

Appendix 3

Statement of Accounts 2018/2019

Photo Credits

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| Front cover: | Under the Pier, Southend-on-Sea. Fiz Anslow |
| Back cover: | Southend-on-Sea Borough Council Civic Offices. Clodagh Duffy |

SOUTHEND-ON-SEA BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

2018/19

Mayor

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Leader of the Council

Councillor Ian Gilbert

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STRATEGIC REPORT

Council's Performance

CORPORATE PRIORITY PERFORMANCE MEASURES FOR 2018/19

The Council monitors a basket of key performance indicators throughout the year to assess performance against the Corporate Priorities. Further details that give a fuller understanding of the Council's performance can be found on the Council's website. [Outturn information not yet available]

| Aim / Corporate Priority | Performance Measure | Target for 2018/19 | Outturn for 2018/19 | Met / Not Met | Outturn for 2017/18 |
|--|---|--------------------|---------------------|---------------|---------------------|
| Safe Create a safe environment across the town for residents, workers and visitors Work in partnership with Essex Police and other agencies to tackle crime Look after and safeguard our children and vulnerable adults | Rate of children subject to a Child Protection Plan per 10,000 population under the age of 18. [Monthly Snapshot] | 38-48 | 43.72 | Met | 30 |
| | Rate of Looked After Children per 10,000 population under the age of 18. [Monthly Snapshot] | 57-67 | 81.04 | Not Met | 76.7 |
| | Percentage of children who have been Looked after Children for at least 5 working days, who have had a visit in the 6 weeks (30 working days), prior to the last day of the month. [monthly snapshot] | 95% | 94.5% | Not Met | 84.4% |
| | Percentage of children who have had their Child Protection Plan for at least 20 working days and who have had a visit in the 20 working days prior to the last day of the month [Monthly Snapshot] | 95% | 96.8% | Met | 87.2% |
| Clean Continue to promote the use of green technology and initiatives to benefit the local economy and environment Encourage and enforce high standards of environmental stewardship | Percentage acceptable standard of cleanliness: litter [Cumulative] | 94% | 94% | Met | 97% |
| | Percentage of household waste sent for reuse, recycling and composting [Cumulative YTD] | 46.38% | TBC | | n/a |
| | Number of reported missed collections - per year value [Cumulative YTD] | 8,000 | 7,177 | Met | n/a |
| Healthy Actively promote healthy and active lifestyles for all Work with the public and private rented sectors to provide good quality housing Improve the life chances of our residents, especially our vulnerable children and adults, by working to reduce inequalities and social deprivation across our communities | Proportion of adults in contact with secondary mental health services who live independently with or without support. (ASCOF 1H) [Monthly Snapshot] | 74% | 81.9% | Met | 78.9% |
| | Proportion of older people (65 and over) who are still at home 91 days after discharge from hospital into reablement/ rehabilitation services. [ASCOF 2B(1) [Rolling Quarter] | 88.7% | 61.1% | Not Met | 81.8% |
| | Delayed transfers of care from hospital (DToC Beds), and those which are attributable to adult social care per 100,000 population [ASCOF(2C(2)) SOCIAL CARE ONLY][Cumulative YTD] | 1.81 | 0.54 | Met | 0.83 |
| | The proportion of people who use services who receive direct payments (ASCOF 1C (2A)) [YTD Snapshot] | 33% | 33% | Met | 29% |
| | Proportion of adults with a learning disability in paid employment. (ASCOF 1E) [Monthly Snapshot] | 10% | 10.2% | Met | 11% |
| | Participation and attendance at council owned / affiliated cultural and sporting activities and events and visits to the Pier [Cumulative YTD] | 4,400,000 | 5,670,834 | Met | 6,303,463 |
| | Public Health Responsibility Deal. [Cumulative YTD] New Organisations | 40 | 44 | Met | 42 |
| | Smoking Cessation (quits) - Number of people successfully completing 4-week stop smoking course [Cumulative YTD] | 771 | 796 | Met | 758 |

| Aim / Corporate Priority | Performance Measure | Target for 2018/19 | Outturn for 2018/19 | Met / Not Met | Outturn for 2017/18 |
|--|--|--------------------|---------------------|---------------|---------------------|
| | Take up of the NHS Health Check programme – for those eligible [Cumulative YTD] | 5,740 | 5,556 | Not Met | 4,553 |
| | Percentage of Initial Child Protection Conferences that took place with 15 working days of the initial strategy discussion. [Cumulative YTD] | 90% | 77.2% | Not Met | 55.5% |
| Prosperous Maximise opportunities to enable planning and development of quality, affordable housing Ensure residents have access to high quality education to enable them to be lifelong learners and have fulfilling employment Ensure the town is 'open for businesses' and that new, developing and existing enterprise is nurtured and supported Ensure continued regeneration of the town through a culture led agenda | Percentage of Children in good or outstanding schools. [Monthly Snapshot] | 82.5% | 85.8% | Met | 86.1% |
| | Major planning applications determined in 13 weeks [Cumulative] | 79% | 100% | Met | 94.87% |
| | Minor planning applications determined in 8 weeks [Cumulative] | 84% | 98.3% | Met | 93.20% |
| | Other planning applications determined in 8 weeks [Cumulative] | 90% | 98.55% | Met | 94.65% |
| | Current Rent Arrears as percentage of rent due [Monthly Snapshot] | 1.77% | 1.91% | Not Met | 1.43% |
| | Percentage of Council Tax for 2018/19 collected in year [Cumulative] | 97.5% | 97.5% | Met | 97.5% |
| | Percentage of Non-Domestic Rates for 2018/19 collected in year [Cumulative] | 98.3% | 98.3% | Met | 98.6% |
| | Rate of households in temporary accommodation per 1,000 households [Cumulative YTD] | 3.19 | 2.23 | Met | n/a |
| Excellent Work with and listen to our communities and partners to achieve better outcomes for all Enable communities to be self-sufficient and foster pride in the town Promote and lead an entrepreneurial, creative and innovative approach to the development of our town | Number of hours delivered through volunteering within Culture, Tourism and Property, including Pier and Foreshore and Events. [Cumulative] | 19,500 | 19,547 | Met | 26,741 |
| | Working days lost per FTE due to sickness – excluding school staff [Cumulative] | 7.2 | 7.5 | Not Met | 7.14 |
| | Increase the number of people signed up to MySouthend to 45,000. [Cumulative] | 45,000 | 40,250 | Not Met | 36,705 |
| | Percentage of new Education Health and Care (EHC) plans issued within 20 weeks including exception case. [Cumulative] | 95% | 96.1% | Met | 58.7 |

FINANCIAL REVIEW 2018/19

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 £76.6m for 2018/19 (£72.5m for 2017/18).

In setting this budget, the Southend-on-Sea Borough Council element of Council tax for Band D amounted to £1,322.82, (£1,265.94 in 2017/18).

The following table shows the final outturn position for 2018/19 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 |
|--|------------------|------------------|------------------|
| Portfolios | | | |
| Leader | 5,170 | 4,626 | (544) |
| Growth | 1,731 | 1,012 | (719) |
| Adults and Housing | 45,151 | 42,832 | (2,319) |
| Children and Learning | 39,288 | 47,032 | 7,744 |
| Healthy Communities and Wellbeing | 16,145 | 17,665 | 1,520 |
| Infrastructure | 8,767 | 10,774 | 2,007 |
| Public Protection | 15,789 | 15,010 | (779) |
| Housing Revenue Account | (7,764) | (8,817) | (1,053) |
| Contingencies etc | 5,716 | (115) | (5,831) |
| Net Cost Of Services | 129,993 | 130,019 | 26 |
| Capital Financing Removed | (28,281) | (24,988) | 3,293 |
| Other Statutory Adjustments | (3,734) | (3,734) | 0 |
| Adjusted Net Cost Of Services | 97,978 | 101,297 | 3,319 |
| Levies | 638 | 560 | (78) |
| Leigh Town Council Precept | 411 | 411 | 0 |
| Financing Costs, Interest etc | 11,759 | 10,752 | (1,007) |
| Net Operating Expenditure | 110,786 | 113,020 | 2,234 |
| Revenue Contribution to Capital | 6,983 | 3,146 | (3,837) |
| General Government Grants | (2,380) | (2,546) | (166) |
| Contribution to / (from) Earmarked Reserves | 8,058 | 13,213 | 5,155 |
| Total to be Funded from Council Tax and Formula Grant | 123,447 | 126,833 | 3,386 |
| Funded from | | | |
| Revenue Support Grant | (10,318) | (10,318) | 0 |
| Retained Business Rates | (34,009) | (37,395) | (3,386) |
| Collection Fund Surplus and Reserves | (2,500) | (2,500) | 0 |
| Council Tax (Southend on Sea Borough Council and Leigh Town Council) | (76,620) | (76,620) | 0 |
| Total Funding | (123,447) | (126,833) | (3,386) |
| Contribution (to) / from General Reserve | 0 | 0 | 0 |

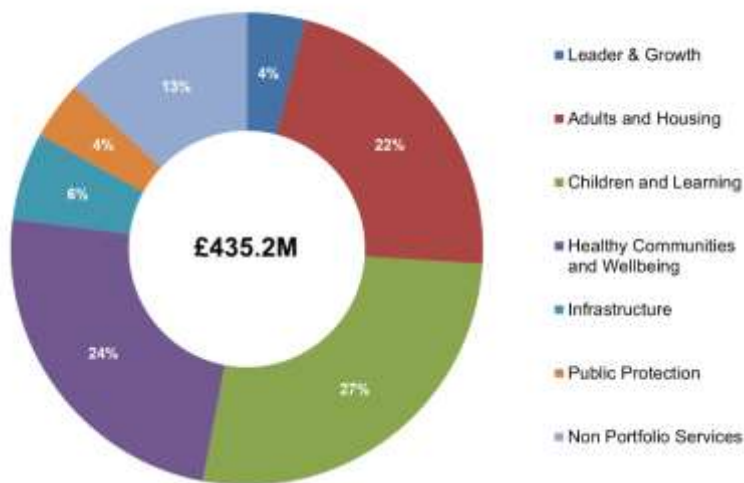
The table below reconciles the analysis on the Comprehensive Income and Expenditure Statement (page 36) to the outturn summary on the previous page.

| Reconciliation of Gross Expenditure to Transfer to General Fund | 2018/19 £000 |
|---|-------------------------|
| Gross Expenditure on Services | 435,201 |
| Gross Income on Services | (388,047) |
| Net Expenditure on Services | 47,154 |
| Adjustments between accounting basis and funding basis under regulation | (59,915) |
| Transfers to Earmarked Reserves and HRA | 12,761 |
| Contribution (to) / from the General Reserve | 0 |

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

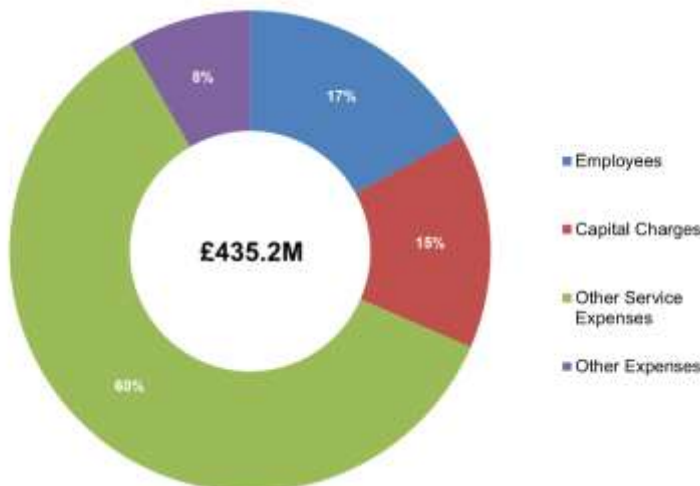
Gross expenditure on services amounted to £435.2m. The charts on the following page show in broad terms the services provided for this expenditure, how this money was spent, and the sources of income that funded it.

Gross Expenditure by Service Area



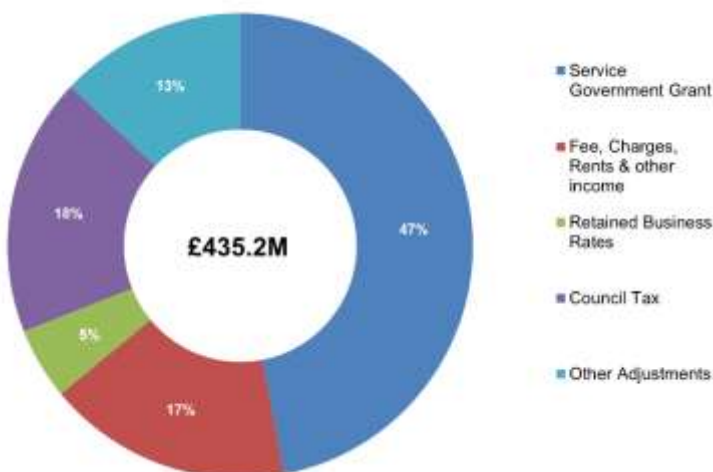
This diagram sets out how gross expenditure is split across the various portfolios of services the Council operates under. Corporate and Community Support includes the £70M cost of housing benefit payments made, and Children & Learning includes the passing onwards of dedicated schools grants and other payments to the Council's maintained schools. Non portfolio services include interest payable and the write out of the asset value of schools converted to academies in year.

Gross Expenditure by Type



This diagram sets out how gross expenditure is split by type. Other service expenses cover the running costs of services excluding employees, and therefore include the cost of suppliers and contractors, together with monies paid out to schools and benefit claimants. Other expenses covers a number of accounting charges put through the income and expenditure statement, only to be reversed under statutory regulations.

Revenue Funding Sources



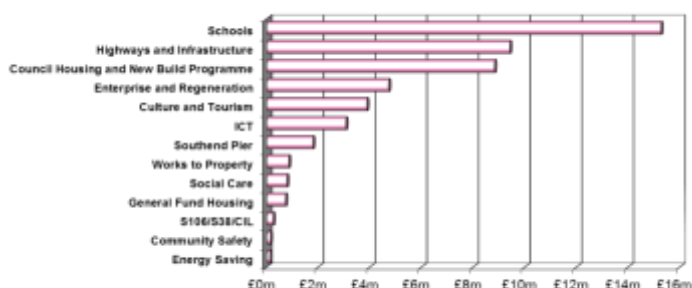
This diagram sets out how gross expenditure is funded. The largest source of income is still government grants (note 18 sets out a full description). Other adjustments includes the statutory reversals referred to above

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 2018/19 the Council spent £50.0m (£65.0m in 2017/18) on capital projects broadly categorised as follows:

Capital Expenditure

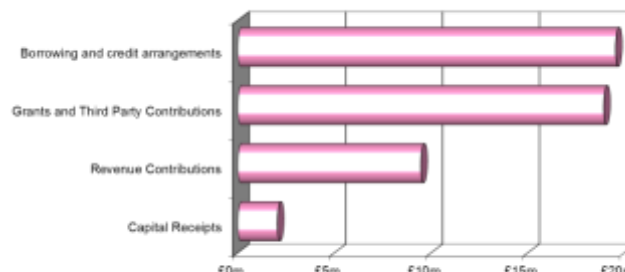


The table below describes some of the larger capital projects that the Council has undertaken this year.

| | 2018/19 £000 |
|---------------------------------------|-----------------|
| Provision for Secondary School Places | 13,549 |
| Investment in Housing Stock | 8,833 |
| Investment in Highways Infrastructure | 7,202 |
| Airport Business Park | 3,883 |
| Southend Pier | 1,800 |
| Belton Hill Steps | 1,507 |
| Disabled Facilities | 1,010 |
| Better Queensway | 819 |
| Liquid Logic Case Management System | 667 |

The external funding of the capital programme comes from a number of sources, including government funding, third party (often private sector) contributions, capital receipts from the sale of assets, and borrowing. The following diagram shows how the £50.0m capital expenditure was funded for the 2018/19 year.

Financing of Capital Expenditure



Borrowing is kept within affordable levels, with the total accumulated loans owed to external lenders amounting to £277.8m at 31 March 2019 (£248.3m at 31 March 2018).

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 £11.3m at 31 March 2019 (£11.9m at 31 March 2018).

The Council's operational upper limit for borrowing has been set at £285m (excluding transferred debt) (£285m in 2017/18). Taking into account the borrowing outlined above, this leaves headroom of £7.2m (£36.7m in 2017/18).

This level of debt should also be viewed in relation to the Council's long term assets which have a net book value of £890.6m at 31 March 2019 (£891.6m at 31 March 2018).

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 2019 the total net book value of these long term assets was £890.6m (£891.6m at 31 March 2018).

As a result of the Government's recent policy on the transfer of schools to academy status, over the last few years many of the borough's schools have transferred. It is not anticipated that any further schools will transfer in the forthcoming year. If any did, this would reduce the current net book value of the long term assets held of £54.7m 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 £151.8m as at 31 March 2019 (*£168.9m as at 31 March 2018*). All disclosures as required by IAS 19 are included in Note 37 to the Accounts.

HOUSING

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

For the 2018/19 year the HRA has a balance carried forward of £3.5m (*£3.5m 2017/18*), having broken even again. Council rents for general needs and sheltered properties were decreased by 1% in 2018/19 (*decreased by 1% in 2017/18*) in line with legislation.

In 2018/19 average rents for general needs properties (excluding service charges) were £87.88 per week, and £76.51 for sheltered accommodation.

The full financial performance of the HRA is reported on pages 107 to 113 of this document.

GROUP PERFORMANCE

Local Authorities with subsidiary companies, associated companies and joint ventures are required to prepare group accounts. The Council has two wholly owned subsidiaries, South Essex Homes Limited and Southend Care Limited that prepare and publish their own accounts, which are then consolidated with Southend-on-Sea Borough Council.

In addition, the Council has four other subsidiary companies and is party to four joint ventures, none of which are material to these accounts, and therefore have not been consolidated.

The Council is also sole trustee for eight Trusts, all of which have been consolidated as part of the Group Accounts.

FUTURE OUTLOOK

For 2019/20, the Council has had to make total budget reductions of over £4.1m due to, among other matters, reduced government funding, increases in service demands and inflation (contractual and employee). At the same time however it has made over £6.6m of on-going service investments, and committed nearly £3.5m of earmarked reserves towards one-off projects.

The Council Tax Budget Requirement for 2019/20 has been set at £80.8m for Southend-on-Sea Borough Council and £0.4m for Leigh-on-Sea Town Council. The Council tax for a Band D property for 2019/20 has been set at £1,382.22 for Southend-on-Sea Borough Council plus an additional £47.70 for the Leigh-on-Sea Town Council area. Additional charges are made in respect of Essex Police Authority and Essex Fire Authority.

The Council by law must set a balanced budget, and live within its available resources. We will manage our cash flows accordingly.

In addressing the national economic situation the Government has continued to emphasise the need to look further at a programme of public sector spending restraint and reconfiguration. This was reinforced in the Chancellor's Autumn Budget Statement on 29 October 2018 with further restriction placed on the Government's public spending plans for Local Government. The tightening and reduction of Government funding contributions to local government funding along with the Government's current and future funding reforms, means that the current financial challenges for 2020/21 and beyond will continue. This needs to be seen as part of a continued period of financial entrenchment that Local Government has already encountered. Councils will need to consider a much longer spending reduction programme than previously identified by Central Government and which also links into the impending need for Council's to work towards a position of financial self-sustainability.

Like all local authorities in England, Southend-on-Sea Borough Council is facing unprecedented financial challenges. The Council has, over a number of years, addressed significant funding gaps whilst also achieving improved efficiency and service delivery. In the current, and forecast, period of national financial stringency the scale of financial contraction is such as to challenge the scale, nature and purpose of the role of the Council.

Traditionally, and particularly over recent years, the nature of Council activity has seen an increase in the level of directly delivered services for the local populace and for local businesses and visitors. Many services have been delivered on a universal basis and free or at limited cost. As funding continues to reduce greater pressure is being placed upon the services provided by the Council and also the way in which these are delivered. Since the beginning of the national fiscal situation the Council has striven to sustain its full range of services but this will need to be challenged as we move forward and work towards delivering against the Council's agreed 23 outcomes.

The Council may need to increase focus on the delivery of its services in a targeted way, concentrating on delivering services to those residents who need the Council's help. The Council will also need to adopt this as an approach in tailoring the delivery of its many statutory services. To underpin this approach the Council will also reposition its role as one to work alongside the community, its residents and businesses, to help support the many factors affecting their lives as is possible.

The Council will also seek to address critical issues such as equality, disadvantage, lack of attainment and poverty by working with communities themselves, seeking enhanced training and opportunity and by fostering and promoting the local economy and thereby enhancing

opportunities for aspiration, attainment, household income and personal achievement.

As the Government funding reforms are implemented we will soon be in a position where our funding to maintain/improve our council services will come from three main areas;

- Business Rates
- Council Tax
- Other forms of income we can generate e.g. Fees & Charges, commercial activity, traded services, etc

Therefore, this will mean an era of financial self-sustainability for Local Authority's and that longer term and focussed outcome based budgeting will be the key. This essentially will mean the prioritisation and reallocation to our outcomes of all our resources both Capital and Revenue alongside our people and our physical assets.

The Council will therefore seek to ensure that the Council Tax and Business rates bases are improved and income collection levels are at least maintained. In addition, the Council will explore innovative income generation opportunities that will assist with increasing the Council's revenue sources to assist with meeting the need to be financially self-sustainable and to support the delivery of our outcomes. As part of this there is the intention to look greater at commercial opportunities for services of the Council.

Given the financial challenge we have and will continue to face for a number of years, a continued programme of corporate working will continue with this efficiency drive and to help support the identification of savings for future years. This will allow us to have a programme driving transformational change in the organisation and will allow a clear focus on delivery of the required savings that will be required over this period.

Over the coming year it will be extremely important to consider future year potential savings proposals in anticipation of delivering tailored services for the community whilst addressing the known budget reductions required from our total budget and reflecting the estimated significant government grant reductions. This will also need to be reflected in a longer term and outcome based budgeting approach to ensure there is the prioritisation and reallocation of our complete resource base.

It is currently anticipated arising from the Autumn Budget Statement in late 2018, that further savings in the order of £19 million will be required from the Council's circa £230 million annual gross budget (after excluding Schools, HRA and Housing Benefits) for the four years 2020/21 to 2023/24.

SOUTHEND 2050

During spring 2018 the Council embarked on a major engagement exercise with residents and key local stakeholders to develop a shared and jointly owned ambition for Southend-on-Sea in 2050. Its purpose was to shape a long term vision for the borough whilst providing a focus on shorter term outcomes deliverable by the Council, its partners and local communities. The resulting ambition aims to articulate not only the visible changes to our environment but also highlight the more fundamental effects on people lives – essentially capturing how it will feel to live, work, visit or do business here in the future.

The process for a new borough vision has seen the introduction of a revised approach to the Council's business planning framework. The 2050 Road Map, incorporating the Ambition, Themes and Outcomes, is a high level document, General Fund Revenue Budget 2019/20 Page 18 of 23 Report No: SD 15 replacing the Corporate Plan. It will be supported by 5 Strategic Delivery Plans (one per theme). The 5 themes are:

- **Pride & Joy** – By 2050 Southenders are fiercely proud of, and go out of their way, to champion what our city has to offer;
- **Safe & Well** – By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives;
- **Active & Involved** – by 2050 we have a thriving, active and involved community that feel invested in our city;
- **Opportunity & Prosperity** – By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people;
- **Connected & Smart** – By 2050 people can easily get in, out and around our borough and we have world class digital infrastructure.

