

# Statement of Accounts 2020/21



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Back cover: Southend-on-Sea Borough Council Civic Offices. Clodagh Duffy

# **SOUTHEND-ON-SEA BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2020/21**

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Councillor Kevin Robinson

**Leader of the Council**

Councillor Stephen George

**Chief Executive and Town Clerk**

Rob Polkinghorne

**Executive Director - Finance and Resources**

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# **INTRODUCTION TO THE 2020/21 ACCOUNTS**

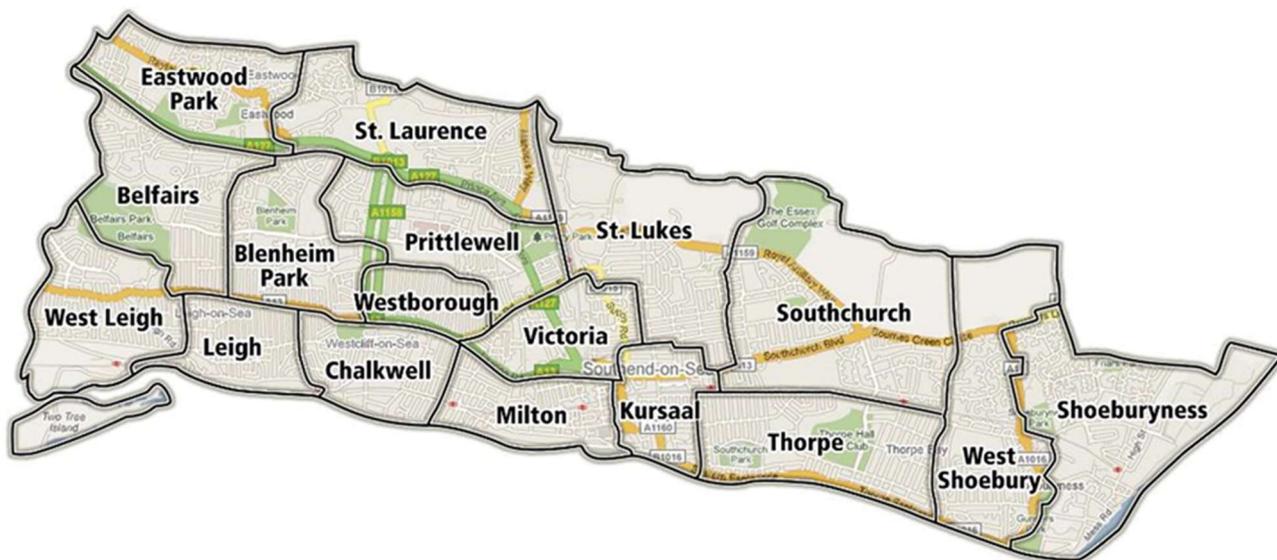
## Narrative Statement

### Welcome to the Statement of Accounts for Southend-on-Sea Borough Council for the financial year 2020/21.

The accounts provide a true and fair view of the financial performance of the Council in the delivery of services to the residents of Southend-on-Sea. They also summarise the overall financial position of the Council for the year ended 31 March 2021. The accounts and accompanying documents are subject to an external independent audit by Deloitte LLP 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 183,100 residents in over 80,000 households and geographically covers an area of 16 square miles. The Council's turnover is circa £430m which is higher than the 2019/20 turnover of circa £400m due to the COVID-19 related funding received. (The average turnover of the five years from 2015/16 to 2019/20 was circa £410m.) 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. Two fifths (40%) 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. Eight of these neighbourhoods fall into the 20% most deprived in the country. 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. During 2020/21, 16.5% of Southend's residents were economically inactive (19.5% in 2019).

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 (pre-COVID-19). In the calendar year

2020 there were over 168,000 visitors to the pier despite the various closures that were necessary. The town generally welcomes around 7.5 million visitors every year (pre-COVID-19), making Southend a popular seaside destination of choice.

The Council employs circa 2,000 (2019/20: 1,900) or 1,800 Full Time Equivalent (2019/20: 1,700) staff (excluding schools), who are responsible for the delivery of 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 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 eight 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 2021 is shown in the table below: -

<b>Political Party</b>	<b>Number of Councillors</b>
<b>Conservative</b>	20
<b>Labour</b>	11
<b>Independent</b>	9
<b>Liberal Democrat</b>	5
<b>Non-aligned</b>	4
<b>Vacancy</b>	2
<b>Total</b>	51

The Council has been led by a joint political administration since May 2019. The coalition was made up of Councillors from the following political parties; 11 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 was made up of the Leader, Deputy Leader and 5 other Councillors as at 31 March 2021.

As a result of the local elections held on 6 May 2021, the composition of local Councillors changed but the joint administration remained in overall control.

<b>Political Party</b>	<b>Number of Councillors</b>
<b>Conservative</b>	23
<b>Labour</b>	13
<b>Independent</b>	7
<b>Liberal Democrat</b>	5
<b>Non-aligned</b>	3
<b>Total</b>	51

The coalition was made up of Councillors from the following political parties; Labour 13, Independent 7, Liberal Democrat 5 and operated as a minority joint administration until the local elections held on 5 May 2022.

Since the outcome of the May 2021 election the Cabinet has also been expanded to include an additional Councillor, with a specific focus and responsibility for performance and delivery.

### **Management Structure**

Supporting the work of all elected Members are the Council's most senior level officers. A new professional executive leadership team was assembled in 2019/20 and as at 31 March 2021, this team was as follows:

<b>Position</b>	<b>Name</b>	<b>Started in 2020/21</b>
<b>Chief Executive and Town Clerk</b>	Alison Griffin	
<b>Deputy Chief Executive and Executive Director (Growth and Housing)</b>	Andrew Lewis	
<b>Executive Director (Finance and Resources)</b>	Joe Chesterton	
<b>Executive Director (Adults and Communities)</b>	Tandra Forster	
<b>Executive Director (Children and Public Health)</b>	Michael Marks	
<b>Executive Director (Neighbourhoods and Environment)</b>	Steve Moore* (interim)	14 December 2020
<b>Executive Director (Transformation)</b>	Joanna Ruffle	
<b>Executive Director (Legal and Democratic Services)</b>	John Williams	

\*Anna Eastgate was appointed permanent Executive Director (Neighbourhoods and Environment) and started with the Council on 29 April 2021.

[Proposed changes to the Senior Management Structure](#) of the Council were reported to Cabinet on 15 June 2021<sup>1</sup>. The Chief Executive named above, Alison Griffin left the Council in July 2021 to take up a new role in London and whilst a recruitment campaign was undertaken and new Chief Executive appointment made, Andrew Lewis became the Chief Executive for the Council. Rob Polkinghorne was appointed as the new Chief Executive and started with the Council on 25 October 2022.

Other changes that took place in 2021/22 included the retirement of the Executive Directors for Transformation and Legal and Democratic Services, which has provided the Council with an opportunity to review the existing structure. These roles were deleted and a new Executive Director for Strategy, Change and Governance was created. The Customer Services responsibilities from the previous role of Executive Director for Transformation was also transferred to the Executive Director for Finance and Resources. The reduction in the number of Executive Directors has also enabled the strengthening at Director level, including a new Director of Financial Services (Deputy s151 Officer) role to replace the current Head of Corporate Finance.

### **Unprecedented Times**

The year 2020/21 was dominated by the COVID-19 pandemic, which has had 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 the first national lockdown on 23 March 2020, and have been adapted since, aligning closely to Government requirements and the collective response of the Essex Resilience Forum (ERF). The Council's response to and management of the impact of the pandemic has been outlined in various reports to Cabinet in [June](#)<sup>2</sup> and [September](#)<sup>3</sup> 2020 and [June](#)<sup>4</sup> 2021. 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 help respond to the crisis throughout 2020/21. These arrangements have been kept under constant review, adapted and continued into 2021/22.

The Council is very proud of its response, and that of the community and partners, which has saved lives, alleviated a breakdown of health services and supported the most vulnerable in the community. Excellent relationships and work with partners from areas, including health, community safety, education, voluntary sector, business, local authority, civil service and others has been key to a successful response, and these strengthened relationships bode well for future partnership working. This has enabled: the ongoing provision of Personal Protective Equipment (PPE); getting essentials to those in need via the helpline service; securing accommodation for rough sleepers; getting financial support to businesses; ensuring residents and visitors are safe on the seafront and elsewhere; ensuring the safety of those in care homes; keeping education going and supporting and rolling out test and trace and the vaccination programme. All this, while

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<sup>1</sup> <https://democracy.southend.gov.uk/documents/s44579/Report%20of%20Chief%20Executive.pdf>

<sup>2</sup> <https://democracy.southend.gov.uk/documents/s39051/Report%20of%20Chief%20Executive.pdf>

<sup>3</sup> <https://democracy.southend.gov.uk/documents/s40798/3%20-%20-%20Report%20-%20Covid-19%20Finance.pdf>

<sup>4</sup> <https://democracy.southend.gov.uk/documents/s44560/Report%20of%20Exec%20Director%20Transformation.pdf>

keeping day to day services going, was achieved with remarkable speed, dedication and with many staff going way beyond the call of duty.

The Council led the re-opening of Southend-on-Sea by developing a multi-faceted plan, 'Operation Heatwave' to ensure that the borough was fully prepared to welcome back visitors and keep residents safe as national restrictions eased. The plan was developed with a local stakeholder group of traders that included Southend Business Improvement District, Southend Tourism Partnership and Leigh Town Council. The measures and resources deployed were focused on the town centre, open spaces, seafront and beaches.

Specific action that has been undertaken included:

- Further use of the 'compliance ambassadors' to work in the community and visit premises to check compliance and signpost appropriate guidance.
- Extra resources being deployed from end of March 2021, including toilet attendants, additional temporary toilets and medical support.
- Additional litter picking and bin emptying in parks at weekends and during the school holidays.
- More of the larger 'EuroBins' along the seafront and additional cleaning of parks and open spaces.
- Extra seasonal foreshore staff to provide information, advice and first aid.
- Providing guidance to businesses on reopening safely.
- Enhancing community safety via a new security base at Jubilee Beach and more resources to monitor the seafront.
- The re-opening of car parks and parking enforcement from 29 March 2021.

### **COVID-19 Financial Assessment and General Overview**

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 a whole new level of complexity and challenge with the worldwide impact of COVID-19.

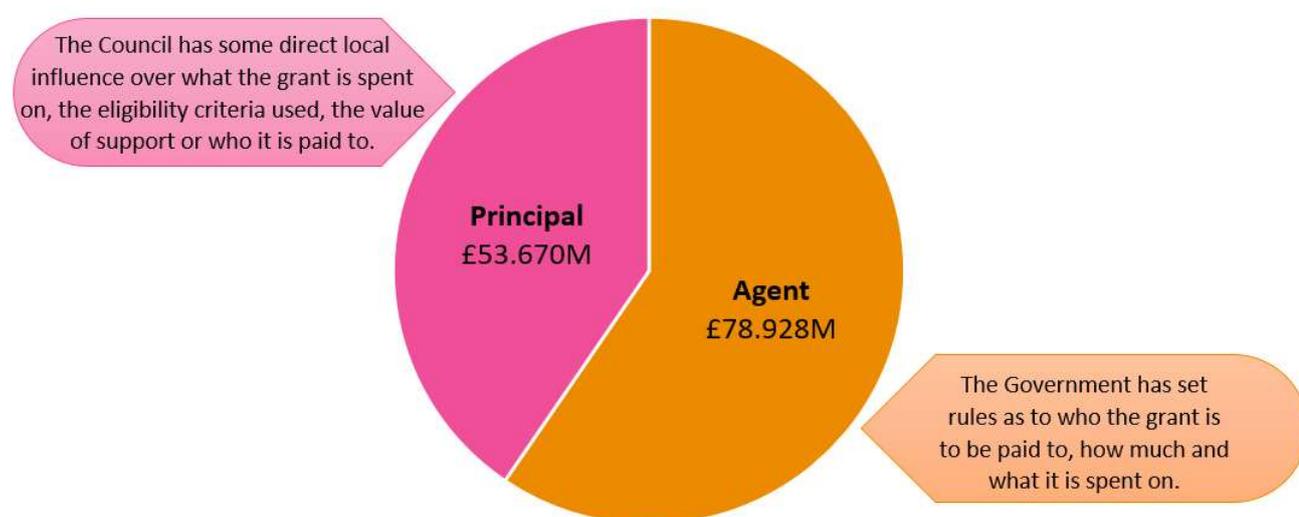
Throughout 2021/22 the pandemic continued to have a huge direct operational and financial impact right across the country and the Local Government Sector. All local authorities are struggling with the challenges of uncertainty, financial pressures, operational logistics and concerns for their residents and local areas in such unprecedented times. The financial implications on residents, businesses and the Council have been at the forefront of several reports to Cabinet throughout the 2020/21 year, either specifically relating to the pandemic or as part of regular budget monitoring updates. Most of the demand and financial challenges highlighted and reported throughout 2020/21 were inextricably linked directly or indirectly to COVID-19.

The scale and impact of the pandemic has also resulted in an unprecedented national policy and funding response from Central Government. The range, volume and value of different targeted financial support packages issued throughout 2020/21 was on a scale never seen before. New announcements were made on a regular basis containing a varied range of funding/grant support to be either passported on to local eligible businesses and residents or to be used directly by the Council to support our local response to the pandemic.

In headline financial terms the total level of financial support allocated to Southend-on-Sea from Central Government for 2020/21 totals £132.6M. Our Revenues and Benefits teams passported a significant range of financial support to eligible businesses in the form of Business Rates grants, Local Restrictions Support grants and a plethora of different types of Rating Relief Discounts. This took a considerable amount of additional resource to ensure that all eligible businesses received the financial support they qualify for during the pandemic whilst national restrictions were in place.

Additional Hardship Funds were received from Central Government and this was used to directly support eligible residents by reducing their Council Tax bill. Other areas of sector specific support included Adult Social Care providers from the Infection Control Fund.

*Figure 1 COVID-19 related funding received in 2020/21*



Depending on whether the Council has some direct local influence and depending on the nature of the funding received, these amounts have been included in the following Statement of Accounts in accordance with the accounting Code of Practice for Councils.

An unprecedented range and number of grant awards were made to the Council in 2020/21 to support the local response to the pandemic, some un-ringfenced such as the Local Authority Support Grant, but most with specific requirements attached that focussed on targeted activities and sectors to support Government policy intentions at a local level. The terms and conditions attached to some of these grant support mechanisms were sometimes issued late or retrospectively, which is perhaps understandable given the scale and urgency to provide additional funding as quickly as possible. Several different returns to Government have also been required to be submitted for a number of these new grant funding streams. This was to ensure that there was a regular flow of information back to Government to assess the local impact and effectiveness of the funding provided.

Some of these funding streams were also extended into 2021/22 or new funding allocations issued for that financial year as the country continued to put in place measures to control further outbreaks of the virus and to try to support our economic recovery. Positively, the national vaccination programme had a positive impact on controlling the spread of the virus and continues to be offered across the population with booster vaccinations rolled out as appropriate.

The Government also introduced other financial support arrangements for Local Authorities such as the Income Guarantee Scheme to help with the impact of reduced levels of collection of Council Tax and Business Rates. A compensation scheme for sales, fees and charges was implemented to try to help to partly offset significant reductions in other local income streams. Finally, additional financial support was issued to help local authorities cope with a range of additional administrative new burdens associated with assessing and issuing funding to eligible businesses and residents where appropriate.

To put the scale of the extra administrative burden into context around 12,000 applications from local businesses had been processed by the end of March 2021. Many more have also had to be reviewed to assess eligibility. The scale and governance of this overall level of additional financial support to the Council and the associated administration and reconciliation of various grant claims to Central Government has added extra complexity to the traditional year-end accounts closure programme.

The operating landscape continues to be uncertain as the medium to long term implications on demand and service delivery during the transition from responding to the impact of the pandemic and towards building and enabling a successful recovery are difficult to assess. Our immediate responsive financial strategy has therefore been made a lot more difficult to design because of this added complexity and uncertainty. The situation will continue to be closely monitored and appropriate tactics were deployed to support local businesses and communities wherever possible throughout 2021/22.

### **Southend 2050 Ambition and Updated Outcomes**

Our Southend 2050 long-term ambition is grounded in the aspirations and voices of our residents and key stakeholders, with extensive engagement undertaken in 2018. The pandemic has magnified our residents' priorities and their pride in the Borough, which was strongly evidenced again in our Residents' Pulse Survey undertaken in late 2020. Our ambition remains the same, with an added delivery focus. The sequencing of priorities is being refined and a commitment to refresh the outcomes and associated roadmap milestones annually was established.

In 2020, the refresh focused on the response to the COVID-19 pandemic. As we moved into 2021/22 our focus continued to be on prioritisation, delivery and recovery from the pandemic. Southend 2050 continues to be structured around five core themes, with an additional sixth theme, Future Ways of Working now included, which embodies the organisation's approach and new arrangements that will now be required to deliver the Southend 2050 outcomes. These six themes are summarised in *Figure 2*.

Figure 2 Southend 2050 Themes



For more information and insight into the Council's approach and roadmap for delivery see the [Southend 2050](#)<sup>5</sup> pages on our website.

### Financial Overview 2020/21

The General Fund Revenue Account for 2020/21 had a net expenditure budget of £136.238M (gross expenditure £336.467M; gross income £200.229M). 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 £84.8m for 2020/21 (£81.2m for 2019/20).

The Delivery of Southend 2050 Outcomes and Priorities: Annual Report and Provisional Resources Outturn 2020/21 was reported to Cabinet on 15th June 2021 and the full report is available [here](#)<sup>6</sup>.

This report summarised the Council's achievements, successes and challenges within the 2020/21 Annual Report and provided a comprehensive analysis of the provisional financial performance for the General Fund, Housing Revenue Account (HRA) and Capital Investment Programme.

The scale of the local financial impact of the pandemic on both expenditure and income expectations led to huge variations from our original approved plans for 2020/21 and the actual profile of spending bore no comparison to what we would expect to see in a normal year. The Council, along with the rest of the public sector, also received unprecedented levels of additional funding support from Central Government to try to mitigate the financial impact of the pandemic. This contributed to both the abnormal pattern of spending and huge volatility in our cashflow position throughout the year.

<sup>5</sup> <https://www.southend.gov.uk/southend-2050-7>

<sup>6</sup>

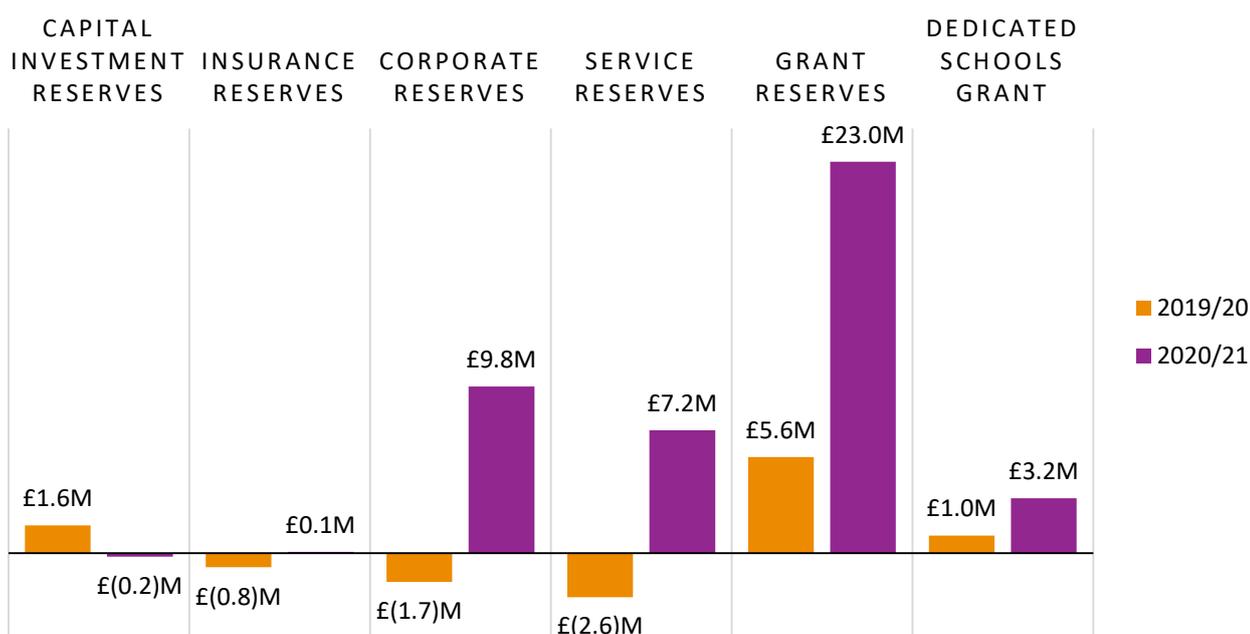
<https://democracy.southend.gov.uk/documents/s44561/Report%20of%20Exec%20Director%20Finance%20and%20Resources.pdf>

There were many additional technical compliance requirements and accounting arrangements introduced for the Local Government Sector in 2020/21. This was necessary to reflect the additional funding received but also to account appropriately for the different types of support that Central Government has provided. The area of largest change in financial terms was the relationship between the Council's Collection Fund (which is used to record the transactions and cashflows relating to Business Rates and Council Tax funding) and the General Fund (which in simple terms records all income and expenditure relating to services).

Given the size and complexity of the Council's operations and the volatility caused by COVID-19 there were several variations from the original approved plans across individual service areas. As part of the year-end arrangements, consideration was also given to the need to review the level of provisions for insurance, future transformation, specific service considerations, bad and doubtful debts and other challenges that arose during the year.

To illustrate the volatility that the pandemic caused the following diagram (*Figure 3*) compares the contributions to/from earmarked reserves which took place at year end in 2020/21 with 2019/20.

*Figure 3 Year End Contributions to / (from) reserves*



The overall net impact on the General Fund Revenue Budget for 2020/21 of all the actual income and expenditure variations within services, together with the scale of additional Government Support was a net underspend of £0.033M (£4.544M overspend for 2019/20). This was appropriated to the Business Transformation earmarked reserve to support the future re-design of services programme.

The Housing Revenue Account (HRA) performed well in 2020/21 despite the challenges caused by the pandemic and reported an overall in-year surplus of £2.731M (*£1.030M surplus for 2019/20*). Prior to COVID-19 an ambitious acquisitions programme (£8.708M) to create more affordable homes was approved in January 2020 for the 2020/21 financial year. This was planned to be financed from a forecast in-year surplus of £5.186M and a draw down from reserves of £3.522M. Given all the difficulties that the pandemic has caused it has not been possible to deliver an acquisitions programme to the level that was planned. Reduced expenditure has meant that the actual in-year surplus of £4.954M is sufficient to fund the required revenue contribution to the capital programme of £2.223M, leaving an overall surplus for the year of £2.731M.

Another major concern around COVID-19 was the impact on income collection levels and potential difficulties for tenants paying their rent and service charges due to changing circumstances. This was mitigated by proactive working with tenants by South Essex Homes. The surplus for the year was appropriated to the Capital Investment Reserve to enable the ambitious plans to deliver more affordable homes to be accelerated again in 2021/22 and to provide further investment into the overall Council's housing stock to continue to create better conditions and environments for local tenants.

The level of earmarked reserves held by Southend-on-Sea Borough Council (including maintained schools) as at 31 March 2021 is £140.115M (*£107.404M at 31 March 2020*) (see note 20, page 79). Even though a lot of this increase in earmarked reserves is linked directly to the accounting arrangements for Section 31 grants due to COVID-19, it still demonstrates the financial strength and resilience of the Organisation and places it in a robust position to continue to navigate the ongoing challenges of supporting our local area's recovery from COVID-19 and to cope with the expected increases in demand and complexity for critical services in the future.

### **Revenue Outturn 2020/21**

The following table shows the final revenue outturn position for 2020/21 on a net expenditure basis. The analysis of the actual costs reflects the way the Council's finances are managed, as opposed to the statutory required analysis used in the Statement of Accounts itself.

The analysis in Table 1 does not include any of the following income and expenditure items: pension adjustments, MRP adjustments, recharges, capital charges, Revenue Expenditure Funded from Capital under Statute (REFCUS) and revaluation gains. These numbers can be identified in the statement of accounts.

The table illustrates the volatility and financial impact of COVID-19 when compared to the approved budget for 2020/21. Key headline variances include a £16.622M net increase in total costs of Portfolios (Services). A reduction of £6.645M in the planned level of revenue contributions to capital expenditure, primarily due to a lower number of properties acquired to provide more affordable homes within the HRA. The extra £12.080M received for non-service specific grants relates to the extra Government support received for COVID-19.

Table 1 Revenue Outturn 2020/21

	2020/21 Budget £000s	2020/21 Actual £000s	2020/21 Variance £000s
<b>Portfolios</b>			
Leader: Housing, ICT, Revenue & Benefits	13,408	12,679	(729)
Deputy Leader: Assets, Highways & Transport	4,482	9,296	4,814
Business, Culture and Tourism	4,616	5,831	1,215
Children and Learning	27,800	31,489	3,689
Community Safety and Customer Contact	5,963	7,210	1,247
Environment and Planning	19,895	22,448	2,553
Health and Adult Social Care	37,457	38,198	741
Housing Revenue Account	(8,078)	(2,680)	5,398
Corporate Budgets	3,093	1	(3,092)
<b>Net Controllable Cost of Portfolios</b>	<b>108,636</b>	<b>124,472</b>	<b>15,836</b>
Statutory Adjustments	2,700	(1,877)	(4,577)
<b>Adjusted Net Controllable Cost of Portfolios</b>	<b>111,336</b>	<b>122,595</b>	<b>11,259</b>
Levies	645	610	(35)
Leigh Town Council Precept	447	447	0
Financing Costs, Interest, etc.	19,844	19,930	86
<b>Net Operating Expenditure</b>	<b>132,272</b>	<b>143,582</b>	<b>11,310</b>
Revenue Contribution to Capital	9,071	2,426	(6,645)
Non Service Specific Grants	(17,967)	(30,047)	(12,080)
Contribution to / (from) Earmarked Reserves	25,707	32,177	6,470
<b>Total to be Funded from Council Tax and Formula Grant</b>	<b>149,083</b>	<b>148,138</b>	<b>(945)</b>
Funded from			
Revenue Support Grant	(6,049)	(6,022)	27
Retained Business Rates	(56,239)	(56,961)	(722)
Collection Fund Surplus and Reserves	(2,000)	(2,000)	0
Council Tax (Southend-on-Sea Borough Council and Leigh Town Council)	(84,795)	(83,155)	1,640
<b>Total Funding</b>	<b>(149,083)</b>	<b>(148,138)</b>	<b>945</b>
<b>Contribution (to) / from General Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>

Table 2 reconciles the analysis of the Comprehensive Income and Expenditure Statement (see page 41) to the outturn summary on the previous page.

