

# Statement of Accounts

## 2013/2014



**SOUTHEND-ON-SEA BOROUGH COUNCIL  
STATEMENT OF ACCOUNTS  
2013/14**

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**Leader of the Council**

Councillor Ron Woodley

**Chief Executive and Town Clerk**

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# **EXPLANATORY FOREWORD**

## INTRODUCTION

The information provided in this publication presents the financial position of Southend-on-Sea Borough Council as at 31 March 2014, and the financial results for the financial year 2013/14. As a large and diverse organisation, these accounts will by their nature be both technical and complex and the purpose of this foreword is to provide a guide to the accounting information and statements that follow and summarise the Council's performance for the year.

Since the introduction of IFRS for local government accounting in 2010/11, the core financial statements comprise:

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

**The Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council

**The Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

**The Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less

liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

**The Cash Flow Statement** shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

These four Statements are then followed by notes providing more detailed information of various elements within the statements.

The main Statements and their notes are supplemented by three further sections:

**The Housing Revenue Account (HRA)** reports separately on the Council's landlord activities, which are consolidated into the main accounts. Detailed notes follow these statements to expand on the information provided.

**The Collection Fund** reports separately on the collection and distribution of non-domestic rates and Council tax.

**Group Accounts** consolidate the Council's main accounts with those of its Subsidiary and Associated Companies, and Charitable Trusts.

## FINANCIAL REVIEW 2013/14

### REVENUE EXPENDITURE AND SERVICES PROVIDED

Revenue spending covers the day to day running costs of the Council's services, such as schools, social services and leisure. This spending is financed primarily from government grants, Council tax and other income. The Council agreed a council tax requirement, including Leigh-on-Sea Town Council precept, of £61.0m for 2013/14 (£69.1m for 2012/13).

In setting this budget, the Southend-on-Sea Borough Council element of Council tax for Band D amounted to £1,137.42, (£1,117.89 in 2012/13).

The following table shows the final outturn position for 2013/14 on a net expenditure basis. The analysis of the actual costs reflects the way the Council's finances are managed, as opposed to the statutory required analysis used in the Statement of Accounts itself. The Comprehensive Income and Expenditure Statement on page 29 shows gross expenditure on services as £409.7m

	Budget £000	Actual £000	Variance £000
<b>Portfolios</b>			
Leader Policy & Finance	3,551	3,870	319
Deputy Leader	3,083	2,618	(465)
Adult Social Care, Health & Housing (inc HRA)	45,051	37,710	(7,341)
Children & Learning	34,141	29,641	(4,500)
Corporate Support Services	3,499	3,519	20
Culture & Tourism	12,031	19,369	7,338
Public Protection, Waste & Transport	25,683	27,083	1,400
Planning	1,597	1,385	(212)
Contingencies etc	5,804	(222)	(6,026)
<b>Net Cost Of Services</b>	<b>134,440</b>	<b>124,973</b>	<b>(9,467)</b>
Capital Financing Removed	(16,582)	(26,443)	(9,861)
Other Statutory Adjustments	0	3,614	3,614
<b>Adjusted Net Cost Of Services</b>	<b>117,858</b>	<b>102,144</b>	<b>(15,714)</b>
Levies	458	443	(15)
Leigh Parish Precept	325	358	33
Financing Costs, Interest etc	19,397	17,716	(1,681)
<b>Net Operating Expenditure</b>	<b>138,038</b>	<b>120,661</b>	<b>(17,377)</b>
Revenue Contribution to Capital	393	1,741	1,348
Contribution to / (from) Earmarked Reserves	3,846	21,996	18,150
Contribution to / (from) General Reserves	0	(845)	(845)
<b>Total to be Funded from Council Tax and Formula Grant</b>	<b>142,277</b>	<b>143,553</b>	<b>1,276</b>
<b>Funding from Council Tax and Formula Grant</b>			
General Government Grants	(49,728)	(50,882)	(1,154)
Distribution From Non Domestic Rates Pool	(30,833)	(30,955)	(122)
Collection Fund Surplus	(700)	(700)	0
<b>Council Tax Requirement</b>	<b>61,016</b>	<b>61,016</b>	<b>0</b>

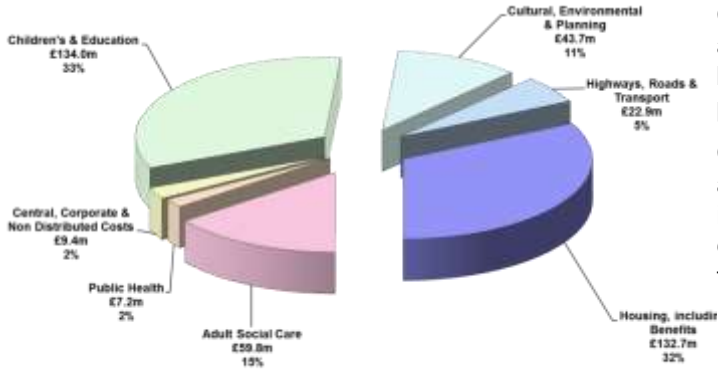
The table below reconciles the analysis on the Comprehensive Income and Expenditure Statement to the outturn summary on the previous page.

<b>Reconciliation of Gross Expenditure to Transfer to General Fund</b>		<b>2013/14 £000</b>
Gross Expenditure on Services	<i>page 29</i>	409,702
Gross Income on Services	<i>page 29</i>	(285,998)
<b>Net Expenditure on Services</b>	<b><i>page 29</i></b>	<b>123,704</b>
Other Operating Expenditure	<i>page 29</i>	5,481
Financing and Investment Income and Expenditure	<i>page 29</i>	19,394
Taxation and Non-Specific Grant Income	<i>page 29</i>	(159,115)
Adjustments between accounting basis and funding basis under regulation		(10,615)
Transfers to Earmarked Reserves and HRA		21,996
<b>Transfer from the General Reserve</b>		<b>845</b>

The “Transfer from the General Reserve” of £845,000 is common throughout, regardless of the format of the information.

Gross expenditure on services amounted to £409.7m. The charts on the following page show in broad terms the services provided for this expenditure, how this money was spent, and the sources of income that funded it.

**Gross Expenditure by Service**  
**£409.7m**

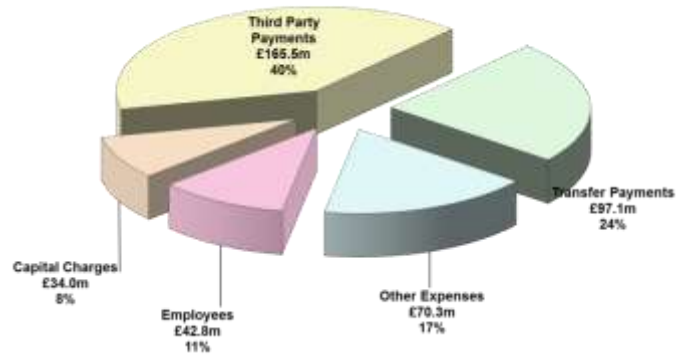


Central Services to the Public include Council tax administration, all central support services, registration of births, deaths and marriages, elections and emergency planning.

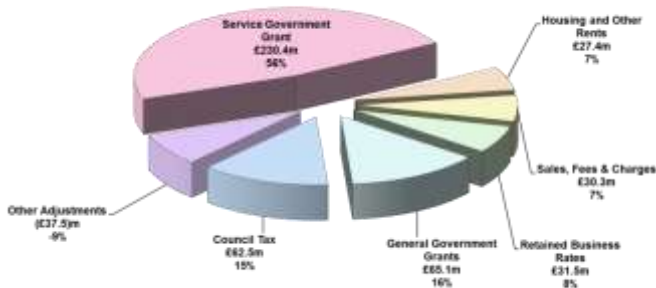
Corporate costs includes mayoral costs, members' allowances as well as all the cost of members' activities in the capacity of democratic representation and the core costs for the provision of the management infrastructure to support the delivery of services.

Third party payments refer to the payments we make to our contractors. This accounts for the biggest proportion of our expenditure. The next largest is transfer payments, which mainly refer to Housing Benefit payments. Other expenses include maintenance of buildings, vehicle costs and purchase of supplies, whilst capital charges are notional charges made to services for the capital assets employed in the delivery of services.

**Gross Revenue Expenditure**  
**£409.7m**



**Revenue Funding Sources**  
**£409.7m**



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

Other income includes receipts for investment income and reimbursements.

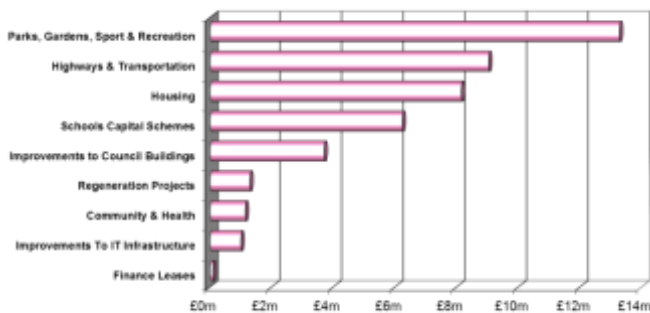


**CAPITAL EXPENDITURE**

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

In 2013/14 the Council spent £44.0m on capital projects broadly categorised as follows:

**Capital Expenditure**

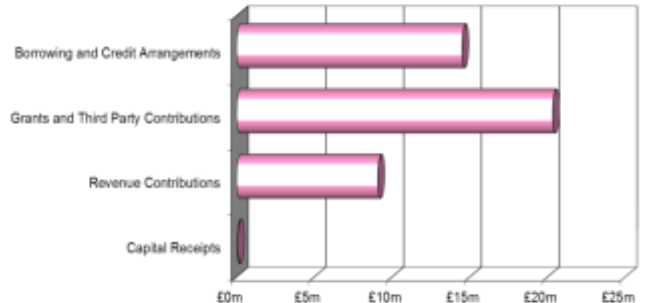


The table below describes some of the larger capital projects that the Council has undertaken this year.

	<b>2013/14 £000</b>
New Library at Elmer Square	10,971
Investment in Housing Stock	8,155
Investment in Highways Infrastructure	4,712
Hamstel Infant & Junior Places	1,183
Airport Access Enhancement	1,140
Accommodation Strategy	1,044
Milton Hall Primary School	902

The external funding of the capital programme comes from a number of sources, including government funding, third party (private sector) contributions, capital receipts from the sale of assets, and borrowing. The following diagram shows how the £44.0m capital expenditure was funded for the 2013/14 year.

**Financing of Capital Expenditure**



Borrowing is kept within affordable levels, with the total accumulated loans owed to external lenders amounting to £250.8m at 31 March 2014 (£246.8m at 31 March 2013).

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 £14.5m at 31 March 2014 (£15.1m at 31 March 2013).

The Council's operational upper limit for borrowing has been set at £320m (excluding transferred debt). Taking into account the borrowing outlined above, this leaves headroom of £69.2m.

This level of debt should also be viewed in relation to the Council's long term assets which have a net book value of £688.9m at 31 March 2014.

**PENSION SCHEME**

Accounting Standard IAS 19 requires the full recognition of pension fund costs and liabilities to be disclosed in the accounts. Southend-on-Sea Borough Council is a member of the Essex Pension Fund and the actuaries for this fund have estimated that the fund is currently in a net deficit position. The Council's share of this deficit, taking into account assets, investments and current and future liabilities has been estimated by the actuaries to be £158.9m as at 31 March 2014 (£189.8m as at 31 March 2013). All disclosures as required by IAS 19 are included in Note 48 to the Accounts.

**HOUSING**

On 24 October 2005, Southend-on-Sea Borough Council transferred responsibility for the management of its housing stock to South Essex Homes Limited, an Arm's Length Management Organisation (ALMO), controlled by the Council. Southend-on-Sea Borough Council retains ownership of the housing stock and the statutory responsibility for the Housing Revenue Account (HRA).

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

For the 2013/14 year the Housing Revenue Account Statement of Movement has a surplus carried forward of £3.5m (*surplus for 2012/13 was £3.5m*). The HRA broke even in 2013/14 (*2012/13 broke even*). Council rents were increased on average by 5.03% in 2013/14 (*8.05% in 2012/13*) in line with government guidelines.

In 2013/14 average rents per property (excluding service charges) were £78.85 per week.

The full financial performance of the HRA is reported on pages 106 to 112 of this document.

### **GROUP PERFORMANCE**

Local Authorities with subsidiary companies, associated companies and joint ventures are required to prepare group accounts. As a wholly owned subsidiary, South Essex Homes Limited prepares and publishes its own accounts, which are then consolidated with Southend-on-Sea Borough Council. The single entity accounts for South Essex Homes Limited reports a pre-tax loss of £0.331m.

In addition, the Council has three other subsidiary companies and is party to two joint ventures, none of which are material to these accounts. The Council is also sole trustee for a number of Trusts. Where the Trusts are material in their operation, these too have been consolidated as part of the Group Accounts.

### **OUTLOOK FOR 2014/15**

The Council Tax Budget Requirement for 2014/15 has been set at £61.1m for Southend-on-Sea Borough Council and £0.3m for Leigh-on-Sea Town Council. The Council tax for a Band D property for 2014/15 has been held at £1,137.42 for Southend-on-Sea Borough Council plus an additional £36.34 for the Leigh-on-Sea Town Council area. Additional charges are made in respect of Essex Police Authority and Essex Fire Authority.

Alongside the wider community of Southend, the Council continues to face financial challenges arising from the current economic downturn and fiscal consolidation. As part of our financial planning we have made preparations to help protect the Council's financial position and as a consequence protect the provision of frontline services to the public. However we are very aware that as central government tackles the national budget deficit, resources for local government are likely to reduce significantly over coming years.

### **LOOKING FORWARD**

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

This year's local elections resulted in a new joint partnership administration of Independent, Labour and

Liberal Democrat councillors, the first significant change in the political control of the Council for 14 years.

The new administration is united under the common goal of serving the people of Southend.

We [the administration] are determined to work together for the good of this great town and to deliver the positive changes that people want to see, such as building more affordable housing, providing more community facilities and reviewing plans around library and care home closures and the Shoebury sea wall.

We want to listen to everyone who lives and works in the borough to ensure we have a balanced view of what is required from us. To that end, we will welcome input from all Councillors from all groups. Indeed we will be reviewing the current decision making process with a view to making it more inclusive and representative of all opinions on the Council.

We will continue to support the many good things already happening in Southend, making it such a vibrant and pleasant place to live, work and do business.

This Corporate Plan and Annual Report also outlines the various recent achievements, helping Southend to prosper, despite the challenging economic climate.

The Council continued to make its mark nationally, achieving much through its successful, on-going partnership working.

In September, the Forum Southend-on-Sea opened in Elmer Square. This £27m partnership project between the Council, the University of Essex and South Essex College is the first of its kind in the country and has provided the town with an integrated municipal and academic public library as well as teaching facilities for the University and College.

The Council and its partners are seen as organisations that deliver. The award of £40m Big Lottery Funding over 10 years to support children aged 0 to 3 is part of a programme that has only gone to four other areas in the country. The funding will enable us and our partners to work with the local community to shape and redesign services to help parents give their children a better start in life.

Southend is also seen as a place to do business. The economic conditions are now right to stimulate further economic activity and regeneration and we are taking forward a range of exciting new initiatives to include the acceleration of action to deal with derelict blocks in Victoria Avenue.

With our partners in health, we continued to identify opportunities to help improve services.

The Council, together with NHS Southend Clinical Commissioning Group (CCG), Southend University Hospital NHS Foundation Trust and South Essex Partnership University NHS Foundation Trust (SEPT), was selected as one of only fourteen areas in the country

to be a national pioneer in health and social care integration.

The Council's spending plans will continue to remain firmly focused on tackling those issues that residents say are most important and will deliver both good quality services and value for money.

For example, the Council will continue to spend on road repairs and resurfacing and will roll out a programme of replacing street lights with LED lighting so that we can cut electricity costs but keep our street lights on through the night.

Financial decisions are becoming harder and harder to make, as the challenges of austerity measures bite ever deeper and the levels of Government funding reduce. The Council is constantly trying to balance the needs of the most vulnerable whilst doing everything we can to preserve essential services - where we have a growing demand.

The Council will review and reassess how these are delivered and where necessary we have redesigned our approach to ensure that these services remain cutting edge, and receptive to the needs of residents, while being financially sustainable.

We are looking to the long term by investing in the economy – in jobs and careers in Southend. We want to continue to provide aspirations and careers here in Southend, as well as helping to address disadvantage, those on low household incomes in the borough and the many hit by the cost of living.

<b>Aims</b>	<b>Priorities</b>
<b>Safe</b>	Continue to reduce crime, disorder and anti-social behaviour.
<b>Clean</b>	Ensure a well-maintained and attractive street scene, parks and open spaces.  Where possible minimise our impact on the natural environment
<b>Healthy</b>	Continue to improve outcomes for vulnerable children and adults  Support Southend to be active and alive with sport and culture  Reduce inequalities and increase the life chances of people living in Southend
<b>Prosperous</b>	Encourage the prosperity of Southend and its residents  Enable well-planned quality housing and developments that meet the needs of Southend's residents and businesses
<b>Excellent</b>	Deliver cost effective, targeted services that meet the identified needs of our community

**Councillor Chris Walker**  
**The Worshipful The Mayor**

# **INTRODUCTORY STATEMENTS**

## STATEMENT OF RESPONSIBILITY FOR THE STATEMENT OF ACCOUNTS

### THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance and Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### THE HEAD OF FINANCE AND RESOURCES' RESPONSIBILITIES

The Head of Finance and Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Head of Finance and Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

The Head of Finance and Resources has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### HEAD OF FINANCE & RESOURCES' CERTIFICATE

I certify that these accounts present a true and fair view of the financial position of the Council at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.



**Joe Chesterton, CPFA**  
Head of Finance and Resources  
24 September 2014

### APPROVAL OF THE STATEMENT OF ACCOUNTS

In accordance with the requirements of Regulation 8 of the Accounts and Audit Regulations 2011, I confirm that the Statement of Accounts was approved by resolution of the Audit Committee of Southend on Sea Borough Council on 24 September 2014.



**Councillor Judith McMahon**  
Vice-Chair of Audit Committee  
24 September 2014

# ANNUAL GOVERNANCE STATEMENT

## SCOPE OF RESPONSIBILITY

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

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

Southend-on-Sea Borough Council has approved and adopted a Local Code of Governance (the Code), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's code is on the Council's website at [www.southend.gov.uk/localcodeofgovernance](http://www.southend.gov.uk/localcodeofgovernance) or can be obtained from the Policy, Engagement and Communications Team, Civic Centre, Victoria Avenue, SS2 6ER.