Each of the five themes has 4-5 focussed outcomes for the next five years (23 outcomes in total).

Underpinning the high level plans are associated outcome delivery plans. While setting the Ambition for the coming decades to 2050, the Road Map and associated documentation should not be seen as set in stone. They will need to respond to inevitably changing circumstances, locally, nationally and internationally, and future documentation will reflect this. The Roadmap will shape the Council's Medium Term Financial Strategy, ensuring resources are aligned with the Council's agreed priorities.

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 2018/19. The Risk Register is due to be reset in September 2019.

| Risk | Impact |
|--|--|
| Council Budget / Financial Sustainability | Risk that failure to manage the short term budget gap and growing demand for services, and failure to ensure the council is financially sustainable after 2020/21, will result in significant adverse impact on council services |
| Recruiting and retaining staff | Risk that failure to have the appropriate staffing resources, with the right skills, will lead to a failure to achieve the Council's ambitions |
| Key External Challenges | Risk that the impact of, or a failure to take advantage of, the Government's agenda and the lead up to Brexit, may hamper the ability of the Council to achieve key priorities |
| Housing | Risk that a failure to implement plans to address rising homelessness and failure to develop a robust housing strategy will lead to further street and other homelessness, increased use of temporary accommodation & an inability to meet rising housing demand |
| Local Infrastructure | Risk that failure to maintain levels of access to regeneration funding opportunities will significantly restrict future infrastructure improvements in the borough |
| Secondary School Places | Risk that failure to provide the required number of school places at secondary schools for 2018 and 2019 will lead to significant reputational and legal damage for the council |
| Health and Social Care | Risk that the implementation of Sustainability and Transformation Partnership (STP) proposals and implementation of the Localities Model does not result in effective health and social care outcomes for residents and also leads to significant cost increase |
| Information Management & Cyber Security | Risk that a failure to ensure the Council has a coherent and comprehensive approach to data protection, including its cyber security arrangements, will result in significant financial and reputational damage to the Council |
| Children's Services Improvement Plan | Risk that the actions and expected outcomes from the Children's Services Improvement Plan are not achieved within expected timescales, resulting in a failure to achieve a rating of 'Good' in future Ofsted inspection |
| Waste Management | Risk of contractor failing to meet contractual requirements to effectively manage waste contractual arrangements results in additional financial liability for the Council and loss of service quality |
| Flooding / Cliff Slip | Risk that surface water flooding, breach of sea defences and/or seafront cliff movement, will result in damage to property and infrastructure as well as significant disruption |
| Major Developments | Risk that failure of partners to progress major infrastructure developments (e.g. Seaways, Airport Business Park and Queensway) will result in significant financial and reputational damage to the Council |
| Local Plan | Risk that the failure to meet deadlines and make sufficient progress in producing a Local Plan will lead to Secretary of State intervention, resulting in reputational damage to the Council and the potential imposition of unwanted planning policies |

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.

THE FINANCIAL STATEMENTS

The information provided in this publication presents the financial position of Southend-on-Sea Borough Council as at 31 March 2019, and the financial results for the financial year 2018/19. 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 (International Financial Reporting Standards) for local government accounting in 2010/11, the core financial statements comprise:

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

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 Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council. 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 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, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (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 Strategic Director (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 STRATEGIC DIRECTOR (FINANCE AND RESOURCES)' RESPONSIBILITIES

The Strategic Director (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 Strategic Director (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 Strategic Director (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.

STRATEGIC DIRECTOR (FINANCE & RESOURCES)' CERTIFICATE

I certify that these accounts present a true and fair view of the financial position of the Council at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

Joe Chesterton, CPFA
Strategic Director (Finance and Resources)
24 July 2019

APPROVAL OF THE STATEMENT OF ACCOUNTS

In accordance with the requirements of Regulation 9 of the Accounts and Audit Regulations 2015, I confirm that the Statement of Accounts was approved by resolution of the Audit Committee of Southend on Sea Borough Council on 24 July 2019.

Councillor Paul Collins
Chair of Audit Committee
24 July 2019

ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

Southend-on-Sea Borough Council ('the 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 there are robust governance arrangements between the Council and its subsidiaries.

The 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 Council's code is part of the Council's Constitution and is available on the Council's [website](#) or can be obtained from the Corporate Strategy Team, Civic Centre, Victoria Avenue, SS2 6ER.

This Annual Governance Statement explains how the Council has complied with the Code and also meets the requirements of Section 6 of the Accounts and Audit Regulations 2015 (England) in relation to the production and publication of an Annual Governance Statement.

THE PURPOSE OF THE ANNUAL GOVERNANCE STATEMENT

The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and its activities through which it is accountable 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 the Council for the year ended 31 March 2019 and up to the date of approval of the annual statement of accounts.

THE COUNCIL'S GOVERNANCE FRAMEWORK

The governance framework ensures the Council's ambition and desired outcomes 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 participation
- 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
- Commissioning and procurement
- Project management
- Complaints
- Ethical governance – including codes of conduct for councillors 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 Chief Executive 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 undertaken by the officer Good Governance Group;
- An annual report to the Corporate Management Team and the Audit Committee on the adequacy of governance arrangements; and
- An annual review of 'The Local Code of Governance', 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 Leader and Cabinet 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, a chief officer can take a decision in consultation with the relevant 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 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 councillors with written notice given to the Chief Executive within five working days from the date of publication of the digest.

The Council operates a pre-Cabinet scrutiny system where scrutiny and opposition councillors 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 councillors. A key role of the Committee is to help elected and co-opted councillors to observe the councillors' Code of Conduct and to monitor the effectiveness of the councillors' Code of Conduct. The Standards Committee also deals with formal complaints against councillors.

The Council operates a development and training programme for councillors 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 outlined in the Road Map to 2023, which outlines the ambition for the borough to 2050, five related themes and the 23 desired outcomes for 2023. The Road Map is underpinned by five strategic delivery plans, overseen by a member of the Corporate Management Team and 23 Outcome Delivery plans, led by members of the Senior Leadership Network.

Reports outlining progress against key areas of performance are monitored by the Corporate Management Team, Cabinet and Scrutiny Committees

Financial monitoring reports providing explanations of variance from budget and a projected outturn are also considered by Cabinet and the Scrutiny Committees. A five year Medium Term Financial Plan is refreshed annually and shaped by the priorities agreed by the Council. The Council runs an annual budget process, which is subject to scrutiny by Scrutiny Committees, at the end of January, prior to consideration by Cabinet and decision by full Council in February. This enables robust, costed, balanced, budgets to be set, which have consistently been within government limits, avoiding the need for a referendum to be held, or significant revisions during the year.

The Council operates a four year **capital programme**, with the application of a 'gateway review' process to enable items on a reserved list to be subject to further consideration before being included in the programme. This, among other things, enables consideration of levels of required resourcing to be applied to projects in line with the capacity of the organisation and support for a more outcome focussed approach.

The Corporate Risk Register is formally reviewed each quarter by the Corporate Management Team, and the Cabinet half yearly. Project risk and departmental risk registers are reviewed by Departmental Management Teams.

The Council engages with its communities within a consultation and engagement framework with outputs integrated into business planning and delivery and recorded and co-ordinated on the Council's consultation portal.

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 Deputy Chief Executive. This has assisted the Council in reaching Level 5 (out of 5) diamond award

on the RoSPA (Royal Society for the Prevention of Accidents) Quality Safety Award 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 compliments 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 2016 the Chartered Institute of Public Finance Accountants (CIPFA) issued an updated 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 reports to councillors.

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 the Senior Leadership Group; the Head of Internal Audit's annual report; by comments made by external auditors and other external agencies and inspectorates.

Following a period of **political stability**, with a majority Conservative administration in place from 2017-19, the Council undertook scenario preparing for all potential outcomes for the May 2019 elections.

The Council revised its **senior management arrangements** in September 2018. While the roles of Deputy Chief Executive continue to lead the two key outward facing services (People and Place), the three Directors sitting on CMT (for Finance & Resources, Legal & Democratic Service and Transformation) were retitled Strategic Directors. In addition, the department for Chief Executives was deleted, as its role ran counter to the Council's moves to 'one council'. The roles of Deputy Chief Executive and Strategic Directors, together with the CEO, therefore, provide the collective strategic leadership to the organisation.

Senior management responsibilities in the People department were revised, with a Joint Director of Partnerships and Integration Strategy, Commissioning & Procurement enabling greater focus on working across the health and social care system.

The Council continues to play a central role in **the Association of South Essex Local Authorities (ASELA)**. Made up of Southend-on-Sea, Basildon, Brentwood, Castle Point, Essex County, Rochford, and Thurrock Councils, ASELA aims to secure the strategic infrastructure, planning and growth required as part of its vision for the future of the area.

Complementing this, the Council embarked on a major engagement exercise to develop a shared and jointly owned **ambition for Southend in 2050**, while providing a focus on shorter-term outcomes.

This ambition was developed following extensive conversations with those that live, work, visit, do business and study in the borough. These conversations asked people what they thought Southend-on-Sea should be like in 2050 and what steps would be needed to achieve this. The feedback provided a rich source from which the ambition and associated themes for 2050 and desired outcomes for 2023 were developed. These were outlined in the **Road Map** and agreed unanimously by full Council in December 2018.

To achieve the ambition, the Council recognises the need to change fundamentally – to a Council that is more agile, more efficient, more entrepreneurial and more engaged with residents and customers. The Council, therefore, also embarked on a transformation programme (**‘transforming together’**), which has identified the necessary conditions to put the Council in the right place to achieve its ambitions. This has been complemented by a **revised leadership programme** to ensure the right leadership skills and capacity are in place for what will be needed going forward.

Work started on developing an **outcome based investment** approach to budgeting, so that resources will be aligned against 2050 desired outcomes rather than being viewed through a departmental focus, representing the start of a huge change in mind-set and practice across the organisation.

In addition, the Council refreshed its set of **values** to: ‘inclusive; collaborative; honest and proud’. It also agreed the expected behaviours of staff and councillors, to: ‘driving positive change; trust and respect; demonstrating strong leadership; act with integrity and behaving responsibly and building relationships to work well together’. These will form the basis of the Council’s new performance management process.

The Council revised its **commissioning framework** to move the organisation to an outcome based commissioning organisation, aimed at ensuring alignment with the 2050 outcomes, and the annual procurement plan, contract procedure rules and market position statements going forward. The new framework also ensures that commissioning decisions are taken at the appropriate level in the organisation and with the engagement and involvement of partners and service users.

The **adult social care transformation** programme has continued to drive a shift in culture, to improve outcomes, promote resilience, reduce service duplication, enable staff and enhance overall effectiveness. The work, also being rolled across children’s services, has featured new approaches in restorative practice (working alongside clients, rather than making decisions about them), investing in staff and asset based Community Development (working alongside communities to use and develop local assets to address local challenges).

A phased approach to changes to the governance of safeguarding children in the borough, required by statute, was agreed by the **Adults and Children’s Safeguarding Boards**. This will see the introduction of a strategic Safeguarding Partnership Board, made up of the key statutory agencies – police, CCGs and Council - which will determine local safeguarding arrangements and replace the existing Adults and Children’s Boards. New partnership bodies for children’s and adults will report into the strategic Safeguarding Partnership Board with a remit to provide leadership on policy and practice. The

new arrangements will go to the Secretary of State in June 2019 for approval.

Work to drive improved outcomes for the borough’s **children** continued to be overseen and progressed by the Improvement Board and Scrutiny Committee panel and reviewed as part of the Corporate Risk Register. Services in this area are anticipated for Ofsted re-inspection in 2019.

An area inspection of special educational needs and/or disabilities (**SEND**), found that while there has been some progress made in implementing requirements of the 2017 SEND Education Act, overall, the pace has been too slow. A written statement of action (WSOA), from the Council and CCG, was produced and progress is being overseen by a newly established SEND WSoA task and finish group made up of joint area leaders and managers, school and parent representatives.

Work continued to build on the **joint targeted area inspection (JTAI)** of the multi-agency response to child sexual exploitation, children associated with gangs and at risk of exploitation and children missing from home, care or education in the borough. The inspection, which found strong partnerships in the area (highlighting that the police and council work effectively together) resulted in an action plan, with progress monitored by the Children’s Safeguarding Board and a newly established Violence & Vulnerability working party and which reports into all four strategic partnership boards (Health & Wellbeing, Community Safety Partnership Board and the two Safeguarding boards).

The cross party **Shareholder Board**, formed to oversee the governance of the Council’s companies and joint ventures, and chaired by the Leader and reporting to Cabinet, began meeting, receiving the accounts and business plans of South Essex Homes and Southend Care (the only Council companies that were active during the year).

The Council continued to play an active part in the Mid and South Essex **Sustainability and Transformation Partnership (STP)**, working collaboratively with the five CCGs and Rochford and Castle Point Councils in relation to the proposed changes to local health services. The Council referred the proposals to the Secretary of State for review.

Chairs of the Community Safety Partnership, Safeguarding Boards and Health and Wellbeing Board, along with related colleagues and partners from the Police, Social Care and Health met to promote communication between the strands and ensure a co-ordinated approach to addressing complex issues.

The **Good Governance Group** of senior managers met quarterly to review the Council’s governance arrangements to assess whether they are fit for purpose, comply with good practice requirements and ensure that sufficient assurance is available to support the production of the Annual Governance Statement.

The preferred bidder, Swan Housing Association, was approved for the **Better Queensway** regeneration programme, following a competitive dialogue procurement exercise. The approval enables the formation of a joint venture to deliver the programme, with next steps including the development of a full masterplan. A limited liability partnership (LLP) was established with Swan through a Swan subsidiary company, with a board consisting of six members, three each from the Council and Swan. As a result the Council project board was adjusted to be chaired by the Director of Regeneration & Business Development.

The Council confirmed its commitment to the **Seaways Leisure** private led development scheme, reviewing and confirming (at Cabinet) the Agreement with Turnstone Southend Limited, while extending the contractual 'end date' of December 2018 to January 2020 for the discharge of all conditions in the Agreement.

The Council continued to be an active partner to the South East Local Enterprise Partnership (**SELEP**), with the Leader sitting on the main (Strategic) Board, Accountability Board and recently introduced investment panel, as well as the South Essex sub-board "Opportunity South Essex". The Council supported the adoption of the revised Assurance Framework and the Economic Strategy Statement.

The SELEP Accountability Board approved the full business case for the Airport Business Park securing the full allocation to support delivery of the project infrastructure and Launchpad. Contracts were signed with Ipeco, the business park's first commercial occupier and subsequently planning permission for the premises granted by Rochford District Council. Planning consent has also been granted for the phase 2 infrastructure.

The Council acted as the accountable body for a number of externally funded projects operating across Southend, South Essex and the wider South East. These include the £13m South East Business Boost European Regional Development Fund programme, the Careers and Enterprise funded "60 Minute Mentor" programme and the Construction Industry Training Board funded South Essex Construction Training Academies (SECTA).

A peer review of the Council's highways and transportation services was undertaken, highlighting areas for improvement. An associated improvement plan has been developed, with updates being provided regularly to group leaders and the Chief Executive.

One issue was subject to pre-Cabinet scrutiny through a report being considered by a Scrutiny Committee during 2018/19 (compulsory private housing licensing scheme). All budget items were referred directly to the three scrutiny committees. There were 18 'call-ins' from Cabinet to the Policy & Resources, 18 to the People and 17 to the Place Scrutiny Committees with two items referred direct by Cabinet regarding the Better Queensway regeneration programme.

Two 'in-depth' scrutiny reviews were undertaken: in context of the Southend 2050 ambition, improving young people's lives (People) and re-imagining the town centre in the context of the vision for Southend 2050' (Joint Place and P&R).

Arrangements to ensure compliance with the new General Data Protection Regulation (GDPR) and Data Protection Act 2018, have been further embedded. 95% of council staff received training to appropriate levels, with targeted training, for particular staff, such as contract managers and social workers. Recommendations from previous external assessments and audits were progressed. This meant updating policies and internal processes, ensuring compliance with data protection by design principles, changes to individual's rights, including rights to access information and ensuring compliance with the new record of processing requirements. In addition, updates to contracts, privacy notices and retention schedules were undertaken.

Action was taken following an assessment of the Council's approach to cyber security, complemented by a diagnostic of the Council's ICT service that reviewed capacity, capability and priorities. The outcomes of this diagnostic will inform the future operating model for ICT and digital enablement.

The Council's approach to information management was also reviewed by completing the (revised) annual Data Security and Protection toolkit enabling assessment against Department of Health information governance policies and standards. For 2018/19 the Council was independently assessed as providing 'substantial assurance' in meeting 'standards met' compliance.

Arrangements to prepare for the UK's anticipated **departure from the EU** were put in place. This included an assessment of likely risks and opportunities for council and borough produced for Cabinet and an officer working group reviewing detailed arrangements for services, the implications for business continuity and emergency planning and providing information to the public and stakeholders.

Progress on actions to enhance governance arrangements arising from the 2017/18 Annual Governance Statement were reported to Audit Committee during the 2018/19 financial year, with relevant outcomes against the action.

INTERNAL AUDIT

The annual risk based Audit Plan was prepared in consultation with Directors, Deputy Chief Executives and the Chief Executive. It was developed by the Head of Internal Audit and approved by the Audit Committee. Terms of Reference and reports for specific audits are discussed with relevant Directors, Deputy Chief Executives or the Chief Executive before being finalised, with the recommended actions required to mitigate risks summarised in an action plan.

Internal Audit revisits action plans where the original report's opinion was either Partial or Minimal assurance. These actions are retested and the results of this work is reported to the Corporate Management Team and Audit Committee as part of the Quarterly Performance Report.

The Head of Internal Audit Opinion for the year ended 31 March 2019

The Head of Internal Audit Annual Report and opinion for 2018/19 states that:

'Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. Such arrangements can take many forms and still be effective. Appropriate assurance is then required that these processes are fit for purpose and being applied throughout the organisation.'

During 2018/19 the Council undertook a major engagement exercise that has been used to create the shared ambition for the borough and desired outcomes for its residents, visitors, students and other stakeholders. As a result the Council is aiming to transform the way that it operates and governance arrangements are being revised so that the Council becomes structured and can work in a way that is appropriate to deliver the required outcomes.'

These represent significant changes to way the Council is operating and the new governance arrangements have only recently been determined, with other elements continuing to evolve, and therefore need to be properly embedded and assurance obtained that they are working effectively as intended, before they can be considered to be operating effectively. Therefore, the remainder of this report should be read within this context. With regards to the assurance provided by audit work undertaken, in these areas, the design and operation of the Council's risk management, control and governance framework in place for the year was satisfactory overall.'

No issues have come to my attention this year, other than those already disclosed, that I believe need including in the Council's Annual Governance Statement.'

Compliance with Professional Standards, Head of Internal Audit Opinion.

'The Institute of Internal Auditors assessed the in-house team as fully meeting most of the Standards, as well as the Definition, Core Principles and the Code of Ethics in October 2017 (classified as "Generally Conforms", the highest rating).'

Good assessments were achieved in relation to:

- *reflection of the Standards*
- *focus on performance, risk and adding value*
- *the quality assurance and improvement programme.*

Needs improvement assessments were given in relation to:

- *coordinating and maximising assurance*

- *the efficiency of its operations.*

The only area where the Council has chosen not to implement the Standards relates to 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.

During 2018/19 the team has continued to deliver work using the improved approach resulting from development and implementation of the Compliance with the UK Public Sector Internal Audit Standards Action Plan arising from the assessment by the Institute of Internal Auditors. As a result the service has substantially conformed to the relevant professional standards throughout the year.'

ISSUES FOR THE ANNUAL GOVERNANCE STATEMENT

'No issues have come to our attention this year, other than those already disclosed, that we believe need including in the Council's Annual Governance Statement.'

EXTERNAL INSPECTIONS AND ASSESSMENTS

Assurance over the control environment is also obtained from external inspections and assessments of service areas. External assessments for 2018/19 included:

- 6 Ofsted primary school inspections (5 'good', 1 'requires improvement').
- 2 Ofsted secondary school inspections (1 'outstanding', 1 'good').
- 1 Ofsted Alternative provision inspection ('good')
- Highways and transportation services peer review.

These inspections and 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 received national recognition from the Government, for excellent adoption scorecard results.
- The Council's Local Dementia Community Support Team were shortlisted for 'Team of the Year' at the Local Government Chronicle (LGC) Awards.
- The Council and partners (South Essex Homes, Peabody South East, Trinity Independent Living and Homes England) were finalists in the LGC Awards for a housing initiative for a complex needs hostel, a project to help get entrenched homeless people with complex needs off the streets.
- Three of Southend-on-Sea's beaches received the prestigious Blue Flag and all seven were awarded the Seaside Award from Keep Britain Tidy.
- The council won a silver medal for their entry in the RHS Hampton Court Palace Flower Show, called 'A Place to Think'.
- The Council run '60 Minute Mentor South Essex (60MMSE) project announced as one of three finalists in the National Mentoring Awards 2019.

- Southend on Sea retained the Purple Flag for night time safety

framework by the Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

CONCLUSION

We have been advised on the implications of the result of the review of the effectiveness of the governance

Actions to be specifically addressed are outlined below.