Table 2 Reconciliation of Gross Expenditure to Transfer to General Fund

	<b>2020/21 £000s</b>
Gross Expenditure on Services	438,643
Gross Income on Services	(431,295)
<b>Net Cost of Services</b>	<b>7,348</b>
Adjustments between accounting basis and funding basis under regulation	(40,059)
Transfers from Earmarked Reserves and HRA	32,711*
<b>Contribution (to) / from General Reserve</b>	<b>0</b>

\* This figure includes the movement in schools balances of £0.534M.

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

The Council spent £443.009M to deliver services funded by £443.009M of income in 2020/21. The following charts show how the money was funded in 2020/21 and how it was spent.

Figure 4 Revenue Income (Funding Sources) 2020/21

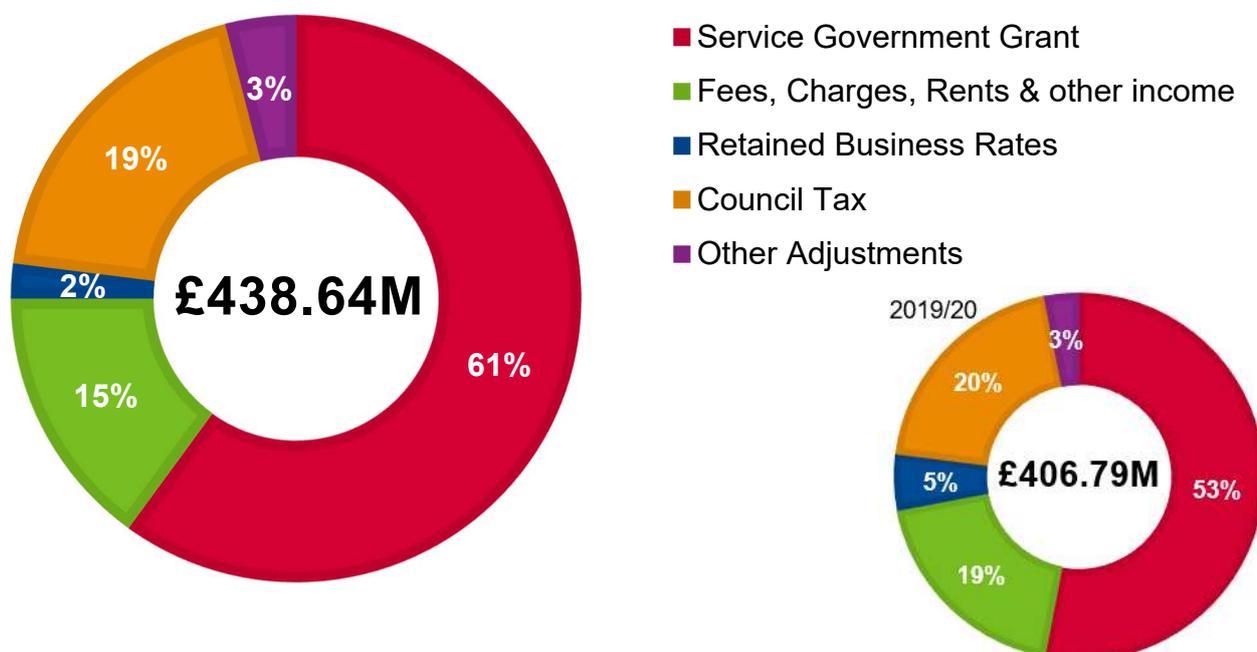


Figure 4 sets out how gross expenditure is funded. The largest source of income is government grants (see note 18, page 73 for a full analysis). It remains the largest element due to the continuation of the national subsidy arrangements for local eligible benefit claimants, increased one-off Government grants issued in 2020/21 to support the response to the COVID-19 pandemic and funding for local schools from the Dedicated Schools Grant.

For the majority of Council services direct support from Government Grant continues to reduce each year and represents a smaller proportion of the total cost of provision. Whilst not direct income received in year, 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.

Figure 5 Gross Revenue Expenditure Objective (Service Area) 2020/21

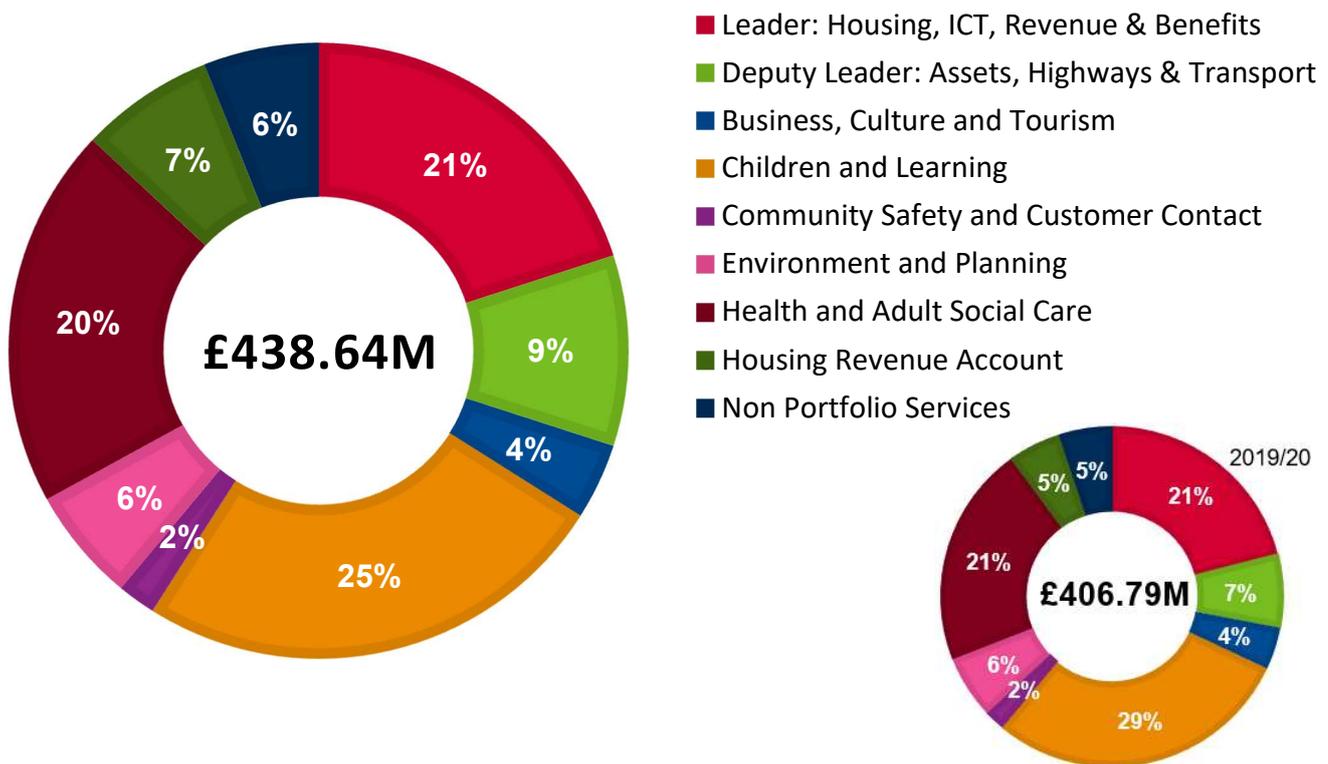


Figure 5 sets out how gross expenditure is split across the various portfolios of services the Council operates under. As part of the funding source commentary highlighted for Figure 4 the Leader: Housing, ICT, Revenues & Benefits includes the £58M cost of housing benefit payments made. Children & Learning includes the passing onwards of dedicated schools' grants and other payments to the Council's maintained schools (£49M). Non portfolio services include interest payable, levies and payments to the Government Housing Capital Receipts Pool.

Figure 6 Gross Revenue Expenditure Subjective (By Type) 2020/21

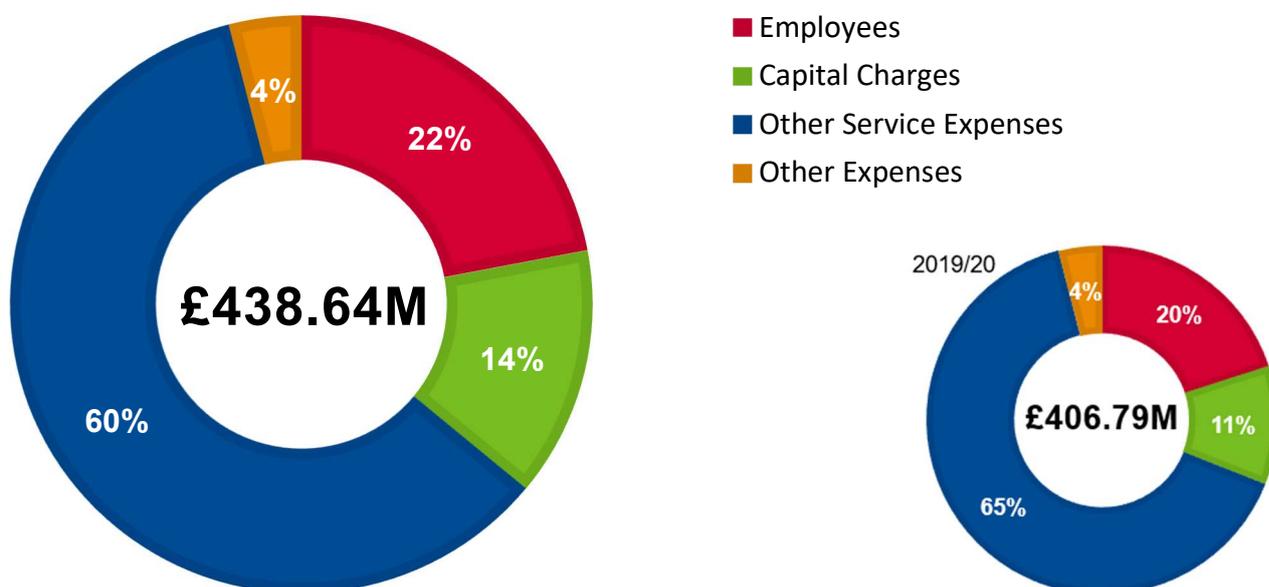


Figure 6 sets out how gross expenditure is split by type. Other service expenses cover the running costs of services excluding employees, and therefore includes the cost of suppliers and contractors, together with monies paid out to schools and benefit claimants. Other expenses cover several accounting 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 and feedback from the extensive consultation undertaken with staff around our Future Ways of Working (FWOW) in response to the pandemic.

Our new 'Getting to Know Your Business' programme for service managers was introduced in 2020/21, with the first phase helping to establish a baseline for all services in terms of costs, income generation, value for money and relative performance. The Council was supported in this evaluation by Grant Thornton, who provided an independent review of our medium-term financial assessment by using their specifically designed forecasting model for councils.

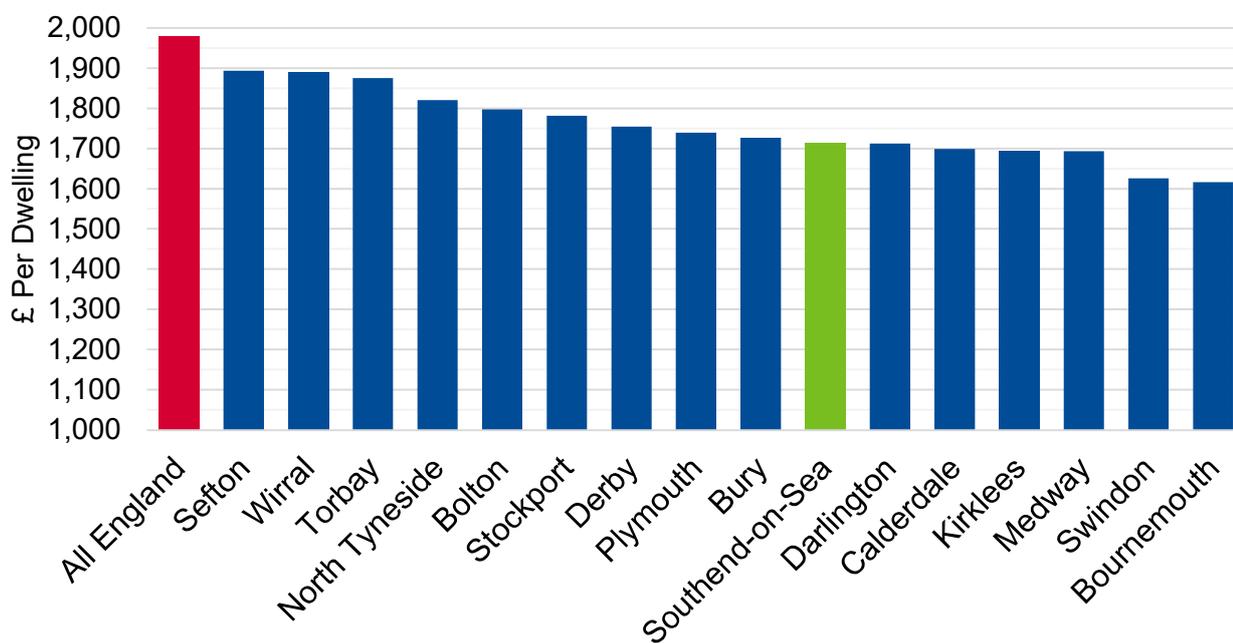
The aim of this new initiative is to ensure all service managers in Southend-on-Sea Borough Council have a comprehensive understanding of their business areas in terms of their benchmarked operational and financial performance, key demand and cost drivers, income levels, commercial opportunities, value for money and customer insight. This programme is designed to support managers to improve productivity and efficiency in all our business areas ensuring that we secure best value but also to support a more targeted outcomes-based approach to investment.

A programme of major service redesign is also under development 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 will help 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

Figure 7 illustrates where the Council ranks based on the spending power per dwelling against our nearest statistical neighbours comparator group. For spending power per dwelling the Council ranks 10th 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.

Figure 7 Core Spending Power per Dwelling (£) 2020/21



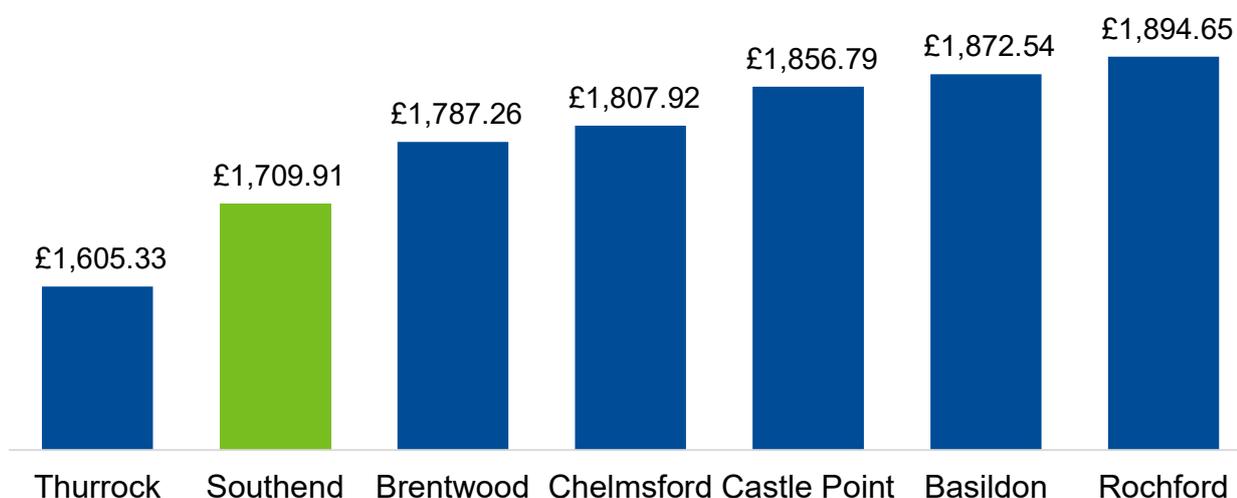
Source: MHCLG

Core Spending Power measures the core revenue funding available for local authority services, including Council Tax and locally retained Business Rates.

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.

Figure 8 illustrates the level of Council Tax (Band D equivalent) charged by Local Authorities from our nearest geographical neighbours in Essex for 2020/21. 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.

Figure 8 Council Tax Comparison - Band D 2020/21



Source: Individual Council websites

### Achievements in 2020/21

Despite the huge challenges caused by the local impact of the pandemic, 2020/21 was still a year of successes and creativity 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:

- ✓ Adapting our core services and working with the community and partners in response to the pandemic, including setting up vaccination centres and community Lateral Flow Device testing sites; providing front-line social care services; and ensuring schools remained open to key workers' and vulnerable children.
- ✓ Setting up the Southend Emergency Fund, a grass roots coalition of local people, community groups and businesses, raising much needed cash for local third sector organisations helping people deal with the impact of the pandemic.
- ✓ Forming the Southend Food Alliance with South Essex Community Hub and Southend Foodbank to bring together local organisations providing food for residents.
- ✓ Housing 138 rough sleepers in temporary accommodation during the pandemic.
- ✓ Helping local businesses re-open safely and distributing Government support grants to aid their recovery.
- ✓ Being awarded Purple Flag accreditation, highlighting our night-time economy as safe, diverse, entertaining and enjoyable.
- ✓ The imaginative ways our galleries, museums and libraries have engaged with our community during pandemic restrictions, creating more on-line opportunities, downloadable art activity packs and click & collect book loans.

- ✓ Carrying out Town Centre improvements, including completing paving works on London Road and Victoria Circus, installing 'green roof' cycle shelters, improving street lighting and developing efficient urban drainage systems.
- ✓ Maintaining our seafront and shoreline, parks and green spaces to a high standard.
- ✓ Agreeing the Green City Action Plan, delivering a greener future for Southend and supporting the Council's aim of reaching net zero carbon emissions by 2030.

The Council's ambition, priorities, achievements, and performance for 2020/21 are all summarised in the [Annual Report](#)<sup>7</sup> which is available on our website.

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<sup>7</sup> <https://www.southend.gov.uk/southend-2050-7/annual-report/1>

## 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.

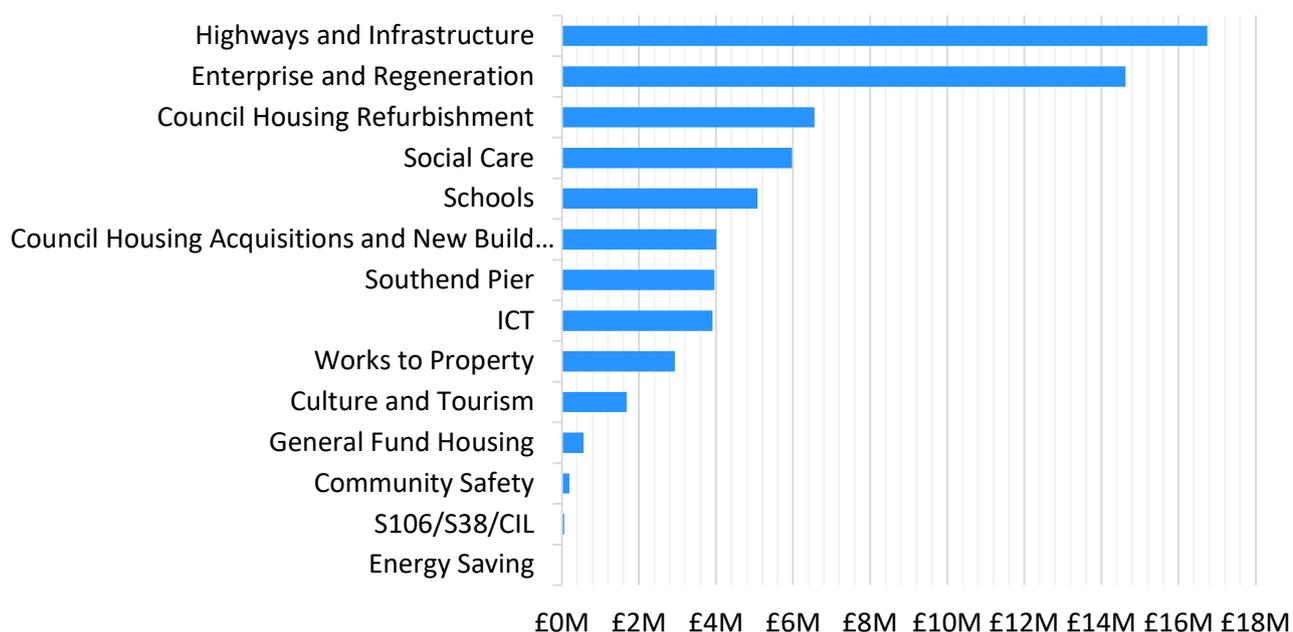
Capital spending can generally be defined as that which generates assets that have a life of more than one year. This includes the acquisition or construction of new assets and expenditure that improves, and not merely maintains, the value of existing assets.

In 2020/21 the Council invested £66.3m (£59.7m in 2019/20) 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, investment in the Pier and the refurbishment, acquisition and construction of Council housing.

## Capital Investment 2020/21

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

*Figure 9 Capital Investment Programme 2020/21*



In *Figure 9*, 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.

The following table summarises the strategic capital projects that the Council undertook during 2020/21.

Table 3 Summary of Strategic Capital Projects in 2020/21

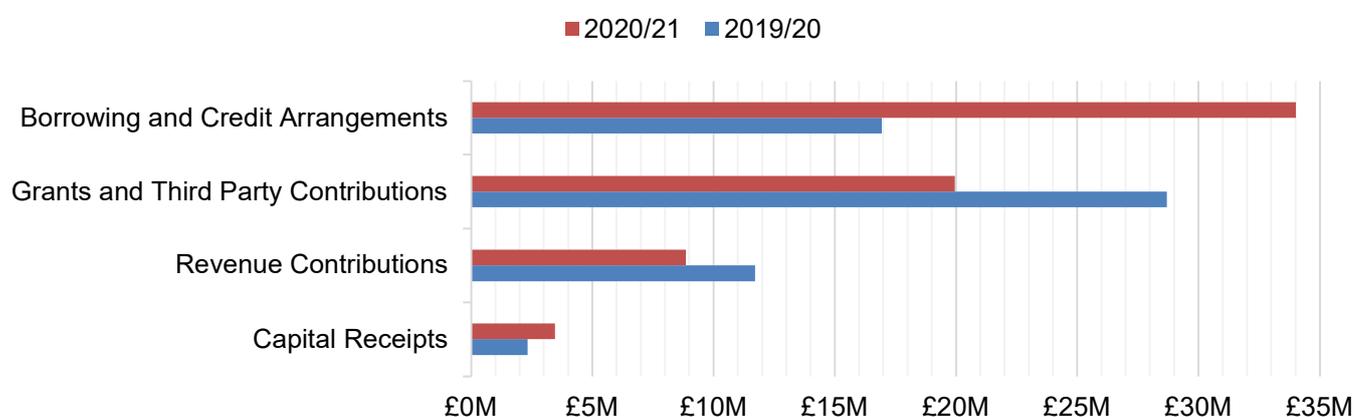
Capital Project	2020/21 £000s
Highways and Infrastructure – Local Growth Fund and Local Transport Plan	10,988
Victoria Centre	10,638
Housing Revenue Account – Decent Homes Programme	6,425
Delaware and Priory New Build	5,149
Southend Pier Schemes	3,958
ICT Schemes	3,908
Housing Revenue Account – Housing Acquisitions Programme	3,869
School Improvement and Provision of School Places	3,729
Footways and Carriageways	3,448
Better Queensway	2,360
Airport Business Park	1,618
Parking Schemes	1,140
Housing Revenue Account – Construction of New Housing	137

### 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.

Figure 10 shows how the £66.3m capital expenditure was funded for the 2020/21 year.

Figure 10 Capital Expenditure Funding Sources 2020/21 with 2019/20 comparatives



Borrowing is kept within affordable levels, with the total accumulated loans owed to external lenders and credit arrangements amounting to £321.2m at 31 March 2021 (£321.5m at 31 March 2020).

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 £10.2m at 31 March 2021 (*£10.7m at 31 March 2020*).

The Council's operational upper limit for borrowing has been set at £375m (excluding transferred debt) (*£350m in 2019/20*). Accounting for the borrowing outlined above, this leaves headroom of £53.8m (*£28.5m in 2019/20*).

This level of debt should also be viewed in relation to the Council's long-term assets which have a net book value of £941.2m at 31 March 2021 (*£893.7m at 31 March 2020*).

### **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 2021, the total net book value of these long-term assets was £941.2m (*£893.7m at 31 March 2020*).

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 2020/21 and it is anticipated that one further school will transfer in 2021/22. If it does, this would reduce the current net book value of the long-term assets held of £50.9m at 31 March 2021 (*£52.7m at 31 March 2020*) 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 2020/21 financial year the HRA has maintained the same general balance carried forward of £3.5M (*£3.5M in 2019/20*). Council rents for general needs and sheltered properties were increased by 2.7% in 2020/21 (*decreased by 1% in 2019/20*) in accordance with the long-term rent deal announced by the government in October 2017. This allowed for annual rent increases of up to the Consumer Price Index (CPI) rate at September each year plus 1 percentage point.

In 2020/21 average rents for general needs properties (excluding service charges) were £89.17 per week (*£86.83 in 2019/20*), and £77.68 per week (*£75.64 in 2019/20*) for sheltered accommodation.

The full financial performance of the HRA is reported on pages 110 to 116.

### **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 as Better Queensway is the largest housing and regeneration project the Council has undertaken since the 1960's. There have been no changes 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 124).

## Financial Health of the Council as at 31 March 2021

The Government's unprecedented fiscal response to the COVID-19 pandemic resulted in the Council receiving funds in advance of incurring expenditure or paying out grants and providing other financial support to local residents and businesses. This led to increased levels of cashflow balances throughout the year and due to timing has resulted in increased levels of earmarked reserves at the year end. This unusual set of circumstances was clearly only temporary and cashflow patterns and treasury management arrangements were expected to return to more normal activity levels during 2021/22.