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

## THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies,

aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

The main governance framework has been in place at Southend-on-Sea Borough Council for the year ended 31 March 2014 and up to the date of approval of the annual report and statement of accounts.

## THE COUNCIL'S GOVERNANCE FRAMEWORK

The governance framework ensures the Council's vision and key priorities are effectively promoted and progressed through its corporate governance arrangements and business planning processes. The key elements of the governance framework are as follows:

- Community Engagement
- Business Strategy and Planning
- Financial Reporting including Budgetary Control and Asset Management
- Policy Framework
- Risk Management including Fraud and Corruption
- Health and Safety
- Business Continuity
- Performance Management
- Data Quality
- Information Management and Security
- Value for Money
- Procurement
- Project Management
- Complaints
- Codes of Conduct for Members and Staff
- The operation of Cabinet, Scrutiny Committees, Audit Committee and the Standards Committee.

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

The Corporate Director for Corporate Services has the responsibility for overseeing the implementation and monitoring of 'The Code', through a process which includes:

- Regular reports to the Corporate Management Team and the Audit Committee which set out:
  - weaknesses identified in the governance arrangements and
  - any corrective action necessary to resolve concerns identified;
- An annual review of the governance framework supported by officer assurance statements certified by Heads of Service and Corporate Directors;
- An annual report to the Corporate Management Team and the Audit Committee on the adequacy of governance arrangements

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

The Council's key governance and business planning processes are also subject to audit on a risk basis. Such work completed during the year forms part of the evidence in support of the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's system of internal control.

The full Code and associated appendices are available on the Southend-on-Sea Borough Council website: [www.southend.gov.uk/localcodeofgovernance](http://www.southend.gov.uk/localcodeofgovernance).

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

The Chief Financial Officer (CFO) occupies a key position in the Council, managing the Council's finances and ensuring that resources are used wisely to secure positive results. In order to support the post holder in the fulfilment of their duties and ensure that the Council has access to effective financial advice, in 2010 the Chartered Institute of Public Finance Accountants (CPIFA) issued a Statement on the Role of the Chief Financial Officer in Local Government. The statement:

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

These principles are:

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

The Council has the necessary arrangements and procedures in place which ensure that these principles are complied with. This is through a combination of

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

### **Review of Effectiveness**

Southend-on-Sea Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council's Monitoring Officer is responsible for the maintenance of the Constitution and for reviewing its relevance and effectiveness, ensuring that it is fit for purpose at all times. Any changes to the Constitution are approved by full Council.

The Council operates with a Cabinet and strong Leader model of governance. Cabinet is responsible for the majority of functions of the Council within the budget and policy framework set by full Council. Executive decisions are taken by the Cabinet collectively or by officers acting under delegated powers, depending upon the significance of the decision being made. For urgent issues, the chief officer can take a decision in conjunction with the portfolio holder.

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

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

Since May 2012 the Council has operated an enhanced pre-Cabinet scrutiny system where scrutiny and opposition Members are given opportunities to contribute to and offer advice on key decisions prior to consideration by Cabinet. This is achieved by reports to Scrutiny Committees and the outcomes of cross party working groups. 24 issues were subject to pre-Cabinet scrutiny through reports being considered by a Scrutiny Committee during 2013/14.

The Council has a Standards Committee to promote and maintain high ethical standards of conduct for elected and co-opted Members. A key role of the Committee is to help elected and co-opted Members to observe the Members' Code of Conduct and to monitor the effectiveness of the Members' Code of Conduct. The Standards Committee also deals with formal complaints against Members.

The Council continues to review and adjust staffing structures and revised the responsibilities of scrutiny committees for 2013/14, reflecting new departmental structures including the Council's new public health functions and other reforms introduced by the Health and Social Care Act 2012. The Health & Wellbeing Board was successfully established for 2013/14, having operated in shadow form beforehand. The operation of the board was subject to a Local Government Association Peer Review in January 2014. No significant governance issues were raised. The board is taking forward areas for development.

The Council operates a development and training programme for Members to help support them in their strategic roles with over 16 training, development and briefing sessions held during 2013/14. No local elections were held in 2013; however, a revised member development programme has been prepared for 2014/15, including an induction programme for new Members.

A local authority has a duty to ensure that it is fulfilling its responsibility for adequate and effective risk management, control and governance. To this end, the Council has in place an Audit Committee. The Audit Committee has a key role in overseeing and assessing the risk management, control, and corporate governance arrangements and advising the governing body on the adequacy and effectiveness of these arrangements.

The Council's major policy objectives and priorities are detailed in the Corporate Plan and Annual Report, developed in consultation with key stakeholders. The plan articulates the authority's vision, is subject to regular progress review, and is approved by the Corporate Management Team, Cabinet, and Council.

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

Financial monitoring reports are produced on a monthly basis and form part of the Council's Monthly Performance Report. Reports detail explanations of variance from budget and identify a projected outturn for the year and are considered by Cabinet and the Scrutiny Committees. Improved budget monitoring arrangements in relation to budget projections have been introduced. A three year

Medium Term Financial Strategy is refreshed annually and is driven by the priorities agreed by the Council and outlined in the Corporate Plan and Annual Report.

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

The Council engages with its communities and its arrangements are formulated within a Consultation and Engagement Strategy. Consultation and engagement activity and the results of this activity are reported and integrated into service planning and delivery.

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

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

The Council's approach to Information Management was reviewed in 2012 by the Information Commissioner's Office and graded as 'reasonable' (the second highest grading) with an agreed action plan developed to address suggested areas of improvement which has been implemented during 2013/14. The Department of Health is using the Council as a reference site for its work on health and social care integration and the Information Commissioner's Office is using the Council as a reference authority in relation to its work in processing Subject Access Requests.

The Council reviewed arrangements for the future management of its housing stock, including the current service provider, South Essex Homes (SEH), the Council's Arm's Length Management Organisation (ALMO). The review resulted in revised governance arrangements and articles of South Essex Homes, including a reduction in the size of its board from 15 to 10 effective from May 2014, a strengthening of client monitoring arrangements and the establishment of a new SEH commercial arm, Atilius Ltd.

A Good Governance Group of senior managers has been established and meets quarterly to review the Council's governance arrangements, ensure they are fit for purpose and comply with good practice requirements and ensure that sufficient assurance is available throughout the year to support the production of the Annual Governance Statement.

Significant progress has been made in the controls for financial systems whereby the following systems how



have an opinion of 'Good' from the relevant Internal Audit reports: Council Tax; Business Rates; Accounts receivable – General Debtors; Income Receipting and Banking and Treasury Management with the remaining few systems with an 'Adequate' opinion. One 'requires improvement' opinion was given, relating to the payroll system.

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

Progress on actions to enhance our governance arrangements arising from the 2012/13 Annual Governance Statement were reported to Audit Committee during the 2013/14 financial year, with relevant outcomes against the action.

#### **INTERNAL AUDIT**

The annual risk based audit plan was prepared in consultation with Corporate Directors and the Audit Committee. The audit plan was substantially delivered with reports issued to senior managers at the conclusion of each audit highlighting internal control weaknesses identified and the actions required to address them. Recommendations were also reviewed to ensure they were implemented properly, by the due date. Periodically summary audit progress reports were taken to Corporate Management Team and the Audit Committee.

The Head of Internal Audit annual report and opinion for 2013/14 was considered by Corporate Management Team and the Audit Committee in June 2014. This stated that:

'In my opinion, the governance, risk management and control framework designed and operated by the Council throughout the year in order to deliver its objectives is adequate'.

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

#### **EXTERNAL AUDIT**

External Audit is undertaken by BDO LLP, which annually concludes whether:

- the financial statements give a true and fair view of the Council's financial affairs
- the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources

- the arrangements for preparing grant claims and other returns to Government departments are operating effectively
- grant claims reviews are accurate and prepared in accordance with the relevant terms and conditions.

Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Governance Report or the Grant Claim Certification Report. The external auditors regularly attend meetings of the Audit Committee and provide a progress report on their recommendations at each meeting.

#### **EXTERNAL INSPECTIONS**

Assurance over the control environment is also obtained from external inspections and assessments of service areas. External assessments for 2013/14 included:

- Investors in People re-accreditation by UK Commission for Employment and Skills, awarded Silver Status.
- Southend Therapy and Recovery Team (START), by CQC, February 2014, fully compliant.
- Saxon Lodge, June 2013, by CQC, fully compliant.
- Priory House, June 2013, by CQC, fully compliant.
- Delaware House, January 2014, CQC, fully compliant
- Shared Lives (home care and supported living), by CQC, March 2014, fully compliant.
- RIPA (Regulation of Investigatory Powers Act) inspection of the Council's surveillance powers, Office of Surveillance Commissioners, entirely fit for purpose.
- 25 Ofsted Inspections of Southend schools.
  - Primary/Junior & Infant: 1 Outstanding; 12 Good; 5 Requires Improvement; 1 Inadequate;
  - Secondary: 3 Good; 1 Requires Improvement; 1 Inadequate; 1 Inadequate (Special Measures).
- Peer Review of Health & Wellbeing Board, LGA.
- The annual Ombudsman's letter, for 2013/14, highlighted that the Council is better than average for the number of complaints received and upheld by the Ombudsman compared to other local authorities.

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

- The PPMA (Public Sector People Managers' Association) human resources team of the year in 2013;
- Ranked in the top 100 in Stonewall's workplace equality index and ranked 14th highest local authority.
- The Streets Ahead, programme for supporting Troubled Families was shortlisted for the 2014 Municipal Journal Achievement Awards for the Excellence in Community Engagement Category.

- Ideas in Motion' programme to help better travel won the social marketing campaign of the year and its website shortlisted for Public Sector Communications Awards (November 2013).
- The Payroll Team was shortlisted in the employer of the year category in the Pay and Benefits magazine awards (January 2014)
- The Pier and museum service were accredited in the Visitor Attraction Quality Assurance Scheme (December 2013).
- The Essential Living Fund Team won the excellence in partnership working category at the Institute of Revenues Rating and Valuation awards (October 2013)
- The borough was re-accredited to the Purple Flag scheme for safety of the night time economy (July 2013).
- The Pier Cultural Centre was shortlisted for the British Construction Industry awards for building project of the year (up to £3m) (July 2013).
- Children's Services were highly commended in the LGC Children Services of the Year award and short break scheme was shortlisted for the children and young people Now Play award.

#### **KEY GOVERNANCE ISSUES**

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

Actions to be specifically addressed are outlined below (pages 21 – 22).

#### **South Essex Homes Limited**

##### **Scope of responsibility**

South Essex Homes (SEH), formed in October 2005, is the Arm's Length Management Organisation of Southend-on-Sea Borough Council, responsible for the management and maintenance of the Council's homes. It is financed by a Management Fee in 2013/14, from the Council, of £9,380million, together with income from external organisations of £904k.

There is a formally binding Management Agreement between the Council and SEH and this clearly sets out the governance arrangements that should apply between the two parties. This complies with national best practice.

SEH is managed by a Board comprising five Council nominees, five tenants and five independent members. The Board is ultimately responsible for ensuring that SEH establishes and maintains a sound system of internal control appropriate to the various business environments in which it operates. Committees reporting to the Board include Audit Committee, Performance Committee, Personnel and Remuneration Committee and Investment

and New Business Committee (INBC), who have formal, approved Terms of Reference.

SEH exercises control through:

- Corporate governance arrangements outlined in Memorandum and Articles of Association, Code of Governance and Financial Regulations.
- The employment of suitably qualified and experienced staff to take responsibility for key areas of the business. This is supported by a formal appraisal system.
- The preparation of forecasts and budgets that allow the Committees and the executive officers to monitor the key business risks and financial objectives and identify variances arising during the monthly reporting cycle.
- Business planning that cascades through the organisation, supporting Service Plans and key actions to enable SEH to achieve its ambitions and aspirations as set out in the Towards Excellence Strategic Vision.
- The regular reporting and review by Executive Management and the Board of performance against objectives and targets detailed in service plans.

#### **The Purpose of the Governance Framework**

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

The governance framework comprises the systems, processes, culture and values, by which the Company is directed and controlled and its activities through which it accounts to, engages with and serves the community. It enables the Company to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Company's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

#### **Review of Effectiveness**

South Essex Homes is responsible for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal

control. The review of effectiveness is informed by the work of the Executive Directors, the Director of Finance and Group Managers within the Company who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by external auditors and other review agencies and inspectorates.

The Council's processes to review on-going effectiveness of SEH include Council officers meeting with SEH officers on a monthly basis to review performance against a suite of performance indicators and its strategic aims as follows;

- Ensure fair and equal access to high quality services
- Achieve best value from the investment in residents homes and services
- Contribute to meeting housing need and increasing the availability of affordable homes locally
- Use our resources responsibly and to the maximum benefit of our customers and community
- Contribute to building vibrant, resilient and proud communities
- Promote environmental sustainability and minimise the negative impact we have on the climate

SEH's internal arrangements for ensuring the effectiveness of its governance arrangements consist of;

- The SEH Board receiving monthly performance reports across operational, human resources and value for money indicators;
- The Audit Committee considering Internal Audit reports throughout the year, as well as reviewing how well strategic risks are being identified and managed;
- The Audit Committee undertaking a review of both its effectiveness as well as the operational arrangements for the first time.
- The production and approval of annual Manager Assurance Statements by service managers and group manager to assess compliance with key governance processes throughout the year;
- The Corporate Services Manager then independently checks that the evidence supports the service manager's assessment of how well each of the business management processes have operated in their area.
- Internal Audit auditing these arrangements to evaluate whether the company operates a robust process for assessing how well services have applied the critical business management systems throughout the year.

Progress against the identified actions to strengthen South Essex Homes' Governance Arrangements for 2013/14 is outlined below.

### **Internal Audit**

Internal Audit is delivered through a Service Level Agreement with the Council's Internal Audit Services.

The Charter, Strategy and risk based Audit Plan is prepared in consultation with The Executive Management Team and approved by the Audit Committee.

The Audit Plan was delivered with reports issued to senior managers at the conclusion of each audit highlighting internal control weaknesses identified and the actions required to address them. Recommendations were also reviewed to ensure they were implemented properly, by the due date. A quarterly summary audit report was taken to the Audit Committee.

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

In 2013/14, her opinion was that the governance, risk management and control framework designed by the company in order to deliver its objectives, was good.

Her Annual Report also confirms that:

- an appropriate Quality and Improvement Programme has been maintained during the year
- there has been substantial conformance with the UK Public Sector Internal Audit Standards and the supporting CIPFA, Local Governance Application Note
- she has continued to substantially comply with the requirements CIPFA Statement on The Role of the Head of Internal Audit in Public Service Organisations 2010 in discharging her role as the Head of Internal Audit.

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

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

- Internal Audit reports;
- Summary results of Manager Assurance Statements;
- Head of Internal Audit annual report (including an opinion on the adequacy and effectiveness of the company's governance, risk management and control framework ; and
- Audit Committee Annual Report.

### **External Audit**

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

In carrying out the audit work Scrutton Bland considered whether the financial statements were free from 'material misstatement'. Materiality is an expression of the relative significance of a particular matter in the context of the

financial statements as a whole. An item will normally be considered material if its omission would reasonably influence the decisions of those using the financial statements.

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

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

### Key Governance Issues

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

- Data Protection - The Company needs to ensure a consistent approach to adhering to the Data

Protection Policy, by completing annual development plans for staff members handling sensitive information and ensuring that lessons learned logs are shared throughout the organisation.

- Service Planning – The Company will develop a new Mission Statement and robust aims for the future transition of the organisation that will ensure that service plans are consistently adhering to the strategic direction the Company is setting
- Enhancing the Appraisal Process – The Company will review the appraisal process by incorporating measures identified by the Task and Finish Group including but not limited to performance management, risk management and value for money to enable a golden thread between appraisals and the newly formed aims and objectives of South Essex Homes.
- Commercial Subsidiary Governance Arrangements – The Company has established a Commercial Subsidiary with agreed Articles and Code of Governance. A framework will be designed on delegated levels of authority to include contract values and associated risk to ensure that South Essex Homes has a controlling interest in the future development of Atilius Limited.