Further Actions to strengthen the Council's Governance Arrangements for 2019/20

| No. | Governance Issues | Action | Date of Implementation | Responsible Officer |
|-----|---|--|------------------------|---|
| 1. | Southend 2050 – Transformation | Ensure the necessary skills, tools and techniques are in place to support the changes required in the workforce to deliver the desired outcomes of the 2050 Road Map and related strategic and outcome delivery plans. | March 2020 | Joanna Ruffle Strategic Director - Transformation |
| 2. | Southend 2050 - Outcome based investment | Progress the Council's work to achieve the 2050 Road Map, including moving to an outcome based investment approach to business and budget planning and management for future years. | March 2020 | Joe Chesterton Strategic Director – Finance & Resources |
| 3. | Southend 2050 - New governance architecture | Develop and embed the Council's new officer governance architecture (comprising the four new boards) to ensure it is effective, along with other governance bodies, in supporting the 2050 programme and provides the necessary assurance in ensuring good governance. | March 2020 | John Williams Strategic Director – Legal & Democratic Services |

Council's Corporate Governance Action Plan 2017/18

| No | Governance Issue | Action | Responsible Officer | Comment on Progress |
|----|----------------------|--|-----------------------------------|---|
| 1 | Governance Framework | In the context of the Southend 2050 programme, continue to review the Council's governance and assurance framework to ensure it will be fit for purpose and support the move to an outcome based approach, the delivery of appropriate and relevant services and organisational objectives and the best possible use of available resources. | Alison Griffin Chief Executive | The Council simplified its officer governance structure, to ensure more effective stewardship of public resources and to deliver the best possible outcomes through Southend 2050. This has led to the introduction, from April 2019, of four new boards, focussing on: investment; growth & infrastructure; commissioning and innovation & design, that will report into CMT along with a revised Good Governance Board that will now also encompass information management and promote simple and effective governance. |

| No | Governance Issue | Action | Responsible Officer | Comment on Progress |
|----|------------------------------------|--|--|---|
| 2 | Business Continuity Planning (BCP) | An increased resource in a new resilience team will ensure that BCP is aligned to emergency planning and that the Council is able to respond appropriately to extreme/extraordinary situations. This will take account of recent audit recommendations where it is relevant and appropriate. It will also reflect the fast moving nature of the environment in which the Council operates. | John Williams Strategic Director - Legal & Democratic Services | A newly formed Resilience Team leads the Council's approach to both BCP and emergency planning providing additional capacity with the team of three. All recommendations and actions from audits have been completed. Two corporate business continuity exercises have been conducted during 2018/19. A new Business Continuity software system has been purchased and will be rolled out during 2019/20. Emergency planning and business continuity arrangements were adjusted to prepare for any related consequences from Brexit. |
| 3 | Data Protection/management | Continue to embed the Council's arrangements for being compliant with Data Protection legislation and effective use of information, ensuring this encompasses its arrangements in this regard for its companies and partners. | Joanna Ruffle Strategic Director - Transformation | Recommendations from previous external assessments and audits were progressed. Policies and internal processes were updated, ensuring compliance with data protection by design principles, changes to individuals' rights, including rights to access information requirements/requests and ensuring compliance with the new record of processing activity in line with GDPR. In addition, updates to contracts, privacy notices and retention schedules were undertaken. 95% of council staff received training to appropriate levels, with targeted training, for particular staff, such as contract managers and social workers. |
| 4. | Council Companies | Undertake a post implementation review of governance arrangements for Southend Care to ensure fitness of purpose for a council owned commercial organisation and review new arrangements for Shareholder Board. | Joe Chesterton Strategic Director - Finance & Resources | Southend Care Ltd was formed in April 2016 and started trading in April 2017. The company presented its financial statements, including Annual Governance Statement, and business plan for review by the Shareholder Board in September 2018. As reported in the Southend Care AGS, being such a new company required the governance arrangements to operate to establish what was effective and what should be changed. Following the second year of trading, it is appropriate for the Shareholder Board to review the governance arrangements and make recommendations about any improvements that could be made to enhance those arrangements. The terms of reference for the Shareholder Board were reviewed, updated and incorporated into the constitution, as agreed by Council in May 2019. |

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

Alison Griffin
Chief Executive &
Town Clerk

24 July 2019

Councillor Ian Gilbert
Leader of the Council

24 July 2019

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

OPINION ON THE FINANCIAL STATEMENTS

For and on behalf of Deloitte LLP, Statutory Auditor
St Albans, UK

Deloitte LLP is a limited liability partnership registered in England and Wales (with registered number OC303675)

MAIN FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2017/18 Restated | | | | 2018/19 | | | |
|------------------------------|-------------------------|----------------------------|--|---------|------------------------------|-------------------------|----------------------------|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Notes | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 2,577 | (1,367) | 1,210 | Leader | | 4,775 | (1,573) | 3,202 |
| 8,751 | (3,952) | 4,799 | Growth | | 12,969 | (7,169) | 5,800 |
| 68,701 | (26,964) | 41,737 | Adults and Housing | | 74,754 | (29,436) | 45,318 |
| 116,651 | (82,074) | 34,577 | Children and Learning | | 117,939 | (67,308) | 50,631 |
| 113,149 | (100,978) | 12,171 | Healthy Communities and Wellbeing | | 103,670 | (84,714) | 18,956 |
| 22,748 | (10,551) | 12,197 | Infrastructure | | 26,853 | (13,128) | 13,725 |
| 18,329 | (3,654) | 14,675 | Public Protection | | 19,486 | (3,730) | 15,756 |
| 350,906 | (229,540) | 121,366 | Net Cost of General Fund Services | | 360,446 | (207,058) | 153,388 |
| 19,294 | (29,399) | (10,105) | Local Authority Housing (HRA) | | 19,447 | (28,530) | (9,083) |
| 19,294 | (29,399) | (10,105) | Net Cost of Housing Revenue Account Services | | 19,447 | (28,530) | (9,083) |
| 370,200 | (258,939) | 111,261 | Cost of Services | | 379,893 | (235,588) | 144,305 |
| 27,116 | 0 | 27,116 | Other Operating Expenditure | 10 | 32,747 | 0 | 32,747 |
| 18,969 | (8,857) | 10,112 | Financing and Investment Income and Expenditure | 11 | 22,561 | (10,452) | 12,109 |
| 0 | (139,048) | (139,048) | Taxation and Non-Specific Grant Income | 12 | 0 | (142,007) | (142,007) |
| 416,285 | (406,844) | 9,441 | Deficit on Provision of Services | | 435,201 | (388,047) | 47,154 |
| | | | <i>Items that will not be reclassified to the (Surplus) on the Provision of Services</i> | | | | |
| | | | (Surplus) on Revaluation of Property, Plant and | | | | |
| | | (58,200) | Equipment Assets | 9 | | | (26,068) |
| | | (48,102) | Re-measurement of Net Pension Liability | 9 | | | (31,792) |
| | | (106,302) | | | | | (57,860) |
| | | | <i>Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services</i> | | | | |
| | | | (Surplus) or Deficit on Revaluation of Available for | | | | |
| | | (4) | Sale Financial Assets | | | | 0 |
| | | (4) | | | | | 0 |
| | | (106,306) | Other Comprehensive Income and Expenditure | | | | (57,860) |
| | | (96,865) | Total Comprehensive Income and Expenditure | | | | (10,706) |

MOVEMENT IN RESERVES STATEMENT

| Note | Revenue Reserves | | | Capital Reserves | | | £000 Total Usable Reserves | Unusable Reserves | | | | | | | | £000 Unusable 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 Financial Instrument Revaluation Reserve | £000 Pensions Reserve | £000 Capital Adjustment Account | £000 Deferred Capital Receipts | £000 Collection Fund Adjustment Account | £000 Accumulated Absences Account | | |
| Balance at 31 March 2017 | 11,000 | 3,502 | 93,001 | 11,019 | 5,493 | 11,800 | 135,815 | 225,896 | 4 | 0 | (222,617) | 251,982 | 0 | 3,780 | (1,445) | 257,600 | 393,415 |
| Movement in Reserves during 2017/18 | | | | | | | | | | | | | | | | | |
| Surplus (Deficit) on the Provision of Services | (17,743) | 8,302 | 0 | 0 | 0 | 0 | (9,441) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (9,441) |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 58,200 | 4 | 0 | 48,102 | 0 | 0 | 0 | 0 | 106,306 | 106,306 |
| Total Comprehensive Income and Expenditure | (17,743) | 8,302 | 0 | 0 | 0 | 0 | (9,441) | 58,200 | 4 | 0 | 48,102 | 0 | 0 | 0 | 0 | 106,306 | 96,865 |
| Adjustments between accounting basis and funding basis under regulations | 19 13,228 | (2,874) | 0 | 2,346 | 1,496 | 186 | 14,382 | (11,510) | 0 | 0 | 5,593 | (15,835) | 3,500 | 3,765 | 105 | (14,382) | 0 |
| Net Increase / Decrease before Transfers to earmarked reserves | (4,515) | 5,428 | 0 | 2,346 | 1,496 | 186 | 4,941 | 46,690 | 4 | 0 | 53,695 | (15,835) | 3,500 | 3,765 | 105 | 91,924 | 96,865 |
| Transfers to / (from) Earmarked Reserves | 20 4,515 | (5,428) | 913 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase / Decrease in 2017/18 | 0 | 0 | 913 | 2,346 | 1,496 | 186 | 4,941 | 46,690 | 4 | 0 | 53,695 | (15,835) | 3,500 | 3,765 | 105 | 91,924 | 96,865 |
| Balance at 31 March 2018 | 11,000 | 3,502 | 93,914 | 13,365 | 6,989 | 11,986 | 140,756 | 272,586 | 8 | 0 | (168,922) | 236,147 | 3,500 | 7,545 | (1,340) | 349,524 | 490,280 |
| Opening adjustment to reserves following reclassification of financial assets under IFRS9 | 8 (8) | 0 0 | 0 8 | 0 0 | 0 0 | 0 0 | 8 0 | 0 0 | (8) 0 | 0 0 | 0 0 | 0 0 | 0 0 | 0 0 | 0 0 | (8) 0 | 0 0 |
| Movement in Reserves during 2018/19 | | | | | | | | | | | | | | | | | |
| Surplus (Deficit) on the Provision of Services | (54,099) | 6,945 | 0 | 0 | 0 | 0 | (47,154) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (47,154) |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 26,068 | 0 | 0 | 31,792 | 0 | 0 | 0 | 0 | 57,860 | 57,860 |
| Total Comprehensive Income and Expenditure | (54,099) | 6,945 | 0 | 0 | 0 | 0 | (47,154) | 26,068 | 0 | 0 | 31,792 | 0 | 0 | 0 | 0 | 57,860 | 10,706 |
| Adjustments between accounting basis and funding basis under regulations | 19 62,728 | (2,813) | 0 | 364 | 373 | 636 | 61,288 | (21,562) | 0 | 454 | (14,676) | (24,767) | (2,000) | 858 | 405 | (61,288) | 0 |
| Net Increase / Decrease before Transfers to earmarked reserves | 8,629 | 4,132 | 0 | 364 | 373 | 636 | 14,134 | 4,506 | 0 | 454 | 17,116 | (24,767) | (2,000) | 858 | 405 | (3,428) | 10,706 |
| Transfers to / (from) Earmarked Reserves | 20 (8,629) | (4,132) | 12,761 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Increase / Decrease in 2018/19 | 0 | 0 | 12,761 | 364 | 373 | 636 | 14,134 | 4,506 | 0 | 454 | 17,116 | (24,767) | (2,000) | 858 | 405 | (3,428) | 10,706 |
| Balance at 31 March 2019 | 11,000 | 3,502 | 106,683 | 13,729 | 7,362 | 12,622 | 154,898 | 277,092 | 0 | 454 | (151,806) | 211,380 | 1,500 | 8,403 | (935) | 346,088 | 500,986 |

BALANCE SHEET

| 31 March 2018 £000 | | 31 March 2019 £000 |
|--|--------|-----------------------|
| | Notes | |
| 778,536 Property, Plant & Equipment | 21 | 772,362 |
| 37,700 Heritage Assets | 23 | 37,743 |
| 41,044 Investment Property | 24 | 41,326 |
| 6,439 Intangible Assets | 22 | 8,205 |
| 22,678 Long Term Investments | 25 | 28,428 |
| 5,206 Long Term Debtors | 25 | 2,538 |
| 891,603 Long Term Assets | | 890,602 |
| 20,232 Short term Investments | 25 | 20,757 |
| 117 Inventories | | 9 |
| 34,673 Short Term Debtors | 26 | 36,743 |
| 26,517 Cash and Cash Equivalents | 25, 27 | 46,361 |
| 81,539 Current Assets | | 103,870 |
| (11,830) Short Term Borrowings | 25 | (8,856) |
| (45,585) Short Term Creditors | 28 | (44,080) |
| (5,468) Provisions | 29 | (4,439) |
| (62,883) Current Liabilities | | (57,375) |
| (2,698) Long Term Creditors | | (4,061) |
| (236,480) Long Term Borrowing | 25 | (268,962) |
| (168,922) Other Long Term Liabilities - Pensions | 37 | (151,806) |
| (11,879) Other Long Term Liabilities - Other | 25 | (11,282) |
| (419,979) Long Term Liabilities | | (436,111) |
| 490,280 Net Assets | | 500,986 |
| 140,756 Usable Reserves | 30 | 154,898 |
| 349,524 Unusable Reserves | 31 | 346,088 |
| 490,280 Total Reserves | | 500,986 |

CASH FLOW STATEMENT

| 2017/18 £000 | Notes | 2018/19 £000 |
|--|-----------|-----------------------|
| 9,441 Net (Surplus) or Deficit on the Provision of Services | | 47,154 |
| Adjustments to Net Surplus or Deficit on the Provision of Services for non- (31,616) cash Movements | 40 | (72,178) |
| Adjustments for items included in the Net Surplus or Deficit on the 5,749 Provision of Services that are Investing and Financing Activities | 41 | 6,283 |
| <hr/> (16,426) Net cash outflows from Operating Activities | | <hr/> (18,741) |
| 40,408 Investing Activities | 42 | 31,189 |
| (10,628) Financing Activities | 43 | (32,292) |
| <hr/> 13,354 Net (Increase)/Decrease in Cash and Cash Equivalents | | <hr/> (19,844) |
| (39,871) Cash and Cash Equivalents at the beginning of the Reporting Period | | (26,517) |
| <hr/> (26,517) Cash and Cash Equivalents at the end of the Reporting Period | 27 | <hr/> (46,361) |

NOTES TO THE ACCOUNTS

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Note 1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 Strategic Director (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.

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 2018/19 which require restatement of prior periods.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding 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.

Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Employee Benefits

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 and Learning line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year and the Healthy Communities and Wellbeing 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 2.40%. The discount rate is the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous 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
 - 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 comprising:
 - 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.

Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such

as investments in property funds, short dated bond funds, enhanced cash funds and money market funds at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

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.

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

- amortised cost
- fair value through profit or loss
- fair value through other comprehensive income.

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 financial assets held by the Council, 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.

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.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at Fair Value through Profit of Loss 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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.

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 (PPE). 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, and are treated in accordance with the Council's policies for PPE assets.

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. These are treated in accordance with the Council's policies for PPE assets.

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).

Intangible Assets

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

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the

Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

Interests in Companies and Other Entities

The Council has material interests in wholly owned companies and trusts 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 Lessor

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 service segments in accordance with the Council's arrangements for accountability and financial performance.

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 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 generally capitalise borrowing costs incurred whilst assets are under construction, with the exception of major invest to save schemes where the financing is structured to allow the initial roll up of revenue costs prior to savings or income streams being realised.

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

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 and Contingent Liabilities

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.

Schools

The *Code of Practice on Local Authority Accounting in the United Kingdom* confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

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 2019/20 Code:

- a) amendments to IAS 40 Investment Property: Transfers of Investment Property
- b) Annual Improvements to IFRS Standards 2014-2016 Cycle
- c) IFRIC 22 Foreign Currency Transactions and Advance Consideration
- d) IFRIC 23 Uncertainty over Income Tax Treatments
- e) amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

The Code requires implementation from 1 April 2019. It is not anticipated that these accounting changes will have any material impact on the Council's Statement of Accounts.

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 Fair Funding review, the awaited Spending Review and the outcome of the Brexit negotiations. 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.
- 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 Voluntary Aided schools the Diocese owns the title to the assets, the schools use the assets under "mere" licences which pass no interest to the school and the Diocese has 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 2019 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 |
|---|---|---|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, 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 of changes in individual assumptions can be measured. As examples, an increase in life expectancy of retired employees of 1 year would increase the net pension liability by £22.8M, and an increase in the discount rate of 0.1% would decrease the net pension liability by £11.3M. The full effects on the net pensions liability are fully disclosed in note 37 to the Accounts. |
| Property, Plant and Equipment Revaluations | The uncertainties arise as a result of the estimations used by the valuer. The basis of these estimations is set out in note 21 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. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Strategic Director (Finance and Resources) on 30 May 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 24 April 2019, the Council formally entered into a 30 year partnership with Swan Housing Association and their wholly owned subsidiary Swan New Co, with the purpose to regenerate the Queensway Estate and surrounding environs. Under that partnership agreement, the Council has certain obligations including the provision of equity and junior loan finance totalling £15M, and subject to the necessary consents and viability tests, the disposal of land under long lease. These assets currently have a net book value on the Council's balance sheet of £24.8M. The partnership agreement also obligates the Council to use its compulsory purchase powers to secure full title and vacant possession of the site as required, for which the Council will be fully reimbursed.

The partnership makes provision for a financial return to the Council sometime in the future but at present the value cannot be estimated with any degree of certainty.

The regeneration will deliver an increase in affordable housing on the site, together with a significant amount of new housing for sale. In addition, it will include significant infrastructure works to resolve the severance issues across the site as well as providing a greater sense of place and community.

The partnership is exercised by the Council being a member of Porters Place Southend LLP, where it holds a 50% stake. The Council's interests in this LLP will fall to be reflected within the Group Accounts in future financial years.

NOTES SUPPORTING THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Note 6. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| Net Expenditure Chargeable to the General Fund and HRA Balances | 2017/18 Restated | Net Expenditure in the Comprehensive Income and Expenditure Statement | Notes | Net Expenditure Chargeable to the General Fund and HRA Balances | 2018/19 | Net Expenditure in the Comprehensive Income and Expenditure Statement |
|---|--|---|--|---|--|---|
| | Adjustments between the Funding and Accounting Basis | | | | Adjustments between the Funding and Accounting Basis | |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 11,054 | (9,844) | 1,210 | Leader | 1,075 | 2,127 | 3,202 |
| 1,674 | 3,125 | 4,799 | Growth | 1,012 | 4,788 | 5,800 |
| 42,118 | (381) | 41,737 | Adults and Housing | 42,832 | 2,486 | 45,318 |
| 39,466 | (4,889) | 34,577 | Children and Learning | 47,032 | 3,599 | 50,631 |
| 13,392 | (1,221) | 12,171 | Healthy Communities and Wellbeing | 17,665 | 1,291 | 18,956 |
| 11,863 | 354 | 12,217 | Infrastructure | 10,774 | 2,951 | 13,725 |
| 14,833 | (178) | 14,655 | Public Protection | 15,010 | 746 | 15,756 |
| 134,400 | (13,034) | 121,366 | Net Cost of General Fund Services | 135,400 | 17,988 | 153,388 |
| (5,388) | (4,717) | (10,105) | Local Authority Housing (HRA) | (4,434) | (4,649) | (9,083) |
| (5,388) | (4,717) | (10,105) | Net Cost of Housing Revenue Account Services | (4,434) | (4,649) | (9,083) |
| 129,012 | (17,751) | 111,261 | Net Cost of Services | 130,966 | 13,339 | 144,305 |
| (8,337) | 45,565 | 37,228 | Other Income and Expenditure | (4,544) | 49,400 | 44,856 |
| (120,675) | (18,373) | (139,048) | Taxation and non-specific Grant Income | (126,422) | (15,585) | (142,007) |
| (129,012) | 27,192 | (101,820) | Other Income and Expenditure | (130,966) | 33,815 | (97,151) |
| 0 | 9,441 | 9,441 | Deficit | 0 | 47,154 | 47,154 |
| 14,502 | | | Opening General Fund and HRA Balance | 14,502 | | |
| 0 | | | Surplus or (Deficit) on General Fund and HRA Balance in Year | 0 | | |
| 14,502 | | | Closing General Fund and HRA Balance | 14,502 | | |

The 2017/18 comparative has been restated to reflect the changes made to portfolio structure of the Council in 2018/19. The adjustments required to convert the accounts from the funding basis to the comprehensive income and expenditure statement are set out below.

| 2017/18 Restated | | | | 2018/19 | | | |
|---|---|--------------------------------|---|---|---|--------------------------------|--|
| IAS 19 Pension Adjustments £000 a | Adjustments for Capital Purposes £000 b | Other Differences £000 c | Total Adjustments between the Funding and Accounting Basis £000 Notes | IAS 19 Pension Adjustments £000 a | Adjustments for Capital Purposes £000 b | Other Differences £000 c | Total Adjustments between the Funding and Accounting Basis £000 |
| (9,818) | (2) | (24) | (9,844) Leader | 2,194 | 86 | (153) | 2,127 |
| (61) | (2,053) | 5,239 | 3,125 Growth | 540 | 1,796 | 2,452 | 4,788 |
| (398) | 17 | 0 | (381) Adults and Housing | 2,343 | 143 | 0 | 2,486 |
| (427) | (5,745) | 1,283 | (4,889) Children and Learning | 2,735 | 1,025 | (161) | 3,599 |
| (253) | 13 | (981) | (1,221) Healthy Communities and Wellbeing | 1,574 | 1,111 | (1,394) | 1,291 |
| (66) | 400 | 20 | 354 Infrastructure | 482 | 2,470 | (1) | 2,951 |
| (113) | (65) | 0 | (178) Public Protection | 661 | 133 | (48) | 746 |
| (11,136) | (7,435) | 5,537 | (13,034) Net Cost of General Fund Services | 10,529 | 6,764 | 695 | 17,988 |
| 0 | (4,749) | 32 | (4,717) Local Authority Housing (HRA) | 0 | (4,615) | (34) | (4,649) |
| 0 | (4,749) | 32 | (4,717) Net Cost of Housing Revenue Account Services | 0 | (4,615) | (34) | (4,649) |
| (11,136) | (12,184) | 5,569 | (17,751) Net Cost of Services | 10,529 | 2,149 | 661 | 13,339 |
| 0 | 0 | 1,139 | 1,139 Below the line | 0 | 0 | (2,754) | (2,754) |
| 0 | 10,624 | 3,582 | 14,206 Grants | 0 | 11,770 | 2,545 | 14,315 |
| 0 | 26,126 | 401 | 26,527 Other Operating Expenditure | 0 | 31,775 | 412 | 32,187 |
| 5,543 | 2,460 | (4,310) | 3,693 Financing and Investment Income and Expenditure | 4,147 | 2,482 | (977) | 5,652 |
| 5,543 | 39,210 | 812 | 45,565 Other Income and Expenditure | 4,147 | 46,027 | (774) | 49,400 |
| 0 | (10,624) | (7,749) | (18,373) Taxation and non-specific Grant Income | 0 | (11,770) | (3,815) | (15,585) |
| (5,593) | 16,402 | (1,368) | 9,441 (Surplus) or Deficit | 14,676 | 36,406 | (3,928) | 47,154 |

a IAS19 Pension Adjustments

Net change for the removal of actual pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

For **services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

For **financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

b Adjustments for Capital Purposes

Adjustments for capital purposes – for **services** this column adds in impairment and revaluation gains and losses in the services line and consolidates out interest payments and income for the HRA, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

c Other Differences

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

For **services** this column adjusts for the accrued value of holiday entitlements not taken as at the balance sheet date, consolidates in the in year activity of maintained schools and moves the value of traded services and investment properties to **financing and investment income and expenditure**.

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

Note 7. Expenditure and Income Analysed by Nature

The Council's expenditure and income as set out in the Comprehensive Income and Expenditure Statement is analysed as follows.

| | Notes | 2018/19 £000 | 2017/18 £000 |
|---|-------|------------------|------------------|
| Income | | | |
| Fees, Charges and other Service Income | 8 | (74,888) | (79,000) |
| Interest and Investment Income | 11 | (2,493) | (2,294) |
| Gains on Revaluation | | (5,580) | (11,066) |
| Income from Council Tax | 12 | (79,117) | (75,043) |
| Income from Non-domestic Rates | 12 | (22,107) | (20,247) |
| Government Grants and Contributions | 18 | (203,862) | (219,194) |
| Total Income | | (388,047) | (406,844) |
| Expenditure | | | |
| Employee Benefits Expenses | | 74,186 | 60,391 |
| Other Service Expenses | | 261,954 | 276,465 |
| Support Service Recharges (net) | | (585) | (613) |
| Depreciation, Amortisation and Impairment | | 51,522 | 36,210 |
| Interest Payments | 11 | 11,230 | 11,173 |
| Pensions Interest and Expected Return | 11 | 4,147 | 5,543 |
| Precepts and Levies | 10 | 974 | 990 |
| Payments to Housing Capital Receipts Pool | 10 | 571 | 533 |
| Losses on the disposal of Assets | 10 | 31,202 | 25,593 |
| Total Expenditure | | 435,201 | 416,285 |
| Deficit on the Provision of Services | | 47,154 | 9,441 |

Note 8. Segmental Income

Fees, charges and other Income generated on a portfolio service basis is analysed as follows.

| | 2018/19 £000 | 2017/18 £000 Restated |
|---|-----------------|-----------------------------|
| Leader | (1,528) | (1,360) |
| Growth | (3,677) | (2,943) |
| Adults and Housing | (14,372) | (10,705) |
| Children and Learning | (3,829) | (11,391) |
| Healthy Communities and Wellbeing | (7,673) | (9,241) |
| Infrastructure | (9,725) | (9,760) |
| Public Protection | (3,557) | (3,369) |
| Total Income from General Fund Services | (44,361) | (48,769) |
| Local Authority Housing (HRA) | (27,900) | (27,950) |
| Total Income from Housing Revenue Account Services | (27,900) | (27,950) |
| Total Income from Services | (72,261) | (76,719) |
| Other Income and Expenditure | (2,627) | (2,281) |
| Total Income | (74,888) | (79,000) |

Note 9. Material Items of Income and Expense

In relation to 2018/19:

- The Surplus on Revaluation of non-current assets of £26.068M consists of £30.827M of revaluation gains from the increase in the value of Property Plant and Equipment and £4.759M of accumulated revaluation gains lost as a result of downwards revaluation and impairment losses.
- During the year six schools transferred to academy status. As a result the carrying amount of the assets of £32.803M 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 2018/19 was better than anticipated, with an increase in the underlying value of scheme assets, and a benign movement in scheme liabilities. This has led to an actuarial gain passing through the Comprehensive Income and Expenditure Statement of £31.792M.

