

## Appendix 3

# Statement of Accounts 2019/2020



# **SOUTHEND-ON-SEA BOROUGH COUNCIL**

## **STATEMENT OF ACCOUNTS**

### **2019/20**

**Mayor**

Councillor John Lamb

**Leader of the Council**

Councillor Ian Gilbert

**Chief Executive and Town Clerk**

Alison Griffin

**Executive Director - Finance and Resources**

Joe Chesterton

**Southend-on-Sea Borough Council**  
**Finance and Resources**  
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# **INTRODUCTION TO THE 2019/20 ACCOUNTS**



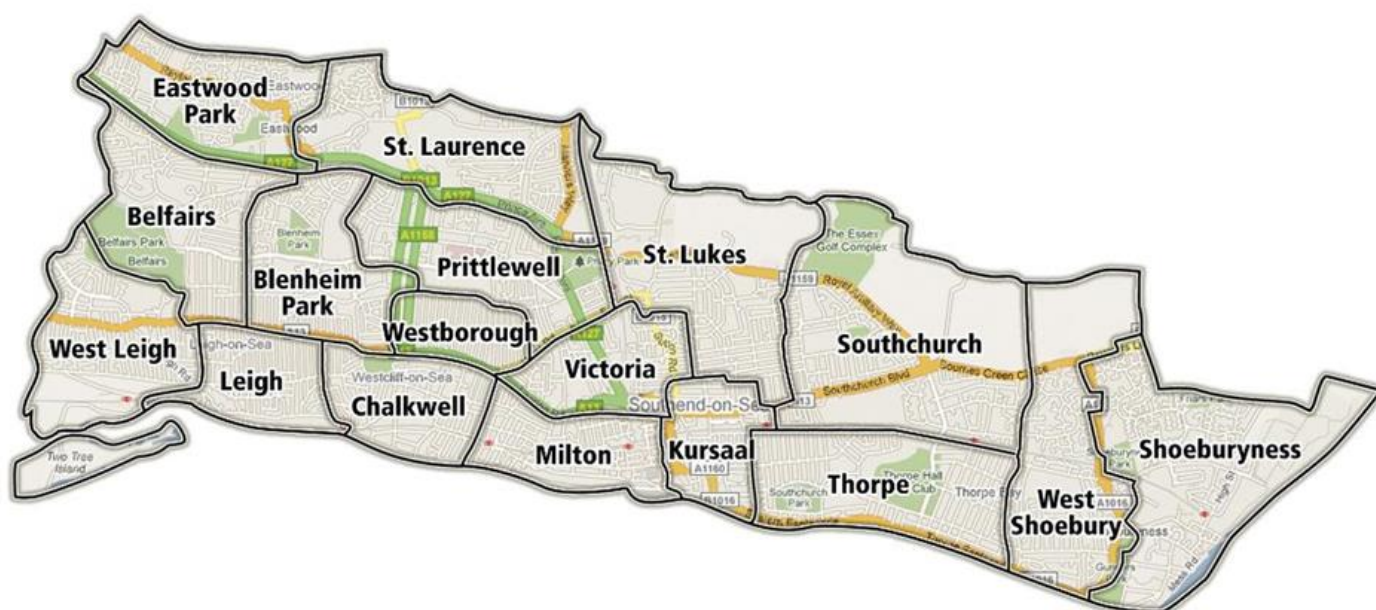
## NARRATIVE STATEMENT

### Welcome to the Statement of Accounts for Southend-on-Sea Borough Council for the financial year 2019/20.

The accounts give a true and fair view of the financial performance of the Council in delivery of services to the residents of Southend-on-Sea. It also summarises the overall financial position of the Council for the year ended 31 March 2020. The accounts and accompanying documents are subject to an external independent audit by Deloitte UK and their opinion forms part of this document.

### BACKGROUND

Southend-on-Sea Borough Council is one of six unitary authorities in the East of England, responsible for the delivery of a range of key public services to a current population of over 182,500 residents in over 80,000 households and geographically covers an area of 16 square miles. The Council's turnover is circa £407m and our resources are well-managed through our budgetary and financial monitoring framework. The following graphic represents the geographical area that is served by Southend-on-Sea Borough Council.



The place is made up of mainly residential areas but also some industrial, commercial, and retail land and property. Over a third (35%) of our residents live in the top 30% most deprived areas in England, and this is particularly high in the East Central Locality, which includes the town centre. This locality covers the wards of St. Luke's, Victoria, Milton and Kursaal. A large proportion of children and working aged residents live in these most deprived areas, particularly compared to our residents who are aged 65 and over.

Southend-on-Sea is located on the Thames Estuary, within close proximity to Central London. It is bordered by Rochford (to the North) and Castlepoint (to the West). We are known as a resort town, and home to the world's longest leisure pier, built in 1830 that stretches for 1.34 miles. This attraction alone received over 330,000 visitors in 2019/20. The town generally welcomes around 7.5 million visitors every year, making Southend a popular seaside destination of choice.

The Council employs circa 1,900 (1,700 FTE) staff (excluding schools), who deliver a diverse range of services for residents, local businesses, and visitors.

Southend-on-Sea Borough Council is a multifunctional and complex organisation, its policies are directed by the Political Leadership and implemented by the officers of the Council.

## POLITICAL STRUCTURE

Southend-on-Sea has 17 wards and the Council consists of 51 elected members. There is one Parish Council within the area, Leigh-on-Sea Town Council whose mission statement is to promote, represent and provide for the community of Leigh-on-Sea. This is governed by 16 elected members across 8 wards.

Southend-on-Sea Borough Council is responsible for the delivery of major borough wide services such as education, social care, waste collection, maintenance of the roads and pavements, looking after the parks, providing street lighting and many other services. Leigh-on-Sea Town Council delivers services to meet additional specific local needs, such as managing the community centre, running a volunteer programme, organising local events, administering local allotment sites and acting as statutory consultee on planning, highways and licensing issues.

The political make-up of Southend-on-Sea Borough Council as at 31 March 2020 is shown in the table below: -

| Political Party  | Number of Councillors |
|------------------|-----------------------|
| Conservative     | 20                    |
| Labour           | 14                    |
| Independent      | 9                     |
| Liberal Democrat | 5                     |
| Non-aligned      | 2                     |
| Vacancy          | 1                     |
| <b>TOTAL</b>     | <b>51</b>             |

The Council has been led by a joint political administration since May 2019. The coalition is made up of Councillors from the following political parties - 14 Labour, 9 Independents, and 5 Liberal Democrats.

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The requirements of the Act are such that the Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions.

The Cabinet is the part of the Council which is responsible for the decisions made within the constitution approved by Full Council. The Cabinet is made up of the Leader, Deputy Leader and 5 other Members.

## MANAGEMENT STRUCTURE

Supporting the work of the elected Members is the Council's most senior level officers. A new professional executive leadership team was assembled in 2019/20 and as at 31 March 2020, this team was as follows: -

| Position   | Name           | Started in 2019/20 |
|--|----------------|--------------------|
| Chief Executive and Town Clerk                                     | Alison Griffin |                    |
| Deputy Chief Executive and Executive Director (Growth and Housing) | Andrew Lewis   |                    |
| Executive Director (Finance and Resources)                         | Joe Chesterton |                    |
| Executive Director (Adults and Communities)                        | Tandra Forster | 7 January 2020     |
| Executive Director (Children and Public Health)                    | Michael Marks  | 9 January 2020     |
| Executive Director (Neighbourhoods and Environment)                | Larissa Reed   | 11 November 2019   |
| Executive Director (Transformation)                                | Joanna Ruffle  |                    |
| Executive Director (Legal and Democratic Services)                 | John Williams  |                    |



## SOUTHEND 2050 AMBITION AND PRIORITIES

Building on the extensive engagement and consultation exercise undertaken with residents and key local stakeholders during 2018, work was undertaken in 2019/20 to begin to align investment against these priorities. The creation of a new long term borough ambition has also resulted in the introduction of a revised approach to the Council's business planning framework which is now clearly driven by 5 Strategic themes, each theme is supported by its own individual plan containing 4-5 focussed outcomes for delivery by 2023 (23 outcomes in total). As part of the Council's organisational learning from Covid-19, each theme and each outcome will be reviewed, and the delivery plans refreshed in 2020/21.

The 5 themes are summarised in the following graphic:



Delivering better outcomes by carefully targeting scarce resources to where it matters most and where it has the biggest positive impact has been a key feature of 2019/20. For more information and insight into the Council's approach and roadmap for delivery see the **Southend 2050**<sup>1</sup> pages on our website.

## STRATEGIC FINANCE DEVELOPMENTS IN 2019/20

Southend-on-Sea Borough Council, along with most Local Authorities across the country, continues to face significant challenges in providing essential services to meet the needs of local residents within the level of resources it has at its disposal. This was taken to whole new level of complexity and challenge towards the end of 2019/20 with the worldwide impact of the Covid-19 pandemic.

The Council's strategic response to this situation (prior to Covid-19) in 2019/20 had been to develop a new high-level **Financial Sustainability Strategy for 2020-2030**<sup>2</sup> and comprehensively update its **Medium Term Financial Strategy for 2020/21-2024/25**<sup>3</sup>, which were both approved by Council as part of setting the 2020/21 budget in February 2020 and are available on our website. These key strategies outline the Council's ambition, approach, desire and commitment to do everything it can to reflect and learn from the past in order to plan more effectively for the future, investing in priorities that make a real positive difference locally. This is predicated on ensuring that the Council remains financially stable and resilient as it moves towards a position of financial self-sustainability.

The Council also began to introduce a new approach to outcomes-based planning and budgeting in 2019/20 which looked at repurposing resources towards agreed priorities and outcomes. This development work was designed to target resources more effectively to achieve better outcomes for local residents, businesses, and visitors. The approach formed a major part of the Council's programme to finance the key priorities that were outlined in the road map to 2023. The ambition for Southend 2050 was developed with local communities for local communities.

<sup>1</sup> <https://www.southend.gov.uk/southend2050>

<sup>2</sup> <https://www.southend.gov.uk/downloads/file/6698/financial-sustainability-strategy-2020-2030>

<sup>3</sup> <https://www.southend.gov.uk/downloads/file/6697/medium-term-financial-strategy-2020-21-to-2024-25>

Other new initiatives introduced in 2019/20 included the development of a fully integrated revenue and capital budget report for the first time and improved arrangements for financial performance reporting. These new combined revenue and capital financial performance reports were presented to Cabinet and Scrutiny Committees and given greater prominence as a separate single item on the agendas. These reports provided more financial insight, highlighted major variations from approved revenue and capital spending plans for the year, facilitated greater understanding of key issues by identifying additional demand pressures and any delivery challenges.

The new improved financial reporting arrangements introduced in 2019/20 highlighted early in the financial year that the revenue financial pressures that were prevalent in 2018/19 were continuing. These were caused primarily by increases in demand for key services in social care and also some delays and challenges in the delivery of individual projects within the capital investment programme.

## **FINANCIAL OVERVIEW 2019/20**

The General Fund Revenue Account for 2019/20 had a net expenditure budget of £122.591M (gross expenditure £328.434M; gross income £205.843M). 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 £81.2m for 2019/20 (£76.6m for 2018/19).

The Resourcing Better Outcomes – Outturn report for 2019/20 was reported to Cabinet on 16 June 2020 and the full report is available [here](#)<sup>1</sup>.

It provides a comprehensive analysis of the financial performance for the General Fund, Housing Revenue Account (HRA) and Capital Investment Programme.

The General Fund Revenue Budget was dominated by major demand pressures and additional costs in Adults and Children's social care services for our most vulnerable residents. This experience has been replicated in a high proportion of other upper tier local authorities right across the country. Despite attempts to minimise the overall financial impact from these pressures in-year, the sheer scale and complexity of demand has resulted in significant additional investment going into the critical service areas of Adults and Children's Social Care. These, together with additional investment in responsive maintenance for our roads and highways network, were the major drivers behind the final General Fund outturn reporting a net overspend of £4.544M. This has been financed by appropriations from earmarked reserves.

An earmarked reserve for Adult Social Care (within Service Reserves) totalling £3.028M was specifically created for the demand risks and associated costs that have materialised in 2019/20. An appropriation of £2.794M was actioned from this reserve in 2019/20. The balance was met by an appropriation of £1.750M from other earmarked reserves (£2.794M + £1.750M = £4.544M). So, there is no change to the General Fund Revenue Balance of the Council.

The Housing Revenue Account (HRA) performed strongly in 2019/20 and reported an in-year surplus of £1.030M (£1.510M for 2018/19), principally generated through additional income. This has been appropriated to the Capital Investment Reserve to enable further investment to be made in the Council's housing stock, creating better conditions and environments for local tenants.

The level of earmarked reserves held by Southend Borough Council (including maintained schools) as at 31 March 2020 is £107.404M (£106.683M at 31 March 2019) (see note 20, page 71). This demonstrates the financial strength and resilience of the Organisation and places it in a robust position to continue to navigate the ongoing challenges of both increases in demand and complexity for critical services in the future.

The following table shows the final outturn position for 2019/20 on a net expenditure basis. The positive variance highlighted for Retained Business Rates represents an increase in the value of business rates in the local area and also includes the benefits of being in the Essex Business Rates pool. Collection rates for Council tax have remained similar to previous years but there was a lower than expected growth in the number of additional domestic dwellings and an increase in the number of eligible discounts granted, particularly for single persons across the Borough. 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.

<sup>1</sup> <https://democracy.southend.gov.uk/documents/s39152/ExD03%20Resourcing%20better%20outcomes%20-%20outturn>

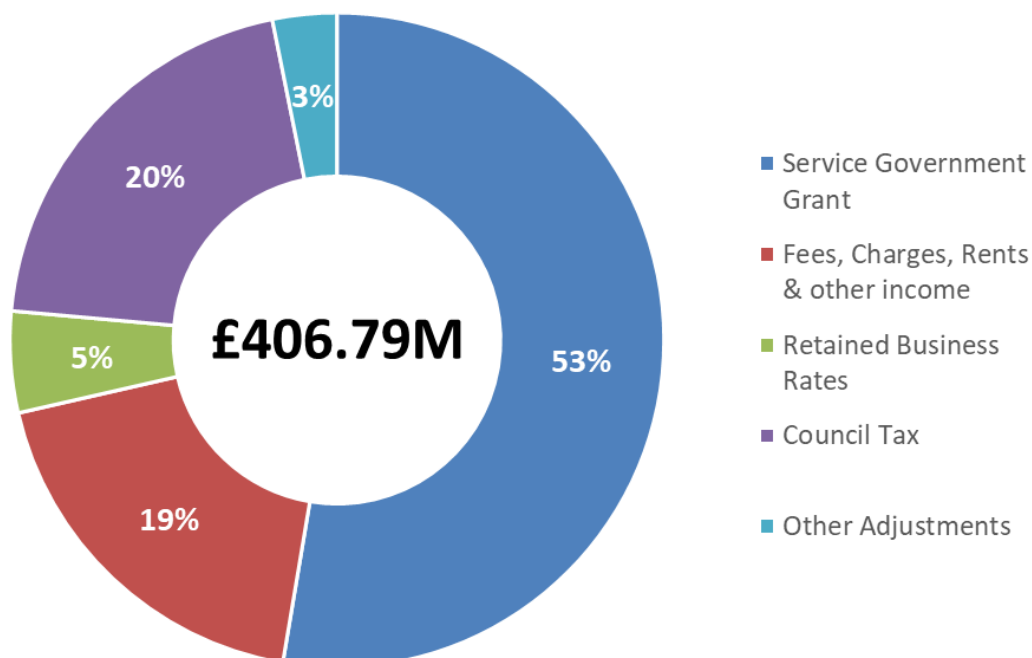
|  |                  | 2019/20          |                |
|--|------------------|------------------|----------------|
|  | Budget           | Actual           | Variance       |
|  | £000             | £000             | £000           |
| <b>Portfolios</b>  |                  |                  |                |
| Leader: Housing, ICT, Revenue & Benefits                             | 18,225           | 18,535           | 310            |
| Deputy Leader: Assets, Highways & Transport                          | 3,199            | 5,853            | 2,654          |
| Business, Culture and Tourism  | 4,888            | 4,955            | 67             |
| Children and Learning  | 29,338           | 34,752           | 5,414          |
| Community Safety and Customer Contact                                | 2,264            | 2,288            | 24             |
| Environment and Planning   | 20,509           | 19,800           | (709)          |
| Health and Adult Social Care   | 39,396           | 39,431           | 35             |
| Housing Revenue Account  | (7,095)          | (7,039)          | 56             |
| Corporate Budgets  | 4,605            | 1,347            | (3,258)        |
| <b>Net Cost Of Services</b>  | <b>115,329</b>   | <b>119,922</b>   | <b>4,593</b>   |
| Statutory Adjustments  | (3,733)          | (4,031)          | (298)          |
| <b>Adjusted Net Cost of Services</b>                                 | <b>111,596</b>   | <b>115,891</b>   | <b>4,295</b>   |
| Levies   | 643              | 576              | (67)           |
| Leigh Town Council Precept   | 422              | 422              | 0              |
| Financing Costs, Interest etc.                                       | 14,579           | 15,887           | 1,308          |
| <b>Net Operating Expenditure</b>                                     | <b>127,240</b>   | <b>132,776</b>   | <b>5,536</b>   |
| Revenue Contribution to Capital                                      | 3,016            | 5,549            | 2,533          |
| Non Service Specific Grants  | (4,040)          | (9,203)          | (5,163)        |
| Contribution to / (from) Earmarked Reserves                          | (147)            | (1,772)          | (1,625)        |
| <b>Total to be Funded from Council Tax and Formula Grant</b>         | <b>126,069</b>   | <b>127,350</b>   | <b>1,281</b>   |
| Funded from  |                  |                  |                |
| Revenue Support Grant  | (5,925)          | (5,925)          | 0              |
| Retained Business Rates  | (36,467)         | (38,447)         | (1,980)        |
| Collection Fund Surplus and Reserves                                 | (2,500)          | (2,500)          | 0              |
| Council Tax (Southend-on-Sea Borough Council and Leigh Town Council) | (81,177)         | (80,478)         | 699            |
| <b>Total Funding</b>   | <b>(126,069)</b> | <b>(127,350)</b> | <b>(1,281)</b> |
| <b>Contribution (to) / from General Reserve</b>                      | <b>0</b>         | <b>0</b>         | <b>0</b>       |

The table below reconciles the analysis of the Comprehensive Income and Expenditure Statement (see page 35) to the outturn summary on the previous page.

| <b>Reconciliation of Gross Expenditure to Transfer to General Fund</b>  | <b>2019/20<br/>£000</b> |
|---|-------------------------|
| Gross Expenditure on Services   | 406,790                 |
| Gross Income on Services  | (401,247)               |
| <b>Net Cost of Services</b>   | <b>5,543</b>            |
| Adjustments between accounting basis and funding basis under regulation | (6,264)                 |
| Transfers from Earmarked Reserves and HRA                               | 721                     |
| <b>Contribution (to) / from General Reserve</b>                         | <b>0</b>                |

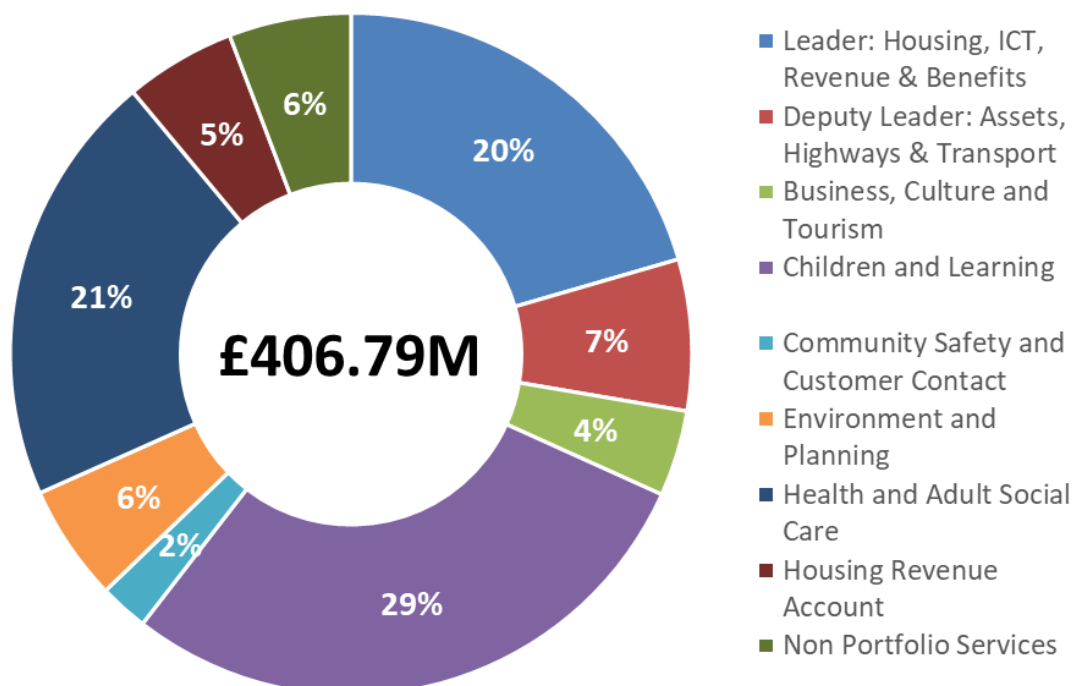
The “Transfer (to) / from the General Reserve” of nil is common throughout, regardless of the format of the information. The Council has spent £406.790M to deliver services funded by £406.790M of income in 2019/20. The following charts show how the money was funded in 2019/20 and how it was spent.

**Revenue Income (Funding Sources) 2019/20 - £406.79M**



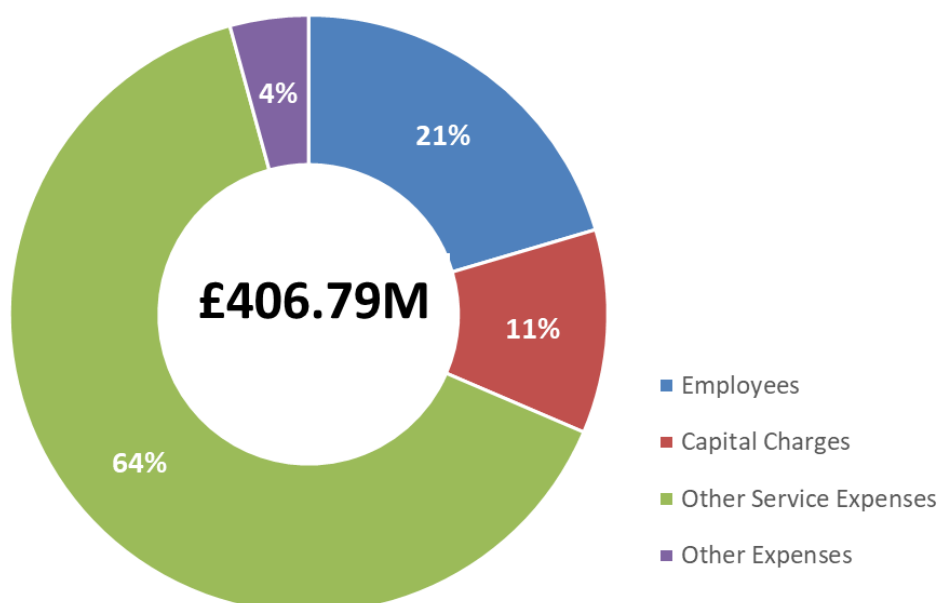
The above diagram sets out how gross expenditure is funded. The largest source of income is government grants (see note 18, page 65 for a full analysis). Other adjustments include the appropriate application of earmarked reserves and reversal under statutory regulations for accounting charges that are put through the income and expenditure statement.

### Gross Revenue Expenditure Objective (Service Area) 2019/20 - £406.79M



The above diagram sets out how gross expenditure is split across the various portfolios of services the Council operates under. Leader: Housing, ICT, Revenues & Benefits includes the £60M cost of housing benefit payments made. 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, levies and payments to the Government Housing Capital Receipts Pool.

### Gross Revenue Expenditure Subjective (By Type) 2019/20 - £406.79M

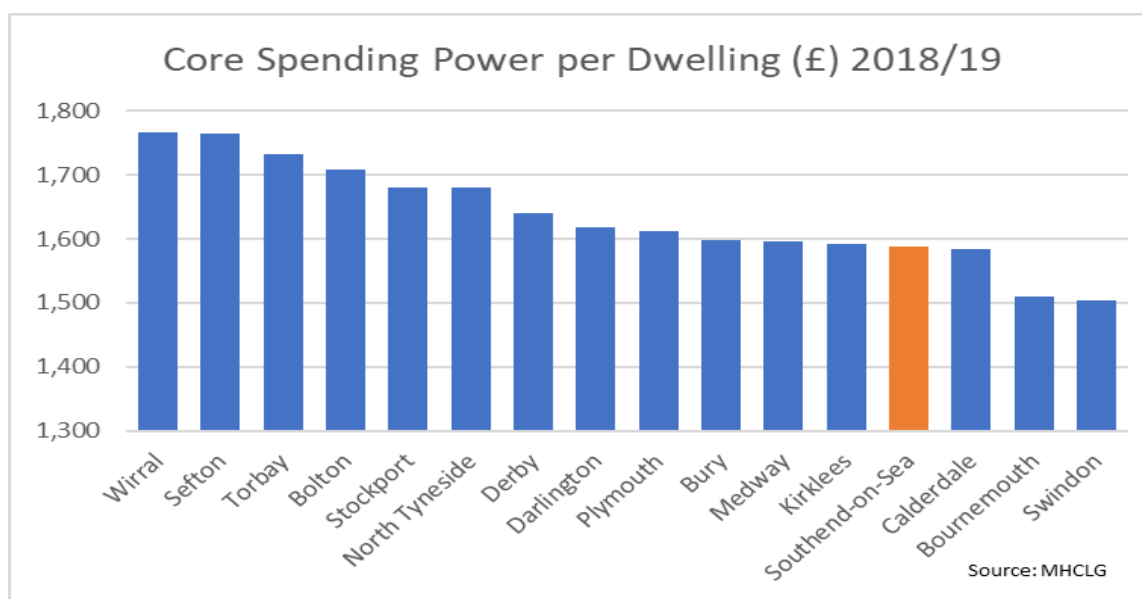


The above diagram sets out how gross expenditure is split by type. Other service expenses cover the running costs of services excluding employees, and therefore includes the cost of suppliers and contractors, together with monies paid out to schools and benefit claimants. Other expenses cover several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

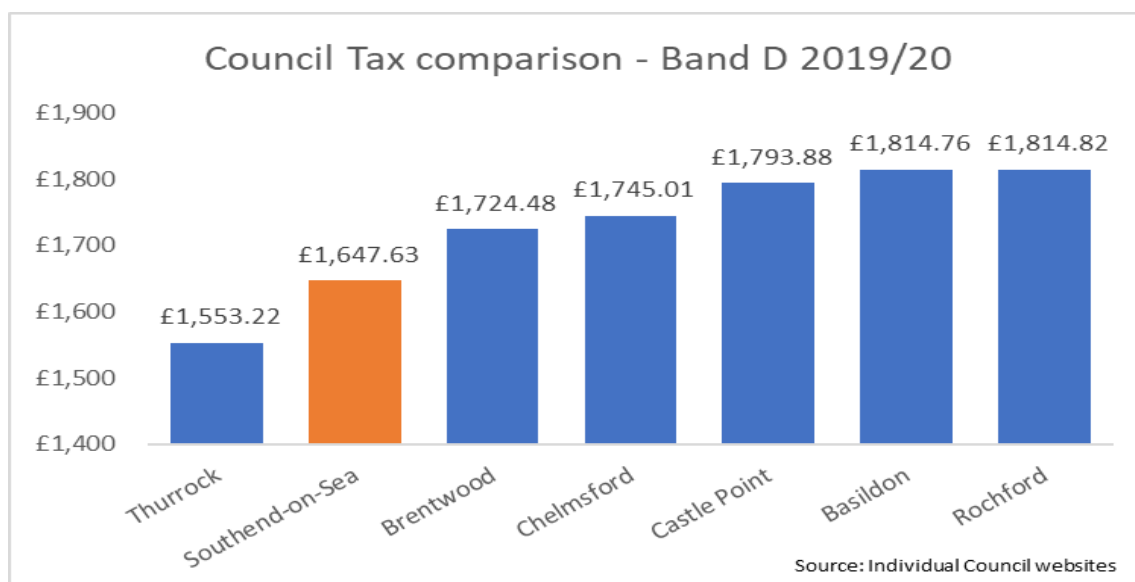
## ECONOMY, EFFICIENCY AND EFFECTIVENESS

The Council is continually striving to improve all aspects of the organisation in terms of value for money. Its goal is to also improve the wellbeing and productivity of all staff by investing in technology, encouraging innovation, creativity, and modern ways of working via the WorkLife initiative. A programme of major service redesign is already in place to help meet the evolving needs of local residents, improve their customer experience, whilst also enabling them to be more independent and local communities more self-sufficient and sustainable. This helps to target resources where they are needed most.

To inform and highlight the Council's relative success in delivering the full range of unitary authority services locally with less resources – the following table illustrates where the Council ranks based on the spending power per dwelling against our nearest statistical neighbours comparator group. The Council has the 13th lowest spending power per dwelling out of 16 authorities within our group – which means that it has less comparable resources available to meet the relative needs of local residents, when compared with similar local authorities.



Equally from a local perspective the Council is also determined to minimise the financial burden on the local council taxpayer for Southend-on-Sea as far as possible. The following graph illustrates the level of council tax (Band D equivalent) charged by Local Authorities from our nearest geographical neighbours in Essex for 2019/20. This is an important factor when considering Southend-on-Sea's commitment to providing value for money services that meet the needs of local residents. It is also worth noting that over 70% of properties in the Borough are in Council Tax bands A to C.





### **ACHIEVEMENTS IN 2019/20**

2019/20 was a year of successes across our 400+ services with a variety and complexity unlike any other organisation locally. Not every resident will use every service, but the work of the Council is vital to the wellbeing and way of life of residents right across the borough. The Council's achievements include:

Investing over £5m to buy private local homes to create new council homes – already several local families have moved out of temporary accommodation into these new council homes and we have more in the pipeline.



Agreeing terms which will see the creation of around 1,300 new homes for market and affordable rent at Roots Hall and Fossett's Farm and the development of a new stadium for Southend United Football Club.



Signing a joint venture with Swan Housing Association to deliver a Better Queensway with significant local affordable housing, the biggest housing regeneration the town has seen and progressing with the leisure development at Seaways Car Park.



Supporting local volunteers to plant 1,500 tree whips and replant standard trees in 6 locations during National Tree Week.

Pushing on with our drive to become carbon neutral through initiatives such as Plasticity and ForwardMotion, encouraging residents to be more environmentally friendly.

Working with partners to deliver skills, employment and training initiatives that have led to an increase in young people in training, education, and employment, and supporting our fantastic schools to continue to perform above the national average.





Created the #PrideAndJoy social media campaign, with the objective to flood the internet with positive images of Southend, to spread a sense of pride and joy across the borough, of which has had a positive response, reaching over 163,000 people across all social media channels.

The Council's ambition, priorities, achievements, and performance for 2019/20 are all summarised in the **Annual Place Based Report**<sup>1</sup> which is available on our website.