### Further Actions to strengthen the Council's Governance Arrangements for 2014/15

No.	Governance Issues	Action 2013/14	Date of Implementation	Responsible Officer
1.	Business Continuity Planning	Undertake testing of the Council's revised business continuity processes to ensure arrangements are sufficiently resilient.	March 2015	Sally Holland

### Further Actions to strengthen South Essex Homes' Governance Arrangements for 2014/15

1	Data Protection	Identify staff members who handle sensitive information and complete a training programme for these staff members  Further the balance of staff to complete an on line training programme to ensure that compliance with Data Protection is adhered to throughout the organisation  To attend the South Essex Homes staff briefings to present information regarding Data Protection at South Essex Homes	October 2014	Beverley Gallacher
2.	Service Planning	To develop a new Mission Statement	October 2014	Mario Ambrose

No.	Governance Issues	Action 2013/14	Date of Implementation	Responsible Officer
		with the Board, Residents, EMT and Staff consultation  Consistent approach to service planning for all Managers to be introduced to compliment the new Mission Statement and Aims and Objectives of the Organisation		Corporate Management Group
3.	Enhancing the Appraisal Process	To develop the Appraisal Process with HR and the Communications Management Group for recommendation to the EMT	December 2014	David Lincoln/Christine Ranson
4.	Commercial Subsidiary Governance Arrangements	To develop a detailed framework within the Articles and Code of Governance to ensure that South Essex Homes maintains its controlling interest in the Commercial Subsidiary	July 2014	Mike Gatrell

#### Council's Corporate Governance Action Plan 2012/13

No	Governance Issue	Action 2012/13	Responsible Officer	Comment on Progress
1	Implementation of the business continuity planning programme of work.	That the programme of work developed to continue the process of ensuring the Council's Business Continuity Planning arrangements are implemented, including ensuring Plans reflect the Council's new departmental and management structure, the process of ensuring the fall back location is fit for purpose and the arrangements tested.	Sally Holland	Good progress made in implementing the BCP action plan. Business Impact Assessments for all service areas are being undertaken, reviewed and inputted to BCP database - with a view to completion by end June 14.  Work is continuing in preparing Tickfield as the recovery site/fall back centre. Exercise to test arrangements scheduled for 1.10.14.
2	Governance framework: on-going review	Continue to review the governance framework to ensure it is sound and operating as designed in line with the requirements of the CIPFA Guidance, 'Delivering Good Governance in Local Government: Guidance Note for English Authorities'.	Sally Holland	The Good Governance Group of senior managers has been established to review the Council's governance arrangements. A self-assessment against the CIPFA Guidance has been undertaken to help inform the Annual Governance Statement.
3	Adapting to the new, post-April 2013, health regime.	Ensure the Council's governance arrangements reflect the Health and Social Care Act – 2012, including the integration of public health functions, and the development	Rob Tinlin	The Health & Wellbeing Board has been established and the Health & Wellbeing Strategy agreed. The operation of the board has been subject to an LGA Peer Review. No significant

No	Governance Issue	Action 2012/13	Responsible Officer	Comment on Progress
		of effective relationships with the respective health bodies.		<p>governance issues were raised. The board is taking forward areas for development.</p> <p>Working relationships with partner health bodies are being enhanced through the Better Care Fund and Southend's Health &amp; Social Care Integrated Pioneer programme.</p> <p>Public Health functions have been and continue to be successfully integrated into the Council's governance and business processes.</p> <p>The Chief Executive is the regional Chief Executive lead on both the National Health Transition Task Group and the Better Care Fund.</p>

#### South Essex Home's Corporate Governance Action Plan 2012/13

No	Governance Issue	Action 2012/13	Responsible Officer	Comment on Progress
1	Business Planning	<p>The Company will ensure a consistent approach to business planning, which identifies the future scope for the organisation once the Council's Task and Finish Group have completed its review.</p> <p>Business planning will demonstrate clear links to the strategic aims of the organisation and develop clear actions for the Plan for Excellence and put in place a regular monitoring process.</p>	Mike Gatrell	The Council have given clear goals for the Company to achieve, following the Task and Finish Group outcomes which have been included in the Governance Action Plan for 2014/15
2	Fraud and Corruption	<p>Introduce on line training to reinforce and further embed the culture of antifraud and corruption.</p> <p>The whistle blowing element of antifraud and corruption arrangements will be reviewed and improved.</p>	David Lincoln	A Plan was completed and agreed by Audit Committee against the National Fraud "Fighting Fraud Locally" assessment table. The action plan arising from this has been progressed and monitored by the Audit Committee.
3	Disaster Recovery	South Essex Homes completed the Office Accommodation Disaster Recovery Plan in 2012/13. The Company will be undertaking a test of the plan	Beverley Gallacher	The test was completed on 30 <sup>th</sup> August 2014. All departments were able to offer a full service from alternative accommodation. An actions arising from the test

No	Governance Issue	Action 2012/13	Responsible Officer	Comment on Progress
		during 2013/14 which will comply with internal audit recommendations		have now been completed and reported to Performance Committee.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

### Signed on Behalf of the Council



**Rob Tinlin**

**Chief Executive & Town Clerk**

16 September 2014



**Councillor Ron Woodley**

**Leader of the Council**

16 September 2014

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

## **OPINION ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of Southend-on-Sea Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Council and Group Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Balance, 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 in the United Kingdom 2013/14.

This report is made solely to the members of Southend-on-Sea Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **RESPECTIVE RESPONSIBILITIES OF THE HEAD OF FINANCE AND RESOURCES AND AUDITOR**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Head of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and

adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the financial position of Southend-on-Sea Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

## **OPINION ON OTHER MATTERS**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **MATTERS ON WHICH WE REPORT BY EXCEPTION**

We have nothing to report in respect of the following other matters which the Code of Audit Practice for local government bodies (March 2010) requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement meets the disclosure requirements set out in the guidance 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 or is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public



meeting and to decide what action to take in response; or

- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

**CONCLUSION ON AUTHORITY'S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES**

**RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND THE AUDITOR**

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

**SCOPE OF THE REVIEW OF ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Council has proper arrangements for:

- securing financial resilience; and

- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

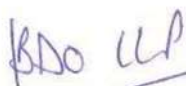
**CONCLUSION**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Southend-on-Sea Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

We cannot formally conclude the audit and issue an audit certificate until:

- we have completed our consideration of matters brought to our attention by a local authority elector in respect of our audit of the financial statements for the year ended 31 March 2012. We are satisfied that this work does not have a material impact on the financial statements, or a significant impact on our conclusions on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, for the years ended 31 March 2012, 31 March 2013 or 31 March 2014.
- we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



**David Eagles**  
for and on behalf of BDO LLP, Appointed Auditor  
Ipswich, UK  
29 September 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# **MAIN FINANCIAL STATEMENTS**

## MOVEMENT IN RESERVES STATEMENT

Note	General Fund Balance £000	Housing Revenue Account £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000
<b>Balance at 31 March 2012</b>	<b>11,490</b>	<b>3,502</b>	<b>34,413</b>	<b>3,785</b>	<b>1,725</b>	<b>6,612</b>	<b>61,527</b>
<b>Movement in Reserves during 2012/13 Restated</b>							
Surplus (Deficit) on the Provision of Services	(17,471)	7,835	0	0	0	0	(9,636)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0
<b>Total Comprehensive Income and Expenditure</b>	<b>(17,471)</b>	<b>7,835</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,636)</b>
Adjustments between accounting basis and funding basis under regulations	7 22,364	(5,542)	0	1,039	6,203	2,435	26,499
<b>Net Increase / Decrease before Transfers to earmarked reserves</b>	<b>4,893</b>	<b>2,293</b>	<b>0</b>	<b>1,039</b>	<b>6,203</b>	<b>2,435</b>	<b>16,863</b>
Transfers to / from Earmarked Reserves	8 (4,538)	(2,293)	6,831	0	0	0	0
<b>Increase / Decrease in 2012/13</b>	<b>355</b>	<b>0</b>	<b>6,831</b>	<b>1,039</b>	<b>6,203</b>	<b>2,435</b>	<b>16,863</b>
<b>Balance at 31 March 2013</b>	<b>11,845</b>	<b>3,502</b>	<b>41,244</b>	<b>4,824</b>	<b>7,928</b>	<b>9,047</b>	<b>78,390</b>
<b>Movement in Reserves during 2013/14</b>							
Surplus (Deficit) on the Provision of Services	7,784	2,752	0	0	0	0	10,536
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0
<b>Total Comprehensive Income and Expenditure</b>	<b>7,784</b>	<b>2,752</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,536</b>
Adjustments between accounting basis and funding basis under regulations	7 10,714	(99)	0	2,894	(616)	(297)	12,596
<b>Net Increase / Decrease before Transfers to earmarked reserves</b>	<b>18,498</b>	<b>2,653</b>	<b>0</b>	<b>2,894</b>	<b>(616)</b>	<b>(297)</b>	<b>23,132</b>
Transfers to / from Earmarked Reserves	8 (19,343)	(2,653)	21,996	0	0	0	0
<b>Increase / Decrease in 2013/14</b>	<b>(845)</b>	<b>0</b>	<b>21,996</b>	<b>2,894</b>	<b>(616)</b>	<b>(297)</b>	<b>23,132</b>
<b>Balance at 31 March 2014</b>	<b>11,000</b>	<b>3,502</b>	<b>63,240</b>	<b>7,718</b>	<b>7,312</b>	<b>8,750</b>	<b>101,522</b>

	Revaluation Reserve £000	Available for Sale Financial Instruments £000	Pensions Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2012</b>	78,441	4	(183,349)	349,440	0	2,248	(2,704)	244,080	305,607
<b>Movement in Reserves during 2012/13 Restated</b>									
Surplus (Deficit) on the Provision of Services	0	0	0	0	0	0	0	0	(9,636)
Other Comprehensive Income and Expenditure	(30,108)	(2)	(8,274)	0	0	0	0	(38,384)	(38,384)
<b>Total Comprehensive Income and Expenditure</b>	<b>(30,108)</b>	<b>(2)</b>	<b>(8,274)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(38,384)</b>	<b>(48,020)</b>
Adjustments between accounting basis and funding basis under regulations	(914)	0	1,838	(28,349)	23	354	549	(26,499)	0
<b>Net Increase / Decrease before Transfers to earmarked reserves</b>	<b>(31,022)</b>	<b>(2)</b>	<b>(6,436)</b>	<b>(28,349)</b>	<b>23</b>	<b>354</b>	<b>549</b>	<b>(64,883)</b>	<b>(48,020)</b>
Transfers to / from Earmarked Reserves	0	0	0	0	0	0	0	0	0
<b>Increase / Decrease in 2012/13</b>	<b>(31,022)</b>	<b>(2)</b>	<b>(6,436)</b>	<b>(28,349)</b>	<b>23</b>	<b>354</b>	<b>549</b>	<b>(64,883)</b>	<b>(48,020)</b>
<b>Balance at 31 March 2013</b>	<b>47,419</b>	<b>2</b>	<b>(189,785)</b>	<b>321,091</b>	<b>23</b>	<b>2,602</b>	<b>(2,155)</b>	<b>179,197</b>	<b>257,587</b>
<b>Movement in Reserves during 2013/14</b>									
Surplus (Deficit) on the Provision of Services	0	0	0	0	0	0	0	0	10,536
Other Comprehensive Income and Expenditure	33,484	0	35,758	0	0	0	0	69,242	69,242
<b>Total Comprehensive Income and Expenditure</b>	<b>33,484</b>	<b>0</b>	<b>35,758</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>69,242</b>	<b>79,778</b>
Adjustments between accounting basis and funding basis under regulations	(1,580)	0	(4,896)	(7,751)	(16)	1,339	301	(12,603)	(7)
<b>Net Increase / Decrease before Transfers to earmarked reserves</b>	<b>31,904</b>	<b>0</b>	<b>30,862</b>	<b>(7,751)</b>	<b>(16)</b>	<b>1,339</b>	<b>301</b>	<b>56,639</b>	<b>79,771</b>
Transfers to / from Earmarked Reserves	0	0	0	0	0	0	0	0	0
<b>Increase / Decrease in 2013/14</b>	<b>31,904</b>	<b>0</b>	<b>30,862</b>	<b>(7,751)</b>	<b>(16)</b>	<b>1,339</b>	<b>301</b>	<b>56,639</b>	<b>79,771</b>
<b>Balance at 31 March 2014</b>	<b>79,323</b>	<b>2</b>	<b>(158,923)</b>	<b>313,340</b>	<b>7</b>	<b>3,941</b>	<b>(1,854)</b>	<b>235,836</b>	<b>337,358</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2012/13 Restated			2013/14			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
18,919	(16,247)	2,672		3,927	(1,851)	2,076
17,539	(3,791)	13,748		21,644	(3,095)	18,549
20,173	(4,668)	15,505		19,909	(3,740)	16,169
2,205	(522)	1,683		2,123	(674)	1,449
139,340	(103,223)	36,117		134,013	(103,913)	30,100
31,487	0	31,487	5	0	0	0
19,675	(8,635)	11,040		22,910	(10,994)	11,916
23,596	(27,620)	(4,024)		23,308	(28,611)	(5,303)
105,538	(100,424)	5,114		109,413	(103,247)	6,166
62,055	(16,860)	45,195		59,781	(21,768)	38,013
7,896	(339)	7,557		6,080	(24)	6,056
(6,874)	0	(6,874)		(589)	0	(589)
<b>441,549</b>	<b>(282,329)</b>	<b>159,220</b>	<b>Cost of Services - Existing Services</b>	<b>402,519</b>	<b>(277,917)</b>	<b>124,602</b>
1,441	(1,413)	28	28 Transferred Operations - Public Health	7,183	(8,081)	(898)
<b>442,990</b>	<b>(283,742)</b>	<b>159,248</b>	<b>Cost of Services</b>	<b>409,702</b>	<b>(285,998)</b>	<b>123,704</b>
		1,649	9 Other Operating Expenditure			5,481
		18,007	10 Financing and Investment Income and Expenditure			19,394
		(169,268)	11 Taxation and Non-Specific Grant Income			(159,115)
		<b>9,636</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(10,536)</b>
		30,108	5 (Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(33,484)
		2	2 (Surplus) or Deficit on Revaluation of Available for Sale Financial Assets			0
		8,274	5 Actuarial (gains) or losses on Pension Assets / Liabilities			(35,758)
		<b>38,384</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(69,242)</b>
		<b>48,020</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(79,778)</b>

## BALANCE SHEET

31 March 2013 £000		31 March 2014 £000
	Notes	
617,234	Property, Plant & Equipment 12	650,195
8,187	Heritage Assets 13	9,734
26,255	Investment Property 14	25,251
3,514	Intangible Assets 15	3,507
271	Assets Held for Sale 21	0
61	Long Term Investments 16	56
81	Long Term Debtors 16	135
<b>655,603</b>	<b>Long Term Assets</b>	<b>688,878</b>
34,546	Short term Investments 16	34,747
1,518	Assets Held for Sale 21	0
212	Inventories 17	228
38,360	Short Term Debtors 19	26,619
33,950	Cash and Cash Equivalents 16, 20	53,998
<b>108,586</b>	<b>Current Assets</b>	<b>115,592</b>
(21,484)	Short Term Borrowings 16	(14,499)
(37,903)	Short Term Creditors 22	(34,776)
(4,813)	Provisions 23	(6,249)
<b>(64,200)</b>	<b>Current Liabilities</b>	<b>(55,524)</b>
(723)	Long Term Creditors	(393)
(236,816)	Long Term Borrowing 16	(237,816)
(189,785)	Other Long Term Liabilities - Pensions 50	(158,923)
(15,078)	Other Long Term Liabilities - Other 16	(14,456)
<b>(442,402)</b>	<b>Long Term Liabilities</b>	<b>(411,588)</b>
<b>257,587</b>	<b>Net Assets</b>	<b>337,358</b>
78,390	Usable Reserves 24	101,522
179,197	Unusable Reserves 25	235,836
<b>257,587</b>	<b>Total Reserves</b>	<b>337,358</b>

## CASH FLOW STATEMENT

2012/13 £000 Restated	Notes	2013/14 £000
9,636 Net (Surplus) or Deficit on the Provision of Services	26	(10,536)
Adjustments to Net Surplus or Deficit on the Provision of Services for (29,613) non-cash Movements	27	(45,433)
Adjustments for items included in the Net Surplus or Deficit on the (1,796) Provision of Services that are Investing and Financing Activities	28	361
(21,773) Net cash flows from Operating Activities		(55,608)
40,714 Investing Activities	29	24,216
(13,247) Financing Activities	30	11,344
5,694 Net (Increase) or Decrease in Cash and Cash Equivalents		(20,048)
(39,644) Cash and Cash Equivalents at the beginning of the Reporting Period		(33,950)
<b>(33,950) Cash and Cash Equivalents at the end of the Reporting Period</b>	<b>20</b>	<b>(53,998)</b>

# **NOTES TO THE MAIN FINANCIAL STATEMENTS**



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## Note 1. Accounting Policies

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which requires the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS), and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is

written down and a charge made to revenue for the income that might not be collected.

- Where it does not materially affect the accounts, and a full year's income and expenditure is recorded, an accrual need not be raised.

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

### Cash and Cash Equivalents

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

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

### Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

The change to accounting policies relating to Employee benefits under IAS 19 requires restatement of prior periods.

### **Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Employee Benefits**

#### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an

officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### **Post Employment Benefits**

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 provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year and the Public Health Services line is charged with the employer's contributions payable to the NHS Pensions Scheme.

#### **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Essex Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees,

based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.4%. The discount rate is the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.
- The assets of Essex Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - net interest on the net defined benefit liability (asset), ie net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurement comprises:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Essex Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of

Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **Financial Instruments**

### *Financial Liabilities*

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

### *Financial Assets*

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### *Loans and Receivables*

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

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

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### *Available-for-Sale Assets*

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the

Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

### **Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment

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

### **Government Grants and Contributions**

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

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

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

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

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

### **Business Improvement District**

A Business Improvement District (BID) scheme applies across part of the Council. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as agent under the scheme, and, other than contributions to and from the BID project, does not account for income received and expenditure incurred within the Comprehensive Income and Expenditure Statement.

## Heritage Assets

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

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

### Historic Seaside Assets

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

### Heritage Land and Buildings

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

### Antiques / Collectables

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

### Museum Collections

- The Council considers that obtaining valuations for the items that are exhibited within the borough's museums would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial

statements. This is because of the diverse nature of the assets held and the lack of comparable values. The Council does not recognise these exhibits on the Balance Sheet.

- The Saxon King artefacts now 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 Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

### **Interests in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

### **Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### **Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way

to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

### **Leases**

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

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

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

The Council as Lessee

#### **Finance Leases**

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:



- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

#### The Council as Lessor

##### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### Operating Leases

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

#### Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. For schools, capitalisation takes place for community schools only. Capital expenditure on foundation, 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 capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and

Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

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

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

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued or have indexation adjustments applied sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

#### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences

are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

#### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a

sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **Provisions, Contingent Liabilities and Contingent Assets**

### *Provisions*

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

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

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

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

### *Carbon Reduction Commitment Scheme*

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

### *Contingent Liabilities*

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### *Contingent Assets*

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### *Reserves*

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

### **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment

Account then reverses out the amounts charged so that there is no impact on the level of Council tax.

#### **VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

- **IFRS 10 Consolidated Financial Statements** – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council does have subsidiaries and joint ventures, and already consolidates based on materiality. The need to consolidate is reviewed on an annual basis.

CIPFA/LASAAC set up a working party to analyse how this new standard applies to local authority maintained schools. Their conclusion is that maintained schools are capable of being treated as separate entities for the purposes of the financial reporting framework, and, based on the indicators of control within IFRS 10, the balance of control lies with local authorities.

In light of this conclusion, CIPFA/LASAAC, have introduced an expedient into the 2014/15 Code which amends the definition of 'single entity financial statements' to include the income, expenditure, assets, liabilities, reserves and cash flows of all local authority maintained schools. This means that, from next year, the Council will consolidate all maintained schools into the single entity financial statements of the council. The Council already recognises the income and expenditure of maintained schools in the CIES and cash flow statement. However, not all school assets are currently recognised. From 2014/15 it is expected that 5 voluntary aided schools and 6 foundation schools will be recognised as PPE on the Balance Sheet."

- **IFRS 11 Joint Arrangements** – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The Council has no material joint venture arrangements.
- **IFRS 12 Disclosures of Involvement with Other Entities** – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. It is not considered that this change will affect the Statement of Accounts
- **IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements arising from the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.

**IAS 32 Financial Instruments Presentation** – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required. The accounts as currently presented show a net gain on revaluation of non-current assets of £33.484M. Had this standard been in force, this would have been disaggregated to show revaluation gains of £38.530M and revaluation losses of £5.046M.