In relation to 2017/18:

- The Surplus on Revaluation of non-current assets of £58.200M consists of £59.822M of revaluation gains from the increase in the value of Property Plant and Equipment, £0.242M of revaluation gains from the increase in the value of Heritage Assets, and £1.864M of accumulated revaluation gains lost as a result of downwards revaluation and impairment losses.

- During the year six schools and the Renown Centre transferred to academy status. As a result the carrying amount of the assets of £27.214M 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 2017/18 was better than anticipated, with an increase in the underlying value of scheme assets and a positive change in actuarial assumptions underpinning the scheme. This has led to an actuarial gain passing through the Comprehensive Income and Expenditure Statement of £48.102M.

Note 10. Other Operating Expenditure

| | 2018/19 £000 | 2017/18 £000 |
|--|-------------------------|-------------------------|
| Leigh Town Council Precept and Grant | 419 | 411 |
| Levies | 555 | 579 |
| Payments to the Government Housing Capital Receipts Pool | 571 | 533 |
| Losses on the Disposal of Non-current Assets | 31,202 | 25,593 |
| Total | 32,747 | 27,116 |

Note 11. Financing and Investment Income and Expenditure

| | 2018/19 £000 | 2017/18 £000 |
|---|-------------------------|-------------------------|
| Interest Payable and Similar Charges | 11,431 | 11,093 |
| Interest on net pension liability | 4,147 | 5,543 |
| Interest Receivable and Similar Income | (2,293) | (2,294) |
| Income and Expenditure in relation to Investment Properties and changes in their Fair Value | (2,417) | (5,271) |
| Deficit on Traded Services | 1,442 | 961 |
| Other | (201) | 80 |
| Total | 12,109 | 10,112 |

See also note 24 for more information on Investment Properties.

Note 12. Taxation and Non Specific Grant Incomes

| | 2018/19 £000 | 2017/18 £000 |
|----------------------------------|-----------------|-----------------|
| Council Tax Income | 79,117 | 75,043 |
| Retained Business Rates | 22,107 | 20,247 |
| Non-Ringfenced Government Grants | 29,013 | 33,134 |
| Capital Grants and Contributions | 11,770 | 10,624 |
| Total | 142,007 | 139,048 |

Note 13. Pooled Budgets

The Better Care Fund, an agreement between Southend-on-Sea Borough Council and NHS 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.

The Contributions into the pool are the minimum requirements under rules set by the Department of Health and the Ministry of Housing, Communities and Local Government. The expenditure by each of the partners is negotiated between them each year, and set within the Section 75 agreement referred to above.

| | 2018/19 £000 | 2017/18 £000 |
|---|-----------------|-----------------|
| Funding provided to the pooled budget | | |
| Southend-on-Sea Borough Council | (7,051) | (5,288) |
| NHS Southend Clinical Commissioning Group | (12,382) | (12,152) |
| Total Funding | (19,433) | (17,440) |
| Expenditure met from the pooled budget | | |
| Southend-on-Sea Borough Council | 12,879 | 11,039 |
| NHS Southend Clinical Commissioning Group | 6,492 | 6,401 |
| Joint Pooled Fund | 62 | 0 |
| Total Expenditure | 19,433 | 17,440 |
| Net Pooled Budget | 0 | 0 |
| Southend-on-Sea Borough Council share | 0 | 0 |

Note 14. Members' Allowances

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

| | 2018/19 | 2017/18 |
|---------------------------------|----------------|----------------|
| | £000 | £000 |
| Basic Allowances | 458 | 450 |
| Special Allowances | 201 | 184 |
| Travel & Subsistence | 2 | 3 |
| Total Members Allowances | 661 | 637 |

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 15. Officers' Remuneration

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

| 2018/19 | | | | | | |
|---|---|--|--|---|---------------------------|---|
| Post holder information (Post title) | Salary (Including fees & Allowances) £ | Compensation for loss of employment £ | Benefits in Kind (e.g. Car Allowance) £ | Total Remuneration excluding pension contributions 2018/19 £ | Pension contribution £ | Total Remuneration including pension contributions 2018/19 £ |
| Chief Executive - Alison Griffin | 151,450 | 0 | 0 | 151,450 | 25,141 | 176,591 |
| Deputy Chief Executives | | | | | | |
| People - Simon Leftley | 130,831 | 0 | 0 | 130,831 | 21,718 | 152,549 |
| Place - Andrew Lewis | 126,906 | 0 | 0 | 126,906 | 21,066 | 147,972 |
| Strategic Directors | | | | | | |
| Legal & Democratic Services <i>annualised as reduced hours</i> | 81,127 | 0 | 0 | 81,127 | 13,467 | 94,594 118,243 |
| Finance & Resources | 101,187 | 0 | 0 | 101,187 | 15,850 | 117,037 |
| Transformation | 97,262 | 0 | 0 | 97,262 | 16,145 | 113,407 |
| Directors | | | | | | |
| Public Health | 92,135 | 0 | 31 | 92,166 | 13,249 | 105,415 |
| Strategy & Commissioning | 101,774 | 0 | 0 | 101,774 | 16,894 | 118,668 |
| Adult Services & Housing to 3 February 2019 <i>annualised</i> | 78,814 | 0 | 0 | 78,814 | 13,083 | 91,897 108,551 |
| Adult Services from 4 February 2019 <i>annualised</i> | 6,534 | 0 | 0 | 6,534 | 1,085 | 7,619 91,427 |
| Housing from 8 January 2019 <i>annualised</i> | 13,069 | 0 | 0 | 13,069 | 2,169 | 15,238 91,427 |
| Children's Services | 90,524 | 0 | 0 | 90,524 | 15,027 | 105,551 |
| Learning | 90,534 | 0 | 0 | 90,534 | 15,027 | 105,561 |
| Public Protection | 90,524 | 0 | 0 | 90,524 | 15,027 | 105,551 |
| Planning & Transport | 90,524 | 0 | 0 | 90,524 | 15,027 | 105,551 |
| Culture, Tourism & Property | 90,524 | 0 | 0 | 90,524 | 15,027 | 105,551 |
| Regeneration & Business Development | 90,523 | 0 | 0 | 90,523 | 15,027 | 105,550 |
| Digital Futures | 90,524 | 0 | 0 | 90,524 | 15,027 | 105,551 |

2017/18

| Post holder information (Post title) | Salary (Including fees & Allowances) £ | Compensation for loss of employment £ | Benefits in Kind (e.g. Car Allowance) £ | Total Remuneration excluding pension contributions 2017/18 £ | Pension contribution £ | Total Remuneration including pension contributions 2017/18 £ |
|--|---|--|--|---|---------------------------|---|
| Chief Executive - Alison Griffin from 3 July 2017 <i>annualised</i> | 101,712 | 0 | 0 | 101,712 | 16,884 | 118,596 158,997 |
| Deputy Chief Executives | | | | | | |
| People - Simon Leftley <i>acting as Chief Executive from 1 April 2017 to 16 May 2017</i> | 130,685 | 0 | 0 | 130,685 | 21,694 | 152,379 |
| Place - Andrew Lewis <i>acting as Chief Executive from 17 May 2017 to 2 July 2017</i> | 122,835 | 0 | 0 | 122,835 | 20,391 | 143,226 |
| Directors | | | | | | |
| Legal & Democratic Services <i>annualised as reduced hours</i> | 77,279 | 0 | 0 | 77,279 | 12,828 | 90,107 112,634 |
| Finance & Resources | 96,599 | 0 | 0 | 96,599 | 14,731 | 111,330 |
| Transformation | 88,749 | 0 | 0 | 88,749 | 14,732 | 103,481 |
| Public Health | 121,368 | 0 | 66 | 121,434 | 17,453 | 138,887 |
| Public Health Improvement to 30 April 2017 <i>annualised</i> | 6,938 | 0 | 0 | 6,938 | 690 | 7,628 96,265 |
| Strategy & Commissioning | 96,249 | 0 | 0 | 96,249 | 15,977 | 112,226 |
| Adult Services & Housing | 88,749 | 0 | 0 | 88,749 | 14,732 | 103,481 |
| Children's Services | 88,749 | 0 | 0 | 88,749 | 14,732 | 103,481 |
| Learning | 88,749 | 0 | 0 | 88,749 | 14,732 | 103,481 |
| Public Protection | 79,874 | 0 | 0 | 79,874 | 13,259 | 93,133 |
| Planning & Transport | 88,749 | 0 | 0 | 88,749 | 14,732 | 103,481 |
| Culture, Tourism & Property | 88,749 | 0 | 0 | 88,749 | 14,732 | 103,481 |
| Regeneration & Business Development | 79,874 | 0 | 0 | 79,874 | 13,259 | 93,133 |
| Digital Futures | 88,749 | 0 | 0 | 88,749 | 14,732 | 103,481 |

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

| | 2018/19 Number of Staff | | | 2017/18 Number of Staff | | |
|----------------------|----------------------------|-----------|------------|----------------------------|-----------|------------|
| | Council | Schools | Total | Council | Schools | Total |
| £50,000 to £54,999 | 30 | 9 | 39 | 30 | 12 | 42 |
| £55,000 to £59,999 | 21 | 6 | 27 | 15 | 7 | 22 |
| £60,000 to £64,999 | 11 | 0 | 11 | 13 | 2 | 15 |
| £65,000 to £69,999 | 14 | 4 | 18 | 7 | 7 | 14 |
| £70,000 to £74,999 | 7 | 3 | 10 | 2 | 2 | 4 |
| £75,000 to £79,999 | 2 | 1 | 3 | 1 | 2 | 3 |
| £80,000 to £84,999 | 0 | 1 | 1 | 0 | 1 | 1 |
| £85,000 to £89,999 | 0 | 1 | 1 | 0 | 3 | 3 |
| £110,000 to £114,999 | 1 | 0 | 1 | 0 | 0 | 0 |
| £165,000 to £169,999 | 0 | 0 | 0 | 1 | 0 | 1 |
| Total | 86 | 25 | 111 | 69 | 36 | 105 |

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 | |
|----------------------|--|-----------|-----------|------------|-----------|-----------|-----------------------------|----------------|
| | 2018/19 | | | 2017/18 | | | 2018/19 | 2017/18 |
| | Compulsory | Other | Total | Compulsory | Other | Total | £ | £ |
| Council Staff | | | | | | | | |
| £0 - £19,999 | 2 | 2 | 4 | 3 | 4 | 7 | 31,528 | 71,713 |
| £20,000 - £39,999 | 4 | 1 | 5 | 0 | 0 | 0 | 132,730 | 0 |
| £40,000 - £59,999 | 1 | 1 | 2 | 1 | 1 | 2 | 84,430 | 82,611 |
| £60,000 - £79,999 | 0 | 2 | 2 | 0 | 0 | 0 | 130,459 | 0 |
| £100,000 - £149,999 | 0 | 2 | 2 | 0 | 1 | 1 | 240,078 | 135,759 |
| Total | 7 | 8 | 15 | 4 | 6 | 10 | 619,225 | 290,083 |
| School Staff | | | | | | | | |
| £0 - £19,999 | 6 | 2 | 8 | 10 | 14 | 24 | 18,272 | 175,277 |
| £20,000 - £39,999 | 0 | 0 | 0 | 1 | 1 | 2 | 0 | 51,813 |
| Total | 6 | 2 | 8 | 11 | 15 | 26 | 18,272 | 227,090 |
| Total | 13 | 10 | 23 | 15 | 21 | 36 | 637,497 | 517,173 |

Note 16. 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 to non-audit services provided by the Council's external auditors:

| | 2018/19 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Fees payable with regard to external audit services | 110 | 143 |
| Fees payable for the certification of grant claims and returns | 28 | 33 |
| Fees payable in respect of other services provided | 0 | 4 |
| Total Audit Costs | 138 | 180 |

Note 17. 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 (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

| | 2018/19 Central Expenditure £000 | 2018/19 Individual Schools Budget £000 | 2018/19 Total £000 | 2017/18 Total £000 |
|--|---|--|--------------------------|--------------------------|
| Final DSG before academy recoupment | | | 147,745 | 143,695 |
| Expected Early Years funding Adjustment | | | 0 | 0 |
| Academy figure recouped | | | (98,478) | (87,090) |
| Total DSG after academy recoupment | | | 49,267 | 56,605 |
| Plus: Brought forward from prior year | | | (65) | 326 |
| Less: Carry forward to following year, agreed in advance | | | 65 | (326) |
| Total DSG available | | | 49,267 | 56,605 |
| Agreed initial budgeted distribution | 1,738 | 55,057 | 56,795 | 63,153 |
| In year adjustments (early years, academy recoupment and NNDR adjustments) | 0 | (7,733) | (7,733) | (6,970) |
| Final budget distribution | 1,738 | 47,324 | 49,062 | 56,183 |
| Less: Actual central expenditure | (1,699) | | (1,699) | (2,428) |
| Less: Actual ISB deployed to Schools and providers | | (47,082) | (47,082) | (54,146) |
| Carry forward to following year | 39 | 242 | 281 | (391) |
| Plus: Carry forward agreed in advance | | | (65) | 326 |
| Total DSG Carried Forward | | | 216 | (65) |

Note 18. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19.

| | 2018/19 £000 | 2017/18 £000 |
|---|-----------------|-----------------|
| Credited to Taxation and Non Specific Grant Income | | |
| Non-Ringfenced Government Grants | | |
| Business Rates Top Up and S31 Grants | 16,149 | 14,793 |
| Revenue Support Grant | 10,318 | 14,759 |
| New Homes Bonus | 1,445 | 2,033 |
| Adult Social Care Grant | 515 | 828 |
| Education Support Grant | 420 | 704 |
| Other non-ringfenced government grants | 166 | 17 |
| | 29,013 | 33,134 |
| Capital Grants and Contributions | | |
| Highways Infrastructure | 5,276 | 4,343 |
| Airport Business Park | 3,470 | 1,898 |
| Housing | 1,051 | 666 |
| Schools | 717 | 1,787 |
| ICT | 667 | 0 |
| Culture | 533 | 0 |
| Other | 56 | 35 |
| Street Lighting Renewal | 0 | 1,401 |
| Southend Central Area Action Plan (non transport) | 0 | 494 |
| | 11,770 | 10,624 |
| Total | 40,783 | 43,758 |

| | 2018/19 £000 | 2017/18 £000 |
|---|-----------------|-----------------|
| Credited to Services | | |
| Housing Benefits | 66,393 | 79,965 |
| Dedicated Schools Grant | 48,643 | 55,770 |
| Public Health Grant | 9,462 | 9,712 |
| Funding from Clinical Commissioning Groups | 8,558 | 6,502 |
| REFCUS funded by grants and third party contributions | 7,789 | 4,226 |
| Improved Better Care Fund | 3,726 | 3,989 |
| South East Business Boost | 2,738 | 0 |
| Education and Skills Funding Agency | 2,708 | 2,886 |
| Pupil Premium | 2,547 | 3,157 |
| Housing Benefit Administration | 1,284 | 1,349 |
| DfT Access Fund | 1,179 | 919 |
| Universal Infant Free School Meals Grant | 1,114 | 1,337 |
| Homelessness/Rough Sleeper Initiatives | 805 | 0 |
| Other Service Grants and Contributions | 6,133 | 5,624 |
| Total | 163,079 | 175,436 |

With the exception of grants for £2,321,000 for schools relating to future years, a grant of £81,000 for highways relating to 2019/20 and grants and contributions of £129,000 to be repaid during 2019/20 which have been recognised as capital grants received in advance, 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.

NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

Note 19. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following 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 a council are required to be paid, and out of which all liabilities of the Council 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 Council 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.

| 2018/19 | 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 |
| Adjustments primarily involving the Capital Adjustment Account | | | | | | |
| Reversal of items debited or credited to the comprehensive income and expenditure statement: | | | | | | |
| Charges for depreciation of non-current assets | 13,649 | 6,449 | 0 | 0 | 0 | (20,098) |
| Revaluation and impairment losses on property, plant and equipment and intangible assets | 6,472 | (48) | 0 | 0 | 0 | (6,424) |
| Movements in the market value of investment properties | 290 | 0 | 0 | 0 | 0 | (290) |
| Amortisation of intangible assets | 828 | 0 | 0 | 0 | 0 | (828) |
| Capital grants and contributions applied | (7,982) | 1,045 | | | (1,446) | 8,383 |
| Revenue expenditure funded from capital under statute | 18,134 | 168 | 0 | 0 | 0 | (18,302) |
| 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 | 32,829 | 1,359 | 0 | 0 | 0 | (34,188) |
| Change in fair value of pooled investments taken to Financial Instruments Revaluation | (454) | 0 | 0 | 0 | 0 | 454 |
| Insertion of items not debited or credited to the comprehensive income and expenditure statement: | | | | | | |
| Statutory provision for the financing of capital investment | (1,359) | 0 | 0 | 0 | 0 | 1,359 |
| Capital expenditure charged against the General Fund and HRA Balances | (2,002) | (1,390) | 0 | 0 | 0 | 3,392 |
| Adjustments primarily involving the Capital Grants Unapplied Account | | | | | | |
| Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement | (10,845) | (1,777) | 0 | 0 | 12,622 | 0 |
| Application of grants to capital financing transferred to the capital adjustment account | 0 | 0 | 0 | 0 | (10,540) | 10,540 |
| Adjustments primarily involving the Major Repairs Reserve | | | | | | |
| Reverse MRA credited to HRA | 0 | (6,449) | 0 | 0 | 0 | 6,449 |
| Reversal of HRA Depreciation credited to the Major Repairs Reserve | 0 | 0 | 0 | 6,449 | 0 | (6,449) |
| Use of the major repairs reserve to finance new capital expenditure | 0 | 0 | 0 | (6,076) | 0 | 6,076 |
| Adjustments primarily involving the Deferred Capital Receipts Account | | | | | | |
| Transfer of deferred capital receipt recognised as income in the Comprehensive Income and Expenditure Account | 0 | 0 | 2,000 | 0 | 0 | (2,000) |

| 2018/19 | 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 |
| Adjustments primarily involving the Capital Receipts Reserve | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the comprehensive income and expenditure statement | (816) | (2,170) | 2,986 | 0 | 0 | 0 |
| Use of the capital receipts reserve towards administrative costs of non-current asset disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| Use of the capital receipts reserve to repay borrowing | 0 | 0 | (2,000) | 0 | 0 | 2000 |
| Use of the capital receipts reserve to finance new capital expenditure | 0 | 0 | (2,051) | 0 | 0 | 2,051 |
| Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool | 571 | 0 | (571) | 0 | 0 | 0 |
| Adjustments primarily involving the Pensions Reserve | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see note 36) | 23,328 | 0 | 0 | 0 | 0 | (23,328) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (8,652) | 0 | 0 | 0 | 0 | 8,652 |
| Adjustments primarily involving the Collection Fund Adjustment Account | | | | | | |
| 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 | (858) | 0 | 0 | 0 | 0 | 858 |
| Adjustments primarily involving the Accumulated Absences Account | | | | | | |
| 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 | (405) | 0 | 0 | 0 | 0 | 405 |
| Total Adjustments | 62,728 | (2,813) | 364 | 373 | 636 | (61,288) |

| 2017/18 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 |
| Adjustments primarily involving the Capital Adjustment Account | | | | | | |
| Reversal of items debited or credited to the comprehensive income and expenditure statement: | | | | | | |
| Charges for depreciation of non-current assets | 13,312 | 6,036 | 0 | 0 | 0 | (19,348) |
| Revaluation and impairment losses on property, plant and equipment and intangible assets | (4,222) | (850) | 0 | 0 | 0 | 5,072 |
| Movements in the market value of investment properties | (3,212) | 0 | 0 | 0 | 0 | 3,212 |
| Amortisation of intangible assets | 1,367 | 0 | 0 | 0 | 0 | (1,367) |
| Capital grants and contributions applied | (3,906) | 1,043 | 0 | 0 | (1,338) | 4,201 |
| Revenue expenditure funded from capital under statute | 12,276 | 439 | 0 | 0 | 0 | (12,715) |
| 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 | 27,616 | 1,591 | 0 | 0 | 0 | (29,207) |
| Insertion of items not debited or credited to the comprehensive income and expenditure statement: | | | | | | |
| Statutory provision for the financing of capital investment | (1,197) | 0 | 0 | 0 | 0 | 1,197 |
| Capital expenditure charged against the General Fund and HRA Balances | (5,239) | (632) | 0 | 0 | 0 | 5,871 |
| Adjustments primarily involving the Capital Grants Unapplied Account | | | | | | |
| Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement | (10,328) | (1,658) | 0 | 0 | 11,986 | 0 |
| Application of grants to capital financing transferred to the capital adjustment account | 0 | 0 | 0 | 0 | (10,462) | 10,462 |
| Adjustments primarily involving the Major Repairs Reserve | | | | | | |
| Reverse MRA credited to HRA | 0 | (6,036) | 0 | 0 | 0 | 6,036 |
| Reversal of HRA Depreciation credited to the Major Repairs Reserve | 0 | 0 | 0 | 6,036 | 0 | (6,036) |
| Use of the major repairs reserve to finance new capital expenditure | 0 | 0 | 0 | (4,540) | 0 | 4,540 |
| Adjustments primarily involving the Deferred Capital Receipts Account | | | | | | |
| Transfer of deferred capital receipt recognised as income in the Comprehensive Income and Expenditure Account | (3,500) | 0 | 0 | 0 | 0 | 3,500 |

| 2017/18 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 |
| Adjustments primarily involving the Capital Receipts Reserve | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the comprehensive income and expenditure statement | (808) | (2,807) | 3,615 | 0 | 0 | 0 |
| Use of the capital receipts reserve towards administrative costs of non-current asset disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| Use of the capital receipts reserve to repay borrowing | 0 | 0 | 0 | 0 | 0 | 0 |
| Use of the capital receipts reserve to finance new capital expenditure | 0 | 0 | (737) | 0 | 0 | 737 |
| Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool | 532 | 0 | (532) | 0 | 0 | 0 |
| Adjustments primarily involving the Pensions Reserve | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see note 36) | 14,013 | 0 | 0 | 0 | 0 | (14,013) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (19,606) | 0 | 0 | 0 | 0 | 19,606 |
| Adjustments primarily involving the Collection Fund Adjustment Account | | | | | | |
| 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 | (3,765) | 0 | 0 | 0 | 0 | 3,765 |
| Adjustments primarily involving the Accumulated Absences Account | | | | | | |
| 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 | (105) | 0 | 0 | 0 | 0 | 105 |
| Total Adjustments | 13,228 | (2,874) | 2,346 | 1,496 | 186 | (14,382) |

Note 20. 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 2018/19.

| Earmarked Reserves | Balance at 31 March 2017 £000 | Transfers | | Balance at 31 March 2018 £000 | Transfers | | Balance at 31 March 2019 £000 |
|---------------------------------|--|---------------|-----------------|--|---------------|-----------------|--|
| | | To £000 | From £000 | | To £000 | From £000 | |
| Schools Balances | 6,157 | 0 | (2,079) | 4,078 | 0 | (451) | 3,627 |
| General Fund Reserves | | | | | | | |
| Capital Investment Reserves | 11,836 | 5,598 | (4,520) | 12,914 | 1,445 | (1,721) | 12,638 |
| Insurance Reserves | 6,233 | 567 | 0 | 6,800 | 0 | 0 | 6,800 |
| Corporate Reserves | 26,499 | 12,591 | (15,409) | 23,681 | 10,874 | (1,648) | 32,907 |
| Service Reserves | 15,036 | 2,794 | (3,370) | 14,460 | 3,654 | (4,096) | 14,018 |
| Grants Reserves | 4,357 | 1,085 | (1,772) | 3,670 | 2,612 | (2,032) | 4,250 |
| Monies held in Trust | 53 | 0 | 0 | 53 | 0 | 0 | 53 |
| Total GF Reserves | 64,014 | 22,635 | (25,071) | 61,578 | 18,585 | (9,497) | 70,666 |
| HRA Service Reserves | 22,830 | 6,061 | (633) | 28,258 | 5,522 | (1,390) | 32,390 |
| Total Earmarked Reserves | 93,001 | 28,696 | (27,783) | 93,914 | 24,107 | (11,338) | 106,683 |

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 insurable risks retained by the Council.