## CAPITAL EXPENDITURE

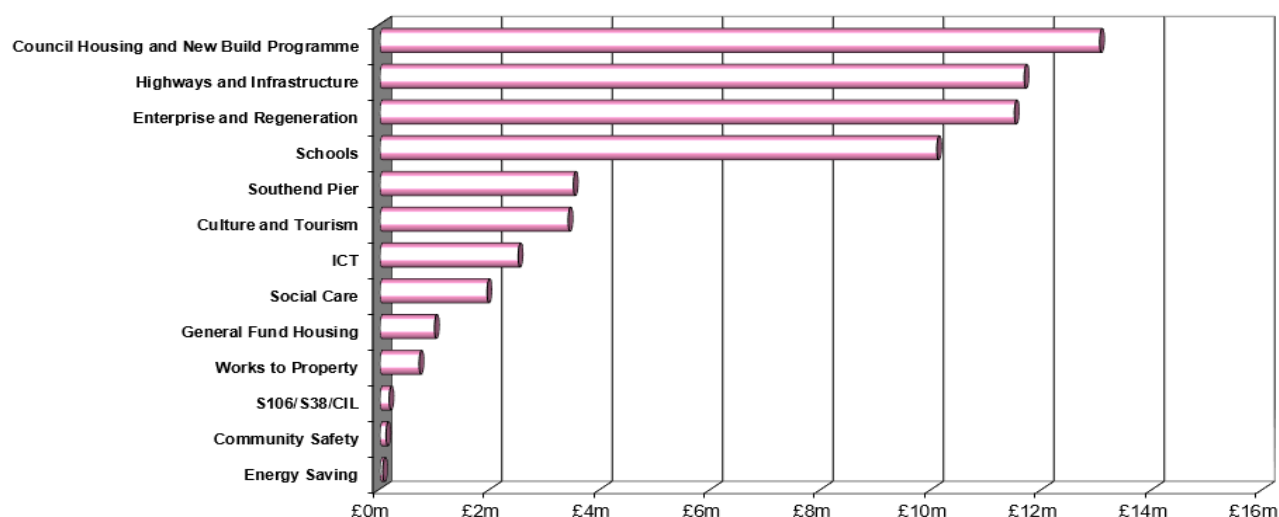
As well as delivering vital day to day services for local residents, businesses and visitors, the Council continues to be at the heart of investment in the local area, improving assets to deliver services more efficiently and effectively and creating the right conditions to attract additional private sector investment.

Capital spending can generally be defined as that 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 2019/20 the Council invested £59.7m (£50.0m in 2018/19) into capital schemes to continue to improve Southend as a place, including the development of the Airport Business Park, investment to facilitate the delivery of Better Queensway which will be the largest housing and regeneration project the Council has undertaken since the 1960's, the re-development of the Delaware and Priory Residential Care homes, the provision of new secondary school places, improvements to the town's highways and footpath network and the second phase development of the Forum.

## CAPITAL INVESTMENT 2019/20

A summary of the investment programme is shown in the following chart:



In the chart above, S106 agreements are planning obligations under Section 106 of the Town and Country Planning Act. S38 agreements are highways obligations under Section 38 of the Highways Act 1980. CIL refers to the Community Infrastructure Levy charged on new developments which is used to fund infrastructure.

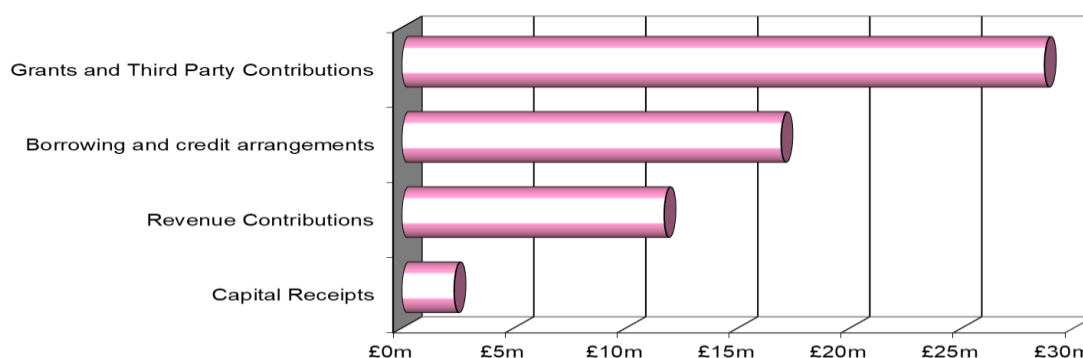
<sup>1</sup> <https://democracy.southend.gov.uk/documents/s39165/Report%20of%20Executive%20Director%20Transformation.pdf>

The following table summarises the strategic capital projects that the Council has undertaken this year.

|   | <b>2019/20<br/>£000</b> |
|---|-------------------------|
| Airport Business Park                     | 10,234                  |
| Provision for Secondary School Places     | 9,273                   |
| Affordable Housing Acquisitions Programme | 6,680                   |
| Southend Pier                             | 3,506                   |
| Local Growth Fund - A127 Growth Corridor  | 2,205                   |
| Delaware and Priory new build             | 1,701                   |
| Better Queensway                          | 1,260                   |
| Forum Expansion                           | 668                     |
| Civic Campus - efficient use of space     | 235                     |
| Construction of New Housing on HRA Land   | 219                     |

### FINANCING OF CAPITAL EXPENDITURE

The external funding of the capital investment programme comes from several 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 £59.7m capital expenditure was funded for the 2019/20 year.



Borrowing is kept within affordable levels, with the total accumulated loans owed to external lenders and credit arrangements amounting to £321.5m at 31 March 2020 (£277.8m at 31 March 2019).

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 £10.7m at 31 March 2020 (£11.3m at 31 March 2019).

The Council's operational upper limit for borrowing has been set at £350m (excluding transferred debt) (£285m in 2018/19). Accounting for the borrowing outlined above, this leaves headroom of £28.5m (£7.2m in 2018/19).

This level of debt should also be viewed in relation to the Council's long-term assets which have a net book value of £893.2m at 31 March 2020 (£890.6m at 31 March 2019).

### 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 2020, the total net book value of these long-term assets was £893.7m (£890.6m at 31 March 2019).

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. No schools transferred in 2019/20 and 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 £52.7m at 31 March 2020 (*54.7m at 31 March 2019*) for schools on the Council's Balance Sheet.

## HOUSING

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

For the 2019/20 year the HRA has maintained a general balance carried forward of £3.5M (*£3.5M 2018/19*). Council rents for general needs and sheltered properties were decreased by 1% again in 2019/20 (*decreased by 1% in 2018/19*) as required by the Welfare Reform and Work Act 2016 and in line with government guidance. 2019/20 was also a 53-week rent year.

In 2019/20 average rents for general needs properties (excluding service charges) were £86.83 per week (£87.88 in 2018/19), and £75.64 per week (£76.51 in 2018/19) for sheltered accommodation.

The full financial performance of the HRA is reported on pages 102 to 108.

## 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 six joint ventures. Of these, only one of the joint ventures, Porters Place Southend-on-Sea LLP, has been consolidated. This has been the only change to the group structure since last year.

The Council is also sole trustee for eight Trusts, all of which have been consolidated as part of the Group Accounts. (See page 116)

## FINANCIAL HEALTH OF THE COUNCIL AS AT 31 MARCH 2020

### ASSETS

During 2019/20 fixed assets have increased in value by £3.3M due to the net effect of additions, disposal, revaluations, and depreciation.

Fixed 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 are revalued every five years.

For additional information see notes 21 to 24 on pages 72 to 78.

## CAPITAL INVESTMENT AND BORROWING

The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a measure of the Council's debt position and represents capital expenditure up to the end of 2019/20 which has not yet been charged to revenue. The process of charging the capital expenditure to revenue is a statutory requirement and is done by means of the Minimum Revenue Provision. The table below summarises the position for 2019/20.

|  | 2019/20<br>£M |
|--|---------------|
| <b>Balance 1 April 2019</b>  | <b>360.0</b>  |
| Plus: capital expenditure financed by borrowing<br>(internal and invest to save financing) | 16.9          |
| Less: Minimum Revenue Provision  | (4.3)         |
| <b>Balance 31 March 2020</b>   | <b>372.6</b>  |

The CFR is the Council's theoretical need to borrow but the Council's actual borrowing position can be managed by either borrowing to the CFR, choosing to use temporary cash flow funds instead of borrowing (internal borrowing) or borrowing for future increases in the CFR (borrowing in advance of need).

The Council has currently addressed the theoretical need to borrow by having undertaken external borrowing and credit arrangements of £321.5M and by internally borrowing the remaining £51.1M. Actual borrowing will only be undertaken as and when required to finance capital and the amount and timing of any loans will have regard to the Council's cash flow, the prevailing interest rates and the future requirements of the capital investment programme.

The capital investment programme over the next five years is planned to be financed as follows:

|                                      | <b>2020/21<br/>£M</b> | <b>2021/22<br/>£M</b> | <b>2022/23<br/>£M</b> | <b>2023/24<br/>£M</b> | <b>2024/25<br/>£M</b> | <b>Total<br/>£M</b> |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Borrowing                            | 46.0                  | 29.0                  | 9.2                   | 5.6                   | 10.5                  | 100.3               |
| Grants and third-party contributions | 25.8                  | 28.0                  | 2.4                   | 0.9                   | 0.3                   | 57.4                |
| Revenue Contributions                | 18.5                  | 14.2                  | 10.2                  | 6.7                   | 6.0                   | 55.6                |
| Capital Receipts                     | 5.6                   | 3.3                   | 1.5                   | 0.1                   | 0                     | 10.5                |
| <b>Total</b>                         | <b>95.9</b>           | <b>74.5</b>           | <b>23.3</b>           | <b>13.3</b>           | <b>16.8</b>           | <b>223.8</b>        |

## PENSIONS

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

The fund is subject to a valuation every three years. The 31 March 2016 and 31 March 2019 valuations set the contribution rates from 2017/18 to 2019/20 and from 2020/21 to 2022/23 respectively. At 31 March 2016, the funding level for the whole fund was estimated at 89% and the Council agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 8 years. At 31 March 2019, the funding level for the whole fund had improved and was estimated at 97% and the Council agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 5 years.

For additional information see note 37 on page 90.

## RESERVES

The Council's reserves consist of general and earmarked reserves. The movement in Reserves Statement (see page 36) shows the split and movement of those reserves during the year.

The Council maintains a level of balances and reserves to meet any future unforeseen expenditure that may arise and for any planned future expenditure. These balances are held in the form of a general contingency such as the General Fund Balance, or for a specific purpose in the form of an earmarked reserve.

The Council has comprehensively updated its Medium Term Financial Strategy based on the best possible information it had available at the time (approved February 2020) and before the impact of the worldwide Covid-19 pandemic. The Council must consider emerging risks such as uncertainty of future funding levels from 2021/22, and other external factors such as the impact of Covid-19, Brexit, internal risks including increased commercial activity and the challenges faced by all council's relating to increasing demand and complexity in areas like social care. These factors have contributed to the Council continuing to maintain a General Fund Balance of £11.0M at 31 March 2020 (£11.0M at 31 March 2019).



The Council also holds £72.288M of general fund earmarked reserves as shown in the following table.

| <b>Earmarked Reserve</b>    | <b>Opening Balance<br/>1 April 2019</b> | <b>Contributions/(Use)<br/>2019/20</b> | <b>Closing Balance<br/>31 March 2020</b> |
|-----------------------------|---|--|--|
|                             | <b>£M</b>                               | <b>£M</b>                              | <b>£M</b>                                |
| Capital Investment Reserves | 12.638                                  | (1.231)                                | 11.407                                   |
| Insurance Reserves          | 6.800                                   | (0.837)                                | 5.963                                    |
| Corporate Reserves          | 32.907                                  | 8.660                                  | 41.567                                   |
| Service Reserves            | 14.018                                  | (5.623)                                | 8.395                                    |
| Grant Reserves              | 4.250                                   | 0.653                                  | 4.903                                    |
| Monies held in Trust        | 0.053                                   | 0.000                                  | 0.053                                    |
| <b>Total</b>                | <b>70.666</b>                           | <b>1.622</b>                           | <b>72.288</b>                            |

The HRA's financial strategy includes a determination that a prudent level of the HRA General Balance is £3.5M, having regard for the inherent levels of future financial risk and uncertainty. The Council's HRA holds £31.921M of earmarked reserves as shown in the following table.

| <b>HRA Earmarked Reserves</b> | <b>Opening Balance<br/>1 April 2019</b> | <b>Contributions/(Use)<br/>2019/20</b> | <b>Closing Balance<br/>31 March 2020</b> |
|-------------------------------|---|--|--|
|                               | <b>£M</b>                               | <b>£M</b>                              | <b>£M</b>                                |
| Capital Investment Reserve    | 25.106                                  | (1.925)                                | 23.181                                   |
| Revenue Major Repairs Reserve | 6.763                                   | 1.397                                  | 8.160                                    |
| Contract Pension Reserve      | 0.520                                   | 0.060                                  | 0.580                                    |
| <b>Total</b>                  | <b>32.389</b>                           | <b>(0.468)</b>                         | <b>31.921</b>                            |

The HRA also maintains another Major Repairs Reserve which is limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance of this reserve at 31 March 2020 is £8.139M and represents the level of capital resources that have yet to be applied at the year-end.

There are also usable capital receipts of £16.5M (£4.9M general fund and £11.6M HRA) and capital grants not yet applied of £15.6M available to finance future planned capital expenditure.

The maintained schools in the borough also hold £3.2M of balances. These, together with the general fund and HRA earmarked reserves in the tables above, comprise the total of £107.404M of earmarked reserves shown in note 20 on page 71.

## **EU REFERENDUM AND BREXIT**

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Following the General Election on 12 December 2019, a new Conservative Government was elected, and Parliament ratified the withdrawal agreement. The UK left the EU at 11pm GMT on 31 January 2020. This began a transition period that is set to end on 31 December 2020, during this time the UK and the EU are negotiating their future relationship. The outcome of these negotiations will determine what arrangements will apply in relation to the terms of the UK's exit.

Southend-on-Sea Borough Council have been preparing for this event and the possible impacts which could occur locally and regionally. A cross-Council working group was established and has met on a regular basis, chaired by the Brexit lead with input from the Essex Resilience Forum and the East of England Local Government Association. This remains a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

### **COVID-19 INITIAL FINANCIAL ASSESSMENT**

It is far too early to assess the overall health and economic impact of Covid-19. The challenge is clearly worldwide, and national governments continue to wrestle with putting in place the right package of measures to save lives and to try to minimise the spread of the virus and its impact across the population. Consideration has now also turned to how they can safely get their respective economies working again. In the United Kingdom, local government, working in partnership with other agencies and local communities will continue to have a critical role to play in responding to the crisis. The sector will be at the forefront of implementing the relaxation to any lockdown arrangements, shaping the transition and recovery within a new national framework.

The current financial landscape and operating environment remains challenging and uncertain but the Council is determined to build on the positive initial local response to the crisis and to try to ensure that the key elements that will lead to a stronger recovery for the town, local residents and local businesses are in place. The Southend 2050 ambition and ongoing review of arrangements for delivering the road map of priority projects is not only still relevant but also crucial for Southend-on-Sea's future prosperity. Effectively managing the short- and medium-term financial challenges that Covid-19 has brought to the Borough will be an important factor in the area's future success.

An initial local financial assessment of Covid-19 was presented to a special Cabinet meeting on 9 June 2020 and is available on our [website](#)<sup>1</sup>.

The Authority responded positively and quickly to the challenge that Covid-19 brought to the Borough. The immediate priority was given to keeping local people and everyone connected with our organisation safe. The Authority mobilised support for residents and businesses and at incredible speed developed the capability for a large proportion of our workforce to continue to work safely and remotely.

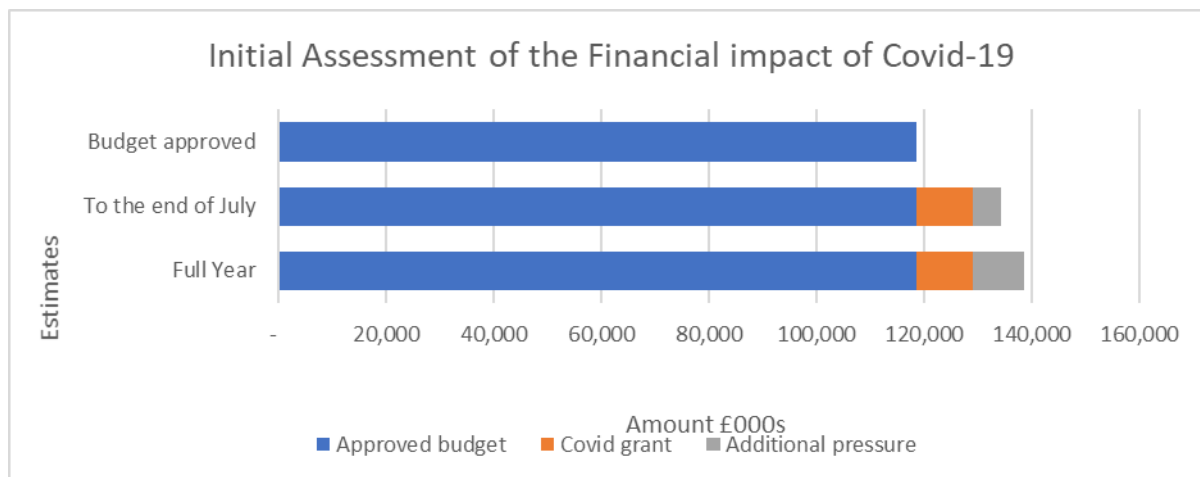
The Authority has also re-deployed staff to priority areas such as food and PPE distribution, community hubs and safety support, together with enabling processes for new requirements like business grants to be paid. The Authority has not furloughed any staff, despite the challenges and reductions in income in certain service areas.

Careful consideration is being given to the financial and operational impact of the phasing of the relaxation of the lockdown measures. This includes the transition to the new normal, the impact on activity levels (particularly income) and then any currently potentially hidden demand for key social care services that might result directly from the isolation and stress caused locally by the pandemic. At this early stage, the estimated total cost to the Council for 2020/21 is very difficult to quantify. Building up a financial assessment of the impact of the easing of the lockdown measures, together with a potential increase in social care pressures, the added difficulty of delivering recovery savings plans and the impact on income collection, then the total gross cost could be in the region of £15M to £20M on the Council's budget for 2020/21. We have currently received £12.1M (Tranche 3 - £1.571M was received in July 2020) of emergency Covid-19 grant support to help with this challenge.

Another key area of concern is the current lack of any clarity from Central Government over the potential future level of funding settlements for local authorities. This adds further significant complexities and challenges to our future business planning arrangements.

The Cabinet report in June contained the following bar chart which illustrated the estimated financial impact against the Council's approved General Fund Service Budget for 2020/21. The assessment was based on a complex series of assumptions and the best information available at the time of writing the report. The key concern was highlighted as the forecasted £5.2M (shaded grey) unfunded pressure to the end of July 2020, which could increase to around £9.5M by the end of 2020/21.

<sup>1</sup> <https://democracy.southend.gov.uk/documents/s39052/Covid-19%20Finance%20Cabinet%20Report%209%20June.pdf>



The report recognised that after the initial urgency of our response passed, more time has now been devoted to designing, preparing, and implementing our transition and restoration to whatever the new normal will look like. Our strategic response has been to try and reduce our financial exposure in lower priority areas, make sure we passport all new Government support to local businesses and residents as fast and as accurately as we can, fully deploy the circa £12.1M of emergency grant funding that we have already received and clearly evidence and lobby Central Government for additional resources.

If no further resources were secured from Central Government and our current estimates over the size of the financial gap are realised, then we would have to look again at in-year service changes and our earmarked reserves to try and fund the difference. This would be very challenging and could have major repercussions for our future medium-term business planning, leading to some very difficult choices in terms of reducing our future cost base and ultimately our permanent local service range and offer. We are also reviewing services by reflecting on the Covid-19 experience, capitalising on digital first technologies to drive efficiencies and improve productivity and deliver a different customer experience remotely and off a lower cost base. Although this is challenging the financial resilience and sustainability of the Authority remains strong and we are confident that we have sufficient reserves and expertise to help the Authority navigate the unprecedented circumstances that Covid-19 has brought to our borough and organisation.

It is recognised that understanding the direct and indirect impact on local demand for services and the potential permanent pressures on the revenue base of the Council over the medium term is still difficult to determine at this time. Cabinet agreed to receive regular reports to future meetings throughout 2020/21 containing updated assessments on the financial position and to outline any changes to the Council's strategy and range of assumptions. A comprehensive updated report will be presented to the Cabinet Meeting scheduled for 15 September 2020.

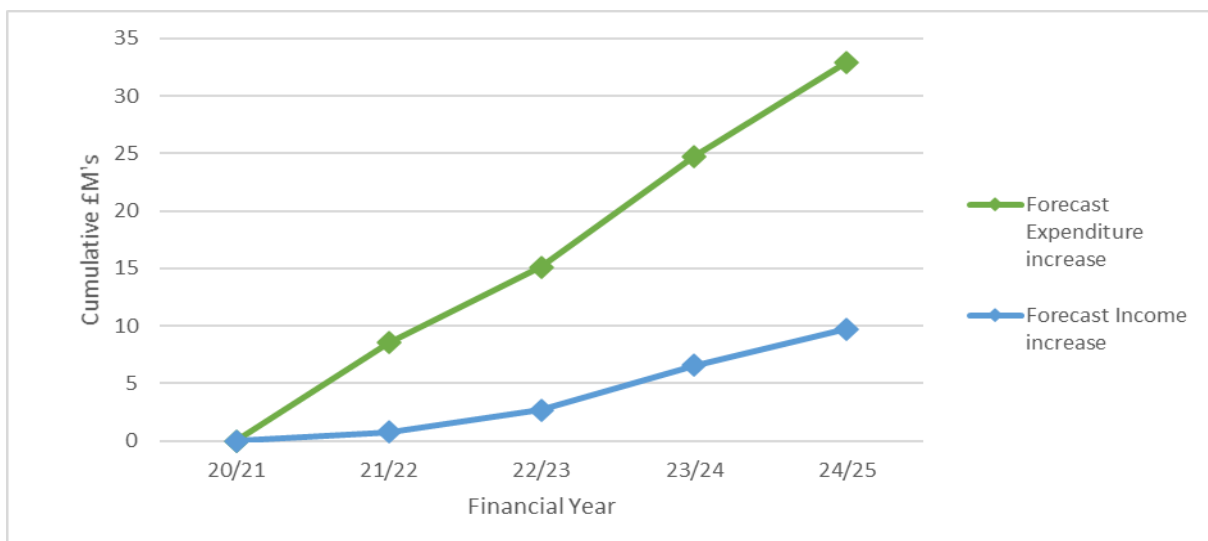
#### **MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2020/21 – 2024/25**

The key overriding aim of the Council's MTFS is '**To provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council's key strategic outcomes, priorities and sustainable services.**'

This strategy was comprehensively updated in 2019/20 as part of setting the 2020/21 Council's Budget which was approved in February 2020. The agreed budget package also included the development of a new high-level Financial Sustainability Strategy. Both strategies will be refreshed to consider the impact of Covid-19 on the Council's financial resilience and future business planning. In line with most other upper tier local authorities the Council experienced unprecedented levels of demand for key social care services for both children and adults in 2019/20. The total net expenditure budget expenditure for 2019/20 was £122.591M and significant additional investment was made available to support our most vulnerable residents. The Council has increased the level of permanent investment into these key priority services for the future, but it will still be very challenging if the trends in both costs, volume and complexity of demand continues to increase.

The Council is determined to make sure that it continues to invest in priorities that make a real positive difference locally. Delivering better local outcomes by carefully targeting scarce resources to where it matters most and where it has the biggest positive impact has been a key feature of 2019/20.

Prior to the outbreak of Covid-19 the Council was predicting a cumulative budget gap of £23.2M up to the end of 2024/25. The Council's current forecast financial position for each of the next five years is detailed in the following chart which illustrates the estimated funding gap to 2024/25 as reported to Council in February 2020. This assessment will be reviewed and updated again in 2020/21.



The impact of Covid-19 that was highlighted in the June Cabinet report effectively shows that the starting position for 2020/21 could be around a £9.5M gap, rather than the balanced position that is shown in the previous chart. This will need to be addressed as it will also have serious implications across the medium term if not resolved. A comprehensive Period 4 financial performance analysis for 2020/21, together with a Covid-19 impact update will be provided to the Cabinet meeting scheduled for 15 September 2020.

To help address and close the estimated budget gap over the next five years the Council must aim to achieve financial sustainability from local income sources in the future. The Council will also continue to work collaboratively with its partners, increase its focus on the delivery or joint commissioning of services in a targeted way to ensure that those in most need and who will receive the greatest benefit are the recipients of services. Several other initiatives are either already in operation within the Organisation or are planned to be introduced in 2020/21 including: -

- Business as usual monitoring and budget reviews throughout the year
- The full implementation of outcome-based budgeting
- Link business planning and budgeting to focus on service outcomes
- Effective and creative management of service demand
- A review of major contracts
- Full implementation of a new Commissioning Framework
- Getting to know your Business work programme
- Learning from Covid-19 and switching off some service provision or providing services differently
- Income generation and commercial opportunities

The Council also has an ambitious capital investment programme designed to create the right conditions to attract additional private sector investment into the local area and to directly benefit Southend's residents, businesses, and future visitors. The level of planned investment is around £224m over the next five years.

The Council is determined to build on the solid financial foundation that it has worked so hard to create locally. This will be essential to help to navigate the challenges and impact of the current pandemic and continue to effectively manage the level of increasing local demand for priority services. During 2019/20 the Authority demonstrated strong collegiate

leadership and proactive engagement with its residents and communities in order to take as much local control over the future financial destiny of Southend-on-Sea as possible. The Council believes that it is in a strong position to influence, shape and redesign services both locally and regionally to make a real positive difference to the lives of Southenders.

The Council remains in a strong and resilient financial position, despite the risks and challenges that have been identified. This is evidenced and supported by CIPFA's Financial Resilience Index 2019 and a range of other factors. When compared to our statistical neighbours, we believe that from a financial resilience perspective we would currently be placed in the top quartile of all upper tier local authorities in the country. We aim to stay there.

#### **ACKNOWLEDGEMENTS**

The production of the Statement of Accounts would not have been possible without the exceptional hard work and dedication of staff across the Council. I would like to express my gratitude to all colleagues, from my team and other services and organisations, who have assisted in the preparation of this document. I would also like to thank them for all their support and expertise during the 2019/20 financial year.

I hope you find this narrative and accompanying statements clear and informative. If you require any further information or wish to make any comment on these Accounts, then please contact us by any of the options listed below.



**Joe Chesterton**

**Executive Director (Finance and Resources)**

**Date: 12 August 2020**

**This publication is issued by:**

Accountancy Service, Southend-on-Sea Borough Council

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## THE FINANCIAL STATEMENTS

The information provided in this publication presents the financial position of Southend-on-Sea Borough Council as at 31 March 2020, and the financial results for the financial year 2019/20. 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.





**STATEMENT OF  
RESPONSIBILITY FOR THE  
STATEMENT OF ACCOUNTS**

## 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 Executive 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 EXECUTIVE DIRECTOR (FINANCE AND RESOURCES)' RESPONSIBILITIES

The Executive 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 Executive 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 Executive 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.

#### **EXECUTIVE 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 2020 and its income and expenditure for the year ended 31 March 2020.

**Joe Chesterton, CPFA**  
**Executive Director (Finance and Resources)**  
**12 August 2020**

#### **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 12 August 2020.

**Councillor Paul Collins**  
**Chair of Audit Committee**  
**12 August 2020**

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

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinion**

In our opinion the financial statements of Southend-on-Sea Borough Council ('the Authority') and its subsidiaries ('the group'):

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group's and the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We have audited the financial statements which comprise:

- the group and Authority Comprehensive Income and Expenditure Statements;
- the group and Authority Balance Sheets;
- the group and Authority Movement in Reserves Statements;
- the group and Authority Cash Flow Statements;
- the Housing Revenue Account Income and Expenditure Statement;
- the Movement on the Housing Revenue Account Balance Statement;
- the Collection Fund; and
- the related notes to the financial statements including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting (2019/20).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Executive Director (Finance and Resources)' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Executive Director (Finance and Resources) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### **Other information**

The Executive Director (Finance and Resources) is responsible for the other information. The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Chief Financial Officer's responsibilities**

As explained more fully in the Executive Director (Finance and Resources)' responsibilities statement, the Executive Director (Finance and Resources) is responsible for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and for such internal control as Executive Director (Finance and Resources) is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director (Finance and Resources) is responsible for

assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the group and the Authority will continue in operational existence for the foreseeable future.

#### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **REPORT ON OTHER LEGAL AND REGULATORY MATTERS**

##### **Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

##### **Conclusion**

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Southend-on-Sea Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

##### **Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of

resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017 as to whether Southend-on-Sea Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Southend-on-Sea Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

##### **Matters on which we are required to report by exception**

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

##### **Other matter**

We draw attention to note 4, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Council's property portfolio. As noted by the Council's external valuer, the pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the valuation of the property portfolio at the balance sheet date. Our opinion is not modified in respect of this matter



**CERTIFICATE OF COMPLETION OF THE AUDIT**

We certify that we have completed the audit of the accounts of Southend-on-Sea Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

**USE OF OUR REPORT**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Craig Wisdom, FCA (Appointed auditor)  
For and on behalf of Deloitte LLP  
St Albans, United Kingdom

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

# **MAIN FINANCIAL STATEMENTS**

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2018/19<br>Restated  |                         |                            | 2019/20   |                              |                         |                            |
|--|-------------------------|----------------------------|---|------------------------------|-------------------------|----------------------------|
| Gross<br>Expenditure<br>£000   | Gross<br>Income<br>£000 | Net<br>Expenditure<br>£000 | Notes   | Gross<br>Expenditure<br>£000 | Gross<br>Income<br>£000 | Net<br>Expenditure<br>£000 |
| 86,205   | (74,758)                | 11,447                     | Leader  | 83,451                       | (68,544)                | 14,907                     |
| 29,501   | (14,170)                | 15,331                     | Deputy Leader                                       | 29,137                       | (16,552)                | 12,585                     |
| 18,531   | (6,229)                 | 12,302                     | Business, Culture and Tourism                       | 16,584                       | (5,455)                 | 11,129                     |
| 117,658  | (67,102)                | 50,556                     | Children and Learning                               | 116,865                      | (71,227)                | 45,638                     |
| 7,181  | (5,094)                 | 2,087                      | Community Safety and Customer Contact               | 9,435                        | (5,205)                 | 4,230                      |
| 22,536   | (2,339)                 | 20,197                     | Environment and Planning                            | 22,472                       | (2,966)                 | 19,506                     |
| 78,834   | (37,366)                | 41,468                     | Health and Adult Social Care                        | 83,894                       | (38,636)                | 45,258                     |
| <b>360,446</b>   | <b>(207,058)</b>        | <b>153,388</b>             | <b>Net Cost of General Fund Services</b>            | <b>361,838</b>               | <b>(208,585)</b>        | <b>153,253</b>             |
| 19,447   | (28,530)                | (9,083)                    | Local Authority Housing (HRA)                       | 21,363                       | (27,554)                | (6,191)                    |
| <b>19,447</b>  | <b>(28,530)</b>         | <b>(9,083)</b>             | <b>Net Cost of Housing Revenue Account Services</b> | <b>21,363</b>                | <b>(27,554)</b>         | <b>(6,191)</b>             |
| <b>379,893</b>   | <b>(235,588)</b>        | <b>144,305</b>             | <b>Cost of Services</b>                             | <b>383,201</b>               | <b>(236,139)</b>        | <b>147,062</b>             |
| 32,747   | 0                       | 32,747                     | Other Operating Income and Expenditure              | 10                           | 1,665                   | (3,139)                    |
| 22,561   | (10,452)                | 12,109                     | Financing and Investment Income and Expenditure     | 11                           | 21,924                  | (8,321)                    |
| 0  | (142,007)               | (142,007)                  | Taxation and Non-Specific Grant Income              | 12                           | 0                       | (153,648)                  |
| <b>435,201</b>   | <b>(388,047)</b>        | <b>47,154</b>              | <b>Deficit on Provision of Services</b>             | <b>406,790</b>               | <b>(401,247)</b>        | <b>5,543</b>               |
| <i>Items that will not be reclassified to the (Surplus) on the Provision of Services</i> |                         |                            |   |                              |                         |                            |
| (Surplus)/Deficit on Revaluation of Heritage and   |                         |                            |   |                              |                         |                            |
| (26,068) Property, Plant and Equipment Assets  |                         |                            |   |                              |                         |                            |
| (31,792) Re-measurement of Net Pension Liability   |                         |                            |   |                              |                         |                            |
| <b>(57,860) Other Comprehensive Income and Expenditure</b>                               |                         |                            |   |                              |                         | <b>(9,105)</b>             |
| <b>(10,706) Total Comprehensive Income and Expenditure</b>                               |                         |                            |   |                              |                         | <b>(3,562)</b>             |

## 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 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                         | 0                            | 0                       | 0                             | 0                          | 0                             | 8                          | 0                        | (8)   | 0   | 0                     | 0                               | 0                              | 0                                       | 0                                 | (8)      | 0                      |                               |
| Movement in Reserves during 2018/19   |      | (8)                       | 0                            | 8                       | 0                             | 0                          | 0                             | 0                          | 0                        | 0   | 0   | 0                     | 0                               | 0                              | 0                                       | 0                                 | 0        | 0                      |                               |
| 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                |                               |
| Movement in Reserves during 2019/20   |      |                           |                              |                         |                               |                            |                               |                            |                          |   |   |                       |                                 |                                |   |                                   |          |                        |                               |
| Surplus (Deficit) on the Provision of Services  |      | (9,581)                   | 4,038                        | 0                       | 0                             | 0                          | 0                             | (5,543)                    | 0                        | 0   | 0   | 0                     | 0                               | 0                              | 0                                       | 0                                 | 0        | (5,543)                |                               |
| Other Comprehensive Income and Expenditure  |      | 0                         | 0                            | 0                       | 0                             | 0                          | 0                             | 0                          | (12,341)                 | 0   | 0   | 21,446                | 0                               | 0                              | 0                                       | 0                                 | 9,105    | 9,105                  |                               |
| Total Comprehensive Income and Expenditure  |      | (9,581)                   | 4,038                        | 0                       | 0                             | 0                          | 0                             | (5,543)                    | (12,341)                 | 0   | 0   | 21,446                | 0                               | 0                              | 0                                       | 0                                 | 9,105    | 3,562                  |                               |
| Adjustments between accounting basis and funding basis under regulations                  | 19   | 10,770                    | (4,506)                      | 0                       | 2,746                         | 777                        | 3,016                         | 12,803                     | (5,414)                  | 0   | (1,292)                                       | (14,162)              | 9,043                           | 750                            | (1,632)                                 | (96)                              | (12,803) | 0                      |                               |
| Net Increase / Decrease before Transfers to earmarked reserves                            |      | 1,189                     | (468)                        | 0                       | 2,746                         | 777                        | 3,016                         | 7,260                      | (17,755)                 | 0   | (1,292)                                       | 7,284                 | 9,043                           | 750                            | (1,632)                                 | (96)                              | (3,698)  | 3,562                  |                               |
| Transfers to / (from) Earmarked Reserves  | 20   | (1,189)                   | 468                          | 721                     | 0                             | 0                          | 0                             | 0                          | 0                        | 0   | 0   | 0                     | 0                               | 0                              | 0                                       | 0                                 | 0        | 0                      |                               |
| Increase / Decrease in 2019/20  |      | 0                         | 0                            | 721                     | 2,746                         | 777                        | 3,016                         | 7,260                      | (17,755)                 | 0   | (1,292)                                       | 7,284                 | 9,043                           | 750                            | (1,632)                                 | (96)                              | (3,698)  | 3,562                  |                               |
| Balance at 31 March 2020  |      | 11,000                    | 3,502                        | 107,404                 | 16,475                        | 8,139                      | 15,638                        | 162,158                    | 259,337                  | 0   | (838)   | (144,522)             | 220,423                         | 2,250                          | 6,771                                   | (1,031)                           | 342,390  | 504,548                |                               |

## BALANCE SHEET

| 31 March 2019<br>£000                            |        | 31 March 2020<br>£000 |
|--|--------|-----------------------|
|  | Notes  |                       |
| 772,362 Property, Plant & Equipment              | 21     | 784,229               |
| 37,743 Heritage Assets                           | 23     | 28,908                |
| 41,326 Investment Property                       | 24     | 41,004                |
| 8,205 Intangible Assets                          | 22     | 8,801                 |
| 28,428 Long Term Investments                     | 25     | 27,624                |
| 2,538 Long Term Debtors                          | 25     | 3,101                 |
| <b>890,602 Long Term Assets</b>                  |        | <b>893,667</b>        |
| 20,757 Short term Investments                    | 25     | 55,490                |
| 9 Inventories                                    |        | 7                     |
| 36,743 Short Term Debtors                        | 26     | 47,072                |
| 46,361 Cash and Cash Equivalents                 | 25, 27 | 42,785                |
| <b>103,870 Current Assets</b>                    |        | <b>145,354</b>        |
| (8,856) Short Term Borrowings                    | 25     | (1,514)               |
| (44,080) Short Term Creditors                    | 28     | (51,187)              |
| (4,439) Provisions                               | 29     | (5,386)               |
| <b>(57,375) Current Liabilities</b>              |        | <b>(58,087)</b>       |
| (4,061) Long Term Creditors                      |        | (2,298)               |
| (268,962) Long Term Borrowing                    | 25     | (318,859)             |
| (151,806) Other Long Term Liabilities - Pensions | 37     | (144,522)             |
| (11,282) Other Long Term Liabilities - Other     | 25     | (10,707)              |
| <b>(436,111) Long Term Liabilities</b>           |        | <b>(476,386)</b>      |
| <b>500,986 Net Assets</b>                        |        | <b>504,548</b>        |
| 154,898 Usable Reserves                          | 30     | 162,158               |
| 346,088 Unusable Reserves                        | 31     | 342,390               |
| <b>500,986 Total Reserves</b>                    |        | <b>504,548</b>        |

## CASH FLOW STATEMENT

| 2018/19<br>£000   | Notes     | 2019/20<br>£000 |
|---|-----------|-----------------|
| 47,154 Net (Surplus) or Deficit on the Provision of Services  |           | 5,543           |
| Adjustments to Net Surplus or Deficit on the Provision of Services for non-<br>(72,178) cash Movements  | 40        | (38,851)        |
| Adjustments for items included in the Net Surplus or Deficit on the Provision<br>24,585 of Services that are Investing and Financing Activities | 41        | 37,972          |
| (439) Net cash outflows from Operating Activities   |           | 4,664           |
| 12,887 Investing Activities   | 42        | 41,620          |
| (32,292) Financing Activities   | 43        | (42,708)        |
| (19,844) Net (Increase)/Decrease in Cash and Cash Equivalents   |           | 3,576           |
| (26,517) Cash and Cash Equivalents at the beginning of the Reporting Period   |           | (46,361)        |
| <b>(46,361) Cash and Cash Equivalents at the end of the Reporting Period</b>  | <b>27</b> | <b>(42,785)</b> |





## **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 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20, 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 Executive 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 are represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

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

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

Prior period adjustments may arise because 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 2019/20 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

### **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. These schemes are 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 projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 2.35%. 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 because 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.

### *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 Council recognises expected credit losses on all 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 Council.

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 arise 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.

#### **Foreign currency translation**

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

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

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

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

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

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

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

#### **Heritage Assets**

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

The Council's Heritage Assets consist of historic seaside assets, heritage land and buildings, antiques/collectables, 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 Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the 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, other entities and trusts that have the nature of subsidiaries and joint ventures 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. 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.

### **Joint operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

### **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.

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)
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- 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 are revalued 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 (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. 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, Contingent Liabilities and Contingent Assets**

#### *Provisions*

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

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

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

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

## **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, local taxation, 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 2020/21 Code:

- a) amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- b) Annual Improvements to IFRS Standards 2015-2017 Cycle
- c) amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

The Code requires implementation from 1 April 2020. It is not anticipated that these accounting changes will have any material impact on the Council's Statement of Accounts.

IFRS 16 Leases – This standard has been issued. The implementation has been deferred until the 2021/22 Code so is required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the Code: early adoption is not therefore permitted. The Council is continuing to assess the potential impact on application of the standard. The implications are therefore not yet known and are therefore not quantifiable.

**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 remains a high degree of uncertainty over future levels of funding for local government, particularly in light of the Covid-19 pandemic. No clarity has yet been provided over the content or timing of the next Comprehensive Spending Review. Most local authorities will be experiencing increases in service cost pressures, reductions in income and an increasing risk of higher potential bad debts. This is compounded by the added difficulty of delivering recovery savings plans in a very different financial landscape and challenging operating environment. The depth and duration of the current economic recession and the outcome of the Brexit withdrawal agreement negotiations are currently also unknown. Part of our initial response to the pandemic included a phased programme of temporary closure, part closure and re-configuration of Council services on public health and safety grounds from 18 March 2020. Many key front-line operations have continued to provide a near normal service where possible and safe to do so or adapted to meet the needs of local residents and businesses in different ways. Given the temporary nature of the closures and the phased relaxation of the lockdown measures now taking place, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council should be impaired as a result of any permanent need to close facilities or through alternative levels of service provision. An integral part of the Council's recovery and restoration plans is to learn, reflect and evaluate the overall Covid-19 response and experience to inform the design of future service delivery arrangements as appropriate.
- 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 Council's 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 considering 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item  | Uncertainties  | Effect if actual results differ from assumptions  |
|---|--|---|
| <b>Pensions Liability</b>                         | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.  | The effects on the net pensions' liability 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 £24.1M, and an increase in the discount rate of 0.1% would decrease the net pension liability by £11.1M.<br><br>The full effects on the net pensions' liability are fully disclosed in note 37 to the Accounts.   |
| <b>Property, Plant and Equipment Revaluations</b> | The uncertainties arise because 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.   |
| <b>The response to Covid-19</b>                   | <p>This presented an unprecedented set of circumstances on which to base valuation judgements at the balance sheet date.</p> <p>Asset valuations at 31 March 2020 are included on the basis of 'material valuation uncertainty' so a higher degree of caution should be attached to these valuations. However, they have been based on the best information available and are therefore a valid basis of valuation for this Statement of Accounts.</p> <p>These include Property, Plant and Equipment, Investment Property valuations and indexation adjustments because of the market review undertaken by the external valuers.</p> <p>These also apply to financial assets measured at Fair Value Through Profit and Loss where the property fund managers have inserted a Material Uncertainty Clause into the March 2020 valuation reports.</p> | <p>The valuation of Investment Properties is disclosed in note 24. It is still too early to form a view on how rents and values will be impacted, particularly with fewer properties being brought to the market on which to base that judgement.</p> <p>Note 21 includes the effect of the indexation adjustments on Property Plant and Equipment assets. Relevant data from the Building Cost Information Service of RICS (BCIS) is subject to uncertainty. It is still too early to form a view, but forecasts are subject to change as the knock on effect on the construction market becomes clearer.</p> <p>Financial Instruments measured at Fair Value Through Profit and Loss are disclosed in note 25. As time progresses if the uncertainty reduces more reliance can be placed on the prevailing quoted unit price and the Material Uncertainty Clauses will be removed from future valuations.</p> |



## **Note 5. Events after the Balance Sheet date**

The Statement of Accounts was authorised for issue by the Executive Director (Finance and Resources) on 24 June 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Although the Covid-19 pandemic was prevailing at the balance sheet date and the full extent of the UK Government's original lockdown measures were in place by 23 March 2020, most of the impacts will occur in 2020/21 and later years. It is still too early to assess the full impact that Covid-19 will have on the financial position of the Council, an initial local financial assessment of Covid-19 was presented to a special Cabinet meeting on 9 June 2020 and is available on our **website**<sup>1</sup>.

This report included the estimated financial impact against the Council's approved General Fund Service Budget for 2020/21. The assessment was based on a complex series of assumptions and the best information available at the time of writing the report. The key concern was highlighted as the estimated £5.2M unfunded pressure to the end of July 2020, which could increase to around £9.5M by the end of 2020/21. Members of the Cabinet agreed at the meeting to receive regular updates. These reports will include a summary of further announcements from central Government, any changes in assumptions and strategy and a revised assessment of the local financial impact for the Council of the easing of the lockdown measures.

## **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.

<sup>1</sup> <https://democracy.southend.gov.uk/documents/s39052/Covid-19%20Finance%20Cabinet%20Report%209%20June.pdf>

| Net Expenditure Chargeable to the General Fund and HRA Balances | 2018/19 Restated                                     | Net Expenditure in the Comprehensive Income and Expenditure Statement | Notes  | 2019/20   |  |   |
|---|--|---|--|---|--|---|
|   | Adjustments between the Funding and Accounting Basis |   |  | Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| £000  | £000   | £000  |  | £000  | £000   | £000  |
| 7,725   | 3,722  | 11,447  | Leader   | 7,738   | 7,169  | 14,907  |
| (182)   | 15,513   | 15,331  | Deputy Leader  | (1,533)   | 14,118   | 12,585  |
| 7,578   | 4,724  | 12,302  | Business Culture and Tourism                                 | 7,071   | 4,058  | 11,129  |
| 30,119  | 20,437   | 50,556  | Children and Learning  | 31,378  | 14,260   | 45,638  |
| 263   | 1,824  | 2,087   | Community Safety and Customer Contact                        | 1,875   | 2,355  | 4,230   |
| 18,580  | 1,617  | 20,197  | Environment and Planning                                     | 19,244  | 262  | 19,506  |
| 38,973  | 2,495  | 41,468  | Health and Adult Social Care                                 | 41,165  | 4,093  | 45,258  |
| <b>103,056</b>  | <b>50,332</b>  | <b>153,388</b>  | <b>Net Cost of General Fund Services</b>                     | <b>106,938</b>  | <b>46,315</b>  | <b>153,253</b>  |
| (11,052)  | 1,969  | (9,083)   | Local Authority Housing (HRA)                                | (6,634)   | 443  | (6,191)   |
| <b>(11,052)</b>   | <b>1,969</b>   | <b>(9,083)</b>  | <b>Net Cost of Housing Revenue Account Services</b>          | <b>(6,634)</b>  | <b>443</b>   | <b>(6,191)</b>  |
| <b>92,004</b>   | <b>52,301</b>  | <b>144,305</b>  | <b>Net Cost of Services</b>                                  | <b>100,304</b>  | <b>46,758</b>  | <b>147,062</b>  |
| 34,418  | 10,438   | 44,856  | Other Income and Expenditure                                 | 32,684  | (20,555)   | 12,129  |
| (126,422)   | (15,585)   | (142,007)   | Taxation and non-specific Grant Income                       | (132,988)   | (20,660)   | (153,648)   |
| <b>(92,004)</b>   | <b>(5,147)</b>                                       | <b>(97,151)</b>   | <b>Other Income and Expenditure</b>                          | <b>(100,304)</b>  | <b>(41,215)</b>                                      | <b>(141,519)</b>  |
| <b>0</b>  | <b>47,154</b>  | <b>47,154</b>   | <b>Deficit</b>   | <b>0</b>  | <b>5,543</b>   | <b>5,543</b>  |
| 14,502  |  |   | <b>Opening General Fund and HRA Balance</b>                  | 14,502  |  |   |
| 0   |  |   | Surplus or (Deficit) on General Fund and HRA Balance in Year | 0   |  |   |
| <b>14,502</b>   |  |   | <b>Closing General Fund and HRA Balance</b>                  | <b>14,502</b>   |  |   |

The 2018/19 comparative has been restated to reflect the changes made to portfolio structure of the Council in 2019/20. The adjustments required to convert the accounts from the funding basis to the comprehensive income and expenditure statement are set out below.

| 2018/19 Restated                        |   |                                |   | 2019/20                                 |   |                                |  |
|---|---|--------------------------------|---|---|---|--------------------------------|--|
| IAS 19 Pension Adjustments<br>£000<br>a | Adjustments for Capital Purposes<br>£000<br>b | Other Differences<br>£000<br>c | Total Adjustments between the Funding and Accounting Basis<br>£000<br>Notes | IAS 19 Pension Adjustments<br>£000<br>a | Adjustments for Capital Purposes<br>£000<br>b | Other Differences<br>£000<br>c | Total Adjustments between the Funding and Accounting Basis<br>£000 |
| 2,778                                   | 1,097   | (153)                          | 3,722 Leader  | 1,895                                   | 3,876   | 1,398                          | 7,169  |
| 482                                     | 12,580  | 2,451                          | 15,513 Deputy Leader  | 411                                     | 11,004  | 2,703                          | 14,118   |
| 852                                     | 3,872   | 0                              | 4,724 Business Culture and Tourism  | 971                                     | 3,087   | 0                              | 4,058  |
| 2,733                                   | 17,865  | (161)                          | 20,437 Children and Learning  | 3,175                                   | 10,849  | 236                            | 14,260   |
| 484                                     | 1,340   | 0                              | 1,824 Community Safety and Customer Contact                                 | 561                                     | 1,794   | 0                              | 2,355  |
| 1,040                                   | 2,018   | (1,441)                        | 1,617 Environment and Planning  | 1,193                                   | 1,149   | (2,080)                        | 262  |
| 2,160                                   | 336   | (1)                            | 2,495 Health and Adult Social Care  | 2,412                                   | 1,681   | 0                              | 4,093  |
| <b>10,529</b>                           | <b>39,108</b>                                 | <b>695</b>                     | <b>50,332 Net Cost of General Fund Services</b>                             | <b>10,618</b>                           | <b>33,440</b>                                 | <b>2,257</b>                   | <b>46,315</b>  |
| 0                                       | 2,002   | (33)                           | 1,969 Local Authority Housing (HRA)   | 0                                       | 279   | 164                            | 443  |
| <b>0</b>                                | <b>2,002</b>                                  | <b>(33)</b>                    | <b>1,969 Net Cost of Housing Revenue Account Services</b>                   | <b>0</b>                                | <b>279</b>                                    | <b>164</b>                     | <b>443</b>   |
| <b>10,529</b>                           | <b>41,110</b>                                 | <b>662</b>                     | <b>52,301 Net Cost of Services</b>  | <b>10,618</b>                           | <b>33,719</b>                                 | <b>2,421</b>                   | <b>46,758</b>  |
| <b>4,147</b>                            | <b>7,066</b>                                  | <b>(775)</b>                   | <b>10,438 Other Income and Expenditure</b>                                  | <b>3,543</b>                            | <b>(20,387)</b>                               | <b>(3,711)</b>                 | <b>(20,555)</b>  |
| 0                                       | (11,770)                                      | (3,815)                        | (15,585) Taxation and non-specific Grant Income                             | 0                                       | (17,100)                                      | (3,560)                        | (20,660)   |
| <b>14,676</b>                           | <b>36,406</b>                                 | <b>(3,928)</b>                 | <b>47,154 (Surplus) or Deficit</b>  | <b>14,161</b>                           | <b>(3,768)</b>                                | <b>(4,850)</b>                 | <b>5,543</b>   |

#### 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 depreciation, 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  | 2019/20<br>£000  | 2018/19<br>£000  |
|---|--------|------------------|------------------|
| <b>Income</b>                               |        |                  |                  |
| Fees, Charges and other Service Income      | 8      | (76,341)         | (74,888)         |
| Interest and Investment Income              | 11     | (1,154)          | (2,493)          |
| Gains on Revaluation                        |        | (3,017)          | (5,580)          |
| Income from Council Tax                     | 12     | (82,977)         | (79,117)         |
| Income from Non-domestic Rates              | 12     | (20,352)         | (22,107)         |
| Government Grants and Contributions         | 18     | (213,930)        | (203,862)        |
| Gains on the disposal of Assets             | 10, 11 | (3,476)          | 0                |
| <b>Total Income</b>                         |        | <b>(401,247)</b> | <b>(388,047)</b> |
| <b>Expenditure</b>                          |        |                  |                  |
| Employee Benefits Expenses                  |        | 83,114           | 74,186           |
| Other Service Expenses                      |        | 261,614          | 261,954          |
| Support Service Recharges (net)             |        | (465)            | (585)            |
| Depreciation, Amortisation and Impairment   |        | 44,782           | 51,522           |
| Interest Payments                           | 11     | 12,537           | 11,230           |
| Pensions Interest and Expected Return       | 11     | 3,543            | 4,147            |
| Precepts and Levies                         | 10     | 999              | 974              |
| Payments to Housing Capital Receipts Pool   | 10     | 666              | 571              |
| Losses on the disposal of Assets            | 10     | 0                | 31,202           |
| <b>Total Expenditure</b>                    |        | <b>406,790</b>   | <b>435,201</b>   |
| <b>Deficit on the Provision of Services</b> |        | <b>5,543</b>     | <b>47,154</b>    |

## Note 8. Segmental Income

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

|   | 2019/20<br>£000 | 2018/19<br>£000<br>Restated |
|---|-----------------|-----------------------------|
| Leader  | (4,600)         | (5,701)                     |
| Deputy Leader   | (11,634)        | (10,547)                    |
| Business Culture and Tourism                              | (2,424)         | (2,462)                     |
| Children and Learning                                     | (4,723)         | (3,754)                     |
| Community Safety and Customer Contact                     | (5,069)         | (4,908)                     |
| Environment and Planning                                  | (1,967)         | (1,879)                     |
| Health and Adult Social Care                              | (14,701)        | (14,210)                    |
| <b>Total Income from General Fund Services</b>            | <b>(45,118)</b> | <b>(43,461)</b>             |
| Local Authority Housing (HRA)                             | (27,180)        | (27,900)                    |
| <b>Total Income from Housing Revenue Account Services</b> | <b>(27,180)</b> | <b>(27,900)</b>             |
| <b>Total Income from Services</b>                         | <b>(72,298)</b> | <b>(71,361)</b>             |
| Other Income and Expenditure                              | (4,043)         | (3,527)                     |
| <b>Total Income</b>                                       | <b>(76,341)</b> | <b>(74,888)</b>             |

## Note 9. Material Items of Income and Expense

In relation to 2019/20:

- The Deficit on Revaluation of non-current assets of £12.341M consists of £4.659M and £0.064M of revaluation gains from the increase in the value of Property Plant and Equipment and Heritage Assets respectively and £6.284M and £10.780M of accumulated revaluation gains lost as a result of downwards revaluation and impairment losses to Property Plant and Equipment and Heritage Assets respectively.
- The performance of the Essex Pension Fund during 2019/20 was better than anticipated, with a decrease in the underlying value of scheme assets being more than offset by a reduction in the present value of scheme liabilities. This has led to an actuarial gain passing through the Comprehensive Income and Expenditure Statement of £21.446M.

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.

**Note 10. Other Operating Income and Expenditure**

|  | <b>2019/20<br/>£000</b> | <b>2018/19<br/>£000</b> |
|--|-------------------------|-------------------------|
| Leigh Town Council Precept and Grant                     | 426                     | 419                     |
| Levies   | 573                     | 555                     |
| Payments to the Government Housing Capital Receipts Pool | 666                     | 571                     |
| (Gains)/Losses on the Disposal of Non-current Assets *   | (3,139)                 | 31,202                  |
| <b>Total</b>   | <b>(1,474)</b>          | <b>32,747</b>           |

\* In 2018/19 £32.803M of the losses were due to six schools that transferred to academy status. No schools transferred to academy status in 2019/20.

**Note 11. Financing and Investment Income and Expenditure**

|   | <b>2019/20<br/>£000</b> | <b>2018/19<br/>£000</b> |
|---|-------------------------|-------------------------|
| Interest Payable and Similar Charges  | 12,537                  | 11,431                  |
| Interest on net pension liability   | 3,543                   | 4,147                   |
| Interest Receivable and Similar Income  | (1,154)                 | (2,293)                 |
| Income and Expenditure in relation to Investment Properties and changes in their Fair Value | (2,867)                 | (2,417)                 |
| (Gains)/Losses on the Disposal of Investment Properties                                     | (337)                   | 0                       |
| Deficit on Traded Services  | 2,081                   | 1,442                   |
| Other   | (200)                   | (201)                   |
| <b>Total</b>  | <b>13,603</b>           | <b>12,109</b>           |

See also note 24 for more information on Investment Properties.

**Note 12. Taxation and Non Specific Grant Incomes**

|                                  | <b>2019/20<br/>£000</b> | <b>2018/19<br/>£000</b> |
|----------------------------------|-------------------------|-------------------------|
| Council Tax Income               | 82,977                  | 79,117                  |
| Retained Business Rates          | 20,352                  | 22,107                  |
| Non-Ringfenced Government Grants | 33,219                  | 29,013                  |
| Capital Grants and Contributions | 17,100                  | 11,770                  |
| <b>Total</b>                     | <b>153,648</b>          | <b>142,007</b>          |

### 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.

|   | 2019/20<br>£000 | 2018/19<br>£000 |
|---|-----------------|-----------------|
| <b>Funding provided to the pooled budget</b>  |                 |                 |
| Southend-on-Sea Borough Council               | (9,085)         | (7,051)         |
| NHS Southend Clinical Commissioning Group     | (12,876)        | (12,382)        |
| <b>Total Funding</b>                          | <b>(21,961)</b> | <b>(19,433)</b> |
| <b>Expenditure met from the pooled budget</b> |                 |                 |
| Southend-on-Sea Borough Council               | 14,969          | 12,879          |
| NHS Southend Clinical Commissioning Group     | 6,887           | 6,492           |
| Joint Pooled Fund                             | 106             | 62              |
| <b>Total Expenditure</b>                      | <b>21,961</b>   | <b>19,433</b>   |
| <b>Net Pooled Budget</b>                      | <b>0</b>        | <b>0</b>        |
| <b>Southend-on-Sea Borough Council share</b>  | <b>0</b>        | <b>0</b>        |

### Note 14. Members' Allowances

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

|                                 | 2019/20<br>£000 | 2018/19<br>£000 |
|---------------------------------|-----------------|-----------------|
| Basic Allowances                | 469             | 458             |
| Special Allowances              | 193             | 201             |
| Travel & Subsistence            | 1               | 2               |
| <b>Total Members Allowances</b> | <b>663</b>      | <b>661</b>      |

A full list of the Members' allowances, including their travel and subsistence, is published in the Additional Financial Information Section and on the Council's website.

## Note 15. Officers' Remuneration

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

| 2019/20   |   |  |  |   |                           |   |
|---|---|--|--|---|---------------------------|---|
| Post holder information (Post title)  | Salary (including fees & Allowances)<br>£ | Compensation for loss of employment<br>£ | Benefits in Kind (e.g. Car Allowance)<br>£ | Total Remuneration excluding pension contributions 2019/20<br>£ | Pension contribution<br>£ | Total Remuneration including pension contributions 2019/20<br>£ |
| <b>Chief Executive - Alison Griffin</b>                                     | 159,120                                   | 0  | 0  | <b>159,120</b>  | 26,414                    | <b>185,534</b>  |
| <b>Deputy Chief Executives</b>  |   |  |  |   |                           |   |
| Andrew Lewis  | 135,252                                   | 0  | 0  | <b>135,252</b>  | 22,452                    | <b>157,704</b>  |
| Simon Leftley to 28th January 2020<br><i>annualised</i>                     | 111,969                                   | 0  | 0  | <b>111,969</b>  | 166,381                   | <b>278,350</b><br><b>305,064</b>                                |
| <b>Executive Directors</b>  |   |  |  |   |                           |   |
| Adults and Communities from 7th January 2020<br><i>annualised</i>           | 28,065                                    | 0  | 0  | <b>28,065</b>   | 4,659                     | <b>32,724</b><br><b>140,517</b>                                 |
| Children and Public Health from 9th January 2020<br><i>annualised</i>       | 27,419                                    | 0  | 0  | <b>27,419</b>   | 4,552                     | <b>31,971</b><br><b>140,595</b>                                 |
| Neighbourhoods and Environment from 11th November 2019<br><i>annualised</i> | 46,667                                    | 0  | 0  | <b>46,667</b>   | 7,747                     | <b>54,414</b><br><b>139,865</b>                                 |
| Legal & Democratic Services<br><i>annualised as reduced hours</i>           | 84,864                                    | 0  | 0  | <b>84,864</b>   | 14,087                    | <b>98,951</b><br><b>123,689</b>                                 |
| Finance & Resources   | 106,080                                   | 0  | 0  | <b>106,080</b>  | 17,557                    | <b>123,637</b>  |
| Transformation  | 106,248                                   | 0  | 0  | <b>106,248</b>  | 17,637                    | <b>123,885</b>  |
| <b>Directors</b>  |   |  |  |   |                           |   |
| Public Health to 24th October 2019<br><i>annualised</i>                     | 71,449                                    | 0  | 0  | <b>71,449</b>   | 5,920                     | <b>77,369</b><br><b>136,424</b>                                 |
| Public Health from 2nd March 2020<br><i>annualised</i>                      | 8,468                                     | 0  | 0  | <b>8,468</b>  | 842                       | <b>9,310</b><br><b>113,271</b>                                  |
| Integration & Partnerships  | 99,845                                    | 0  | 0  | <b>99,845</b>   | 16,574                    | <b>116,419</b>  |
| Communities from 1st January 2020<br><i>annualised</i>                      | 23,086                                    | 0  | 0  | <b>23,086</b>   | 3,832                     | <b>26,918</b><br><b>107,970</b>                                 |
| Housing Development from 23rd September 2019<br><i>annualised</i>           | 47,851                                    | 0  | 0  | <b>47,851</b>   | 8,005                     | <b>55,856</b><br><b>106,741</b>                                 |
| Children's Services   | 92,345                                    | 0  | 0  | <b>92,345</b>   | 15,329                    | <b>107,674</b>  |
| Learning  | 92,345                                    | 0  | 0  | <b>92,345</b>   | 15,329                    | <b>107,674</b>  |
| Public Protection   | 92,345                                    | 0  | 0  | <b>92,345</b>   | 15,329                    | <b>107,674</b>  |
| Planning and Transport  | 92,345                                    | 0  | 0  | <b>92,345</b>   | 15,329                    | <b>107,674</b>  |
| Culture and Tourism   | 92,345                                    | 0  | 0  | <b>92,345</b>   | 15,329                    | <b>107,674</b>  |
| Regeneration and Growth   | 92,345                                    | 0  | 0  | <b>92,345</b>   | 15,329                    | <b>107,674</b>  |
| Property and Commercial from 23rd September 2019<br><i>annualised</i>       | 43,176                                    | 0  | 0  | <b>43,176</b>   | 7,205                     | <b>50,381</b><br><b>96,277</b>                                  |
| Digital Futures to 8th May 2019<br><i>annualised</i>                        | 9,490                                     | 0  | 0  | <b>9,490</b>  | 61,485                    | <b>70,975</b><br><b>166,199</b>                                 |