**IAS 1 Presentation of the Financial Statements** – The changes clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

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

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

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

**Note 4. Assumptions made about the future and other major sources of estimation uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2014 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>Business Rates</b>	Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2012-13 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2014. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2014	The impact of any downward rating valuation is unlikely to crystallise in any one year. In any event statutory accounting arrangements are such that any adverse impact would not be felt at the earliest until 2015/16, at which time the Council would have the option to spread the cost over a five year period.
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability are fully disclosed in note 48 to the Accounts.
<b>Property, Plant and Equipment Revaluations</b>	The uncertainties arise as a result of the estimations used by the valuer. The basis of these estimations is set out in note 12 but different valuers could arrive at different results whilst still using the same basis for those estimations.	The actual value of the asset only becomes apparent when it is sold. The accounting treatment is set out in the disposals paragraph of the Property, Plant and Equipment section of Note 1.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

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

In relation to 2013/14

- The Surplus on Revaluation of non-current assets of £33.484m consists of £37.029m of revaluation gains from the increase in the value of Property Plant and Equipment, £1.501m of revaluation gains from the increase in the value of Heritage Assets, and £5.046m of accumulated revaluation gains lost as a result of downwards revaluations.
- The performance of the Essex Pension Fund during 2013/14 was better than anticipated by the actuarial assumptions underpinning the scheme. This has led to an actuarial gain passing through the Comprehensive Income and Expenditure Account of £35.758m

In relation to 2012/13

- An exceptional impairment of £31.487m has been charged to Education and Children's Services, principally as a result of a revaluation exercise being undertaken on School assets.
- The Deficit on Revaluation of non-current assets of £30.108m consists of £5.397m of revaluation gains from the increase in the value of Property Plant and Equipment, and £35.505m of accumulated revaluation gains lost as a result of downwards revaluations.
- The performance of the Essex Pension Fund during 2012/13 was worse than anticipated by the actuarial assumptions underpinning the scheme. This has led to an actuarial loss passing through the Comprehensive Income and Expenditure Account of £8.274m.

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

The Statement of Accounts was authorised for issue by the Head of Finance and Resources on 24 September 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.



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

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2013/14	Usable Reserves					Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £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	11,225					(11,225)
Revaluation losses on property, plant and equipment and intangible assets	11,852	64				(11,916)
Movements in the market value of investment properties	339					(339)
Amortisation of intangible assets	915					(915)
Capital grants and contributions applied	(5,812)				687	5,125
Revenue expenditure funded from capital under statute	6,382	373				(6,755)
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	6,041	1,585				(7,626)
<b>Insertion of items not debited or credited to the comprehensive income and expenditure statement:</b>						
Statutory provision for the financing of capital investment	(6,882)					6,882
Capital expenditure charged against the General Fund and HRA Balances	(1,708)	(33)				1,741
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	(13,710)	(511)			14,221	0
Application of grants to capital financing transferred to the capital adjustment account					(15,205)	15,205
<b>Adjustments primarily involving the Major Repairs Reserve</b>						
Reversal of HRA Depreciation credited to the Major Repairs Reserve		195		6,728		(6,923)
Use of the major repairs reserve to finance new capital expenditure				(7,344)		7,344
<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	(9)		25			(16)

2013/14	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	(1,600)	(1,772)	3,368			4
Use of the capital receipts reserve towards administrative costs of non-current asset disposals						0
Use of the capital receipts reserve to finance new capital expenditure			(74)			74
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	425		(425)			0
<b>Adjustments primarily involving the Available for Sale Financial Instruments Adjustment Reserve</b>						
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from the finance costs chargeable in the year in accordance with statutory requirements						0
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see note 48)	17,510					(17,510)
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,614)					12,614
<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	(1,339)					1,339
<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	(301)					301
<b>Total Adjustments</b>	10,714	(99)	2,894	(616)	(297)	(12,596)

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

2012/13 Comparative Figures Restated	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	(427)	(1,000)	1,427			0
Use of the capital receipts reserve towards administrative costs of non-current asset disposals						0
Use of the capital receipts reserve to finance new capital expenditure			(2)			2
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	388		(388)			0
<b>Adjustments primarily involving the Available for Sale Financial Instruments Adjustment Reserve</b>						
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from the finance costs chargeable in the year in accordance with statutory requirements						0
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see note 48)	11,484					(11,484)
Employer's pensions contributions and direct payments to pensioners payable in the year	(13,322)					13,322
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>						
Amount by which council tax income credited to the comprehensive income and expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	(354)					354
<b>Adjustments primarily involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(549)					549
<b>Total Adjustments</b>	<b>22,364</b>	<b>(5,542)</b>	<b>1,039</b>	<b>6,203</b>	<b>2,435</b>	<b>(26,499)</b>

## Note 8. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2013/14.

Earmarked Reserves	Balance at	Transfers		Balance at	Transfers		Balance at
	31 March 2012 £000	To £000	From £000	31 March 2013 £000	To £000	From £000	31 March 2014 £000
Schools Balances	10,353	0	(1,077)	9,276	0	(437)	8,839
<b>General Fund Reserves</b>							
Capital Investment Reserves	1,627	2,673	0	4,300	2,485	(657)	6,128
Insurance Reserves	3,769	95	(679)	3,185	700	(351)	3,534
Corporate Reserves	10,985	2,194	(295)	12,884	9,920	(4,339)	18,465
Service Reserves	7,271	2,029	(559)	8,741	4,518	(1,229)	12,030
Grants Reserves	0	159	0	159	8,733	0	8,892
Monies held in Trust	55	0	(2)	53	0	0	53
<b>Total GF Reserves</b>	<b>23,707</b>	<b>7,150</b>	<b>(1,535)</b>	<b>29,322</b>	<b>26,356</b>	<b>(6,576)</b>	<b>49,102</b>
HRA Service Reserves	353	2,293	0	2,646	2,653	0	5,299
<b>Total Earmarked Reserves</b>	<b>34,413</b>	<b>9,443</b>	<b>(2,612)</b>	<b>41,244</b>	<b>29,009</b>	<b>(7,013)</b>	<b>63,240</b>

### Schools Balances

The schools balances for both revenue and capital are all committed to be spent on the education service. The amounts disclosed in the balance sheet represent an amalgamation of unspent and overspent balances.

### Capital Investment Reserves

Amounts set aside to fund future capital projects.

### Insurance Reserve

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

### Corporate Reserves

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

### Service Reserves

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

### Grants Reserves

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

### Monies held in Trust

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

**Note 9. Other Operating Expenditure**

	2013/14 £000	2012/13 £000
Leigh Town Council Precept and Grant	358	206
Levies	443	514
Payments to the Government Housing Capital Receipts Pool	425	388
(Gains) / Losses on the Disposal of Non-current Assets	4,255	541
<b>Total</b>	<b>5,481</b>	<b>1,649</b>

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

	2013/14 £000	Restated 2012/13 £000
Interest Payable and Similar Charges	11,305	10,837
Interest on net pension liability	8,080	7,755
Interest Receivable and Similar Income	(472)	(619)
Income and Expenditure in relation to Investment Properties and changes in their Fair Value	(93)	(706)
Deficit on Traded Services	574	740
<b>Total</b>	<b>19,394</b>	<b>18,007</b>

See also note 14 for more information on Investment Properties

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

	2013/14 £000	2012/13 £000
Council Tax Income	62,528	70,451
Retained Business Rates	31,484	0
Redistributed Non Domestic Rates	0	59,305
Non-Ringfenced Government Grants	50,882	16,772
Capital Grants and Contributions	14,221	22,740
<b>Total</b>	<b>159,115</b>	<b>169,268</b>

The basis of funding for local government changed significantly in 2013/14, with the introduction of the direct retention of a proportion of business rates and the localisation of council tax support (previously council tax benefit). The latter saw the benefit becoming a discount on the amount of council tax payable, leading to a direct reduction in council tax income collected. The value of discount awarded in relation to Council Tax Support in 2013/14 was £11.8M, of which £10M impacted on the Council's council tax income.

## Note 12. Property, Plant and Equipment

Movements in 2013/14	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation as at 1 April 2013</b>	<b>282,547</b>	<b>256,955</b>	<b>15,588</b>	<b>101,031</b>	<b>2,622</b>	<b>776</b>	<b>18,232</b>	<b>677,751</b>
Additions	7,544	20,612	541	6,586			799	36,082
Revaluations via Revaluation Reserve	13,048	17,221			22			30,291
Revaluations recognised in the CIES	(388)	(11,020)	(3,552)	(210)	(153)	(304)		(15,627)
Disposals	(1,380)	(5,013)	(21)					(6,414)
Transfers		18,430				(35)	(17,423)	972
<b>Gross Book Value as at 31 March 2014</b>	<b>301,371</b>	<b>297,185</b>	<b>12,556</b>	<b>107,407</b>	<b>2,491</b>	<b>437</b>	<b>1,608</b>	<b>723,055</b>
<b>Accumulated Depreciation as at 1 April 2013</b>	<b>(16,436)</b>	<b>(11,561)</b>	<b>(7,043)</b>	<b>(25,419)</b>	<b>(20)</b>	<b>(38)</b>	<b>0</b>	<b>(60,517)</b>
Depreciation	(6,826)	(5,730)	(708)	(4,702)	(5)	(7)		(17,978)
Written out to Revaluation Reserve	14	1,678						1,692
Written out to the CIES	324	1,693	1,564	65	11	17		3,674
On Impaired Assets								0
On Disposals	107	183	17					307
On Transfers		(49)				11		(38)
<b>Accumulated Depreciation as at 31 March 2014</b>	<b>(22,817)</b>	<b>(13,786)</b>	<b>(6,170)</b>	<b>(30,056)</b>	<b>(14)</b>	<b>(17)</b>	<b>0</b>	<b>(72,860)</b>
<b>Net Book Value as at 31 March 2013</b>	<b>266,111</b>	<b>245,394</b>	<b>8,545</b>	<b>75,612</b>	<b>2,602</b>	<b>738</b>	<b>18,232</b>	<b>617,234</b>
<b>Net Book Value as at 31 March 2014</b>	<b>278,554</b>	<b>283,399</b>	<b>6,386</b>	<b>77,351</b>	<b>2,477</b>	<b>420</b>	<b>1,608</b>	<b>650,195</b>

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



## Depreciation

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

<b>2012/13 Useful Economic Life Years</b>	<b>Fixed Asset Category</b>	<b>2013/14 Useful Economic Life Years</b>
Between 10 and 60	Council Dwellings	Between 2 and 60
Between 2 and 90	Other Land & Buildings	Between 2 and 90
Between 3 and 60	Vehicles, Plant, Furniture and Equipment	Between 3 and 40
Between 5 and 50	Infrastructure Assets	Between 5 and 50
Between 25 and 60	Community Assets	Between 25 and 60
Between 10 and 50	Surplus Assets	Between 10 and 50
Nil	Assets Under Construction	Nil

## Capital Commitments

At 31 March 2014, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years, however all contractual commitments can be cancelled without incurring a penalty. The commitments disclosed at 31 March 2013 of £26.6m were over and above the disclosure required by the code as they included commitments to incur capital expenditure but not necessarily where there was a contractual commitment which could be cancelled without incurring a penalty.

## Effects of Changes in Estimates

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

## Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations were carried out using both internal and external valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

A variety of assets were revalued this year as part of the 5 year rolling programme and some of the larger assets included theatres, parks, pier assets (excluding the pier structure), Southend Adult Community College and General Fund council dwellings, . The significant assumptions applied in estimating their fair values were:

- The data provided by the Council was accurate at 1 April 2013;
- There are no planning proposals that are likely to have an effect on the value of the properties;
- All properties are at a suitable level of condition for service provision and that all internal and external repairs and maintenance have been carried out.
- No contaminative uses have ever been carried out on the property.

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

	Council Dwellings £000	Other Land & Buildings £000	Surplus Assets £000	Total £000
Valued at historical cost	62,111	38,775	12	<b>100,898</b>
Valued at fair value in:				
2009/2010				
Internal Valuer	-	30,316	-	<b>30,316</b>
External Valuer	-	338	-	<b>338</b>
2010/2011				
Internal Valuer	-	-	-	-
External Valuer	238,933	7,509	-	<b>246,442</b>
2011/2012				
Internal Valuer	-	88,359	342	<b>88,701</b>
External Valuer	-	1,569	-	<b>1,569</b>
2012/2013				
Internal Valuer	-	-	-	<b>0</b>
External Valuer	-	85,357	-	<b>85,357</b>
2013/2014				
Internal Valuer	-	-	-	<b>0</b>
External Valuer	327	44,962	83	<b>45,372</b>
<b>Total</b>	<b>301,371</b>	<b>297,185</b>	<b>437</b>	<b>598,993</b>

Internal valuations were carried out by Alan Richards MRICS from 2009/10.

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

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

The figures for all Council dwellings differ from the figures in the Property, Plant & Equipment HRA Note 7 as there are some Council dwellings in the General Fund.

**Note 13. Heritage Assets**

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

Movements in 2013/14	Historic Seaside Assets £000	Heritage Land & Buildings £000	Antiques and Collectables £000	Museum Collections £000	Total Heritage Assets £000
<b>Cost or Valuation as at 1 April 2013</b>	<b>7,369</b>	<b>729</b>	<b>665</b>	<b>0</b>	<b>8,763</b>
Additions	102	114			216
Revaluations via Revaluation Reserve				1,501	1,501
Transfers					0
<b>Gross Book Value as at 31 March 2014</b>	<b>7,471</b>	<b>843</b>	<b>665</b>	<b>1,501</b>	<b>10,480</b>
<b>Accumulated Depreciation as at 1 April 2013</b>	<b>(550)</b>	<b>(26)</b>	<b>0</b>	<b>0</b>	<b>(576)</b>
Depreciation	(152)	(18)			(170)
<b>Accumulated Depreciation as at 31 March 2014</b>	<b>(702)</b>	<b>(44)</b>	<b>0</b>	<b>0</b>	<b>(746)</b>
<b>Net Book Value as at 31 March 2013</b>	<b>6,819</b>	<b>703</b>	<b>665</b>	<b>0</b>	<b>8,187</b>
<b>Net Book Value as at 31 March 2014</b>	<b>6,769</b>	<b>799</b>	<b>665</b>	<b>1,501</b>	<b>9,734</b>

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

#### Basis of valuation

Asset	Date of last valuation	Valuer	Qualification	Method of valuation
Cliff Lift	01/04/2011	David Heales - Internal Valuer	MRICS	Existing use value
Porters	01/04/2011	John Murray - VOA (external)	MRICS	Depreciated replacement cost
Porters contents	01/03/2005	Webb Valuations Fine Art Ltd	FRICS	Current replacement cost
Southchurch Hall	01/04/2011	John Murray - VOA (external)	MRICS	Depreciated replacement cost
Pier	01/04/2008	Graham Swan - Internal Valuer	MRICS	Depreciated replacement cost
Bandstand	01/04/2011	David Heales - Internal Valuer	MRICS	Existing use value
Saxon King artefacts	01/10/2009	Lesley Webster FSA - Society for Medieval Archaeology	FSA	Current replacement cost

#### Note 14. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2013/14 £000	2012/13 £000
Rental Income from Investment Property	(3,190)	(3,677)
Direct operating expenses arising from Investment Property	3,097	2,971
<b>Net (Gain) / Loss</b>	<b>(93)</b>	<b>(706)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year:

	2013/14 £000	2012/13 £000
Balance at start of the year	26,255	25,820
Additions:		
Purchases	0	0
Construction	0	(12)
Disposals	(2)	0
Transfers:		
(to) / from Property, Plant and Equipment	(775)	284
(to) / from Assets Under Construction	112	0
Revaluations and impairments	(339)	163
<b>Balance at end of the year</b>	<b>25,251</b>	<b>26,255</b>

#### Note 15. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful economic lives of the intangible assets are between 1 and 10 years.

The carrying amount of intangible assets is amortised on a straight-line basis. No amortisation is charged in the initial year when the intangible asset is first capitalised. The amortisation of £915k charged to revenue in 2013/14 was charged to both the ICT cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services, and directly to some services as appropriate. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

<b>Purchased Software Licences</b>	<b>2013/14 £000</b>	<b>2012/13 £000</b>
<b>Gross carrying amount at start of year</b>	<b>5,985</b>	<b>8,750</b>
Accumulated amortisation	(2,471)	(2,736)
<b>Net carrying amount at start of year</b>	<b>3,514</b>	<b>6,014</b>
Additions	934	788
Impairment	(26)	(3,553)
<u>Amortisation</u>		
Written out to CIES	0	1,267
For Current Year	(915)	(1,002)
<b>Gross carrying amount at end of year</b>	<b>6,893</b>	<b>5,985</b>
Accumulated amortisation	(3,386)	(2,471)
<b>Net carrying amount at end of year</b>	<b>3,507</b>	<b>3,514</b>

## Note 16. Financial Instruments

### Categories of Financial Instruments

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

	<b>Long-term</b>		<b>Current</b>	
	<b>31 March 2014 £000</b>	<b>31 March 2013 £000</b>	<b>31 March 2014 £000</b>	<b>31 March 2013 £000</b>
<b>Investments, Cash and Cash Equivalents</b>				
Loans and Receivables	56	61	45,597	36,172
Available for sale Financial Assets	0	0	43,148	32,324
<b>Total Investments</b>	<b>56</b>	<b>61</b>	<b>88,745</b>	<b>68,496</b>
<b>Debtors</b>				
Loans and Receivables	135	81	16,443	27,315
<b>Total Debtors</b>	<b>135</b>	<b>81</b>	<b>16,443</b>	<b>27,315</b>
<b>Borrowings</b>				
Financial Liabilities at Amortised Cost	252,272	251,894	14,499	21,484
<b>Total Borrowings</b>	<b>252,272</b>	<b>251,894</b>	<b>14,499</b>	<b>21,484</b>
<b>Creditors</b>				
Financial Liabilities at Amortised Cost	271	485	18,935	19,806
<b>Total Creditors</b>	<b>271</b>	<b>485</b>	<b>18,935</b>	<b>19,806</b>

### Reclassifications

There were no reclassifications of financial instruments in 2013/14.