Corporate Reserves

Amounts set aside to fund the costs of corporate, non-service specific activities, such as business transformation, interest equalisation 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 and on behalf of a number of children pending them reaching the age of 18.

NOTES SUPPORTING THE BALANCE SHEET

Note 21. Property, Plant and Equipment

| Movements in 2018/19 | 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 |
|---|---------------------------|--------------------------------|---|-------------------------------|--------------------------|------------------------|-----------------------------------|--|
| Cost or Valuation as at 1 April 2018 | 374,630 | 315,114 | 13,914 | 145,834 | 1,076 | 1,085 | 8,618 | 860,271 |
| Additions | 6,345 | 3,446 | 1,251 | 9,158 | 8 | 0 | 7,117 | 27,325 |
| Revaluations via Revaluation Reserve | 6,858 | 14,132 | 0 | 0 | 0 | 3,180 | 0 | 24,170 |
| Revaluations recognised in the CIES | 50 | (5,808) | (9) | (120) | 0 | (93) | (357) | (6,337) |
| Disposals | (1,440) | (34,089) | (157) | 0 | 0 | 0 | 0 | (35,686) |
| Transfers | 342 | (5,358) | 58 | 3,216 | 2,293 | (77) | (751) | (277) |
| Gross Book Value as at 31 March 2019 | 386,785 | 287,437 | 15,057 | 158,088 | 3,377 | 4,095 | 14,627 | 869,466 |
| Accumulated Depreciation as at 1 April 2018 | (15,910) | (9,936) | (5,127) | (50,748) | 0 | (14) | 0 | (81,735) |
| Depreciation | (6,243) | (5,270) | (1,234) | (6,704) | 0 | (6) | 0 | (19,457) |
| Written out to Revaluation Reserve | 0 | 1,897 | 0 | 0 | 0 | 1 | 0 | 1,898 |
| Written out to the CIES | 0 | 648 | 0 | 0 | 0 | 6 | 0 | 654 |
| On Disposals | 81 | 1,385 | 57 | 0 | 0 | 0 | 0 | 1,523 |
| On Transfers | 0 | 20 | (7) | 0 | 0 | 0 | 0 | 13 |
| Accumulated Depreciation as at 31 March 2019 | (22,072) | (11,256) | (6,311) | (57,452) | 0 | (13) | 0 | (97,104) |
| Net Book Value as at 31 March 2018 | 358,720 | 305,178 | 8,787 | 95,086 | 1,076 | 1,071 | 8,618 | 778,536 |
| Net Book Value as at 31 March 2019 | 364,713 | 276,181 | 8,746 | 100,636 | 3,377 | 4,082 | 14,627 | 772,362 |

| Movements in 2017/18 | 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 |
|---|-----------------------------------|--|--|---------------------------------------|----------------------------------|--------------------------------|---|---|
| Cost or Valuation as at 1 April 2017 | 353,728 | 287,821 | 15,877 | 135,843 | 738 | 1,078 | 4,728 | 799,813 |
| Additions | 5,356 | 14,873 | 1,335 | 10,316 | 283 | 0 | 3,890 | 36,053 |
| Revaluations via Revaluation Reserve | 16,083 | 35,362 | 0 | 0 | 55 | 0 | 0 | 51,500 |
| Revaluations recognised in the CIES | 1,051 | 4,963 | (84) | (325) | 0 | 7 | 0 | 5,612 |
| Disposals | (1,588) | (27,905) | (3,214) | 0 | 0 | 0 | 0 | (32,707) |
| Transfers | | | | | | | | 0 |
| Gross Book Value as at 31 March 2018 | 374,630 | 315,114 | 13,914 | 145,834 | 1,076 | 1,085 | 8,618 | 860,271 |
| Accumulated Depreciation as at 1 April 2017 | (10,187) | (11,964) | (6,772) | (44,555) | 0 | (7) | 0 | (73,485) |
| Depreciation | (5,823) | (5,305) | (1,341) | (6,232) | 0 | (7) | 0 | (18,708) |
| Written out to Revaluation Reserve | 32 | 6,426 | 0 | 0 | 0 | 0 | 0 | 6,458 |
| Written out to the CIES | 2 | 284 | 21 | 39 | 0 | 0 | 0 | 346 |
| On Disposals | 66 | 623 | 2,965 | 0 | 0 | 0 | 0 | 3,654 |
| On Transfers | | | | | | | | 0 |
| Accumulated Depreciation as at 31 March 2018 | (15,910) | (9,936) | (5,127) | (50,748) | 0 | (14) | 0 | (81,735) |
| Net Book Value as at 31 March 2017 | 343,541 | 275,857 | 9,105 | 91,288 | 738 | 1,071 | 4,728 | 726,328 |
| Net Book Value as at 31 March 2018 | 358,720 | 305,178 | 8,787 | 95,086 | 1,076 | 1,071 | 8,618 | 778,536 |

Depreciation

The useful lives disclosed below are the number of years remaining, over which the asset is depreciated (where applicable):

| 2017/18 Useful Economic Life Years | Fixed Asset Category | 2018/19 Useful Economic Life Years |
|---|--|---|
| Between 18 and 60 | Council Dwellings | Between 1 and 60 |
| Between 1 and 60 | Other Land & Buildings | Between 1 and 60 |
| Between 1 and 34 | Vehicles, Plant, Furniture and Equipment | Between 1 and 51 |
| Between 1 and 44 | Infrastructure Assets | Between 1 and 43 |
| Nil | Community Assets | Nil |
| Between 34 and 59 | Surplus Assets | Between 33 and 58 |
| 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 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 theatres, parks, pier assets (excluding the structure), Southend Adult Community College, investment properties and General Fund council dwellings. The significant assumptions applied in estimating their current values were:

- The data provided by the Council was accurate at 1 April 2018;
- 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 deleterious or hazardous material has been used in the construction of the properties or has since been incorporated;
- No contaminative or potentially contaminative uses have ever been carried out on the property;
- The use of relevant data from the Building Cost Information Service of RICS (BCIS).

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

Indexation

A market review is undertaken by the external valuers at each year-end and indexation adjustments are applied as appropriate to ensure that the carrying amount of relevant assets is not materially different from their current value at the year-end.

| Year of Rolling Programme | Internal/ External Valuation | Valuer | Assets Revalued |
|---------------------------|------------------------------|-------------------|---|
| 2014/15 | External | Wilks Head & Eve | Investment properties, foundation schools, pier structure and the Forum |
| 2015/16 | External | Wilks Head & Eve | Housing Revenue Account council dwellings, investment properties, garages and hostels |
| 2016/17 | External | Whybrow and Dodds | Car parks, clubs, bus station, community centres, depots, libraries, museum, shelters, leisure centres, theatres, public conveniences, investment properties, care homes, cemetery offices, crematorium, Porters, Southchurch Hall, the Cliff Lift and council administrative buildings |
| 2017/18 | External | Whybrow and Dodds | Schools, Sports Pavilions, Park WCs, Park Messrooms, Day Centres, The Beach Club and Lagoon WCs |
| 2018/19 | External | Whybrow and Dodds | Theatres, parks, pier assets (excluding structure), Southend Adult Community College, investment properties and General Fund council dwellings |

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

Note 22. Intangible Assets

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

| Purchased Software Licences | 2018/19 £000 | 2017/18 £000 |
|---|-----------------|-----------------|
| Gross carrying amount at start of year | 12,170 | 9,301 |
| Accumulated amortisation | (5,731) | (4,364) |
| Net carrying amount at start of year | 6,439 | 4,937 |
| Additions | 2,626 | 2,904 |
| Impairment | (32) | (35) |
| Transfers | | |
| <u>Amortisation</u> | | |
| Written out to CIES | | |
| For Current Year | (828) | (1,367) |
| Gross carrying amount at end of year | 14,764 | 12,170 |
| Accumulated amortisation | (6,559) | (5,731) |
| Net carrying amount at end of year | 8,205 | 6,439 |

The useful lives for these assets (the number of years remaining over which they are depreciated) are between 1 and 15 years.

This disclosure note was not included in the 2017/18 Statement of Accounts as the balance was not material.

Note 23. 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 16th Century and the 20th 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 exception is the Saxon King artefacts which 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.

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.

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 |
|---|---------------------------------|-----------------------------------|-----------------------------------|----------------------------|-------------------------------|
| Movements in 2018/19 | | | | | |
| Cost or Valuation as at 1 April 2018 | 35,730 | 1,964 | 896 | 1,557 | 40,147 |
| Additions | 1,393 | 0 | 0 | 0 | 1,393 |
| Revaluations via Revaluation Reserve | | | | | 0 |
| Revaluations recognised in the CIES | (709) | 0 | 0 | 0 | (709) |
| Gross Book Value as at 31 March 2019 | 36,414 | 1,964 | 896 | 1,557 | 40,831 |
| Accumulated Depreciation as at 1 April 2018 | (2,361) | (86) | 0 | 0 | (2,447) |
| Depreciation | (599) | (42) | 0 | 0 | (641) |
| Written out to Revaluation Reserve | 0 | 0 | 0 | 0 | 0 |
| Written out to the CIES | 0 | 0 | 0 | 0 | 0 |
| Accumulated Depreciation as at 31 March 2019 | (2,960) | (128) | 0 | 0 | (3,088) |
| Net Book Value as at 31 March 2018 | 33,369 | 1,878 | 896 | 1,557 | 37,700 |
| Net Book Value as at 31 March 2019 | 33,454 | 1,836 | 896 | 1,557 | 37,743 |

| | Historic Seaside Assets £000 | Heritage Land & Buildings £000 | Antiques and Collectables £000 | Museum Collections £000 | Total Heritage Assets £000 |
|---|---------------------------------|-----------------------------------|-----------------------------------|----------------------------|-------------------------------|
| Movements in 2017/18 | | | | | |
| Cost or Valuation as at 1 April 2017 | 35,727 | 1,964 | 665 | 1,557 | 39,913 |
| Additions | 855 | 4 | 0 | 0 | 859 |
| Revaluations via Revaluation Reserve | (6) | | 231 | 0 | 225 |
| Revaluations recognised in the CIES | (846) | (4) | 0 | 0 | (850) |
| Gross Book Value as at 31 March 2018 | 35,730 | 1,964 | 896 | 1,557 | 40,147 |
| Accumulated Depreciation as at 1 April 2017 | (1,779) | (44) | 0 | 0 | (1,823) |
| Depreciation | (599) | (42) | 0 | 0 | (641) |
| Written out to Revaluation Reserve | 17 | 0 | 0 | 0 | 17 |
| Written out to the CIES | 0 | 0 | 0 | 0 | 0 |
| Accumulated Depreciation as at 31 March 2018 | (2,361) | (86) | 0 | 0 | (2,447) |
| Net Book Value as at 31 March 2017 | 33,948 | 1,920 | 665 | 1,557 | 38,090 |
| Net Book Value as at 31 March 2018 | 33,369 | 1,878 | 896 | 1,557 | 37,700 |

Basis of valuation

| Asset | Date of last valuation | Valuer | Qualification | Method of valuation |
|----------------------|-------------------------------|---|----------------------|------------------------------|
| Cliff Lift | 01/04/2016 | Whybrow and Dodds | MRICS | Existing use value |
| Porters | 01/04/2016 | Whybrow and Dodds | MRICS | Depreciated replacement cost |
| Porters contents | 16/08/2013 | Webb Valuations Fine Art Ltd | FRICS | Current replacement cost |
| Southchurch Hall | 01/04/2016 | Whybrow and Dodds | MRICS | Depreciated replacement cost |
| Pier | 01/04/2014 | Wilks Head and Eve | MRICS | Depreciated replacement cost |
| Bandstand | 01/04/2017 | Whybrow and Dodds | MRICS | Existing use value |
| Saxon King artefacts | 01/10/2009 | Lesley Webster FSA - Society for Medieval Archaeology | FSA | Current replacement cost |

Note 24. Investment Properties

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. The following table summarises the movement in the fair value of investment properties over the year:

| | 2018/19 £000 | 2017/18 £000 |
|--|-------------------------|-------------------------|
| Balance at start of the year | 41,044 | 25,344 |
| Additions: | | |
| Subsequent Expenditure | 333 | 12,488 |
| Disposals | (25) | 0 |
| Net Gains / (Losses) from fair value adjustments | | |
| Transfers: | | |
| (to) / from Property, Plant and Equipment | 264 | 0 |
| Revaluations and impairments | (290) | 3,212 |
| Balance at end of the year | 41,326 | 41,044 |

All the Council's investment properties are categorised as commercial.

The fair value of these assets has been measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream.

Third party resources have been used to value these assets. Typical valuation inputs which have been analysed in arriving at the fair valuations include:

- rental incomes;
- CBRE UK Property Investment Yields;
- external valuers' professional judgement on yields.

The Council's investment properties are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (see the accounting policy for Fair Value Measurement in note 1). There is no

reasonably available information that indicates that market participants would use different assumptions.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

Note 25. Financial Instruments

Transition – implementation of IFRS9 Financial Instruments

Loans and receivables to amortised cost

The Council holds various term deposits and instant access accounts with banks and other financial institutions and has made loans to its subsidiaries or institutions that it considers to be an important partner in delivering services. These are held at amortised cost and the Council considers these a normal part its operations and cash flow and holds the instruments to collect contractual cash flows. The Council concludes that these financial instruments should be reclassified as amortised cost at 1 April 2018 with no change in carrying value.

Available for sale to fair value through profit or loss

The Council holds units in money market funds, an enhanced cash fund, short dated bond funds and property funds at fair value. The Council concludes that the income is not solely from principal and interest and the units should be reclassified as fair value through profit or loss at 1 April 2018 with no change in carrying value. The accumulated balance on the Available for Sale Reserve of £8,000 has been released to the General Fund Balance.

Categories of Financial Instruments

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

| | Non-Current | | Current | |
|---|--------------------------|--------------------------------------|--------------------------|--------------------------|
| | 31 March 2019 £000 | 31 March 2018 £000 Restated | 31 March 2019 £000 | 31 March 2018 £000 |
| Investments, Cash and Cash Equivalents | | | | |
| Financial Assets at Amortised Cost | 44 | 0 | 13,643 | 0 |
| Loans and Receivables | 0 | 53 | 0 | 13,510 |
| Financial Assets at Fair Value Through Profit or Loss | 28,384 | 0 | 53,475 | 0 |
| Available for sale Financial Assets | 0 | 22,625 | 0 | 33,239 |
| Total Investments | 28,428 | 22,678 | 67,118 | 46,749 |
| Debtors | | | | |
| Financial Assets at Amortised Cost | 2,538 | 0 | 35,311 | 0 |
| Loans and Receivables | 0 | 5,206 | 0 | 26,757 |
| Total Debtors | 2,538 | 5,206 | 35,311 | 26,757 |
| Borrowings | | | | |
| Financial Liabilities at Amortised Cost | 280,244 | 248,359 | 8,856 | 11,830 |
| Total Borrowings | 280,244 | 248,359 | 8,856 | 11,830 |
| Creditors | | | | |
| Financial Liabilities at Amortised Cost | 14 | 2 | 24,874 | 24,427 |
| Total Creditors | 14 | 2 | 24,874 | 24,427 |

Reclassifications

There were no reclassifications of financial instruments during 2018/19.

Income, Expense, Gains and Losses

| 2018/19 | Financial Liabilities measured at: | Financial Assets measured at: | | Total £000 |
|---|--|----------------------------------|--|----------------|
| | Amortised Cost £000 | Amortised Cost £000 | Fair Value Through Profit or Loss £000 | |
| Interest Expense | 11,223 | 0 | 0 | 11,223 |
| Fee Expense | 20 | 0 | 94 | 114 |
| Total Expense in Surplus or Deficit on the Provision of Services | 11,243 | 0 | 94 | 11,337 |
| Interest Income | 0 | (55) | (2,007) | (2,062) |
| Total Income in Surplus or Deficit on the Provision of Services | 0 | (55) | (2,007) | (2,062) |
| Net Gain / (Loss) for the year | 11,243 | (55) | (1,913) | 9,275 |

| 2017/18 | Financial Liabilities measured at: | Financial Assets: | | Total £000 |
|---|--|----------------------------------|-------------------------------|----------------|
| | Amortised Cost £000 | Loans and Receivables £000 | Available for Sale £000 | |
| Interest Expense | 10,871 | 0 | 0 | 10,871 |
| Fee Expense | (93) | 0 | 83 | (10) |
| Total Expense in Surplus or Deficit on the Provision of Services | 10,778 | 0 | 83 | 10,861 |
| Interest Income | 0 | (100) | (2,027) | (2,127) |
| Total Income in Surplus or Deficit on the Provision of Services | 0 | (100) | (2,027) | (2,127) |
| Gains on Revaluation | 0 | 0 | 9 | 9 |
| Amounts Recycled to the Surplus or Deficit on the Provision of Services after Impairment | 0 | 0 | (5) | (5) |
| Surplus / Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure | 0 | 0 | 4 | 4 |
| Net Gain / (Loss) for the year | 10,778 | (100) | (1,940) | 8,738 |

Fair Values of Assets and Liabilities

Financial liabilities, financial assets (except for those classified as fair value through profit and loss) 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 2019 of 1.67% to 2.60% 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.

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

The fair values calculated are the same as the carrying amount except where shown below:

The fair value of the financial liabilities are categorised as Level 2 in the fair value hierarchy as the measurement technique uses inputs other than quoted prices included within Level 1 that are observable for the loans.

The financial liabilities where the fair value differs from the carrying value are held with PWLB and market lenders. All of these borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount a financial model valuation has been used. This valuation applies the net present value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. Our accounting policy uses new loan borrowing rates to discount the future cash flows.

| | 31 March 2019 | | 31 March 2018 | |
|-----------------------|-----------------|------------|-----------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | £000 | £000 | £000 | £000 |
| Financial Liabilities | 313,974 | 385,130 | 284,616 | 349,781 |
| Long Term Creditors | 14 | 14 | 2 | 0 |

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 2019) arising from a commitment to pay interest to lenders above current market rates.

| | 31 March 2019 Carrying Amount £000 | 31 March 2018 Carrying Amount £000 |
|-------------------|---|---|
| Financial Assets | 130,857 | 96,184 |
| Long Term Debtors | 2,538 | 5,206 |

Fair Value through Profit and Loss

The fair value of the property funds, the short dated bond funds, the enhanced cash fund and the money market funds have been measured using the quoted price of units. These assets have therefore been categorised as Level 1 in the fair value hierarchy as they have unadjusted quoted prices in active markets for identical assets that the authority can access at the measurement date. The table below sets out the input level in the fair value hierarchy and the valuation techniques for each type of fund.

| Recurring Fair Value Measurements | Input level in Fair Value Hierarchy | Valuation Technique used to Measure Fair Value | Source of Prices or Inputs | 31 March 2019 £000 | 31 March 2018 £000 |
|--|--|---|--|-------------------------------|-------------------------------|
| Fair Value Through Profit or Loss: | | | | | |
| Money Market Funds | Level 1 | Unadjusted quoted prices in active markets for identical assets | Unit price of fund | 33,011 | 13,007 |
| Enhanced Cash Fund | Level 1 | Unadjusted quoted prices in active markets for identical assets | Unit price of fund | 5,066 | 5,039 |
| Short Dated Bond Funds | Level 1 | Unadjusted quoted prices in active markets for identical assets | Unit price of fund | 15,398 | 15,193 |
| Property Funds | Level 1 | Unadjusted quoted prices in active markets for identical assets | Unit price of fund | 28,678 | 0 |
| Property Funds | Level 2 | Inputs other than quoted prices that are observable | Unit price of fund, adjusted for fund manager's estimate of income distribution for quarter four | 0 | 22,625 |
| Total Fair Value Through Profit or Loss | | | | 82,153 | 55,864 |

The input level of the property funds have been reclassified from Level 2 at 31 March 2018 to Level 1 at 31 March 2019. At 31 March 2018 the property funds were measured using the quoted price of units plus the distribution to be reinvested as notified by each fund. These assets were therefore categorised as Level 2 in the fair value hierarchy as they had inputs other than quoted prices that were observable. At 31st March 2019 the income distributions were being paid into the Council's bank account rather than being reinvested. So these assets have been categorised as Level 1 in the fair value hierarchy as they are being measured at the unadjusted quoted prices for identical assets that the authority can access at the measurement date.

Note 26. Debtors

| | 31 March 2019 £000 | 31 March 2018 £000 |
|---------------------------------------|-----------------------|-----------------------|
| Central government bodies | 12,237 | 12,525 |
| Local authorities | 1,954 | 1,595 |
| NHS bodies | 663 | 1,230 |
| Public corporations and trading funds | 0 | 1 |
| Other entities and individuals | 21,889 | 19,322 |
| Total Debtors | 36,743 | 34,673 |
| Value of impairment included above | (10,930) | (11,848) |

Note 27. Cash and Cash Equivalents

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

| | 31 March 2019 £000 | 31 March 2018 £000 |
|---|-----------------------|-----------------------|
| Cash and cash equivalents held by the Council | 41,006 | 19,462 |
| Bank Current Accounts held by schools | 5,355 | 7,055 |
| Total Cash and Cash Equivalents | 46,361 | 26,517 |

Note 28. Creditors

| | 31 March 2019 £000 | 31 March 2018 £000 |
|---------------------------------------|-----------------------|-----------------------|
| Central government bodies | 9,228 | 10,063 |
| Other local authorities | 5,793 | 6,018 |
| NHS bodies | 1,491 | 1,269 |
| Public corporations and trading funds | 0 | 5 |
| Other entities and individuals | 27,568 | 28,230 |
| Total Creditors | 44,080 | 45,585 |

Note 29. Provisions

| | Insurance | Redundancy | Business Rate Appeals | Other Provisions | Total |
|------------------------------------|--------------|------------|-----------------------------|---------------------|--------------|
| | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April 2017 | 2,674 | 1,249 | 2,250 | 588 | 6,761 |
| Additional provisions made in year | 0 | 0 | 1,235 | 169 | 1,404 |
| Amounts used in year | 0 | (291) | (1,978) | 0 | (2,269) |
| Unused amounts reversed in year | (269) | 0 | 0 | (159) | (428) |
| Balance at 1 April 2018 | 2,405 | 958 | 1,507 | 598 | 5,468 |
| Additional provisions made in year | 0 | 214 | 891 | 0 | 1,105 |
| Amounts used in year | 0 | (672) | (314) | 0 | (986) |
| Unused amounts reversed in year | (550) | 0 | 0 | (598) | (1,148) |
| Balance at 31 March 2019 | 1,855 | 500 | 2,084 | 0 | 4,439 |

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 20) to mitigate against the risk of potential claims arising in the future.