2018/19

| Post holder information (Post title)                              | Salary (Including fees & Allowances)<br>£ | Compensation for loss of employment<br>£ | Benefits in Kind (e.g. Car Allowance)<br>£ | Total Remuneration excluding pension contributions 2019/20<br>£ | Pension contribution<br>£ | Total Remuneration including pension contributions 2019/20<br>£ |
|---|---|--|--|---|---------------------------|---|
| <b>Chief Executive</b> - Alison Griffin                           | 151,450                                   | 0  | 0  | <b>151,450</b>  | 25,141                    | <b>176,591</b>  |
| <b>Deputy Chief Executives</b>                                    |   |  |  |   |                           |   |
| People - Simon Leftley  | 130,831                                   | 0  | 0  | <b>130,831</b>  | 21,718                    | <b>152,549</b>  |
| Place - Andrew Lewis  | 126,906                                   | 0  | 0  | <b>126,906</b>  | 21,066                    | <b>147,972</b>  |
| <b>Strategic Directors</b>  |   |  |  |   |                           |   |
| Legal & Democratic Services<br><i>annualised as reduced hours</i> | 81,127                                    | 0  | 0  | <b>81,127</b>   | 13,467                    | <b>94,594</b><br><b>118,243</b>                                 |
| Finance & Resources   | 101,187                                   | 0  | 0  | <b>101,187</b>  | 15,850                    | <b>117,037</b>  |
| Transformation  | 97,262                                    | 0  | 0  | <b>97,262</b>   | 16,145                    | <b>113,407</b>  |
| <b>Directors</b>  |   |  |  |   |                           |   |
| Public Health   | 92,135                                    | 0  | 31   | <b>92,166</b>   | 13,249                    | <b>105,415</b>  |
| Strategy & Commissioning  | 101,774                                   | 0  | 0  | <b>101,774</b>  | 16,894                    | <b>118,668</b>  |
| Adult Services & Housing to 3 February 2019<br><i>annualised</i>  | 78,814                                    | 0  | 0  | <b>78,814</b>   | 13,083                    | <b>91,897</b><br><b>108,551</b>                                 |
| Adult Services from 4 February 2019<br><i>annualised</i>          | 6,534                                     | 0  | 0  | <b>6,534</b>  | 1,085                     | <b>7,619</b><br><b>91,427</b>                                   |
| Housing from 8 January 2019<br><i>annualised</i>                  | 13,069                                    | 0  | 0  | <b>13,069</b>   | 2,169                     | <b>15,238</b><br><b>91,427</b>                                  |
| Children's Services   | 90,524                                    | 0  | 0  | <b>90,524</b>   | 15,027                    | <b>105,551</b>  |
| Learning  | 90,534                                    | 0  | 0  | <b>90,534</b>   | 15,027                    | <b>105,561</b>  |
| Public Protection   | 90,524                                    | 0  | 0  | <b>90,524</b>   | 15,027                    | <b>105,551</b>  |
| Planning & Transport  | 90,524                                    | 0  | 0  | <b>90,524</b>   | 15,027                    | <b>105,551</b>  |
| Culture, Tourism & Property                                       | 90,524                                    | 0  | 0  | <b>90,524</b>   | 15,027                    | <b>105,551</b>  |
| Regeneration & Business Development                               | 90,523                                    | 0  | 0  | <b>90,523</b>   | 15,027                    | <b>105,550</b>  |
| Digital Futures   | 90,524                                    | 0  | 0  | <b>90,524</b>   | 15,027                    | <b>105,551</b>  |

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

|                      | 2019/20         |           |            | 2018/19         |           |            |
|----------------------|-----------------|-----------|------------|-----------------|-----------|------------|
|                      | Number of Staff |           |            | Number of Staff |           |            |
|                      | Council         | Schools   | Total      | Council         | Schools   | Total      |
| £50,000 to £54,999   | 33              | 9         | 42         | 30              | 9         | 39         |
| £55,000 to £59,999   | 35              | 6         | 41         | 21              | 6         | 27         |
| £60,000 to £64,999   | 12              | 5         | 17         | 11              | 0         | 11         |
| £65,000 to £69,999   | 16              | 0         | 16         | 14              | 4         | 18         |
| £70,000 to £74,999   | 5               | 4         | 9          | 7               | 3         | 10         |
| £75,000 to £79,999   | 3               | 2         | 5          | 2               | 1         | 3          |
| £80,000 to £84,999   | 0               | 2         | 2          | 0               | 1         | 1          |
| £85,000 to £89,999   | 2               | 0         | 2          | 0               | 1         | 1          |
| £90,000 to £94,999   | 0               | 1         | 1          | 0               | 0         | 0          |
| £95,000 to £99,999   | 0               | 0         | 0          | 0               | 0         | 0          |
| £110,000 to £114,999 | 0               | 0         | 0          | 1               | 0         | 1          |
| £165,000 to £169,999 | 0               | 0         | 0          | 0               | 0         | 0          |
| £175,000 to £179,999 | 1               | 0         | 1          | 0               | 0         | 0          |
| £190,000 to £194,999 | 1               | 0         | 1          | 0               | 0         | 0          |
| <b>Total</b>         | <b>108</b>      | <b>29</b> | <b>137</b> | <b>86</b>       | <b>25</b> | <b>111</b> |

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

#### Exit package cost band including special payments

|                      | Total number of exit packages by cost band |           |           |            |           |           | Total cost of exit packages |                |
|----------------------|--|-----------|-----------|------------|-----------|-----------|-----------------------------|----------------|
|                      | 2019/20                                    |           |           | 2018/19    |           |           | 2019/20                     | 2018/19        |
|                      | Compulsory                                 | Other     | Total     | Compulsory | Other     | Total     | £                           | £              |
| <b>Council Staff</b> |  |           |           |            |           |           |                             |                |
| £0 - £19,999         | 3  | 7         | 10        | 2          | 2         | 4         | 81,306                      | 31,528         |
| £20,000 - £39,999    | 4  | 4         | 8         | 4          | 1         | 5         | 241,711                     | 132,730        |
| £40,000 - £59,999    | 0  | 3         | 3         | 1          | 1         | 2         | 151,678                     | 84,430         |
| £60,000 - £79,999    | 0  | 1         | 1         | 0          | 2         | 2         | 61,830                      | 130,459        |
| £80,000 - £99,999    | 0  | 0         | 0         | 0          | 0         | 0         | 0                           | 0              |
| £100,000 - £149,999  | 1  | 1         | 2         | 0          | 2         | 2         | 286,238                     | 240,078        |
| £150,000 - £199,999  | 0  | 1         | 1         | 0          | 0         | 0         | 176,057                     | 0              |
| <b>Total</b>         | <b>8</b>                                   | <b>17</b> | <b>25</b> | <b>7</b>   | <b>8</b>  | <b>15</b> | <b>998,820</b>              | <b>619,225</b> |
| <b>School Staff</b>  |  |           |           |            |           |           |                             |                |
| £0 - £19,999         | 2  | 18        | 20        | 6          | 2         | 8         | 154,019                     | 18,272         |
| £20,000 - £39,999    | 0  | 1         | 1         | 0          | 0         | 0         | 21,800                      | 0              |
| <b>Total</b>         | <b>2</b>                                   | <b>19</b> | <b>21</b> | <b>6</b>   | <b>2</b>  | <b>8</b>  | <b>175,819</b>              | <b>18,272</b>  |
| <b>Total</b>         | <b>10</b>                                  | <b>36</b> | <b>46</b> | <b>13</b>  | <b>10</b> | <b>23</b> | <b>1,174,639</b>            | <b>637,497</b> |

## 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:

|  | 2019/20<br>£000 | 2018/19<br>£000 |
|--|-----------------|-----------------|
| Fees payable with regard to external audit services            | 110             | 110             |
| Fees payable for the certification of grant claims and returns | 23              | 28              |
| Fees payable in respect of other services provided             | 6               | 0               |
| <b>Total Audit Costs</b>                                       | <b>139</b>      | <b>138</b>      |

## Note 17. Dedicated Schools Grant

The Council's expenditure on schools and early years childcare 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 and for early years childcare, as defined in the School and Early Years Finance (England) Regulations 2018.

Details of the deployment of DSG receivable are as follows:

|   | 2019/20<br>Central<br>Expenditure<br>£000 | 2019/20<br>Individual<br>Schools<br>Budget<br>£000 | 2019/20<br>Total<br>£000 | 2018/19<br>Total<br>£000 |
|---|---|--|--------------------------|--------------------------|
| Final DSG before academy recoupment   |   |  | 150,549                  | 147,745                  |
| Academy figure recouped   |   |  | (103,560)                | (98,478)                 |
| Total DSG after academy recoupment  |   |  | 46,989                   | 49,267                   |
| Plus: Brought forward from prior year   |   |  | 216                      | (65)                     |
| Less: Carry forward to following year, agreed in advance                                      |   |  | (216)                    | 65                       |
| <b>Total DSG available</b>  |   |  | <b>46,989</b>            | <b>49,267</b>            |
| Agreed initial budgeted distribution  | 1,748                                     | 44,901   | 46,649                   | 56,795                   |
| In year adjustments (early years, academy recoupment, high need import and export adjustment) | 0   | 470  | 470                      | (7,733)                  |
| <b>Final budget distribution</b>  | <b>1,748</b>                              | <b>45,371</b>                                      | <b>47,119</b>            | <b>49,062</b>            |
| Less: Actual central expenditure  | (1,713)                                   |  | (1,713)                  | (1,699)                  |
| Less: Actual ISB deployed to Schools and providers  |   | (44,374)   | (44,374)                 | (47,082)                 |
| <b>Carry forward to following year</b>  | <b>35</b>                                 | <b>997</b>   | <b>1,032</b>             | <b>281</b>               |
| Plus: Carry forward agreed in advance   |   |  | 216                      | (65)                     |
| <b>Total DSG Carried Forward</b>  |   |  | <b>1,248</b>             | <b>216</b>               |

## Note 18. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

|   | 2019/20<br>£000 | 2018/19<br>£000 |
|---|-----------------|-----------------|
| <b>Credited to Taxation and Non Specific Grant Income</b> |                 |                 |
| <b>Non-Ringfenced Government Grants</b>                   |                 |                 |
| Business Rates Top Up and S31 Grants                      | 18,095          | 16,149          |
| Revenue Support Grant                                     | 5,925           | 10,318          |
| Covid-19 Local Authority Support Grant                    | 5,128           | 0               |
| New Homes Bonus   | 2,031           | 1,445           |
| Adult Social Care Grant                                   | 1,408           | 515             |
| Education Support Grant                                   | 429             | 420             |
| Other non-ringfenced government grants                    | 203             | 166             |
|   | <b>33,219</b>   | <b>29,013</b>   |
| <b>Capital Grants and Contributions</b>                   |                 |                 |
| Airport Business Park                                     | 9,815           | 3,470           |
| Highways Infrastructure                                   | 5,137           | 5,276           |
| Culture   | 707             | 533             |
| Housing   | 695             | 1,051           |
| Schools   | 638             | 717             |
| Energy  | 108             | 0               |
| ICT   | 0               | 667             |
| Other   | 0               | 56              |
|   | <b>17,100</b>   | <b>11,770</b>   |
| <b>Total</b>  | <b>50,319</b>   | <b>40,783</b>   |

|   | 2019/20<br>£000 | 2018/19<br>£000 |
|---|-----------------|-----------------|
| <b>Credited to Services</b>                               |                 |                 |
| Housing Benefits  | 59,514          | 66,393          |
| Dedicated Schools Grant                                   | 46,690          | 48,643          |
| Other grants and third party contributions funding REFCUS | 14,612          | 7,789           |
| Public Health Grant                                       | 9,212           | 9,462           |
| Funding from Clinical Commissioning Groups                | 7,422           | 8,558           |
| Improved Better Care Fund                                 | 6,744           | 3,726           |
| Education and Skills Funding Agency                       | 3,545           | 2,708           |
| Pupil Premium   | 1,881           | 2,547           |
| South East Business Boost                                 | 1,592           | 2,738           |
| DfT Access Fund   | 1,173           | 1,179           |
| Unaccompanied Asylum Children                             | 1,077           | 719             |
| Homelessness/Rough Sleeper Initiatives                    | 1,169           | 805             |
| Housing Benefit Administration                            | 1,018           | 1,284           |
| Universal Infant Free School Meals Grant                  | 904             | 1,114           |
| Other Service Grants and Contributions                    | 7,058           | 5,414           |
| <b>Total</b>  | <b>163,611</b>  | <b>163,079</b>  |

With the exception of grants for £2.866M for schools relating to 2020/21 and a contribution of £0.177M for highways relating to 2020/21 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.

| 2019/20  | Usable Reserves              |                                    |                                  |                               |                                  |  |
|--|------------------------------|------------------------------------|----------------------------------|-------------------------------|----------------------------------|--|
|  | General Fund Balance<br>£000 | Housing Revenue<br>Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable<br>Reserves<br>£000 |
| <b>Adjustments primarily involving the Capital Adjustment Account</b>  |                              |                                    |                                  |                               |                                  |  |
| <b>Reversal of items debited or credited to the comprehensive income and expenditure statement:</b>  |                              |                                    |                                  |                               |                                  |  |
| Charges for depreciation of non-current assets   | 15,036                       | 6,706                              | 0                                | 0                             | 0                                | (21,742)                                 |
| Revaluation and impairment losses on property, plant and equipment and intangible assets   | 4,144                        | 1,219                              | 0                                | 0                             | 0                                | (5,363)                                  |
| Movements in the market value of investment properties   | (355)                        | 3                                  | 0                                | 0                             | 0                                | 352                                      |
| Amortisation of intangible assets  | 1,181                        | 0                                  | 0                                | 0                             | 0                                | (1,181)                                  |
| Capital grants and contributions applied   | (17,638)                     | 1,564                              |                                  |                               | 4,238                            | 11,836                                   |
| Revenue expenditure funded from capital under statute  | 13,625                       | 208                                | 0                                | 0                             | 0                                | (13,833)                                 |
| Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the comprehensive income and expenditure statement | 1,080                        | 1,196                              | 0                                | 0                             | 0                                | (2,276)                                  |
| Change in fair value of pooled investments taken to Financial Instruments Revaluation Reserve  | 1,292                        | 0                                  | 0                                | 0                             | 0                                | (1,292)                                  |
| <b>Insertion of items not debited or credited to the comprehensive income and expenditure statement:</b>   |                              |                                    |                                  |                               |                                  |  |
| Statutory provision for the financing of capital investment  | (4,919)                      | 0                                  | 0                                | 0                             | 0                                | 4,919                                    |
| Capital expenditure charged against the General Fund and HRA Balances  | (962)                        | (4,826)                            | 0                                | 0                             | 0                                | 5,788                                    |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account</b>  |                              |                                    |                                  |                               |                                  |  |
| Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement  | (13,870)                     | (1,768)                            | 0                                | 0                             | 15,638                           | 0  |
| Application of grants to capital financing transferred to the capital adjustment account   | 0                            | 0                                  | 0                                | 0                             | (16,860)                         | 16,860                                   |
| <b>Adjustments primarily involving the Major Repairs Reserve</b>   |                              |                                    |                                  |                               |                                  |  |
| Reverse MRA credited to HRA  | 0                            | (6,706)                            | 0                                | 0                             | 0                                | 6,706                                    |
| Reversal of HRA Depreciation credited to the Major Repairs Reserve   | 0                            | 0                                  | 0                                | 6,706                         | 0                                | (6,706)                                  |
| Use of the major repairs reserve to finance new capital expenditure  | 0                            | 0                                  | 0                                | (5,929)                       | 0                                | 5,929                                    |
| <b>Adjustments primarily involving the Deferred Capital Receipts Account</b>   |                              |                                    |                                  |                               |                                  |  |
| Transfer of deferred capital receipt recognised as income in the Comprehensive Income and Expenditure Account  | (750)                        | 0                                  | 0                                | 0                             | 0                                | 750                                      |

| 2019/20  | Usable Reserves              |                                    |                                  |                               |                                  |  |
|--|------------------------------|------------------------------------|----------------------------------|-------------------------------|----------------------------------|--|
|  | General Fund Balance<br>£000 | Housing Revenue<br>Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable<br>Reserves<br>£000 |
| <b>Adjustments primarily involving the Capital Receipts Reserve</b>  |                              |                                    |                                  |                               |                                  |  |
| Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the comprehensive income and expenditure statement   | (3,650)                      | (2,102)                            | 5,752                            | 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                                  | (2,340)                          | 0                             | 0                                | 2,340                                    |
| Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool   | 666                          | 0                                  | (666)                            | 0                             | 0                                | 0  |
| <b>Adjustments primarily involving the Pensions Reserve</b>  |                              |                                    |                                  |                               |                                  |  |
| Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see note 36)  | 23,658                       | 0                                  | 0                                | 0                             | 0                                | (23,658)                                 |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | (9,496)                      | 0                                  | 0                                | 0                             | 0                                | 9,496                                    |
| <b>Adjustments primarily involving the Collection Fund Adjustment Account</b>  |                              |                                    |                                  |                               |                                  |  |
| Amount by which council tax and business rate income credited to the comprehensive income and expenditure statement is different from council tax and business rate income calculated for the year in accordance with statutory requirements | 1,632                        | 0                                  | 0                                | 0                             | 0                                | (1,632)                                  |
| <b>Adjustments primarily involving the Accumulated Absences Account</b>  |                              |                                    |                                  |                               |                                  |  |
| Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements                      | 96                           | 0                                  | 0                                | 0                             | 0                                | (96)                                     |
| <b>Total Adjustments</b>   | <b>10,770</b>                | <b>(4,506)</b>                     | <b>2,746</b>                     | <b>777</b>                    | <b>3,016</b>                     | <b>(12,803)</b>                          |

| 2018/19 Comparative Figures  | Usable Reserves              |                                    |                                  |                               |                                  |  |
|--|------------------------------|------------------------------------|----------------------------------|-------------------------------|----------------------------------|--|
|  | General Fund Balance<br>£000 | Housing Revenue<br>Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable<br>Reserves<br>£000 |
| <b>Adjustments primarily involving the Capital Adjustment Account</b>  |                              |                                    |                                  |                               |                                  |  |
| <b>Reversal of items debited or credited to the comprehensive income and expenditure statement:</b>  |                              |                                    |                                  |                               |                                  |  |
| Charges for depreciation of non-current assets   | 13,649                       | 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                              | 0                                | 0                             | (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 Reserve  | (454)                        | 0                                  | 0                                | 0                             | 0                                | 454                                      |
| <b>Insertion of items not debited or credited to the comprehensive income and expenditure statement:</b>   |                              |                                    |                                  |                               |                                  |  |
| 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                                    |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account</b>  |                              |                                    |                                  |                               |                                  |  |
| 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                                   |
| <b>Adjustments primarily involving the Major Repairs Reserve</b>   |                              |                                    |                                  |                               |                                  |  |
| 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                                    |
| <b>Adjustments primarily involving the Deferred Capital Receipts Account</b>   |                              |                                    |                                  |                               |                                  |  |
| Transfer of deferred capital receipt recognised as income in the Comprehensive Income and Expenditure Account  | 0                            | 0                                  | 2,000                            | 0                             | 0                                | (2,000)                                  |



| 2018/19 Comparative Figures  | Usable Reserves              |                                    |                                  |                               |                                  |  |
|--|------------------------------|------------------------------------|----------------------------------|-------------------------------|----------------------------------|--|
|  | General Fund Balance<br>£000 | Housing Revenue<br>Account<br>£000 | Capital Receipts Reserve<br>£000 | Major Repairs Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Movement in Unusable<br>Reserves<br>£000 |
| <b>Adjustments primarily involving the Capital Receipts Reserve</b>  |                              |                                    |                                  |                               |                                  |  |
| Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the comprehensive income and expenditure statement   | (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  |
| <b>Adjustments primarily involving the Pensions Reserve</b>  |                              |                                    |                                  |                               |                                  |  |
| Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see note 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                                    |
| <b>Adjustments primarily involving the Collection Fund Adjustment Account</b>  |                              |                                    |                                  |                               |                                  |  |
| Amount by which council tax and business rate income credited to the comprehensive income and expenditure statement is different from council tax and business rate income calculated for the year in accordance with statutory requirements | (858)                        | 0                                  | 0                                | 0                             | 0                                | 858                                      |
| <b>Adjustments primarily involving the Accumulated Absences Account</b>  |                              |                                    |                                  |                               |                                  |  |
| Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements                      | (405)                        | 0                                  | 0                                | 0                             | 0                                | 405                                      |
| <b>Total Adjustments</b>   | <b>62,728</b>                | <b>(2,813)</b>                     | <b>364</b>                       | <b>373</b>                    | <b>636</b>                       | <b>(61,288)</b>                          |

## 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 2019/20.

| Earmarked Reserves              | Balance at<br>31 March<br>2018<br>£000 | Transfers     |                 | Balance at<br>31 March<br>2019<br>£000 | Transfers     |                 | Balance at<br>31 March<br>2020<br>£000 |
|---------------------------------|--|---------------|-----------------|--|---------------|-----------------|--|
|                                 |  | To<br>£000    | From<br>£000    |  | To<br>£000    | From<br>£000    |  |
| <b>Schools Balances</b>         | <b>4,078</b>                           | <b>0</b>      | <b>(451)</b>    | <b>3,627</b>                           | <b>0</b>      | <b>(432)</b>    | <b>3,195</b>                           |
| <b>General Fund Reserves</b>    |  |               |                 |  |               |                 |  |
| Capital Investment Reserves     | 12,914                                 | 1,445         | (1,721)         | 12,638                                 | 1,296         | (2,527)         | 11,407                                 |
| Insurance Reserves              | 6,800                                  | 0             | 0               | 6,800                                  | 0             | (837)           | 5,963                                  |
| Corporate Reserves              | 23,681                                 | 10,874        | (1,648)         | 32,907                                 | 12,740        | (4,080)         | 41,567                                 |
| Service Reserves                | 14,460                                 | 3,654         | (4,096)         | 14,018                                 | 658           | (6,281)         | 8,395                                  |
| Grants Reserves                 | 3,670                                  | 2,612         | (2,032)         | 4,250                                  | 2,107         | (1,454)         | 4,903                                  |
| Monies held in Trust            | 53                                     | 0             | 0               | 53                                     | 0             | 0               | 53                                     |
| <b>Total GF Reserves</b>        | <b>61,578</b>                          | <b>18,585</b> | <b>(9,497)</b>  | <b>70,666</b>                          | <b>16,801</b> | <b>(15,179)</b> | <b>72,288</b>                          |
| <b>HRA Service Reserves</b>     | <b>28,258</b>                          | <b>5,522</b>  | <b>(1,390)</b>  | <b>32,390</b>                          | <b>2,486</b>  | <b>(2,955)</b>  | <b>31,921</b>                          |
| <b>Total Earmarked Reserves</b> | <b>93,914</b>                          | <b>24,107</b> | <b>(11,338)</b> | <b>106,683</b>                         | <b>19,287</b> | <b>(18,566)</b> | <b>107,404</b>                         |

### Schools Balances

The school's 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 several children pending them reaching the age of 18.

## NOTES SUPPORTING THE BALANCE SHEET

### Note 21. Property, Plant and Equipment

| Movements in 2019/20                                | Council Dwellings<br>£000 | Other Land & Buildings<br>£000 | Vehicles, Plant, Furniture<br>& Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Assets under Construction<br>£000 | Total Property, Plant &<br>Equipment<br>£000 |
|---|---------------------------|--------------------------------|---|-------------------------------|--------------------------|------------------------|-----------------------------------|--|
| <b>Cost or Valuation as at 1 April 2019</b>         | <b>386,785</b>            | <b>287,437</b>                 | <b>15,057</b>                                     | <b>158,088</b>                | <b>3,377</b>             | <b>4,095</b>           | <b>14,627</b>                     | <b>869,466</b>                               |
| Additions   | 12,588                    | 3,927                          | 2,184   | 9,387                         | 137                      | 0                      | 13,219                            | 41,442                                       |
| Revaluations via Revaluation Reserve                | 3,485                     | (4,863)                        | 0   | 0                             | 0                        | (250)                  | 0                                 | (1,628)                                      |
| Revaluations recognised in the CIES                 | (1,215)                   | (1,975)                        | (19)  | (454)                         | 0                        | 0                      | (1,434)                           | (5,097)                                      |
| Disposals   | (1,283)                   | (158)                          | (509)   | (618)                         | 0                        | 0                      | (44)                              | (2,612)                                      |
| Transfers   | 3,412                     | (513)                          | 0   | 0                             | 0                        | (305)                  | (2,810)                           | (216)  |
| <b>Gross Book Value as at 31 March 2020</b>         | <b>403,772</b>            | <b>283,855</b>                 | <b>16,713</b>                                     | <b>166,403</b>                | <b>3,514</b>             | <b>3,540</b>           | <b>23,558</b>                     | <b>901,355</b>                               |
| <b>Accumulated Depreciation as at 1 April 2019</b>  | <b>(22,072)</b>           | <b>(11,256)</b>                | <b>(6,311)</b>                                    | <b>(57,452)</b>               | <b>0</b>                 | <b>(13)</b>            | <b>0</b>                          | <b>(97,104)</b>                              |
| Depreciation  | (6,510)                   | (6,265)                        | (1,368)   | (7,104)                       | 0                        | (4)                    | 0                                 | (21,251)                                     |
| Written out to Revaluation Reserve                  | 3                         | 0                              | 0   | 0                             | 0                        | 0                      | 0                                 | 3  |
| Written out to the CIES                             | 0                         | 0                              | 0   | 0                             | 0                        | 0                      | 0                                 | 0  |
| On Disposals  | 87                        | 12                             | 509   | 618                           | 0                        | 0                      | 0                                 | 1,226  |
| On Transfers  | (70)                      | 70                             | 0   | 0                             | 0                        | 0                      | 0                                 | 0  |
| <b>Accumulated Depreciation as at 31 March 2020</b> | <b>(28,562)</b>           | <b>(17,439)</b>                | <b>(7,170)</b>                                    | <b>(63,938)</b>               | <b>0</b>                 | <b>(17)</b>            | <b>0</b>                          | <b>(117,126)</b>                             |
| <b>Net Book Value as at 31 March 2019</b>           | <b>364,713</b>            | <b>276,181</b>                 | <b>8,746</b>                                      | <b>100,636</b>                | <b>3,377</b>             | <b>4,082</b>           | <b>14,627</b>                     | <b>772,362</b>                               |
| <b>Net Book Value as at 31 March 2020</b>           | <b>375,210</b>            | <b>266,416</b>                 | <b>9,543</b>                                      | <b>102,465</b>                | <b>3,514</b>             | <b>3,523</b>           | <b>23,558</b>                     | <b>784,229</b>                               |

| <b>Movements in 2018/19</b>                         | <b>Council Dwellings<br/>£000</b> | <b>Other Land &amp; Buildings<br/>£000</b> | <b>Vehicles, Plant, Furniture<br/>&amp; Equipment<br/>£000</b> | <b>Infrastructure Assets<br/>£000</b> | <b>Community Assets<br/>£000</b> | <b>Surplus Assets<br/>£000</b> | <b>Assets under Construction<br/>£000</b> | <b>Total Property, Plant &amp;<br/>Equipment<br/>£000</b> |
|---|-----------------------------------|--|--|---------------------------------------|----------------------------------|--------------------------------|---|---|
| <b>Cost or Valuation as at 1 April 2018</b>         | <b>374,630</b>                    | <b>315,114</b>                             | <b>13,914</b>  | <b>145,834</b>                        | <b>1,076</b>                     | <b>1,085</b>                   | <b>8,618</b>                              | <b>860,271</b>  |
| 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)   |
| <b>Gross Book Value as at 31 March 2019</b>         | <b>386,785</b>                    | <b>287,437</b>                             | <b>15,057</b>  | <b>158,088</b>                        | <b>3,377</b>                     | <b>4,095</b>                   | <b>14,627</b>                             | <b>869,466</b>  |
| <b>Accumulated Depreciation as at 1 April 2018</b>  | <b>(15,910)</b>                   | <b>(9,936)</b>                             | <b>(5,127)</b>   | <b>(50,748)</b>                       | <b>0</b>                         | <b>(14)</b>                    | <b>0</b>                                  | <b>(81,735)</b>   |
| 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  |
| <b>Accumulated Depreciation as at 31 March 2019</b> | <b>(22,072)</b>                   | <b>(11,256)</b>                            | <b>(6,311)</b>   | <b>(57,452)</b>                       | <b>0</b>                         | <b>(13)</b>                    | <b>0</b>                                  | <b>(97,104)</b>   |
| <b>Net Book Value as at 31 March 2018</b>           | <b>358,720</b>                    | <b>305,178</b>                             | <b>8,787</b>   | <b>95,086</b>                         | <b>1,076</b>                     | <b>1,071</b>                   | <b>8,618</b>                              | <b>778,536</b>  |
| <b>Net Book Value as at 31 March 2019</b>           | <b>364,713</b>                    | <b>276,181</b>                             | <b>8,746</b>   | <b>100,636</b>                        | <b>3,377</b>                     | <b>4,082</b>                   | <b>14,627</b>                             | <b>772,362</b>  |

### Depreciation

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

| <b>2019/20<br/>Useful Economic Life<br/>Years</b> | <b>Fixed Asset Category</b>              | <b>2018/19<br/>Useful Economic Life<br/>Years</b> |
|---|--|---|
| Between 1 and 59                                  | Council Dwellings                        | Between 1 and 60                                  |
| Between 1 and 59                                  | Other Land & Buildings                   | Between 1 and 60                                  |
| Between 2 and 50                                  | Vehicles, Plant, Furniture and Equipment | Between 1 and 51                                  |
| Between 1 and 42                                  | Infrastructure Assets                    | Between 1 and 43                                  |
| Nil   | Community Assets                         | Nil   |
| Between 32 and 57                                 | 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 investment properties, Southchurch Hall, the Cliff Lift, cliff bandstand, the pier structure and the Mayor's official residence, Porters. The significant assumptions applied in estimating their current values were:

- The data provided by the Council was accurate at 1 April 2019.
- 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).

At 31 March 2020, due to the Covid-19 pandemic, valuations are included on the basis of 'material valuation uncertainty' so a higher degree of caution should be attached to these valuations. However, they have been based on the best information available and are therefore a valid basis of valuation for this Statement of Accounts.

### 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. Relevant data from BCIS is subject to uncertainty. It is still too early to form a view, but forecasts are subject to change as the knock on effect of Covid-19 on the construction market becomes clear.

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

| Year of Rolling Programme | Internal/ External Valuation | Valuer            | Assets Revalued   |
|---------------------------|------------------------------|-------------------|---|
| 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  |
| 2019/20                   | External                     | Whybrow and Dodds | Investment properties, Southchurch Hall, the Cliff Lift, cliff bandstand, pier structure and Porters  |

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                   | 2019/20<br>£000 | 2018/19<br>£000 |
|---|-----------------|-----------------|
| <b>Gross carrying amount at start of year</b> | <b>14,764</b>   | <b>12,170</b>   |
| Accumulated amortisation                      | (6,559)         | (5,731)         |
| <b>Net carrying amount at start of year</b>   | <b>8,205</b>    | <b>6,439</b>    |
| Additions                                     | 1,779           | 2,626           |
| Impairment                                    | (2)             | (32)            |
| Disposals                                     | (454)           | 0               |
| <u>Amortisation</u>                           |                 |                 |
| Written out to CIES                           | 454             | 0               |
| For Current Year                              | (1,181)         | (828)           |
| <b>Gross carrying amount at end of year</b>   | <b>16,087</b>   | <b>14,764</b>   |
| Accumulated amortisation                      | (7,286)         | (6,559)         |
| <b>Net carrying amount at end of year</b>     | <b>8,801</b>    | <b>8,205</b>    |

The useful lives for these assets (the number of years remaining over which they are depreciated) are between 1 and 14 years.