## Income, Expense, Gains and Losses

2013/14	Financial Liabilities measured at Amortised Cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total
	£000	£000	£000	£000
Interest Expense	11,265	0	0	11,265
Fee Expense	16	0	32	48
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>11,281</b>	<b>0</b>	<b>32</b>	<b>11,313</b>
Interest Income	0	(266)	(202)	<b>(468)</b>
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(266)</b>	<b>(202)</b>	<b>(468)</b>
Gains on Revaluation	0	0	2	<b>2</b>
Amounts Recycled to the Surplus or Deficit on the Provision of Services after Impairment	0	0	(2)	<b>(2)</b>
<b>Surplus / Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Gain / (Loss) for the year</b>	<b>11,281</b>	<b>(266)</b>	<b>(170)</b>	<b>10,845</b>

## 2012/13 Comparative Figures

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

### Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2014 of 1.46% to 4.53% for loans from the PWLB based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.



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

	31 March 2014		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities	285,706	328,761	293,184	355,610
Long Term Creditors	271	271	485	485

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed and variable rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2014) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2014 Carrying Amount £000	31 March 2013 Carrying Amount £000
Loans and Receivables	105,244	95,872
Long Term Debtors	135	81

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

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

#### Note 17. Inventories

Consumable Stores	2013/14 £000	2012/13 £000
<b>Balance outstanding at start of year</b>	<b>212</b>	<b>293</b>
Purchases	389	260
Recognised as an expense in the year	(373)	(341)
<b>Gross carrying amount at end of year</b>	<b>228</b>	<b>212</b>

#### Note 18. Construction Contracts

Note not required.

**Note 19. Debtors**

	<b>31 March 2014</b>	<b>31 March 2013</b>
	<b>£000</b>	<b>£000</b>
Central government bodies	3,158	9,029
Local authorities	1,825	3,557
NHS bodies	2,644	2,655
Other entities and individuals	18,992	23,119
<b>Total Debtors</b>	<b>26,619</b>	<b>38,360</b>
Value of impairment included above	(9,737)	(8,731)

**Note 20. Cash and Cash Equivalents**

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

	<b>31 March 2014</b>	<b>31 March 2013</b>
	<b>£000</b>	<b>£000</b>
Cash and cash equivalents held by the Council	39,772	19,696
Bank Current Accounts	14,226	14,254
<b>Total Cash and Cash Equivalents</b>	<b>53,998</b>	<b>33,950</b>

**Note 21. Assets Held for Sale**

	<b>Current</b>		<b>Non Current</b>	
	<b>2013/14</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at start of year</b>	<b>1,518</b>	<b>1,946</b>	<b>271</b>	<b>0</b>
Assets Sold	(1,518)	(647)	0	0
Transfers from other Asset categories	0	219	(271)	271
<b>Balance at end of year</b>	<b>0</b>	<b>1,518</b>	<b>0</b>	<b>271</b>

**Note 22. Creditors**

	<b>31 March 2014</b>	<b>31 March 2013</b>
	<b>£000</b>	<b>£000</b>
Central government bodies	8,949	5,320
Other local authorities	3,221	4,524
NHS bodies	1,051	4,642
Other entitites and individuals	21,555	23,417
<b>Total Creditors</b>	<b>34,776</b>	<b>37,903</b>

## Note 23. Provisions

	Insurance	Redundancy	Business Rate Appeals	Other Provisions	Total
	£000	£000	£000	£000	£000
<b>Balance at 1 April 2012</b>	2,235	1,000	0	227	3,462
Additional provisions made in year	2,094	1,500	0	435	4,029
Amounts used in year	(1,407)	(1,044)	0	(227)	(2,678)
<b>Balance at 1 April 2013</b>	2,922	1,456	0	435	4,813
Additional provisions made in year	1,101	500	727	341	2,669
Amounts used in year	(103)	(854)	0	(276)	(1,233)
<b>Balance at 31 March 2014</b>	<b>3,920</b>	<b>1,102</b>	<b>727</b>	<b>500</b>	<b>6,249</b>

### Insurance Provision

This reflects the total value of claims outstanding at the year-end for which the Council has a future liability of uncertain timing. In addition the Council keeps an insurance reserve (shown in Note 8) to mitigate against the risk of potential claims arising in the future.

### Redundancy

Payments to be made in 2014/15 as a result of organisational management decisions taken during 2013/14, relating to redundancy, and therefore properly chargeable to 2013/14.

### 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 2013/14 and prior years. The overall liability is shared with Central Government and the Essex Fire Service.

## Note 24. Usable Reserves

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

## Note 25. Unusable Reserves

Movements in the Council's unusable reserves are detailed in the Movement in Reserves Statement and in the individual tables below

### **Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>47,419</b>	<b>78,441</b>
Upward revaluation of assets	38,530	5,397
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the provision of services	(5,046)	(35,505)
Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services	33,484	(30,108)
Difference between fair value and historical cost depreciation	(699)	(394)
Balance attributable to disposal/write offs	(881)	(520)
Amount written off to the capital adjustment account	(1,580)	(914)
<b>Balance at 31 March</b>	<b>79,323</b>	<b>47,419</b>

#### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>23</b>	<b>0</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9	25
Transfer to the Capital Receipts Reserve upon receipt of cash	(25)	(2)
<b>Balance at 31 March</b>	<b>7</b>	<b>23</b>

#### Available for Sale Financial Instrument Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>2</b>	<b>4</b>
Upward revaluation of investments	2	2
Downward revaluation of investments not charged to the Surplus / Deficit on the provision of services		0
	2	2
Accumulated gains on assets, sold and maturing assets written out to the comprehensive income and expenditure statement as part of other investment income	(2)	(4)
<b>Balance at 31 March</b>	<b>2</b>	<b>2</b>

### Capital Adjustment Account

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

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

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2013/14		2012/13
	£000	£000	£000
<b>Balance at 1 April</b>		<b>321,091</b>	<b>349,440</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 on non-current assets	(30,065)		(53,756)
Amortisation of intangible assets	(915)		(1,002)
HRA Self Financing Settlement			
Revenue expenditure funded from capital under statute	(6,755)		(6,747)
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	(6,745)		(1,851)
		(44,480)	(63,356)
Adjusting amounts written out of the revaluation reserve		699	394
Net written out amount of the cost of non-current assets consumed in the year		(43,781)	(62,962)
<i>Capital financing applied in the year</i>			
Use of the capital receipts reserve to finance new capital expenditure	74		2
Use of the major repairs reserve to finance new capital expenditure	7,344		0
Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	20,328		28,297
Statutory provision for the financing of capital investment charged against the general fund and HRA balances	6,882		5,625
Capital expenditure charged against the general fund and HRA balances	1,741		526
		36,369	34,450
Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement		(339)	163
<b>Balance at 31 March</b>		<b>313,340</b>	<b>321,091</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.

	2013/14 £000	2012/13 £000 Restated
<b>Balance at 1 April</b>	<b>(189,785)</b>	<b>(183,349)</b>
Remeasurements of the net defined benefit liability/(asset)	35,758	(8,274)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(17,510)	(11,484)
Employer's pensions contributions and direct payments to pensioners payable in the year	12,614	13,322
<b>Balance at 31 March</b>	<b>(158,923)</b>	<b>(189,785)</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council tax and Business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>2,602</b>	<b>2,248</b>
Share of estimated surplus for prior year actually distributed in year	(700)	(1,017)
Adjusted share of carried forward surplus for the year	2,039	1,371
<b>Balance at 31 March</b>	<b>3,941</b>	<b>2,602</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual



leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	<b>2013/14 £000</b>	<b>2012/13 £000</b>
<b>Balance at 1 April</b>	<b>(2,155)</b>	<b>(2,704)</b>
Settlement or cancellation of accrual made at the end of the preceding year	2,155	2,704
Amounts accrued at the end of the current year	<u>(1,854)</u>	<u>(2,155)</u>
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	301	549
<b>Balance at 31 March</b>	<b>(1,854)</b>	<b>(2,155)</b>

**Note 26. 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:

	<b>2013/14 £000</b>	<b>2012/13 £000</b>
Interest paid	11,256	10,621
Interest received	(262)	(306)
<b>Net Cash Flows from Operating Activities</b>	<b>10,994</b>	<b>10,315</b>

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

**Note 27. Cash Flow Statement – Non-Cash Movements**

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

	2013/14 £000	2012/13 £000
Depreciation of Non Current Assets	(18,148)	(16,943)
Impairment of Non Current Assets	(11,916)	(36,644)
Amortisations	(915)	(1,002)
(Increase)/Decrease in Creditors	3,127	3,055
Increase/(Decrease) in Debtors	(11,741)	(3,233)
Increase/(Decrease) in Inventories	16	(81)
Net retirement benefits per IAS19	(4,896)	1,838
Carrying amount of assets disposed/sold	(7,627)	(1,970)
Reverse out the movement on the provision debited or credited to the Comprehensive Income and Expenditure Statement and replace with the cash payments made in the year out of the provision	(1,436)	(1,351)
Movements in the value of investment properties	(339)	163
REFCUS	(6,755)	(6,722)
Movement in schools balances	(459)	1,077
Removal of Council Tax and Business Rates Agency		
Adjustments from Comprehensive Income and Expenditure Statement	(4,722)	899
Capital Grants credited to Surplus or deficit on the provision of services	20,033	30,707
Other	345	594
<b>Net Cash Flows from Operating Activities</b>	<b>(45,433)</b>	<b>(29,613)</b>

**Note 28. Cash Flow Statement - Operating Activities**

The Cash flows for operating activities include the following items:

	2013/14 £000	2012/13 £000
Council Tax Agency Adjustment	361	(1,796)
<b>Net Cash Flows from Operating Activities</b>	<b>361</b>	<b>(1,796)</b>

**Note 29. Cash Flow Statement - Investing Activities**

	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Purchase of property, plant and equipment, investment property and intangible assets	43,889	60,972
Purchase of short-term and long-term investments	210	10,367
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,373)	(1,427)
Proceeds from short-term and long-term investments	(8)	0
Other receipts from investing activities	(16,502)	(29,198)
<b>Net Cash Flow from Investing Activities</b>	<b>24,216</b>	<b>40,714</b>

**Note 30. Cash Flow Statement - Financing Activities**

	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Cash receipts of short and long-term borrowing	(14,000)	(43,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	190	204
Repayments of short and long-term borrowing	20,170	28,000
Other payments for financing activities	4,984	1,549
<b>Net Cash Flow from Financing Activities</b>	<b>11,344</b>	<b>(13,247)</b>

**Note 31. Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- The cost of employees is based on cash flows (payment of employee's salaries), taking no account of the value of any untaken leave or other compensated absences not yet taken.

The income and expenditure of the Council's portfolios recorded in the budget monitoring reports for the year is as follows:

**Portfolio Income and Expenditure 2013/14**

	Adult, Health & Housing £000	Children & Learning £000	Corporate Support £000	Culture & Tourism £000	Leader £000	Deputy Leader £000	Public Protection, Waste & Transport £000	Planning £000	Total £000
Fees, Charges & Other Service Income	(10,877)	(1,658)	(12,011)	(2,540)	(138)	(129)	(8,194)	(945)	<b>(36,492)</b>
Grants	(16,136)	(103,191)	(96,859)	(635)	(4,982)	(124)	(2,808)	(1,221)	<b>(225,956)</b>
<b>Total Income</b>	<b>(27,013)</b>	<b>(104,849)</b>	<b>(108,870)</b>	<b>(3,175)</b>	<b>(5,120)</b>	<b>(253)</b>	<b>(11,002)</b>	<b>(2,166)</b>	<b>(262,448)</b>
Employee Expenses	15,692	15,084	15,229	5,929	2,847	451	4,764	1,667	<b>61,663</b>
Other Service Expense	49,818	110,132	105,396	6,633	5,578	1,357	21,887	1,014	<b>301,815</b>
Capital Financing	1,339	5,885	5,021	8,629	97	771	9,614	3	<b>31,359</b>
Net Support Recharges	2,603	3,848	(13,421)	1,353	468	292	1,900	867	<b>(2,090)</b>
<b>Total Expenditure</b>	<b>69,452</b>	<b>134,949</b>	<b>112,225</b>	<b>22,544</b>	<b>8,990</b>	<b>2,871</b>	<b>38,165</b>	<b>3,551</b>	<b>392,747</b>
<b>Net Expenditure</b>	<b>42,439</b>	<b>30,100</b>	<b>3,355</b>	<b>19,369</b>	<b>3,870</b>	<b>2,618</b>	<b>27,163</b>	<b>1,385</b>	<b>130,299</b>

**Portfolio Income and Expenditure 2012/13 Comparative Figures**

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

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

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

	2013/14	Restated 2012/13
	£000	£000
<b>Net Expenditure in the Portfolio Analysis</b>	<b>130,299</b>	<b>170,277</b>
Net Expenditure of Services not included in the Analysis	(5,303)	(4,024)
Net Expenditure of Services included in the Analysis, not included in the Comprehensive Income and Expenditure Statement	(481)	(34)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(811)	(6,971)
<b>Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement</b>	<b>(6,595)</b>	<b>(11,029)</b>
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>123,704</b>	<b>159,248</b>

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the Comprehensive Income and Expenditure Statement

2013/14

	Portfolio Analysis £000	Services not included in the Analysis £000	Services in Analysis, not included in the I&E £000	Amounts not reported to management £000	Cost of Services in the Comprehensive I&E £000	Corporate Amounts £000	Total £000
Fees, Charges & Other Service Income	(36,492)	(28,611)	5,890	(222)	<b>(59,435)</b>	(5,890)	<b>(65,325)</b>
Grants	(225,956)	0			<b>(225,956)</b>	(96,587)	<b>(322,543)</b>
Interest and Investment Income	0	0	0	0	<b>0</b>	(472)	<b>(472)</b>
Income from Council Tax	0	0	0	0	<b>0</b>	(62,528)	<b>(62,528)</b>
<b>Total Income</b>	<b>(262,448)</b>	<b>(28,611)</b>	<b>5,890</b>	<b>(222)</b>	<b>(285,391)</b>	<b>(165,477)</b>	<b>(450,868)</b>
Employee Expenses	61,760	348	(1,928)	(686)	<b>59,494</b>	1,928	<b>61,422</b>
Other Service Expense	301,815	15,164	(1,295)		<b>315,684</b>	1,295	<b>316,979</b>
Capital Financing	31,262	7,050	(2,316)	97	<b>36,093</b>	2,316	<b>38,409</b>
Net Support Recharges	(2,090)	746	(832)		<b>(2,176)</b>	832	<b>(1,344)</b>
Interest Payments	0	0	0	0	<b>0</b>	11,305	<b>11,305</b>
Pensions Interest and Expected Return	0	0	0	0	<b>0</b>	8,080	<b>8,080</b>
Precepts and Levies	0	0	0	0	<b>0</b>	801	<b>801</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	<b>0</b>	425	<b>425</b>
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	<b>0</b>	4,255	<b>4,255</b>
<b>Total Expenditure</b>	<b>392,747</b>	<b>23,308</b>	<b>(6,371)</b>	<b>(589)</b>	<b>409,095</b>	<b>31,237</b>	<b>440,332</b>
<b>Surplus or Deficit on the provision of services</b>	<b>130,299</b>	<b>(5,303)</b>	<b>(481)</b>	<b>(811)</b>	<b>123,704</b>	<b>(134,240)</b>	<b>(10,536)</b>

2012/13 comparative figures  
Restated

	Portfolio Analysis £000	Services not included in the Analysis £000	Services in Analysis, not included in the I&E £000	Amounts not reported to management £000	Cost of Services in the Comprehensive I&E £000	Corporate Amounts £000	Total £000
Fees, Charges & Other Service Income	(31,186)	(27,583)	4,451	(97)	<b>(54,415)</b>	(4,451)	<b>(58,866)</b>
Grants	(229,273)	(37)	0	0	<b>(229,310)</b>	(98,817)	<b>(328,127)</b>
Interest and Investment Income	0	0	0	0	<b>0</b>	(619)	<b>(619)</b>
Income from Council Tax	0	0	0	0	<b>0</b>	(70,451)	<b>(70,451)</b>
<b>Total Income</b>	<b>(260,459)</b>	<b>(27,620)</b>	<b>4,451</b>	<b>(97)</b>	<b>(283,725)</b>	<b>(174,338)</b>	<b>(458,063)</b>
Employee Expenses	62,679	336	(2,216)	(6,883)	<b>53,916</b>	2,216	<b>56,132</b>
Other Service Expense	313,811	14,809	(1,722)	0	<b>326,898</b>	1,722	<b>328,620</b>
Capital Financing	55,406	7,724	(1,678)	9	<b>61,461</b>	1,678	<b>63,139</b>
Net Support Recharges	(1,160)	727	1,131	0	<b>698</b>	(1,131)	<b>(433)</b>
Interest Payments	0	0	0	0	<b>0</b>	10,837	<b>10,837</b>
Pensions Interest and Expected Return	0	0	0	0	<b>0</b>	7,755	<b>7,755</b>
Precepts and Levies	0	0	0	0	<b>0</b>	720	<b>720</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	<b>0</b>	388	<b>388</b>
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	<b>0</b>	541	<b>541</b>
<b>Total Expenditure</b>	<b>430,736</b>	<b>23,596</b>	<b>(4,485)</b>	<b>(6,874)</b>	<b>442,973</b>	<b>24,726</b>	<b>467,699</b>
<b>Surplus or Deficit on the provision of services</b>	<b>170,277</b>	<b>(4,024)</b>	<b>(34)</b>	<b>(6,971)</b>	<b>159,248</b>	<b>(149,612)</b>	<b>9,636</b>

### Note 32. Acquired and Discontinued Operations

The Council acquired the Public Health operations from NHS Southend Primary Care Trust in April 2013. With the transfer brought a number of commissioning responsibilities for the Council, together with overall responsibility for improving health at borough level. The national Public Health outcomes framework has been developed, which sets out key outcomes of interest for partners in improving health including some mandatory services including :- the National Child Measurement Programme; NHS health check assessments; comprehensive sexual health services (including testing and treatment for sexually transmitted infections, contraception outside of the GP contract and sexual health promotion and disease prevention; the local authority role in dealing with health protection incidents, outbreaks and emergencies; providing public health support to health care commissioners.

The prior year comparator shown relates to Public Health functions carried out by the Council on behalf of the PCT, previously classed as Adult Social Care Services.

### Note 33. Trading Operations

The Council operates two trading activities. These are,

- The Amenity Services Organisation provides a grounds maintenance service to the Council and carries out a small amount of work for other public bodies
- Building Control

	2013/14 £000	2012/13 £000
<u>The Amenity Services Organisation</u>		
Turnover	(2,350)	(2,424)
Expenditure	2,964	3,083
<b>Deficit</b>	<b>614</b>	<b>659</b>
<u>Building Control</u>		
Turnover	(350)	(286)
Expenditure	310	367
<b>(Surplus)/Deficit</b>	<b>(40)</b>	<b>81</b>
<b>Total deficit on trading activities</b>	<b>574</b>	<b>740</b>

**Note 34. Agency Services**

Note not required.