Redundancy

Estimated payments to be made in 2019/20 as a result of organisational management decisions taken during 2018/19, relating to redundancy, and therefore properly chargeable to 2018/19.

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 2018/19 and prior years. The overall liability is shared with Central Government and the Essex Fire Service.

Note 30. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 19 and 20.

Note 31. 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.

| | 2018/19 | 2017/18 |
|---|----------------|----------------|
| | £000 | £000 |
| Balance at 1 April | 272,586 | 225,896 |
| Upward revaluation of assets | 30,827 | 60,064 |
| Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the provision of services | (4,759) | (1,864) |
| Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services | 26,068 | 58,200 |
| Difference between fair value and historical cost depreciation | (4,260) | (3,892) |
| Balance attributable to disposal/write offs | (17,302) | (7,618) |
| Amount written off to the capital adjustment account | (21,562) | (11,510) |
| Balance at 31 March | 277,092 | 272,586 |

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

| | 2018/19 | | 2017/18 |
|--|----------|----------------|----------------|
| | £000 | £000 | £000 |
| Balance at 1 April | | 236,147 | 251,982 |
| <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 | (26,522) | | (14,276) |
| Amortisation of intangible assets | (828) | | (1,367) |
| Revenue expenditure funded from capital under statute | (18,302) | | (12,715) |
| 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 | (34,188) | | (29,207) |
| | | (79,840) | (57,565) |
| Adjusting amounts written out of the revaluation reserve | | 21,562 | 11,510 |
| Net written out amount of the cost of non-current assets consumed in the year | | (58,278) | (46,055) |
| <i>Capital financing applied in the year</i> | | | |
| Use of the capital receipts reserve to finance new capital expenditure | 2,051 | | 737 |
| Use of the major repairs reserve to finance new capital expenditure | 6,076 | | 4,540 |
| Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing | 18,923 | | 14,663 |
| Statutory provision for the financing of capital investment charged against the general fund and HRA balances | 1,359 | | 1,197 |
| Use of the capital receipts reserve to repay borrowing | 2,000 | | 0 |
| Capital expenditure charged against the general fund and HRA balances | 3,392 | | 5,871 |
| | | 33,801 | 27,008 |
| Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement | | (290) | 3,212 |
| Balance at 31 March | | 211,380 | 236,147 |

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.

| | 2018/19 £000 | 2017/18 £000 |
|--|------------------|------------------|
| Balance at 1 April | (168,922) | (222,617) |
| Remeasurements of the net defined benefit liability/(asset) | 31,792 | 48,102 |
| 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 | (23,328) | (14,013) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 8,652 | 19,606 |
| Balance at 31 March | (151,806) | (168,922) |

Note 32. 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 2019 £000 | 31 March 2018 £000 |
|---|-----------------------|-----------------------|
| Capital Investment | | |
| Property, Plant and Equipment | 27,325 | 36,053 |
| Investment Assets | 333 | 12,488 |
| Intangible Assets | 2,626 | 2,904 |
| Heritage Assets | 1,393 | 859 |
| Revenue Expenditure Funded from Capital Under Statute | 18,302 | 12,715 |
| Total Capital Investment | 49,979 | 65,019 |
| Sources of Finance | | |
| Usable Capital Receipts | 2,051 | 737 |
| Government Grants and other Contributions | 18,923 | 14,663 |
| Sums set aside from Revenue: | | |
| Direct Revenue Contributions | 3,392 | 5,871 |
| Major Repairs Reserve | 6,076 | 4,540 |
| Total Financing from Internal Resources | 30,442 | 25,811 |
| Credit arrangements | 167 | 2,937 |
| Un-supported Capital Borrowing | 19,370 | 36,271 |
| Total Financing from Borrowing / Credit Arrangements | 19,537 | 39,208 |
| Total Capital Financing | 49,979 | 65,019 |

| | 31 March 2019 £000 | 31 March 2018 £000 |
|--|-----------------------|-----------------------|
| Opening Capital Financing Requirement | 343,187 | 304,559 |
| Explanation of Movements in Year | | |
| Borrowing (unsupported by Government financial assistance) | 19,370 | 36,271 |
| Assets acquired under Finance Leases | 167 | 2,937 |
| Capital receipts used to repay borrowing | (2,000) | 0 |
| Minimum Revenue Provision | (762) | (580) |
| Closing Capital Financing Requirement | 359,962 | 343,187 |
| of which | | |
| General Fund CFR | 261,222 | 244,447 |
| Housing Revenue Account CFR | 98,740 | 98,740 |
| | 359,962 | 343,187 |

Note 33. Leases

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 2019 £000 | 31 March 2018 £000 |
|---|-----------------------|-----------------------|
| Not later than one year | 2,934 | 2,766 |
| Later than one year and not later than five years | 9,875 | 9,628 |
| Later than five years | 109,965 | 102,362 |
| | 122,774 | 114,756 |

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 2018/19 £25,000 contingent rents were estimated to be receivable by the Council (2017/18 £25,000 estimated).

Note 34. Downward Revaluation and Impairment Losses

Various assets were revalued at 1 April 2018 as part of the rolling revaluation programme which led to a downward valuation or impairment loss of £5.472M in total.

An impairment review was also undertaken of capital additions of which £2.146M was considered not to increase the asset value and therefore was 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 (£3.983M), Surplus Assets (£0.106M) and Assets Under Construction (£0.357M) categories of assets.

Note 35. Termination Benefits

The Council continues to undergo 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 payment obligations that, although not actually paid in 2018/19, can be accommodated with the redundancy provision (see note 29).

Note 36. 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 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 2018/19 the Council paid £1.8M to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2017/18 were £2.7M and 16.48% 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 added years payments of £3,792 awarded in respect of the teachers' pension scheme in 2018/19 (2017/18 £2,608).

It is estimated that the Council will pay £2.0m to the Teachers' Pension Scheme in 2019/20. The payment is increasing due to the increase in the employers' contribution rate from 16.48% to 23.68% from September 2019.

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. There has also been further transfers of NHS staff as Public Health contracted services have been reviewed and the services brought in-house. 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 2018/19, the Council paid £71,000 (2017/18 £81,000) 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 £268,000 to NHS Pensions in 2019/20.

Note 37. 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:

| | 2018/19 £000 | 2017/18 £000 |
|---|-----------------|-----------------|
| Comprehensive Income and Expenditure Statement | | |
| Cost of Services | | |
| Current Service Cost | 17,204 | 18,259 |
| (Gain) / Loss from Settlement | (3,469) | (10,085) |
| Cost of Curtailments | 5,263 | 128 |
| Administration Expense | 183 | 168 |
| Financing and Investment Income and Expenditure | | |
| Net Interest Expense | 4,147 | 5,543 |
| Total post-employment benefit charged to the surplus or deficit on the provision of services | 23,328 | 14,013 |
| Other post-employment benefit charged to the comprehensive income and expenditure statement | | |
| Return on plan assets in excess of interest | (25,142) | (19,123) |
| Other actuarial gains on assets | 0 | 0 |
| Change in financial assumptions | 27,720 | (28,979) |
| Change in demographic assumptions | (34,370) | 0 |
| Experience gain on defined benefit obligation | 0 | 0 |
| Remeasurements and Other Comprehensive Income | (31,792) | (48,102) |
| Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement | (8,464) | (34,089) |
| Movement in Reserves Statement | | |
| Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code | 8,464 | 34,089 |
| Actual amount charged against the General Fund Balance for Pensions in the year | | |
| Employer's contributions payable to scheme | 8,652 | 19,606 |

Pension Assets and Liabilities Recognised in the Balance Sheet

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

| Actuarial Gains/(Losses) | 2018/19 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Present Value of the defined benefit obligation | 624,439 | 616,828 |
| Fair Value of Plan Assets | (472,633) | (447,906) |
| Net Liability arising from defined benefit obligation | 151,806 | 168,922 |

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

| | 2018/19 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Opening Balance at 1 April | 616,828 | 647,083 |
| Current Service Cost | 17,204 | 18,259 |
| Interest Cost | 15,399 | 16,812 |
| Contributions by Scheme Participants | 3,179 | 3,132 |
| Actuarial gains / losses arising from changes in demographic assumptions | (34,370) | 0 |
| Actuarial gains / losses arising from changes in financial assumptions | 27,720 | (28,979) |
| Losses on Curtailments | 5,263 | 128 |
| Benefits Paid | (18,317) | (16,129) |
| Liabilities extinguished on Settlements | (8,467) | (23,478) |
| Closing Balance at 31 March | 624,439 | 616,828 |

Reconciliation of fair value of the scheme assets

| | 2018/19 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Opening Balance at 1 April | 447,906 | 424,466 |
| Interest Income | 11,252 | 11,269 |
| The return on plan assets, excluding the amount included in the net interest expense | 25,142 | 19,123 |
| Employer Contributions | 8,652 | 19,606 |
| Contributions by Scheme Participants | 3,179 | 3,132 |
| Benefits Paid | (18,317) | (16,129) |
| Payment of Bulk Transfer Value | (4,998) | (13,393) |
| Administrative Expense | (183) | (168) |
| Closing Balance at 31 March | 472,633 | 447,906 |

Local Government Pension Scheme assets

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

| | 31 March 2019 £000 | | 31 March 2018 £000 | |
|---------------------|-----------------------|-------------|-----------------------|-------------|
| Equity Investments | 294,256 | 62.3% | 292,329 | 65.3% |
| Government Bonds | 25,085 | 5.3% | 29,797 | 6.7% |
| Other Bonds | 27,623 | 5.8% | 16,639 | 3.7% |
| Property | 42,024 | 8.9% | 42,486 | 9.5% |
| Cash / Liquidity | 12,447 | 2.6% | 15,403 | 3.4% |
| Alternative Assets | 46,083 | 9.8% | 33,085 | 7.4% |
| Other Managed Funds | 25,115 | 5.3% | 18,167 | 4.1% |
| | 472,633 | 100% | 447,906 | 100% |

Of the equities allocation, 8% are UK investments, with 92% being 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, 37% is listed.

The Alternative Assets allocation is made up of 36% in Private Equity, 40% in Infrastructure and 24% 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 2016.

The significant assumptions used by the actuary have been:

| | 2018/19 | 2017/18 |
|---|---------|---------|
| Mortality assumptions: | | |
| Longevity at 65 for Current Pensioners | | |
| Men | 21.3 | 22.2 |
| Women | 23.6 | 24.7 |
| Longevity at 65 for Future Pensioners | | |
| Men | 22.9 | 24.4 |
| Women | 25.4 | 27.0 |
| Rate of Inflation (RPI) | 3.4% | 3.3% |
| Rate of Inflation (CPI) | 2.4% | 2.3% |
| Rate of increases in salaries | 3.9% | 3.8% |
| Rate of increase in pensions | 2.4% | 2.3% |
| Rate for discounting scheme liabilities | 2.40% | 2.55% |

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) | 22,764 | (21,956) |
| Rate of inflation (increase or decrease by 0.1%) | 10,495 | (10,305) |
| Rate of increase in salaries (increase or decrease by 0.1%) | 1,003 | (997) |
| Rate of increase in pensions (increase or decrease by 0.1%) | 10,495 | (10,305) |
| Rate of discounting scheme liabilities (increase or decrease by 0.1%) | (11,292) | 11,510 |

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 8 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019.

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 paying a £7.830M contribution to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 19 years (19 years 2017/18).

Note 38. 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, market prices 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.

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set treasury management indicators to control key financial instruments risks.

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 Treasury Management 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 Treasury Management 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 Treasury Management 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 £14M 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 2019 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 2019 Historical experience adjusted for market conditions % | Estimated maximum exposure to default and uncollectability £000 | 31 March 2018 Estimated maximum exposure to default and uncollectability £000 |
|---|-------------------------|---|---|--|--|
| Deposits With Banks And Other Financial Institutions | 13,687 | 0.00% | 0.00% | 0 | 0 |
| Bonds And Other Securities | 81,859 | 0.00% | 0.00% | 0 | 0 |
| Customers | 36,648 | 0.45% | 0.92% | 230 | 220 |

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 2019 £000 | 31 March 2018 £000 |
|------------------------|-------------------------------|-------------------------------|
| Less Than Three Months | 4,002 | 4,567 |
| Three To Six Months | 848 | 722 |
| Six Months To One Year | 760 | 586 |
| More Than One Year | 2,899 | 2,581 |
| Total | 8,509 | 8,456 |

Expected Credit Losses

Credit risk at the balance sheet date is assessed by using credit ratings where available and applying the weighted default rate to the balance. Where credit ratings are not available the nature of the financial instrument is considered together with the likelihood that the future cash flows will materialise.

Low risk is considered to be where the credit ratings are A3 and above, where the counterparty is an important partner to the Council with access to external funds or is a 100% owned subsidiary where the Council has access to the company cash flow forecasts. Where this is the case the 12 month expected credit loss method will be used. All non-trivial balances were assessed as low risk.

The Council applies the rebuttable presumption that credit risk will have increased significantly since initial recognition when contractual payments are more than 30 days past due.

Where a possible default has been identified, where applicable it has been calculated using the credit ratings agencies weighted corporate default rate and applying this to the balance.

For short and long term trade debtors the credit risk cannot be assessed individually, so these have been grouped and a collective assessment made by means of a provision matrix.

Expected losses are an allowance based on all reasonably possible future events that could result in default, weighted by likelihood of occurrence. They are calculated by comparing the net present value of all

contractual cash flows that are due with the net present value of all cash flows that are expected to be received. There were no non-trivial expected losses identified.

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 2019 £000 | 31 March 2018 £000 |
|--|-----------------------|-----------------------|
| Less than 1 year | 18,957 | 10,929 |
| Between 1 and 2 years | 11,142 | 18,021 |
| Between 2 and 5 years | 35,911 | 33,359 |
| Between 5 and 10 years | 95,089 | 87,357 |
| Between 10 and 15 years | 112,008 | 96,247 |
| Between 15 and 20 years | 70,368 | 83,702 |
| More than 20 years | 147,519 | 90,151 |
| Total Cost of Loans Over Their Life | 490,994 | 419,766 |
| This total consists of: | | |
| Principal Amount of Loans | 276,544 | 236,557 |
| Future Interest Element | 214,450 | 183,209 |
| Total Cost of Loans Over Their Life | 490,994 | 419,766 |

These amounts are higher than those recognised in note 25 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.

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 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | £000 |
|--|--------------|
| Increase in interest payable on variable rate borrowings | 0 |
| Increase in interest receivable on variable rate investments | (696) |
| Increase in government grant receivable for financing costs | 0 |
| Impact on Surplus or Deficit on the Provision of Services | (696) |
| Share of overall impact debited to the HRA | (107) |
| Decrease in fair value of fixed rate investment assets | 0 |
| Impact on Other Comprehensive Income and Expenditure | 0 |
| 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 such shares.

The Council holds investments in property funds, short dated bond funds and an enhanced cash fund and therefore has exposure to losses arising from movements in the price of the units of those funds. However, under statute the Financial Instrument Revaluation Reserve must be used to capture the change in fair value of these funds, therefore not impacting the General Fund Balance.

Foreign Exchange Risk

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

NOTES SUPPORTING THE CASH FLOW STATEMENT

Note 39. 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:

| | 2018/19 £000 | 2017/18 £000 |
|---|-----------------|-----------------|
| Interest paid | 11,209 | 11,108 |
| Interest received | (669) | (202) |
| Net Cash Flows from Interest Paid and Received | 10,540 | 10,906 |

These figures differ from the Interest Payable and Similar Charges and Interest Receivable and Similar Income figures in Note 11, as they do not include accruals and other non-cash items.

Note 40. Cash Flow Statement – Non-Cash Movements

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

| | 2018/19 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Depreciation of Non Current Assets | (20,098) | (19,348) |
| Downward Revaluation and Impairment Losses of Non Current Assets | (6,424) | 5,072 |
| Amortisations | (828) | (1,367) |
| (Increase)/Decrease in impairment for provision for bad debts | 452 | (235) |
| (Increase)/Decrease in Creditors | 15 | (6,527) |
| Increase/(Decrease) in Debtors | (735) | 4,625 |
| Increase/(Decrease) in Inventories | (108) | (49) |
| Net retirement benefits per IAS19 | (14,676) | 5,593 |
| Carrying amount of assets disposed/sold | (34,188) | (29,207) |
| 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 | 1,029 | 1,293 |
| Movements in the value of investment properties | (290) | 3,212 |
| Removal of Council Tax and Business Rates Agency Adjustments from Comprehensive Income and Expenditure Statement | 3,675 | 5,325 |
| Other | (2) | (3) |
| Net Cash Flows from Operating Activities | (72,178) | (31,616) |

Note 41. 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:

| | 2018/19 £000 | 2017/18 £000 |
|--|-------------------------|-------------------------|
| Capital Grants credited to Surplus or deficit on the provision of services | 19,559 | 14,849 |
| REFCUS | (18,302) | (12,715) |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 5,026 | 3,615 |
| Proceeds from short-term and long-term investments | 0 | 0 |
| Net Cash Flow Adjustments | 6,283 | 5,749 |

Note 42. Cash Flow Statement - Investing Activities

| | 2018/19 £000 | 2017/18 £000 |
|--|-------------------------|-------------------------|
| Purchase of property, plant and equipment, investment property and intangible assets | 49,812 | 62,082 |
| Purchase of short-term and long-term investments | 5,971 | 6,879 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (5,026) | (3,615) |
| Proceeds from short-term and long-term investments | (9) | (10,089) |
| Other receipts from investing activities | (19,559) | (14,849) |
| Net Cash Flow from Investing Activities | 31,189 | 40,408 |

Note 43. Cash Flow Statement - Financing Activities

| | 2018/19 £000 | 2017/18 £000 |
|---|-------------------------|-------------------------|
| Cash receipts of short and long-term borrowing | (40,064) | (21,937) |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases | 273 | 418 |
| Repayments of short and long-term borrowing | 10,577 | 15,592 |
| Other payments for financing activities | (3,078) | (4,701) |
| Net Cash Flow from Financing Activities | (32,292) | (10,628) |

OTHER NOTES

Note 44. 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 2018/19 and those received but not yet applied as at 31 March 2019 are set out in Note 18.

In addition the Council works in partnership with NHS 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 2018/19 is shown in Note 14.

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. 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

Six officers acted as Board members to five of the Council's wholly owned subsidiaries – Southend Trading Corporation Limited, Southend Independent Living Limited, Southend Business Services Limited, Southend Care Limited and Southend Housing Limited. Southend Trading Corporation Limited and Southend Independent Living Limited have ceased trading. Southend Business Services Limited and Southend Housing Limited had yet to trade as at the balance sheet date. 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. During the course of the financial year, four Councillors occupied the three reserved positions 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 2019 there was a net deficit of £7.330M (£8.774M at 31 March 2018) in respect of South Essex Homes Limited's pension liabilities. As at 31 March 2019 South Essex Homes Limited also had a retained surplus of £2.282M (£1.859M at 31 March 2018) 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.

Southend-on-Sea Borough Council also has a dominant influence over Southend Care Ltd, which provides adult social care services to the Council. During the course of the financial year no Councillors or Officers

acted as Director on the board of Southend Care Ltd. All material transactions with the company are recorded in the notes to the consolidated group accounts.

Under IAS19 Southend Care Ltd 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 2019 there was a net deficit of £5.513M (*£5.498M as at 31 March 2018*) in respect of Southend Care Limited's pension liabilities. As at 31 March 2019 Southend Care Ltd also had a retained surplus of £0.036M (*£0.284M retained deficit at 31 March 2018*) 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 Southend Care Ltd to be prepared on a going concern basis.

Given the nature of the two companies, and the fact that they substantially only work to provide services to the Council, in the event of failure of a company the Council would need to secure the continuance of service provision through other means. In such an eventuality, it would mean that any pension deficit would simply transfer from group to the single entity at that point.

Note 45. Contingent Liabilities

The Council has no contingent liabilities.

HOUSING REVENUE ACCOUNT

HRA INCOME AND EXPENDITURE STATEMENT

| 2017/18 £000 | | | 2018/19 £000 |
|-----------------|---|--------------|-----------------|
| | Income | | |
| (25,962) | Dwelling Rents (Gross) | | (25,715) |
| (1,419) | Non Dwelling Rents (Gross) | | (1,477) |
| (1,022) | Charges for Services and Facilities | | (1,027) |
| (1,089) | Revaluation Gains (to reverse previous impairment charges) | | (343) |
| (29,492) | Total Income | | (28,562) |
| | Expenditure | | |
| 5,463 | Repairs and Maintenance | | 5,409 |
| 6,651 | Supervision and Management | | 6,379 |
| 766 | Rents, Rates, Taxes and other Charges | | 873 |
| 104 | Provision for Bad and Doubtful Debts | | 75 |
| 5,859 | Depreciation and impairment on Council Dwellings | (HRA Note 3) | 6,535 |
| 415 | Depreciation and impairment on Other Assets | (HRA Note 3) | 209 |
| 35 | Debt Management Expenses | | 26 |
| 19,293 | Total Expenditure | | 19,506 |
| (10,199) | Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Account | | (9,056) |
| 180 | HRA services share of Corporate and Democratic Core | | 191 |
| (10,019) | Net Cost of HRA Services | | (8,865) |
| (1,217) | Loss/(Profit) on Sale of HRA Long Term Assets | | (811) |
| 3,427 | Interest Payable and Similar Charges | | 3,489 |
| (334) | General Grants | | (445) |
| (159) | Interest Receivable | | (313) |
| (8,302) | (Surplus) / Deficit for the year on HRA services | | (6,945) |

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.

