Expenditure</b>	<b>(32,772)</b>	<b>83,214</b>	<b>50,442</b>
Adjustments between accounting basis and funding basis under regulations	40,569	(40,569)	0
<b>Net Increase / Decrease before Transfers to reserves</b>	<b>7,797</b>	<b>42,645</b>	<b>50,442</b>
Transfers to / from Earmarked Reserves	0	0	0
<b>Increase / Decrease in 2015/16</b>	<b>7,797</b>	<b>42,645</b>	<b>50,442</b>
<b>Balance at 31 March 2016</b>	<b>125,718</b>	<b>323,258</b>	<b>448,976</b>

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/15			2015/16			
Gross Expenditure £000 Restated	Gross Income £000 Restated	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
4,311	(2,029)	2,282	Central Services to the Public	4,568	(2,051)	2,517
20,737	(3,100)	17,637	Cultural Services	18,539	(4,294)	14,245
			Environmental and Regulatory			
18,237	(3,292)	14,945	Services	19,496	(4,949)	14,547
3,131	(1,917)	1,214	Planning Services	3,416	(1,613)	1,803
137,803	(109,129)	28,674	Education and Children's Services	140,407	(107,167)	33,240
7,625	(7,715)	(90)	Public Health	9,163	(8,428)	735
23,884	(10,811)	13,073	Highways and Transport Services	22,357	(10,651)	11,706
24,741	(29,990)	(5,249)	Local Authority Housing (HRA)	20,976	(34,027)	(13,051)
			Exceptional cost of Local Authority			
0	0	0	Housing Impairment	23,027	0	23,027
106,663	(101,110)	5,553	Other Housing Services	105,775	(98,424)	7,351
60,538	(18,277)	42,261	Adult Social Care	64,693	(22,179)	42,514
6,577	(138)	6,439	Corporate and Democratic Core	2,827	(398)	2,429
287	0	287	Non Distributed Costs	(2,143)	0	(2,143)
<b>414,534</b>	<b>(287,508)</b>	<b>127,026</b>	<b>Cost of Services</b>	<b>433,101</b>	<b>(294,181)</b>	<b>138,920</b>
			616 Other Operating Expenditure			17,293
			Financing and Investment Income and			
			20,271 Expenditure			12,408
			Taxation and Non-Specific Grant			
			(155,496) Income			(135,848)
			<b>(Surplus) or Deficit on Provision of</b>			
			<b>(7,583) Services</b>			<b>32,773</b>
			2 Tax Expenses of Subsidiary			(1)
			<b>(7,581) Group (Surplus)/Deficit</b>			<b>32,772</b>
			Surplus or Deficit on Revaluation of			
			Property, Plant and Equipment			
			(33,221) Assets			(56,982)
			Surplus or Deficit on Revaluation of			
			(1) Available for Sale Financial Assets			(3)
			Actuarial gains / losses on Pension			
			22,753 Assets / Liabilities			(26,229)
			<b>Other Comprehensive Income and</b>			
			<b>(10,469) Expenditure</b>			<b>(83,214)</b>
			<b>Total Comprehensive Income and</b>			
			<b>(18,050) Expenditure</b>			<b>(50,442)</b>

## GROUP BALANCE SHEET

31 March 2015		31 March 2016
£000		£000
692,236	Property, Plant & Equipment	721,401
41,698	Heritage Assets	40,991
22,460	Investment Property	23,412
3,873	Intangible Assets	4,052
42	Long Term Investments	12,748
131	Long Term Debtors	1,191
<b>760,440</b>	<b>Long Term Assets</b>	<b>803,795</b>
40,508	Short term Investments	42,035
0	Assets Held for Sale	54
186	Inventories	22
29,026	Short Term Debtors	30,706
53,517	Cash and Cash Equivalents	44,459
<b>123,237</b>	<b>Current Assets</b>	<b>117,276</b>
(1,259)	Cash and Cash Equivalents	(399)
(15,968)	Short Term Borrowings	(16,298)
(33,729)	Short Term Creditors	(36,020)
(8,322)	Provisions	(7,579)
<b>(59,278)</b>	<b>Current Liabilities</b>	<b>(60,296)</b>
(92)	Long Term Creditors	(40)
(227,939)	Long Term Borrowing	(230,994)
(184,027)	Other Long Term Liabilities - Pensions	(167,620)
(13,807)	Other Long Term Liabilities - Other	(13,145)
<b>(425,865)</b>	<b>Long Term Liabilities</b>	<b>(411,799)</b>
<b>398,534</b>	<b>Net Assets</b>	<b>448,976</b>
117,921	Usable Reserves	125,718
280,613	Unusable Reserves	323,258
<b>398,534</b>	<b>Total Reserves</b>	<b>448,976</b>