The pandemic had a varied impact on the Council's planned delivery of its 2020/21 capital investment programme. Some schemes were delayed due to reduced availability of materials and labour, supply chain disruption or enforced access restrictions due to the requirements for socially distanced working. Some property refurbishment schemes were delivered ahead of time as works were rescheduled to be undertaken on properties that were now available earlier than planned due to the national lockdown measures.

There was a phased programme of temporary closure, part closure and re-configuration of Council services on public health and safety grounds in response to the various national restrictions and then subsequent easing of lockdown measures. In these circumstances the assets of the Council have not been reduced in value as a result of any permanent need to close facilities or through providing alternative levels of service provision.

### Assets

During 2020/21 fixed assets have increased in value by £45.9M (£3.3M during 2019/20) due to the net effect of additions, disposals, 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.

Asset valuations at 31 March 2021 have been affected by the pandemic and have been based on the best information available. This is further explained in note 4 on pages 61 and 62. For additional information also see notes 21 to 24 on pages 80 to 87.

### 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 2020/21 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 position for 2020/21 is summarised in

Table 4 Capital Financing Requirement

	2020/21 £M
Balance 1 April 2020	372.6
Plus: capital expenditure financed by borrowing (internal and invest to save financing)	34.0
Less: Minimum Revenue Provision	(8.8)
<b>Balance 31 March 2021</b>	<b>397.8</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 had addressed the theoretical need to borrow by having undertaken external borrowing and credit arrangements of £321.2M and by internally borrowing the remaining £76.6M. 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 shown in Table 5.

Table 5 Financing of Capital Investment

	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M	2025/26 £M	Total £M
Borrowing	48.5	29.8	14.1	11.4	7.3	111.1
Grants and third-party contributions	25.8	9.9	7.8	0.9	3.2	47.6
Revenue Contributions	18.1	16.5	8.3	7.2	0	50.1
Capital Receipts	2.3	4.8	1.0	0	0	8.1
<b>Total</b>	<b>94.7</b>	<b>61.0</b>	<b>31.2</b>	<b>19.5</b>	<b>10.5</b>	<b>216.9</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 2019 valuation set the contribution rates from 2020/21 to 2022/23. At 31 March 2019, the funding level for the whole fund

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 98.

## Reserves

The Council's reserves consist of general and earmarked reserves. The movement in Reserves Statement (see page 42) 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 2021) reflecting an assessment of the local impact of the COVID-19 pandemic. The Council must consider emerging risks such as uncertainty of future funding levels from 2022/23, and other external factors such as the longer-term impact of COVID-19, Brexit, internal risks including increased commercial activity and the challenges faced by all councils 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 2021 (£11.0M at 31 March 2020).

At 31 March 2021 the Council held £101.733M (£72.288M at 31 March 2020) of general fund earmarked reserves as shown in *Table 6*.

*Table 6 General Fund Earmarked Reserves*

<b>Earmarked Reserve</b>	<b>Opening Balance 1 April 2020 £M</b>	<b>Contributions/ (Use) 2020/21 £M</b>	<b>Closing Balance 31 March 2021 £M</b>
Capital Investment Reserves	26.664	(0.879)	25.785
Insurance Reserves	5.963	0.070	6.033
Corporate Reserves	21.938	4.871	26.809
Service Reserves	7.665	5.025	12.690
Grant Reserves	8.757	17.125	25.882
Dedicated Schools Grant	1.248	3.233	4.481
Monies Held in Trust	0.053	0	0.053
<b>Total</b>	<b>72.288</b>	<b>29.445</b>	<b>101.733</b>

The net total contribution to earmarked reserves in 2020/21 of £29.445M includes the creation of a £5.5M specific reserve for future Health and Social Care system transformation ambitions, funded by our Health partners, £11.9M of Section 31 Grant for Business Rates to compensate the Collection Fund and £3.2M for Dedicated Schools Grant. None of these additional contributions to our earmarked reserves are available for direct Council use.

The HRA's financial strategy includes a determination that a prudent level of the HRA General Balance is £3.5M (£3.5M for 2019/20), having regard for the inherent levels of future financial risk

and uncertainty. The Council's HRA holds £34.652M of earmarked reserves at 31 March 2021 (£31.921M at 31 March 2020) as shown in the following table.

*Table 7 HRA Earmarked Reserves*

<b>HRA Earmarked Reserve</b>	<b>Opening Balance 1 April 2020 £M</b>	<b>Contributions/ (Use) 2020/21 £M</b>	<b>Closing Balance 31 March 2021 £M</b>
Capital Investment Reserve	23.181	3.926	27.107
Revenue Major Repairs Reserve	8.160	(1.255)	6.905
Contract Pension Reserve	0.580	0.060	0.640
<b>Total</b>	<b>31.921</b>	<b>2.731</b>	<b>34.652</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 2021 is £8.067M (£8.139M at 31 March 2020) and represents the level of capital resources that have yet to be applied at the year-end.

At 31 March 2021 there are also usable capital receipts of £13.917M (£2.489M general fund and £11.428M HRA) (£16.474M at 31 March 2020 (£4.905M general fund and £11.569M HRA)). At 31 March 2021 there are also capital grants not yet applied of £24.943M (£15.638M at 31 March 2020) available to finance future planned capital expenditure.

At 31 March 2021 the maintained schools in the borough also hold £3.730M (£3.195M at 31 March 2020) of balances and £4.481M (£1.248M at 31 March 2020) of earmarked reserves. These, together with the general fund and HRA earmarked reserves in the tables above, comprise the total of £139.329M of earmarked reserves shown in note 20 on page 79.

### **Brexit On-going Considerations**

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 was set to end on 31 December 2020. The UK and the EU are still negotiating their future relationship on several economic and policy areas. The outcome of these negotiations will determine the outstanding arrangements that will apply in relation to the terms of the UK's exit.

Southend-on-Sea Borough Council kept a watching brief over developments throughout 2020/21. A cross-Council working group was established in January 2019 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.

### **Medium Term Financial Strategy (MTFS) 2021/22 – 2025/26**

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.'

As part of the development and approval of the 2021/22 Budget and Medium Term Financial Strategy in February 2021 a new Budget Transformation Programme for 2022/23 – 2025/26, was agreed as part of the Council's overall budget package, with specific areas and themes identified to be scoped and developed further during 2021/22. This will support the Council's future financial sustainability commitment and help to target resources and re-design plans to avoid a financial 'cliff edge' which would require more drastic action over a shorter time frame.

Other measures to support the Council's drive towards financial sustainability and shape our priorities include: on-going budget reviews; implementation of outcome-based budgeting principles; better linking of business planning and budgeting to service outcomes; effective and creative management of service demand; review of major contractual arrangements; further implementation of the Commissioning Framework; exploring new commercial opportunities; evaluating a range of income generation initiatives and continuing to enhance our systems, processes and internal business transformation arrangements.

The operating landscape continues to be uncertain as the medium to long term implications on demand and service delivery during the transition from responding to the impact of the pandemic and towards building and enabling a successful recovery are difficult to assess. Our immediate responsive financial strategy has therefore been made a lot more difficult to design because of this added complexity and uncertainty. The situation will continue to be closely monitored and appropriate tactics will be deployed to support local businesses and communities wherever possible throughout 2021/22.

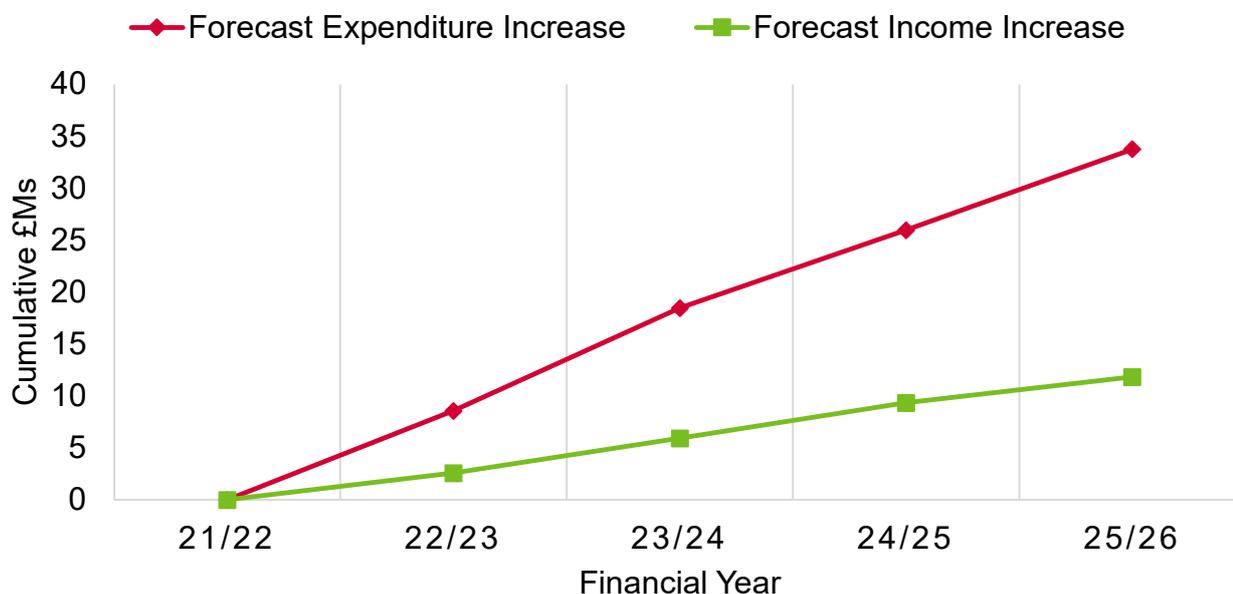
A considerable amount of analysis and financial planning was undertaken prior to the pandemic. This provided a useful platform to build from but the impact and uncertainty that the pandemic has caused is very difficult to evaluate and assess across the medium to longer term. Prior to COVID-19 Southend-on-Sea was already having to respond to some high value social care demand trends. This scenario was replicated in many other upper tier authorities right across the country. These pressures had been recognised locally and attempts were made to address some of these issues by increasing the revenue base of these services for 2021/22 and as part of the Medium Term Financial Strategy.

Obvious concerns remain on the potential for currently hidden demand to surface post the pandemic and further challenges will come to light as we collectively get to grips with what 'post COVID-19' looks like and the return to normality and recovery. We are determined to try to support our communities and local economy to come back stronger and more resilient.

Critical to this approach is to also understand pressures that may continue into 2021/22. These could manifest themselves by way of continued increases in demand and costs, reduced income activity, undelivered planned savings, or new issues emerging from COVID-19. Detailed analysis has therefore been undertaken to provide more insight into the key messages contained in the 2020/21 outturn and to estimate the potential ongoing impact into 2021/22 and our Medium Term Financial Strategy.

The Council was predicting a cumulative budget gap of £20.7M up to the end of 2025/26. The Council's forecast profile of this budget gap for each of the next five years is detailed in the following chart (*Figure 11*) which illustrates the estimated funding gap to 2025/26 as reported to Council in February 2021.

Figure 11 Forecast Income and Expenditure



Since this analysis was undertaken negotiations regarding the annual pay award have been ongoing and an employer offer of 1.5% has been rejected. In line with the Chancellor's previous comments around public sector pay restraint and no pay increases in 2021/22 – no provision has been included for officers earning over £24,000 in the Council's budget. Even at this rejected offer level this will add circa £1.3M pressure to the revenue base of services each year. An assessment of the implications and impact of the final pay settlement for 2021/22 will be reviewed and updated as part of the annual Medium Term Financial Strategy refresh.

The challenge of designing and implementing potential mitigating strategies for 2021/22 and the future has been made far more complex due to the impact and uncertainty caused by COVID-19. A better picture on potential options and an update on the financial performance against the approved budget for 2021/22 was made available as a comprehensive Period 4 monitoring report at the Cabinet meeting in September 2021.

It is unclear at this stage whether the Local Government Sector will be issued with a single one-year financial settlement for 2022/23 or if a Comprehensive Spending Review for the next three years will be launched for consultation. The Council remains in a relatively strong financial position for 2021/22 but the potential additional challenges for the future could be very significant. The scale of the impact will depend upon national funding and policy decisions taken by Central Government.

To help address and close the estimated budget gap over the next five years the Council will continue to aim to achieve financial sustainability from local income sources in the future. The Council will 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. It is vital that we learn from our COVID-19 experience and tailor our services and working practices accordingly.

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

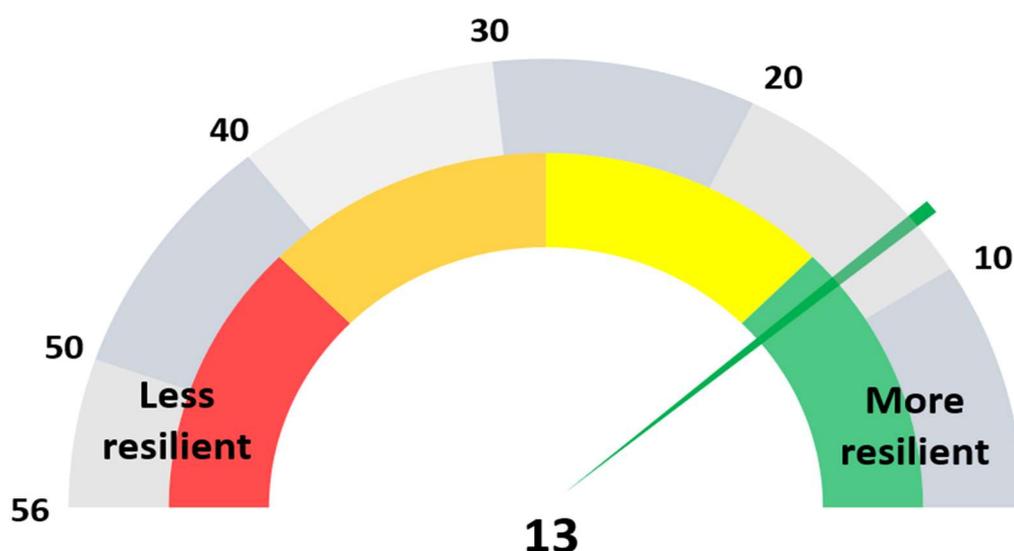
Southend's residents, businesses, and future visitors. The level of planned investment is £216.9M over the next five years.

### Financial Resilience and Sustainability

We are an ambitious Council that is committed to continually improving our performance and delivering better outcomes for local residents through our Southend 2050 programme. 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 legacy impact of the pandemic and continue to effectively manage the level of potential increasing and more complex local demand for priority services.

Our desire to improve, learn and provide value for money is also predicated on acting responsibly and ensuring our plans are affordable and sensible. Our approach and evidence of our relative financial strength was illustrated independently by CIPFA's Financial Resilience Index that was published in February 2021.

Figure 12 Southend's performance in CIPFA's Financial Resilience Index for 2021



Southend is 13<sup>th</sup> out of 56 unitary authorities when ranked across the 16 indicators of financial stress within CIPFA's Financial Resilience Index for 2021 (Figure 12).

During 2020/21 the Authority demonstrated strong collegiate leadership and proactive engagement with its residents and communities to provide support and advice during the crisis. The Council believes that it remains 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.

Despite the risks, uncertainties and challenges that have been identified the Council is in a relatively strong and resilient financial position going into 2021/22.

### 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 what has been an unprecedented and challenging 2020/21 financial year.

I hope you find this narrative and accompanying statements clear and informative. It should be noted that this narrative was written at the time of publication of the draft 2020/21 Statement of Accounts. Where relevant the narrative has been adjusted to reflect the passage of time between the draft and final versions, however, the main content has not been updated as any developments will be reflected in the narrative statements within the Statement of Accounts for 2021/22 and beyond. 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: 22 July 2021

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 2021, and the financial results for the financial year 2020/21. 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, Joint Ventures 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 2021 and its income and expenditure for the year ended 31 March 2021.

**Joe Chesterton, CPFA**  
**Executive Director (Finance and Resources)**  
**21 March 2023**

### **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 City Council on 21 March 2023.

**Councillor Matt Dent**  
**Chair of Audit Committee**  
**21 March 2023**

**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 2021 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 2020/21.

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 Housing Revenue Account Statement;
- the Collection Fund; and
- the related notes.

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 2020/21.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice, the Local Audit and Accountability Act 2014 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

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the group and the Authority is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

### 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. The Chief Financial Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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

As explained more fully in the Statement of Responsibility for the Statement of Accounts, the Chief Financial Officer 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 2020/21 and for such internal control as the Chief Financial Officer determines 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 Chief Financial Officer 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.

### **Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud**

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which our procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

We considered the nature of the group and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Finance Act 2012 and Local Government and Housing Act 1989.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. This included relevant employment legislation.

We discussed among the audit engagement team including relevant internal specialists such as valuations specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

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

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

#### Use of resources

Our work in respect of the Authority's arrangements is not complete at the date of our report on the financial statements. We will report the outcome of our work on the Authority's arrangements and include any additional exception reporting in respect of significant weaknesses in our audit completion certificate and our separate Auditor's Annual Report. We are satisfied that the remaining work is unlikely to have a material impact on the financial statements.

#### **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 the Code of Audit Practice and 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 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 undertake our work 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 April 2021, as to whether the Authority had proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Authority a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021 by the time of the issue of our audit report. Other findings from our work, including our commentary on the Authority's arrangements, will be reported in our separate Auditor's Annual Report.

#### Reports in the public interest or to the regulator

The Code of Audit Practice also 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 respect of these matters.

**DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT**

We cannot formally conclude the audit and issue an audit certificate until we have completed our work in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (as reported in the Matters on which we are required to report by exception – Use of resources section of our report) and the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that our remaining work in these areas is unlikely to have a material impact on the financial statements or on our value for money conclusion.

**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.

Mohammed Ramzan (Key Audit Partner)  
For and on behalf of Deloitte LLP  
Birmingham, United Kingdom  
2023

# **MAIN FINANCIAL STATEMENTS**

# Comprehensive Income and Expenditure Statement

2019/20

2020/21

Gross Expenditure £000	Gross Income £000	Net Expenditure/ (Income) £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure/ (Income) £000
83,451	(68,544)	14,907	Leader		90,637	(80,420)	10,217
29,137	(16,552)	12,585	Deputy Leader		41,773	(17,144)	24,629
16,584	(5,455)	11,129	Business, Culture and Tourism		17,428	(5,131)	12,297
116,865	(71,227)	45,638	Children and Learning		111,286	(71,755)	39,531
9,435	(5,205)	4,230	Community Safety and Customer Contact		10,119	(4,914)	5,205
22,472	(2,966)	19,506	Environment and Planning		24,542	(2,711)	21,831
83,894	(38,636)	45,258	Health and Adult Social Care		89,098	(44,337)	44,761
<b>361,838</b>	<b>(208,585)</b>	<b>153,253</b>	<b>Net Cost of General Fund Services</b>		<b>384,883</b>	<b>(226,412)</b>	<b>158,471</b>
21,363	(27,554)	(6,191)	Local Authority Housing (HRA)		28,769	(31,209)	(2,440)
<b>21,363</b>	<b>(27,554)</b>	<b>(6,191)</b>	<b>Net Cost of Housing Revenue Account Services</b>		<b>28,769</b>	<b>(31,209)</b>	<b>(2,440)</b>
<b>383,201</b>	<b>(236,139)</b>	<b>147,062</b>	<b>Cost of Services</b>		<b>413,652</b>	<b>(257,621)</b>	<b>156,031</b>
1,665	(3,139)	(1,474)	Other Operating Income and Expenditure	10	1,554	(565)	989
21,924	(8,321)	13,603	Financing and Investment Income and Expenditure	11	23,437	(6,568)	16,869
0	(153,648)	(153,648)	Taxation and Non-Specific Grant Income	12	0	(166,541)	(166,541)
<b>406,790</b>	<b>(401,247)</b>	<b>5,543</b>	<b>Deficit on Provision of Services</b>		<b>438,643</b>	<b>(431,295)</b>	<b>7,348</b>
			<b>Items that will not be reclassified to the Deficit on the Provision of Services</b>				
			(Surplus)/Deficit on Revaluation of Heritage and				
		12,341	Property, Plant and Equipment Assets	9			(36,335)
		(21,446)	Re-measurement of Net Pension Liability	9			8,230
		<b>(9,105)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(28,105)</b>
		<b>(3,562)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(20,757)</b>

# Movement in Reserves Statement

Note	Revenue Reserves				Capital Reserves			Total Usable Reserves	Unusable Reserves							Total Authority Reserves	
	General Fund Balance	Housing Revenue Account	Earmarked Schools Budget Reserves	Other Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		Revaluation Reserve	Financial Instrument Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Accumulated Absences Account		Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2019</b>	<b>11,000</b>	<b>3,502</b>	<b>0</b>	<b>106,683</b>	<b>13,729</b>	<b>7,362</b>	<b>12,622</b>	<b>154,898</b>	<b>277,092</b>	<b>454</b>	<b>(151,806)</b>	<b>211,380</b>	<b>1,500</b>	<b>8,403</b>	<b>(935)</b>	<b>346,088</b>	<b>500,986</b>
Surplus (Deficit) on the Provision of Services	(9,581)	4,038	0	0	0	0	0	(5,543)	0	0	0	0	0	0	0	0	(5,543)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(12,341)	0	21,446	0	0	0	0	9,105	9,105
<b>Total Comprehensive Income and Expenditure</b>	<b>(9,581)</b>	<b>4,038</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,543)</b>	<b>(12,341)</b>	<b>0</b>	<b>21,446</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,105</b>	<b>3,562</b>
Adjustments between accounting basis and funding basis under regulations	19 10,770	(4,506)	0	0	2,746	777	3,016	12,803	(5,414)	(1,292)	(14,162)	9,043	750	(1,632)	(96)	(12,803)	0
<b>Net Increase / Decrease before Transfers to earmarked reserves</b>	<b>1,189</b>	<b>(468)</b>	<b>0</b>	<b>0</b>	<b>2,746</b>	<b>777</b>	<b>3,016</b>	<b>7,260</b>	<b>(17,755)</b>	<b>(1,292)</b>	<b>7,284</b>	<b>9,043</b>	<b>750</b>	<b>(1,632)</b>	<b>(96)</b>	<b>(3,698)</b>	<b>3,562</b>
Transfers to / (from) Earmarked Reserves	20 (1,189)	468	0	721	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Increase / Decrease in 2019/20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>721</b>	<b>2,746</b>	<b>777</b>	<b>3,016</b>	<b>7,260</b>	<b>(17,755)</b>	<b>(1,292)</b>	<b>7,284</b>	<b>9,043</b>	<b>750</b>	<b>(1,632)</b>	<b>(96)</b>	<b>(3,698)</b>	<b>3,562</b>
<b>Balance at 31 March 2020</b>	<b>11,000</b>	<b>3,502</b>	<b>0</b>	<b>107,404</b>	<b>16,475</b>	<b>8,139</b>	<b>15,638</b>	<b>162,158</b>	<b>259,337</b>	<b>(838)</b>	<b>(144,522)</b>	<b>220,423</b>	<b>2,250</b>	<b>6,771</b>	<b>(1,031)</b>	<b>342,390</b>	<b>504,548</b>
Opening adjustment to disclose Schools Budget Surplus as Earmarked Usable Reserve			4,443	(4,443)				0								0	0
<b>Movement in Reserves during 2020/21</b>																	
Surplus (Deficit) on the Provision of Services	(7,737)	389	0	0	0	0	0	(7,348)	0	0	0	0	0	0	0	0	(7,348)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	36,335	0	(8,230)	0	0	0	0	28,105	28,105
<b>Total Comprehensive Income and Expenditure</b>	<b>(7,737)</b>	<b>389</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(7,348)</b>	<b>36,335</b>	<b>0</b>	<b>(8,230)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,105</b>	<b>20,757</b>
Adjustments between accounting basis and funding basis under regulations	19 37,717	2,342	0	0	(2,558)	(72)	9,305	46,734	(3,278)	(352)	(16,884)	(11,805)	1,500	(14,599)	(1,316)	(46,734)	0
<b>Net Increase / Decrease before Transfers to earmarked reserves</b>	<b>29,980</b>	<b>2,731</b>	<b>0</b>	<b>0</b>	<b>(2,558)</b>	<b>(72)</b>	<b>9,305</b>	<b>39,386</b>	<b>33,057</b>	<b>(352)</b>	<b>(25,114)</b>	<b>(11,805)</b>	<b>1,500</b>	<b>(14,599)</b>	<b>(1,316)</b>	<b>(18,629)</b>	<b>20,757</b>
Transfers to / (from) Earmarked Reserves	20 (29,980)	(2,731)	3,768	28,943	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Increase / Decrease in 2020/21</b>	<b>0</b>	<b>0</b>	<b>3,768</b>	<b>28,943</b>	<b>(2,558)</b>	<b>(72)</b>	<b>9,305</b>	<b>39,386</b>	<b>33,057</b>	<b>(352)</b>	<b>(25,114)</b>	<b>(11,805)</b>	<b>1,500</b>	<b>(14,599)</b>	<b>(1,316)</b>	<b>(18,629)</b>	<b>20,757</b>
<b>Balance at 31 March 2021</b>	<b>11,000</b>	<b>3,502</b>	<b>8,211</b>	<b>131,904</b>	<b>13,917</b>	<b>8,067</b>	<b>24,943</b>	<b>201,544</b>	<b>292,394</b>	<b>(1,190)</b>	<b>(169,636)</b>	<b>208,618</b>	<b>3,750</b>	<b>(7,828)</b>	<b>(2,347)</b>	<b>323,761</b>	<b>525,305</b>

## Balance Sheet

31 March 2020 £000	Notes	31 March 2021 £000
681,764	Property, Plant & Equipment (excluding infrastructure assets) 21a	713,702
102,465	Infrastructure Assets 21b	116,904
28,908	Heritage Assets 23	30,030
41,004	Investment Property 24	39,113
8,801	Intangible Assets 22	9,106
27,624	Long Term Investments 25	26,564
3,101	Long Term Debtors 25	5,767
<b>893,667</b>	<b>Long Term Assets</b>	<b>941,186</b>
55,490	Short term Investments 25	45,999
7	Inventories	196
47,072	Short Term Debtors 26	64,024
42,785	Cash and Cash Equivalents 25, 27	66,030
<b>145,354</b>	<b>Current Assets</b>	<b>176,249</b>
(1,514)	Short Term Borrowings 25	(4,546)
(51,187)	Short Term Creditors 28	(84,770)
(5,386)	Provisions 29	(5,217)
<b>(58,087)</b>	<b>Current Liabilities</b>	<b>(94,533)</b>
(2,298)	Long Term Creditors	(2,086)
(318,859)	Long Term Borrowing 25	(315,721)
(144,522)	Other Long Term Liabilities - Pensions 37	(169,636)
(10,707)	Other Long Term Liabilities - Other 25	(10,154)
<b>(476,386)</b>	<b>Long Term Liabilities</b>	<b>(497,597)</b>
<b>504,548</b>	<b>Net Assets</b>	<b>525,305</b>
162,158	Usable Reserves 30	201,544
342,390	Unusable Reserves 31	323,761
<b>504,548</b>	<b>Total Reserves</b>	<b>525,305</b>

## Cash Flow Statement

2019/20 £000	Notes	2020/21 £000
5,543		7,348
Net Deficit on the Provision of Services		
Adjustments to Net Deficit on the Provision of Services for non-cash (38,851) Movements	40	(84,328)
Adjustments for items included in the Net Deficit on the Provision of 37,972 Services that are Investing and Financing Activities	41	29,878
4,664		(47,102)
Net cash outflows from Operating Activities		
41,620	42	10,700
Investing Activities		
(42,708)	43	13,157
Financing Activities		
3,576		(23,245)
Net (Increase)/Decrease in Cash and Cash Equivalents		
(46,361)		(42,785)
Cash and Cash Equivalents at the beginning of the Reporting Period		
<b>(42,785)</b>	<b>27</b>	<b>(66,030)</b>
<b>Cash and Cash Equivalents at the end of the Reporting Period</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 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21, 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.
- Where the Council acts as an agent, transactions will not be reflected in the Council's financial statements. Exceptions to this are in respect of cash received or expenditure incurred by the agent on behalf of the principal, in which case a debtor or creditor will be raised.