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| (8,302) | Surplus for the year on the Housing Revenue Account Income And Expenditure Account | (6,945) |
| 2,874 | Net additional amount required by statute to be credited to the HRA Balance for the year | 2,813 |
| 5,428 | Transfer to Earmarked Reserves | 4,132 |
| 0 | Decrease/(Increase) in the Housing Revenue Account Balance | 0 |
| (3,502) | Housing Revenue Account - Balance Brought Forward | (3,502) |
| (3,502) | Housing Revenue Account - Balance Carried Forward | (3,502) |

CALCULATION OF MOVEMENT ON THE HRA BALANCE

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| | 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 | |
| 1,217 | Profit on Sale of HRA Long Term Assets | 811 |
| 614 | General Grants / Service Grants | 732 |
| | 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 | |
| 850 | Transfer to Capital Adjustment Account - Impairment | 48 |
| (439) | Transfer (from) Capital Adjustment Account - REFCUS | (168) |
| 632 | Revenue Contribution to Capital | 1,390 |
| 5,428 | Transfer to Earmarked Reserves | 4,132 |
| 8,302 | Net Additional Amount required to be credited to the Housing Revenue Account Balance for the year | 6,945 |

NOTES TO THE HRA

HRA Note 1. Analysis of Housing Stock

| | Number of Properties 31 March 2019 | Number of Properties 31 March 2018 |
|---|--|--|
| Houses And Bungalows | 2,082 | 2,089 |
| Flats | 3,804 | 3,816 |
| Total Houses and Flats | 5,886 | 5,905 |
| Homelessness Hostel Bedsits - Room only | 115 | 115 |
| | 6,001 | 6,020 |

HRA Note 2. 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.

| | 2018/19 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Balance at 1 April | 6,989 | 5,493 |
| Transfers In | 6,449 | 6,036 |
| Used To Fund Capital (Council Dwellings) | (6,076) | (4,540) |
| Balance at 31 March | 7,362 | 6,989 |

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 21. The Major Repairs Allowance (MRA) is matched against the cost of depreciation. Land is not depreciated due to having an indefinite life.

| | 2018/19 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Item 8 Debit | | |
| <u>Depreciation</u> | | |
| Council Dwellings | 6,240 | 5,820 |
| Other Assets | 209 | 216 |
| <u>Impairment</u> | | |
| Council Dwellings | 295 | 39 |
| Other Assets | 0 | 199 |
| Total Depreciation and Impairment | 6,744 | 6,274 |
| Debt Management Expenses | 26 | 35 |
| Loan Interest Payable | 3,489 | 3,427 |
| Item 8 Credit | | |
| Interest Receivable | (313) | (159) |
| <u>Revaluation Gains</u> | | |
| Council Dwellings | (343) | (1,089) |
| Other Assets | 0 | 0 |
| Appropriation From Capital Adjustment Account - Impairment | 48 | 850 |
| Appropriation From Capital Adjustment Account - REFCUS | (168) | (439) |
| Net Effect On HRA | 9,483 | 8,899 |

HRA Note 4. Property, Plant and Equipment

The Fixed Assets for the Housing Revenue Account are shown in the table below.

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 2018 amounted to £750.8m. 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.

| | Council Dwellings | Other Land & Buildings | Assets Under Construction | Non- Operational Investment Properties | Total |
|--|----------------------|------------------------------|------------------------------|---|----------------|
| | £000 | £000 | £000 | Restated £000 | £000 |
| Gross Book Value as at 31 March 2018 | 374,412 | 9,840 | 355 | 1,042 | 385,649 |
| Accumulated Depreciation as at 31 March 2017 | (15,902) | (631) | 0 | 0 | (16,533) |
| Net Book Value as at 31 March 2018 | 358,510 | 9,209 | 355 | 1,042 | 369,116 |
| Additions | 6,346 | 139 | 2,180 | 0 | 8,665 |
| Disposals | (1,440) | 0 | 0 | 0 | (1,440) |
| Transfers | 342 | 0 | (342) | 0 | 0 |
| Revaluations via Revaluation Reserve | 6,855 | 0 | 0 | 0 | 6,855 |
| Revaluations recognised in I&E | 48 | 0 | 0 | 0 | 48 |
| <u>Depreciation</u> | | | | | |
| For Current Year | (6,240) | (209) | 0 | 0 | (6,449) |
| On Disposals | 81 | 0 | 0 | 0 | 81 |
| Revaluations | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| Gross Book Value as at 31 March 2019 | 386,563 | 9,979 | 2,193 | 1,042 | 399,777 |
| Accumulated Depreciation as at 31 March 2018 | (22,061) | (840) | 0 | 0 | (22,901) |
| Net Book Value as at 31 March 2019 | 364,502 | 9,139 | 2,193 | 1,042 | 376,876 |

HRA Note 5. Capital Expenditure

| | 31 March 2019 £000 | 31 March 2018 £000 |
|--|-----------------------|-----------------------|
| Purchase or enhancement of Council Dwellings | 8,665 | 5,777 |
| REFCUS | 168 | 439 |
| Total HRA Capital Expenditure | 8,833 | 6,216 |
| <u>Financed by:-</u> | | |
| Usable Capital Receipts | 754 | 271 |
| Total Financed By Capital Receipts | 754 | 271 |
| <u>Revenue contributions:-</u> | | |
| General Reserves | 1,390 | 632 |
| Major Repairs Reserve | 6,076 | 4,540 |
| Third Party | 613 | 773 |
| Capital Grant | 0 | 0 |
| Total Revenue Contributions | 8,079 | 5,945 |
| Total Capital Expenditure | 8,833 | 6,216 |

THE COLLECTION FUND

THE COLLECTION FUND

| 2017/18 £000 Council Tax | 2017/18 £000 NNDR | 2017/18 £000 Total | | 2018/19 £000 Council Tax | 2018/19 £000 NNDR | 2018/19 £000 Total | Collection Fund Note |
|---|-------------------------|--------------------------|--|--------------------------------|-------------------------|--------------------------|----------------------------|
| INCOME | | | | | | | |
| 88,721 | 0 | 88,721 | Income from Council Tax | 94,094 | 0 | 94,094 | 1 |
| 0 | 40,528 | 40,528 | Income Collectable from Business Ratepayers adjusted for Transitional Payment Protection payable | 0 | 44,901 | 44,901 | 2 |
| 88,721 | 40,528 | 129,249 | Total Income | 94,094 | 44,901 | 138,995 | |
| EXPENDITURE | | | | | | | |
| Precepts and Demands | | | | | | | |
| 72,455 | 0 | 72,455 | Southend-on-Sea Borough Council | 76,621 | 0 | 76,621 | |
| 8,939 | 0 | 8,939 | Essex Police Authority | 9,738 | 0 | 9,738 | |
| 3,929 | 0 | 3,929 | Essex Fire Authority | 4,055 | 0 | 4,055 | |
| Business Rates | | | | | | | |
| 0 | 21,108 | 21,108 | Payments to Government | 0 | 21,397 | 21,397 | |
| 0 | 422 | 422 | Payments to Fire Authority | 0 | 428 | 428 | |
| 0 | 20,685 | 20,685 | Payments to Southend-on-Sea Borough Council | 0 | 20,969 | 20,969 | |
| 0 | 234 | 234 | Costs of Collection | 0 | 233 | 233 | |
| Doubtful Debt and Appeals Provisions | | | | | | | |
| 91 | 73 | 164 | Top-up of Doubtful Debt Provision | 339 | (160) | 179 | |
| 240 | 419 | 659 | Write-off of Debt | 267 | 469 | 736 | |
| 0 | 2,520 | 2,520 | NNDR Provision for Appeals | 0 | 1,819 | 1,819 | |
| 0 | (4,037) | (4,037) | NNDR Settlement of Appeals | 0 | (642) | (642) | |
| 85,654 | 41,424 | 127,078 | Total Expenditure | 91,020 | 44,513 | 135,533 | |
| USE OF BALANCES | | | | | | | |
| Council Tax | | | | | | | |
| 500 | 0 | 500 | Southend-on-Sea Borough Council | 2,500 | 0 | 2,500 | |
| 63 | 0 | 63 | Council Tax - Essex Police Authority | 315 | 0 | 315 | |
| 28 | 0 | 28 | Council Tax - Essex Fire Authority | 140 | 0 | 140 | |
| Business Rates | | | | | | | |
| 0 | (2,161) | (2,161) | Government | 0 | (685) | (685) | |
| 0 | (2,117) | (2,117) | Southend-on-Sea Borough Council | 0 | (672) | (672) | |
| 0 | (43) | (43) | Essex Fire Authority | 0 | (13) | (13) | |
| 2,476 | 3,425 | 5,901 | (Deficit) / Surplus for the year | 119 | 1,758 | 1,877 | |
| COLLECTION FUND BALANCE | | | | | | | |
| 7,405 | (5,100) | 2,305 | Balance brought forward at 1 April | 9,881 | (1,675) | 8,206 | |
| 2,476 | 3,425 | 5,901 | (Deficit)/Surplus for the year (as above) | 119 | 1,758 | 1,877 | |
| 9,881 | (1,675) | 8,206 | Balance Carried Forward at 31 March | 10,000 | 83 | 10,083 | |
| ALLOCATED TO: | | | | | | | |
| 0 | (837) | (837) | Government | 0 | 41 | 41 | |
| 1,057 | 0 | 1,057 | Police Authority | 1,192 | 0 | 1,192 | |
| 447 | (16) | 431 | Fire Authority | 435 | 1 | 436 | |
| 8,377 | (822) | 7,555 | Southend-on-Sea Borough Council | 8,373 | 41 | 8,414 | |
| 9,881 | (1,675) | 8,206 | Balance Carried Forward at 31 March | 10,000 | 83 | 10,083 | |

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 (£1,609.11 for the Leigh-on-Sea Town Council area and £1,562.22 for all other parts of the Borough) is multiplied by the proportion specified for the particular band to give an individual amount due.

The amount per band is as follows:

| Valuation Band | Range of Values | Council Tax 2018/19 Leigh-on-Sea Town Council Area | Council Tax 2018/19 All other parts of the Borough | Ratio to Band D |
|---|----------------------------|---|---|-----------------|
| | £ | £ | £ | |
| A | Up to and including 40,000 | 1,072.74 | 1,041.48 | 6/9 |
| B | 40,001 - 52,000 | 1,251.53 | 1,215.06 | 7/9 |
| C | 52,001 - 68,000 | 1,430.32 | 1,388.64 | 8/9 |
| D | 68,001 - 88,000 | 1,609.11 | 1,562.22 | 1 |
| E | 88,001 - 120,000 | 1,966.69 | 1,909.38 | 11/9 |
| F | 120,001 - 160,000 | 2,324.27 | 2,256.54 | 13/9 |
| G | 160,001 - 320,000 | 2,681.85 | 2,603.70 | 15/9 |
| H | More than 320,000 | 3,218.22 | 3,124.44 | 18/9 |
| Band D | | 2017/18 £ | 2018/19 £ | % increase |
| Southend-on-Sea Borough Council | | 1,265.94 | 1,322.82 | 4.49 |
| Essex Police Authority | | 157.05 | 169.02 | 7.62 |
| Essex Fire Authority | | 69.03 | 70.38 | 1.96 |
| Other than Leigh-on-Sea Town Council Area | | 1,492.02 | 1,562.22 | 4.71 |
| Leigh-on-Sea Town Council | | 45.99 | 46.89 | 1.96 |
| Leigh-on-Sea Town Council Area | | 1,538.01 | 1,609.11 | 4.62 |

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* | 8.94 | 5/9 | 4.97 |
| Valuation Band - A | 10,185.88 | 6/9 | 6,790.59 |
| Valuation Band - B | 11,809.45 | 7/9 | 9,185.13 |
| Valuation Band - C | 19,686.92 | 8/9 | 17,499.48 |
| Valuation Band - D | 10,921.12 | 9/9 | 10,921.12 |
| Valuation Band - E | 6,097.37 | 11/9 | 7,452.33 |
| Valuation Band - F | 3,400.79 | 13/9 | 4,912.25 |
| Valuation Band - G | 1,466.89 | 15/9 | 2,444.82 |
| Valuation Band - H | 91.33 | 18/9 | 182.66 |
| | 63,668.69 | | 59,393.35 |
| 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. | | | 1,781.80 |
| * Reductions For Band A Disabled. | | | |
| | Council Tax Base | | 57,611.55 |

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 2018/19 (*47.9p in 2017/18*) with a small business rate of 48.0 in 2018/19 (*46.6p in 2017/18*) and, subject to the effects of transitional arrangements, local businesses pay rates that are calculated by multiplying their rateable value by that amount. There was a national revaluation of business rateable values, for implementation from 1 April 2017. Nationally the revaluation resulted in a net increase of RV's, although some areas and some business types saw reductions. As the revaluation process was designed to be revenue neutral (apart from an inflationary increase), the rate in the £ was been reduced so as to raise (nationally) the same amount of money from businesses.

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 £43,181,926 for 2018/19 (*£41,317,477 for 2017/18*). The year-end rateable value for the Council's area was £121,874,588 at 31 March 2019 (*£122,286,294 at 31 March 2018*).

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

Within the Collection Fund there are the following provisions;

- A provision of £3,251,000 as at 31 March 2019 for bad and doubtful debts for Council Tax (£2,912,000 as at 31 March 2018)
- A provision of £634,000 as at 31 March 2019 for bad and doubtful debts for NNDR (£794,000 as at 31 March 2018). Under business rate retention arrangements, 49% of this provision is attributable to the Council.
- A provision of £4,253,000 as at 31 March 2019 for the potential impact of successful appeals by businesses against their rateable values (£3,075,000 as at 31 March 2018). Under business rate retention arrangements, 49% of this provision is attributable to the Council.

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 £10.0M 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 surplus balance of £0.0834M 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 2019 £000 | 31 March 2018 £000 |
|---|-----------------------|-----------------------|
| Council Tax - Southend-on-Sea Borough Council | 8,373 | 8,377 |
| Council Tax - Essex Police Authority | 1,192 | 1,057 |
| Council Tax - Essex Fire Authority | 435 | 447 |
| NNDR - Southend-on-Sea Borough Council | 41 | (822) |
| NNDR - Government | 41 | (837) |
| NNDR - Essex Fire Authority | 1 | (16) |
| Total | 10,083 | 8,206 |

| Shown on Balance Sheet as: | 31 March 2019 £000 | 31 March 2018 £000 Restated |
|---------------------------------------|-----------------------|-----------------------------------|
| Collection Fund Adjustment Account | 8,413 | 7,555 |
| Creditors Falling Due Within One Year | 1,670 | 1,505 |
| Debtors | 0 | (854) |
| Total | 10,083 | 8,206 |

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 2019, the Council had six wholly owned companies that it considers to fall within the legal definitions of group accounts. These are:

- South Essex Homes Limited
- Southend Care Ltd
- Southend Trading Corporation Limited
- Southend Independent Living Limited
- Southend Housing 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 Care Ltd is a company that has been established to deliver a range of adult social care services previously provided by the Council directly. The Council transferred a number of its provider services to the company as at 1 April 2017.

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 was primarily an internet trading company providing innovative and useful items that can assist in everyday life. It has ceased trading as at 31 March 2018.

Southend Housing Limited and Southend Business Services Limited have yet to trade.

Of the six companies, only South Essex Homes Limited and Southend Care Limited traded at a material level during the year, and therefore are the only companies subject to consolidation.

JOINT VENTURES

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

- PSP Asset LLP
- Southend-on-Sea Forum Management Limited
- Airport Business Park Southend Management Ltd
- Sustainable Motion CIC (trading as The Comfy Saddle)

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. Some assets have been formally transferred to the LLP, and it holds options on others.

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 home of the Focal Point Gallery. The Council has equal voting rights as the other two partners.

Airport Business Park Southend Management Ltd has been established as a vehicle through which the Airport Business Park will be managed. The company is a partnership between Southend-on-Sea Borough Council and Henry Boot Limited. The Council has a majority shareholding. The company has yet to trade in a meaningful way.

Sustainable Motion CIC is a not for profit charitable company established to promote sustainable transport options. It has ceased trading as at 31 March 2019.

For all four joint ventures, the Council's proportions of net assets are immaterial to the accounts and therefore have not been consolidated into the group accounts.

Trust Funds

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 2019, 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.

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.

GROUP ACCOUNTING POLICIES

South Essex Homes Limited, Southend Care Limited and the Trust Fund accounting policies are consistent with the Group Accounting policies.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2017/18 | | | 2018/19 | | |
|---------------------------|----------------------|---|---------------------------|----------------------|-------------------------|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 2,577 | (1,367) | 1,210 | 4,775 | (1,573) | 3,202 |
| 8,798 | (4,062) | 4,736 | 13,461 | (7,081) | 6,380 |
| 74,649 | (26,937) | 47,712 | 74,843 | (29,467) | 45,376 |
| 116,651 | (82,074) | 34,577 | 117,939 | (67,308) | 50,631 |
| 113,441 | (101,123) | 12,318 | 106,134 | (84,821) | 21,313 |
| 22,748 | (10,551) | 12,197 | 26,853 | (13,128) | 13,725 |
| 18,329 | (3,654) | 14,675 | 19,486 | (3,730) | 15,756 |
| 357,193 | (229,768) | 127,425 | 363,491 | (207,108) | 156,383 |
| | | | | | |
| 23,010 | (31,855) | (8,845) | 22,085 | (31,421) | (9,336) |
| 23,010 | (31,855) | (8,845) | 22,085 | (31,421) | (9,336) |
| 380,203 | (261,623) | 118,580 | 385,576 | (238,529) | 147,047 |
| | | | | | |
| | | 27,116 | | | 32,747 |
| | | 10,463 | | | 12,391 |
| | | (139,048) | | | (142,007) |
| | | 17,111 | | | 50,178 |
| | | (1) Tax Expenses of Subsidiary | | | (26) |
| | | 17,110 | | | 50,152 |
| | | | | | |
| | | Surplus or Deficit on Revaluation of Property, Plant (58,344) and Equipment Assets | | | (31,955) |
| | | Surplus or Deficit on Revaluation of Available for Sale (4) Financial Assets | | | 0 |
| | | (51,770) Actuarial gains / losses on Pension Assets / Liabilities | | | (34,683) |
| | | (110,118) | | | (66,638) |
| | | (93,008) | | | (16,486) |

GROUP MOVEMENT IN RESERVES

| | Usable Reserves £000 | Unusable Reserves £000 | Total Group Reserves £000 |
|--|-------------------------|---------------------------|------------------------------|
| Balance at 31 March 2017 | 142,129 | 262,122 | 404,251 |
| Movement in Reserves during 2017/18 | | | |
| (Deficit) on the Provision of Services | (17,110) | 0 | (17,110) |
| Other Comprehensive Income and Expenditure | 0 | 110,118 | 110,118 |
| Total Comprehensive Income and Expenditure | (17,110) | 110,118 | 93,008 |
| Adjustments between accounting basis and funding basis under regulations | 21,504 | (21,504) | 0 |
| Net Increase before Transfers to reserves | 4,394 | 88,614 | 93,008 |
| Transfers to / from Earmarked Reserves | 0 | 0 | 0 |
| Increase in 2017/18 | 4,394 | 88,614 | 93,008 |
| Balance at 31 March 2018 | 146,523 | 350,736 | 497,259 |
| Movement in Reserves during 2018/19 | | | |
| Opening Adjustment | 8 | (8) | 0 |
| (Deficit) on the Provision of Services | (50,152) | 0 | (50,152) |
| Other Comprehensive Income and Expenditure | 0 | 66,638 | 66,638 |
| Total Comprehensive Income and Expenditure | (50,144) | 66,630 | 16,486 |
| Adjustments between accounting basis and funding basis under regulations | 65,146 | (65,146) | 0 |
| Net Increase before Transfers to reserves | 15,002 | 1,484 | 16,486 |
| Transfers to / from Earmarked Reserves | 0 | 0 | 0 |
| Increase in 2018/19 | 15,002 | 1,484 | 16,486 |
| Balance at 31 March 2019 | 161,525 | 352,220 | 513,745 |

GROUP BALANCE SHEET

| 31 March 2018 £000 | 31 March 2019 £000 |
|--|-----------------------|
| 789,722 Property, Plant & Equipment | 787,133 |
| 42,085 Heritage Assets | 42,007 |
| 41,611 Investment Property | 41,892 |
| 6,439 Intangible Assets | 8,205 |
| 22,678 Long Term Investments | 28,428 |
| 4,641 Long Term Debtors | 2,173 |
| 907,176 Long Term Assets | 909,838 |
| 22,741 Short term Investments | 22,764 |
| 0 Assets Held for Sale | 0 |
| 117 Inventories | 9 |
| 29,588 Short Term Debtors | 32,182 |
| 32,041 Cash and Cash Equivalents | 51,879 |
| 84,487 Current Assets | 106,834 |
| (11,830) Short Term Borrowings | (8,856) |
| (42,855) Short Term Creditors | (40,678) |
| (5,468) Provisions | (4,439) |
| (60,153) Current Liabilities | (53,973) |
| (2,698) Long Term Creditors | (4,061) |
| (236,480) Long Term Borrowing | (268,962) |
| (183,194) Other Long Term Liabilities - Pensions | (164,649) |
| (11,879) Other Long Term Liabilities - Other | (11,282) |
| (434,251) Long Term Liabilities | (448,954) |
| 497,259 Net Assets | 513,745 |
| 146,523 Usable Reserves | 161,525 |
| 350,736 Unusable Reserves | 352,220 |
| 497,259 Total Reserves | 513,745 |

GROUP CASH FLOW STATEMENT

| 2017/18 £000 Restated | 2018/19 £000 |
|--|-----------------|
| 17,110 Net (Surplus) or Deficit on the Provision of Services | 50,152 |
| Adjustments to Net Surplus or Deficit on the Provision of Services for non- (40,376) cash Movements | (74,684) |
| Adjustments for items included in the Net Surplus or Deficit on the 5,767 Provision of Services that are Investing and Financing Activities | 6,299 |
| (17,499) Net cash flows from Operating Activities | (18,233) |
| 40,911 Investing Activities | 30,687 |
| (10,628) Financing Activities | (32,292) |
| 12,784 Net Increase or Decrease in Cash and Cash Equivalents | (19,838) |
| (44,825) Cash and Cash Equivalents at the beginning of the Reporting Period | (32,041) |
| (32,041) Cash and Cash Equivalents at the end of the Reporting Period | (51,879) |

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, or where it adds significant contextual information.

Group Note 1 Details of Subsidiary Company

South Essex Homes Limited – Company registration number 05453601

Southend Care Limited – Company registration number 10138562

Group Note 2 Financial Performance Subsidiary Companies

| | 2018/19 | | | 2017/18 | | |
|-----------------------|--------------------------|----------------------|-----------------|--------------------------|----------------------|-----------------|
| | South Essex Homes Ltd | Southend Care Ltd | Total | South Essex Homes Ltd | Southend Care Ltd | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Income | (11,330) | (6,580) | (17,910) | (10,456) | (5,736) | (16,192) |
| Expenditure | 11,808 | 6,821 | 18,629 | 11,917 | 11,865 | 23,782 |
| Current Assets | 7,536 | 1,155 | 8,691 | 8,190 | 1,053 | 9,243 |
| Current Liabilities | (5,254) | (754) | (6,008) | (6,331) | (772) | (7,103) |
| Long Term Liabilities | (7,330) | (5,878) | (13,208) | (8,774) | (6,063) | (14,837) |
| Net Assets | (5,048) | (5,477) | (10,525) | (6,915) | (5,782) | (12,697) |
| Usable Reserves | 2,282 | 36 | 2,318 | 1,859 | (284) | 1,575 |
| Unusable Reserves | (7,330) | (5,513) | (12,843) | (8,774) | (5,498) | (14,272) |
| Total Reserves | (5,048) | (5,477) | (10,525) | (6,915) | (5,782) | (12,697) |

The negative unusable reserves of both companies represent the deficits of their pension schemes. The Council provides a guarantee to both companies so that they can continue to be regarded as going concerns.