## GROUP CASH FLOW STATEMENT

2014/15 £000 Restated	2015/16 £000
(7,581) Net (Surplus) or Deficit on the Provision of Services	32,772
Adjustments to Net Surplus or Deficit on the Provision of Services for (30,179) non-cash Movements	(64,791)
Adjustments for items included in the Net Surplus or Deficit on the 18,437 Provision of Services that are Investing and Financing Activities	3,572
(19,323) Net cash flows from Operating Activities	(28,447)
13,266 Investing Activities	41,492
8,448 Financing Activities	(4,847)
2,391 Net Increase or Decrease in Cash and Cash Equivalents	8,198
(54,649) Cash and Cash Equivalents at the beginning of the Reporting Period	(52,258)
<b>(52,258) Cash and Cash Equivalents at the end of the Reporting Period</b>	<b>(44,060)</b>

## NOTES TO THE GROUP ACCOUNTS

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

### Group Note 1 Details of Subsidiary Company

South Essex Homes Limited – Company registration number 05453601

### Group Note 2 Financial Performance

2015/16	Youth Commemoration Ground Trust £000	Palace Theatre Charity £000	Prittlewell Priory Museum Trust £000	The Shrubbery Trust £000	Beecroft Art Gallery £000	Jones Memorial Trust £000	Priory Park Trust £000	Total Trusts £000	South Essex Homes £000	Total £000
Income	(178)	(156)	(130)	(42)	(183)	(44)	(310)	(1,043)	(10,050)	(11,093)
Expenditure	167	270	219	11	308	44	325	1,344	10,433	11,777
Property, Plant & Equipment	5,502	3,819	0	0	0	28	288	9,637	0	9,637
Heritage Assets	0	0	1,639	0	1,969	0	0	3,608	0	3,608
Investment Property	0	0	0	239	0	0	86	325	0	325
Other Current Assets	2,793	0	9	397	1	127	1	3,328	5,194	8,522
Other Liabilities	0	0	(1)	0	(1)	(1)	(1)	(4)	(3,312)	(3,316)
Pension Liability	0	0	0	0	0	0	0	0	(6,967)	(6,967)
<b>Net Assets</b>	<b>8,295</b>	<b>3,819</b>	<b>1,647</b>	<b>636</b>	<b>1,969</b>	<b>154</b>	<b>374</b>	<b>16,894</b>	<b>(5,085)</b>	<b>11,809</b>
Usable Reserves	2,793	0	9	397	0	126	0	3,325	1,882	5,207
Unusable Reserves	5,502	3,819	1,638	239	1,969	28	374	13,569	(6,967)	6,602

2014/15	Youth Commemoration Ground Trust £000	Palace Theatre Charity £000	Prittlewell Priory Museum Trust £000	The Shrubbery Trust £000	Beecroft Art Gallery £000	Jones Memorial Trust £000	Priory Park Trust £000	Total Trusts £000	South Essex Homes £000	Total £000
Income	(244)	(91)	(133)	(30)	(123)	(50)	(346)	(1,017)	(10,221)	(11,238)
Expenditure	235	205	200	4	248	50	361	1,303	10,823	12,126
Property, Plant & Equipment	5,614	3,933	0	0	125	29	302	10,003	0	10,003
Heritage Assets	0	0	1,720	0	1,969	0	0	3,689	0	3,689
Investment Property	0	0	0	239	0	0	86	325	0	325
Other Current Assets	2,673	19	18	367	9	126	9	3,221	7,168	10,389
Other Liabilities	(2)	(19)	(3)	0	(9)	0	(9)	(42)	(5,620)	(5,662)
Pension Liability	0	0	0	0	0	0	0	0	(7,741)	(7,741)
<b>Net Assets</b>	<b>8,285</b>	<b>3,933</b>	<b>1,735</b>	<b>606</b>	<b>2,094</b>	<b>155</b>	<b>388</b>	<b>17,196</b>	<b>(6,193)</b>	<b>11,003</b>
Usable Reserves	2,671	0	15	367	0	126	0	3,179	1,548	4,727
Unusable Reserves	5,614	3,933	1,720	239	2,094	29	388	14,017	(7,741)	6,276

On 31 March 2016 South Essex Homes had net liabilities valued at £5.085m. This comprises retained profits of £1.882m, set against a pension reserve of £6.967m. The Council provides a guarantee for the pension reserve, so that South Essex Homes can continue to be regarded as a going concern.