### **Cash and Cash Equivalents**

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

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

Where the Council acts as an agent, transactions will not be reflected in the Council's financial statements. Exceptions to this are in respect of cash received or expenditure incurred by the agent on behalf of the principal, in which case the net cash position will be included in Financing Activities in the Cash Flow Statement.

### **Changes in Accounting Policies, Prior Period Adjustments 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 2020/21 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 amortisation. 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 amortisation 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 Health and Adult Social Care 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 2.00%. 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 Council – 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 Balance Sheet date 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 a financial 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 Council's 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**

Where grants have been paid to the Council under Section 31 of the Local Government Act and where material, an assessment will be made as to whether to account for them as principal or agent transactions after considering how the grant operates and all the relevant facts and circumstances. Where the Council is acting as a distribution point only for grant monies to other bodies and has no control over the amount or determination of eligibility of grant allocated to a recipient, then the Council is likely to be acting as an agent. Where the Council is able to conclude that it has direct influence over the basis, value and distribution of the grant it would be deemed to be acting as a principal.

Where the Council acts as an agent, transactions will not be reflected in the Council's financial statements. Exceptions to this are in respect of cash received or expenditure incurred by the agent on behalf of the principal, in which case a debtor or creditor will be raised and the net cash position included in Financing Activities in the Cash Flow Statement.

#### *Where the Council acts as a principal*

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 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 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. As a non-financial asset Investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the

Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **Leases**

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

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

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

### *The Council as Lessor*

#### *Operating Leases*

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

## **Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

## **Property, Plant and Equipment (including infrastructure assets)**

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.

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Other infrastructure assets include sea/coastal defences, offshore leisure facilities and cliffs stabilisation.

### *Recognition*

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment, or the acquisition or replacement of components of Infrastructure Assets, 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:

- community assets, vehicles, plant, furniture and equipment, and assets under construction – depreciated historical cost;
- infrastructure assets are generally measured at depreciated replacement cost, however, this is a modified form of historical cost. Opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost. Upon Local Government Reorganisation, on 1 April 1998 Southend Borough Council's infrastructure assets were transferred to the Council from Essex County Council at 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 provided on the parts of the infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

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 – on a straight-line basis, a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – useful lives of the various categories of infrastructure assets are assessed by the Head of Civil Engineering using industry standards where applicable as follows:

<b>Infrastructure Asset Category</b>	<b>Total Useful Economic Life Years</b>
Carriageways	35
Footways and Cycle Tracks	40
Structures	100
Street Lighting	35
Bus Shelters	25
Street Furniture	30
Traffic Management Systems	20
Sea/Coastal Defences	45
Offshore Leisure Facilities	45
Cliff Stabilisation	12
Parking Controls	10
Security Management	40
Waste Infrastructure	40

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 or a component of the highways network asset is disposed of or decommissioned, the carrying amount of the asset or component 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 (the amount depending on how many dwellings are sold and 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 2021/22 Code:

- a) Definition of a Business: Amendments to IFRS 3 Business Combinations;
- b) Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7;
- c) Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The Code requires implementation from 1 April 2021. It is not anticipated that these accounting changes will have any material impact on the Council's Statement of Accounts.

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

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

- There remains a high degree of uncertainty over future levels of funding for local government, particularly in light of the recovery from the COVID-19 pandemic. No clarity has yet been provided over the content or timing of the next Comprehensive Spending Review or whether it will be a one year or multi-year review. Most local authorities will be experiencing increases in service cost pressures, the financial effects of 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 scale and impact of the pandemic has also resulted in an unprecedented national policy and funding response from Central Government. The range, volume and value of different targeted financial support packages issued throughout 2020/21 was on a scale never seen before. New announcements were made on a regular basis containing a varied range of funding/grant support to be either passported on to local eligible businesses and residents or to be used directly by the Council to support our local response to the pandemic. Where grants have been paid to the Council under Section 31 of the Local Government Act, judgement has been exercised as to whether to account for them as principal or agent transactions after considering how the grant operates and all the relevant facts and circumstances. The longer term impact of the COVID-19 pandemic and of Brexit on the economy are currently also unknown. Our ongoing 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 in response to the various lockdown requirements and subsequent easing of lockdown measures. 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 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. Although as set out in Note 4 the effect of the pandemic has been taken into account in the valuation of the Council's assets. 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.
- A key area of judgement relates to who controls schools' assets. The following judgements have been made by management: 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 2021 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 £36.8M, and an increase in the discount rate of 0.1% would decrease the net pension liability by £14.1M. The full effects on the net pensions' liability are fully disclosed in note 37 to the Accounts.
<b>Fair Value Measurements</b>	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's external valuer). Information about the valuation techniques and inputs used in determining the fair value of the Council's Investment Properties are disclosed in note 24.	The Council uses the discounted cash flow model to measure the fair value of its investment properties. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, bad debt levels, maintenance costs and discount rates. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties. The ranges used, on a weighted average basis, are maintained on a consistent basis year on year. The Council's investment property portfolio is relatively stable and there has been no change in the valuation techniques used for Investment Properties in 2020/21 including the applicable ranges.

Item	Uncertainties	Effect if actual results differ from assumptions
<p><b>Property, Plant and Equipment (including infrastructure assets)</b></p>	<p>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.</p> <p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p>	<p>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.</p> <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge would increase by £1.4M for every year that useful lives had to be reduced.</p>
<p><b>The response to COVID-19 – asset valuations</b></p>	<p>Although the COVID-19 pandemic has caused extensive disruptions to businesses and economic activities there are not the estimation uncertainties over the valuation of the property portfolio at the balance sheet date as there were at 31 March 2020.</p> <p>However, asset valuations at 31 March 2021 have been affected by the pandemic and have been based on the best information available.</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>The valuation of Investment Properties is disclosed in note 24. At the balance sheet date the value of many of the Investment Properties decreased as weakened yields were applied to retail and leisure property assets to reflect the reduction in investor demand. However, the value of some Investment Properties increased where it was appropriate to reverse the effect of the reduction of the one quarter rent applied at 31 March 2020.</p> <p>Note 21 includes the effect of the indexation adjustments on Property Plant and Equipment assets. In particular an indexation uplift for Council Dwellings have been applied, to reflect the impact that the pandemic has had on house prices over the financial year. This uplift has been based on sales across the Southend-on-Sea area.</p> <p>Note 21 includes the revaluation of the Council offices (Civic 1 and 2) at 31 March 2021. These assets were due to be revalued as part of the 2021/22 rolling programme but have been revalued at the balance sheet date to reflect the effect of the pandemic on the value of offices.</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 21 March 2023. 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 2021, 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 still prevailing at the balance sheet date the country was committed to following a roadmap set out by Government which contained four key steps which concluded with the full lifting of all imposed lockdown measures. The final step 4 was due to take place on 21 June 2021. Due to the high and increasing numbers of the Delta variant of the virus the date of Step 4 of the roadmap was moved to 19 July 2021 to allow more time for the vaccination rollout to progress. Although the impacts have been reflected in the 2020/21 financial statements, the effects of the pandemic and the subsequent recovery will continue in 2021/22 and later years. It is still too early to assess the full impact that COVID-19 will have on the ongoing financial position of the Council but the key impacts on the 2020/21 financial year and the implications for the 2021/22 budget and Medium Term Financial Strategy were set out in the provisional resources outturn for 2020/21 that was presented to the Cabinet meeting on 15 June 2021 and is available on our website<sup>1</sup>. An update on the Council's response to COVID-19 was also presented to the Cabinet meeting on 15 June 2021 and is available on our website.<sup>2</sup> A further update on the ongoing financial impact of the COVID-19 pandemic for 2021/22 has been included as part of the Financial Performance Report for July 2021 which was presented to the Cabinet meeting of 14 September 2021 and is available on our website<sup>3</sup>.

Porters Place Southend-on-Sea LLP is one of the joint ventures in which the Council participates. It is a 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. Over the last few months Swan Housing Association have been in discussions with the housing association Sanctuary about a possible business combination. Following in-depth discussions between the two organisations, and approval by both Boards on 25 November 2022, Swan joined Sanctuary as a subsidiary on 8 February 2023.

<sup>1</sup><https://democracy.southend.gov.uk/documents/s44561/Report%20of%20Exec%20Director%20Finance%20and%20Resources.pdf>

<sup>2</sup><https://democracy.southend.gov.uk/documents/s44560/Report%20of%20Exec%20Director%20Transformation.pdf>

<sup>3</sup><https://democracy.southend.gov.uk/documents/s46234/Report%20of%20Exec%20Director%20Finance%20and%20Resources.pdf>

## **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.

2019/20			2020/21			
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	Notes	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
7,738	7,169	14,907		3,332	6,885	10,217
(1,533)	14,118	12,585		(1,943)	26,572	24,629
7,071	4,058	11,129		8,216	4,081	12,297
31,378	14,260	45,638		30,397	9,135	39,532
1,875	2,355	4,230		2,170	3,035	5,205
19,244	262	19,506		21,833	(2)	21,831
41,165	4,093	45,258		40,262	4,498	44,760
<b>106,938</b>	<b>46,315</b>	<b>153,253</b>		<b>104,267</b>	<b>54,204</b>	<b>158,471</b>
(6,634)	443	(6,191)		(9,368)	6,928	(2,440)
<b>(6,634)</b>	<b>443</b>	<b>(6,191)</b>		<b>(9,368)</b>	<b>6,928</b>	<b>(2,440)</b>
<b>100,304</b>	<b>46,758</b>	<b>147,062</b>		<b>94,899</b>	<b>61,132</b>	<b>156,031</b>
32,684	(20,555)	12,129		47,519	(29,661)	17,858
(132,988)	(20,660)	(153,648)		(142,418)	(24,123)	(166,541)
<b>(100,304)</b>	<b>(41,215)</b>	<b>(141,519)</b>		<b>(94,899)</b>	<b>(53,784)</b>	<b>(148,683)</b>
<b>0</b>	<b>5,543</b>	<b>5,543</b>	<b>7</b>	<b>0</b>	<b>7,348</b>	<b>7,348</b>
14,502				14,502		
0				0		
<b>14,502</b>				<b>14,502</b>		

The adjustments required to convert the accounts from the funding basis to the comprehensive income and expenditure statement are set out below.

2019/20				2020/21				
IAS 19 Pension Adjustments	Adjustments for Capital Purposes	Other Differences	Total Adjustments between the Funding and Accounting Basis	Notes	IAS 19 Pension Adjustments	Adjustments for Capital Purposes	Other Differences	Total Adjustments between the Funding and Accounting Basis
£000	£000	£000	£000		£000	£000	£000	£000
a	b	c			a	b	c	
1,895	3,876	1,398	7,169	Leader	2,320	3,157	1,408	6,885
411	11,004	2,703	14,118	Deputy Leader	507	25,507	558	26,572
971	3,087	0	4,058	Business Culture and Tourism	1,036	2,960	85	4,081
3,175	10,849	236	14,260	Children and Learning	3,865	6,079	(809)	9,135
561	1,794	0	2,355	Community Safety and Customer Contact	716	2,183	136	3,035
1,193	1,149	(2,080)	262	Environment and Planning	1,376	638	(2,016)	(2)
2,412	1,681	0	4,093	Health and Adult Social Care	2,843	1,656	(1)	4,498
<b>10,618</b>	<b>33,440</b>	<b>2,257</b>	<b>46,315</b>	<b>Net Cost of General Fund Services</b>	<b>12,663</b>	<b>42,180</b>	<b>(639)</b>	<b>54,204</b>
0	279	164	443	Local Authority Housing (HRA)	0	7,011	(83)	6,928
<b>0</b>	<b>279</b>	<b>164</b>	<b>443</b>	<b>Net Cost of Housing Revenue Account Services</b>	<b>0</b>	<b>7,011</b>	<b>(83)</b>	<b>6,928</b>
<b>10,618</b>	<b>33,719</b>	<b>2,421</b>	<b>46,758</b>	<b>Net Cost of Services</b>	<b>12,663</b>	<b>49,191</b>	<b>(722)</b>	<b>61,132</b>
3,543	(20,387)	(3,711)	(20,555)	Other (Income) and Expenditure	4,221	(27,350)	(6,532)	(29,661)
0	(17,100)	(3,560)	(20,660)	Taxation and non-specific Grant Income	0	(9,707)	(14,416)	(24,123)
<b>14,161</b>	<b>(3,768)</b>	<b>(4,850)</b>	<b>5,543</b>	<b>(Surplus) or Deficit</b>	<b>16,884</b>	<b>12,134</b>	<b>(21,670)</b>	<b>7,348</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	2020/21 £000	2019/20 £000
<b>Income</b>			
Fees, Charges and other Service Income	8	(67,220)	(76,341)
Interest and Investment Income	11	(1,515)	(1,154)
Gains on Revaluation		(3,719)	(3,017)
Income from Council Tax	12	(83,530)	(82,977)
Income from Non-domestic Rates	12	(8,724)	(20,352)
Government Grants and Contributions	18	(266,022)	(213,930)
Gains on the disposal of Assets	10, 11	(565)	(3,476)
<b>Total Income</b>		<b>(431,295)</b>	<b>(401,247)</b>
<b>Expenditure</b>			
Employee Benefits Expenses		96,205	83,114
Other Service Expenses		261,768	261,614
Support Service Recharges (net)		(215)	(465)
Depreciation, Amortisation and Impairment		62,575	44,782
Interest Payments	11	12,535	12,537
Pensions Interest and Expected Return	11	4,221	3,543
Precepts and Levies	10	1,057	999
Payments to Housing Capital Receipts Pool	10	497	666
<b>Total Expenditure</b>		<b>438,643</b>	<b>406,790</b>
<b>Deficit on the Provision of Services</b>		<b>7,348</b>	<b>5,543</b>

## Note 8. Segmental Income

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

	2020/21 £000	2019/20 £000
Leader	(4,668)	(4,600)
Deputy Leader	(7,598)	(11,634)
Business Culture and Tourism	(988)	(2,424)
Children and Learning	(2,403)	(4,723)
Community Safety and Customer Contact	(4,812)	(5,069)
Environment and Planning	(1,711)	(1,967)
Health and Adult Social Care	(12,637)	(14,701)
<b>Total Income from General Fund Services</b>	<b>(34,817)</b>	<b>(45,118)</b>
Local Authority Housing (HRA)	(27,871)	(27,180)
<b>Total Income from Housing Revenue Account Services</b>	<b>(27,871)</b>	<b>(27,180)</b>
<b>Total Income from Services</b>	<b>(62,688)</b>	<b>(72,298)</b>
Other Income and Expenditure	(4,532)	(4,043)
<b>Total Income</b>	<b>(67,220)</b>	<b>(76,341)</b>

## Note 9. Material Items of Income and Expense

In relation to 2020/21:

- The Surplus on Revaluation of non-current assets of £36.335M consists of £69.674M of revaluation gains from the increase in the value of Property Plant and Equipment and £33.339M accumulated revaluation gains lost as a result of downwards revaluation and impairment losses to Property Plant and Equipment.
- The performance of the Essex Pension Fund during 2020/21 deteriorated with an increase in the underlying value of scheme assets being more than offset by an increase in the present value of scheme liabilities. This has led to an actuarial loss passing through the Comprehensive Income and Expenditure Statement of £8.230M.
- In response to the COVID-19 pandemic the Government provided financial support to all Councils in the form of grants and compensation for loss of income. In accordance with the grant conditions and compensation arrangements £53.670M of the financial support was received by the Council to meet the increased costs incurred as a result of the pandemic or passed on to eligible local residents and businesses where the Council had a direct influence over the basis, value and distribution of the grant.
- A further £86.860M was also received from Government where the Council validated the intended eligible resident/business and value of support based on the specific guidance and instructions received. This amount is made up of £78.927M of funding allocated in response to the COVID-19 pandemic and £7.933M allocated through the Better Care Fund. The Council only acted as an agent and had no control or influence over the basis or the actual amount that was passed on to the intended recipient.

- The Collection Fund has seen a significant reduction in the level of business rate income received and the Council has received Section 31 grants of £16.949M in the General Fund to compensate for this.

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.

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

	2020/21 £000	2019/20 £000
Leigh Town Council Precept and Grant	447	426
Levies	610	573
Payments to the Government Housing Capital Receipts Pool	497	666
Gains on the Disposal of Non-current Assets	(565)	(3,139)
<b>Total</b>	<b>989</b>	<b>(1,474)</b>

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

	2020/21 £000	2019/20 £000
Interest Payable and Similar Charges	12,535	12,537
Interest on net pension liability	4,221	3,543
Interest Receivable and Similar Income	(1,515)	(1,154)
Income and Expenditure in relation to Investment Properties and changes in their Fair Value	(318)	(2,867)
Gains on the Disposal of Investment Properties	0	(337)
Deficit on Traded Services	2,147	2,081
Other	(201)	(200)
<b>Total</b>	<b>16,869</b>	<b>13,603</b>

See also note 24 for more information on Investment Properties.

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

	2020/21 £000	2019/20 £000
Council Tax Income	83,530	82,977
Retained Business Rates	8,724	20,352
Non-Ringfenced Government Grants	31,857	28,091
COVID-19 Related Grants and Contributions	32,723	5,128
Capital Grants and Contributions	9,707	17,100
<b>Total</b>	<b>166,541</b>	<b>153,648</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.

	2020/21 £000	2019/20 £000
<b>Funding provided to the pooled budget</b>		
Southend-on-Sea Borough Council	(9,289)	(9,085)
NHS Southend Clinical Commissioning Group	(13,575)	(12,876)
<b>Total Funding</b>	<b>(22,864)</b>	<b>(21,961)</b>
<b>Expenditure met from the pooled budget</b>		
Southend-on-Sea Borough Council	15,713	14,969
NHS Southend Clinical Commissioning Group	7,151	6,887
Joint Pooled Fund	0	105
<b>Total Expenditure</b>	<b>22,864</b>	<b>21,961</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.

	<b>2020/21</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
Basic Allowances	466	469
Special Allowances	195	193
Travel & Subsistence	0	1
<b>Total Members Allowances</b>	<b>661</b>	<b>663</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:

2020/21						
Post holder information (Post title)	Salary (including fees & Allowances) £	Compensation for loss of employment £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding pension contributions 2020/21 £	Pension contribution £	Total Remuneration including pension contributions 2020/21 £
<b>Chief Executive - Alison Griffin</b>	163,496	0	0	<b>163,496</b>	31,718	<b>195,214</b>
<b>Deputy Chief Executive</b>						
Andrew Lewis	138,971	0	0	<b>138,971</b>	26,960	<b>165,931</b>
<b>Executive Directors</b>						
Adults and Communities	122,917	0	0	<b>122,917</b>	23,846	<b>146,763</b>
Children and Public Health	122,917	0	0	<b>122,917</b>	23,846	<b>146,763</b>
Neighbourhoods and Environment to 10th January 2021	95,492	0	0	<b>95,492</b>	18,495	<b>113,987</b>
<i>annualised</i>						<b>145,984</b>
Interim Neighbourhoods and Environment from 14th December 2020 - Steve Moore	76,950	0	0	<b>76,950</b>	0	<b>76,950</b>
<i>annualised</i>						<b>260,063</b>
Legal & Democratic Services	87,198	0	0	<b>87,198</b>	16,916	<b>104,114</b>
<i>annualised as reduced hours</i>						<b>130,143</b>
Finance & Resources	108,997	0	0	<b>108,997</b>	21,146	<b>130,143</b>
Transformation	108,997	0	0	<b>108,997</b>	21,146	<b>130,143</b>
<b>Directors</b>						
Regeneration and Growth	94,884	0	0	<b>94,884</b>	18,408	<b>113,292</b>
Planning to 23rd August 2020	36,491	0	0	<b>36,491</b>	7,079	<b>43,570</b>
<i>annualised</i>						<b>109,677</b>
Interim Planning from 3rd August 2020 - Trevor Saunders	109,311	0	0	<b>109,311</b>	0	<b>109,311</b>
<i>annualised</i>						<b>165,553</b>
Housing Development (includes 19/20 backpay)	100,381	0	0	<b>100,381</b>	19,474	<b>119,855</b>
Integration & Partnerships to 28th August 2020	40,797	95,667	0	<b>136,464</b>	7,915	<b>144,379</b>
<i>annualised</i>						<b>214,198</b>
Commissioning from 1st February 2021	17,090	0	0	<b>17,090</b>	3,315	<b>20,405</b>
<i>annualised</i>						<b>126,236</b>
Adult Social Care	94,884	0	0	<b>94,884</b>	18,408	<b>113,292</b>
Learning	94,884	0	0	<b>94,884</b>	18,408	<b>113,292</b>
Children's Services	94,884	0	0	<b>94,884</b>	18,408	<b>113,292</b>
Public Health	107,107	0	0	<b>107,107</b>	12,991	<b>120,098</b>
Culture and Tourism	94,884	0	0	<b>94,884</b>	18,408	<b>113,292</b>
Public Protection	94,884	0	0	<b>94,884</b>	18,408	<b>113,292</b>
Property and Commercial	89,394	0	0	<b>89,394</b>	17,528	<b>106,922</b>
Digital Futures from 11th May 2020	88,876	0	0	<b>88,876</b>	17,195	<b>106,071</b>
<i>annualised</i>						<b>119,126</b>

2019/20

Post holder information (Post title)	Salary (including fees & Allowances) £	Compensation for loss of employment £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding pension contributions 2019/20 £	Pension contribution £	Total Remuneration including pension contributions 2019/20 £
<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 <i>annualised</i>	111,969	0	0	<b>111,969</b>	166,381	<b>278,350</b> <b>305,064</b>
<b>Executive Directors</b>						
Adults and Communities from 7th January 2020 <i>annualised</i>	28,065	0	0	<b>28,065</b>	4,659	<b>32,724</b> <b>140,517</b>
Children and Public Health from 9th January 2020 <i>annualised</i>	27,419	0	0	<b>27,419</b>	4,552	<b>31,971</b> <b>140,595</b>
Neighbourhoods and Environment from 11th November 2019 <i>annualised</i>	46,667	0	0	<b>46,667</b>	7,747	<b>54,414</b> <b>139,865</b>
Legal & Democratic Services <i>annualised as reduced hours</i>	84,864	0	0	<b>84,864</b>	14,087	<b>98,951</b> <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 <i>annualised</i>	71,449	0	0	<b>71,449</b>	5,920	<b>77,369</b> <b>136,424</b>
Public Health from 2nd March 2020 <i>annualised</i>	8,468	0	0	<b>8,468</b>	842	<b>9,310</b> <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 <i>annualised</i>	23,086	0	0	<b>23,086</b>	3,832	<b>26,918</b> <b>107,970</b>
Housing Development from 23rd September 2019 <i>annualised</i>	47,851	0	0	<b>47,851</b>	8,005	<b>55,856</b> <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 <i>annualised</i>	43,176	0	0	<b>43,176</b>	7,205	<b>50,381</b> <b>96,277</b>
Digital Futures to 8th May 2019 <i>annualised</i>	9,490	0	0	<b>9,490</b>	61,485	<b>70,975</b> <b>166,199</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:

	2020/21			2019/20		
	Number of Staff			Number of Staff		
	Council	Schools	Total	Council	Schools	Total
£50,000 to £54,999	74	7	81	33	9	42
£55,000 to £59,999	33	5	38	35	6	41
£60,000 to £64,999	33	6	39	12	5	17
£65,000 to £69,999	19	3	22	16	0	16
£70,000 to £74,999	5	2	7	5	4	9
£75,000 to £79,999	4	3	7	3	2	5
£80,000 to £84,999	2	2	4	0	2	2
£85,000 to £89,999	0	1	1	2	0	2
£90,000 to £94,999	1	1	2	0	1	1
£100,000 to £104,999	1	0	1	0	0	0
£115,000 to £119,999	1	0	1	0	0	0
£135,000 to £139,999	1	0	1	0	0	0
£140,000 to £144,999	1	0	1	0	0	0
£175,000 to £179,999	0	0	0	1	0	1
£190,000 to £194,999	0	0	0	1	0	1
<b>Total</b>	<b>175</b>	<b>30</b>	<b>205</b>	<b>108</b>	<b>29</b>	<b>137</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	
	2020/21			2019/20			2020/21	2019/20
	Compulsory	Other	Total	Compulsory	Other	Total	£	£
<b>Council Staff</b>								
£0 - £19,999	16	10	26	3	7	10	198,360	81,306
£20,000 - £39,999	7	6	13	4	4	8	358,547	241,711
£40,000 - £59,999	2	2	4	0	3	3	203,158	151,678
£60,000 - £79,999	5	1	6	0	1	1	410,484	61,830
£80,000 - £99,999	1	1	2	0	0	0	172,315	0
£100,000 - £149,999	0	0	0	1	1	2	0	286,238
£150,000 - £199,999	0	0	0	0	1	1	0	176,057
<b>Total</b>	<b>31</b>	<b>20</b>	<b>51</b>	<b>8</b>	<b>17</b>	<b>25</b>	<b>1,342,864</b>	<b>998,820</b>
<b>School Staff</b>								
£0 - £19,999	3	0	3	2	13	15	4,078	104,979
£20,000 - £39,999	0	0	0	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>2</b>	<b>13</b>	<b>15</b>	<b>4,078</b>	<b>104,979</b>
<b>Total</b>	<b>34</b>	<b>20</b>	<b>54</b>	<b>10</b>	<b>30</b>	<b>40</b>	<b>1,346,942</b>	<b>1,103,799</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:

	2020/21 £000	2019/20 £000
Fees payable with regard to external audit services	168	110
Fees payable for the certification of grant claims and returns	0	23
Fees payable in respect of additional procedures as part of statutory audit	0	6
<b>Total Audit Costs</b>	<b>168</b>	<b>139</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:

	2020/21 Central Expenditure £000	2020/21 Individual Schools Budget £000	2020/21 Total £000	2019/20 Total £000
Final DSG before academy recoupment			158,318	150,549
Academy figure recouped			(107,407)	(103,560)
Total DSG after academy recoupment			50,911	46,989
Plus: Brought forward from prior year			1,248	216
Less: Carry forward to following year, agreed in advance			(1,136)	(216)
<b>Total DSG available</b>			<b>51,023</b>	<b>46,989</b>
Agreed initial budgeted distribution	17,688	33,335	51,023	46,989
In year adjustments (early years)	0	(59)	(59)	130
<b>Final budget distribution</b>	<b>17,688</b>	<b>33,276</b>	<b>50,964</b>	<b>47,119</b>
Less: Actual central expenditure	(14,782)		(14,782)	(1,713)
Less: Actual ISB deployed to Schools and providers		(32,837)	(32,837)	(44,374)
<b>Carry forward to following year</b>	<b>2,906</b>	<b>439</b>	<b>3,345</b>	<b>1,032</b>
Plus: Carry forward agreed in advance			1,136	216
<b>Total DSG Carried Forward</b>			<b>4,481</b>	<b>1,248</b>

## Note 18. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21.

	2020/21 £000	2019/20 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
<b>Non-Ringfenced Government Grants</b>		
Business Rates Top Up and Section 31 Grants	14,031	18,095
Revenue Support Grant	6,022	5,925
Other non-ringfenced government grants	5,524	203
Adult Social Care Grant	4,861	1,408
New Homes Bonus	1,419	2,031
Education Support Grant	0	429
<b>COVID-19 Related Grants and Contributions</b>		
Business Rates Expanded rate relief for retail and nursery	15,959	0
COVID-19 Local Authority Support Grant	9,078	5,128
COVID-19 Income Compensation Scheme	5,698	0
Council Tax Hardship Fund & Income Guarantee Scheme	1,988	0
	<b>64,580</b>	<b>33,219</b>
<b>Capital Grants and Contributions</b>		
Highways and Infrastructure	8,168	5,137
Airport Business Park	1,454	9,815
Social Care	434	0
Housing	297	695
Schools	259	638
Culture	233	707
Energy	0	108
Forum 2 - reversal of prior year grants	(1,138)	0
	<b>9,707</b>	<b>17,100</b>
<b>Total</b>	<b>74,287</b>	<b>50,319</b>

	2020/21 £000	2019/20 £000
<b>Credited to Services</b>		
Housing Benefits	57,438	59,514
Dedicated Schools Grant	50,852	46,690
COVID-19 Response Grant and Contributions	20,948	0
Other grants and third party contributions funding REFCUS	18,412	14,612
Public Health Grant	9,699	9,212
Other Service Grants and Contributions	8,846	9,823
Improved Better Care Fund	7,568	6,744
Funding from Clinical Commissioning Groups	6,756	7,422
Education and Skills Funding Agency	5,024	3,545
Pupil Premium	1,915	1,881
Homelessness/Rough Sleeper Initiatives	1,314	1,169
Housing Benefit Administration	1,131	1,018
Universal Infant Free School Meals Grant	920	904
Unaccompanied Asylum Children	912	1,077
<b>Total</b>	<b>191,735</b>	<b>163,611</b>

With the exception of contributions of £8,000 for works to property relating to 2021/22 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.

2020/21	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the comprehensive income and expenditure statement:</b>						
Charges for depreciation of non-current assets	13,380	6,149	0	0	0	(19,529)
Revaluation and impairment losses on property, plant and equipment and intangible assets	11,869	5,861	0	0	0	(17,730)
Movements in the market value of investment properties	1,912	126	0	0	0	(2,038)
Amortisation of intangible assets	1,260	0	0	0	0	(1,260)
Capital grants and contributions applied	(3,957)	781	0	0	(8,326)	11,502
Revenue expenditure funded from capital under statute	13,977	204	0	0	0	(14,181)
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	175	664	0	0	0	(839)
Change in fair value of pooled investments taken to Financial Instruments Revaluation Reserve	352	0	0	0	0	(352)
<b>Insertion of items not debited or credited to the comprehensive income and expenditure statement:</b>						
Statutory provision for the financing of capital investment	(9,359)	0	0	0	0	9,359
Capital expenditure charged against the General Fund and HRA Balances	(412)	(2,223)	0	0	0	2,635
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	(23,090)	(1,853)	0	0	24,943	0
Application of grants to capital financing transferred to the capital adjustment account	0	0	0	0	(7,312)	7,312
<b>Adjustments primarily involving the Major Repairs Reserve</b>						
Reverse MRA credited to HRA	0	(6,149)	0	0	0	6,149
Reversal of HRA Depreciation credited to the Major Repairs Reserve	0	0	0	6,149	0	(6,149)
Use of the major repairs reserve to finance new capital expenditure	0	0	0	(6,221)	0	6,221
<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	(1,500)	0	0	0	0	1,500

2020/21	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the comprehensive income and expenditure statement	(186)	(1,218)	1,404	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	(3,465)	0	0	3,465
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	497	0	(497)	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 37)	32,613	0	0	0	0	(32,613)
Employer's pensions contributions and direct payments to pensioners payable in the year	(15,729)	0	0	0	0	15,729
<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	14,599	0	0	0	0	(14,599)
<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	1,316	0	0	0	0	(1,316)
<b>Total Adjustments</b>	<b>37,717</b>	<b>2,342</b>	<b>(2,558)</b>	<b>(72)</b>	<b>9,305</b>	<b>(46,734)</b>

2019/20 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the comprehensive income and expenditure statement:</b>						
Charges for depreciation of non-current assets	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	0	0	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 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the comprehensive income and expenditure statement	(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 37)	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>

## 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 2020/21.

Earmarked Reserves	Balance at	Transfers		Balance at	Transfers		Balance at
	31 March 2019 £000	To £000	From £000	31 March 2020 £000	To £000	From £000	31 March 2021 £000
<b>Schools Balances</b>	<b>3,627</b>	<b>0</b>	<b>(432)</b>	<b>3,195</b>	<b>535</b>	<b>0</b>	<b>3,730</b>
<b>General Fund Reserves*</b>							
Capital Investment Reserves	25,028	3,879	(2,243)	26,664	2,922	(3,801)	25,785
Insurance Reserves	6,800	0	(837)	5,963	70	0	6,033
Corporate Reserves	21,273	5,029	(4,364)	21,938	25,313	(20,442)	26,809
Service Reserves	13,288	658	(6,281)	7,665	11,257	(6,232)	12,690
Grants Reserves	4,008	6,203	(1,454)	8,757	23,046	(5,921)	25,882
Dedicated Schools Grant	216	1,032	0	1,248	3,233	0	4,481
Monies held in Trust	53	0	0	53	0	0	53
<b>Total GF Reserves</b>	<b>70,666</b>	<b>16,801</b>	<b>(15,179)</b>	<b>72,288</b>	<b>65,841</b>	<b>(36,396)</b>	<b>101,733</b>
<b>HRA Service Reserves</b>	<b>32,390</b>	<b>2,486</b>	<b>(2,955)</b>	<b>31,921</b>	<b>9,791</b>	<b>(7,060)</b>	<b>34,652</b>
<b>Total Earmarked Reserves</b>	<b>106,683</b>	<b>19,287</b>	<b>(18,566)</b>	<b>107,404</b>	<b>76,167</b>	<b>(43,456)</b>	<b>140,115</b>

\* General Fund Reserves have been reclassified to better reflect their intended use.

### 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 the passenger transport Joint Venture. 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.

### Section 31 Grants

In response to the COVID-19 pandemic the Government provided financial support to all Councils in the form of grants and compensation for loss of income. The amounts of any unspent COVID-19 related grants that have been paid to the Council under Section 31 of the Local Government Act and where the Council has been deemed to be acting as a principal (see the accounting policy for Government grants and contributions in note 1) have been set aside.

### 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

#### Note 21a Property, Plant and Equipment (excluding infrastructure assets)

Movements in 2020/21	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation as at 1 April 2020</b>	<b>403,772</b>	<b>283,855</b>	<b>16,713</b>	<b>3,514</b>	<b>3,540</b>	<b>23,558</b>	<b>734,952</b>
Additions	10,262	15,636	5,534	23	572	6,971	38,998
Revaluations via Revaluation Reserve	12,744	(9,279)	0	0	4,111	0	7,576
Revaluations recognised in the CIES	(7,726)	(13,509)	(9)	0	0	(1,138)	(22,382)
Disposals	(675)	(189)	0	0	0	0	(864)
Transfers	(1,064)	5,353	0	0	5,587	(19,974)	(10,098)
<b>Gross Book Value as at 31 March 2021</b>	<b>417,313</b>	<b>281,867</b>	<b>22,238</b>	<b>3,537</b>	<b>13,810</b>	<b>9,417</b>	<b>748,182</b>
<b>Accumulated Depreciation as at 1 April 2020</b>	<b>(28,562)</b>	<b>(17,439)</b>	<b>(7,170)</b>	<b>0</b>	<b>(17)</b>	<b>0</b>	<b>(53,188)</b>
Depreciation	(6,012)	(6,140)	(1,682)	0	(4)	0	(13,838)
Written out to Revaluation Reserve	26,504	2,255	0	0	0	0	28,759
Written out to the CIES	1,832	1,931	0	0	0	0	3,763
On Disposals	10	14	0	0	0	0	24
On Transfers	84	(84)	0	0	0	0	0
<b>Accumulated Depreciation as at 31 March 2021</b>	<b>(6,144)</b>	<b>(19,463)</b>	<b>(8,852)</b>	<b>0</b>	<b>(21)</b>	<b>0</b>	<b>(34,480)</b>
<b>Net Book Value as at 31 March 2020</b>	<b>375,210</b>	<b>266,416</b>	<b>9,543</b>	<b>3,514</b>	<b>3,523</b>	<b>23,558</b>	<b>681,764</b>
<b>Net Book Value as at 31 March 2021</b>	<b>411,169</b>	<b>262,404</b>	<b>13,386</b>	<b>3,537</b>	<b>13,789</b>	<b>9,417</b>	<b>713,702</b>

Movements in 2019/20	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation as at 1 April 2019</b>	<b>386,785</b>	<b>287,437</b>	<b>15,057</b>	<b>3,377</b>	<b>4,095</b>	<b>14,627</b>	<b>711,378</b>
Additions	12,588	3,927	2,184	137	0	13,219	32,055
Revaluations via Revaluation Reserve	3,485	(4,863)	0	0	(250)	0	(1,628)
Revaluations recognised in the CIES	(1,215)	(1,975)	(19)	0	0	(1,434)	(4,643)
Disposals	(1,283)	(158)	(509)	0	0	(44)	(1,994)
Transfers	3,412	(513)	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>3,514</b>	<b>3,540</b>	<b>23,558</b>	<b>734,952</b>
<b>Accumulated Depreciation as at 1 April 2019</b>	<b>(22,072)</b>	<b>(11,256)</b>	<b>(6,311)</b>	<b>0</b>	<b>(13)</b>	<b>0</b>	<b>(39,652)</b>
Depreciation	(6,510)	(6,265)	(1,368)	0	(4)	0	(14,147)
Written out to Revaluation Reserve	3	0	0	0	0	0	3
Written out to the CIES	0	0	0	0	0	0	0
On Disposals	87	12	509	0	0	0	608
On Transfers	(70)	70	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>0</b>	<b>(17)</b>	<b>0</b>	<b>(53,188)</b>
<b>Net Book Value as at 31 March 2019</b>	<b>364,713</b>	<b>276,181</b>	<b>8,746</b>	<b>3,377</b>	<b>4,082</b>	<b>14,627</b>	<b>671,726</b>
<b>Net Book Value as at 31 March 2020</b>	<b>375,210</b>	<b>266,416</b>	<b>9,543</b>	<b>3,514</b>	<b>3,523</b>	<b>23,558</b>	<b>681,764</b>

## Depreciation

The useful lives disclosed below are the number of years remaining, over which the asset is depreciated on a straight-line basis (where applicable):

<b>2020/21 Useful Economic Life Years</b>	<b>Fixed Asset Category</b>	<b>2019/20 Useful Economic Life Years</b>
Between 1 and 59	Council Dwellings	Between 1 and 59
Between 1 and 59	Other Land & Buildings	Between 1 and 59
Between 1 and 49	Vehicles, Plant, Furniture and Equipment	Between 2 and 50
Not applicable	Community Assets	Not applicable
Between 31 and 60	Surplus Assets	Between 32 and 57
Not applicable	Assets Under Construction	Not applicable

## 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 the council dwellings, investment properties, garages and hostels within the Housing Revenue Account. The significant assumptions applied by the valuer in estimating their current values were:

- The data provided by the Council was accurate at 1 April 2020.
- 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).

## Indexation

A market review is undertaken by the external valuers at each year-end leading to the valuer advising indexation adjustments to the Council. The Council applies these index percentages to the assets affected to ensure that the carrying amount of relevant assets is not materially different from their current value at the year-end.

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

<b>Year of Rolling Programme</b>	<b>Internal/ External Valuation</b>	<b>Valuer</b>	<b>Assets Revalued</b>
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.
2020/21	External	Whybrow and Dodds	Housing Revenue Account council dwellings, investment properties, garages and hostels.

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

#### **Note 21b Infrastructure Assets**

Accounting for subsequent expenditure on infrastructure assets has recently been subject to heightened focus nationally, and specifically whether local authorities should be assessing if there is any undepreciated cost remaining in the balance sheet for replaced components that needs to be derecognised. This may also lead to issues relating to the reporting of gross historical cost and accumulated depreciation (depreciated historical cost). As a result, CIPFA has issued an "Update to the Code and Specifications for Future Codes for Infrastructure Assets".

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

<b>Net Book Value (modified historical cost)</b>	<b>2020/21</b>	<b>2019/20</b>
<b>At start of year</b>	<b>102,465</b>	<b>100,636</b>
Additions	9,560	9,387
Impairment	(68)	(454)
Transfers	10,098	0
Depreciation	(5,151)	(7,104)
<b>At end of year</b>	<b>116,904</b>	<b>102,465</b>

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

#### Depreciation

CIPFA also issued Bulletin 12: “Accounting for Infrastructure Assets – Temporary Solution”. In accordance with that guidance the useful lives of the various categories of infrastructure assets have been assessed by the Council’s civil engineering team, which resulted in the useful lives set out in the accounting policy disclosure note 1. The impact of these changes to the useful lives applied across all the infrastructure assets categories is to decrease the current year’s depreciation by £4.366M. (£9.517M would have been recognised if the useful lives did not change and £5.151M has been recognised in the current year by applying the new useful lives.) The impact on future years will be recognised over the remaining life of the assets in line with the guidance issued.

The useful lives disclosed below are the number of years remaining, over which the various parts of the highways network are depreciated on a straight-line basis (where applicable):

<b>2020/21 Remaining Useful Economic Life Years</b>	<b>Infrastructure Asset Category</b>	<b>2019/20 Remaining Useful Economic Life Years</b>
Between 15 and 43	Carriageways	Between 1 and 42
Between 23 and 37	Footways and Cycle Tracks	Between 9 and 35
Between 84 and 92	Structures	Between 5 and 15
Between 24 and 27	Street Lighting	Between 15 and 17
Between 13 and 17	Bus Shelters	Between 1 and 15
Between 19 and 22	Street Furniture	Between 3 and 32
Between 3 and 12	Traffic Management Systems	Between 1 and 15
Between 26 and 37	Sea/Coastal Defences	Between 12 and 33
Between 36 and 37	Offshore Leisure Facilities	Between 18 and 42
Between 1 and 4	Cliff Stabilisation	Between 12 and 18
Between 1 and 4	Parking Controls	Between 1 and 15
38 years	Security Management	39 years
31 years	Waste Infrastructure	32 years

## Note 22. Intangible Assets

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

<b>Purchased Software Licences</b>	<b>2020/21 £000</b>	<b>2019/20 £000</b>
<b>Gross carrying amount at start of year</b>	<b>16,087</b>	<b>14,764</b>
Accumulated amortisation	(7,286)	(6,559)
<b>Net carrying amount at start of year</b>	<b>8,801</b>	<b>8,205</b>
Additions	1,565	1,779
Impairment	0	(2)
Disposals	0	(454)
<u>Amortisation</u>		
Written out to CIES	0	454
For Current Year	(1,260)	(1,181)
<b>Gross carrying amount at end of year</b>	<b>17,652</b>	<b>16,087</b>
Accumulated amortisation	(8,546)	(7,286)
<b>Net carrying amount at end of year</b>	<b>9,106</b>	<b>8,801</b>

The useful lives for these assets (the number of years remaining over which they are depreciated) are between 1 and 19 years (*between 1 and 14 years for 2019/20*).

## 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 £000	Heritage Land & Buildings £000	Antiques and Collectables £000	Museum Collections £000	Total Heritage Assets £000
<b>Movements in 2020/21</b>					
<b>Cost or Valuation as at 1 April 2020</b>	<b>24,987</b>	<b>1,960</b>	<b>896</b>	<b>1,557</b>	<b>29,400</b>
Additions	1,843	0	0	0	1,843
Revaluations recognised in the CIES	(182)	0	0	0	(182)
<b>Gross Book Value as at 31 March 2021</b>	<b>26,648</b>	<b>1,960</b>	<b>896</b>	<b>1,557</b>	<b>31,061</b>
<b>Accumulated Depreciation as at 1 April 2020</b>	<b>(336)</b>	<b>(156)</b>	<b>0</b>	<b>0</b>	<b>(492)</b>
Depreciation	(509)	(30)	0	0	(539)
<b>Accumulated Depreciation as at 31 March 2021</b>	<b>(845)</b>	<b>(186)</b>	<b>0</b>	<b>0</b>	<b>(1,031)</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>
<b>Net Book Value as at 31 March 2021</b>	<b>25,803</b>	<b>1,774</b>	<b>896</b>	<b>1,557</b>	<b>30,030</b>

	Historic Seaside Assets £000	Heritage Land & Buildings £000	Antiques and Collectables £000	Museum Collections £000	Total Heritage Assets £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>

## Basis of valuation

Asset	Date of last valuation	Valuer	Qualification	Method of valuation
Cliff Lift	01/04/2019	Whybrow and Dodds	MRICS	Depreciated replacement cost
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	Depreciated replacement cost
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:

	2020/21 £000	2019/20 £000
Balance at start of the year	41,004	41,326
Additions:		
Subsequent Expenditure	147	0
Disposals	0	(890)
Transfers:		
(to) / from Property, Plant and Equipment	0	216
Revaluations and impairments	(2,038)	352
<b>Balance at end of the year</b>	<b>39,113</b>	<b>41,004</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 2020/21 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 2021 the value of many of the investment properties decreased as weakened yields were applied to retail and leisure property assets to reflect the reduction in investor demand at the valuation date. At 31 March 2021 the value of some investment properties increased where it was appropriate to reverse the effect of the reduction of the one quarter rent applied at 31 March 2020.

## **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 joint ventures 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 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000
<b>Investments, Cash and Cash Equivalents</b>				
Financial Assets at Amortised Cost	25	70	42,358	74,252
Financial Assets at Fair Value Through Profit or Loss	26,539	27,554	69,671	24,023
<b>Total Investments</b>	<b>26,564</b>	<b>27,624</b>	<b>112,029</b>	<b>98,275</b>
<b>Debtors</b>				
Financial Assets at Amortised Cost	5,767	3,101	44,644	32,125
<b>Total Debtors</b>	<b>5,767</b>	<b>3,101</b>	<b>44,644</b>	<b>32,125</b>
<b>Borrowings</b>				
Financial Liabilities at Amortised Cost	325,875	329,566	4,546	1,514
<b>Total Borrowings</b>	<b>325,875</b>	<b>329,566</b>	<b>4,546</b>	<b>1,514</b>
<b>Creditors</b>				
Financial Liabilities at Amortised Cost	14	14	34,776	28,968
<b>Total Creditors</b>	<b>14</b>	<b>14</b>	<b>34,776</b>	<b>28,968</b>

## Reclassifications

There were no reclassifications of financial instruments during 2020/21.

## Income, Expense, Gains and Losses

2020/21	Financial Liabilities measured at:	Financial Assets measured at:		Total
	Amortised Cost £000	Amortised Cost £000	Fair Value Through Profit or Loss £000	£000
Interest Expense	12,261	0	0	12,261
Fee Expense	3	0	118	121
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>12,264</b>	<b>0</b>	<b>118</b>	<b>12,382</b>
Interest Income	0	(280)	(1,076)	(1,356)
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(280)</b>	<b>(1,076)</b>	<b>(1,356)</b>
<b>Net Gain / (Loss) for the year</b>	<b>12,264</b>	<b>(280)</b>	<b>(958)</b>	<b>11,026</b>

2019/20	Financial Liabilities measured at:		Financial Assets measured at:		Total £000
	Amortised Cost £000	Amortised Cost £000	Fair Value Through Profit or Loss £000		
Interest Expense	12,315	0	0		12,315
Fee Expense	21	0	123		144
<b>Total Expense in Surplus or Deficit 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 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>

### 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 2021 of 0.99% to 2.39% for loans from the Public Works Loan Board 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 2021		31 March 2020	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	365,197	437,662	360,048	411,116
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 2021) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2021 Carrying Amount £000	31 March 2020 Carrying Amount £000
Financial Assets	183,237	158,024
Long Term Debtors	5,767	3,101

### 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 2021 £000	31 March 2020 £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	49,000	4,011
Enhanced Cash Fund	Level 1	Unadjusted quoted prices in active markets for identical assets	Unit price of fund	5,098	4,990
Short Dated Bond Funds	Level 1	Unadjusted quoted prices in active markets for identical assets	Unit price of fund	15,573	15,022
Property Funds	Level 1	Unadjusted quoted prices in active markets for identical assets	Unit price of fund	26,812	27,815
<b>Total Fair Value Through Profit or Loss</b>				<b>96,483</b>	<b>51,838</b>

Due to the COVID-19 outbreak there was a high level of uncertainty regarding the unit price and therefore fund valuations at 31 March 2020 and the property fund managers inserted a Material Uncertainty Clause into the March 2020 valuation reports. This indicated that a higher degree of caution should be attached to these valuations. As time has progressed the uncertainty has reduced and more reliance can be placed on the prevailing quoted unit price and the Material Uncertainty Clauses were removed during the 2020/21 financial year. All movements in the Fair Value have been 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 occurred.

**Note 26. Short Term Debtors**

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
Central government bodies	29,077	21,069
Local authorities	3,983	2,705
NHS bodies	7,034	1,133
Public corporations and trading funds	0	1
Other entities and individuals	23,930	22,164
<b>Total Debtors</b>	<b>64,024</b>	<b>47,072</b>
Value of impairment included above	(14,656)	(11,727)

**Note 27. Cash and Cash Equivalents**

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

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
Cash and cash equivalents held by the Council	59,485	36,822
Other cash and cash equivalents held by the Council (Bank current accounts held by schools)	6,542	5,558
Euro bank account held by the Council	3	405
<b>Total Cash and Cash Equivalents</b>	<b>66,030</b>	<b>42,785</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 on these transactions. At 31 March 2021 €0.004M was due to be paid out (€0.457M at 31 March 2020).

**Note 28. Short Term Creditors**

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
Central government bodies	45,875	11,560
Other local authorities	6,147	6,034
NHS bodies	1,537	806
Other entities and individuals	31,211	32,787
<b>Total Creditors</b>	<b>84,770</b>	<b>51,187</b>

The large increase in the short term creditors with central government bodies is due to increased receipts in advance and collection fund creditors relating to COVID-19 grant support.

## Note 29. Provisions

	Insurance £000	Redundancy £000	Business Rate Appeals £000	Total £000
<b>Balance at 1 April 2019</b>	1,855	500	2,084	4,439
Additional provisions made in year	1,236	499	1,156	2,891
Amounts used in year	0	(999)	(546)	(1,545)
Unused amounts reversed in year	(399)	0	0	(399)
<b>Balance at 31 March 2020</b>	<b>2,692</b>	<b>0</b>	<b>2,694</b>	<b>5,386</b>
Additional provisions made in year	828	0	971	1,799
Amounts used in year	0	0	(1,176)	(1,176)
Unused amounts reversed in year	(792)	0	0	(792)
<b>Balance at 31 March 2021</b>	<b>2,728</b>	<b>0</b>	<b>2,489</b>	<b>5,217</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

Prior to 2019/20 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. Redundancy costs paid in 2020/21 were met from the Council's contingency budget. No management decisions regarding redundancies were made in 2020/21 that would lead to any non-trivial obligation arising at 31 March 2021 that had not been paid by the year end date. As a consequence, no provision has been made at 31 March 2021 for any future estimated payments. Any future decisions that are confirmed and become payable in 2021/22 will be met from Corporate Earmarked Reserves (see note 20) or from the contingency budget as appropriate.

### 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 2020/21 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.

	2020/21	2019/20
	£000	£000
<b>Balance at 1 April</b>	<b>259,337</b>	<b>277,092</b>
Upward revaluation of assets	69,674	4,723
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the provision of services	(33,339)	(17,064)
Surplus or (deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services	36,335	(12,341)
Difference between fair value and historical cost depreciation	(2,828)	(4,957)
Balance attributable to disposal/write offs	(450)	(457)
Amount written off to the capital adjustment account	(3,278)	(5,414)
<b>Balance at 31 March</b>	<b>292,394</b>	<b>259,337</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.