**Note 35. Road Charging Schemes**

Note not required.

**Note 36. Pooled Budgets**

Section 75 of the National Health Service Act 2006 allows partnership arrangements between NHS bodies, Local Authorities and other agencies in order to improve and coordinate services. Each partner makes a contribution to the pooled budget, with the aim of focusing services and activities for particular client groups. The funds contributed are normally used for those services represented in the pooled budget, and through this process allow the organisations involved to act in a more cohesive manner.

The funding for the Equipment Service was held by Southend-on-Sea Borough Council. The funding for the Cumberlege Intermediate Care Centre was held by Southend Clinical Commissioning Group (formerly Southend PCT). The Council has withdrawn from the Cumberlege Intermediate Care Centre in 2014/15.

The following table shows the total funding to each pooled budget and Southend-on-Sea Borough Council's contribution.

	2013/14 Pool Expenditure £000	2013/14 Southend Borough Council £000	2012/13 Pool Expenditure £000	2012/13 Southend Borough Council £000
Equipment Service	847	564	855	561
Cumberlege Intermediate Care Centre (CICC)	1,178	500	1,178	408
<b>Total</b>	<b>2,025</b>	<b>1,064</b>	<b>2,033</b>	<b>969</b>



**Note 37. Members' Allowances**

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

	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Basic Allowances	431	429
Special Allowances	202	199
Travel & Subsistence	1	1
<b>Total Members Allowances</b>	<b>634</b>	<b>629</b>

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

**Note 38. Officers' Remuneration**

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

2013/14					
Post holder information (Post title)	Salary (Including fees & Allowances) £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding pension contributions 2013/14 £	Pension contribution £	Total Remuneration including pension contributions 2013/14 £
<b>Chief Executive - Rob Tinlin</b>	150,290	3,703	<b>153,993</b>	18,786	<b>172,779</b>
<b>Corporate Directors</b>					
Corporate Services	117,658	452	<b>118,110</b>	14,707	<b>132,817</b>
People	125,343	0	<b>125,343</b>	15,668	<b>141,011</b>
Place	111,982	0	<b>111,982</b>	13,998	<b>125,980</b>
Public Health	114,950	0	<b>114,950</b>	8,046	<b>122,996</b>
<b>Heads of Service</b>					
Legal & Democratic Services	95,555	0	<b>95,555</b>	11,944	<b>107,499</b>
Finance & Resources	91,250	1,245	<b>92,495</b>	11,406	<b>103,901</b>
People & Policy	87,870	999	<b>88,869</b>	10,984	<b>99,853</b>
Customer Services	86,989	1,481	<b>88,470</b>	10,874	<b>99,344</b>
Procurement, Commissioning & Strategic Housing	82,820	0	<b>82,820</b>	10,353	<b>93,173</b>
Adult Services from 09/10/2013 <i>annualised</i>	41,629	0	<b>41,629</b>	5,184	<b>46,813</b>
Children's Services	87,870	0	<b>87,870</b>	10,984	<b>98,854</b>
Learning	87,435	1,047	<b>88,482</b>	10,875	<b>99,357</b>
Culture	87,870	0	<b>87,870</b>	10,984	<b>98,854</b>
Public Protection	86,034	5,509	<b>91,543</b>	10,754	<b>102,297</b>
Planning & Transport	69,757	1,257	<b>71,014</b>	8,720	<b>79,734</b>
Economy, Regeneration & Tourism to 30/11/2013 <i>annualised</i>	52,428	1,016	<b>53,444</b>	0	<b>53,444</b>
Interim Economy, Regeneration & Tourism from 01/04/2013 to 30/06/2013 and from 01/12/2013 to 31/03/2014 <i>annualised</i>	62,514	0	<b>62,514</b>	7,814	<b>70,328</b>
Public Health	82,471	0	<b>82,471</b>	5,773	<b>88,244</b>

2012/13

	Salary (Including fees & Allowances)	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding pension contributions 2013/14	Pension contribution	Total Remuneration including pension contributions 2013/14
	£	£	£	£	£
<b>Chief Executive - Rob Tinlin</b>	156,115	3,703	<b>159,818</b>	18,610	<b>178,428</b>
<b>Corporate Directors</b>					
Children & Learning to 10/02/2013 <i>annualised</i>	87,870	847	<b>88,717</b>	10,887	<b>99,604</b> <b>115,049</b>
Corporate Services	117,061	452	<b>117,513</b>	14,562	<b>132,075</b>
Adult & Community Services	116,493	0	<b>116,493</b>	14,562	<b>131,055</b>
Enterprise, Tourism & Environment	110,725	0	<b>110,725</b>	13,841	<b>124,566</b>
<b>Heads of Service</b>					
Policy & Improvement to 09/06/2012 <i>annualised</i>	17,747	0	<b>17,747</b>	1,880	<b>19,627</b> <b>102,337</b>
Children's Commissioning & Learning Infrastructure	87,000	0	<b>87,000</b>	10,875	<b>97,875</b>
School Support & Preventative Services	86,570	1,047	<b>87,617</b>	10,821	<b>98,438</b>
Specialist Childrens Services	72,715	0	<b>72,715</b>	9,089	<b>81,804</b>
Finance & Resources	90,879	1,245	<b>92,124</b>	11,273	<b>103,397</b>
Human Resources	87,000	999	<b>87,999</b>	10,875	<b>98,874</b>
Legal & Democratic Services	97,672	0	<b>97,672</b>	11,835	<b>109,507</b>
Customer Services	86,227	1,481	<b>87,708</b>	10,747	<b>98,455</b>
Culture	87,000	0	<b>87,000</b>	10,875	<b>97,875</b>
Community Strategy & Development	72,768	0	<b>72,768</b>	9,045	<b>81,813</b>
Enterprise Tourism & Regeneration	82,293	1,016	<b>83,309</b>	0	<b>83,309</b>
Interim Enterprise Tourism & Regeneration from 23/01/2013 <i>annualised</i>	12,316	0	<b>12,316</b>	1,600	<b>13,916</b> <b>74,696</b>
Public Protection	85,183	5,509	<b>90,692</b>	10,648	<b>101,340</b>
Planning & Transport to 02/10/2012 <i>annualised</i>	34,351	1,248	<b>35,599</b>	4,258	<b>39,857</b> <b>78,637</b>
Planning & Transport from 22/10/2012 <i>annualised</i>	28,123	1,257	<b>29,380</b>	3,515	<b>32,895</b> <b>74,577</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:

	2013/14			2012/13		
	Number of Staff			Number of Staff		
	Council	Schools	Total	Council	Schools	Total
£50,000 to £54,999	30	23	53	26	13	39
£55,000 to £59,999	19	10	29	14	11	25
£60,000 to £64,999	3	7	10	2	10	12
£65,000 to £69,999	3	7	10	5	7	12
£70,000 to £74,999	2	6	8	2	7	9
£75,000 to £79,999	2	3	5	0	3	3
£80,000 to £84,999	0	1	1	0	2	2
£85,000 to £89,999	0	2	2	0	0	0
£90,000 to £94,999	0	0	0	0	0	0
£95,000 to £99,999	0	0	0	0	0	0
£100,000 to £104,999	0	0	0	0	0	0
£105,000 to £109,999	0	0	0	0	1	1
£110,000 to £114,999	0	1	1	0	0	0
<b>Total</b>	<b>59</b>	<b>60</b>	<b>119</b>	<b>49</b>	<b>54</b>	<b>103</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	
	2013/14			2012/13			2013/14	2012/13
	Compulsory	Other	Total	Compulsory	Other	Total		
<b>Council Staff</b>								
£0 - £19,999	7	12	19	8	13	21	£206,558	£211,522
£20,000 - £39,999	2	8	10	3	14	17	£281,355	£541,028
£40,000 - £59,999	0	1	1	1	1	2	£41,285	£92,982
<b>Total</b>	<b>9</b>	<b>21</b>	<b>30</b>	<b>12</b>	<b>28</b>	<b>40</b>	<b>£529,198</b>	<b>£845,532</b>
<b>School Staff</b>								
£0 - £19,999	0	12	12	24	6	30	£47,699	£135,451
£20,000 - £39,999	0	5	5	0	0	0	£143,173	£0
£40,000 - £59,999	1	0	1	0	0	0	£56,000	£0
£60,000 - £79,999	0	1	1	0	0	0	£69,310	£0
<b>Total</b>	<b>1</b>	<b>18</b>	<b>19</b>	<b>24</b>	<b>6</b>	<b>30</b>	<b>£316,182</b>	<b>£135,451</b>
<b>Total</b>	<b>10</b>	<b>39</b>	<b>49</b>	<b>36</b>	<b>34</b>	<b>70</b>	<b>£845,380</b>	<b>£980,983</b>

**Note 39. External Audit Costs**

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Fees payable with regard to external audit services	189	225
Fees payable in respect of statutory inspection	0	0
Fees payable for the certification of grant claims and returns	37	35
Fees payable in respect of other services provided	4	0
<b>Total Audit Costs</b>	<b>230</b>	<b>260</b>

**Note 40. Dedicated Schools Grant**

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2013/14 are as follows:

	<b>2013/14 Central Expenditure</b>	<b>2013/14 Individual Schools Budget</b>	<b>2013/14 Total</b>	<b>2012/13 Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Final DSG for 2013/14 before Academy Recoupment			133,123	129,641
Academy Figure Recouped for 2013/14			(42,833)	(43,082)
Total DSG after Academy Recoupment for 2013/14			<b>90,290</b>	<b>86,559</b>
Early Years DSG Adjustment			85	0
Brought forward from 2012/13			1,075	1,720
Carry forward to 2014/15 agreed in advance			0	0
<b>Agreed budgeted distribution in 2013/14</b>	<b>13,754</b>	<b>77,696</b>	<b>91,450</b>	<b>88,279</b>
Less:				
Actual central expenditure	(13,600)	0	(13,600)	(7,850)
Actual ISB deployed to schools	0	(77,111)	(77,111)	(79,354)
Local authority contribution for 2013/14	0	0	0	0
<b>Carry forward to 2014/15</b>	<b>154</b>	<b>585</b>	<b>739</b>	<b>1,075</b>
<b>Carry forward to 2014/15 agreed in advance</b>			<b>0</b>	<b>0</b>
<b>Total Carry Forward</b>			<b>739</b>	<b>1,075</b>

**Note 41. Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14.

	2013/14 £000	2012/13 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
<b>Non-Ringfenced Government Grants</b>		
Formula Grant	46,852	1,150
Council Tax Freeze Grant	0	1,721
Early Intervention Grant	0	8,063
Learning Disabilities Transfer Grant	0	4,876
Education Support Grant	2,434	0
New Homes Bonus	1,362	580
Other non-ringfenced government grants	234	382
	<b>50,882</b>	<b>16,772</b>
<b>Capital Grants and Contributions</b>		
Elmer Square Library	7,512	7,400
Schools	3,892	0
Highways Infrastructure	1,702	5,699
Housing	511	6,575
Belfairs Woodland Centre	434	0
Hinguar Primary School	56	1,672
Lancaster Primary School	0	620
Other	114	774
	<b>14,221</b>	<b>22,740</b>
<b>Total</b>	<b>65,103</b>	<b>39,512</b>

	2013/14 £000	2012/13 £000
<b>Credited to Services</b>		
Dedicated Schools Grant	90,375	88,279
Housing Benefits	94,146	95,136
Council Tax Benefits	0	14,648
Public Health Grant	7,327	0
Education Funding Agency	3,123	3,705
Funding from PCT	1,279	6,542
Funding from CCG	10,055	0
Additional Schools Grant	37	143
Arts Council Grant	113	50
Early Years & Childcare	0	5
Skills Funding Agency	2,389	637
Positive Futures	0	191
Other Local Authorities Service Provision	827	2,242
Housing Benefit Administration	2,230	1,640
Youth Offending Grants	619	507
Other Social Services Grants	527	718
Other Education Grants	733	2,905
Grant to Fund EU Project	89	44
Heritage Lottery Fund Grant	40	19
Food Standards Agency	0	4
Surface Water Management Plan	43	166
Local Sustainable Transport Function	841	730
Children's Services Grants	1,737	341
Supporting People	160	172
Police and Crime Commissioner Elections	0	169
Local Reform and Community Voices Grant	146	0
Implementation of Zero Based Review Ssipment	60	0
Community Safety Crime Reduction Grant	101	13
Economic Participation Programme	0	1
Section 31 Grant	500	635
Other Service Grants and Contributions	2,647	1,664
REFCUS	5,812	7,967
<b>Total</b>	<b>225,956</b>	<b>229,273</b>

The Council has recognised all of the grants and contributions received as income through the Comprehensive Income and Expenditure Statement, as any conditions attached to the grants and contributions that may have required the monies or property to be returned to the giver have been met.

## **Note 42. 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 used in 2013/14 and those received but not yet applied as at 31 March 2014 are set out in Note 39.

In addition the Council works in partnership with Southend Clinical Commissioning Group through a pooled budget arrangement (see note 36).

### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2013/14 is shown in Note 37.

As part of their roles, Members are often appointed to be the Council's representatives on outside bodies, and occasionally hold similar roles in their own right. Separately the Council may commission services from these organisations, or potentially grant aid them under its voluntary sector grants programme. In all cases contracts were entered into with full procurement rules compliance and awards made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

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

### **Officers**

5 officers act as Board members to two of the Council's wholly owned subsidiaries – Southend Trading Corporation Limited and Southend Independent Living Limited. Southend Trading Corporation Limited sells telephony to the Council's third wholly owned subsidiary South Essex Homes Limited and to a number of schools. 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.

One of the Council's officers is related to the Clinical Chief Officer of Southend Clinical Commissioning Group. Both officers have made formal declarations of their relationship to their respective organisations.

### **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. Five Members were on the board of South Essex Homes Limited. All material transactions with the company are recorded in the notes to the consolidated group accounts.

Under IAS19 South Essex Homes Limited must account for the net surplus or deficit arising from its share of the pension assets and liabilities in respect of its employees who are members of the Essex County Council Pension Fund. As at 31 March 2014 there was a net deficit of £6,568k in respect of South Essex Homes Limited's pension liabilities. As at 31 March 2014 South Essex Homes Limited also had a retained surplus of £1,978k in respect of its Profit and Loss reserve. Southend-on-Sea Borough Council undertakes to provide continuing financial support to enable the financial statements of South Essex Homes Limited to be prepared on a going concern basis.

## **Note 43. Capital Expenditure and Capital Financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, i.e. borrowing, the expenditure results in an increase in the Capital Financing Requirement



(CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	31 March 2014 £000	31 March 2013 £000
<b>Capital Investment</b>		
Property, Plant and Equipment	36,082	53,706
Investment Assets	0	25
Intangible Assets	934	788
Heritage Assets	216	29
Revenue Expenditure Funded from Capital Under Statute	6,755	6,722
<b>Total Capital Investment</b>	<b>43,987</b>	<b>61,270</b>
<b>Sources of Finance</b>		
Usable Capital Receipts	74	2
Government Grants and other Contributions	20,328	28,335
Sums set aside from Revenue:		
Direct Revenue Contributions	1,741	526
Major Repairs Reserve	7,344	0
<b>Total Financing from Internal Resources</b>	<b>29,487</b>	<b>28,863</b>
Credit arrangements	99	298
Supported Capital Borrowing	0	0
Un-supported Capital Borrowing	14,401	32,109
<b>Total Financing from Borrowing / Credit Arrangements</b>	<b>14,500</b>	<b>32,407</b>
<b>Total Capital Financing</b>	<b>43,987</b>	<b>61,270</b>

	31 March 2014 £000	31 March 2013 £000
<b>Opening Capital Financing Requirement</b>	<b>273,407</b>	<b>245,974</b>
<b>Explanation of Movements in Year</b>		
Borrowing	14,401	32,109
Finance Leases	99	298
MRP	(6,259)	(4,974)
<b>Closing Capital Financing Requirement</b>	<b>281,648</b>	<b>273,407</b>

#### Note 44. Leases

##### The Council as Lessee

##### Finance Leases

The Council has acquired IT equipment and a minibus for schools and grounds maintenance equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	31 March 2014 £000	31 March 2013 £000
Vehicles, Plant, Furniture and Equipment	301	653
	<b>301</b>	<b>653</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2014 £000	31 March 2013 £000
Finance Lease Liabilities (net present value of minimum lease payments):		
Current	186	160
Non Current	122	239
Finance costs payable in future years	5	15
<b>Minimum Lease Payments</b>	<b>313</b>	<b>414</b>

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

Credit Risk	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Not later than one year	191	171	186	160
Later than one year and not later than five years	122	243	122	239
Later than five years	0	0	0	0
	<b>313</b>	<b>414</b>	<b>308</b>	<b>399</b>

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

#### Operating Leases

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

The future minimum lease payments due under non-cancellable operating leases in future years are:

	31 March 2014 £000	31 March 2013 £000
Not later than one year	334	400
Later than one year and not later than five years	738	908
Later than five years	1,190	1,285
	<b>2,262</b>	<b>2,593</b>

The expenditure charged to the Cost of Service line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2014 £000	31 March 2013 £000
Minimum Lease Payments	366	400
	<b>366</b>	<b>400</b>

## Council as Lessor

### Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable operating leases in future years are:

	31 March 2014 £000	31 March 2013 £000 Restated
Not later than one year	1,537	1,501
Later than one year and not later than five years	5,293	4,402
Later than five years	65,091	68,088
	<b>71,921</b>	<b>73,991</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 2013/14 £136,000 contingent rents were estimated to be receivable by the Council (2012/13 £25,000 estimated).

### Finance Leases

On 14<sup>th</sup> August 2013 the Council leased the Belfairs Woodland Centre to Essex Wildlife Trust Limited on a finance lease with a term of 25 years. There was no premium paid and the rent is a peppercorn so there are no minimum lease payments to disclose at 31<sup>st</sup> March 2014. The Council has a gross investment in the lease of £318,000 at 31<sup>st</sup> March 2014, as there are no minimum lease payments and the residual value is anticipated to be half the net book value of the asset, as the lease term is half the estimated useful economic life. The gross investment is expected to be received at the end of the lease.

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

#### **Note 45. PFI and Similar Contracts**

Note not required.

#### **Note 46. Impairment Losses**

Various General fund assets were revalued at 1 April 2013 which led to an impairment, the most significant of which were Southend Adult Community College, Fairheads Green car park and Adventure Island.