### Group Note 3 Intercompany transactions

#### South Essex Homes

The Council paid fees of £9.3m to South Essex Homes Limited for the management of its housing stock, together with £0.4m in respect of other services.

The Council provides several services for its subsidiary for which South Essex Homes Limited paid £1.0m. 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 £0.865M. 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 Property, Plant and Equipment

The Property, Plant and Equipment line of the Group Balance Sheet is materially different from the single entity's Balance Sheet on page 42. The categories of asset affected are as follows:

	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000
<b>Movements in 2015/16</b>		
<b>Cost or Valuation as at 1 April 2015</b>	<b>323,581</b>	<b>13,763</b>
Additions	12,187	1,140
Revaluations via Revaluation Reserve	10,379	0
Revaluations recognised in the CIES	(1,361)	(152)
Disposals	(18,531)	0
Transfers	2,018	0
<b>Gross Book Value as at 31 March 2016</b>	<b>328,273</b>	<b>14,751</b>
<b>Accumulated Depreciation as at 1 April 2015</b>	<b>(21,160)</b>	<b>(6,943)</b>
Depreciation	(6,798)	(905)
Written out to Revaluation Reserve	479	0
Written out to the CIES	1,138	25
On Disposals	793	0
On Transfers	(28)	0
<b>Accumulated Depreciation as at 31 March 2016</b>	<b>(25,576)</b>	<b>(7,823)</b>
<b>Net Book Value as at 31 March 2015</b>	<b>302,421</b>	<b>6,820</b>
<b>Net Book Value as at 31 March 2016</b>	<b>302,697</b>	<b>6,928</b>

Movements in 2014/15	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000
<b>Cost or Valuation as at 1 April 2014</b>	<b>315,731</b>	<b>12,742</b>
Additions	12,609	1,892
Revaluations via Revaluation Reserve	5,295	0
Revaluations recognised in the CIES	(10,000)	(840)
Disposals	(300)	(31)
Transfers	246	0
<b>Gross Book Value as at 31 March 2015</b>	<b>323,581</b>	<b>13,763</b>
<b>Accumulated Depreciation as at 1 April 2014</b>	<b>(17,341)</b>	<b>(6,354)</b>
Depreciation	(6,238)	(908)
Written out to Revaluation Reserve	839	0
Written out to the CIES	1,473	288
On Disposals	104	31
On Transfers	3	0
<b>Accumulated Depreciation as at 31 March 2015</b>	<b>(21,160)</b>	<b>(6,943)</b>
<b>Net Book Value as at 31 March 2014</b>	<b>298,390</b>	<b>6,388</b>
<b>Net Book Value as at 31 March 2015</b>	<b>302,421</b>	<b>6,820</b>



## Group Note 5 Heritage Assets

The Heritage Assets line of the Group Balance Sheet is significantly different from the single entity's Balance Sheet on page 42. The categories of asset affected are as follows:

	Historic Seaside Assets £000	Heritage Land & Buildings £000	Antiques and Collectables £000	Museum Collections £000	Total Heritage Assets £000
<b>Movements in 2015/16</b>					
<b>Cost or Valuation as at 1 April 2015</b>	<b>35,663</b>	<b>3,369</b>	<b>2,634</b>	<b>1,501</b>	<b>43,167</b>
Additions	501	0	0	0	501
Revaluations via Revaluation Reserve	(501)	0	0	0	(501)
<b>Gross Book Value as at 31 March 2016</b>	<b>35,663</b>	<b>3,369</b>	<b>2,634</b>	<b>1,501</b>	<b>43,167</b>
<b>Accumulated Depreciation as at 1 April 2015</b>	<b>(670)</b>	<b>(799)</b>	<b>0</b>	<b>0</b>	<b>(1,469)</b>
Depreciation	(604)	(103)	0	0	(707)
<b>Accumulated Depreciation as at 31 March 2016</b>	<b>(1,274)</b>	<b>(902)</b>	<b>0</b>	<b>0</b>	<b>(2,176)</b>
<b>Net Book Value as at 31 March 2015</b>	<b>34,993</b>	<b>2,570</b>	<b>2,634</b>	<b>1,501</b>	<b>41,698</b>
<b>Net Book Value as at 31 March 2016</b>	<b>34,389</b>	<b>2,467</b>	<b>2,634</b>	<b>1,501</b>	<b>40,991</b>