## **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 16<sup>th</sup> Century and the 20<sup>th</sup> Century.

### Museum Collections

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

The 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<br>£000 | Heritage Land & Buildings<br>£000 | Antiques and Collectables<br>£000 | Museum Collections<br>£000 | Total Heritage Assets<br>£000 |
|---|---------------------------------|-----------------------------------|-----------------------------------|----------------------------|-------------------------------|
| <b>Movements in 2019/20</b>                         |                                 |                                   |                                   |                            |                               |
| <b>Cost or Valuation as at 1 April 2019</b>         | <b>36,414</b>                   | <b>1,964</b>                      | <b>896</b>                        | <b>1,557</b>               | <b>40,831</b>                 |
| Additions   | 2,636                           | 0                                 | 0                                 | 0                          | 2,636                         |
| Revaluations via Revaluation Reserve                | (13,799)                        | (4)                               | 0                                 | 0                          | (13,803)                      |
| Revaluations recognised in the CIES                 | (264)                           | 0                                 | 0                                 | 0                          | (264)                         |
| <b>Gross Book Value as at 31 March 2020</b>         | <b>24,987</b>                   | <b>1,960</b>                      | <b>896</b>                        | <b>1,557</b>               | <b>29,400</b>                 |
| <b>Accumulated Depreciation as at 1 April 2019</b>  | <b>(2,960)</b>                  | <b>(128)</b>                      | <b>0</b>                          | <b>0</b>                   | <b>(3,088)</b>                |
| Depreciation  | (461)                           | (30)                              | 0                                 | 0                          | (491)                         |
| Written out to Revaluation Reserve                  | 3,085                           | 2                                 | 0                                 | 0                          | 3,087                         |
| Written out to the CIES                             | 0                               | 0                                 | 0                                 | 0                          | 0                             |
| <b>Accumulated Depreciation as at 31 March 2020</b> | <b>(336)</b>                    | <b>(156)</b>                      | <b>0</b>                          | <b>0</b>                   | <b>(492)</b>                  |
| <b>Net Book Value as at 31 March 2019</b>           | <b>33,454</b>                   | <b>1,836</b>                      | <b>896</b>                        | <b>1,557</b>               | <b>37,743</b>                 |
| <b>Net Book Value as at 31 March 2020</b>           | <b>24,651</b>                   | <b>1,804</b>                      | <b>896</b>                        | <b>1,557</b>               | <b>28,908</b>                 |

|   | Historic Seaside Assets<br>£000 | Heritage Land & Buildings<br>£000 | Antiques and Collectables<br>£000 | Museum Collections<br>£000 | Total Heritage Assets<br>£000 |
|---|---------------------------------|-----------------------------------|-----------------------------------|----------------------------|-------------------------------|
| <b>Movements in 2018/19</b>                         |                                 |                                   |                                   |                            |                               |
| <b>Cost or Valuation as at 1 April 2018</b>         | <b>35,730</b>                   | <b>1,964</b>                      | <b>896</b>                        | <b>1,557</b>               | <b>40,147</b>                 |
| Additions   | 1,393                           | 0                                 | 0                                 | 0                          | 1,393                         |
| Revaluations via Revaluation Reserve                |                                 |                                   |                                   |                            | 0                             |
| Revaluations recognised in the CIES                 | (709)                           | 0                                 | 0                                 | 0                          | (709)                         |
| <b>Gross Book Value as at 31 March 2019</b>         | <b>36,414</b>                   | <b>1,964</b>                      | <b>896</b>                        | <b>1,557</b>               | <b>40,831</b>                 |
| <b>Accumulated Depreciation as at 1 April 2018</b>  | <b>(2,361)</b>                  | <b>(86)</b>                       | <b>0</b>                          | <b>0</b>                   | <b>(2,447)</b>                |
| 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                             |
| <b>Accumulated Depreciation as at 31 March 2019</b> | <b>(2,960)</b>                  | <b>(128)</b>                      | <b>0</b>                          | <b>0</b>                   | <b>(3,088)</b>                |
| <b>Net Book Value as at 31 March 2018</b>           | <b>33,369</b>                   | <b>1,878</b>                      | <b>896</b>                        | <b>1,557</b>               | <b>37,700</b>                 |
| <b>Net Book Value as at 31 March 2019</b>           | <b>33,454</b>                   | <b>1,836</b>                      | <b>896</b>                        | <b>1,557</b>               | <b>37,743</b>                 |



## Basis of valuation

| Asset                | Date of last valuation | Valuer  | Qualification | Method of valuation          |
|----------------------|------------------------|---|---------------|------------------------------|
| Cliff Lift           | 01/04/2019             | Whybrow and Dodds                                     | MRICS         | Existing use value           |
| Porters              | 01/04/2019             | Whybrow and Dodds                                     | MRICS         | Depreciated replacement cost |
| Porters contents     | 16/08/2013             | Webb Valuations Fine Art Ltd                          | FRICS         | Current replacement cost     |
| Southchurch Hall     | 01/04/2019             | Whybrow and Dodds                                     | MRICS         | Depreciated replacement cost |
| Pier                 | 01/04/2019             | Whybrow and Dodds                                     | MRICS         | Depreciated replacement cost |
| Bandstand            | 01/04/2019             | 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:

|  | 2019/20<br>£000 | 2018/19<br>£000 |
|--|-----------------|-----------------|
| Balance at start of the year                     | 41,326          | 41,044          |
| Additions:                                       |                 |                 |
| Subsequent Expenditure                           | 0               | 333             |
| Disposals  | (890)           | (25)            |
| Net Gains / (Losses) from fair value adjustments |                 |                 |
| Transfers:                                       |                 |                 |
| (to) / from Property, Plant and Equipment        | 216             | 264             |
| Revaluations and impairments                     | 352             | (290)           |
| <b>Balance at end of the year</b>                | <b>41,004</b>   | <b>41,326</b>   |

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.

The approach to investment property valuation has been developed using the authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, and maintenance costs. The ranges used, on a weighted average basis, are maintained on a consistent basis year on year. The ranges are sensitive to significant changes in rental income and rent growth; vacancy levels or discount rate which can result in a significantly lower or higher fair value. The Council's investment property portfolio is relatively stable and there has been no change in the valuation techniques used for Investment Properties in 2019/20 including the applicable ranges.

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

At 31 March 2020, due to the Covid-19 pandemic, valuations are included on the basis of 'material valuation uncertainty' so a higher degree of caution should be attached to these valuations. However, they have been based on the best information available and are therefore a valid basis of valuation for this Statement of Accounts.

The investment property portfolio was also subject to an impairment allowance at 31 March 2020 of one quarter rent, totalling £1.405M across all properties. It is still too early to form a view on how rents and values will be impacted, particularly with fewer properties being brought to the market on which to base that judgement.

## **Note 25. Financial Instruments**

### **Categorisation of Financial Assets under IFRS9**

#### **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.

#### **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. These are classified as fair value through profit or loss as the income is not solely from principal and interest.

## Categories of Financial Instruments

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

|   | Non-Current              |                          | Current                  |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | 31 March<br>2020<br>£000 | 31 March<br>2019<br>£000 | 31 March<br>2020<br>£000 | 31 March<br>2019<br>£000 |
| <b>Investments, Cash and Cash Equivalents</b>         |                          |                          |                          |                          |
| Financial Assets at Amortised Cost                    | 70                       | 44                       | 74,252                   | 13,643                   |
| Financial Assets at Fair Value Through Profit or Loss | 27,554                   | 28,384                   | 24,023                   | 53,475                   |
| <b>Total Investments</b>                              | <b>27,624</b>            | <b>28,428</b>            | <b>98,275</b>            | <b>67,118</b>            |
| <b>Debtors</b>  |                          |                          |                          |                          |
| Financial Assets at Amortised Cost                    | 3,101                    | 2,538                    | 32,125                   | 35,311                   |
| <b>Total Debtors</b>                                  | <b>3,101</b>             | <b>2,538</b>             | <b>32,125</b>            | <b>35,311</b>            |
| <b>Borrowings</b>                                     |                          |                          |                          |                          |
| Financial Liabilities at Amortised Cost               | 329,566                  | 280,244                  | 1,514                    | 8,856                    |
| <b>Total Borrowings</b>                               | <b>329,566</b>           | <b>280,244</b>           | <b>1,514</b>             | <b>8,856</b>             |
| <b>Creditors</b>                                      |                          |                          |                          |                          |
| Financial Liabilities at Amortised Cost               | 14                       | 14                       | 28,968                   | 24,874                   |
| <b>Total Creditors</b>                                | <b>14</b>                | <b>14</b>                | <b>28,968</b>            | <b>24,874</b>            |

## Reclassifications

There were no reclassifications of financial instruments during 2019/20.

## Income, Expense, Gains and Losses

| 2019/20   | Financial<br>Liabilities<br>measured at: | Financial Assets measured at: |  |               |
|---|--|-------------------------------|--|---------------|
|   | Amortised<br>Cost<br>£000                | Amortised<br>Cost<br>£000     | Fair Value<br>Through<br>Profit or<br>Loss<br>£000 | Total<br>£000 |
| Interest Expense  | 12,315                                   | 0                             | 0  | 12,315        |
| Fee Expense   | 21                                       | 0                             | 123  | 144           |
| <b>Total Expense in Surplus or Deficit<br/>on the Provision of Services</b> | <b>12,336</b>                            | <b>0</b>                      | <b>123</b>   | <b>12,459</b> |
| Interest Income   | 0  | (400)                         | (564)  | (964)         |
| <b>Total Income in Surplus or Deficit<br/>on the Provision of Services</b>  | <b>0</b>                                 | <b>(400)</b>                  | <b>(564)</b>                                       | <b>(964)</b>  |
| <b>Net Gain / (Loss) for the year</b>                                       | <b>12,336</b>                            | <b>(400)</b>                  | <b>(441)</b>                                       | <b>11,495</b> |

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

### 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 2020 of 2.10% to 2.85% 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 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 2020   |            | 31 March 2019   |            |
|-----------------------|-----------------|------------|-----------------|------------|
|                       | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
|                       | £000            | £000       | £000            | £000       |
| Financial Liabilities | 360,048         | 411,116    | 313,974         | 385,130    |
| Long Term Creditors   | 14              | 14         | 14              | 14         |

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes several 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 2020) arising from a commitment to pay interest to lenders above current market rates.

|                   | 31 March 2020   | 31 March 2019   |
|-------------------|-----------------|-----------------|
|                   | Carrying Amount | Carrying Amount |
|                   | £000            | £000            |
| Financial Assets  | 158,024         | 130,857         |
| Long Term Debtors | 3,101           | 2,538           |

### 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 2020 | 31 March 2019 |
|--|-------------------------------------|---|----------------------------|---------------|---------------|
|  |                                     |   |                            | £000          | £000          |
| <b>Fair Value Through Profit or Loss:</b>      |                                     |   |                            |               |               |
| Money Market Funds                             | Level 1                             | Unadjusted quoted prices in active markets for identical assets | Unit price of fund         | 4,011         | 33,011        |
| Enhanced Cash Fund                             | Level 1                             | Unadjusted quoted prices in active markets for identical assets | Unit price of fund         | 4,990         | 5,066         |
| Short Dated Bond Funds                         | Level 1                             | Unadjusted quoted prices in active markets for identical assets | Unit price of fund         | 15,022        | 15,398        |
| Property Funds                                 | Level 1                             | Unadjusted quoted prices in active markets for identical assets | Unit price of fund         | 27,815        | 28,678        |
| <b>Total Fair Value Through Profit or Loss</b> |                                     |   |                            | <b>51,838</b> | <b>82,153</b> |

Due to the Covid-19 outbreak and the high level of uncertainty regarding the unit price and therefore fund valuations, the property fund managers have inserted a Material Uncertainty Clause into the March 2020 valuation reports. (The value of these funds is shown in the table above, however a change in the unit price of 27% would need to occur before the effect on this balance became material.) This indicates that a higher degree of caution should be attached to these valuations. As time progresses if the uncertainty reduces more reliance can be placed on the prevailing quoted unit price and the Material Uncertainty Clauses will be removed. Any resulting movement in the Fair Value will be credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the financial reporting period in which the movement occurs.

**Note 26. Short Term Debtors**

|                                       | <b>31 March 2020</b> | <b>31 March 2019</b> |
|---------------------------------------|----------------------|----------------------|
|                                       | <b>£000</b>          | <b>£000</b>          |
| Central government bodies             | 21,069               | 12,237               |
| Local authorities                     | 2,705                | 1,954                |
| NHS bodies                            | 1,133                | 663                  |
| Public corporations and trading funds | 1                    | 0                    |
| Other entities and individuals        | 22,164               | 21,889               |
| <b>Total Debtors</b>                  | <b>47,072</b>        | <b>36,743</b>        |
| Value of impairment included above    | (11,727)             | (10,930)             |

**Note 27. Cash and Cash Equivalents**

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

|   | <b>31 March 2020</b> | <b>31 March 2019</b> |
|---|----------------------|----------------------|
|   | <b>£000</b>          | <b>£000</b>          |
| Cash and cash equivalents held by the Council | 36,822               | 41,006               |
| Bank Current Accounts held by schools         | 5,558                | 5,355                |
| Euro bank account held by the Council         | 405                  | 0                    |
| <b>Total Cash and Cash Equivalents</b>        | <b>42,785</b>        | <b>46,361</b>        |

The Euro bank account is used where the Council receives monies denominated in Euros and is also required to pay them out in Euros, therefore eliminating exchange rate risk. The above balance at 31 March 2020 occurred due to monies from the European Regional Development Fund being received before the year end being paid out to the Council's programme partners over a period from late March to April. At 31 March 2020 €0.457M was due to be paid out.

**Note 28. Short Term Creditors**

|                                | <b>31 March 2020</b> | <b>31 March 2019</b> |
|--------------------------------|----------------------|----------------------|
|                                | <b>£000</b>          | <b>£000</b>          |
| Central government bodies      | 11,560               | 9,228                |
| Other local authorities        | 6,034                | 5,793                |
| NHS bodies                     | 806                  | 1,491                |
| Other entities and individuals | 32,787               | 27,568               |
| <b>Total Creditors</b>         | <b>51,187</b>        | <b>44,080</b>        |

## Note 29. Provisions

|                                    | Insurance    | Redundancy | Business<br>Rate Appeals | Other<br>Provisions | Total        |
|------------------------------------|--------------|------------|--------------------------|---------------------|--------------|
|                                    | £000         | £000       | £000                     | £000                | £000         |
| <b>Balance at 1 April 2018</b>     | 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)      |
| <b>Balance at 31 March 2019</b>    | <b>1,855</b> | <b>500</b> | <b>2,084</b>             | <b>0</b>            | <b>4,439</b> |
| Additional provisions made in year | 837          | 499        | 1,156                    | 0                   | 2,492        |
| Amounts used in year               | 0            | (999)      | (546)                    | 0                   | (1,545)      |
| Unused amounts reversed in year    | 0            | 0          | 0                        | 0                   | 0            |
| <b>Balance at 31 March 2020</b>    | <b>2,692</b> | <b>0</b>   | <b>2,694</b>             | <b>0</b>            | <b>5,386</b> |

### Insurance Provision

This reflects the total value of claims outstanding at the year-end for which the Council has a future liability of uncertain timing. In addition the Council keeps an insurance reserve (shown in Note 20) to mitigate against the risk of potential claims arising in the future.

### Redundancy Provision

Historically this provision was used for both actual cost of exit payments and estimated payments which resulted from organisational management decisions taken during the reporting financial year but were to be paid in future years. No provision has been made at 31 March 2020 as any future estimated payments arising from decisions during 2019/20 but payable during 2020/21 will be met from Corporate Earmarked Reserves (see note 20).

### 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 2019/20 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.

|   | 2019/20        | 2018/19        |
|---|----------------|----------------|
|   | £000           | £000           |
| <b>Balance at 1 April</b>   | <b>277,092</b> | <b>272,586</b> |
| Upward revaluation of assets  | 4,723          | 30,827         |
| Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the provision of services    | (17,064)       | (4,759)        |
| Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services | (12,341)       | 26,068         |
| Difference between fair value and historical cost depreciation  | (4,957)        | (4,260)        |
| Balance attributable to disposal/write offs   | (457)          | (17,302)       |
| Amount written off to the capital adjustment account  | (5,414)        | (21,562)       |
| <b>Balance at 31 March</b>  | <b>259,337</b> | <b>277,092</b> |

### Capital Adjustment Account

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

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

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

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



|  | 2019/20  |                | 2018/19        |
|--|----------|----------------|----------------|
|  | £000     | £000           | £000           |
| <b>Balance at 1 April</b>  |          | <b>211,380</b> | <b>236,147</b> |
| <i>Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement</i>                         |          |                |                |
| Charges for depreciation and revaluation gains and losses and impairment losses on non-current assets  | (27,105) |                | (26,522)       |
| Amortisation of intangible assets  | (1,181)  |                | (828)          |
| Revenue expenditure funded from capital under statute  | (13,833) |                | (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 | (2,276)  |                | (34,188)       |
|  |          | (44,395)       | (79,840)       |
| Adjusting amounts written out of the revaluation reserve   |          | 5,414          | 21,562         |
| Net written out amount of the cost of non-current assets consumed in the year  |          | (38,981)       | (58,278)       |
| <i>Capital financing applied in the year</i>   |          |                |                |
| Use of the capital receipts reserve to finance new capital expenditure   | 2,340    |                | 2,051          |
| Use of the major repairs reserve to finance new capital expenditure  | 5,929    |                | 6,076          |
| Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing                | 28,696   |                | 18,923         |
| Statutory provision for the financing of capital investment charged against the general fund and HRA balances  | 4,919    |                | 1,359          |
| Use of the capital receipts reserve to repay borrowing   | 0        |                | 2,000          |
| Capital expenditure charged against the general fund and HRA balances  | 5,788    |                | 3,392          |
|  |          | 47,672         | 33,801         |
| Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement                           |          | 352            | (290)          |
| <b>Balance at 31 March</b>   |          | <b>220,423</b> | <b>211,380</b> |

### Pensions Reserve

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

|  | 2019/20<br>£000  | 2018/19<br>£000  |
|--|------------------|------------------|
| <b>Balance at 1 April</b>  | <b>(151,806)</b> | <b>(168,922)</b> |
| Remeasurements of the net defined benefit liability/(asset)  | 21,446           | 31,792           |
| 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 | (23,658)         | (23,328)         |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | 9,496            | 8,652            |
| <b>Balance at 31 March</b>   | <b>(144,522)</b> | <b>(151,806)</b> |

### 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.

|   | 2019/20<br>£000 | 2018/19<br>£000 |
|---|-----------------|-----------------|
| <b>Capital Investment</b>                                   |                 |                 |
| Property, Plant and Equipment                               | 41,442          | 27,325          |
| Investment Assets   | 0               | 333             |
| Intangible Assets   | 1,779           | 2,626           |
| Heritage Assets   | 2,636           | 1,393           |
| Revenue Expenditure Funded from Capital Under Statute       | 13,833          | 18,302          |
| <b>Total Capital Investment</b>                             | <b>59,690</b>   | <b>49,979</b>   |
| <b>Sources of Finance</b>                                   |                 |                 |
| Usable Capital Receipts                                     | 2,340           | 2,051           |
| Government Grants and other Contributions                   | 28,696          | 18,923          |
| Sums set aside from Revenue:                                |                 |                 |
| Direct Revenue Contributions                                | 5,788           | 3,392           |
| Major Repairs Reserve                                       | 5,929           | 6,076           |
| <b>Total Financing from Internal Resources</b>              | <b>42,753</b>   | <b>30,442</b>   |
| Credit arrangements   | 0               | 167             |
| Un-supported Capital Borrowing                              | 16,937          | 19,370          |
| <b>Total Financing from Borrowing / Credit Arrangements</b> | <b>16,937</b>   | <b>19,537</b>   |
| <b>Total Capital Financing</b>                              | <b>59,690</b>   | <b>49,979</b>   |

|  | 2019/20<br>£000 | 2018/19<br>£000 |
|--|-----------------|-----------------|
| <b>Opening Capital Financing Requirement</b>               | <b>359,962</b>  | <b>343,187</b>  |
| <b>Explanation of Movements in Year</b>                    |                 |                 |
| Borrowing (unsupported by Government financial assistance) | 16,937          | 19,370          |
| Assets acquired under Finance Leases                       | 0               | 167             |
| Capital receipts used to repay borrowing                   | 0               | (2,000)         |
| Minimum Revenue Provision                                  | (4,343)         | (762)           |
| <b>Closing Capital Financing Requirement</b>               | <b>372,556</b>  | <b>359,962</b>  |
| <b>of which</b>  |                 |                 |
| General Fund CFR   | 273,740         | 261,222         |
| Housing Revenue Account CFR                                | 98,816          | 98,740          |
|  | <b>372,556</b>  | <b>359,962</b>  |

### 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 2020<br>£000 | 31 March 2019<br>£000 |
|---|-----------------------|-----------------------|
| Not later than one year                           | 3,030                 | 2,934                 |
| Later than one year and not later than five years | 9,988                 | 9,875                 |
| Later than five years                             | 112,552               | 109,965               |
|   | <b>125,570</b>        | <b>122,774</b>        |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as rental payments that vary with turnover. In 2019/20 no contingent rents were estimated to be receivable by the Council (2018/19 £25,000 estimated).

### Note 34. Downward Revaluation and Impairment Losses

Various assets were revalued at 1 April 2019 as part of the rolling revaluation programme which led to a downward valuation or impairment loss of £12.903M in total.

A market review was carried out at 31 March 2020 which led to a downward valuation or impairment loss of £4.499M in total.

An impairment review was also undertaken of capital additions of which £2.449M was considered not to increase the asset value and therefore was impaired.

As a result of the regular review of the fixed asset register downward revaluations and impairments were identified within the Council Dwellings (£1.371M) and Assets Under Construction (£1.434M) categories of assets.

### Note 35. Termination Benefits

The Council continues to undergo a significant programme of service redesign involving, amongst other things, potential redundancy payment obligations that, although not yet identified, if required will be charged on an accruals basis to the appropriate service area.

### 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 2019/20 the Council paid £2.3M to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay up to 31 August 2019 and 23.68% from 1 September 2019. The figures for 2018/19 were £1.8M 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 £9,521 awarded in respect of the teachers' pension scheme in 2019/20 (2018/19 £3,792).

It is estimated that the Council will pay £2.7m to the Teachers' Pension Scheme in 2020/21 at a continued contribution rate of 23.68%.

### **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 have 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 2019/20, the Council paid £0.263M (2018/19 £0.071M) in respect of retirement benefits to NHS Pensions in respect of staff who have transferred into the Council from the NHS, representing 20.68% of pensionable pay. It is estimated that the Council will similarly pay £0.270M to NHS Pensions in 2020/21.

### **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:

|   | 2019/20<br>£000 | 2018/19<br>£000 |
|---|-----------------|-----------------|
| <b>Comprehensive Income and Expenditure Statement</b>   |                 |                 |
| <b>Cost of Services</b>   |                 |                 |
| Current Service Cost  | 19,153          | 17,204          |
| (Gain) / Loss from Settlement   | (273)           | (3,469)         |
| Cost of Curtailments  | 1,089           | 5,263           |
| Administration Expense  | 146             | 183             |
| <b>Financing and Investment Income and Expenditure</b>  |                 |                 |
| Net Interest Expense  | 3,543           | 4,147           |
| <b>Total post-employment benefit charged to the surplus or deficit on the provision of services</b>   | <b>23,658</b>   | <b>23,328</b>   |
| <b>Other post-employment benefit charged to the comprehensive income and expenditure statement</b>  |                 |                 |
| Return on plan assets in excess of interest   | 35,498          | (25,142)        |
| Other actuarial gains on assets   | (1,706)         | 0               |
| Change in financial assumptions   | (57,174)        | 27,720          |
| Change in demographic assumptions   | (4,577)         | (34,370)        |
| Experience gain on defined benefit obligation   | 6,513           | 0               |
| <b>Remeasurements and Other Comprehensive Income</b>  | <b>(21,446)</b> | <b>(31,792)</b> |
| <b>Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement</b>                               | <b>2,212</b>    | <b>(8,464)</b>  |
| <b>Movement in Reserves Statement</b>   |                 |                 |
| Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code | (2,212)         | 8,464           |
| <b>Actual amount charged against the General Fund Balance for Pensions in the year</b>  |                 |                 |
| Employer's contributions payable to scheme  | 9,496           | 8,652           |

### 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)                                     | 31 March 2020<br>£000 | 31 March 2019<br>£000 |
|--|-----------------------|-----------------------|
| Present Value of the defined benefit obligation              | 587,121               | 624,439               |
| Fair Value of Plan Assets                                    | (442,599)             | (472,633)             |
| <b>Net Liability arising from defined benefit obligation</b> | <b>144,522</b>        | <b>151,806</b>        |

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

|  | 2019/20<br>£000 | 2018/19<br>£000 |
|--|-----------------|-----------------|
| Opening Balance at 1 April   | 624,439         | 616,828         |
| Current Service Cost   | 19,153          | 17,204          |
| Interest Cost  | 14,806          | 15,399          |
| Contributions by Scheme Participants                                     | 3,460           | 3,179           |
| Actuarial gains / losses arising from changes in demographic assumptions | (4,577)         | (34,370)        |
| Actuarial gains / losses arising from changes in financial assumptions   | (57,174)        | 27,720          |
| Other  | 6,513           | 0               |
| Losses on Curtailments   | 1,089           | 5,263           |
| Benefits Paid  | (19,609)        | (18,317)        |
| Liabilities extinguished on Settlements                                  | (979)           | (8,467)         |
| <b>Closing Balance at 31 March</b>                                       | <b>587,121</b>  | <b>624,439</b>  |

### Reconciliation of fair value of the scheme assets

|  | 2019/20<br>£000 | 2018/19<br>£000 |
|--|-----------------|-----------------|
| Opening Balance at 1 April   | 472,633         | 447,906         |
| Interest Income  | 11,263          | 11,252          |
| The return on plan assets, excluding the amount included in the net interest expense | (35,498)        | 25,142          |
| Other Actuarial Gains  | 1,706           | 0               |
| Employer Contributions   | 9,496           | 8,652           |
| Contributions by Scheme Participants   | 3,460           | 3,179           |
| Benefits Paid  | (19,609)        | (18,317)        |
| Payment of Bulk Transfer Value   | (706)           | (4,998)         |
| Administrative Expense   | (146)           | (183)           |
| <b>Closing Balance at 31 March</b>   | <b>442,599</b>  | <b>472,633</b>  |

### Local Government Pension Scheme assets

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

|                     | 31 March 2020<br>£000 |             |  | 31 March 2019<br>£000 |             |
|---------------------|-----------------------|-------------|--|-----------------------|-------------|
| Equity Investments  | 259,069               | 58.5%       |  | 294,256               | 62.3%       |
| Government Bonds    | 19,077                | 4.3%        |  | 25,085                | 5.3%        |
| Other Bonds         | 26,817                | 6.1%        |  | 27,623                | 5.8%        |
| Property            | 39,800                | 9.0%        |  | 42,024                | 8.9%        |
| Cash / Liquidity    | 18,397                | 4.2%        |  | 12,447                | 2.6%        |
| Alternative Assets  | 50,981                | 11.5%       |  | 46,083                | 9.8%        |
| Other Managed Funds | 28,458                | 6.4%        |  | 25,115                | 5.3%        |
|                     | <b>442,599</b>        | <b>100%</b> |  | <b>472,633</b>        | <b>100%</b> |

Of the listed equities allocation, 8% are UK investments, with 92% being overseas investments. 9% of the equities are not 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, 28% is listed.

The Alternative Assets allocation is made up of 51% in Infrastructure, 32% in Timber and 17% in Private Debt.

### **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:

|   | 2019/20 | 2018/19 |
|---|---------|---------|
| <b>Mortality assumptions:</b>           |         |         |
| Longevity at 65 for Current Pensioners  |         |         |
| Men                                     | 21.8    | 21.3    |
| Women                                   | 23.7    | 23.6    |
| Longevity at 65 for Future Pensioners   |         |         |
| Men                                     | 23.2    | 22.9    |
| Women                                   | 25.2    | 25.4    |
| Rate of Inflation (RPI)                 | 2.7%    | 3.4%    |
| Rate of Inflation (CPI)                 | 1.9%    | 2.4%    |
| Rate of increases in salaries           | 2.9%    | 3.9%    |
| Rate of increase in pensions            | 1.9%    | 2.4%    |
| Rate for discounting scheme liabilities | 2.35%   | 2.40%   |

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.



| <b>Impact on the Defined Benefit Obligation in the Scheme</b>         | <b>Increase in Assumption<br/>£000</b> | <b>Decrease in Assumption<br/>£000</b> |
|---|--|--|
| Longevity (increase or decrease in 1 year)                            | 24,058                                 | (23,048)                               |
| Rate of inflation (increase or decrease by 0.1%)                      | 10,469                                 | (10,273)                               |
| Rate of increase in salaries (increase or decrease by 0.1%)           | 864                                    | (857)                                  |
| Rate of increase in pensions (increase or decrease by 0.1%)           | 10,469                                 | (10,273)                               |
| Rate of discounting scheme liabilities (increase or decrease by 0.1%) | (11,071)                               | 11,294                                 |

### **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 2022. The scheme currently provides benefits based on career average revalued earnings.

The Council anticipates paying a £14.328M contribution to the scheme in 2020/21.

The weighted average duration of the defined benefit obligation for scheme members is 19 years (19 years 2018/19).