An impairment review of all material assets was carried out at the balance sheet date and this led to the impairment of the carrying value of a number of assets, the most significant of which were Queensway House, Eastern Avenue Depot and Essex Street.

An impairment review was also undertaken of capital additions and a few were considered not to increase the asset value and therefore were impaired.

**Note 47. Capitalisation of Borrowing Costs**

The Council has not capitalised any of its borrowing costs.

**Note 48. Termination Benefits**

The Council is undergoing a significant programme of cost reduction, involving amongst other things a reduction in the number of employees. This has given rise to a number of redundancy payments that, although not actually paid in 2013/14, have been fully provided for. (See note 23).

**Note 49. Pension Schemes Accounted for as Defined Contribution Schemes**

**Teachers' Pension Scheme**

Teachers employed by the Council are members of the Teachers' Pension Scheme (TPS), administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2013/14 the Council paid £4.6m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £4.7m and 14.1%. There were no contributions remaining payable at the year end. There is a £829,000 creditor with the TPS at year end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis. Added years payments awarded in respect of the teachers' pension scheme were £6,316 (2012/13 £15,345).

It is estimated that the Council will pay £4.4m to the TPS in 2014/15.

**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 (see note 30). 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 2013/14, the Council paid £158,000 in respect of retirement benefits to NHS Pensions in respect of staff who have transferred into the Council from the NHS, representing 14% of pensionable pay. It is estimated that the Council will similarly pay £158,000 to NHS Pensions in 2014/15.

**Note 50. 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:

	2013/14 £000	Restated 2012/13 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
Current Service Cost	10,116	10,612
(Gain) / Loss from Settlement	(1,206)	(7,376)
Cost of Curtailments	475	431
Administration Expense	45	62
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	8,080	7,755
<b>Total post-employment benefit charged to the surplus or deficit on the provision of services</b>	<b>17,510</b>	<b>11,484</b>
<b>Other post-employment benefit charged to the comprehensive income and expenditure statement</b>		
Return on plan assets in excess of interest	(12,211)	(19,208)
Other actuarial gains on assets	(4,077)	0
Change in financial assumptions	12,943	27,516
Change in demographic assumptions	(28,569)	0
Experience gain on defined benefit obligation	(3,844)	(34)
<b>Remeasurements and Other Comprehensive Income</b>	<b>(35,758)</b>	<b>8,274</b>
<b>Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement</b>	<b>(18,248)</b>	<b>19,758</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	18,248	(19,758)
<b>Actual amount charged against the General Fund Balance for Pensions in the year</b>		
Employer's contributions payable to scheme	12,614	13,322

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

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

Actuarial Gains/(Losses)	2013/14 £000	2012/13 £000
Present Value of the defined benefit obligation	465,060	465,900
Fair Value of Plan Assets	(306,137)	(276,115)
<b>Net Liability arising from defined benefit obligation</b>	<b>158,923</b>	<b>189,785</b>

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

	2013/14 £000	2012/13 £000
Opening Balance at 1 April	465,900	431,730
Current Service Cost	10,116	10,612
Interest Cost	20,265	18,868
Contributions by Scheme Participants	3,157	3,190
Remeasurement Gains and Losses		
Actuarial gains / losses arising from changes in demographic assumptions	(28,569)	0
Actuarial gains / losses arising from changes in financial assumptions	12,943	27,516
Other	(3,844)	(34)
Losses on Curtailments	475	431
Benefits Paid	(14,080)	(14,910)
Liabilities extinguished on Settlements	(1,303)	(11,503)
<b>Closing Balance at 31 March</b>	<b>465,060</b>	<b>465,900</b>

## Reconciliation of fair value of the scheme assets

	2013/14 £000	2012/13 £000
Opening Balance at 1 April	276,115	248,381
Interest Income	12,185	11,113
The return on plan assets, excluding the amount included in the net interest expense	12,211	19,208
Other Actuarial Gains	4,077	0
Employer Contributions	12,614	13,322
Contributions by Scheme Participants	3,157	3,190
Benefits Paid	(14,080)	(14,910)
Payment of Bulk Transfer Value	(97)	(4,127)
Administrative Expense	(45)	(62)
<b>Closing Balance at 31 March</b>	<b>306,137</b>	<b>276,115</b>

## Local Government Pension Scheme assets

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

	2013/14		2012/13	
	£000	%	£000	%
Equity Investments	204,116	67	176,713	64
Government Bonds	24,372	8	19,328	7
Other Bonds	24,372	8	22,089	8
Property	34,998	11	33,134	12
Cash / Liquidity	6,093	2	11,045	4
Alternative Assets	12,186	4	13,806	5
	<b>306,137</b>	<b>100</b>	<b>276,115</b>	<b>100</b>

Of the equities allocation, 22% are UK investments and 78% are overseas investments. 93% of the equities are listed with 7% unlisted.

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, 49% is listed

The Alternative Assets allocation is made up of 71% in Infrastructure (of which 53% is in the UK and 47% overseas), 8% in a Financing Fund, 19% in Timber and 2% in Currency.

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Pension Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates being based on the last full revaluation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

	2013/14	2012/13
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity Investments	6.7%	6.1%
Government Bonds	3.6%	3.0%
Other Bonds	4.2%	4.1%
Property	5.7%	5.1%
Cash / Liquidity	3.4%	0.5%
Alternative Assets	4.2%	6.1%
<b>Mortality assumptions:</b>		
Longevity at 65 for Current Pensioners		
Men	22.7	22.7
Women	25.1	25.3
Longevity at 65 for Future Pensioners		
Men	24.9	24.2
Women	27.4	26.9
Rate of Inflation (RPI)	3.6%	3.4%
Rate of Inflation (CPI)	2.8%	2.6%
Rate of increases in salaries	4.6%	4.4%
Rate of increase in pensions	2.8%	2.6%
Rate for discounting scheme liabilities	4.4%	4.4%

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)	(16.3)	16.4
Rate of inflation (increase or decrease by 0.1%)	7.2	(7.1)
Rate of increase in salaries (increase or decrease by 0.1%)	0.9	(0.9)
Rate of increase in pensions (increase or decrease by 0.1%)	7.2	(7.1)
Rate of discounting scheme liabilities (increase or decrease by 0.1%)	(7.9)	8.0

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

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 14 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2016. The impact of the last valuation as at 31 March 2013 impacts the Council's cash flows from 1 April 2014.

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

The Council anticipates to pay £20.434M expected contribution to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 18 years (20 years 2012/13).

### **Note 51. Contingent Liabilities**

As at 31 March 2014, the Council had the following contingent liability

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

A proposed settlement has been negotiated and recommended to local authorities. For this Council if accepted, the settlement value would be in the region of £141,000 plus interests and costs.

### **Note 52. Contingent Assets**

Note not required

### **Note 53. Nature and Extent of Risks Arising from Financial Instruments**

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

#### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, the credit ratings being set by Moody, Standard & Poors and Fitch Ratings Services. Regard is also given to rating watches and outlooks and relevant market information as appropriate. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the Council are as detailed in the Annual Investment Strategy which can be accessed from the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £46m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2014 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 2014	Estimated maximum exposure to default and uncollectability £000	31 March 2013
			Historical experience adjusted for market conditions %		Estimated maximum exposure to default and uncollectability £000
Deposits With Banks And Other Financial Institutions	45,653	0.00%	0.00%	0	0
Bonds And Other Securities	43,148	0.00%	0.00%	0	0
Customers	16,443	0.62%	1.25%	230	250

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The past due but not impaired amount can be analysed by age as follows:

	31 March 2014 £000	31 March 2013 £000
Less Than Three Months	4,402	5,485
Three To Six Months	704	624
Six Months To One Year	605	708
More Than One Year	1,901	2,097
<b>Total</b>	<b>7,612</b>	<b>8,914</b>

#### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the other Local Authorities and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy for long term borrowing is to ensure that not more than 60% of loans are due to mature between 2 and 5 years, through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	31 March 2014 £000	31 March 2013 £000
Less than 1 year	24,181	30,815
Between 1 and 2 years	20,648	23,590
Between 2 and 5 years	31,576	39,923
Between 5 and 10 years	59,101	57,200
Between 10 and 15 years	87,682	81,732
Between 15 and 20 years	103,956	85,867
More than 20 years	144,755	158,313
<b>Total Cost of Loans Over Their Life</b>	<b>471,899</b>	<b>477,440</b>
This total consists of:		
Principal Amount of Loans	250,816	256,816
Future Interest Element	221,083	220,624
<b>Total Cost of Loans Over Their Life</b>	<b>471,899</b>	<b>477,440</b>

These amounts are higher than those recognised in note 16 to the Balance Sheet as they include the interest for each year of the loans, included in the year it falls due.

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

#### Market Risk

##### *Interest rate risk*

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and

investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. Policy is to keep an appropriate mix of fixed and variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team, together with its advisers, has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2014, 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	(784)
Increase in government grant receivable for financing costs	0
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(784)</b>
Share of overall impact debited to the HRA	(82)
Decrease in fair value of fixed rate investment assets	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	0

#### *Price Risk*

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

#### *Foreign Exchange Risk*

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

**Note 54. Heritage Assets: Five year summary of transactions**

Heritage Assets: Five Year Summary of Transactions	2009/10	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000	£000
<b>Cost of Acquisitions of Heritage Assets</b>					
Historic Seaside Assets	0	0	0	0	0
Heritage Land and Buildings	0	0	0	0	0
Antiques and Collectables	0	0	0	0	0
<b>Total cost of Purchases</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Value of Heritage Assets Acquired by Donation</b>					
Historic Seaside Assets	0	0	0	0	0
Heritage Land and Buildings	0	0	0	0	0
Antiques and Collectables	0	0	0	0	0
<b>Total Donations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Disposals of Historic Seaside Assets</b>					
<b>Carrying Value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Proceeds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Disposals of Heritage Land and Buildings</b>					
<b>Carrying Value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Proceeds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Disposals of Antiques and Collectables</b>					
<b>Carrying Value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Proceeds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Impairment recognised in the period</b>					
Historic Seaside Assets	0	0	(119)	0	0
Heritage Land and Buildings	0	0	(1,738)	0	0
Antiques and Collectables	0	0	0	0	0

**Note 55. Heritage Assets: Further information**

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

**Historic Seaside Assets**

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

**Heritage Land and Buildings**

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

**Antiques / Collectables**

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

**Museum Collections**

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

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

#### Memorials and Statues

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

#### **Note 56. Heritage Assets: Change in Accounting Policy required by the Code of Practice**

Note not required

#### **Note 57. Trust Funds and Bequests**

The Council is responsible for administering a number of trust funds. These funds are not Council assets, so they are not included in the balance sheet. The Council prepares the accounts for these trusts which are subject to audit or examination in accordance with the requirements of the Charity Commission.

At the 31 March 2014, the Council was sole trustee of the twelve trust funds. Some (\*) are consolidated into the Council's Group Accounts on the grounds of materiality.

<b>2013/14</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Assets £000</b>	<b>Liabilities £000</b>
Beecroft Art Trust *	96	221	258	8
Jones Memorial Recreation Ground Trust *	49	49	155	0
Palace Theatre Charity *	197	311	4,047	0
Prittlewell Priory Museum Trust *	74	156	1,815	13
Priory Park Trust *	366	380	404	1
The Shrubbery Trust *	73	5	580	0
Victory Sports Ground Trust	64	64	11	0
Youth Commemoration Ground Trust *	284	277	8,277	1
The E.D.F. Garvie Memorial Fund	0	0	2	0
The E. Cecil Jones Primary Schools Trust Fund	1	0	22	0
R. A. Jones in Memoriam Fund	0	0	17	0
Arthur Henry & Mary Thatcher Memorial Prize	0	0	9	0
<b>Total Trusts</b>	<b>1,204</b>	<b>1,463</b>	<b>15,597</b>	<b>23</b>

2012/13	Income £000	Expenditure £000	Assets £000	Liabilities £000
Beecroft Art Trust *	85	210	377	2
Jones Memorial Recreation Ground Trust *	55	55	156	0
Palace Theatre Charity *	197	311	4,163	3
Prittlewell Priory Museum Trust *	34	116	1,885	1
Priory Park Trust *	395	409	419	1
The Shrubbery Trust *	31	6	512	0
Victory Sports Ground Trust	68	68	11	0
Youth Commemoration Ground Trust *	463	451	8,271	1
The E.D.F. Garvie Memorial Fund	0	0	2	0
The E. Cecil Jones Primary Schools Trust Fund	0	0	21	0
R. A. Jones in Memoriam Fund	0	0	17	0
Arthur Henry & Mary Thatcher Memorial Prize	0	0	9	0
<b>Total Trusts</b>	<b>1,328</b>	<b>1,626</b>	<b>15,843</b>	<b>8</b>

The purpose of each trust fund is set out below:

Beecroft Art Trust

The promotion of the study of art, music and literature and in particular, but without prejudice to the generality of the foregoing, the provision and maintenance of the Beecroft Art Gallery at Southend-on-Sea in the County of Essex as a public art gallery and library

Jones Memorial Recreation Ground Trust

The provision and maintenance of a recreation ground for the benefit of children and young persons who have not reached the age of 25 years and are resident in the borough of Southend-on-Sea, without distinction of political, religious or other opinions.

The Palace Theatre Charity

The Palace Theatre was conveyed to the Council by Mrs GE Mouillot in a deed of gift as an expression of her interest and goodwill towards the then County Borough Council.

The Theatre is used for the general benefit of the inhabitants of Southend-on-Sea

Prittlewell Priory Museum Trust

To provide a museum for the general benefit of the inhabitants of Southend-on-Sea

Priory Park Trust

To be dedicated, held, used and enjoyed as and for the purposes of a public park for the benefit of the inhabitants of the Borough of Southend-on-Sea and the recreation of the public area.

The Shrubbery Trust

For the enjoyment of the public as an open space under the Open Spaces Act 1906

Victory Sports Ground Trust

A public park to be known as the "Victory Sports Ground" for the benefit of the inhabitants of the Borough of Southend-on-Sea and the recreation of the public.

Youth Commemoration Ground Trust

The provision and maintenance of a recreation ground for the benefit of children and young persons who have not reached the age of 25 years and are resident in the Borough of Southend-on-Sea

The E D F Garvie Memorial Fund

Promoting and encouraging education in the Borough of Southend-on-Sea.

The E Cecil Jones Primary Schools Trust Fund

Promotion and encouragement of education in the Borough of Southend-on-Sea.

R A Jones in Memoriam Fund

Promote the education of children attending primary schools in the Borough of Southend-on-Sea and providing facilities for recreation or other leisure time occupation in the interests of social welfare with the object of improving the conditions of life for children.

The Arthur Henry and Mary Thatcher Memorial Prize Trust

Providing an annual memorial scholarship or prize in the names of Arthur Henry Thatcher and Mary Elizabeth Thatcher for the advancement of education but in any form or manner in which the Corporation shall in their absolute discretion deem fit.

The assets of these trusts were donated by individuals to provide facilities for the good of the local community.

The Council is also responsible for two bequests both made for the acquisition of works of art. These balances are included in the specific reserves.

	2013/14 £000	2012/13 £000
S Thorpe Smith Bequest	33	33
Emily Briggs Bequest	17	17
<b>Total Bequests</b>	<b>50</b>	<b>50</b>

**Note 58. Restatement of Prior Year Actuals**

Prior period adjustments have been made to the Council's 2012/13 published financial statements in relation to the following:

**IAS19 Change to Accounting Standard**

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting on or after 1 January 2013. There is no impact on the Balance Sheet. However the main changes are as follows:

- Expected Return on Assets

This is in relation to the return on Pension Scheme assets such as those held by the Essex Local Government Pension Fund. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate (as opposed to using a figure calculated using expected return on assets assumptions).

- Disclosure Presentation

In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Council's defined benefit pension scheme have changed from those published in 2012/13. By making these changes to the accounting standard, it is intended that the presentation of the information is easier for the user to understand (see note 50).

**Interdepartmental Recharges**

Departments within the Council cross charge both within themselves and between Departments where one function supports another. The Council has revised the way in which these cross charges are accounted for, so as to ensure they do not artificially inflate Gross Income and Expenditure. There is no impact on the net cost of services.

**Public Health**

Public Health formally transferred to the Council 1 April 2013. Previously where the Council undertook Public Health activities on behalf of the primary Care Trust, these costs were recorded under Adult Social



Care. There is now a separate line within the Comprehensive Income and Expenditure Statement for these activities.

### Cash Flow

The presentation of the Cash Flow Statement was reviewed with regard to the disclosure of interest paid and received. Following a review of the accounting code, an appropriate disclosure was agreed with the external auditors. This does not affect the overall net increase in cash and cash equivalents, but did change the amounts disclosed under each line of the Cash Flow Statement. The 2012/13 comparator figures were changed to be consistent with this agreed presentation.

<b>2012/13 Movement in Reserves</b>	<b>2012/13 Statements £'000</b>	<b>Adjustments Made £'000</b>
Surplus or (deficit) on provision of services - General Fund	(14,325)	(3,146)
Adjustments between accounting basis and funding basis under regulations - General Fund	19,218	3,146
Adjustments between accounting basis and funding basis under regulations - Pensions Reserve	4,984	(3,146)

<b>2012/13 Comprehensive Income and Expenditure Statement</b>	<b>2012/13 Statements £'000</b>	<b>Adjustments Made £'000</b>
Education and Children's Services - Gross Expenditure	144,641	(5,301)
Education and Children's Services - Gross Income	(108,524)	5,301
Adult Social Care - Gross Expenditure	68,802	(6,747)
Adult Social Care - Gross Income	(23,579)	6,719
Public Health - Gross Expenditure	-	1,441
Public Health - Gross Income	-	(1,413)
Non Distributed Costs	(6,936)	62
Financing and Investment Income and Expenditure	14,923	3,084
Actuarial (Gains) / Losses on Pensions Assets / Liabilities	11,420	(3,146)

<b>2012/13 Cash Flow Statement</b>	<b>2012/13 Statements £'000</b>	<b>Adjustments Made £'000</b>
Net Deficit on the Provision of Services	6,490	3,146
Adjustments to Net Deficit on the Provision of Services for non-cash Movements	(46,900)	17,287
Adjustments for items included in the Net Deficit on the Provision of Services that are Investing and Financing Activities	11,994	(13,790)
Investing Activities	47,357	(6,643)

**HOUSING  
REVENUE  
ACCOUNT**

## HRA INCOME AND EXPENDITURE STATEMENT

2012/13 £000		2013/14 £000
	<b>Income</b>	
(23,492)	Dwelling Rents (Gross)	(24,605)
(321)	Non Dwelling Rents (Gross)	(341)
(4,336)	Charges for Services and Facilities	(4,202)
<b>(28,149)</b>	<b>Total Income</b>	<b>(29,148)</b>
	<b>Expenditure</b>	
5,036	Repairs and Maintenance	5,449
9,943	Supervision and Management	10,000
574	Rents, Rates, Taxes and other Charges	577
153	Negative Housing Revenue Account Subsidy Payable	-
202	Provision for Bad and Doubtful Debts	189
7,536	Depreciation and impairment on Dwellings	6,884
112	Depreciation and impairment on Other Assets	166
39	Debt Management Expenses	42
<b>23,595</b>	<b>Total Expenditure</b>	<b>23,307</b>
<b>(4,554)</b>	<b>Net cost of HRA services as included in the whole authority Income and Expenditure Account</b>	<b>(5,841)</b>
160	HRA services share of Corporate and Democratic Core	164
<b>(4,394)</b>	<b>Net Cost of HRA Services</b>	<b>(5,677)</b>
(395)	Loss/(Profit) on Sale of HRA Fixed Assets	(187)
3,620	Interest Payable and Similar Charges	3,705
(6,575)	General Grants	(511)
(91)	Interest Receivable	(82)
<b>(7,835)</b>	<b>(Surplus) / Deficit for the year on HRA services</b>	<b>(2,752)</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.