Trust Funds

| 2018/19 | Beecroft Art Gallery £000 | Jones Memorial Trust £000 | Palace Theatre Charity £000 | Prittlewell Priory Museum Trust £000 | Priory Park Trust £000 | The Shrubbery Trust £000 | Victory Sports Ground Trust £000 | Youth Commemoration Ground Trust £000 | Total Trusts £000 |
|-----------------------------|---------------------------------|---------------------------------|-----------------------------------|--|---------------------------|--------------------------------|--|--|----------------------|
| Income | (173) | (29) | (261) | (157) | (366) | (39) | (28) | (268) | (1,321) |
| Expenditure | 173 | 29 | 2,905 | 306 | 156 | 22 | 28 | (19) | 3,600 |
| Property, Plant & Equipment | 375 | 24 | 1,192 | 627 | 681 | 0 | 10 | 11,862 | 14,771 |
| Heritage Assets | 1,969 | 0 | 0 | 2,295 | 0 | 0 | 0 | 0 | 4,264 |
| Investment Property | 0 | 0 | 0 | 0 | 84 | 482 | 0 | 0 | 566 |
| Other Current Assets | 1 | 129 | 1 | 8 | 1 | 387 | 0 | 3,163 | 3,690 |
| Other Liabilities | (1) | 0 | (1) | (1) | 0 | (1) | 0 | (3) | (7) |
| Net Assets | 2,344 | 153 | 1,192 | 2,929 | 766 | 868 | 10 | 15,022 | 23,284 |
| Usable Reserves | 0 | 129 | 0 | 634 | 0 | 386 | 0 | 3,160 | 4,309 |
| Unusable Reserves | 2,344 | 24 | 1,192 | 2,295 | 766 | 482 | 10 | 11,862 | 18,975 |
| Total Reserves | 2,344 | 153 | 1,192 | 2,929 | 766 | 868 | 10 | 15,022 | 23,284 |

| 2017/18 | Beecroft Art Gallery £000 | Jones Memorial Trust £000 | Palace Theatre Charity £000 | Prittlewell Priory Museum Trust £000 | Priory Park Trust £000 | The Shrubbery Trust £000 | Victory Sports Ground Trust £000 | Youth Commemoration Ground Trust £000 | Total Trusts £000 |
|-----------------------------|---------------------------------|---------------------------------|-----------------------------------|--|---------------------------|--------------------------------|--|--|----------------------|
| Income | (140) | (59) | (272) | (136) | (204) | (38) | (49) | (350) | (1,248) |
| Expenditure | 140 | 59 | 270 | 285 | 218 | 56 | 49 | 250 | 1,327 |
| Property, Plant & Equipment | 375 | 25 | 3,836 | 654 | 471 | 0 | 10 | 5,815 | 11,186 |
| Heritage Assets | 1,969 | 0 | 0 | 2,416 | 0 | 0 | 0 | 0 | 4,385 |
| Investment Property | 0 | 0 | 0 | 0 | 85 | 482 | 0 | 0 | 567 |
| Other Current Assets | 1 | 129 | 1 | 8 | 0 | 370 | 0 | 3,034 | 3,543 |
| Other Liabilities | (1) | (1) | (1) | (1) | 0 | (1) | 0 | 0 | (5) |
| Net Assets | 2,344 | 153 | 3,836 | 3,077 | 556 | 851 | 10 | 8,849 | 19,676 |
| Usable Reserves | 0 | 128 | 0 | 661 | 0 | 369 | 0 | 3,034 | 4,192 |
| Unusable Reserves | 2,344 | 25 | 3,836 | 2,416 | 556 | 482 | 10 | 5,815 | 15,484 |
| Total Reserves | 2,344 | 153 | 3,836 | 3,077 | 556 | 851 | 10 | 8,849 | 19,676 |

Group Note 3 Intercompany transactions

South Essex Homes

The Council paid fees of £5.617M to South Essex Homes Limited for the management of its housing stock, together with £1.670M in respect of other services.

The Council provides several services for its subsidiary for which South Essex Homes Limited paid £1.240M. These transactions have been removed from the Group Comprehensive Income and Expenditure Statement.

Southend Care

The Council paid fees of £6.499M to Southend Care Limited for the provision of adult social care services.

The Council provides several services for its subsidiary for which Southend Care Limited paid £0.088M. 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 addition the Council paid interest on cash balances held. In total the Council supported the operation of the Trusts by £1.136M in 2018/19. 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 38. The categories of asset affected are as follows:

| Movements in 2018/19 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 |
|---|--------------------------------|--|
| Cost or Valuation as at 1 April 2018 | 330,390 | 15,092 |
| Additions | 3,669 | 1,540 |
| Revaluations via Revaluation Reserve | 17,758 | (177) |
| Revaluations recognised in the CIES | (9,882) | (170) |
| Disposals | (34,090) | (157) |
| Transfers | (5,133) | (167) |
| Gross Book Value as at 31 March 2019 | 302,712 | 15,961 |
| Accumulated Depreciation as at 1 April 2018 | (14,912) | (5,419) |
| Depreciation | (5,104) | (1,234) |
| Written out to Revaluation Reserve | 4,158 | 177 |
| Written out to the CIES | 1,903 | 0 |
| On Disposals | 1,385 | 57 |
| On Transfers | (33) | 46 |
| Accumulated Depreciation as at 31 March 2019 | (12,603) | (6,373) |
| Net Book Value as at 31 March 2018 | 315,478 | 9,673 |
| Net Book Value as at 31 March 2019 | 290,109 | 9,588 |

| Movements in 2017/18 | Other Land & Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 |
|---|--------------------------------|--|
| Cost or Valuation as at 1 April 2017 | 303,078 | 16,819 |
| Additions | 14,892 | 1,571 |
| Revaluations via Revaluation Reserve | 35,362 | 0 |
| Revaluations recognised in the CIES | 4,963 | (84) |
| Disposals | (27,905) | (3,214) |
| Transfers | 0 | 0 |
| Gross Book Value as at 31 March 2018 | 330,390 | 15,092 |
| Accumulated Depreciation as at 1 April 2017 | (16,668) | (7,023) |
| Depreciation | (5,577) | (1,382) |
| Written out to Revaluation Reserve | 6,426 | 0 |
| Written out to the CIES | 284 | 21 |
| On Disposals | 623 | 2,965 |
| On Transfers | 0 | 0 |
| Accumulated Depreciation as at 31 March 2018 | (14,912) | (5,419) |
| Net Book Value as at 31 March 2017 | 286,410 | 9,796 |
| Net Book Value as at 31 March 2018 | 315,478 | 9,673 |

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 38. The categories of asset affected are as follows:

| | Historic Seaside Assets £000 | Heritage Land & Buildings £000 | Antiques & Collectables £000 | Museum Collections £000 | Total Heritage Assets £000 |
|---|---------------------------------|-----------------------------------|---------------------------------|----------------------------|-------------------------------|
| Movements in 2018/19 | | | | | |
| Cost or Valuation as at 1 April 2018 | 35,730 | 5,577 | 2,865 | 1,557 | 45,729 |
| Additions | 1,393 | 0 | 0 | 0 | 1,393 |
| Revaluations via Revaluation Reserve | 0 | 0 | 0 | 0 | 0 |
| Revaluations recognised in the CIES | (709) | 0 | 0 | 0 | (709) |
| Gross Book Value as at 31 March 2019 | 36,414 | 5,577 | 2,865 | 1,557 | 46,413 |
| Accumulated Depreciation as at 1 April 2018 | (2,361) | (1,283) | 0 | 0 | (3,644) |
| Depreciation | (599) | (163) | 0 | 0 | (762) |
| Written out to Revaluation Reserve | 0 | 0 | 0 | 0 | 0 |
| Accumulated Depreciation as at 31 March 2019 | (2,960) | (1,446) | 0 | 0 | (4,406) |
| Net Book Value as at 31 March 2018 | 33,369 | 4,294 | 2,865 | 1,557 | 42,085 |
| Net Book Value as at 31 March 2019 | 33,454 | 4,131 | 2,865 | 1,557 | 42,007 |

| | Historic Seaside Assets £000 | Heritage Land & Buildings £000 | Antiques & Collectables £000 | Museum Collections £000 | Total Heritage Assets £000 |
|---|---------------------------------|-----------------------------------|---------------------------------|----------------------------|-------------------------------|
| Movements in 2017/18 | | | | | |
| Cost or Valuation as at 1 April 2017 | 35,727 | 5,577 | 2,634 | 1,557 | 45,495 |
| Additions | 855 | 4 | 0 | 0 | 859 |
| Revaluations via Revaluation Reserve | (6) | 0 | 231 | 0 | 225 |
| Revaluations recognised in the CIES | (846) | (4) | 0 | 0 | (850) |
| Gross Book Value as at 31 March 2018 | 35,730 | 5,577 | 2,865 | 1,557 | 45,729 |
| Accumulated Depreciation as at 1 April 2017 | (1,779) | (1,120) | 0 | 0 | (2,899) |
| Depreciation | (599) | (163) | 0 | 0 | (762) |
| Written out to Revaluation Reserve | 17 | 0 | 0 | 0 | 17 |
| Written out to the CIES | 0 | 0 | 0 | 0 | 0 |
| Accumulated Depreciation as at 31 March 2018 | (2,361) | (1,283) | 0 | 0 | (3,644) |
| Net Book Value as at 31 March 2017 | 33,948 | 4,457 | 2,634 | 1,557 | 42,596 |
| Net Book Value as at 31 March 2018 | 33,369 | 4,294 | 2,865 | 1,557 | 42,085 |

Group Note 6 Defined Benefit Pension Schemes

Alongside the Council, South Essex Homes and Southend Care 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 36 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.

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. The following transactions have been made in the Group Comprehensive Income and Expenditure Statement and the Statement of Funds / General Fund Balance via the Movement in Reserves Statement during the year:

| | 2018/19 £000 | 2017/18 £000 |
|---|-----------------|-----------------|
| Comprehensive Income and Expenditure Statement | | |
| Cost of Services | | |
| Current Service Cost | 19,424 | 20,680 |
| (Gain) / Loss from Settlement | (3,469) | (4,775) |
| Cost of Curtailments | 5,302 | 174 |
| Administration Expense | 200 | 181 |
| Financing and Investment Income and Expenditure | | |
| Net Interest Expense | 4,499 | 5,944 |
| Total post-employment benefit charged to the surplus or deficit on the provision of services | 25,956 | 22,204 |
| Other post-employment benefit charged to the comprehensive income and expenditure statement | | |
| Return on plan assets in excess of interest | (27,615) | (20,874) |
| Other actuarial gains on assets | 0 | 0 |
| Change in financial assumptions | 30,659 | (30,896) |
| Change in demographic assumptions | (37,727) | 0 |
| Experience gain on defined benefit obligation | 0 | 0 |
| Remeasurements and Other Comprehensive Income | (34,683) | (51,770) |
| Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement | (8,727) | (29,566) |
| Movement in Reserves Statement | | |
| Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code | 8,727 | 29,566 |
| Actual amount charged against the General Fund Balance for Pensions in the year | | |
| Employer's contributions payable to scheme | 9,818 | 20,827 |

Pension Assets and Liabilities recognised in the Balance Sheet

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

| Actuarial Gains/(Losses) | 2018/19 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Present Value of the defined benefit obligation | 684,764 | 674,909 |
| Fair Value of Plan Assets | (520,115) | (491,715) |
| Net Liability arising from defined benefit obligation | 164,649 | 183,194 |

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

| | 2018/19 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Opening Balance at 1 April | 674,909 | 688,952 |
| Current Service Cost | 19,424 | 20,680 |
| Interest Cost | 16,875 | 18,270 |
| Contributions by Scheme Participants | 3,575 | 3,546 |
| Remeasurement Gains and Losses | | |
| Actuarial gains / losses arising from changes in demographic assumptions | (37,727) | 0 |
| Actuarial gains / losses arising from changes in financial assumptions | 30,659 | (30,896) |
| Other | 0 | 0 |
| Losses on Curtailments | 5,302 | 174 |
| Benefits Paid | (19,786) | (17,287) |
| Liabilities extinguished on Settlements | (8,467) | (8,530) |
| Closing Balance at 31 March | 684,764 | 674,909 |

Reconciliation of fair value of the scheme assets

Local Government Pension Scheme assets

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

| | 2018/19 £000 | 2017/18 £000 |
|--|-----------------|-----------------|
| Opening Balance at 1 April | 491,715 | 455,365 |
| Interest Income | 12,376 | 12,326 |
| The return on plan assets, excluding the amount included in the net interest expense | 27,615 | 20,874 |
| Other Actuarial Gains | 0 | 0 |
| Employer Contributions | 9,818 | 20,827 |
| Contributions by Scheme Participants | 3,575 | 3,546 |
| Benefits Paid | (19,786) | (17,287) |
| Payment of Bulk Transfer Value | (4,998) | (3,755) |
| Administrative Expense | (200) | (181) |
| Closing Balance at 31 March | 520,115 | 491,715 |

Impact on the Council's Cash Flows

The Group anticipates paying a £8.976M contribution to the scheme in 2019/20.

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 Southend Care Limited can be obtained from the Chair of the Board, Southend Care Limited, Civic Centre, Victoria Avenue, Southend-on-Sea, Essex, SS2 6ER.

The Financial accounts of the Trusts can be obtained from the Strategic Director (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)

| Councillors' Allowances | | Basic Allowances £ | Special Allowances £ | Travel & Subsistence £ | Total £ |
|----------------------------|---|--------------------------|----------------------------|------------------------------|-------------------|
| Elected Councillors | | | | | |
| Arscott | B | 9,024.24 | 1,964.97 | 0.00 | 10,989.21 |
| Aylen | S | 9,024.24 | 0.00 | 0.00 | 9,024.24 |
| Ayling | B | 9,024.24 | 6,768.23 | 0.00 | 15,792.47 |
| Borton | M | 9,024.24 | 1,178.96 | 0.00 | 10,203.20 |
| Boyd | H | 9,024.24 | 9,824.62 | 240.10 | 19,088.96 |
| Bright | A | 9,024.24 | 1,964.97 | 11.90 | 11,001.11 |
| Buck | K | 8,126.67 | 0.00 | 0.00 | 8,126.67 |
| Buckley | S | 9,024.24 | 0.00 | 0.00 | 9,024.24 |
| Burton | L | 8,126.67 | 0.00 | 0.00 | 8,126.67 |
| Burzotta | D | 9,024.24 | 491.22 | 0.00 | 9,515.46 |
| Butler | M | 921.83 | 0.00 | 0.00 | 921.83 |
| Byford | T | 9,024.24 | 9,770.99 | 0.00 | 18,795.23 |
| Callaghan | T | 921.83 | 0.00 | 0.00 | 921.83 |
| Chalk | A | 9,024.24 | 0.00 | 0.00 | 9,024.24 |
| Courtenay | J | 9,024.24 | 15,272.73 | 183.80 | 24,480.77 |
| Cox | T | 9,024.24 | 11,280.11 | 0.00 | 20,304.35 |
| Davidson | M | 9,024.24 | 2,256.11 | 0.00 | 11,280.35 |
| Davies | L | 921.83 | 138.27 | 0.00 | 1,060.10 |
| Dear | A | 8,126.67 | 0.00 | 0.00 | 8,126.67 |
| Dent | M | 8,126.67 | 0.00 | 0.00 | 8,126.67 |
| Endersby | C | 921.83 | 0.00 | 0.00 | 921.83 |
| Evans | M | 9,052.78 | 3,427.64 | 0.00 | 12,480.42 |
| Flewitt | M | 9,024.24 | 11,280.11 | 99.90 | 20,404.25 |
| Folkard | N | 9,024.24 | 72.78 | 0.00 | 9,097.02 |
| Garne | D | 8,126.67 | 0.00 | 0.00 | 8,126.67 |
| Garston | D | 9,024.24 | 8,150.94 | 0.00 | 17,175.18 |
| Garston | J | 9,024.24 | 1,576.82 | 0.00 | 10,601.06 |
| George | S | 0.00 | 0.00 | 0.00 | 0.00 |
| Gilbert | I | 9,024.24 | 8,147.24 | 0.00 | 17,171.48 |
| Habermel | S | 9,024.24 | 564.00 | 0.00 | 9,588.24 |
| Hadley | R | 9,024.24 | 5,414.53 | 0.00 | 14,438.77 |
| Harp | T | 8,126.67 | 0.00 | 0.00 | 8,126.67 |
| Holland | A | 8,676.04 | 5,214.01 | 325.51 | 14,215.56 |
| Jarvis | D | 8,995.68 | 12,448.93 | 0.00 | 21,444.61 |
| Jones | A | 9,024.24 | 0.00 | 0.00 | 9,024.24 |
| Kenyon | D | 921.83 | 138.27 | 0.00 | 1,060.10 |
| Lamb | J | 9,024.24 | 31,583.40 | 734.13 | 41,341.77 |
| McDonald | H | 9,024.24 | 0.00 | 0.00 | 9,024.24 |
| McGlone | D | 9,024.24 | 4,963.31 | 0.00 | 13,987.55 |
| McMahon | J | 9,024.24 | 0.00 | 0.00 | 9,024.24 |
| Moring | A | 9,024.24 | 11,280.11 | 41.15 | 20,345.50 |
| Moyies | J | 921.83 | 0.00 | 0.00 | 921.83 |
| Mulroney | C | 9,024.24 | 1,178.96 | 0.00 | 10,203.20 |
| Nelson | D | 8,126.67 | 0.00 | 0.00 | 8,126.67 |
| Nevin | C | 9,024.24 | 6,768.23 | 0.00 | 15,792.47 |
| Norman MBE | D | 9,024.24 | 0.00 | 0.00 | 9,024.24 |
| Phillips | G | 9,024.24 | 291.12 | 0.00 | 9,315.36 |
| Robinson | K | 9,024.24 | 6,768.23 | 0.00 | 15,792.47 |
| Salter | L | 9,024.24 | 11,280.11 | 0.00 | 20,304.35 |
| Stafford | M | 9,024.24 | 0.00 | 0.00 | 9,024.24 |
| Terry | M | 9,024.24 | 1,178.96 | 0.00 | 10,203.20 |
| Van Looy | P | 9,024.24 | 0.00 | 0.00 | 9,024.24 |
| Walker | C | 9,024.24 | 291.12 | 0.00 | 9,315.36 |
| Ward | N | 9,024.24 | 0.00 | 0.00 | 9,024.24 |
| Ware-Lane | J | 7,520.20 | 0.00 | 0.00 | 7,520.20 |
| Waterworth | F | 921.83 | 921.83 | 0.00 | 1,843.66 |
| Wexham | P | 9,024.24 | 174.66 | 0.00 | 9,198.90 |
| Willis | C | 9,024.24 | 0.00 | 0.00 | 9,024.24 |
| Woodley | R | 9,024.24 | 3,044.23 | 158.64 | 12,227.11 |
| Co-opted Members | | | | | |
| Lusty | E | 0.00 | 135.24 | 0.00 | 135.24 |
| Morgan | J | 0.00 | 1,127.89 | 0.00 | 1,127.89 |
| Pandya | K | 0.00 | 1,127.89 | 0.00 | 1,127.89 |
| Rickett | M | 0.00 | 34.90 | 0.00 | 34.90 |
| Semmance | A | 0.00 | 123.61 | 0.00 | 123.61 |
| Tetley | J | 0.00 | 1,127.89 | 0.00 | 1,127.89 |
| Watts | T | 0.00 | 279.78 | 0.00 | 279.78 |
| Total | | 458,553.80 | 201,027.92 | 1,795.13 | 661,376.85 |

ABBREVIATIONS and GLOSSARY

ABBREVIATIONS

| | |
|--------|---|
| ALMO | Arm's-Length Management Organisation |
| CIPFA | Chartered Institute of Public Finance and Accountancy |
| DfE | Department for Education |
| DSG | Dedicated Schools Grant |
| EIR | Effective Interest Rate |
| HRA | Housing Revenue Account |
| IFRS | International Financial Reporting Standard |
| 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 |
| SOLACE | Society of Local Authority Chief Executives |
| TPA | Teachers' Pension Agency |
| UEL | Useful Economic Life |
| VAT | Value Added Tax |

GLOSSARY

| | |
|--------------------------------------|--|
| Accounting Period | 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. |
| Accounting Statements | The Council's Core Financial Statements, Notes and Supplementary Financial Statements. |
| Accrual | A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received. |
| Accumulating Absences Account | 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. |
| Actuary | A suitably qualified independent consultant employed to advise the Council upon the financial position of the Pension Fund. |
| Amortisation | Amortisation is the writing down of costs to the Comprehensive Income and Expenditure Statement over a number of years. |
| Appropriations | Appropriations are the transfer of resources between, to and from the various reserves. |
| Asset | An item having value measurable in monetary terms. Assets can either be defined as non-current or current. A non-current asset has use and value for more than one year whereas a current asset (e.g. inventory or short-term debtors) can readily be converted into cash. |
| Audit of Accounts | An independent examination of the Council's accounts to ensure that the relevant legal obligations, accounting standards and codes of practice have been followed. |
| Balance Sheet | A financial statement that summarises the Council's assets, liabilities and other balances at the end of the accounting period. |
| Billing Authority | 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). |
| Budget | A budget is a financial statement that expresses a Council's service delivery plans and capital programmes in monetary terms, covering the financial year. |
| Budget Requirement | 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. |
| Capital Charges | A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services, such as depreciation. |

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| Capital Expenditure | (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. |
| Capital Financing | 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. |
| Capital Programme | The capital schemes the Council intends to carry out over a specified time period. |
| Capital Receipt | 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. They cannot be used for revenue purposes without Secretary of State approval. |
| CIPFA | Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance. |
| Collection Fund | 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. |
| Community Assets | 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. |
| Comprehensive Income and Expenditure Statement | An account which summarises resources generated and consumed in the provision of services. |
| Consistency | The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same. |
| Contingent Liability | 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. |
| Council Tax | 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. |
| Council Tax Benefit | 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. |
| Creditor | 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. |
| Debtor | 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. |

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| Depreciation | 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. |
| Dedicated Schools Grant (DSG) | Grant funding system for schools through specific grant. |
| Events after the Balance Sheet Date | 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. |
| Exceptional Items | Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence so that the financial statements give a true and fair view. |
| External Audit | 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. |
| Finance Lease | 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 |
| Financial Instruments | 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. |
| Financial Regulations | 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. |
| General Fund | 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. |
| Gross Expenditure | The total cost of providing the Council's services before taking into account income from government grants and fees and charges for services. |
| Housing Benefits | A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central Government. |
| Housing Revenue Account (HRA) | 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. |
| Infrastructure Assets | Non-current assets belonging to the Council which do not necessarily have a resale value (e.g. highways). |
| Internal Audit | 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. |

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| International Financial Reporting Standard (IFRS) | 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. |
| Inventory | 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. |
| Minimum Revenue Provision (MRP) | 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. |
| National Non-Domestic Rate (NNDR) | 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. |
| Net Expenditure | Gross expenditure less specific service income. |
| Non-Operational Assets | 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. |
| Operating Lease | 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. |
| Operational Assets | 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. |
| Outturn | Actual income and expenditure in a financial year. |
| Pension Fund | 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. |
| Precept | 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. |
| Public Works Loan Board (PWLB) | 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. |
| Provision | 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. |
| Prudential Code | 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. |
| Rateable Value | The annual assumed rental value of a property that is used for business purposes. |

| | |
|---|--|
| Revenue Expenditure Financed from Capital under Statute (REFCUS) | 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. |
| Reserves | 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. |
| Revenue Support Grant | 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. |
| Section 31 Grants | A grant issued by a Minister of State under Section 31 of the Local Government Act 2003. |
| Specific Grants | 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. |
| Subjective Analysis | 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. |
| Supplementary Financial Statements | Additional financial statements comprising the Housing Revenue Account and Collection Fund. Together with the Core Financial Statements comprise the Council's Accounting Statements. |
| Temporary Investment | Money invested for a period of less than one year. |
| Trust Funds | Funds administered by the Council for such purposes as charities and specific projects usually as a result of individual legacies and donations. |
| Value for Money (VFM) | 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 of a Council service, function or activity. |

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