### **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 £74M 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 the Council's deposits, but there was no evidence at the 31 March 2020 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.

| <b>Credit Risk</b>                                      | <b>Amounts<br/>£000</b> | <b>Historical<br/>experience of<br/>default<br/>%</b> | <b>31 March 2020<br/>Historical<br/>experience<br/>adjusted for<br/>market<br/>conditions<br/>%</b> | <b>Estimated<br/>maximum<br/>exposure to<br/>default and<br/>uncollectability<br/>£000</b> | <b>31 March 2019<br/>Estimated<br/>maximum<br/>exposure to<br/>default and<br/>uncollectability<br/>£000</b> |
|---|-------------------------|---|---|--|--|
| Deposits With Banks And<br>Other Financial Institutions | 74,322                  | 0.00%   | 0.00%   | 0  | 0  |
| Bonds And Other Securities                              | 51,577                  | 0.00%   | 0.00%   | 0  | 0  |
| Customers   | 33,462                  | 0.30%   | 0.34%   | 170  | 230  |

No credit limits were exceeded during the reporting period. Although the unit price of units in externally managed funds have fallen because of the Covid-19 pandemic these funds are being held into the medium and longer term. Over that period 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:

|                        | <b>31 March 2020<br/>£000</b> | <b>31 March 2019<br/>£000</b> |
|------------------------|-------------------------------|-------------------------------|
| Less Than Three Months | 6,047                         | 4,002                         |
| Three To Six Months    | 893                           | 848                           |
| Six Months To One Year | 1,316                         | 760                           |
| More Than One Year     | 3,370                         | 2,899                         |
| <b>Total</b>           | <b>11,626</b>                 | <b>8,509</b>                  |

### 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 where the Council has a stake in a joint venture or 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 2020<br>£000 | 31 March 2019<br>£000 |
|--|-----------------------|-----------------------|
| Less than 1 year                           | 12,125                | 18,957                |
| Between 1 and 2 years                      | 15,139                | 11,142                |
| Between 2 and 5 years                      | 43,593                | 35,911                |
| Between 5 and 10 years                     | 109,305               | 95,089                |
| Between 10 and 15 years                    | 103,542               | 112,008               |
| Between 15 and 20 years                    | 68,559                | 70,368                |
| More than 20 years                         | 215,361               | 147,519               |
| <b>Total Cost of Loans Over Their Life</b> | <b>567,624</b>        | <b>490,994</b>        |
| This total consists of:                    |                       |                       |
| Principal Amount of Loans                  | 318,970               | 276,544               |
| Future Interest Element                    | 248,654               | 214,450               |
| <b>Total Cost of Loans Over Their Life</b> | <b>567,624</b>        | <b>490,994</b>        |

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 several 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 2020, 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   | (1,254)        |
| Increase in government grant receivable for financing costs  | 0              |
| <b>Impact on Surplus or Deficit on the Provision of Services</b>   | <b>(1,254)</b> |
| Share of overall impact debited to the HRA   | (551)          |
| Decrease in fair value of fixed rate investment assets   | 0              |
| <b>Impact on Other Comprehensive Income and Expenditure</b>  | <b>0</b>       |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) | 0              |

#### *Price Risk*

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

|   | 2019/20<br>£000 | 2018/19<br>£000 |
|---|-----------------|-----------------|
| Interest paid   | 12,190          | 11,209          |
| Interest received                                     | (1,938)         | (669)           |
| <b>Net Cash Flows from Interest Paid and Received</b> | <b>10,252</b>   | <b>10,540</b>   |

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:

|  | 2019/20<br>£000 | 2018/19<br>£000 |
|--|-----------------|-----------------|
| Depreciation of Non Current Assets   | (21,742)        | (20,098)        |
| Downward Revaluation and Impairment Losses of Non-Current Assets   | (5,363)         | (6,424)         |
| Amortisations  | (1,181)         | (828)           |
| (Increase)/Decrease in impairment for provision for bad debts  | (956)           | 452             |
| (Increase)/Decrease in Creditors   | (5,746)         | 15              |
| Increase/(Decrease) in Debtors   | 12,041          | (735)           |
| Increase/(Decrease) in Inventories   | (2)             | (108)           |
| Net retirement benefits per IAS19  | (14,162)        | (14,676)        |
| Carrying amount of assets disposed/sold  | (2,276)         | (34,188)        |
| 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 | (947)           | 1,029           |
| Movements in the value of investment properties  | 352             | (290)           |
| Removal of Council Tax and Business Rates Agency Adjustments from Comprehensive Income and Expenditure Statement   | 1,129           | 3,675           |
| Other  | 2               | (2)             |
| <b>Net Cash Flows from Operating Activities</b>  | <b>(38,851)</b> | <b>(72,178)</b> |

**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**

|  | <b>2019/20<br/>£000</b> | <b>2018/19<br/>£000</b> |
|--|-------------------------|-------------------------|
| Capital Grants credited to Surplus or deficit on the provision of services                         | 31,712                  | 19,559                  |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 5,752                   | 5,026                   |
| Proceeds from short-term and long-term investments   | 508                     | 0                       |
| <b>Net Cash Flow Adjustments</b>   | <b>37,972</b>           | <b>24,585</b>           |

**Note 42. Cash Flow Statement - Investing Activities**

|  | <b>2019/20<br/>£000</b> | <b>2018/19<br/>£000</b> |
|--|-------------------------|-------------------------|
| Purchase of property, plant and equipment, investment property and intangible assets               | 45,857                  | 31,510                  |
| Purchase of short-term and long-term investments   | 75,046                  | 5,971                   |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (5,752)                 | (5,026)                 |
| Proceeds from short-term and long-term investments   | (41,819)                | (9)                     |
| Other receipts from investing activities   | (31,712)                | (19,559)                |
| <b>Net Cash Flow from Investing Activities</b>   | <b>41,620</b>           | <b>12,887</b>           |

**Note 43. Cash Flow Statement - Financing Activities**

|   | <b>2019/20<br/>£000</b> | <b>2018/19<br/>£000</b> |
|---|-------------------------|-------------------------|
| Cash receipts of short and long-term borrowing  | (50,009)                | (40,064)                |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases | 272                     | 273                     |
| Repayments of short and long-term borrowing   | 7,582                   | 10,577                  |
| Other payments for financing activities   | (553)                   | (3,078)                 |
| <b>Net Cash Flow from Financing Activities</b>  | <b>(42,708)</b>         | <b>(32,292)</b>         |

## 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 2019/20 and those received but not yet applied as at 31 March 2020 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 2019/20 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

Three officers acted as Board members to four of the Council's wholly owned subsidiaries – Southend Trading Corporation Limited, Southend Independent Living Limited, Southend Business Services 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.

Five officers acted as Board members to two of the Council's joint ventures – Porters Place Southend-on-Sea LLP and LHCS and Southend Travel Partnership Limited.

#### 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 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 2020 there was a net deficit of £5.866M (£7.633M restated at 31 March 2019) in respect of South Essex Homes Limited's pension liabilities. As at 31 March 2020 South Essex Homes Limited also had a retained surplus of £2.776M (£2.282M at 31 March 2019) 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 2020 there was a net deficit of £4.920M (*£5.772M restated as at 31 March 2019*) in respect of Southend Care Limited's pension liabilities. As at 31 March 2020 Southend Care Ltd also had a retained surplus of £0.361M (*£0.036M retained surplus at 31 March 2019*) 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.

Southend-on-Sea Borough Council has joint control of Porters Place Southend-on-Sea LLP, together with Swan BQ Limited, a wholly owned subsidiary of Swan Housing Association, with the purpose to regenerate the Queensway Estate and surrounding environs. All transactions with the partnership are recorded in the notes to the consolidated group accounts.

#### **Note 45. Contingent Liabilities**

The Council has no contingent liabilities.



# **HOUSING REVENUE ACCOUNT**

## HRA INCOME AND EXPENDITURE STATEMENT

| 2018/19<br>£000 |   | 2019/20<br>£000 |
|-----------------|---|-----------------|
|                 | <b>Income</b>   |                 |
| (25,715)        | Dwelling Rents (Gross)  | (25,467)        |
| (1,477)         | Non Dwelling Rents (Gross)  | (1,527)         |
| (1,027)         | Charges for Services and Facilities   | (567)           |
| (343)           | Revaluation Gains (to reverse previous impairment charges)  | (159)           |
| <b>(28,562)</b> | <b>Total Income</b>   | <b>(27,720)</b> |
|                 | <b>Expenditure</b>  |                 |
| 5,409           | Repairs and Maintenance   | 5,623           |
| 6,379           | Supervision and Management  | 6,646           |
| 873             | Rents, Rates, Taxes and other Charges   | 749             |
| 75              | Provision for Bad and Doubtful Debts  | 262             |
| 6,535           | Depreciation and impairment on Council Dwellings  | 7,870           |
| 209             | Depreciation and impairment on Other Assets   | 217             |
| 26              | Debt Management Expenses  | 24              |
| <b>19,506</b>   | <b>Total Expenditure</b>  | <b>21,391</b>   |
| <b>(9,056)</b>  | <b>Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Account</b> | <b>(6,329)</b>  |
| 191             | HRA services share of Corporate and Democratic Core   | 196             |
| <b>(8,865)</b>  | <b>Net Cost of HRA Services</b>   | <b>(6,133)</b>  |
| (811)           | (Profit) on Sale of HRA Long Term Assets  | (906)           |
| 3,489           | Interest Payable and Similar Charges  | 3,392           |
| (445)           | General Grants  | (5)             |
| (313)           | Interest Receivable   | (386)           |
| <b>(6,945)</b>  | <b>(Surplus) / Deficit for the year on HRA services</b>   | <b>(4,038)</b>  |

## MOVEMENT ON THE HRA BALANCE

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

| 2018/19<br>£000 |  | 2019/20<br>£000 |
|-----------------|--|-----------------|
| (6,945)         | Surplus for the year on the Housing Revenue Account Income And Expenditure Account       | (4,038)         |
| 2,813           | Net additional amount required by statute to be credited to the HRA Balance for the year | 4,506           |
| 4,132           | Transfer to Earmarked Reserves   | (468)           |
| <b>0</b>        | <b>Decrease/(Increase) in the Housing Revenue Account Balance</b>                        | <b>0</b>        |
| (3,502)         | Housing Revenue Account - Balance Brought Forward  | (3,502)         |
| <b>(3,502)</b>  | <b>Housing Revenue Account - Balance Carried Forward</b>                                 | <b>(3,502)</b>  |

## CALCULATION OF MOVEMENT ON THE HRA BALANCE

| 2018/19<br>£000 |  | 2019/20<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Amounts included in the HRA Income And Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year</b>     |                 |
| 811             | Profit on Sale of HRA Long Term Assets   | 906             |
| 732             | General Grants / Service Grants  | 204             |
|                 | <b>Amounts not included in the HRA Income And Expenditure Account but required to be included by statute when determining the Movement on the HRA Balance for the year</b> |                 |
| 48              | Transfer to/(from) Capital Adjustment Account - Impairment   | (1,222)         |
| (168)           | Transfer (from) Capital Adjustment Account - REFCUS  | (208)           |
| 1,390           | Revenue Contribution to Capital  | 4,826           |
| 4,132           | <b>Transfer to/(from) Earmarked Reserves</b>   | <b>(468)</b>    |
| <b>6,945</b>    | <b>Net Additional Amount required to be credited to the Housing Revenue Account Balance for the year</b>   | <b>4,038</b>    |

## NOTES TO THE HRA

### HRA Note 1. Analysis of Housing Stock

|   | Number of<br>Properties<br>31 March 2020 | Number of<br>Properties<br>31 March 2019 |
|---|--|--|
| Houses And Bungalows                    | 2,093                                    | 2,082                                    |
| Flats                                   | 3,804                                    | 3,804                                    |
| <b>Total Houses and Flats</b>           | <b>5,897</b>                             | <b>5,886</b>                             |
| Homelessness Hostel Bedsits - Room only | 123                                      | 123                                      |
|   | <b>6,020</b>                             | <b>6,009</b>                             |

### 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.

|  | 2019/20<br>£000 | 2018/19<br>£000 |
|--|-----------------|-----------------|
| <b>Balance at 1 April</b>                | <b>7,362</b>    | <b>6,989</b>    |
| Transfers In                             | 6,706           | 6,449           |
| Used To Fund Capital (Council Dwellings) | (5,929)         | (6,076)         |
| <b>Balance at 31 March</b>               | <b>8,139</b>    | <b>7,362</b>    |

### 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.

|   | 2019/20<br>£000 | 2018/19<br>£000 |
|---|-----------------|-----------------|
| <b>Item 8 Debit</b>   |                 |                 |
| <u>Depreciation</u>   |                 |                 |
| Council Dwellings   | 6,492           | 6,240           |
| Other Assets  | 214             | 209             |
| <u>Impairment</u>   |                 |                 |
| Council Dwellings   | 1,378           | 295             |
| Other Assets  | 3               | 0               |
| <b>Total Depreciation and Impairment</b>                        | <b>8,087</b>    | <b>6,744</b>    |
| Debt Management Expenses  | 24              | 26              |
| Loan Interest Payable   | 3,392           | 3,489           |
| <b>Item 8 Credit</b>  |                 |                 |
| Interest Receivable   | (386)           | (313)           |
| <u>Revaluation Gains</u>  |                 |                 |
| Council Dwellings   | (159)           | (343)           |
| Other Assets  | 0               | 0               |
| Appropriation To/(From) Capital Adjustment Account - Impairment | (1,222)         | 48              |
| Appropriation (From) Capital Adjustment Account - REFCUS        | (208)           | (168)           |
| <b>Net Effect On HRA</b>  | <b>9,528</b>    | <b>9,483</b>    |

#### 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 2019 amounted to £738.1M. 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           |
| <b>Gross Book Value as at 31 March 2019</b>  | <b>386,563</b>    | <b>9,979</b>           | <b>2,193</b>              | <b>1,042</b>                          | <b>399,777</b> |
| Accumulated Depreciation as at 31 March 2019 | (22,061)          | (840)                  | 0                         | 0                                     | (22,901)       |
| <b>Net Book Value as at 31 March 2019</b>    | <b>364,502</b>    | <b>9,139</b>           | <b>2,193</b>              | <b>1,042</b>                          | <b>376,876</b> |
| Additions                                    | 12,588            | 22                     | 220                       |                                       | 12,830         |
| Disposals                                    | (1,283)           |                        |                           |                                       | (1,283)        |
| Transfers                                    | 2,435             |                        | (2,351)                   |                                       | 84             |
| Revaluations via Revaluation Reserve         | 3,482             |                        |                           |                                       | 3,482          |
| Revaluations recognised in I&E               | (1,219)           |                        |                           | (3)                                   | (1,222)        |
| <u>Depreciation</u>                          |                   |                        |                           |                                       |                |
| For Current Year                             | (6,492)           | (214)                  |                           |                                       | (6,706)        |
| On Disposals                                 | 87                |                        |                           |                                       | 87             |
| Transfers                                    | (8)               |                        |                           |                                       | (8)            |
| Revaluations                                 | (3)               |                        |                           |                                       | (3)            |
| Impairments                                  |                   |                        |                           |                                       | 0              |
| <b>Gross Book Value as at 31 March 2020</b>  | <b>402,566</b>    | <b>10,001</b>          | <b>62</b>                 | <b>1,039</b>                          | <b>413,668</b> |
| Accumulated Depreciation as at 31 March 2020 | (28,477)          | (1,054)                | 0                         | 0                                     | (29,531)       |
| <b>Net Book Value as at 31 March 2020</b>    | <b>374,089</b>    | <b>8,947</b>           | <b>62</b>                 | <b>1,039</b>                          | <b>384,137</b> |

**HRA Note 5. Capital Expenditure**

|  | <b>2019/20<br/>£000</b> | <b>2018/19<br/>£000</b> |
|--|-------------------------|-------------------------|
| Purchase or enhancement of Council Dwellings | 12,830                  | 8,665                   |
| REFCUS                                       | 208                     | 168                     |
| <b>Total HRA Capital Expenditure</b>         | <b>13,038</b>           | <b>8,833</b>            |
| <u>Financed by:-</u>                         |                         |                         |
| Usable Capital Receipts                      | 2,070                   | 754                     |
| <b>Total Financed By Capital Receipts</b>    | <b>2,070</b>            | <b>754</b>              |
| <u>Revenue contributions:-</u>               |                         |                         |
| General Reserves                             | 4,826                   | 1,390                   |
| Major Repairs Reserve                        | 5,929                   | 6,076                   |
| Third Party                                  | 213                     | 613                     |
| Capital Grant                                | 0                       | 0                       |
| <b>Total Revenue Contributions</b>           | <b>10,968</b>           | <b>8,079</b>            |
| <b>Total Capital Expenditure</b>             | <b>13,038</b>           | <b>8,833</b>            |





# **THE COLLECTION FUND**

## THE COLLECTION FUND

| 2018/19<br>£000<br>Council Tax              | 2018/19<br>£000<br>NNDR | 2018/19<br>£000<br>Total |  | 2019/20<br>£000<br>Council Tax | 2019/20<br>£000<br>NNDR | 2019/20<br>£000<br>Total | Collection<br>Fund<br>Note |
|---|-------------------------|--------------------------|--|--------------------------------|-------------------------|--------------------------|----------------------------|
| <b>INCOME</b>                               |                         |                          |  |                                |                         |                          |                            |
| 94,094                                      | 0                       | 94,094                   | Income from Council Tax  | 99,600                         | 0                       | 99,600                   | 1                          |
| 0   | 44,901                  | 44,901                   | Income Collectable from Business Ratepayers<br>adjusted for Transitional Payment Protection<br>payable | 0                              | 43,417                  | 43,417                   | 2                          |
| <b>94,094</b>                               | <b>44,901</b>           | <b>138,995</b>           | <b>Total Income</b>  | <b>99,600</b>                  | <b>43,417</b>           | <b>143,017</b>           |                            |
| <b>EXPENDITURE</b>                          |                         |                          |  |                                |                         |                          |                            |
| <b>Precepts and Demands</b>                 |                         |                          |  |                                |                         |                          |                            |
| 76,621                                      | 0                       | 76,621                   | Southend-on-Sea Borough Council  | 81,177                         | 0                       | 81,177                   |                            |
| 9,738                                       | 0                       | 9,738                    | Essex Police Authority   | 11,274                         | 0                       | 11,274                   |                            |
| 4,055                                       | 0                       | 4,055                    | Essex Fire Authority   | 4,233                          | 0                       | 4,233                    |                            |
| <b>Business Rates</b>                       |                         |                          |  |                                |                         |                          |                            |
| 0   | 21,397                  | 21,397                   | Payments to Government   | 0                              | 21,567                  | 21,567                   |                            |
| 0   | 428                     | 428                      | Payments to Fire Authority   | 0                              | 431                     | 431                      |                            |
| 0   | 20,969                  | 20,969                   | Payments to Southend-on-Sea Borough Council  | 0                              | 21,135                  | 21,135                   |                            |
| 0   | 233                     | 233                      | Costs of Collection  | 0                              | 228                     | 228                      |                            |
| <b>Doubtful Debt and Appeals Provisions</b> |                         |                          |  |                                |                         |                          |                            |
| 339   | (160)                   | 179                      | Top-up of Doubtful Debt Provision  | 73                             | (69)                    | 4                        |                            |
| 267   | 469                     | 736                      | Write-off of Debt  | 769                            | 478                     | 1,247                    |                            |
| 0   | 1,819                   | 1,819                    | NNDR Provision for Appeals   | 0                              | 2,360                   | 2,360                    |                            |
| 0   | (642)                   | (642)                    | NNDR Settlement of Appeals   | 0                              | (1,114)                 | (1,114)                  |                            |
| <b>91,020</b>                               | <b>44,513</b>           | <b>135,533</b>           | <b>Total Expenditure</b>   | <b>97,526</b>                  | <b>45,016</b>           | <b>142,542</b>           |                            |
| <b>USE OF BALANCES</b>                      |                         |                          |  |                                |                         |                          |                            |
| <b>Council Tax</b>                          |                         |                          |  |                                |                         |                          |                            |
| 2,500                                       | 0                       | 2,500                    | Southend-on-Sea Borough Council  | 2,500                          | 0                       | 2,500                    |                            |
| 315   | 0                       | 315                      | Council Tax - Essex Police Authority   | 317                            | 0                       | 317                      |                            |
| 140   | 0                       | 140                      | Council Tax - Essex Fire Authority   | 132                            | 0                       | 132                      |                            |
| <b>Business Rates</b>                       |                         |                          |  |                                |                         |                          |                            |
| 0   | (685)                   | (685)                    | Government   | 0                              | 151                     | 151                      |                            |
| 0   | (672)                   | (672)                    | Southend-on-Sea Borough Council  | 0                              | 149                     | 149                      |                            |
| 0   | (13)                    | (13)                     | Essex Fire Authority   | 0                              | 3                       | 3                        |                            |
| <b>119</b>                                  | <b>1,758</b>            | <b>1,877</b>             | <b>(Deficit) / Surplus for the year</b>  | <b>(875)</b>                   | <b>(1,902)</b>          | <b>(2,777)</b>           |                            |
| <b>COLLECTION FUND BALANCE</b>              |                         |                          |  |                                |                         |                          |                            |
| 9,881                                       | (1,675)                 | 8,206                    | Balance brought forward at 1 April   | 10,000                         | 83                      | 10,083                   |                            |
| 119   | 1,758                   | 1,877                    | (Deficit)/Surplus for the year (as above)  | (875)                          | (1,902)                 | (2,777)                  |                            |
| <b>10,000</b>                               | <b>83</b>               | <b>10,083</b>            | <b>Balance Carried Forward at 31 March</b>   | <b>9,125</b>                   | <b>(1,819)</b>          | <b>7,306</b>             |                            |
| <b>ALLOCATED TO:</b>                        |                         |                          |  |                                |                         |                          |                            |
| 0   | 41                      | 41                       | Government   | 0                              | (910)                   | (910)                    |                            |
| 1,192                                       | 0                       | 1,192                    | Police Authority   | 1,058                          | 0                       | 1,058                    |                            |
| 435   | 1                       | 436                      | Fire Authority   | 394                            | (18)                    | 376                      |                            |
| 8,373                                       | 41                      | 8,414                    | Southend-on-Sea Borough Council  | 7,673                          | (891)                   | 6,782                    |                            |
| <b>10,000</b>                               | <b>83</b>               | <b>10,083</b>            | <b>Balance Carried Forward at 31 March</b>   | <b>9,125</b>                   | <b>(1,819)</b>          | <b>7,306</b>             |                            |

## NOTES TO THE COLLECTION FUND

### Collection Fund Note 1 Income from Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex Police Authority, Essex Fire Authority and Southend-on-Sea Borough Council for the forthcoming year and dividing this by the Council Tax Base. The basic amount for a Band D property (£1,695.33 for the Leigh-on-Sea Town Council area and £1,647.63 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 2019/20<br>Leigh-on-Sea Town Council Area | Council Tax 2019/20<br>All other parts of the Borough | Ratio to Band D   |
|---|----------------------------|---|---|-------------------|
|   | £                          | £   | £   |                   |
| A   | Up to and including 40,000 | 1,130.22  | 1,098.42  | 6/9               |
| B   | 40,001 - 52,000            | 1,318.59  | 1,281.49  | 7/9               |
| C   | 52,001 - 68,000            | 1,506.96  | 1,464.56  | 8/9               |
| D   | 68,001 - 88,000            | 1,695.33  | 1,647.63  | 1                 |
| E   | 88,001 - 120,000           | 2,072.07  | 2,013.77  | 11/9              |
| F   | 120,001 - 160,000          | 2,448.81  | 2,379.91  | 13/9              |
| G   | 160,001 - 320,000          | 2,825.55  | 2,746.05  | 15/9              |
| H   | More than 320,000          | 3,390.66  | 3,295.26  | 18/9              |
| <b>Band D</b>                             |                            | <b>2018/19</b>  | <b>2019/20</b>  | <b>% increase</b> |
|   |                            | £   | £   |                   |
| Southend-on-Sea Borough Council           |                            | 1,322.82  | 1,382.22  | 4.49              |
| Essex Police Authority                    |                            | 169.02  | 192.96  | 14.16             |
| Essex Fire Authority                      |                            | 70.38   | 72.45   | 2.94              |
| Other than Leigh-on-Sea Town Council Area |                            | 1,562.22  | 1,647.63  | 5.47              |
| Leigh-on-Sea Town Council                 |                            | 46.89   | 47.70   | 1.73              |
| Leigh-on-Sea Town Council Area            |                            | 1,609.11  | 1,695.33  | 5.36              |

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*  | 7.55                | 5/9   | 4.19                           |
| Valuation Band - A   | 10,310.65           | 6/9   | 6,873.77                       |
| Valuation Band - B   | 11,988.28           | 7/9   | 9,324.22                       |
| Valuation Band - C   | 20,105.21           | 8/9   | 17,871.30                      |
| Valuation Band - D   | 11,116.78           | 9/9   | 11,116.78                      |
| Valuation Band - E   | 6,102.01            | 11/9  | 7,458.00                       |
| Valuation Band - F   | 3,419.24            | 13/9  | 4,938.90                       |
| Valuation Band - G   | 1,473.13            | 15/9  | 2,455.22                       |
| Valuation Band - H   | 94.50               | 18/9  | 189.00                         |
|  | <b>64,617.35</b>    |       | <b>60,231.38</b>               |
| Less:  |                     |       |                                |
| Adjustment for Collection of Rates and anticipated changes during the year for successful Appeals against Valuation Banding, New Properties, Demolitions, Disabled Persons Relief and Exempt Properties. |                     |       | 1,806.94                       |
| * Reductions For Band A Disabled.  |                     |       |                                |
| <b>Council Tax Base</b>  |                     |       | <b>58,424.44</b>               |

## Collection Fund Note 2 Non-Domestic Rates

Non-Domestic Rates are organised on a national basis. The Government specified an amount of 50.4p in 2019/20 (*49.3p in 2018/19*) with a small business rate of 49.1p in 2019/20 (*48.0p in 2018/19*) and, subject to the effects of transitional arrangements, local businesses pay rates that are calculated by multiplying their rateable value by that amount.

The Council is responsible for collecting rates due from the ratepayers in its area but pays 50% of the proceeds over to the Government for onward redistribution in line with need. The Council retains 49% of the proceeds, with the final 1% being passed over to Essex Fire Authority.

After relief and provisions, the Non-Domestic Rates income collectable was £43,858,439 for 2019/20 (*£43,181,926 for 2018/19*). The year-end rateable value for the Council's area was £121,737,278 at 31 March 2020 (*£121,874,588 at 31 March 2019*).

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

Within the Collection Fund there are the following provisions.

- A provision of £3.324M as at 31 March 2020 for bad and doubtful debts for Council Tax (£3.251M as at 31 March 2019)
- A provision of £0.565M as at 31 March 2020 for bad and doubtful debts for NNDR (£0.634M as at 31 March 2019). Under business rate retention arrangements, 49% of this provision is attributable to the Council.
- A provision of £5.500M as at 31 March 2020 for the potential impact of successful appeals by businesses against their rateable values (£4.253M as at 31 March 2019). 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 £9.125M on the Council Tax Collection Fund is split between Essex Police Authority, Essex Fire Authority and this Council, in proportion to the value of the respective precept demands made by the three authorities on the Collection Fund and will be reflected in future year's Council Tax.

Under business rates retention, the deficit balance of £1.819M 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 2020<br>£000 | 31 March 2019<br>£000 |
|---|-----------------------|-----------------------|
| Council Tax - Southend-on-Sea Borough Council | 7,673                 | 8,373                 |
| Council Tax - Essex Police Authority          | 1,058                 | 1,192                 |
| Council Tax - Essex Fire Authority            | 394                   | 435                   |
| NNDR - Southend-on-Sea Borough Council        | (891)                 | 41                    |
| NNDR - Government                             | (910)                 | 41                    |
| NNDR - Essex Fire Authority                   | (18)                  | 1                     |
| <b>Total</b>                                  | <b>7,306</b>          | <b>10,083</b>         |

| Shown on Balance Sheet as:            | 31 March 2020<br>£000 | 31 March 2019<br>£000<br>Restated |
|---------------------------------------|-----------------------|-----------------------------------|
| Collection Fund Adjustment Account    | 6,782                 | 8,413                             |
| Creditors Falling Due Within One Year | 524                   | 1,670                             |
| Debtors                               | 0                     | 0                                 |
| <b>Total</b>                          | <b>7,306</b>          | <b>10,083</b>                     |



## **THE GROUP ACCOUNTS**

## INTRODUCTION

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

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

Southend-on-Sea Borough Council has reviewed the relationships it has with its partner organisations to determine the scope of the Council Group.

### WHOLLY OWNED COMPANIES

As at 31 March 2020, 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 several 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 six joint ventures, where it has a significant level of control. These are:

- PSP Southend LLP
- Porters Place Southend-on-Sea LLP
- LHCS and Southend Travel Partnership Limited
- Southend-on-Sea Forum Management Limited
- Airport Business Park Southend Management Ltd
- Sustainable Motion CIC

PSP Southend LLP is a vehicle through which the Council is able to redevelop surplus assets. It is jointly controlled with a partner company PSP Facilitating Limited (formerly BV Strategies Facilitating Ltd) on a 50:50 basis. Some assets have been formally transferred to the LLP, and it holds options on others.

Porters Place Southend-on-Sea LLP is the 30-year partnership with Swan Housing Association and their wholly owned subsidiary Swan BQ Limited, with the purpose to regenerate the Queensway Estate and surrounding environs. The partnership is exercised by the Council being a member of Porters Place Southend-on-Sea LLP, where it holds a 50% stake, pursuant to a Limited Partnership Agreement dated 24 April 2019.

LHCS and Southend Travel Partnership Limited was incorporated on 5<sup>th</sup> July 2019 and has been established as a vehicle through which the Council can provide passenger transport. The company is a partnership between Southend-on-Sea



Borough Council and London Hire Community Services and the Council has a 49% holding. The company commenced trading on 1 March 2020.

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 six joint ventures, the Council's proportions of net assets are immaterial to the accounts and therefore have not been consolidated into the group accounts, with the exception of Porters Place Southend-on-Sea LLP which has been consolidated into the group accounts for the period 23 April 2019 to 31 March 2020. This joint venture is not yet material in a quantitative sense but will become so as the years progress and has been deemed material in a qualitative sense as Better Queensway is the largest housing and regeneration project the Council has undertaken since the 1960's.

## **Trust Funds**

The Council is responsible for administering several 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 2020, 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, Porters Place Southend-on-Sea LLP and the Trust Fund accounting policies are consistent with the Group accounting policies with the following exception:

The Group accounting policy is that Cash and Cash Equivalents are represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. South Essex Homes Limited's accounting policy is that cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours and cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Group Balance Sheet, the figures for Short Term Investments and Cash and Cash Equivalents have been aligned to the Group accounting policy.

#### **RESTATEMENTS**

The 2018/19 accounts for South Essex Homes Limited and Southend Care Limited has been restated to reflect immaterial adjustments of £0.303M and £0.259M respectively to the starting position of the pension fund disclosures to reflect the McCloud and Sargeant judgements concerning the introduction of career average revalued earnings. The Council's accounts were adjusted for this in 2018/19.