	2020/21		2019/20
	£000	£000	£000
<b>Balance at 1 April</b>		<b>220,423</b>	<b>211,380</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	(37,259)		(27,105)
Amortisation of intangible assets	(1,260)		(1,181)
Revenue expenditure funded from capital under statute	(14,181)		(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	(839)		(2,276)
		<u>(53,539)</u>	<u>(44,395)</u>
Adjusting amounts written out of the revaluation reserve		3,278	5,414
Net written out amount of the cost of non-current assets consumed in the year		<u>(50,261)</u>	<u>(38,981)</u>
<i>Capital financing applied in the year</i>			
Use of the capital receipts reserve to finance new capital expenditure	3,465		2,340
Use of the major repairs reserve to finance new capital expenditure	6,221		5,929
Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	18,814		28,696
Statutory provision for the financing of capital investment charged against the general fund and HRA balances	9,359		4,919
Capital expenditure charged against the general fund and HRA balances	2,635		5,788
		<u>40,494</u>	<u>47,672</u>
Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement		(2,038)	352
<b>Balance at 31 March</b>		<b>208,618</b>	<b>220,423</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.

	2020/21 £000	2019/20 £000
<b>Balance at 1 April</b>	<b>(144,522)</b>	<b>(151,806)</b>
Remeasurements of the net defined benefit (liability)/asset	(8,230)	21,446
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	(32,613)	(23,658)
Employer's pensions contributions and direct payments to pensioners payable in the year	15,729	9,496
<b>Balance at 31 March</b>	<b>(169,636)</b>	<b>(144,522)</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.

	2020/21 £000	2019/20 £000
<b>Capital Investment</b>		
Property, Plant and Equipment	48,558	41,442
Investment Assets	147	0
Intangible Assets	1,565	1,779
Heritage Assets	1,843	2,636
Revenue Expenditure Funded from Capital Under Statute	14,181	13,833
<b>Total Capital Investment</b>	<b>66,294</b>	<b>59,690</b>
<b>Sources of Finance</b>		
Usable Capital Receipts	3,465	2,340
Government Grants and other Contributions	19,952	28,696
Sums set aside from Revenue:		
Direct Revenue Contributions	2,635	5,788
Major Repairs Reserve	6,221	5,929
<b>Total Financing from Internal Resources</b>	<b>32,273</b>	<b>42,753</b>
Credit arrangements	0	0
Un-supported Capital Borrowing	34,021	16,937
<b>Total Financing from Borrowing / Credit Arrangements</b>	<b>34,021</b>	<b>16,937</b>
<b>Total Capital Financing</b>	<b>66,294</b>	<b>59,690</b>

	2020/21 £000	2019/20 £000
<b>Opening Capital Financing Requirement</b>	<b>372,556</b>	<b>359,962</b>
<b>Explanation of Movements in Year</b>		
Borrowing (unsupported by Government financial assistance)	34,021	16,937
Assets acquired under Finance Leases	0	0
Capital receipts used to repay borrowing	0	0
Minimum Revenue Provision	(8,806)	(4,343)
<b>Closing Capital Financing Requirement</b>	<b>397,771</b>	<b>372,556</b>
<b>of which</b>		
General Fund CFR	298,680	273,740
Housing Revenue Account CFR	99,091	98,816
	<b>397,771</b>	<b>372,556</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 2021 £000	31 March 2020 £000
Not later than one year	3,021	3,030
Later than one year and not later than five years	9,843	9,988
Later than five years	107,918	112,552
	<b>120,782</b>	<b>125,570</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 2020/21 no contingent rents were estimated to be receivable by the Council (2019/20 nil estimated).

### Note 34. Downward Revaluation and Impairment Losses

In relation to 2020/21:

- The Housing Revenue Account assets were revalued at 1 April 2020 as part of the rolling revaluation programme which led to a downward valuation or impairment loss of £32.215M in total.
- A market review was carried out at 31 March 2021 which led to a downward valuation or impairment loss of £3.316M in total.
- An impairment review was also undertaken of capital additions of which £2.033M was considered not to increase the asset value and therefore was impaired.
- As a result of the regular review of the fixed asset register and in light of the effect of the pandemic on the valuation of some assets, downward revaluations and impairments of £12.556M were identified within the Other Land and Buildings category of assets.
- As a result of the revaluation of assets transferred from the Asset Under Construction category downward revaluations of £4.145M were identified within the Other Land and Buildings category of assets.

In relation to 2019/20:

- 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 2020/21 the Council paid £2.7M (2019/20 £2.3M) to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay (2019/20 16.48% up to 31 August 2019 and 23.68% from 1 September 2019). 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 £2,769 awarded in respect of the teachers' pension scheme in 2020/21 (2019/20 £9,521).

It is estimated that the Council will pay £2.7m to the Teachers' Pension Scheme in 2021/22 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 2020/21, the Council paid £0.291M (2019/20 £0.263M) 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 £0.237M to NHS Pensions in 2021/22.

**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:

	2020/21 £000	2019/20 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
Current Service Cost	27,209	19,153
(Gain) / Loss from Settlement	364	(273)
Cost of Curtailments	485	1,089
Administration Expense	334	146
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	4,221	3,543
<b>Total post-employment benefit charged to the surplus or deficit on the provision of services</b>	<b>32,613</b>	<b>23,658</b>
<b>Other post-employment benefit charged to the comprehensive income and expenditure statement</b>		
Return on plan assets in excess of interest	(122,945)	35,498
Other actuarial gains on assets	0	(1,706)
Change in financial assumptions	145,951	(57,174)
Change in demographic assumptions	(6,765)	(4,577)
Experience (gain)/loss on defined benefit obligation	(8,011)	6,513
<b>Remeasurements and Other Comprehensive Income and Expenditure</b>	<b>8,230</b>	<b>(21,446)</b>
<b>Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement</b>	<b>40,843</b>	<b>2,212</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	(40,843)	(2,212)
<b>Actual amount charged against the General Fund Balance for Pensions in the year</b>		
Employer's contributions payable to scheme	15,729	9,496

### 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 2021 £000	31 March 2020 £000
Present Value of the defined benefit obligation	744,796	587,121
Fair Value of Plan Assets	(575,160)	(442,599)
<b>Net Liability arising from defined benefit obligation</b>	<b>169,636</b>	<b>144,522</b>

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

	2020/21 £000	2019/20 £000
Opening Balance at 1 April	587,121	624,439
Current Service Cost	27,209	19,153
Interest Cost	11,274	14,806
Contributions by Scheme Participants	3,700	3,460
Actuarial gains arising from changes in demographic assumptions	(6,765)	(4,577)
Actuarial (gains) / losses arising from changes in financial assumptions	145,951	(57,174)
Other	(8,011)	6,513
Losses on Curtailments	485	1,089
Benefits Paid	(17,115)	(19,609)
Liabilities extinguished on Settlements	947	(979)
<b>Closing Balance at 31 March</b>	<b>744,796</b>	<b>587,121</b>

### Reconciliation of fair value of the scheme assets

	2020/21 £000	2019/20 £000
Opening Balance at 1 April	442,599	472,633
Interest Income	7,053	11,263
The return on plan assets, excluding the amount included in the net interest expense	122,945	(35,498)
Other Actuarial Gains	0	1,706
Employer Contributions	15,729	9,496
Contributions by Scheme Participants	3,700	3,460
Benefits Paid	(17,115)	(19,609)
Payment of Bulk Transfer Value	583	(706)
Administrative Expense	(334)	(146)
<b>Closing Balance at 31 March</b>	<b>575,160</b>	<b>442,599</b>

## Local Government Pension Scheme assets

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

	31 March 2021		31 March 2020	
	£000		£000	
Equity Investments	363,835	63.3%	259,069	58.5%
Government Bonds	14,654	2.5%	19,077	4.3%
Other Bonds	27,978	4.9%	26,817	6.1%
Property	40,533	7.0%	39,800	9.0%
Cash / Liquidity	14,488	2.5%	18,397	4.2%
Alternative Assets	66,105	11.5%	50,981	11.5%
Other Managed Funds	47,567	8.3%	28,458	6.4%
	<b>575,160</b>	<b>100%</b>	<b>442,599</b>	<b>100%</b>

Of the listed equities allocation, 8% are UK investments, with 92% being overseas investments. All of the equities are listed.

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

The Other Bonds allocation consists entirely of UK corporate bonds.

Of the Property allocation, 30% is listed.

The Alternative Assets allocation is made up of 26% in Infrastructure, 17% in Private Equity, 11% in Timber, 6% in Private Debt, 31% in Other Managed Funds and 9% in Cash/Temporary Investments.

### 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 2019.

The significant assumptions used by the actuary have been:

	2020/21	2019/20
<b>Mortality assumptions:</b>		
Longevity at 65 for Current Pensioners		
Men	21.6	21.8
Women	23.6	23.7
Longevity at 65 for Future Pensioners		
Men	22.9	23.2
Women	25.1	25.2
Rate of Inflation (RPI)	3.2%	2.7%
Rate of Inflation (CPI)	2.8%	1.9%
Rate of increases in salaries	3.8%	2.9%
Rate of increase in pensions	2.8%	1.9%
Rate for discounting scheme liabilities	2.00%	2.35%

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 £000</b>	<b>Decrease in Assumption £000</b>
Longevity (increase or decrease in 1 year)	36,812	(34,988)
Rate of inflation (increase or decrease by 0.1%)	13,091	(12,846)
Rate of increase in salaries (increase or decrease by 0.1%)	1,159	(1,149)
Rate of increase in pensions (increase or decrease by 0.1%)	13,091	(12,846)
Rate of discounting scheme liabilities (increase or decrease by 0.1%)	(14,091)	14,377

#### **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 5 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 £10.715M contribution to the scheme in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 19 years (19 years 2019/20).

#### **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 £42M 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 2021 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Credit Risk	Amounts £000	Historical experience of default %	31 March 2021	Estimated maximum exposure to default and uncollectability £000	31 March 2020
			Historical experience adjusted for market conditions %		Estimated maximum exposure to default and uncollectability £000
Deposits With Banks And Other Financial Institutions	42,383	0.00%	0.00%	0	0
Bonds And Other Securities	96,210	0.00%	0.00%	0	0
Customers	45,981	0.30%	0.34%	185	170

Due to the COVID-19 pandemic collection rates on customer debt were lower and debt write offs increased. However, the historical experience of default still remains very low.

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:

	31 March 2021 £000	31 March 2020 £000
Less Than Three Months	12,599	6,047
Three To Six Months	951	893
Six Months To One Year	1,202	1,316
More Than One Year	4,749	3,370
<b>Total</b>	<b>19,501</b>	<b>11,626</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:

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£000</b>	<b>£000</b>
Less than 1 year	15,140	12,125
Between 1 and 2 years	11,855	15,139
Between 2 and 5 years	43,236	43,593
Between 5 and 10 years	123,836	109,305
Between 10 and 15 years	91,992	103,542
Between 15 and 20 years	62,170	68,559
More than 20 years	207,276	215,361
<b>Total Cost of Loans Over Their Life</b>	<b>555,505</b>	<b>567,624</b>
This total consists of:		
Principal Amount of Loans	318,864	318,970
Future Interest Element	236,641	248,654
<b>Total Cost of Loans Over Their Life</b>	<b>555,505</b>	<b>567,624</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 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£000</b>
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(1,511)
Increase in government grant receivable for financing costs	0
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(1,511)</b>
Share of overall impact debited to the HRA	(181)
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:

	2020/21 £000	2019/20 £000
Interest paid	12,346	12,190
Interest received	(1,755)	(1,938)
<b>Net Cash Flows from Interest Paid and Received</b>	<b>10,591</b>	<b>10,252</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:

	2020/21 £000	2019/20 £000
Depreciation of Non Current Assets	(19,529)	(21,742)
Downward Revaluation and Impairment Losses of Non-Current Assets	(17,730)	(5,363)
Amortisations	(1,260)	(1,181)
(Increase)/Decrease in impairment for provision for bad debts	(2,670)	(956)
(Increase)/Decrease in Creditors	(33,653)	(5,746)
Increase/(Decrease) in Debtors	22,135	12,041
Increase/(Decrease) in Inventories	189	(2)
Net retirement benefits per IAS19	(16,884)	(14,162)
Carrying amount of assets disposed/sold	(839)	(2,276)
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	169	(947)
Movements in the value of investment properties	(2,038)	352
Removal of Council Tax and Business Rates Agency Adjustments from Comprehensive Income and Expenditure Statement	(12,216)	1,129
Other	(2)	2
<b>Net Cash Flow Adjustments</b>	<b>(84,328)</b>	<b>(38,851)</b>

**Note 41. Cash Flow Statement - Adjustments for items included in the Net Deficit on the Provision of Services that are Investing and Financing Activities**

	<b>2020/21</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
Capital Grants credited to deficit on the provision of services	28,119	31,712
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,404	5,752
Proceeds from short-term and long-term investments	355	508
<b>Net Cash Flow Adjustments</b>	<b>29,878</b>	<b>37,972</b>

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

	<b>2020/21</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
Purchase of property, plant and equipment, investment property and intangible assets	50,975	45,857
Purchase of short-term and long-term investments	15,000	75,046
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,404)	(5,752)
Proceeds from short-term and long-term investments	(25,752)	(41,819)
Other receipts from investing activities	(28,119)	(31,712)
<b>Net Cash Flow from Investing Activities</b>	<b>10,700</b>	<b>41,620</b>

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

	<b>2020/21</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
Cash receipts of short and long-term borrowing	(6)	(50,009)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	282	272
Repayments of short and long-term borrowing	112	7,582
Council Tax and Non-Domestic Rates agency adjustments	12,216	(1,129)
Repayments of ECC transferred debt	553	576
<b>Net Cash Flow from Financing Activities</b>	<b>13,157</b>	<b>(42,708)</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 2020/21 and those received but not yet applied as at 31 March 2021 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 2020/21 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, three 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 2021 there was a net deficit of £6.781M (*£5.866M at 31 March 2020*) in respect of South Essex Homes Limited's pension liabilities. As at 31 March 2021 South Essex Homes Limited also had a retained surplus of £3.319M (*£2.776M at 31 March 2020*) 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 2021 there was a net deficit of £7.465M (*£4.920M restated as at 31 March 2020*) in respect of Southend Care Limited's pension liabilities. As at 31 March 2021 Southend Care Ltd also had a retained surplus of £1.054M (*£0.361M retained surplus at 31 March 2020*) 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

2019/20 £000		2020/21 £000
	<b>Income</b>	
(25,467)	Dwelling Rents (Gross)	(26,138)
(1,527)	Non Dwelling Rents (Gross)	(1,398)
(567)	Charges for Services and Facilities	(668)
(159)	Revaluation Gains (to reverse previous impairment charges)	(3,100)
<b>(27,720)</b>	<b>Total Income</b>	<b>(31,304)</b>
	<b>Expenditure</b>	
5,623	Repairs and Maintenance	5,336
6,646	Supervision and Management	7,188
749	Rents, Rates, Taxes and other Charges	861
262	Provision for Bad and Doubtful Debts	326
7,870	Depreciation and impairment on Council Dwellings <i>(HRA Note 3)</i>	14,836
217	Depreciation and impairment on Other Assets <i>(HRA Note 3)</i>	400
24	Debt Management Expenses	31
<b>21,391</b>	<b>Total Expenditure</b>	<b>28,978</b>
<b>(6,329)</b>	<b>Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Account</b>	<b>(2,326)</b>
196	HRA services share of Corporate and Democratic Core	200
<b>(6,133)</b>	<b>Net Cost of HRA Services</b>	<b>(2,126)</b>
(906)	(Profit) on Sale of HRA Long Term Assets	(554)
3,392	Interest Payable and Similar Charges	3,224
(5)	General Grants	(783)
(386)	Interest Receivable	(150)
<b>(4,038)</b>	<b>Surplus for the year on HRA services</b>	<b>(389)</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.

2019/20 £000		2020/21 £000
(4,038)	Surplus for the year on the Housing Revenue Account Income And Expenditure Account	(389)
4,506	Net additional amount required by statute to be credited to the HRA Balance for the year	(2,342)
(468)	Transfer to Earmarked Reserves	2,731
<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

2019/20 £000		2020/21 £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>	
906	Profit on Sale of HRA Long Term Assets	554
204	General Grants / Service Grants	1,072
	<b>Amounts not included in the HRA Income And Expenditure Account but required to be included by statute when determining the Movement on the HRA Balance for the year</b>	
(1,222)	Transfer from Capital Adjustment Account - Impairment	(5,987)
(208)	Transfer from Capital Adjustment Account - REFCUS	(204)
4,826	Revenue Contribution to Capital	2,223
(468)	Transfer to/(from) Earmarked Reserves	2,731
<b>4,038</b>	<b>Net Additional Amount required to be credited to the Housing Revenue Account Balance for the year</b>	<b>389</b>

## Notes to the HRA

### HRA Note 1. Analysis of Housing Stock

	Number of Properties 31 March 2021	Number of Properties 31 March 2020 Restated
Houses And Bungalows	2,097	2,095
Flats	3,829	3,816
<b>Total Houses and Flats</b>	<b>5,926</b>	<b>5,911</b>
Homelessness Hostel Bedsits - Room only	123	123
	<b>6,049</b>	<b>6,034</b>

The number of properties as at 31 March 2020 has been restated as 14 dwellings in Rochford Road were completed during 2019/20 as part of the council house construction scheme but were not included in the numbers in the 2019/20 disclosure note.

### 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.

	2020/21 £000	2019/20 £000
<b>Balance at 1 April</b>	<b>8,139</b>	<b>7,362</b>
Transfers In	6,149	6,706
Used To Fund Capital (Council Dwellings)	(6,221)	(5,929)
<b>Balance at 31 March</b>	<b>8,067</b>	<b>8,139</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.

	2020/21 £000	2019/20 £000
<b>Item 8 Debit</b>		
<u>Depreciation</u>		
Council Dwellings	5,996	6,492
Other Assets	153	214
<u>Impairment</u>		
Council Dwellings	8,840	1,378
Other Assets	247	3
<b>Total Depreciation and Impairment</b>	<b>15,236</b>	<b>8,087</b>
Debt Management Expenses	31	24
Loan Interest Payable	3,224	3,392
<b>Item 8 Credit</b>		
Interest Receivable	(150)	(386)
<u>Revaluation Gains</u>		
Council Dwellings	(2,061)	(159)
Other Assets	(1,039)	0
Appropriation From Capital Adjustment Account - Impairment	(5,987)	(1,222)
Appropriation From Capital Adjustment Account - REFCUS	(204)	(208)
<b>Net Effect On HRA</b>	<b>9,050</b>	<b>9,528</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 2020 amounted to £736.8M. It should be noted that the difference between the vacant possession value, or the OMV above, and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than market value.

	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Assets Under Construction</b>	<b>Non-Operational Investment Properties</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>Restated £000</b>	<b>£000</b>
<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>
Additions	10,262	24	100	0	10,386
Disposals	(674)	0	0	0	(674)
Transfers	(1,064)	1,064	0	0	0
Revaluations via Revaluation Reserve	12,706	(273)	0	0	12,433
Revaluations recognised in I&E	(7,753)	(17)	0	(126)	(7,896)
<u>Depreciation</u>					
For Current Year	(5,996)	(153)	0	0	(6,149)
Disposals	10	0	0	0	10
Transfers	84	(84)	0	0	0
Revaluations via Revaluation Reserve	26,504	1,061	0	0	27,565
Revaluations recognised in I&E	1,832	77	0	0	1,909
<b>Gross Book Value as at 31 March 2021</b>	<b>416,043</b>	<b>10,799</b>	<b>162</b>	<b>913</b>	<b>427,917</b>
Accumulated Depreciation as at 31 March 2021	(6,043)	(153)	0	0	(6,196)
<b>Net Book Value as at 31 March 2021</b>	<b>410,000</b>	<b>10,646</b>	<b>162</b>	<b>913</b>	<b>421,721</b>

## HRA Note 5.

## Capital Expenditure

	2020/21 £000	2019/20 £000
Purchase, construction or enhancement of Council Dwellings	10,386	12,830
REFCUS	204	208
<b>Total HRA Capital Expenditure</b>	<b>10,590</b>	<b>13,038</b>
<u>Financed by:-</u>		
Usable Capital Receipts	862	2,070
<b>Total Financed By Capital Receipts</b>	<b>862</b>	<b>2,070</b>
<u>Revenue contributions:-</u>		
General Reserves	2,223	4,826
Major Repairs Reserve	6,221	5,929
Third Party	670	213
Capital Grant	340	0
<b>Total Revenue Contributions</b>	<b>9,454</b>	<b>10,968</b>
<u>Funded by Borrowing</u>	274	0
<b>Total Capital Expenditure</b>	<b>10,590</b>	<b>13,038</b>

# **THE COLLECTION FUND**

## The Collection Fund

2019/20 £000	2019/20 £000	2019/20 £000		2020/21 £000	2020/21 £000	2020/21 £000	Collection Fund Note
Council Tax	NNDR	Total		Council Tax	NNDR	Total	
<b>INCOME</b>							
99,600	0	99,600	Income from Council Tax	103,146	0	103,146	1
0	43,417	43,417	Income Collectable from Business Ratepayers adjusted for Transitional Payment Protection payable	0	17,286	17,286	2
<b>99,600</b>	<b>43,417</b>	<b>143,017</b>	<b>Total Income</b>	<b>103,146</b>	<b>17,286</b>	<b>120,432</b>	
<b>EXPENDITURE</b>							
<b>Precepts and Demands</b>							
81,177	0	81,177	Southend-on-Sea Borough Council	84,795	0	84,795	
11,274	0	11,274	Essex Police Authority	11,655	0	11,655	
4,233	0	4,233	Essex Fire Authority	4,336	0	4,336	
<b>Business Rates</b>							
0	21,567	21,567	Payments to Government	0	21,514	21,514	
0	431	431	Payments to Fire Authority	0	430	430	
0	21,135	21,135	Payments to Southend-on-Sea Borough Council	0	21,083	21,083	
0	228	228	Costs of Collection	0	224	224	
<b>Doubtful Debt and Appeals Provisions</b>							
73	(69)	4	Top-up of Doubtful Debt Provision	1,806	1,213	3,019	
769	478	1,247	Write-off of Debt	112	87	199	
0	2,360	2,360	NNDR Provision for Appeals	0	1,981	1,981	
0	(1,114)	(1,114)	NNDR Settlement of Appeals	0	(2,399)	(2,399)	
<b>97,526</b>	<b>45,016</b>	<b>142,542</b>	<b>Total Expenditure</b>	<b>102,704</b>	<b>44,133</b>	<b>146,837</b>	
<b>USE OF BALANCES</b>							
<b>Council Tax</b>							
2,500	0	2,500	Southend-on-Sea Borough Council	2,000	0	2,000	
317	0	317	Council Tax - Essex Police Authority	278	0	278	
132	0	132	Council Tax - Essex Fire Authority	104	0	104	
<b>Business Rates</b>							
0	151	151	Government	0	(186)	(186)	
0	149	149	Southend-on-Sea Borough Council	0	(182)	(182)	
0	3	3	Essex Fire Authority	0	(3)	(3)	
<b>(875)</b>	<b>(1,902)</b>	<b>(2,777)</b>	<b>Deficit for the year</b>	<b>(1,940)</b>	<b>(26,476)</b>	<b>(28,416)</b>	
<b>COLLECTION FUND BALANCE</b>							
10,000	83	10,083	Balance brought forward at 1 April	9,125	(1,819)	7,306	
(875)	(1,902)	(2,777)	(Deficit)/Surplus for the year (as above)	(1,940)	(26,476)	(28,416)	
<b>9,125</b>	<b>(1,819)</b>	<b>7,306</b>	<b>Balance Carried Forward at 31 March</b>	<b>7,185</b>	<b>(28,295)</b>	<b>(21,110)</b>	
<b>ALLOCATED TO:</b>							
0	(910)	(910)	Government	0	(14,147)	(14,147)	
1,058	0	1,058	Police Authority	837	0	837	
394	(18)	376	Fire Authority	301	(283)	18	
7,673	(891)	6,782	Southend-on-Sea Borough Council	6,047	(13,865)	(7,818)	
<b>9,125</b>	<b>(1,819)</b>	<b>7,306</b>	<b>Balance Carried Forward at 31 March</b>	<b>7,185</b>	<b>(28,295)</b>	<b>(21,110)</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 (£1,760.49 for the Leigh-on-Sea Town Council area and £1,709.91 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 2020/21 Leigh-on-Sea Town Council Area	Council Tax 2020/21 All other parts of the Borough	Ratio to Band D
	£	£	£	
A	Up to and including 40,000	1,173.66	1,139.94	6/9
B	40,001 - 52,000	1,369.27	1,329.93	7/9
C	52,001 - 68,000	1,564.88	1,519.92	8/9
D	68,001 - 88,000	1,760.49	1,709.91	1
E	88,001 - 120,000	2,151.71	2,089.89	11/9
F	120,001 - 160,000	2,542.93	2,469.87	13/9
G	160,001 - 320,000	2,934.15	2,849.85	15/9
H	More than 320,000	3,520.98	3,419.82	18/9
<b>Band D</b>		<b>2019/20</b>	<b>2020/21</b>	<b>% increase</b>
		£	£	
Southend-on-Sea Borough Council		1,382.22	1,437.39	3.99
Essex Police Authority		192.96	198.63	2.94
Essex Fire Authority		72.45	73.89	1.99
<b>Total for Other than Leigh-on-Sea Town Council Area</b>		<b>1,647.63</b>	<b>1,709.91</b>	<b>3.78</b>
Leigh-on-Sea Town Council		47.70	50.58	6.04
<b>Total for Leigh-on-Sea Town Council Area</b>		<b>1,695.33</b>	<b>1,760.49</b>	<b>3.84</b>

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*	10.02	5/9	5.57
Valuation Band - A	10,252.81	6/9	6,835.21
Valuation Band - B	12,136.94	7/9	9,439.84
Valuation Band - C	20,326.97	8/9	18,068.42
Valuation Band - D	11,135.47	9/9	11,135.47
Valuation Band - E	6,081.64	11/9	7,433.11
Valuation Band - F	3,409.14	13/9	4,924.31
Valuation Band - G	1,480.43	15/9	2,467.38
Valuation Band - H	93.25	18/9	186.50
	<b>64,926.67</b>		<b>60,495.81</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.			1,814.87
* Reductions For Band A Disabled.			
			<b>58,680.94</b>

## Collection Fund Note 2 Non-Domestic Rates

Non-Domestic Rates are organised on a national basis. The Government specified an amount of 51.2p in 2020/21 (50.4p in 2019/20) with a small business rate of 49.9p in 2020/21 (49.1p in 2019/20) 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 £16,180,820 for 2020/21 (£43,858,439 for 2019/20). The year-end rateable value for the Council's area was £120,485,358 at 31 March 2021 (£121,737,278 at 31 March 2020).