	Historic Seaside Assets £000	Heritage Land & Buildings £000	Antiques and Collectables £000	Museum Collections £000	Total Heritage Assets £000
<b>Movements in 2014/15</b>					
<b>Cost or Valuation as at 1 April 2014</b>	<b>34,166</b>	<b>3,298</b>	<b>665</b>	<b>1,501</b>	<b>39,630</b>
Additions	201	76	0	0	277
Revaluations via Revaluation Reserve	1,591	0	1,969	0	3,560
Revaluations recognised in the CIES	(295)	(5)	0	0	(300)
<b>Gross Book Value as at 31 March 2015</b>	<b>35,663</b>	<b>3,369</b>	<b>2,634</b>	<b>1,501</b>	<b>43,167</b>
<b>Accumulated Depreciation as at 1 April 2014</b>	<b>(88)</b>	<b>(697)</b>	<b>0</b>	<b>0</b>	<b>(785)</b>
Depreciation	(610)	(102)	0	0	(712)
Written out to the CIES	28	0	0	0	28
<b>Accumulated Depreciation as at 31 March 2015</b>	<b>(670)</b>	<b>(799)</b>	<b>0</b>	<b>0</b>	<b>(1,469)</b>
<b>Net Book Value as at 31 March 2014</b>	<b>34,078</b>	<b>2,601</b>	<b>665</b>	<b>1,501</b>	<b>38,845</b>
<b>Net Book Value as at 31 March 2015</b>	<b>34,993</b>	<b>2,570</b>	<b>2,634</b>	<b>1,501</b>	<b>41,698</b>

## Group Note 6 Defined Benefit Pension Schemes

Alongside the Council, South Essex Homes participates in the Local Government Pension Scheme (LGPS) administered by Essex County Council. The nature of the scheme is set out in full in note 50 to the single entity accounts, and this note should be read in conjunction with that. The tables below set out where the Group Accounts are materially different from the single entity balance sheet.

### Pension Assets and Liabilities recognised in the Balance Sheet

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

<b>Actuarial Gains/(Losses)</b>	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Present Value of the defined benefit obligation	556,595	568,843
Fair Value of Plan Assets	(388,975)	(384,816)
<b>Net Liability arising from defined benefit obligation</b>	<b>167,620</b>	<b>184,027</b>

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

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Opening Balance at 1 April	568,843	493,306
Current Service Cost	15,506	12,826
Interest Cost	18,477	21,362
Contributions by Scheme Participants	3,786	3,695
Remeasurement Gains and Losses		
Actuarial gains / losses arising from changes in financial assumptions	(29,595)	54,943
Other	(132)	(296)
Losses on Curtailments	539	530
Benefits Paid	(16,148)	(15,850)
Liabilities extinguished on Settlements	(4,681)	(1,673)
<b>Closing Balance at 31 March</b>	<b>556,595</b>	<b>568,843</b>

## Reconciliation of fair value of the scheme assets

### Local Government Pension Scheme assets

The estimated asset allocation as at 31 March is as follows:

	2015/16 £000	2014/15 £000
Opening Balance at 1 April	384,816	327,815
Interest Income	12,622	14,613
The return on plan assets, excluding the amount included in the net interest expense	(3,497)	31,791
Other Actuarial Gains	0	103
Employer Contributions	9,071	24,040
Contributions by Scheme Participants	3,786	3,695
Benefits Paid	(16,148)	(15,850)
Payment of Bulk Transfer Value	(1,487)	(1,241)
Administrative Expense	(188)	(150)
<b>Closing Balance at 31 March</b>	<b>388,975</b>	<b>384,816</b>

### Impact on the Council's Cash Flows

The Group anticipates to pay £8.277M expected contribution to the scheme in 2016/17.