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2018/19<br>Restated          |                         |   | 2019/20                      |                         |                            |
|------------------------------|-------------------------|---|------------------------------|-------------------------|----------------------------|
| Gross<br>Expenditure<br>£000 | Gross<br>Income<br>£000 | Net<br>Expenditure<br>£000  | Gross<br>Expenditure<br>£000 | Gross<br>Income<br>£000 | Net<br>Expenditure<br>£000 |
| 86,205                       | (74,758)                | 11,447  | 84,256                       | (69,344)                | 14,912                     |
| 29,993                       | (14,082)                | 15,911  | 30,434                       | (16,413)                | 14,021                     |
| 20,995                       | (6,336)                 | 14,659  | 17,048                       | (5,554)                 | 11,494                     |
| 117,658                      | (67,102)                | 50,556  | 116,865                      | (71,227)                | 45,638                     |
| 7,181                        | (5,094)                 | 2,087   | 9,435                        | (5,205)                 | 4,230                      |
| 22,536                       | (2,339)                 | 20,197  | 22,472                       | (2,966)                 | 19,506                     |
| 79,182                       | (37,397)                | 41,785  | 84,489                       | (38,891)                | 45,598                     |
| <b>363,750</b>               | <b>(207,108)</b>        | <b>156,642</b>  | <b>364,999</b>               | <b>(209,600)</b>        | <b>155,399</b>             |
|                              |                         |   |                              |                         |                            |
| 22,388                       | (31,421)                | (9,033)   | 20,635                       | (30,094)                | (9,459)                    |
| <b>22,388</b>                | <b>(31,421)</b>         | <b>(9,033)</b>  | <b>20,635</b>                | <b>(30,094)</b>         | <b>(9,459)</b>             |
|                              |                         |   |                              |                         |                            |
| <b>386,138</b>               | <b>(238,529)</b>        | <b>147,609</b>  | <b>385,634</b>               | <b>(239,694)</b>        | <b>145,940</b>             |
|                              |                         |   |                              |                         |                            |
|                              |                         | 32,747  |                              |                         | (1,474)                    |
|                              |                         | 12,391  |                              |                         | 13,844                     |
|                              |                         | (142,007)   |                              |                         | (153,648)                  |
|                              |                         |   |                              |                         |                            |
|                              |                         | <b>50,740</b>   |                              |                         | <b>4,662</b>               |
|                              |                         |   |                              |                         |                            |
|                              |                         | (26)  |                              |                         | 24                         |
|                              |                         |   |                              |                         |                            |
|                              |                         | <b>50,714</b>   |                              |                         | <b>4,686</b>               |
|                              |                         |   |                              |                         |                            |
|                              |                         | Surplus or Deficit on Revaluation of Property, Plant and          |                              |                         |                            |
|                              |                         | (31,955) Equipment Assets   |                              |                         | 12,341                     |
|                              |                         | (34,683) Actuarial gains / losses on Pension Assets / Liabilities |                              |                         | (23,755)                   |
|                              |                         |   |                              |                         |                            |
|                              |                         | <b>(66,638)</b>   |                              |                         | <b>(11,414)</b>            |
|                              |                         |   |                              |                         |                            |
|                              |                         | <b>(15,924)</b>   |                              |                         | <b>(6,728)</b>             |

## GROUP MOVEMENT IN RESERVES

|  | Usable Reserves<br>£000 | Unusable Reserves<br>£000 | Total Group Reserves<br>£000 |
|--|-------------------------|---------------------------|------------------------------|
| <b>Balance at 31 March 2018</b>  | 146,523                 | 350,736                   | 497,259                      |
| <b>Movement in Reserves during 2018/19 Restated</b>                      |                         |                           |                              |
| Opening Adjustment   | 8                       | (8)                       | 0                            |
| (Deficit) on the Provision of Services                                   | (50,714)                | 0                         | (50,714)                     |
| Other Comprehensive Income and Expenditure                               | 0                       | 66,638                    | 66,638                       |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>(50,706)</b>         | <b>66,630</b>             | <b>15,924</b>                |
| Adjustments between accounting basis and funding basis under regulations | 65,708                  | (65,708)                  | 0                            |
| <b>Net Increase before Transfers to reserves</b>                         | <b>15,002</b>           | <b>922</b>                | <b>15,924</b>                |
| Transfers to / from Earmarked Reserves                                   | 0                       | 0                         | 0                            |
| <b>Increase in 2018/19</b>   | <b>15,002</b>           | <b>922</b>                | <b>15,924</b>                |
| <b>Balance at 31 March 2019 Restated</b>                                 | <b>161,525</b>          | <b>351,658</b>            | <b>513,183</b>               |
| <b>Movement in Reserves during 2019/20</b>                               |                         |                           |                              |
| (Deficit) on the Provision of Services                                   | (4,686)                 | 0                         | (4,686)                      |
| Other Comprehensive Income and Expenditure                               | 0                       | 11,414                    | 11,414                       |
| <b>Total Comprehensive Income and Expenditure</b>                        | <b>(4,686)</b>          | <b>11,414</b>             | <b>6,728</b>                 |
| Adjustments between accounting basis and funding basis under regulations | 12,913                  | (12,913)                  | 0                            |
| <b>Net Increase before Transfers to reserves</b>                         | <b>8,227</b>            | <b>(1,499)</b>            | <b>6,728</b>                 |
| Transfers to / from Earmarked Reserves                                   | 0                       | 0                         | 0                            |
| <b>Increase in 2019/20</b>   | <b>8,227</b>            | <b>(1,499)</b>            | <b>6,728</b>                 |
| <b>Balance at 31 March 2020</b>  | <b>169,752</b>          | <b>350,159</b>            | <b>519,911</b>               |

## GROUP BALANCE SHEET

| 31 March 2019    |  | 31 March 2020    |
|------------------|--|------------------|
| £000             |  | £000             |
| Restated         |  |                  |
| 787,133          | Property, Plant & Equipment            | 798,673          |
| 42,007           | Heritage Assets                        | 33,051           |
| 41,892           | Investment Property                    | 41,570           |
| 8,205            | Intangible Assets                      | 8,801            |
| 28,428           | Long Term Investments                  | 27,624           |
| 2,173            | Long Term Debtors                      | 2,351            |
| <b>909,838</b>   | <b>Long Term Assets</b>                | <b>912,070</b>   |
| 22,764           | Short term Investments                 | 59,531           |
| 0                | Assets Held for Sale                   | 0                |
| 9                | Inventories                            | 924              |
| 32,182           | Short Term Debtors                     | 42,739           |
| 51,879           | Cash and Cash Equivalents              | 45,451           |
| <b>106,834</b>   | <b>Current Assets</b>                  | <b>148,645</b>   |
| (8,856)          | Short Term Borrowings                  | (1,514)          |
| (40,678)         | Short Term Creditors                   | (46,732)         |
| (4,439)          | Provisions                             | (5,386)          |
| <b>(53,973)</b>  | <b>Current Liabilities</b>             | <b>(53,632)</b>  |
| (4,061)          | Long Term Creditors                    | (2,298)          |
| (268,962)        | Long Term Borrowing                    | (318,859)        |
| (165,211)        | Other Long Term Liabilities - Pensions | (155,308)        |
| (11,282)         | Other Long Term Liabilities - Other    | (10,707)         |
| <b>(449,516)</b> | <b>Long Term Liabilities</b>           | <b>(487,172)</b> |
| <b>513,183</b>   | <b>Net Assets</b>                      | <b>519,911</b>   |
| 161,525          | Usable Reserves                        | 169,752          |
| 351,658          | Unusable Reserves                      | 350,159          |
| <b>513,183</b>   | <b>Total Reserves</b>                  | <b>519,911</b>   |

## GROUP CASH FLOW STATEMENT

| 2018/19<br>£000<br>Restated  | 2019/20<br>£000 |
|--|-----------------|
| 50,714 Net Deficit on the Provision of Services  | 4,686           |
| Adjustments to Net Surplus or Deficit on the Provision of Services for non-<br>(75,246) cash Movements   | (37,142)        |
| Adjustments for items included in the Net Surplus or Deficit on the Provision<br>6,299 of Services that are Investing and Financing Activities | 37,937          |
| (18,233) Net cash flows from Operating Activities  | 5,481           |
| 30,687 Investing Activities  | 43,655          |
| (32,292) Financing Activities  | (42,708)        |
| (19,838) Net Increase or Decrease in Cash and Cash Equivalents   | 6,428           |
| (32,041) Cash and Cash Equivalents at the beginning of the Reporting Period  | (51,879)        |
| <b>(51,879) Cash and Cash Equivalents at the end of the Reporting Period</b>   | <b>(45,451)</b> |

## NOTES TO THE GROUP ACCOUNTS

The notes have only been produced where they are materially different to the notes supplied with the Council's primary statements, or where it adds significant contextual information.

### Group Note 1 Details of Subsidiary Companies and Joint Venture

South Essex Homes Limited – Company registration number 05453601

Southend Care Limited – Company registration number 10138562

Porters Place Southend-on-Sea LLP - Company registration number OC427026

### Group Note 2 Financial Performance

#### Subsidiary Companies

|                       | 2019/20                  |                      |                | 2018/19                  |                      |                 |
|-----------------------|--------------------------|----------------------|----------------|--------------------------|----------------------|-----------------|
|                       |                          |                      |                | Restated                 | Restated             |                 |
|                       | South Essex<br>Homes Ltd | Southend<br>Care Ltd | Total          | South Essex<br>Homes Ltd | Southend<br>Care Ltd | Total           |
|                       | £000                     | £000                 | £000           | £000                     | £000                 | £000            |
| Income                | (12,115)                 | (7,955)              | (20,070)       | (11,330)                 | (6,580)              | (17,910)        |
| Expenditure           | 10,499                   | 8,442                | 18,941         | 12,111                   | 7,080                | 19,191          |
| Current Assets        | 7,146                    | 1,323                | 8,469          | 7,536                    | 1,155                | 8,691           |
| Current Liabilities   | (4,370)                  | (962)                | (5,332)        | (5,254)                  | (754)                | (6,008)         |
| Long Term Liabilities | (5,866)                  | (4,920)              | (10,786)       | (7,633)                  | (6,137)              | (13,770)        |
| <b>Net Assets</b>     | <b>(3,090)</b>           | <b>(4,559)</b>       | <b>(7,649)</b> | <b>(5,351)</b>           | <b>(5,736)</b>       | <b>(11,087)</b> |
| Usable Reserves       | 2,776                    | 361                  | 3,137          | 2,282                    | 36                   | 2,318           |
| Unusable Reserves     | (5,866)                  | (4,920)              | (10,786)       | (7,633)                  | (5,772)              | (13,405)        |
| <b>Total Reserves</b> | <b>(3,090)</b>           | <b>(4,559)</b>       | <b>(7,649)</b> | <b>(5,351)</b>           | <b>(5,736)</b>       | <b>(11,087)</b> |

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.

## Joint Ventures

|                       | 2019/20<br>23 April 2019 to<br>31 March 2020<br>Porters Place<br>Southend-on-Sea |               | 2018/19<br>Porters Place<br>Southend-on-Sea |               |
|-----------------------|--|---------------|---|---------------|
|                       | LLP - 50%<br>£000  | Total<br>£000 | LLP 50%<br>£000                             | Total<br>£000 |
| Income                | 0  | 0             | 0   | 0             |
| Expenditure           | 5  | 5             | 0   | 0             |
| Current Assets        | 1,018  | 1,018         | 0   | 0             |
| Current Liabilities   | (273)  | (273)         | 0   | 0             |
| Long Term Liabilities | (750)  | (750)         | 0   | 0             |
| <b>Net Assets</b>     | <b>(5)</b>   | <b>(5)</b>    | <b>0</b>                                    | <b>0</b>      |
| Usable Reserves       | (5)  | (5)           | 0   | 0             |
| Unusable Reserves     | 0  | 0             | 0   | 0             |
| <b>Total Reserves</b> | <b>(5)</b>   | <b>(5)</b>    | <b>0</b>                                    | <b>0</b>      |

## Trust Funds

| 2019/20                     | Beecroft Art<br>Gallery<br>£000 | Jones Memorial<br>Trust<br>£000 | Palace Theatre<br>Charity<br>£000 | Prittlewell Priory<br>Museum Trust<br>£000 | Priory Park Trust<br>£000 | The Shrubbery<br>Trust<br>£000 | Victory Sports<br>Ground Trust<br>£000 | Youth<br>Commemoration<br>Ground Trust<br>£000 | Total Trusts<br>£000 |
|-----------------------------|---------------------------------|---------------------------------|-----------------------------------|--|---------------------------|--------------------------------|--|--|----------------------|
| Income                      | (178)                           | (45)                            | (79)                              | (157)                                      | (141)                     | (57)                           | (31)                                   | (335)  | (1,023)              |
| Expenditure                 | 178                             | 44                              | 85                                | 306  | 159                       | 6                              | 31                                     | 481  | 1,290                |
| Property, Plant & Equipment | 375                             | 24                              | 1,187                             | 599  | 663                       | 0                              | 10                                     | 11,586   | 14,444               |
| Heritage Assets             | 1,969                           | 0                               | 0                                 | 2,174                                      | 0                         | 0                              | 0                                      | 0  | 4,143                |
| Investment Property         | 0                               | 0                               | 0                                 | 0  | 84                        | 482                            | 0                                      | 0  | 566                  |
| Other Current Assets        | 1                               | 130                             | 1                                 | 7  | 1                         | 438                            | 1                                      | 3,293  | 3,872                |
| Other Liabilities           | (1)                             | 0                               | (1)                               | 0  | (1)                       | (1)                            | (1)                                    | (3)  | (8)                  |
| <b>Net Assets</b>           | <b>2,344</b>                    | <b>154</b>                      | <b>1,187</b>                      | <b>2,780</b>                               | <b>747</b>                | <b>919</b>                     | <b>10</b>                              | <b>14,876</b>                                  | <b>23,017</b>        |
| Usable Reserves             | 0                               | 130                             | 0                                 | 606  | 0                         | 437                            | 0                                      | 3,290  | 4,463                |
| Unusable Reserves           | 2,344                           | 24                              | 1,187                             | 2,174                                      | 747                       | 482                            | 10                                     | 11,586   | 18,554               |
| <b>Total Reserves</b>       | <b>2,344</b>                    | <b>154</b>                      | <b>1,187</b>                      | <b>2,780</b>                               | <b>747</b>                | <b>919</b>                     | <b>10</b>                              | <b>14,876</b>                                  | <b>23,017</b>        |



| 2018/19                     | Beecroft Art Gallery | Jones Memorial Trust | Palace Theatre Charity | Prittlewell Priory Museum Trust | Priory Park Trust | The Shrubbery Trust | Victory Sports Ground Trust | Youth Commemoration Ground Trust | Total Trusts  |
|-----------------------------|----------------------|----------------------|------------------------|---------------------------------|-------------------|---------------------|-----------------------------|----------------------------------|---------------|
|                             | £000                 | £000                 | £000                   | £000                            | £000              | £000                | £000                        | £000                             | £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)           |
| <b>Net Assets</b>           | <b>2,344</b>         | <b>153</b>           | <b>1,192</b>           | <b>2,929</b>                    | <b>766</b>        | <b>868</b>          | <b>10</b>                   | <b>15,022</b>                    | <b>23,284</b> |
| 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        |
| <b>Total Reserves</b>       | <b>2,344</b>         | <b>153</b>           | <b>1,192</b>           | <b>2,929</b>                    | <b>766</b>        | <b>868</b>          | <b>10</b>                   | <b>15,022</b>                    | <b>23,284</b> |

### Group Note 3 Intercompany transactions

#### South Essex Homes Limited

The Council paid fees of £5.781M to South Essex Homes Limited for the management of its housing stock, together with £2.018M in respect of other services.

The Council provides several services for its subsidiary for which South Essex Homes Limited paid £1.915M. These transactions have been removed from the Group Comprehensive Income and Expenditure Statement.

#### Southend Care Limited

The Council paid fees of £7.750M 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 £0.065M. These transactions have been removed from the Group Comprehensive Income and Expenditure Statement.

#### Porters Place Southend-on-Sea LLP

The Council paid £0.750M to Porters Place Southend-on-Sea LLP as drawdowns from the Junior Loan Facility pursuant to the Partnership Agreement.

Porters Place Southend-on-Sea LLP paid £0.050M as a contribution to the Council's costs of managing the Better Queensway project.

These transactions have been removed from the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement as appropriate.

#### 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 £0.826M in 2019/20. 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 37. The categories of asset affected are as follows:

|   | Other Land &<br>Buildings<br>£000 | Vehicles, Plant,<br>Furniture &<br>Equipment<br>£000 |
|---|-----------------------------------|--|
| <b>Movements in 2019/20</b>                         |                                   |  |
| <b>Cost or Valuation as at 1 April 2019</b>         | <b>302,712</b>                    | <b>15,961</b>  |
| Additions   | 3,945                             | 2,224  |
| Revaluations via Revaluation Reserve                | (4,863)                           | 0  |
| Revaluations recognised in the CIES                 | (1,975)                           | (19)   |
| Disposals   | (158)                             | (509)  |
| Transfers   | (513)                             | 0  |
| <b>Gross Book Value as at 31 March 2020</b>         | <b>299,148</b>                    | <b>17,657</b>  |
| <b>Accumulated Depreciation as at 1 April 2019</b>  | <b>(12,603)</b>                   | <b>(6,373)</b>                                       |
| Depreciation  | (6,616)                           | (1,401)  |
| Written out to Revaluation Reserve                  | 0                                 | 0  |
| Written out to the CIES                             | 0                                 | 0  |
| On Disposals  | 12                                | 509  |
| On Transfers  | 70                                | 0  |
| <b>Accumulated Depreciation as at 31 March 2020</b> | <b>(19,137)</b>                   | <b>(7,265)</b>                                       |
| <b>Net Book Value as at 1 April 2019</b>            | <b>290,109</b>                    | <b>9,588</b>   |
| <b>Net Book Value as at 31 March 2020</b>           | <b>280,011</b>                    | <b>10,392</b>  |

|   | Other Land &<br>Buildings<br>£000 | Vehicles, Plant,<br>Furniture &<br>Equipment<br>£000 |
|---|-----------------------------------|--|
| <b>Movements in 2018/19</b>                         |                                   |  |
| <b>Cost or Valuation as at 1 April 2018</b>         | <b>330,390</b>                    | <b>15,092</b>  |
| 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)  |
| <b>Gross Book Value as at 31 March 2019</b>         | <b>302,712</b>                    | <b>15,961</b>  |
| <b>Accumulated Depreciation as at 1 April 2018</b>  | <b>(14,912)</b>                   | <b>(5,419)</b>                                       |
| 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   |
| <b>Accumulated Depreciation as at 31 March 2019</b> | <b>(12,603)</b>                   | <b>(6,373)</b>                                       |
| <b>Net Book Value as at 31 March 2018</b>           | <b>315,478</b>                    | <b>9,673</b>   |
| <b>Net Book Value as at 31 March 2019</b>           | <b>290,109</b>                    | <b>9,588</b>   |

## Group Note 5 Heritage Assets

The Heritage Assets line of the Group Balance Sheet is significantly different from the single entity's Balance Sheet on page 37. The categories of asset affected are as follows:

|   | Historic<br>Seaside<br>Assets<br>£000 | Heritage<br>Land<br>& Buildings<br>£000 | Antiques &<br>Collectables<br>£000 | Museum<br>Collections<br>£000 | Total<br>Heritage<br>Assets<br>£000 |
|---|---------------------------------------|---|------------------------------------|-------------------------------|-------------------------------------|
| <b>Movements in 2019/20</b>                         |                                       |   |                                    |                               |                                     |
| <b>Cost or Valuation as at 1 April 2019</b>         | <b>36,414</b>                         | <b>5,577</b>                            | <b>2,865</b>                       | <b>1,557</b>                  | <b>46,413</b>                       |
| Additions   | 2,636                                 | 0                                       | 0                                  | 0                             | 2,636                               |
| Revaluations via Revaluation Reserve                | (13,799)                              | (4)                                     | 0                                  | 0                             | (13,803)                            |
| Revaluations recognised in the CIES                 | (264)                                 | 0                                       | 0                                  | 0                             | (264)                               |
| <b>Gross Book Value as at 31 March 2020</b>         | <b>24,987</b>                         | <b>5,573</b>                            | <b>2,865</b>                       | <b>1,557</b>                  | <b>34,982</b>                       |
| <b>Accumulated Depreciation as at 1 April 2019</b>  | <b>(2,960)</b>                        | <b>(1,446)</b>                          | <b>0</b>                           | <b>0</b>                      | <b>(4,406)</b>                      |
| Depreciation  | (461)                                 | (151)                                   | 0                                  | 0                             | (612)                               |
| Written out to Revaluation Reserve                  | 3,085                                 | 2                                       | 0                                  | 0                             | 3,087                               |
| Written out to the CIES                             | 0                                     | 0                                       | 0                                  | 0                             | 0                                   |
| <b>Accumulated Depreciation as at 31 March 2020</b> | <b>(336)</b>                          | <b>(1,595)</b>                          | <b>0</b>                           | <b>0</b>                      | <b>(1,931)</b>                      |
| <b>Net Book Value as at 1 April 2019</b>            | <b>33,454</b>                         | <b>4,131</b>                            | <b>2,865</b>                       | <b>1,557</b>                  | <b>42,007</b>                       |
| <b>Net Book Value as at 31 March 2020</b>           | <b>24,651</b>                         | <b>3,978</b>                            | <b>2,865</b>                       | <b>1,557</b>                  | <b>33,051</b>                       |

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

## 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 37 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:

|   | 2019/20<br>£000 | 2018/19<br>£000<br>Restated |
|---|-----------------|-----------------------------|
| <b>Comprehensive Income and Expenditure Statement</b>   |                 |                             |
| <b>Cost of Services</b>   |                 |                             |
| Current Service Cost  | 21,259          | 19,424                      |
| (Gain) / Loss from Settlement   | (2,015)         | (3,469)                     |
| Cost of Curtailments  | 1,132           | 5,864                       |
| Administration Expense  | 161             | 200                         |
| <b>Financing and Investment Income and Expenditure</b>  |                 |                             |
| Net Interest Expense  | 3,909           | 4,483                       |
| <b>Total post-employment benefit charged to the surplus or deficit on the provision of services</b>   | <b>24,446</b>   | <b>26,502</b>               |
| <b>Other post-employment benefit charged to the comprehensive income and expenditure statement</b>  |                 |                             |
| Return on plan assets in excess of interest   | 39,351          | (26,962)                    |
| Other actuarial gains on assets   | (2,003)         | 0                           |
| Change in financial assumptions   | (63,489)        | 30,659                      |
| Change in demographic assumptions   | (5,121)         | (37,727)                    |
| Experience gain on defined benefit obligation   | 7,506           | 0                           |
| <b>Remeasurements and Other Comprehensive Income</b>  | <b>(23,756)</b> | <b>(34,030)</b>             |
| <b>Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement</b>                               | <b>690</b>      | <b>(7,528)</b>              |
| <b>Movement in Reserves Statement</b>   |                 |                             |
| Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code | (690)           | 7,528                       |
| <b>Actual amount charged against the General Fund Balance for Pensions in the year</b>  |                 |                             |
| Employer's contributions payable to scheme  | 10,593          | 9,818                       |

### 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:

| <b>Actuarial Gains/(Losses)</b>                              | <b>2019/20<br/>£000</b> | <b>2018/19<br/>£000<br/>Restated</b> |
|--|-------------------------|--------------------------------------|
| Present Value of the defined benefit obligation              | 647,571                 | 685,326                              |
| Fair Value of Plan Assets                                    | (492,263)               | (520,115)                            |
| <b>Net Liability arising from defined benefit obligation</b> | <b>155,308</b>          | <b>165,211</b>                       |

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

|  | <b>2019/20<br/>£000</b> | <b>2018/19<br/>£000<br/>Restated</b> |
|--|-------------------------|--------------------------------------|
| Opening Balance at 1 April   | 685,326                 | 674,909                              |
| Current Service Cost   | 21,259                  | 19,424                               |
| Interest Cost  | 16,329                  | 16,875                               |
| Contributions by Scheme Participants                                     | 3,827                   | 3,575                                |
| Remeasurement Gains and Losses   |                         |                                      |
| Actuarial gains / losses arising from changes in demographic assumptions | (5,121)                 | (37,727)                             |
| Actuarial gains / losses arising from changes in financial assumptions   | (63,489)                | 30,659                               |
| Other  | 7,506                   | 0                                    |
| Losses on Curtailments   | 1,132                   | 5,864                                |
| Benefits Paid  | (21,038)                | (19,786)                             |
| Liabilities extinguished on Settlements                                  | 1,840                   | (8,467)                              |
| <b>Closing Balance at 31 March</b>                                       | <b>647,571</b>          | <b>685,326</b>                       |

## Reconciliation of fair value of the scheme assets

### Local Government Pension Scheme assets

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

|  | 2019/20<br>£000 | 2018/19<br>£000<br>Restated |
|--|-----------------|-----------------------------|
| Opening Balance at 1 April   | 520,115         | 492,352                     |
| Interest Income  | 12,420          | 12,392                      |
| The return on plan assets, excluding the amount included in the net interest expense | (39,351)        | 26,962                      |
| Other Actuarial Gains  | 2,003           | 0                           |
| Employer Contributions   | 10,593          | 9,818                       |
| Contributions by Scheme Participants   | 3,827           | 3,575                       |
| Benefits Paid  | (21,038)        | (19,786)                    |
| Payment of Bulk Transfer Value   | 3,855           | (4,998)                     |
| Administrative Expense   | (161)           | (200)                       |
| <b>Closing Balance at 31 March</b>   | <b>492,263</b>  | <b>520,115</b>              |

### Impact on the Council's Cash Flows

The Group anticipates paying a £15.619M contribution to the scheme in 2020/21.

## 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 Porters Place Southend-on-Sea LLP can be obtained from Swan BQ Limited, Pilgrim House, High Street, Billericay, Essex, CM12 9XY.

The financial accounts of the Trusts can be obtained from the Executive 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<br>Allowances<br>£ | Special<br>Allowances<br>£ | Travel &<br>Subsistence<br>£ | Total<br>£        |
|----------------------------|---|--------------------------|----------------------------|------------------------------|-------------------|
| <b>Elected Councillors</b> |   |                          |                            |                              |                   |
| Arscott                    | B | 970.35                   | 242.59                     | 0.00                         | 1,212.94          |
| Aylen                      | S | 9,179.28                 | 0.00                       | 0.00                         | 9,179.28          |
| Ayling                     | B | 9,179.28                 | 5,671.51                   | 0.00                         | 14,850.79         |
| Beck                       | B | 8,378.74                 | 0.00                       | 0.00                         | 8,378.74          |
| Borton                     | M | 9,179.28                 | 2,241.46                   | 0.00                         | 11,420.74         |
| Boyd                       | H | 9,179.28                 | 1,941.43                   | 0.00                         | 11,120.71         |
| Bright                     | A | 9,179.28                 | 831.64                     | 0.00                         | 10,010.92         |
| Buck                       | K | 9,179.28                 | 546.58                     | 51.90                        | 9,777.76          |
| Buckley                    | S | 970.35                   | 0.00                       | 0.00                         | 970.35            |
| Burton                     | L | 9,179.28                 | 0.00                       | 0.00                         | 9,179.28          |
| Burzotta                   | D | 9,179.28                 | 71.26                      | 0.00                         | 9,250.54          |
| Byford                     | T | 970.35                   | 1,072.97                   | 0.00                         | 2,043.32          |
| Chalk                      | A | 9,179.28                 | 0.00                       | 0.00                         | 9,179.28          |
| Collins                    | P | 8,378.74                 | 2,015.86                   | 0.00                         | 10,394.60         |
| Courtenay                  | J | 970.35                   | 1,705.83                   | 0.00                         | 2,676.18          |
| Cowan                      | D | 8,378.74                 | 399.33                     | 0.00                         | 8,778.07          |
| Cox                        | T | 9,179.28                 | 10,165.65                  | 0.00                         | 19,344.93         |
| Davidson                   | M | 9,179.28                 | 2,752.87                   | 0.00                         | 11,932.15         |
| Dear                       | A | 9,179.28                 | 0.00                       | 0.00                         | 9,179.28          |
| Dent                       | M | 9,179.28                 | 0.00                       | 0.00                         | 9,179.28          |
| Evans                      | K | 8,378.74                 | 0.00                       | 0.00                         | 8,378.74          |
| Evans                      | M | 9,179.28                 | 285.06                     | 0.00                         | 9,464.34          |
| Flewitt                    | M | 9,179.28                 | 4,094.49                   | 0.00                         | 13,273.77         |
| Folkard                    | N | 9,179.28                 | 529.09                     | 0.00                         | 9,708.37          |
| Garne                      | D | 9,179.28                 | 0.00                       | 0.00                         | 9,179.28          |
| Garston                    | D | 9,179.28                 | 6,682.59                   | 0.00                         | 15,861.87         |
| Garston                    | J | 970.35                   | 194.07                     | 0.00                         | 1,164.42          |
| George                     | S | 9,421.87                 | 0.00                       | 0.00                         | 9,421.87          |
| Gilbert                    | I | 9,179.28                 | 28,245.36                  | -33.32                       | 37,391.32         |
| Habermel                   | S | 9,179.28                 | 71.26                      | 0.00                         | 9,250.54          |
| Hadley                     | R | 970.35                   | 582.21                     | 0.00                         | 1,552.56          |
| Harp                       | T | 9,179.28                 | 9,638.47                   | 120.05                       | 18,937.80         |
| Holland                    | A | 970.35                   | 339.63                     | 20.25                        | 1,330.23          |
| Hooper                     | B | 8,378.74                 | 0.00                       | 0.00                         | 8,378.74          |
| Jarvis                     | D | 9,179.28                 | 2,002.10                   | 0.00                         | 11,181.38         |
| Jones                      | A | 9,179.28                 | 9,590.86                   | 0.00                         | 18,770.14         |
| Kelly                      | M | 8,378.74                 | 0.00                       | 0.00                         | 8,378.74          |
| Lamb                       | J | 9,179.28                 | 15,745.89                  | 84.45                        | 25,009.62         |
| McDonald                   | H | 9,179.28                 | 4,599.32                   | 0.00                         | 13,778.60         |
| McGlone                    | D | 9,179.28                 | 1,156.18                   | 0.00                         | 10,335.46         |
| McMahon                    | J | 970.35                   | 0.00                       | -16.66                       | 953.69            |
| Mitchell                   | K | 8,378.74                 | 0.00                       | 0.00                         | 8,378.74          |
| Moring                     | A | 9,179.28                 | 7,653.67                   | 30.60                        | 16,863.55         |
| Mulroney                   | C | 9,179.28                 | 10,218.55                  | 0.00                         | 19,397.83         |
| Nelson                     | D | 9,179.28                 | 546.58                     | 0.00                         | 9,725.86          |
| Nevin                      | C | 9,179.28                 | 3,386.62                   | 0.00                         | 12,565.90         |
| Norman                     | D | 970.35                   | 0.00                       | 0.00                         | 970.35            |
| Phillips                   | G | 970.35                   | 0.00                       | 0.00                         | 970.35            |
| Robinson                   | K | 9,179.28                 | 11,002.85                  | 0.00                         | 20,182.13         |
| Salter                     | L | 9,179.28                 | 7,653.67                   | 0.00                         | 16,832.95         |
| Shed                       | I | 8,378.74                 | 296.59                     | 0.00                         | 8,675.33          |
| Stafford                   | M | 9,179.28                 | 2,015.86                   | 0.00                         | 11,195.14         |
| Terry                      | M | 9,179.28                 | 9,745.94                   | 0.00                         | 18,925.22         |
| Thompson                   | D | 8,378.74                 | 0.00                       | 0.00                         | 8,378.74          |
| Van Looy                   | P | 8,413.39                 | 361.00                     | 0.00                         | 8,774.39          |
| Wakefield                  | S | 8,378.74                 | 0.00                       | 0.00                         | 8,378.74          |
| Walker                     | C | 9,179.28                 | 0.00                       | 0.00                         | 9,179.28          |
| Ward                       | N | 9,179.28                 | 7,899.92                   | 0.00                         | 17,079.20         |
| Wexham                     | P | 9,179.28                 | 70.52                      | 58.60                        | 9,308.40          |
| Willis                     | C | 9,179.28                 | 0.00                       | 0.00                         | 9,179.28          |
| Woodley                    | R | 9,179.28                 | 14,004.09                  | 628.65                       | 23,812.02         |
| <b>Co-opted Members</b>    |   |                          |                            |                              |                   |
| Clarke                     | A | 0.00                     | 0.00                       | 0.00                         | 0.00              |
| Everitt                    | R | 0.00                     | 396.75                     | 0.00                         | 396.75            |
| Lusty                      | E | 0.00                     | 0.00                       | 0.00                         | 0.00              |
| Morgan                     | J | 0.00                     | 1,147.33                   | 0.00                         | 1,147.33          |
| Pandya                     | K | 0.00                     | 1,143.57                   | 0.00                         | 1,143.57          |
| Rickett                    | M | 0.00                     | 0.00                       | 0.00                         | 0.00              |
| Tetley                     | J | 0.00                     | 1,147.33                   | 0.00                         | 1,147.33          |
| Watts                      | T | 0.00                     | 273.85                     | 0.00                         | 273.85            |
| <b>Total</b>               |   | <b>469,318.08</b>        | <b>192,380.25</b>          | <b>944.52</b>                | <b>662,642.85</b> |



## **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                                 |
| HRA    | Housing Revenue Account                                 |
| IFRS   | International Financial Reporting Standard              |
| LLP    | Limited Liability Partnership                           |
| 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                                 |
| REFCUS | Revenue Expenditure Financed From Capital Under Statute |
| SEH    | South Essex Homes Limited                               |
| SOLACE | Society of Local Authority Chief Executives             |
| TPA    | Teachers' Pension Agency                                |
| UEL    | Useful Economic Life                                    |
| VAT    | Value Added Tax   |
| VFM    | Value For Money   |