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

Within the Collection Fund there are the following provisions.

- A provision of £5.130M as at 31 March 2021 for bad and doubtful debts for Council Tax (£3.324M as at 31 March 2020)
- A provision of £1.777M as at 31 March 2021 for bad and doubtful debts for NNDR (£0.565M as at 31 March 2020). Under business rate retention arrangements, 49% of this provision is attributable to the Council.
- A provision of £5.080M as at 31 March 2021 for the potential impact of successful appeals by businesses against their rateable values (£5.500M as at 31 March 2020). 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 £7.185M 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 £28.295M 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 2021 £000	31 March 2020 £000
Council Tax - Southend-on-Sea Borough Council	6,047	7,673
Council Tax - Essex Police Authority	837	1,058
Council Tax - Essex Fire Authority	301	394
NNDR - Southend-on-Sea Borough Council	(13,865)	(891)
NNDR - Government	(14,147)	(910)
NNDR - Essex Fire Authority	(283)	(18)
<b>Total</b>	<b>(21,110)</b>	<b>7,306</b>

Shown on Balance Sheet as:	31 March 2021 £000	31 March 2020 £000 Restated
Collection Fund Adjustment Account	(7,818)	6,782
Creditors Falling Due Within One Year	(13,292)	524
Debtors	0	0
<b>Total</b>	<b>(21,110)</b>	<b>7,306</b>

## Collection Fund Note 5 Impact of COVID-19 on Collection Fund

As part of the fiscal response to the impact of the COVID-19 pandemic the Government provided financial support (via Councils) to businesses in their local areas. Those businesses classified as Retail, Hospitality and Leisure or Nurseries were granted a 100% Business Rates holiday for 2020/21. These businesses did not receive a bill and therefore paid nil in respect of Business Rates.

This had the direct impact of greatly reducing the value of income collectable and created a large deficit on the NNDR part of the Council's Collection Fund. To compensate the Council an equivalent value of Section 31 grant was received from Government.

For 2020/21 the original estimate for Discretionary Reliefs to be funded through Section 31 grants (such as Retail Discount, Pub Relief, Discretionary Scheme Relief) was £1.8M. However, following the chancellors' announcements in April 2020 total relief provided was £25.5M mostly due to the Expanded Retail Discount Schemes.

Income collection for both Council Tax and Business Rates has also been adversely impacted in 2020/21 due to the COVID-19 pandemic. Courts have been closed and no formal enforcement has taken place and so the arrears outstanding as at 31 March 2021 are higher than usual. The Council has increased proportionately the provisions for bad and doubtful debts.

The Council is working hard to pursue all outstanding debt. Careful assessments will be undertaken on residents and business's ability to pay, some of whom may be facing additional financial hardship, or who will cease trading as a result of the ongoing effects of the pandemic. It is expected that the authority will receive approximately £0.5M from the government's 75% Business Rates Tax Income Guarantee Scheme (via a Section 31 grant) to help to support any additional losses that are realised.

The COVID-19 Hardship fund was established by Government in 2020/21 to allow Councils to offer discounts to council taxpayers facing hardship. The £1.6M cost of these discounts are borne by the Council's General Fund and not the Collection Fund and this amount has also been offset by a Section 31 grant in relation to this scheme.

It should be noted that as part of the response to the COVID-19 pandemic a range of additional grants to support businesses were also made available by Government (such as the Small Business Grant Fund, sector specific retail, hospitality and leisure grants, multiple restriction grants etc.) These did not flow through the Collection Fund and do not impact upon any of its transactions.

# **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 2021, 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, South Essex Homes Limited and Southend Care Limited are the only subsidiary companies that have been judged to be material to the Council in both the current and the previous year. The other subsidiaries are immaterial in total and are hence excluded from the consolidation.

## Joint Ventures

The Council participates in five 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

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 developed, and subject to Cabinet approvals, option agreements/direct sales of other sites are planned.

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 to 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 development is a partnership between Southend-on-Sea Borough Council and HBD (formally Henry Boot Developments Limited). The Council has a majority shareholding linked to its majority land ownership and shares are distributed with plots as they are sold. The Council is not a director on this company but does attend all management company meetings.

For all five 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. 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 2021, 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.

### 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.

## Group Comprehensive Income and Expenditure Statement

2019/20			2020/21			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
84,256	(69,344)	14,912	Leader	92,195	(81,970)	10,225
30,434	(16,413)	14,021	Deputy Leader	43,444	(16,966)	26,478
17,048	(5,554)	11,494	Business, Culture and Tourism	17,803	(5,117)	12,686
116,865	(71,227)	45,638	Children and Learning	111,286	(71,755)	39,531
9,435	(5,205)	4,230	Community Safety and Customer Contact	10,119	(4,914)	5,205
22,472	(2,966)	19,506	Environment and Planning	24,542	(2,711)	21,831
84,489	(38,891)	45,598	Health and Adult Social Care	88,703	(44,443)	44,260
<b>364,999</b>	<b>(209,600)</b>	<b>155,399</b>	<b>Net Cost of General Fund Services</b>	<b>388,092</b>	<b>(227,876)</b>	<b>160,216</b>
20,635	(30,094)	(9,459)	Local Authority Housing (HRA)	32,574	(36,562)	(3,988)
<b>20,635</b>	<b>(30,094)</b>	<b>(9,459)</b>	<b>Net Cost of Housing Revenue Account Services</b>	<b>32,574</b>	<b>(36,562)</b>	<b>(3,988)</b>
<b>385,634</b>	<b>(239,694)</b>	<b>145,940</b>	<b>Cost of Services</b>	<b>420,666</b>	<b>(264,438)</b>	<b>156,228</b>
		(1,474)	Other Operating Expenditure			989
		13,844	Financing and Investment Income and Expenditure			17,004
		(153,648)	Taxation and Non-Specific Grant Income			(166,541)
		<b>4,662</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>7,680</b>
		24	Tax Expenses of Subsidiary			0
		<b>4,686</b>	<b>Group (Surplus)/Deficit</b>			<b>7,680</b>
			Surplus or Deficit on Revaluation of Property, Plant and			
		12,341	Equipment Assets			(36,335)
		(23,755)	Actuarial gains / losses on Pension Assets / Liabilities			10,746
		<b>(11,414)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(25,589)</b>
		<b>(6,728)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(17,909)</b>

## Group Movement in Reserves

	Usable Reserves £000	Unusable Reserves £000	Total Group Reserves £000
<b>Balance at 31 March 2019</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>
<b>Movement in Reserves during 2020/21</b>			
Deficit on the Provision of Services	(7,680)	0	(7,680)
Other Comprehensive Income and Expenditure	0	25,589	25,589
<b>Total Comprehensive Income and Expenditure</b>	<b>(7,680)</b>	<b>25,589</b>	<b>17,909</b>
Adjustments between accounting basis and funding basis under regulations	49,553	(49,553)	0
<b>Net Increase before Transfers to reserves</b>	<b>41,873</b>	<b>(23,964)</b>	<b>17,909</b>
Transfers to / from Earmarked Reserves	0	(1,124)	(1,124)
<b>Increase in 2020/21</b>	<b>41,873</b>	<b>(25,088)</b>	<b>16,785</b>
<b>Balance at 31 March 2021</b>	<b>211,625</b>	<b>325,071</b>	<b>536,696</b>

## Group Balance Sheet

<b>31 March 2020</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£000</b>
696,208	Property, Plant & Equipment (excluding infrastructure assets)	727,794
102,465	Infrastructure Assets	116,904
33,051	Heritage Assets	34,052
41,570	Investment Property	39,679
8,801	Intangible Assets	9,106
27,624	Long Term Investments	26,564
2,351	Long Term Debtors	3,517
<b>912,070</b>	<b>Long Term Assets</b>	<b>957,616</b>
59,531	Short term Investments	50,558
0	Assets Held for Sale	0
924	Inventories	2,475
42,739	Short Term Debtors	60,467
45,451	Cash and Cash Equivalents	69,079
<b>148,645</b>	<b>Current Assets</b>	<b>182,579</b>
(1,514)	Short Term Borrowings	(4,546)
(46,732)	Short Term Creditors	(80,340)
(5,386)	Provisions	(5,217)
<b>(53,632)</b>	<b>Current Liabilities</b>	<b>(90,103)</b>
(2,298)	Long Term Creditors	(3,336)
(318,859)	Long Term Borrowing	(315,721)
(155,308)	Other Long Term Liabilities - Pensions	(184,185)
(10,707)	Other Long Term Liabilities - Other	(10,154)
<b>(487,172)</b>	<b>Long Term Liabilities</b>	<b>(513,396)</b>
<b>519,911</b>	<b>Net Assets</b>	<b>536,696</b>
169,752	Usable Reserves	211,625
350,159	Unusable Reserves	325,071
<b>519,911</b>	<b>Total Reserves</b>	<b>536,696</b>

## Group Cash Flow Statement

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
4,686	Net Deficit on the Provision of Services	7,680
(37,142)	Adjustments to Net Surplus or Deficit on the Provision of Services for non-cash Movements	(85,537)
37,937	Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	29,853
5,481	Net cash flows from Operating Activities	(48,004)
43,655	Investing Activities	11,219
(42,708)	Financing Activities	13,157
6,428	Net (Increase)/Decrease in Cash and Cash Equivalents	(23,628)
(51,879)	Cash and Cash Equivalents at the beginning of the Reporting Period	(45,451)
<b>(45,451)</b>	<b>Cash and Cash Equivalents at the end of the Reporting Period</b>	<b>(69,079)</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

	2020/21			2019/20		
	South Essex Homes Ltd	Southend Care Ltd	Total	South Essex Homes Ltd	Southend Care Ltd	Total
	£000	£000	£000	Restated £000	£000	£000
Income	(12,882)	(8,837)	<b>(21,719)</b>	(12,115)	(7,955)	<b>(20,070)</b>
Expenditure	12,998	8,445	<b>21,443</b>	10,786	8,442	<b>19,228</b>
Current Assets	6,930	2,409	<b>9,339</b>	7,146	1,323	<b>8,469</b>
Current Liabilities	(3,611)	(1,230)	<b>(4,841)</b>	(4,370)	(962)	<b>(5,332)</b>
Long Term Liabilities	(6,781)	(7,590)	<b>(14,371)</b>	(5,866)	(4,920)	<b>(10,786)</b>
<b>Net Assets</b>	<b>(3,462)</b>	<b>(6,411)</b>	<b>(9,873)</b>	<b>(3,090)</b>	<b>(4,559)</b>	<b>(7,649)</b>
Usable Reserves	3,319	1,054	<b>4,373</b>	2,776	361	<b>3,137</b>
Unusable Reserves	(6,781)	(7,465)	<b>(14,246)</b>	(5,866)	(4,920)	<b>(10,786)</b>
<b>Total Reserves</b>	<b>(3,462)</b>	<b>(6,411)</b>	<b>(9,873)</b>	<b>(3,090)</b>	<b>(4,559)</b>	<b>(7,649)</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

	2020/21		2019/20 23 April 2019 to 31 March 2020	
	Porters Place Southend-on-Sea LLP - 50%		Porters Place Southend-on-Sea LLP 50% Restated	
	£000	£000	£000	£000
Income	0	0	0	0
Expenditure	8	8	5	5
Current Assets	2,369	2,369	1,018	1,018
Current Liabilities	(131)	(131)	(273)	(273)
Long Term Liabilities	(1,125)	(1,125)	(375)	(375)
<b>Net Assets</b>	<b>1,113</b>	<b>1,113</b>	<b>370</b>	<b>370</b>
Usable Reserves	1,113	1,113	370	370
Unusable Reserves	0	0	0	0
<b>Total Reserves</b>	<b>1,113</b>	<b>1,113</b>	<b>370</b>	<b>370</b>

## Trust Funds

2020/21	Becroft Art Gallery £000	Jones Memorial Trust £000	Palace Theatre Charity £000	Prittlewell Priory Museum Trust £000	Priory Park Trust £000	The Shrubby Trust £000	Victory Sports Ground Trust £000	Youth Commemoration Ground Trust £000	Total Trusts £000
Income	(69)	(43)	(68)	(118)	(164)	(46)	(35)	(398)	(941)
Expenditure	69	43	81	266	201	4	35	555	1,254
Property, Plant & Equipment	375	23	1,174	572	627	0	10	11,311	14,092
Heritage Assets	1,969	0	0	2,053	0	0	0	0	4,022
Investment Property	0	0	0	0	84	482	0	0	566
Other Current Assets	1	131	1	7	1	480	1	3,410	4,032
Other Liabilities	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(3)	(10)
<b>Net Assets</b>	<b>2,344</b>	<b>153</b>	<b>1,174</b>	<b>2,631</b>	<b>711</b>	<b>961</b>	<b>10</b>	<b>14,718</b>	<b>22,702</b>
Usable Reserves	0	130	0	578	0	479	0	9,294	10,481
Unusable Reserves	2,344	23	1,174	2,053	711	482	10	5,424	12,221
<b>Total Reserves</b>	<b>2,344</b>	<b>153</b>	<b>1,174</b>	<b>2,631</b>	<b>711</b>	<b>961</b>	<b>10</b>	<b>14,718</b>	<b>22,702</b>

2019/20	Beecroft Art Gallery £000	Jones Memorial Trust £000	Palace Theatre Charity £000	Prittwell Priory Museum Trust £000	Priory Park Trust £000	The Shrubbery Trust £000	Victory Sports Ground Trust £000	Youth Commemoration Ground Trust £000	Total Trusts £000
Income	(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>

### Group Note 3 Intercompany transactions

#### South Essex Homes Limited

The Council paid fees of £6.232M to South Essex Homes Limited for the management of its housing stock, together with £0.285M in respect of other services.

The Council provides several services for its subsidiary for which South Essex Homes Limited paid £1.190M. These transactions have been removed from the Group Comprehensive Income and Expenditure Statement.

#### Southend Care Limited

The Council paid fees of £8.654M 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 £0.067M. These transactions have been removed from the Group Comprehensive Income and Expenditure Statement.

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

The Council paid £1.500M 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 £0.879M in 2020/21. 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 39. The categories of asset affected are as follows:

Movements in 2020/21	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000
<b>Cost or Valuation as at 1 April 2020</b>	<b>299,148</b>	<b>17,657</b>
Additions	15,880	5,569
Revaluations via Revaluation Reserve	(9,279)	0
Revaluations recognised in the CIES	(13,753)	(9)
Disposals	(189)	0
Transfers	5,353	0
<b>Gross Book Value as at 31 March 2021</b>	<b>297,160</b>	<b>23,217</b>
<b>Accumulated Depreciation as at 1 April 2020</b>	<b>(19,137)</b>	<b>(7,265)</b>
Depreciation	(6,489)	(1,721)
Written out to Revaluation Reserve	2,255	0
Written out to the CIES	1,931	0
On Disposals	14	0
On Transfers	(84)	0
<b>Accumulated Depreciation as at 31 March 2021</b>	<b>(21,510)</b>	<b>(8,986)</b>
<b>Net Book Value as at 31 March 2020</b>	<b>280,011</b>	<b>10,392</b>
<b>Net Book Value as at 31 March 2021</b>	<b>275,650</b>	<b>14,231</b>

Movements in 2019/20	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000
<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 31 March 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>

## 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 39. The categories of asset affected are as follows:

	Historic Seaside Assets £000	Heritage Land & Buildings £000	Antiques & Collectables £000	Museum Collections £000	Total Heritage Assets £000
<b>Movements in 2020/21</b>					
<b>Cost or Valuation as at 1 April 2020</b>	<b>24,987</b>	<b>5,573</b>	<b>2,865</b>	<b>1,557</b>	<b>34,982</b>
Additions	1,843	0	0	0	1,843
Revaluations via Revaluation Reserve	0	0	0	0	0
Revaluations recognised in the CIES	(182)	0	0	0	(182)
<b>Gross Book Value as at 31 March 2021</b>	<b>26,648</b>	<b>5,573</b>	<b>2,865</b>	<b>1,557</b>	<b>36,643</b>
<b>Accumulated Depreciation as at 1 April 2020</b>	<b>(336)</b>	<b>(1,595)</b>	<b>0</b>	<b>0</b>	<b>(1,931)</b>
Depreciation	(509)	(151)	0	0	(660)
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 2021</b>	<b>(845)</b>	<b>(1,746)</b>	<b>0</b>	<b>0</b>	<b>(2,591)</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>
<b>Net Book Value as at 31 March 2021</b>	<b>25,803</b>	<b>3,827</b>	<b>2,865</b>	<b>1,557</b>	<b>34,052</b>

	Historic Seaside Assets £000	Heritage Land & Buildings £000	Antiques & Collectables £000	Museum Collections £000	Total Heritage Assets £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 31 March 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>

## 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:

	2020/21 £000	2019/20 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
Current Service Cost	28,995	21,259
(Gain) / Loss from Settlement	470	(2,015)
Cost of Curtailments	801	1,132
Administration Expense	366	161
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	4,457	3,909
<b>Total post-employment benefit charged to the surplus or deficit on the provision of services</b>	<b>35,089</b>	<b>24,446</b>
<b>Other post-employment benefit charged to the comprehensive income and expenditure statement</b>		
Return on plan assets in excess of interest	(136,133)	39,351
Other actuarial gains on assets	0	(2,003)
Change in financial assumptions	163,103	(63,489)
Change in demographic assumptions	(7,439)	(5,121)
Experience (gain)/loss on defined benefit obligation	(8,784)	7,506
<b>Remeasurements and Other Comprehensive Income and Expenditure</b>	<b>10,747</b>	<b>(23,756)</b>
<b>Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement</b>	<b>45,836</b>	<b>690</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	(45,836)	(690)
<b>Actual amount charged against the General Fund Balance for Pensions in the year</b>		
Employer's contributions payable to scheme	16,959	10,593

### 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>2020/21 £000</b>	<b>2019/20 £000</b>
Present Value of the defined benefit obligation	824,278	647,571
Fair Value of Plan Assets	(640,093)	(492,263)
<b>Net Liability arising from defined benefit obligation</b>	<b>184,185</b>	<b>155,308</b>

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

	<b>2020/21 £000</b>	<b>2019/20 £000</b>
Opening Balance at 1 April	647,571	685,326
Current Service Cost	28,995	21,259
Interest Cost	12,710	16,329
Contributions by Scheme Participants	4,055	3,827
Remeasurement Gains and Losses		
Actuarial gains arising from changes in demographic assumptions	(7,439)	(5,121)
Actuarial (gains) / losses arising from changes in financial assumptions	163,103	(63,489)
Other	(8,784)	7,506
Losses on Curtailments	801	1,132
Benefits Paid	(18,512)	(21,038)
Liabilities extinguished on Settlements	1,778	1,840
<b>Closing Balance at 31 March</b>	<b>824,278</b>	<b>647,571</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:

	2020/21 £000	2019/20 £000
Opening Balance at 1 April	492,263	520,115
Interest Income	8,253	12,420
The return on plan assets, excluding the amount included in the net interest expense	136,133	(39,351)
Other Actuarial Gains	0	2,003
Employer Contributions	16,959	10,593
Contributions by Scheme Participants	4,055	3,827
Benefits Paid	(18,512)	(21,038)
Payment of Bulk Transfer Value	1,308	3,855
Administrative Expense	(366)	(161)
<b>Closing Balance at 31 March</b>	<b>640,093</b>	<b>492,263</b>

### Impact on the Council's Cash Flows

The Group anticipates paying a £11.905M contribution to the scheme in 2021/22.

## 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, 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 Allowances £	Special Allowances £	Travel & Subsistence £	Total £
<b>Elected Councillors</b>					
Aylen	S	9,453.00	0.00	0.00	9,453.00
Ayling	B	9,453.00	5,263.51	0.00	14,716.51
Beck	J	9,453.00	0.00	0.00	9,453.00
Borton	M	9,453.00	2,363.28	0.00	11,816.28
Boyd	H	9,453.00	0.00	0.00	9,453.00
Bright	A	9,453.00	0.00	0.00	9,453.00
Buck	K	9,453.00	263.93	0.00	9,716.93
Burton	L	9,453.00	0.00	0.00	9,453.00
Burzotta	D	9,453.00	0.00	0.00	9,453.00
Chalk	A	9,453.00	0.00	0.00	9,453.00
Collins	P	9,453.00	2,363.28	0.00	11,816.28
Cowan	D	9,453.00	472.64	0.00	9,925.64
Cox	T	9,453.00	9,453.00	0.00	18,906.00
Davidson	M	9,644.67	2,363.16	0.00	12,007.83
Dear	A	9,453.00	0.00	0.00	9,453.00
Dent	M	9,453.00	0.00	0.00	9,453.00
Evans	K	9,453.00	0.00	0.00	9,453.00
Evans	M	9,261.33	0.00	0.00	9,261.33
Flewitt	M	9,453.00	3,308.51	0.00	12,761.51
Folkard	N	9,453.00	472.64	0.00	9,925.64
Garne	D	9,453.00	0.00	0.00	9,453.00
Garston	D	9,453.00	7,089.72	0.00	16,542.72
George	S	9,453.00	0.00	0.00	9,453.00
Gilbert	I	9,453.00	33,085.74	0.00	42,538.74
Habermel	S	9,453.00	0.00	0.00	9,453.00
Harp	T	9,453.00	11,816.10	0.00	21,269.10
Hooper	B	9,453.00	0.00	0.00	9,453.00
Jarvis	D	9,453.00	0.00	0.00	9,453.00
Jones	A	9,453.00	11,816.10	0.00	21,269.10
Kelly	M	9,453.00	0.00	0.00	9,453.00
Lamb	J	9,453.00	14,179.56	0.00	23,632.56
McDonald	H	9,453.00	5,671.79	0.00	15,124.79
McGlone	D	9,453.00	210.04	0.00	9,663.04
Mitchell	K	9,453.00	0.00	0.00	9,453.00
Moring	A	9,453.00	7,089.72	0.00	16,542.72
Mulroney	C	9,453.00	11,816.10	0.00	21,269.10
Nelson	D	9,453.00	0.00	0.00	9,453.00
Nevin	C	9,453.00	2,363.28	0.00	11,816.28
Robinson	K	9,453.00	11,816.10	0.00	21,269.10
Salter	L	9,453.00	7,154.22	0.00	16,607.22
Shead	I	9,453.00	0.00	0.00	9,453.00
Stafford	M	9,453.00	2,363.28	0.00	11,816.28
Terry	M	9,453.00	11,816.10	0.00	21,269.10
Thompson	D	9,453.00	0.00	0.00	9,453.00
Wakefield	S	9,453.00	0.00	0.00	9,453.00
Walker	C	9,453.00	0.00	0.00	9,453.00
Ward	N	9,453.00	9,453.00	0.00	18,906.00
Wexham	P	9,453.00	0.00	0.00	9,453.00
Willis	C	3,215.07	0.00	0.00	3,215.07
Woodley	R	9,453.00	16,953.84	0.00	26,406.84
<b>Co-opted Members</b>					
Collis	J	0.00	277.20	0.00	277.20
Morgan	J	0.00	1,181.79	0.00	1,181.79
Pandya	K	0.00	1,181.82	0.00	1,181.82
Tetley	J	0.00	1,181.79	0.00	1,181.79
Watts	T	0.00	135.00	0.00	135.00
<b>Total</b>		<b>466,412.07</b>	<b>194,976.24</b>	<b>0.00</b>	<b>661,388.31</b>

# **ABBREVIATIONS and GLOSSARY**

## Abbreviations

ALMO	Arm's Length Management Organisation
ASELA	Association of South Essex Local Authorities
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
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
UEL	Useful Economic Life
VAT	Value Added Tax
VFM	Value For Money

## Glossary

<b>Accounting Period</b>	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local Council accounts. The end of the accounting period is the balance sheet date.
<b>Accounting Statements</b>	The Council's Core Financial Statements, Notes and Supplementary Financial Statements.
<b>Accrual</b>	A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.
<b>Accumulating Absences Account</b>	Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. In local authorities, annual leave, flexitime, and time in lieu would usually be accumulating. Accumulating absences are typically earned by employees as they provide services. The Government has issued regulations which mean that the Council is only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.
<b>Actuary</b>	A suitably qualified independent consultant employed to advise the Council upon the financial position of the Pension Fund.
<b>Amortisation</b>	Amortisation is the writing down of costs to the Comprehensive Income and Expenditure Statement over a number of years.
<b>Appropriations</b>	Appropriations are the transfer of resources between, to and from the various reserves.
<b>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.

<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.

<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.

<b>International Financial Reporting Standard (IFRS)</b>	International Financial Reporting Standards cover particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these standards is mandatory and any departure from them must be disclosed and explained. The standards originated in the commercial sector and some are not directly relevant to local authority accounts.
<b>Inventory</b>	These comprise one or more of the following categories: goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.
<b>Minimum Revenue Provision (MRP)</b>	This is the amount to be set aside for the repayment of debt. Each local Council has a general duty to make an MRP charge to its revenue account each year, which it considers to be prudent.
<b>National Non-Domestic Rate (NDR)</b>	A standard rate in the pound set by the Government payable on the assessed rateable value of properties used for business purposes. Also known as Non-Domestic or Business Rates.
<b>Net Expenditure</b>	Gross expenditure less specific service income.
<b>Non-Operational Assets</b>	Fixed assets held by the Council but not directly occupied, used, or consumed in the delivery of services. Examples are investment properties or assets surplus to requirements, pending sale or redevelopment.
<b>Operating Lease</b>	A type of lease, usually of computer equipment, office equipment, furniture, etc. which is 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 and Crime Commissioner 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 principal repayments.
<b>Provision</b>	An amount set aside for liabilities or losses that are certain to arise but owing to their inherent nature cannot be quantified with absolute certainty.
<b>Prudential Code</b>	The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.
<b>Rateable Value</b>	The annual assumed rental value of a property that is used for business purposes.

<b>Revenue Expenditure Financed from Capital under Statute (REFCUS)</b>	Capital expenditure which may be properly treated as such, but which does not result in, or remain matched with, tangible fixed assets. An example of REFCUS would be capital expenditure on improvement grants.
<b>Reserves</b>	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council.
<b>Revenue Support Grant</b>	A grant paid by the Government to Councils, contributing towards the costs of their services, as opposed to specific grants, which may only be used for a specific purpose.
<b>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 – 2020/21

## Scope Of Responsibility

Southend-on-Sea Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for ensuring the proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk, are in place. This responsibility extends to satisfying itself that 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<sup>1</sup>](#) 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 Council has also taken account of the further guidance provided by CIPFA in Bulletin 06 covering Application of the Good Governance Framework in 2020/21.