## Group Note 7

### Accounts

The financial accounts of South Essex Homes Limited can be obtained from the Chair of the Board, South Essex Homes Limited, Floor 3, Civic Centre, Victoria Avenue, Southend-on-Sea, Essex, SS2 6ER.

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 (UNAUDITED)

Members' Allowances		Basic Allowances £	Special Allowances £	Travel & Subsistence £	Total £
<b>Elected Councillors</b>					
Assenheim	M	8672.92	3380.56		12,053.48
Arscott	B	7786.99			7,786.99
Aylen	S	8672.92			8,672.92
Ayling	B	8672.92	2891.00		11,563.92
Betson	M	8672.92	5035.92	29.62	13,738.46
Borton	M	8672.92	722.72		9,395.64
Buckley	S	7786.95			7,786.95
Butler	M	8672.92			8,672.92
Byford	T	8672.92			8,672.92
Callaghan	T	8672.92			8,672.92
Chalk	A	722.73	384.68		1,107.41
Courtenay	J	8672.92			8,672.92
Cox	T	7786.89			7,786.89
Crystall	A	8672.92	8672.92		17,345.84
Davidson	M	7786.89			7,786.89
Davies	L	8672.92	1300.92	27.00	10,000.84
Endersby	C	8672.92			8,672.92
Evans	M	8672.92	1300.92		9,973.84
Everitt	R	0.00	1084.08		1,084.08
Flewitt	M	8672.92	6504.68		15,177.60
Folkard	N	8672.92		173.70	8,846.62
Garston	D	8672.92	1300.92		9,973.84
Garston	J	8672.92			8,672.92
Gilbert	I	8672.92	14014.58		22,687.50
Habermel	S	8672.92	6504.68		15,177.60
Hadley	R	7786.99	1119.07		8,906.06
Holland	A	8672.92	2168.08		10,841.00
Jarvis	D	8672.92			8,672.92
Jones	Adam	722.73			722.73
Jones	Anne	8672.92	11004.36		19,677.28
Kenyon	D	8672.92			8,672.92
Lamb	J	8672.92	8672.92	634.76	17,980.60
Longley	G	8672.92	8852.87		17,525.79
Morgan	J	0.00	1084.08		1,084.08
Morgan	R	722.73	163.20		885.93
Moring	A	8672.92	11837.91		20,510.83
Moyies	J	8672.92	10235.00		18,907.92
Mulroney	C	8672.92	4770.08		13,443.00
Mc Glone	D	7786.93			7,786.93
Mc Mahon	J	8672.92	5203.76		13,876.68
Nevin	C	8672.92			8,672.92
Norman	D	8672.92	10841.16		19,514.08
Phillips	G	8672.92			8,672.92
Robertson	I	8672.92			8,672.92
Robinson	K	8672.92	1576.04		10,248.96
Royston	M	722.73	384.68		1,107.41
Salter	L	8672.92	5595.43		14,268.35
Stafford	M	8672.92	2891.00		11,563.92
Terry	M	8672.92	10841.16		19,514.08
Tetley	J	0.00	1084.08		1,084.08
Walker	C	8672.92	1573.69		10,246.61
Ward	N	8672.92			8,672.92
Ware-Lane	J	8672.92			8,672.92
Waterworth	F	8672.92			8,672.92
Wexham	P	722.73	163.20	24.90	910.83
Willis	C	7787.05			7,787.05
Woodley	R	8672.92	30517.51		39,190.43
Van Looy	P	8672.92			8,672.92
Velmurugan	M	8672.92	2676.48		11,349.40
<b>Co- Opted Members</b>					
Clarke	A	0.00	260.08		260.08
Copeland	V	0.00	173.40		173.40
Rickett	M	0.00	260.08		260.08
<b>Total</b>		<b>439,730.82</b>	<b>187,047.90</b>	<b>889.98</b>	<b>627,668.70</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
LATS	Landfill Allowance Trading Scheme
LGPS	Local Government Pension Scheme
MRA	Major Repairs Allowance
MRICS	Member of the Royal Institute of Chartered Surveyors
MRP	Minimum Revenue Provision
MRR	Major Repairs Reserve
NNDR	National Non-Domestic Rates (Business Rates)
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>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.
<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.
<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.
<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.
<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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