## GLOSSARY

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| <b>Accounting Period</b>             | The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local Council accounts. The end of the accounting period is the balance sheet date.   |
| <b>Accounting Statements</b>         | The Council's Core Financial Statements, Notes and Supplementary Financial Statements.  |
| <b>Accrual</b>                       | A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.   |
| <b>Accumulating Absences Account</b> | Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. In local authorities, annual leave, flexitime, and time in lieu would usually be accumulating. Accumulating absences are typically earned by employees as they provide services. The Government has issued regulations which mean that the Council is only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used. |
| <b>Actuary</b>                       | A suitably qualified independent consultant employed to advise the Council upon the financial position of the Pension Fund.   |
| <b>Amortisation</b>                  | Amortisation is the writing down of costs to the Comprehensive Income and Expenditure Statement over a number of years.   |
| <b>Appropriations</b>                | Appropriations are the transfer of resources between, to and from the various reserves.   |
| <b>Asset</b>                         | An item having value measurable in monetary terms. Assets can either be defined as non-current or current. A non-current asset has use and value for more than one year whereas a current asset (e.g. inventory or short-term debtors) can readily be converted into cash.  |
| <b>Audit of Accounts</b>             | An independent examination of the Council's accounts to ensure that the relevant legal obligations, accounting standards and codes of practice have been followed.  |
| <b>Balance Sheet</b>                 | A financial statement that summarises the Council's assets, liabilities, and other balances at the end of the accounting period.  |
| <b>Billing Authority</b>             | A local authority such as Southend-on-Sea Borough Council charged by statute with responsibility for the collection of and accounting for Council Tax and non-domestic rates (NNDR; business rates).  |
| <b>Budget</b>                        | A budget is a financial statement that expresses a Council's service delivery plans and capital investment programmes in monetary terms, covering the financial year.   |
| <b>Budget Requirement</b>            | The estimated revenue expenditure on general fund services that needs to be financed from the Council tax after deducting income from fees and charges, certain specific grants, and any funding from reserves. It is referred to by the Minister for Local Government when deciding the criteria for capping Council revenue expenditure.  |
| <b>Capital Charges</b>               | A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services, such as depreciation.   |

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| <b>Capital Expenditure</b>                            | (or capital spending) – Section 40 of the Local Government and Housing Act 1989 defines 'expenditure for capital purposes'. This includes spending on the acquisition of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. Expenditure that does not fall within this definition must be charged to a revenue account.  |
| <b>Capital Financing</b>                              | The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.   |
| <b>Capital Investment Programme</b>                   | The capital schemes the Council intends to carry out over a specified period.   |
| <b>Capital Receipt</b>                                | The proceeds from the disposal of land and other assets, so long as the amount is £10,000 or more. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government. They cannot be used for revenue purposes without Secretary of State approval.   |
| <b>CIPFA</b>  | Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.  |
| <b>Collection Fund</b>                                | A separate fund maintained by a billing authority that records the expenditure and income relating to Council Tax and non-domestic rates, along with payments to precepting authorities, the national pool of non-domestic rates and its own general fund.  |
| <b>Community Assets</b>                               | Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions in their disposal. Examples of community assets are parks and historical buildings.  |
| <b>Comprehensive Income and Expenditure Statement</b> | An account which summarises resources generated and consumed in the provision of services.  |
| <b>Consistency</b>                                    | The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.  |
| <b>Contingent Liability</b>                           | A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Alternatively, a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of that obligation cannot be measured with sufficient reliability. |
| <b>Council Tax</b>                                    | The main source of local taxation to local authorities. Council Tax is levied on households within its area by the billing Council and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.   |
| <b>Council Tax Benefit</b>                            | Assistance provided by billing authorities to adults on low incomes to help them pay their Council Tax bill. The cost to authorities of Council Tax benefit is largely met by government grant.   |
| <b>Creditor</b>                                       | Amounts owed by the Council for works done, goods received, or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.  |
| <b>Debtor</b>   | Amounts due to the Council for works done, goods received, or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.   |

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| <b>Depreciation</b>                        | The measure of the cost of the benefits of a non-current asset which have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of the asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset. |
| <b>Dedicated Schools Grant (DSG)</b>       | Grant funding system for schools through specific grant.  |
| <b>Events after the Balance Sheet Date</b> | Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue. Also referred to as Post Balance Sheet Events.  |
| <b>Exceptional Items</b>                   | Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence so that the financial statements give a true and fair view.  |
| <b>External Audit</b>                      | The independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.  |
| <b>Finance Lease</b>                       | A lease which transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee, which is treated in the Government's capital control system as a credit arrangement as if it were like borrowing. The value of the asset is held on the Council's Balance Sheet   |
| <b>Financial Instruments</b>               | A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.  |
| <b>Financial Regulations</b>               | A written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative procedures, and budgeting systems.  |
| <b>General Fund</b>                        | The main revenue fund of a billing Council. Day-to-day spending on services is met from the fund. Spending on the provision of Council Dwellings, however, must be charged to a separate Housing Revenue Account.   |
| <b>Gross Expenditure</b>                   | The total cost of providing the Council's services before taking into account income from government grants and fees and charges for services.  |
| <b>Housing Benefits</b>                    | A system of financial assistance to individuals towards certain housing costs administered by local authorities and subsidised by central Government.   |
| <b>Housing Revenue Account (HRA)</b>       | A separate, statutory account inside the General Fund which includes the expenditure and income arising from the provision of housing accommodation by the Council acting as landlord.  |
| <b>Infrastructure Assets</b>               | Non-current assets belonging to the Council which do not necessarily have a resale value (e.g. highways).   |
| <b>Internal Audit</b>                      | An independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates, and reports on the adequacy of internal control as a contribution to the proper, economic, efficient, and effective use of resources.                            |

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| <b>International Financial Reporting Standard (IFRS)</b> | International Financial Reporting Standards cover particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these standards is mandatory and any departure from them must be disclosed and explained. The standards originated in the commercial sector and some are not directly relevant to local authority accounts. |
| <b>Inventory</b>   | These comprise one or more of the following categories: goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.  |
| <b>Minimum Revenue Provision (MRP)</b>                   | This is the amount to be set aside for the repayment of debt. Each local Council has a general duty to make an MRP charge to its revenue account each year, which it considers to be prudent.  |
| <b>National Non-Domestic Rate (NNDR)</b>                 | A standard rate in the pound set by the Government payable on the assessed rateable value of properties used for business purposes. Also known as Non-Domestic or Business rates.  |
| <b>Net Expenditure</b>                                   | Gross expenditure less specific service income.  |
| <b>Non-Operational Assets</b>                            | Fixed assets held by the Council but not directly occupied, used, or consumed in the delivery of services. Examples are investment properties or assets surplus to requirements, pending sale or redevelopment.  |
| <b>Operating Lease</b>                                   | A type of lease, usually of computer equipment, office equipment, furniture, etc. which is like renting and therefore represents a revenue cost. Ownership of the asset remains with the lessor.   |
| <b>Operational Assets</b>                                | Non-current assets held and occupied, used, or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.  |
| <b>Outturn</b>   | Actual income and expenditure in a financial year.   |
| <b>Pension Fund</b>                                      | An employees' pension fund maintained by a Council, or group of authorities, in order to make pension payments on retirement of participants. It is financed from contributions from the employing Council, the employee and investment income.  |
| <b>Precept</b>   | The levy made by Precepting authorities on billing authorities, e.g. Southend-on-Sea Borough Council. The major precepting authorities are Essex Police Authority and Essex Fire Authority. The Leigh-on-Sea Town Council also raise money by means of a precept on the billing authority.   |
| <b>Public Works Loan Board (PWLB)</b>                    | A central government agency which provides long- and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities can borrow a proportion of their requirements to finance capital spending from this source, subject to them being able to afford the interest and principle repayments.                   |
| <b>Provision</b>   | An amount set aside for liabilities or losses that are certain to arise but owing to their inherent nature cannot be quantified with absolute certainty.   |
| <b>Prudential Code</b>                                   | The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.   |
| <b>Rateable Value</b>                                    | The annual assumed rental value of a property that is used for business purposes.  |

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| <b>Revenue Expenditure Financed from Capital under Statute (REFCUS)</b> | Capital expenditure which may be properly treated as such, but which does not result in, or remain matched with, tangible fixed assets. An example of REFCUS would be capital expenditure on improvement grants.   |
| <b>Reserves</b>   | The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council.   |
| <b>Revenue Support Grant</b>  | A grant paid by the Government to Councils, contributing towards the costs of their services, as opposed to specific grants, which may only be used for a specific purpose.  |
| <b>Section 31 Grants</b>  | A grant issued by a Minister of State under Section 31 of the Local Government Act 2003.   |
| <b>Specific Grants</b>  | The term used to describe all government grants – including supplementary and special grants – to local authorities that are to be used for a particular purpose, as opposed to non-service specific grants such as revenue support grant.               |
| <b>Subjective Analysis</b>  | This is an analysis of income or expenditure according to type. Such expenditure headings are wages and salaries, capital charges, building maintenance, consumable materials. On the income side, the examples are government grant, fees, and charges. |
| <b>Supplementary Financial Statements</b>                               | Additional financial statements comprising the Housing Revenue Account and Collection Fund. Together with the Core Financial Statements comprise the Council's Accounting Statements.  |
| <b>Temporary Investment</b>   | Money invested for a period of less than one year.   |
| <b>Trust Funds</b>  | Funds administered by the Council for such purposes as charities and specific projects usually resulting from individual legacies and donations.   |
| <b>Value for Money (VFM)</b>  | A term that describes a service or product that demonstrates a good balance between its cost, quality, and usefulness to the customer. A VFM audit considers the economy, efficiency and effectiveness of a Council service, function, or activity.      |





# **ANNUAL GOVERNANCE STATEMENT**

# 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 an updated Local Code of Governance (the Code) in December 2019, 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 2020 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, including co-design/production with citizens

- Customer satisfaction
- Consultation and engagement
- Complaints, compliments, and comments

### Outcome based business planning and strategy

- Decision making / constitution
- Policy framework and procedures
- Performance management, including data quality
- Risk management, whistleblowing
- Business continuity
- Information management security
- Contract management
- Project management
- Change / transformation management

### Outcome based financial planning and reporting, budgetary control, and treasury management

- Commissioning
- Procurement
- Asset Management
- Fraud & Corruption and Insurance
- Value for Money

### Workforce management and development

- Values and behaviours - codes of conduct for members and staff
- Staff performance management
- Health and safety
- Ethical governance

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 (CMT) 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 always fit for purpose. Any changes to the Constitution are approved by full Council. Minor changes can also be made to the Constitution by the Chief Executive in consultation with the Group Leaders and the Monitoring Officer.

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 most 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 committee members. A key role of the Committee is to help oversee 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, each overseen by a member of the Corporate Management Team and 23 Outcome Delivery plans, each 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

Regular 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 has also developed a new Financial Sustainability Strategy providing a 10 year horizon. The Council's annual budget process is subject to engagement, consultation, and scrutiny by all interested stakeholders. Formal public Scrutiny Committees take place at the end of January, prior to consideration by Cabinet and decision by full Council on the overall budget package in February. This enables a robust, costed, and balanced, budget to be set. The overall budget development and approval arrangements complies with

good practice, and helps to ensure that the Council remains financially resilient.

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 reviewed regularly by the Corporate Management Team, and by the Cabinet every six months. Project risk and departmental risk registers are reviewed by service area management teams.

The Council engages with its communities within a participation, consultation and engagement framework that harnesses co-design and asset based community development principles, with outputs integrated into business planning and delivery.

The Council has a Health and Safety Policy, with an accompanying action plan that is reviewed each year and overseen by the Strategic Health and Safety Group, chaired by a 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. 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 Council'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; work undertaken by the Good Governance Group; the Head of Internal Audit's annual report; by comments made by external auditors and other external agencies and inspectorates. The Council has also made a commitment to undertake a comprehensive evidenced based self-assessment against each of the 17 standards contained within the new CIPFA Financial Management Code.

The last few weeks of 2019/20 were dominated by the Council's preparations for managing the Covid19 crises, which has had such a fundamental impact on day to day life, national public policy and the governance, services, and finances of all local authorities. The Council's civil contingency arrangements were put into effect in the run up to national lockdown from 23 March 2020, and has continued and adapted since, aligning to Government requirements and the Essex Resilience Forum operations.

The Council's Gold command and Silver tactical groups, along with collaborative working with partners, oversaw an unprecedented mobilisation of council, partner, and community resources to meet the crises. This included: supporting lockdown enforcement; supporting health and care sectors in managing hospital and care service demand; providing food and essential provisions for the most clinically vulnerable; providing housing for all rough sleepers in the borough; supporting school closures and on-going pupil education; undertaking an intensive communications programme to residents, stakeholders and the wider world and supporting local businesses by processing government grants and loans. This was implemented within weeks, while continuing to operate the range of other services that remained open and while enabling nearly all staff to work effectively remotely and be re-deployed when required.

Decision making processes for urgent matters and routine business that would normally go to Cabinet or Committee (known as the Standing Order 46 process) were adapted and took effect from the start 2020/21. This included provision for consultation on such matters with all group leaders, not just the relevant Cabinet member/s. In addition, the process for holding virtual committee meetings was agreed and put into effect.

Preparations began on considerations for the 'recovery phase' and moving to a 'new normal' of operations, initially with the Council's Cabinet members and CMT and then engaging the wider senior leadership, staff, and residents. There is an expectation that processes for decision making, the ways of working, the shape of services and the financial resources available to the council will be fundamentally different moving forward. However, the Council's response will help drive its programme of fundamental change to deliver its ambition and desired outcomes.

After a period of majority Conservative administration from 2017-19, a **joint administration** of Labour, Independent and Liberal Democrat councillors was formed following the May 2019 elections. The new administration's priorities were incorporated into the Council's Road Map to 2023. These included: a greater emphasis on new housing opportunities; the green agenda; integrated transport; proactively managing the street scene; a revised approach to parking; enhancing the skills of local people; tackling inequalities and making the Council more financially sustainable and commercially minded.

The new administration sought to enhance the role of councillors in leading delivery of the desired outcomes. Measures to do so included the rationalisation of 12 **Cabinet Working Parties** in July 2019, to be based around the seven new portfolios. The working parties were re-cast to enable Cabinet members to work more collegiately with cross party colleagues, focussing their efforts on policy objectives in a more pro-active way than had been the case previously. In addition, a review of the Council's Protocol on member/officer relations was

undertaken, the findings of which will now be considered in the new municipal year.

A major revision to **senior management arrangements** was undertaken in July 2019 to provide the capacity needed to meet councillors' ambitions, the desired increase in pace of decision making and delivery and to spearhead the cultural transformation required. These changes were designed to move away from a traditional hierarchy, with multiple organisational layers, to a more matrix form of management across functional areas, applying the lowest appropriate delegation, with greater flexibility and focus on empowerment and accountability. Executive Directors are expected to take a corporate lead on creating the right conditions and culture for outcome delivery as well as lead their services.

The new arrangements saw the Corporate Management Team (CMT) move from:

Chief Executive; two Deputy Chief Executives (Place and People) and three Strategic Directors (Transformation, Finance and Resources; Legal and Democratic Services) to:

Chief Executive; Deputy Chief Executive and Executive Director (Growth and Housing); and Executive Directors for Neighbourhoods and Environment; Children and Public Health; Adults and Communities; Transformation; Finance and Resources and Legal and Democratic Services.

Additional capacity was added at director level for housing, property and ICT, with the Director of Digital and ICT reporting to the Executive Director, Transformation, and further capacity built into the ICT service, including a fundamental revision of the approach of the ICT service and restructure of the shape and focus of the team, in recognition of the need to maximise the importance of technology in transforming the way the Council does business.

The new structure means it is more common to have a range of grades reporting into managers, helping to ensure some key operational services (highways, open spaces, and street scene) are closer to the senior management team.

The Council's Transforming Together programme was progressed to move the organisational culture to one that can deliver the desired outcomes by being more agile, efficient, more entrepreneurial, and more engaged with residents and customers. This included:

- Embedding the Council's refreshed set of **values and behaviours** through a new staff appraisal process (introducing 'annual performance conversations');
- A re-vamped **staff induction** programme;
- Launch of a **Knowledge Hub** on-line training and development portal enabling staff to access over 2000 learning resources over 55 areas;
- A staff led revision of the council's approach to **reward and recognition**;

- Progressing agile working through a '**worklife**' programme, using agile project methodology, more flexible work arrangements, providing creative workspaces, video conferencing, hot desking, remote working and providing a service design 'lab' to help creative thinking and minimise hierarchical and practical constraints;
- A new **service design** team supported the council in harnessing agile and co-design principles, ensuring the end user is involved in design challenges. This approach was used in relation to special educational needs, senior management administration support, councillor enquiries and the Council's approach to dropped kerbs, among others;
- Progressing the Southend 2050 outcomes through an ongoing programme of engagement with staff and stakeholders. Building on a partnership summit in February 2019, this took the form of a '**Test, Learn and Challenge**' fortnight in September. This included an ideas marketplace and summit, to review, challenge and contribute to business proposals. All services conducted their own team challenge to examine how they contribute to the 2050 outcomes and ambition, what they could do differently or stop doing. This was followed up, with a '**Test, Learn & Collaborate**' summit in January with staff and partners identifying co-delivery partners and key milestones through to 2023 and onto 2028 in delivering the desired outcomes.

As part of the approach to **simple and effective governance**, the four new **governance boards**, focussing on: Investment; Commissioning; Growth & Infrastructure and Innovation & Design began operating. The latter two evolved into more of a forum/space for consideration of projects/ proposals, although all four are likely to be subject to further review in the light of experience. The **Good Governance Group** of senior managers was revised to encompass information management, cyber security and civil contingency to review the Council's governance arrangements to assess whether they are fit for purpose, and ensure that sufficient assurance is available to support the production of the Annual Governance Statement. The **Local Code of Governance** was revised in November 2019 to reflect the Council's current governance arrangements.

The Commissioning Board progressed the revised **commissioning framework** to move the Council to become a more outcome based commissioning organisation, although this is recognised as an area for further work.

Work started on developing a programme for service managers, '**Getting to Know Your Business**' which looks to ensure managers have a better understanding of their service areas in terms of: performance; finances; value for money; citizen insight with a view to supporting a more **outcome based investment** approach. The programme will also seek to highlight and complement leadership development, promoting commercial

awareness and a better understanding of business acumen.

A revised approach was taken towards securing long term financial sustainability and more effective medium term business and financial planning. This included agreeing a fully funded **integrated set of outcome focussed revenue budget initiatives and capital investment priorities** as part of the Council's budget development.

In addition, **revenue and capital budget performance reports** to Cabinet and Scrutiny Committees were given greater prominence with their own separate reports (rather than being incorporated into the previous monthly performance report). The reports highlight any major variations from approved spending and capital plans for the year, enabling more pro-active financial management. They complement a new Outcomes Success measures report, considered by each meeting cycle of Cabinet and Scrutiny.

An updated **Medium Term Financial Strategy (MTFS)** (2020/21 – 2024/25), agreed as part of the Council's budget package, provided an integrated view of the whole of the Council's finances and priority investment plans over the medium term in meeting increasing demand for priority services, aligned to the ambition, phased priorities and commitments of Southend 2050.

A new high level long term **Financial Sustainability Strategy** (2020-30) was developed to frame the financial future and intentions for the Council. It helps set the context for the MTFS and guides the Council's approach to maximising resources, prioritising investment, and the effective targeting of resources to deliver the ambition and outcomes. It outlines the Council's approach, desire, and commitment to achieving financial sustainability by embracing the area's economic potential, growing the local tax base, and increasing sustainable income capabilities.

The introduction of a **Safeguarding Southend Strategic Leadership Group**, a strategic partnership board, made up of the key statutory agencies (police, CCG, Council, and independent advisor) proved successful. The Group determines local safeguarding arrangements and replaces the previous Adults and Children's Boards. New Southend safeguarding partnerships for children's and adults now report into the strategic **Safeguarding Southend Strategic Leadership Group**, with a remit to provide leadership on policy and practice.

Ofsted undertook a full inspection of the Council's **Children's Services** in July 2019. The inspection focused all areas of statutory children's social work services and early help services delivered by the Council. It did not inspect the work of partners. The inspectors stated that services for children in Southend require improvement to be good across all areas, as was the case at the last inspection in 2016. The report stated that:

"While senior leaders have made significant progress in some areas in improving the quality of practice,

despite a challenging local context, there is more work to do. Leaders have concentrated heavily on strengthening the 'front door' multi-agency response to contacts and referrals, planning for children in need and services for vulnerable adolescents, following learning from a joint inspection. These services are now highly effective".

While the 2016 inspection found the service required improvement in 12 areas, the 2019 inspection found a need for required improvement in four. A revised Strategic Children's Services Improvement Plan has been put in place and is being overseen and implemented by the Children's Services Improvement Board, a Cabinet/councillor working group, the service and safeguarding partners. The Improvement Board is chaired by the Leader and attended by senior Officers, Lead Member, opposition Children's lead and the chair of safeguarding Partnership along with an Independent external expert.

A cross-Council working group led by the Director for Regeneration and Growth and reporting to CMT, co-ordinated the Council's response to **Brexit** preparations – particularly in the event of a 'no-deal'. The arrangements made were closely aligned with those of the Essex Resilience Forum and the Government's Operation Yellowhammer. These included updating civil contingency and business continuity arrangements, putting in place new arrangements for regulatory services, assessing and mitigating changes to EU funded projects, ensuring Council policies reflected new legislation and guidance, keeping residents informed, supporting local business and promoting the EU Settlement Scheme.

The cross party **Shareholder Board**, formed to oversee the governance of the Council's companies and joint ventures, chaired by the Leader and reporting to Cabinet, continued to meet. It received the accounts and business plans of South Essex Homes; Southend-on-Sea Forum Management Ltd (a zero profit joint venture between the University of Essex, the Council and South Essex College set up to manage the property of The Forum) and Porters Place Southend-on-Sea LLP, joint venture formed to regenerate the Queensway estate.

A new Partnership and Member Agreement was adopted to govern the relationship between the Council and **South Essex Homes (SEH)**. The Partnership Agreement is more output based and encompasses the SEH commercial subsidiary, South Essex Property Services (SEPS), as a party so there is a single point of contractual reference. The Member Agreement is intended to encapsulate the parent/subsidiary relationship between the Council and SEH, but does not cover SEPS.

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 continued to meet to promote communication between the strands and ensure a co-ordinated approach to addressing complex issues.

The Council continued to play a central role in the **Association of South Essex Local Authorities (ASELA)** to seek to secure the strategic infrastructure, planning and growth required for the area. Work to shape the ask of government in terms of future investment and powers to enable delivery of the vision for South Essex was progressed.

Following the establishment of Porters Place Southend-on-Sea LLP as the joint venture partnership to progress the **Better Queensway** regeneration project, good progress was made with a launch event, two rounds of public consultation, a Housing Needs survey and approval of the Initial Business Plan by the LLP Board and its two shareholders – the Council and Swan Housing Association. This was considered by the Council's Shareholder Board before approval at Cabinet in November 2019.

The Council continued to be an active partner to the South East Local Enterprise Partnership (**SELEP**), with the Council represented by the Leader or Deputy Leader at the main (Strategic) Board, Accountability Board and investment panel, as well as the South Essex sub-board "Opportunity South Essex".

The Council acted as the accountable body for several externally funded projects operating across Southend, South Essex, and the wider South East. These include the South East Business Boost (SEBB) European Regional Development Fund programme which also received a three year extension, the Enterprise Advisor Network provision in Southend and the Construction Industry Training Board funded South Essex Construction Training Academy (SECTA).

Six reports were **called-in** from the Cabinet for review by the People Scrutiny Committee, 12 matters were called-in to the Place Scrutiny Committee and 11 reports were called-in to the Policy and Resources Scrutiny Committee. All budget items were referred directly to the three scrutiny committees as was the revised time-line for Southend 2050 and a range of other regular reports on performance, finance, risk and a Public Sector Protection Order.

Three 'in-depth' scrutiny reviews were started in the context of the Southend 2050 ambition: To review the level of domestic waste recycling and ways to achieve higher rates (Place); the appropriate use of reablement for older people when discharged from hospital (People) and Council and councillor communications with local people and stakeholders (Policy and Resources).

Progress on these reviews and Cabinet working parties was impacted by the December General Election and the onset of Covid-19 (the last cycle of scrutiny meetings and others in March 2020 were cancelled or postponed).

Mandatory e-learning for both data protection and cyber security was introduced for staff, supplemented by alternative tailored training for those for whom using an e-learning platform might not be appropriate. Recommendations from previous audits

were progressed. Policies and internal processes have been updated.

The Council's approach to cyber security was enhanced by use of a self-assessment tool, the outcome of which has informed the future operating model for ICT and digital enablement. The Council's approach to information management, data protection and cyber security was also reviewed by completing the NHS Data Security Protection Toolkit enabling assessment against Department of Health information governance policies and standards. For 2019/20 the Council was independently assessed as providing 'substantial assurance' in meeting 'standards met' compliance.

Progress on actions to enhance governance arrangements arising from the 2018/19 Annual Governance Statement were reported to Audit Committee during the year, with progress on 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 Executive, 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 2020**

The Head of Internal Audit Annual Report and opinion for 2019/20 states that:

*'Governance comprises of 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 2019/20 the Council continued to build on the work that had been undertaken to create the shared ambition for the borough and desired outcomes for its residents, visitors, students, and other stakeholders. This has involved continuing to transform the culture, the way that the Council operates and revised governance arrangements, so that the Council develops a culture, a focus, a structure and ways of working that are most effective and appropriate to deliver the required outcomes.'*

*The impact of the covid-19 pandemic began to manifest itself in the latter part of the year as the Council went into emergency response mode in line with the rest of the country and most of the world. The Council's response appears to have held up well, coordinating a wide range of resources from a range of different sources to provide the support, response and management of the community to meet the requirements of the Borough as it goes through the period of lockdown. Clearly there will be a huge amount to do and further challenges as the Borough and the Council moves into recovery mode and the Council is gearing itself up to deliver and meet the multiple challenges ahead.*

*As a result there continues to be significant change being made to way the Council is operating. The new governance arrangements and ways of working in the current situation continue to develop and evolve, and therefore there is a need for these to have the opportunity to be properly embedded and assurance obtained that they are working effectively as intended, before they can be considered to be operating effectively. However the opportunity for a period of time in which things can begin to settle into a 'new normal' does not appear to be forthcoming very soon.*

*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'.*

*The basis for forming this opinion is an assessment of:*

- *the design and operation of the underpinning governance and assurance framework*
- *the range of individual opinions arising from risk based and other audit assignments that have been reported during the year taking into account the relative significance of these areas*
- *whether management properly implement actions arising from audit work completed, to mitigate identified control risks within reasonable timescales.*

*The Head of Internal Audit has not reviewed all risks and assurances relating to the Council's activities in coming to his opinion.'*

#### **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 at the last assessment undertaken (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
- quality assurance and improvement programme.

Needs improvement assessments were given in relation to:

- coordinating and maximising assurance
- the efficiency of its operations.

During 2019/20 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.

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.'

## CONCLUSION

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Actions to be specifically addressed are outlined below.

## 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 2019/20 included:

- 10 Ofsted primary school inspections (1 'Outstanding', 9 'Good'). The overall position at April 2020 therefore was:
  - Primary schools: 5 outstanding, 26 good, 2 requires improvement.
  - Secondary Schools: 5 outstanding, 4 good, 2 requires improvement, 1 inadequate
  - Special schools: 1 outstanding, 3 good, 1 requires improvement
  - PRU/alternative provision: 1 good, 1 requires improvement.
- Ofsted full inspection of the Council's **Children's Services** (July 2019) – requires improvement to be good.
- Adult Social care ratings:
  - Nursing homes: 10 good, 6 requires improvement (RI);
  - Residential homes: 3 outstanding, 62 good, 12 RI, 2 inadequate;
  - Domiciliary care agencies: 4 outstanding; 31 good; 7 RI; 1 inadequate.
  - Community care services: 12 good; 1 RI.

### Further Actions to strengthen the Council's Governance Arrangements for 2020/21

| No. | Area   | Action  | Date of Implementation | Responsible Officer                               |
|-----|--|---|------------------------|---|
| 1.  | Covid-19 relaxation, restoration, and recovery | To ensure that the Council's governance arrangements are adapted to meet the Council's response to the Covid-19 pandemic. This will include enabling remote councillor formal and informal meetings and undertaking a revision of the Council's constitution to ensure it is suitable to meet new circumstances and to help deliver the Council's ambitions and desired outcomes. | March 2021             | Chief Executive                                   |
| 2.  | Southend 2050 - Transformation                 | Continue to ensure the necessary skills, tools, new ways of working and right culture are in place to support the Council's workforce to deliver the ambition and desired outcomes of the 2050 Road Map and to support the Council's response to the Covid-19 pandemic.   | March 2021             | Executive Director, Transformation                |
| 3.  | Southend 2050 – officer governance             | Ensure the Council's officer governance architecture is effective, along with other governance bodies, in supporting the delivery of the 2050 programme and providing the necessary assurance in approach to that delivery to demonstrate good governance.  | March 2021             | Executive Director, Legal and Democratic Services |
| 4.  | Risk Management                                | Implement and embed the Council's updated risk management framework and approach that was approved during 2019/20.  | March 2021             | Head of Internal Audit                            |

#### SIGNIFICANT GOVERNANCE ISSUES

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**  
**12 August 2020**

**Councillor Ian Gilbert**  
**Leader of the Council**  
  
**12 August 2020**

### SBC Corporate Governance Actions – 2019/20 – Progress

|    | Governance Issue                         | Action 2019/20   | Responsible Officer   | Comment on Progress   |
|----|--|--|---|---|
| 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.   | Joanna Ruffle – Executive Director, Transformation              | Progress included:<br><ul style="list-style-type: none"> <li>- launch of a <b>Knowledge Hub</b> on-line training and development portal;</li> <li>- embedding a new set of <b>values and behaviours</b>;</li> <li>- a re-vamped <b>staff induction</b> programme;</li> <li>- a staff led revision of the council's approach to <b>reward and recognition</b>;</li> <li>- progressing agile working through a '<b>worklife</b>' programme, using agile project methodology, more flexible work arrangements including enabling virtually all staff to work remotely;</li> <li>- harnessing agile and co-design principles, ensuring the end user across services, with focussed application in key service areas;</li> <li>- adopting fresh approaches to engage with staff and stakeholders in progressing the 2050 Ambition and outcomes.</li> </ul> |
| 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.  | Joe Chesterton – Executive Director – Finance & Resources       | A comprehensive review of the Council's Budget development arrangements has been undertaken to provide a sustainable fully integrated revenue and capital financial plan to resource the delivery of better outcomes for local residents, businesses, and visitors. This will be complemented by our developing 'Getting to Know Your Business' programme which looks to ensure managers have a better understanding of their service areas in terms of: performance; finances; value for money; citizen insight to support a more <b>outcome based investment</b> approach.  |
| 3. | Governance Framework                     | 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. | John Williams – Executive Director, Legal & Democratic Services | The, four new officer boards, introduced from April 2019 focussing on: investment; commissioning and innovation & design, began to operate and reporting into the CMT. These evolved during the year, in the light of practice with the growth & infrastructure and innovation & design boards becoming a forum for consideration of projects/ proposals. The revised Good Governance Group, encompassing information management and cyber security operated through the year to promote simple and effective governance. Further moves in this area are anticipated, not least in the light of the impact of Covid-19 on the Council's governance arrangements.  |



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