## 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 the 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 governance framework has been in place at the Council for the year ended 31 March 2021 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:

### Citizens:

- Community participation
- Co-design and production with citizens
- Customer satisfaction
- Consultation and engagement
- Complaints, compliments and comments

<sup>1</sup> The Local Code is available at [www.southend.gov.uk/downloads/file/3928/local-code-of-governance-2019](http://www.southend.gov.uk/downloads/file/3928/local-code-of-governance-2019)

**Performance:**

- 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

**Resources:**

- Outcome based financial planning and reporting, budgetary control and treasury management
- Commissioning
- Procurement
- Asset Management
- Fraud & Corruption and Insurance
- Value for Money

**People:**

- Workforce management & 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 of Governance, 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;
  - 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 assessed basis. Such work completed during the year forms part of the evidence in support of the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's system of internal control.

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

The Council's Monitoring Officer is responsible for the maintenance of the Constitution and for reviewing its relevance and effectiveness, ensuring that it is fit for purpose at all times. Any changes to the Constitution are approved by full Council. 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 (appointed by Full Council for a four year term) appointing up to 9 other Councillors to form the Cabinet. Cabinet is responsible for the majority of functions of the Council within the budget and policy framework set by full Council. Executive decisions are taken by the Cabinet collectively or by officers acting under delegated powers, depending upon the significance of the decision being made. For urgent issues, a chief officer can take a decision in consultation with the relevant portfolio holder.

The Council has three Scrutiny Committees which review and scrutinise proposed decisions in their respective areas of responsibility – People, Place and Policy & Resources. The committees review and scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions. In accordance with the Health and Social Care Act 2012, the People Scrutiny Committee also scrutinises health matters.

Decisions made by the Cabinet may be called in to a Scrutiny Committee in accordance with the provisions of the Scrutiny Procedure Rules. A decision made by Cabinet can be called in by any two Councillors with written notice given to the Chief Executive within five working days from the date of publication of the digest.

The Council operates a pre-Cabinet scrutiny system where scrutiny and opposition Councillors are given opportunities to contribute to and offer advice on key decisions prior to consideration by Cabinet. This is achieved by reports to Scrutiny Committees and the outcomes of cross party working groups.

The Council has a Standards Committee to promote and maintain high ethical standards of conduct for elected and co-opted 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 Council 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 26 desired outcomes – reviewed annually. Reports outlining progress against key areas of delivery are reviewed 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 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, 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 the 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.

As a result of the COVID-19 pandemic the Council has operated and updated these governance arrangements using remote working technology as far as possible to reduce the risk of infection to Members and officers, as explained in the review of effectiveness below.

### **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 and desired outcomes. To support the post holder in the fulfilment of their duties, and ensure 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 undertaken an evidenced based self-assessment against each of the 17 standards contained within the new CIPFA Financial Management Code (see below).

The year 2020/21 has been dominated by the COVID-19 pandemic, which has had 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 23.3.20, and have adapted since, aligning closely to Government requirements and the collective response of the Essex Resilience Forum (ERF). The Council's response to and management of the impact of the pandemic has been outlined in reports to Cabinet in June and September 2020 and June 2021.

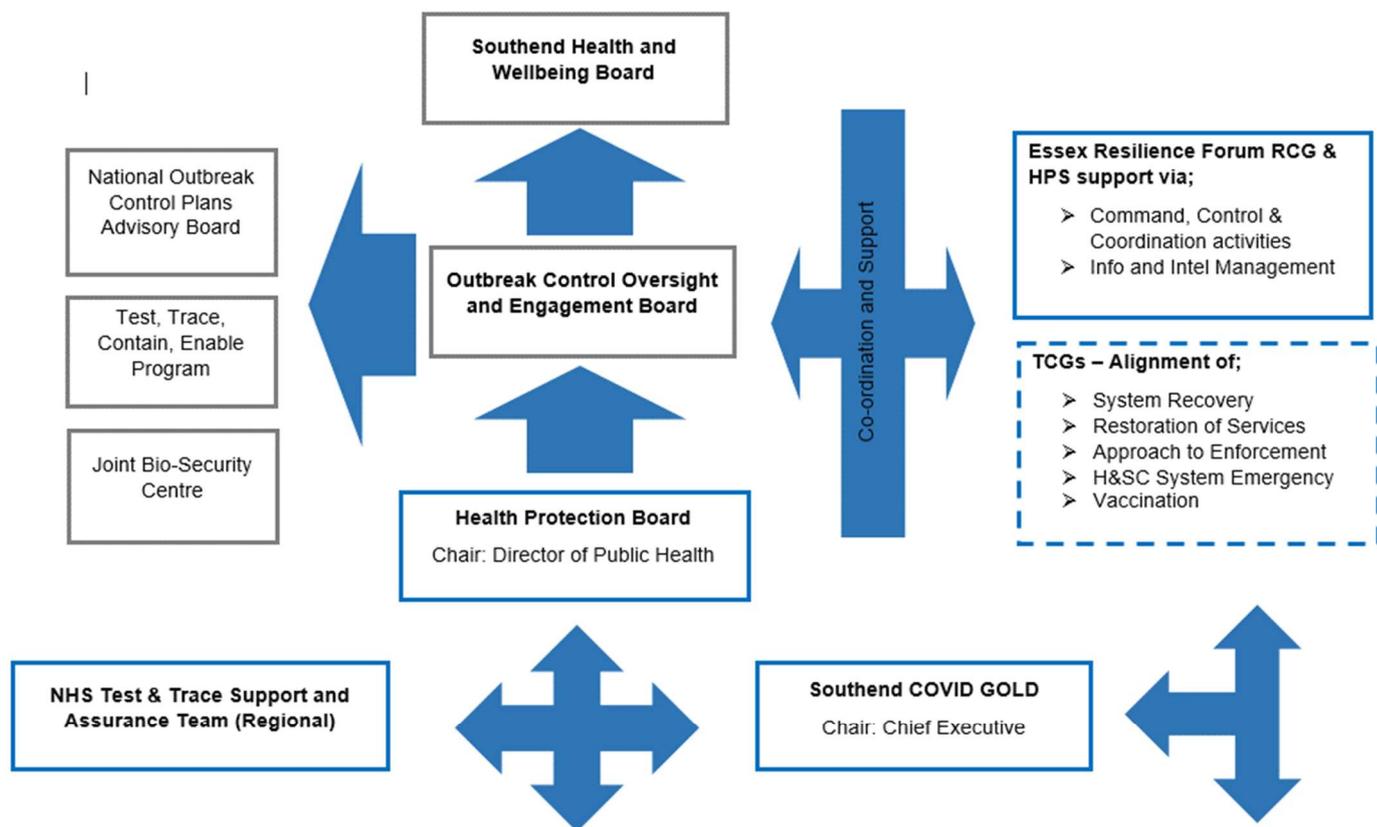
The Council's Gold command and Silver tactical groups, along with collaborative working with partners, oversaw an unprecedented mobilisation of council, partner and community resources to meet the crises. This enabled: the ongoing provision of Personal Protective Equipment (PPE); getting essentials to those in need via a helpline service; securing accommodation for rough sleepers; getting financial support to businesses; ensuring residents and visitors are safe on the seafront and elsewhere; ensuring the safety of those in care homes; keeping education going, supporting the roll out of the test and trace and vaccination programmes. This was achieved at speed and with many staff going above

and beyond the call of duty, and while keeping other services operating. Further support in managing the response and recovery has been driven by three 'recovery cells' of senior officers and partners focussed on:

- Pandemic Management & Recovery;
- Economic Crises & Recovery and
- Budget, Sustainability & Transformation

The borough's **COVID-19 Local Outbreak Control Plan (LOCP)**, produced in June 2020, provided the framework for local implementation of the national Test, Trace, Contain and Enable (TTCE) programme and has been central to controlling the rate of reproduction and spread of infection. This has been overseen by the newly established **Outbreak Control Oversight & Engagement Board (OCOEB)** of key Councillors and the **Health Protection Board**, of key officers and health partners to review progress on vaccination, testing, contact tracing, advice on compliance and enforcement of restrictions, infection and mortality rates and to review any local outbreaks and impact of new variants. Both report to the Health & Wellbeing Board. The LOCP was updated in November, and in March 2021 was replaced with a Local Outbreak Management Plan in line with changing circumstances.

### Pandemic governance arrangements – Southend and Essex



**Greater Essex Recovery Coordination Group**  
Joint Chairs: CE Southend & CE Braintree

New Councillor **governance arrangements** were put in place from April 2020, to ensure Councillors could continue to make key decisions and ensure access by the public by holding on-line or hybrid meetings. Such meetings, for formal decisions, continued up until the permission to do so expired on 6 May 2021. The pandemic highlighted the need for agile, timely and effective decision making and to this effect, the Council commissioned an independent review of the Council's constitution, the findings of which will be considered by the new administration. This links to a re-positioning of the roles of officers in providing more support to Councillors enable more effective decision making.

Aligned to this has been a new **Councillor development programme**, being co-designed with Councillors, to equip them with the skills and knowledge they need to be an effective 21st century Councillor. The Council refreshed the Protocol on Councillor/Officer relations, with an action plan developed that encompasses: the introduction of a dedicated members support hub (to improve handling of members enquiries); an improved induction programme; improvements to Councillor's ICT requirements; more political awareness training for officers and opportunities for better understanding respective roles and how these can be mutually supportive. This has been helped to some extent by the development of Cabinet working parties that have allowed for more informal policy discussions between backbench and Cabinet Councillors and officers from outside of senior management.

Decision making processes for urgent matters and routine business that would normally go to Cabinet or Committee **(the 'Standing Order 46' process)** were adapted and took effect from the start of 2020/21. This included provision for consultation on such matters with all group leaders, not just the relevant cabinet member/s.

Five reports were called-in from the Cabinet or referred directly for review by the People Scrutiny Committee, 23 reports to the Place Scrutiny Committee and 17 reports to the Policy and Resources Scrutiny Committee. The draft General Fund Revenue and Capital Budget for 2021/22 to 2025/26 was referred directly to each of the scrutiny committees for review, as was the annual Comments, Complaints and Compliments report for 2019/20. The Council's COVID-19 response, associated recovery plans and the impact of the pandemic on its Medium-Term Financial Strategy for the period to 2024/25, were also referred directly to each of the scrutiny committees.

The three 'in-depth' scrutiny reviews commenced in the context of the Southend 2050 ambition during 2019/20, were completed. These concerned the review of the level of domestic waste recycling and ways to achieve higher rates (Place Scrutiny Committee); the appropriate use of reablement for older people when discharged from hospital (People Scrutiny Committee) and Council and Councillor communication with local people and stakeholders (Policy & Resources Scrutiny Committee).

The 2020 elections were postponed because of the pandemic and the **joint administration** of Labour, Independent and Liberal Democrat Councillors continued for the 2020/21 municipal year. The administration reviewed and revised the Southend 2050 Road Map and desired outcomes, building on positive aspects of the crises, such as an improved environment, and to restore damage caused, including to the local economy.

COVID transformed the way the Council worked, with most staff **working remotely**, and accelerated the way digital is part of the fabric of the organisation - benefiting from **a re-designed ICT operating model**. This has enabled, for example, the rapid deployment of new laptops and softphones, better use of digital collaboration channels and enhanced network security.

The Council's **Transforming Together** programme was progressed to move the organisational culture towards one that can deliver the desired 2050 outcomes by enabling the Council to be 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 'annual performance conversations' (staff appraisals);
- A revamped **staff induction** programme;
- Developing a 2 year transformational leadership development programme for officers and Councillors, including a mentoring programme, action learning sets, coaching support, training for leading high performing teams;
- Developing the Your Learning and **Knowledge Hub** on-line platforms training & 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, hot desking, remote working and providing a service design 'lab' to help creative thinking and minimise hierarchical and practical constraints;
- The **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, for example, in relation to special educational needs, senior management administration support, business support and the Council's approach to dropped kerbs, among others.

However, in light of the impact of COVID and anticipated circumstances, the transformation programme and delivery model has been repurposed as '**Future Ways of Working**' to enable a re-focus on priorities, delivery at pace and with a view to putting more structure and resource behind the drive for change.

**Officer governance arrangements** have continued to evolve, including in relation to officer boards introduced to focus on commissioning and investment and which help drive decisions on the use of resources for the Southend 2050

priorities. Both boards are now operating more strategically, including ensuring any proposals are tested against the commissioning framework principles.

The Council undertook a self-assessment against the six core principles and 17 standards contained within CIPFA's Financial Management Code. Officers reviewed the evidence of the Council's current arrangements compared to the Code's expectations and expressed their degree of confidence about how well these arrangements met the Code's expectations, using the RAG rating:

Red	Not compliant
Amber	Compliant but with scope for further improvement
Green	Compliant

The findings, reported to Audit Committee in April 2021, found the Council is self-assessed as achieving overall compliance with the expectations of the FM Code. The Council meets the minimum expectations for all 17 standards, with good compliance for 13 standards and demonstrable compliance, but with recognised scope for further improvement, for four standards.

Significantly, the current **financial landscape** and operating environment for the Council remain extremely challenging and uncertain. While the Council remains financially resilient from both the impact of COVID and the range of local demand and spending pressures, the Council is currently predicting a cumulative budget gap of £20.7m to the end of 2025/26. Additional costs and lost income resulting from COVID are estimated to be at least £36m for 2020/21 (not including staff time), although this has largely been met by additional government grants and support. The Council's 10 year Financial Sustainability Strategy, agreed in 2020, will, therefore, be reviewed in the autumn.

A **Budget Transformation Programme for 2022/23 – 2025/26**, was agreed as part of the Council's overall budget package, with areas identified to be scoped and developed further during 2021/22. This will support the Council's future financial sustainability, help target resources and avoid a financial 'cliff edge' that would need drastic action over a short time frame.

Other measures to support a drive towards financial sustainability and shape our priority focus include: on-going budget reviews; implementation of outcome-based budgeting; better linking of business planning and budgeting to service outcomes; effective and creative management of service demand; review of major contracts; further implementation of the Commissioning Framework; exploring new commercial opportunities; a range of income generation initiatives and a future business transformation programme.

Outcomes Based Planning and budgeting, started in 2019/20 looks to repurpose and align resources towards agreed priorities and outcomes. In line with that is a **'Getting to Know Your Business'** programme for service managers, introduced in 2020/21, with the first phase helping to establish a baseline for all services on costs, income generation, value for money and relative performance. The Council was supported in this by Grant Thornton, who provided an independent review of our medium term financial assessment by using their specifically designed forecasting model for councils.

This combined assessment, together with a comprehensive 'strategic-fit' review against our Ambition, economic recovery aspirations and delivering better outcomes and value for money influenced the development of the investments, savings, income generation proposals and level of Council Tax agreed for 2021/22.

The Council continued to play a central role in the growth and recovery agenda developed with the **Association of South Essex Local Authorities (ASELA)**. This was set out in the publication of its **Growth & Recovery Prospectus** that outlines the investment programmes and projects needed to deliver productive jobs, physical and digital connectivity, 'blue and green' infrastructure and new, affordable homes for residents and business. The governance arrangements to oversee the work of ASELA and its associated programmes is being formalised with a view to establishing a Joint Committee with other councils under Section 101 of the Local Government Act 1972.

The Council continued to be an active partner to the South East Local Enterprise Partnership (SELEP), with the Council represented by the Deputy Leader at the main (Strategic) Board, Accountability Board and investment panel, and by the Portfolio Holder or Deputy Leader at the South Essex sub-board "Opportunity South Essex" and the ESIF Committee. The Council has secured further funding from SELEP for which it is accountable.

Following the establishment of Porters Place Southend-on-Sea LLP as the joint venture partnership to progress the Better Queensway regeneration project in April 2019, the joint venture made a successful application for hybrid planning consent in March 2021. This includes outline consent for the whole site and detail for the first phase of delivery focused on the highway. Through the partnership £4.2m Get Building Fund was also secured.

The Council continued to act as the accountable body for a number of 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, the Enterprise Advisor Network provision in Southend and the Construction Industry Training Board funded South Essex Construction Training Academy (SECTA).

The Airport Business Park Management Company was activated following practical completion. Its primary role being the management of the common parts of the estate and management of the service charge.

Following an **LGA Remote Peer Support** of how the Council and partners can more effectively support 18-25 year olds in the borough (in October 2020), the Council revised the governance arrangements for **Southend Adult Community College (SACC)**. A shadow internal board was established at the start of 2021 and went live in April 2021 when the Governing Body held its last meeting. An external Advisory Board is being recruited to provide expert advice and check and challenge.

The appointment was made of a new Independent Safeguarding Advisor for Southend's Strategic Safeguarding Partnership, Professor Maggie Atkinson, former Children's Commissioner for England.

A cross-Council working group continued to co-ordinate the Council's response to the impact of **Brexit**. Arrangements were closely aligned to those of the Essex Resilience Forum and 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 LLP, joint venture formed to regenerate the Queensway estate.

Mandatory e-learning for both data protection and cyber security was undertaken for staff, supplemented by alternative tailored training for those for who using an e-learning platform might not be appropriate. Recommendations from previous audits were progressed. Policies and internal processes have been updated, including the Acceptable Use Policy and Digital Information Security Policy.

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 2020/21 the Council was independently assessed as providing 'substantial assurance' in meeting 'standards met' compliance.

The Council is due an LGA Corporate Peer Challenge (CPC) (the last one was in 2015) and this was postponed for 2020 because of COVID and the need for it to take place 'on-site'. In anticipation of a full CPC the Council undertook a remote 'Corporate Health Check' in April 2021, welcoming a team of peers to assess the overall health of the organisation and helping to shape the Council's approach to recovery. The Health Check focussed on the Council's priorities; community engagement; systems and processes; investment in staff and Councillors; digital capacity and financial planning. The feedback highlights a range of positive findings, including, the Council's response to the pandemic, the way the Council is progressing its ambitions and the soundness of the Council's finances. The report makes seven recommendations, covering: agreeing fewer priorities and focus; the need for a simpler narrative; building relationships with communities; the need for greater discipline and rigour and progressing Councillor training & induction.

At the initial independent OFSTED/CQC formal area SEND (Special Educational Needs and Disability) inspection in October 2018, the area was required to submit a Written Statement of Action (WSOA), which was approved by regulators in May 2019. Each area required to produce a WSoA is subject to a revisit by OFSTED/CQC to determine progress against each of the aspects identified as significant weaknesses. Southend Area SEND received an on-site, blended revisit, between 7-9 May 2021. The visit included scrutiny of all documentation supplied, interviews with relevant stakeholders, including pupils and parents, and a parental survey.

The area received the final outcome letter for the revisit, on 22 June, identifying that of the four aspects of weakness, we had made sufficient progress against three of them - the Local Offer; the quality of Education Health and Care Plans and the quality of education provision received by learners with SEND. In the fourth aspect, Leadership and Joint Commissioning, whilst regulators had noted more recent progress, they considered that this was yet to fully impact upon children and families and determined that sufficient progress had not been made in this aspect. OFSTED/CQC will play no further part in monitoring the original WSoA, but the DfE will support progress in the remaining aspect. As an area, as before, progress will be reported in this and other aspects of SEND provision through our governance boards and to the Health and Wellbeing Board.

Progress on actions to enhance governance arrangements arising from the 2019/20 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.

### **Draft Head of Internal Audit Opinion for the year ended 31 March 2021**

The Head of Internal Audit Annual Report and opinion for 2020/21 states that:

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

*During 2020/21 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. Updates have been made to refresh the outcomes being sought and their delivery arrangements to ensure that these remain appropriate given the changed context and circumstances being faced. This has involved continuing to transform the culture, the way that the Council operates and review of the governance arrangements, so that the Council shifts to a culture, a focus, a structure and ways of working that are most effective and appropriate to deliver the required outcomes in the changed circumstances.*

*The impact of the COVID-19 pandemic began to manifest itself in the latter part of the previous 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 held up well through the year, 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 went through the period of lockdown. Significant changes were made to the operations of the Council, including most staff working remotely and many staff being redeployed from their usual duties to support the response to the pandemic. This has enabled the Council to deliver what was required, including the significant contribution made by the Public Health team through their work delivering the Local Outbreak Control Plan in the early part of the year, evolving to become the Local Outbreak Management Plan towards the end of the year. The governance arrangements in respect of this work were reviewed and found to be operating effectively.*

*There remains much to do and further challenges ahead as the Borough and the Council has now moved into outbreak management and recovery mode, and the Council is preparing to deliver and meet those multiple challenges. As a result there continues to be significant changes made to way the Council is operating. The 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 confirmed to be operating effectively. Management is needing to work in the context of the continuously changing pandemic situation, which does make it more difficult to achieve a period of stability that would assist with the embedding of arrangements.*

*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 2020/21 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.'*

## **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 2020/21 included:

- **LGA Health Check – April 2021** – as outlined above.
- **LGA Remote Peer Support** of how the Council and partners can more effectively support 18-25 year olds in the borough - October 2020.
- **Adult Services:** Self-assessments undertaken as part of the Eastern Region Improvement Board through a process of independent challenge from a previous Director of Adult Services, 'buddied' with another council to test our thinking/enhance learning. The self-assessment identified: finance and resources; data quality and performance; safeguarding and care quality as areas of focus. DHSC are currently looking at what the Council does as part of agreeing a future inspection regime for adult social care.
- **SEND Ofsted/CQC re-visit** – May 2021, as outlined above.
- **0-19s Services Public Health** - CQC used their interim transitional methodology approach - no formal assessment provided but advised that the Council has been identified as 'low risk' in this area.
- There were no Ofsted school inspections completed during the financial year 2020/21. The overall position at April 2021 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.*
  - *Pupil Referral Unit/alternative provision: 1 good, 1 requires improvement.*
- Adult Social care ratings:
    - *Nursing homes: 10 good, 6 requires improvement.*
    - *Residential homes: 3 outstanding, 62 good, 12 requires improvement, 2 inadequate.*
    - *Domiciliary care agencies: 4 outstanding; 31 good; 7 requires improvement; 1 inadequate, 7 unrated.*
    - *Community care services: 12 good; 1 requires improvement, 3 unrated.*

## 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.

### Further Actions to strengthen the Council's Governance Arrangements for 2021/22

No.	Area	Action	Date of Implementation	Responsible Officer
1.	Review the Council's priorities in the context of the ongoing impact of COVID.	Agree fewer priorities to provide clearer focus for the Council, including a refresh of Southend 2050 Ambition, Outcomes and Road Map milestones.	September 2021	Chief Executive
2.	Progress the next iteration of the Council's transformation programme – Future Ways of Working.	Review the Council's ways of working with a view to improving operational performance across the organisation. This will include undertaking a review of business support functions, progressing the digital strategy and re-engineering systems and processes to ensure a better customer experience.	March 2022	Director of Transformation/ Executive Director, Strategy, Change & Governance
3.	Undertake a review of Councillor decision making.	Review the current Constitution with a view to improving the effectiveness of the Council's decision-making processes, including streamlining the content and making it easier to follow.	September 2021	Executive Director, Legal & Democratic Services/ Executive Director, Strategy, Change & Governance
4.	Financial Management Code Self-Assessment action plan	To implement the Financial Management Code Self-Assessment action plan, progressing the four areas identified, which while currently compliant, need to be strengthened/improved.	March 2022	Executive Director, Finance & Resources

## **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**

**Rob Polkinghorne  
Chief Executive &  
Town Clerk  
21 March 2023**

**Councillor Stephen George  
Leader of the Council  
21 March 2023**

**SBC Corporate Governance Actions – 2020/21 – Progress**

	<b>Governance Issue</b>	<b>Action 2019/20</b>	<b>Responsible Officer</b>	<b>Comment on Progress</b>
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.	Chief Executive	Remote Councillor formal meetings were successfully held throughout the year.  The Council commissioned Bevan Brittan law firm to undertake a review of the Constitution, so that it would better reflect how the Council wants to operate. The review is being considered by the new administration and Council as a whole.
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.	Executive Director – Transformation	<ul style="list-style-type: none"> <li>• Refreshed approach to Council transformation programme through the introduction of Future Ways of Working, involving a wider range of officers and enhanced alignment to Southend 2050.</li> <li>• Embedded the refreshed <b>values &amp; behaviours</b> through 'annual performance conversations' (staff appraisals).</li> <li>• Developed a 2-year transformational leadership development programme for officers and Councillors, including a mentoring programme, action learning sets, coaching support, training for leading high performing teams.</li> <li>• Revamped <b>staff induction</b> programme</li> <li>• Developed the Your Learning and <b>Knowledge Hub</b> on-line platforms training &amp; development portal.</li> <li>• Revised the Council's approach to <b>reward and recognition</b>.</li> <li>• Programme of health &amp; wellbeing webinars.</li> <li>• Progressed agile working through a '<b>worklife</b>' programme, using agile project methodology, more flexible work arrangements, creative workspaces, remote working and providing a service design 'lab' to help creative thinking.</li> <li>• The <b>service design</b> team supported agile and co-design principles across a range of service reviews and</li> <li>• Revised Councillor development and induction programmes.</li> </ul>
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.	Executive Director, Legal & Democratic Services	Officer governance arrangements continued to evolve, including the officer boards previously introduced to focus on commissioning and investment, helping to drive decisions on the use of resources for the Southend 2050 priorities. Both boards are now operating more strategically, including ensuring any proposals are tested against the commissioning principles and playing an increasing role in setting the agenda to challenge how things are done.

	<b>Governance Issue</b>	<b>Action 2019/20</b>	<b>Responsible Officer</b>	<b>Comment on Progress</b>
4.	Risk Management	Implement and embed the Council's updated risk management framework and approach that was approved during 2019/20.	Head of Internal Audit	<p>Work continued on implementation of the strategy through the updated Transforming Together programme as part of the Behaviours &amp; Culture element aiming to ensure that risk awareness and horizon scanning is business as usual for all teams. This has focussed on accessing key elements, including:</p> <ul style="list-style-type: none"> <li>• Officer Governance Boards</li> <li>• Better Queensway project management arrangements</li> <li>• Children's Services improvement work</li> <li>• Capital Programme Board</li> </ul> <p>In addition, the corporate risk register has been reformatted for clarity, reviewed and updated and is being reported to Cabinet.</p>

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