2012/13 £000		2013/14 £000
(7,835)	Surplus for the year on the Housing Revenue Account Income And Expenditure Account	(2,752)
5,542	Net additional amount required by statute to be credited to the HRA Balance for the year	99
2,293	Transfer to / (from) Earmarked Reserves	2,653
<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

2012/13 £000		2013/14 £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>	
395	(Loss)/Profit on Sale of HRA Fixed Assets	187
6,575	General Grants	511
	<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>	
0	Transfer to / (from) Major Repairs Reserve	(195)
(1,428)	Transfer to / (from) Capital Adjustment Account - Impairment	(64)
0	Transfer to / (from) Capital Adjustment Account - REFCUS	(373)
0	Revenue Contribution to Capital	33
2,293	<b>Transfer to / (from) Earmarked Reserves</b>	2,653
<b>7,835</b>	<b>Net Additional Amount required to be credited to the Housing Revenue Account Balance for the year</b>	<b>2,752</b>

## NOTES TO THE HRA

### HRA Note 1. Analysis of Housing Stock

	2013/14 Number of Properties	2012/13 Number of Properties
Houses And Bungalows	2,129	2,143
Flats	3,911	3,924
<b>Stock at 31 March 2014</b>	<b>6,040</b>	<b>6,067</b>

### HRA Note 2. Rent Arrears

Cumulative rent arrears in respect of HRA properties at 31 March 2014 including service charges and water were £0.9m (At 31 March 2013 service charges and water were £0.9m).

### HRA Note 3. Government Subsidy

Notwithstanding the demise of the HRA Subsidy regime as at 31 March 2012, a final payment of £153,000 was made in 2012/13 to the Government under the previous regime relating to an adjustment in respect of previous years.

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

Additional provision for bad debts in 2013/14 was £0.2m (2012/13 £0.2m). The provision stood at £0.7m at 31 March 2014 (£0.7m at 31 March 2013). Debts amounting to £0.2m were written off during 2013/14 (£0.2m 2012/13).

#### HRA Note 5. Depreciation

Depreciation – a charge for depreciation has also been made covering dwellings. The useful economic life for Dwellings, other buildings and non-operational assets are in accordance with the componentisation policy as set out in note 12. The Major Repairs Allowance (MRA) is matched against the cost of depreciation. Land is not depreciated due to having an indefinite life.

	2013/14 £000	2012/13 £000
<b>Item 8 Debit</b>		
<u>Depreciation</u>		
Council Dwellings	6,820	6,108
Non-Council Dwellings	103	95
<u>Impairment</u>		
Council Dwellings	64	1,428
Non-Council Dwellings	63	17
<b>Total Depreciation and Impairment</b>	<b>7,050</b>	<b>7,648</b>
Debt Management Expenses	42	39
Loan Interest Payable	3,705	3,620
<b>Item 8 Credit</b>		
Interest Receivable	(82)	(91)
Appropriation From Major Repairs Reserve	(195)	0
Appropriation From Capital Adjustment Account - Impairment	(64)	(1,428)
Appropriation From Capital Adjustment Account - REFCUS	(373)	0
<b>Net Effect On HRA</b>	<b>10,083</b>	<b>9,788</b>

#### HRA Note 6. Major Repairs Reserve

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

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>7,928</b>	<b>1,725</b>
Transfers In	6,923	6,203
Used To Fund Capital (Council Dwellings)	(7,344)	0
Statutory Mitigation	(195)	0
<b>Balance at 31 March</b>	<b>7,312</b>	<b>7,928</b>

## HRA Note 7. Property, Plant and Equipment

The Fixed Assets for the Housing Revenue Account are as follows:

The assets are shown at existing use value to reflect the fact that they are used for social housing and are less than market value.

The Open Market Value (OMV) of Council dwellings at 1 April 2013 amounted to £625.9m. It should be noted that the difference between the vacant possession value, or the OMV above, and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing Council housing at less than market value.

	Council Dwellings	Other Land & Buildings	Infra-Structure	Assets Under Construction	Non-Operational Investment Properties	For Sale in less than 1 Year	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Gross Book Value as at 31 March 2013</b>	<b>282,461</b>	<b>7,471</b>	<b>2</b>	<b>0</b>	<b>1,155</b>	<b>47</b>	<b>(5)</b>	<b>291,131</b>
Accumulated Depreciation as at 31 March 2013	(16,434)	(331)	(2)	0	(8)	(3)	5	(16,773)
<b>Net Book Value as at 31 March 2013</b>	<b>266,027</b>	<b>7,140</b>	<b>0</b>	<b>0</b>	<b>1,147</b>	<b>44</b>	<b>0</b>	<b>274,358</b>
Additions	7,544	217		20				7,781
Disposals	(1,380)	(284)				(47)		(1,711)
Transfers		452	(2)		(460)		5	(5)
Revaluations	12,790	(62)						12,728
Impairment I&E	(388)	(69)						(457)
<u>Depreciation</u>								
For Current Year	(6,820)	(103)						(6,923)
On Disposals	107	16				3		126
Transfers			2		8		(5)	5
Revaluations	14	5						19
Impairments	324	6						330
<b>Gross Book Value as at 31 March 2014</b>	<b>301,027</b>	<b>7,725</b>	<b>0</b>	<b>20</b>	<b>695</b>	<b>0</b>	<b>0</b>	<b>309,467</b>
Accumulated Depreciation as at 31 March 2014	(22,809)	(407)	0	0	0	0	0	(23,216)
<b>Net Book Value as at 31 March 2014</b>	<b>278,218</b>	<b>7,318</b>	<b>0</b>	<b>20</b>	<b>695</b>	<b>0</b>	<b>0</b>	<b>286,251</b>

HRA Note 8. Capital Expenditure

	31 March 2014 £000	31 March 2013 £000
Purchase or enhancement of Council Dwellings	7,717	12,557
Expenditure on maintaining the value of Council Dwellings	437	37
<b>Total HRA Capital Expenditure</b>	<b>8,154</b>	<b>12,594</b>
<u>Financed by:-</u>		
Usable Capital Receipts	51	0
<b>Total Financed By Capital Receipts</b>	<b>51</b>	<b>0</b>
<u>Revenue contributions:-</u>		
General Reserves	33	0
Major Repairs Reserve	7,344	0
Third Party	391	76
Capital Grant	335	6,536
<b>Total Revenue Contributions</b>	<b>8,103</b>	<b>6,612</b>
<u>Funded by Borrowing</u>	0	5,982
<b>Total Capital Expenditure</b>	<b>8,154</b>	<b>12,594</b>

HRA Note 9. Capital Receipts

	Council Dwellings 2013/14 £000	Council Dwellings 2012/13 £000
<b>Capital Receipts from Disposals During the Year</b>	<b>1,772</b>	<b>1,000</b>



# **THE COLLECTION FUND**

## THE COLLECTION FUND

2012/13 £000		2013/14 £000 Council Tax	2013/14 £000 NNDR	2013/14 £000 Total	Collection Fund Note
<b>INCOME</b>					
68,632	Income from Council Tax	74,043		74,043	1
41,475	Income Collectable from Business Ratepayers		46,297	46,297	2
14,621	Council Tax Benefits			0	
<b>124,728</b>	<b>Total Income</b>	<b>74,043</b>	<b>46,297</b>	<b>120,340</b>	
<b>EXPENDITURE</b>					
<b>Precepts and Demands</b>					
8,423	Essex Police Authority	7,549		7,549	
4,092	Essex Fire Authority	3,544		3,544	
69,079	Southend-on-Sea Borough Council	61,016		61,016	
<b>Business Rates</b>					
41,236	Payment to National Pool	0		0	
	Payments to Government		21,170	21,170	
	Payments to Fire Authority		423	423	
	Payments to Southend-on-Sea Borough Council		20,746	20,746	
240	Costs of Collection		239	239	
<b>Bad and Doubtful Debts</b>					
(170)	Provisions	24	392	416	
204	Write-offs	119	763	882	
	NNDR Provision for Appeals	0	1,484	1,484	
<b>123,104</b>	<b>Total Expenditure</b>	<b>72,252</b>	<b>45,217</b>	<b>117,469</b>	
<b>Use of Council Tax Balance</b>					
1,017	Council Tax - Southend-on-Sea Borough Council	700	0	700	
120	Council Tax - Essex Police Authority	85	0	85	
60	Council Tax - Essex Fire Authority	41	0	41	
<b>427</b>	<b>(Deficit)/Surplus for the year</b>	<b>965</b>	<b>1,080</b>	<b>2,045</b>	
<b>COLLECTION FUND BALANCE</b>					
2,647	Balance brought forward at 1 April 2013	3,074	0	3,074	
427	(Deficit)/Surplus for the year (as above)	965	1,080	2,045	
<b>3,074</b>	<b>Balance Carried Forward at 31 March</b>	<b>4,039</b>	<b>1,080</b>	<b>5,119</b>	
<b>Allocated to:</b>					
	Government	0	540	540	
321	Police Authority	428	0	428	
152	Fire Authority	198	11	209	
2,601	Southend-on-Sea Borough Council	3,413	529	3,942	
<b>3,074</b>	<b>Balance Carried Forward at 31 March</b>	<b>4,039</b>	<b>1,080</b>	<b>5,119</b>	

The balance on the Collection Fund as at 31 March 2014 was £5,119,000. £1,774,000 of this balance is committed in support of the 2014/15 Council tax.

## NOTES TO THE COLLECTION FUND

### Collection Fund Note 1. Income from Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex Police Authority, Essex Fire Authority and Southend-on-Sea Borough Council for the forthcoming year and dividing this by the Council Tax Base. The basic amount for a Band D property (£1,176.39 for the Leigh-on-Sea Town Council area and £1,137.42 for all other parts of the Borough) is multiplied by the proportion specified for the particular band to give an individual amount due.

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

	Number of Dwellings	Ratio	Equivalent Number of Dwellings
Valuation Band - A*	13.0	5/9	7.2
Valuation Band - A	8,866.4	6/9	5,911.0
Valuation Band - B	10,417.9	7/9	8,102.8
Valuation Band - C	18,127.4	8/9	16,113.3
Valuation Band - D	10,501.3	9/9	10,501.3
Valuation Band - E	5,875.9	11/9	7,181.6
Valuation Band - F	3,270.4	13/9	4,723.8
Valuation Band - G	1,375.6	15/9	2,292.7
Valuation Band - H	87.8	18/9	175.5
	<b>58,535.7</b>		<b>55,009.2</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.			1,650.3
* Reductions For Band A Disabled.			
	<b>Council Tax Base</b>		<b>53,358.9</b>

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

Non Domestic Rates are organised on a national basis. The Government specified an amount of 47.1p in 2013/14 (45.8p in 2012/13) with a small business rate of 46.2p in 2013/14 (45.0p in 2012/13) and, subject to the effects of transitional arrangements, local businesses pay rates that are calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays 50% of the proceeds over to the Government for onward redistribution in line

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

After relief and provisions, the Non Domestic Rates income collectable was £43,608,315 for 2013/14 (£41,314,245 for 2012/13). The year-end rateable value for the Council's area was £120,890,740 at 31 March 2014 (£119,633,135 at 31 March 2013). The Valuation Office undertook a national revaluation of properties at 1 April 2010.

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

Within the Collection Fund there are the following provisions;

- A provision of £1,295,000 as at 31 March 2014 for bad and doubtful debts for Council Tax (£1,272,000 as at 31 March 2013)
- A provision of £853,000 as at 31 March 2014 for bad and doubtful debts for NNDR (£461,000 as at 31 March 2013)
- A provision of £1,484,000 as at 31 March 2014 for the potential impact of successful appeals by businesses against their rateable values (nil as at 31 March 2013).

### 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 £4,039,000 on the Council Tax Collection Fund is split between Essex Police Authority, Essex Fire Authority and this Council, in proportion to the value of the respective precept demands made by the three authorities on the Collection Fund and will be reflected in future year's Council Tax.

Under business rates retention, the balance of £1,080,000 on the NNDR Collection Fund is split between Central Government, Essex Fire Authority and this Council, in the statutory proportions 50%, 1% and 49% respectively.

	31 March 2014 £000	31 March 2013 £000
Council Tax - Southend-on-Sea Borough Council	3,413	2,603
Council Tax - Essex Police Authority	428	317
Council Tax - Essex Fire Authority	198	154
NNDR - Southend-on-Sea Borough Council	529	0
NNDR - Government	540	0
NNDR - Essex Fire Authority	11	0
<b>Total</b>	<b>5,119</b>	<b>3,074</b>

Shown on Balance Sheet as:	31 March 2014 £000	31 March 2013 £000
Collection Fund Adjustment Account	3,941	2,603
Creditors Falling Due Within One Year	956	326
Debtors	222	145
<b>Total</b>	<b>5,119</b>	<b>3,074</b>

## Collection Fund Note 5. Council Tax Levels

Each domestic dwelling has been allocated to one of eight bands according to the open market value at 1 April 1991. The amount per band is as follows:

<b>Valuation Band</b>	<b>Range of Values</b>	<b>Council Tax 2013/14 Leigh-on-Sea Town Council Area</b>	<b>Council Tax 2013/14 All other parts of the Borough</b>	<b>Ratio to Band D</b>
	<b>£</b>	<b>£</b>	<b>£</b>	
A	Up to and including 40,000	922.86	896.88	6/9
B	40,001 - 52,000	1,076.67	1,046.36	7/9
C	52,001 - 68,000	1,230.48	1,195.84	8/9
D	68,001 - 88,000	1,384.29	1,345.32	1
E	88,001 - 120,000	1,691.91	1,644.28	11/9
F	120,001 - 160,000	1,999.53	1,943.24	13/9
G	160,001 - 320,000	2,307.15	2,242.20	15/9
H	More than 320,000	2,768.58	2,690.64	18/9
<b>Band D</b>		<b>2012/13</b>	<b>2013/14</b>	<b>% increase</b>
		<b>£</b>	<b>£</b>	
	Southend-on-Sea Borough Council	1,117.89	1,137.42	1.75
	Essex Fire Authority	66.42	66.42	-
	Essex Police Authority	136.71	141.48	3.49
	Other than Leigh-on-Sea Town Council Area	1,321.02	1,345.32	1.84
	Leigh-on-Sea Town Council	23.19	38.97	68.05
	Leigh-on-Sea Town Council Area	1,344.21	1,384.29	2.98

# **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 2014, the Council had four wholly owned companies that it considers to fall within the legal definitions of group accounts. These are

- South Essex Homes Limited
- Southend Trading Corporation Limited
- Southend Independent Living Limited, and
- Southend Business Services Limited

Southend-on-Sea Borough Council established an Arm's Length Management Organisation registered as South Essex Homes Limited on 16 May 2005 and transferred responsibility for the management of its housing stock to the company on 24 October 2005. South Essex Homes Limited has no share capital, is limited by guarantee and is controlled by the Council. The Council is committed to meet all accumulated deficits or losses.

Southend Trading Corporation Limited is a company established to exploit the Council's telephony assets by selling surplus capacity to the public and private sectors.

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

Southend Business Services Limited has yet to trade.

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

### **JOINT VENTURES**

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

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

PSP Asset LLP is a vehicle through which the Council is able to redevelop surplus assets. It is jointly controlled with a partner company BVSF on a 50:50 basis. To date no assets have been formally transferred to the LLP, although it does hold one option. As such there are no transactions to consolidate into the group accounts.

Southend-on-Sea Forum Management Limited has been established as a vehicle through which The Forum Southend-on-Sea is managed. The Forum Southend-on-Sea is a partnership between Southend-on-Sea Borough Council, the University of Essex and South Essex College. The Forum Southend-on-Sea is also the new home of the Focal Point Gallery. The Council has equal voting rights as the other two partners. 2013/14 was the first year of activity for this company. The Council's proportion of net assets is immaterial to the accounts and had not been consolidated.

### **TRUST FUNDS AND BEQUESTS**

(See also Note 55 to the main accounts). The Council is responsible for administering a number of trust funds. These funds are not Council assets, so they are not included in the Council's own balance sheet. The Council prepares the accounts for these trusts which are subject to audit or examination in accordance with the requirements of the Charity Commission.

At the 31 March 2014, the Council was sole trustee of twelve trust funds. Although the Council would require the agreement of the Charity Commission to alter the aims and objectives of the Charities, or indeed to dispose of any charity assets, the Council does have significant control over the day to day operations. Of these seven are considered material to the Council's operations and therefore been subject to consolidation. Only four were consolidated in 2013/14. See the Restatement Note below for an explanation of the impact of this change.

**GROUP ACCOUNTING POLICIES**

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



## GROUP MOVEMENT IN RESERVES

	Usable Reserves £000	Unusable Reserves £000	Total Group Reserves £000
<b>Balance at 31 March 2012 Restated</b>	<b>65,159</b>	<b>249,366</b>	<b>314,525</b>
<b>Movement in Reserves during 2012/13</b>			
Surplus (Deficit) on the Provision of Services	(8,883)		(8,883)
Other Comprehensive Income and Expenditure		(38,489)	(38,489)
<b>Total Comprehensive Income and Expenditure</b>	<b>(8,883)</b>	<b>(38,489)</b>	<b>(47,372)</b>
Adjustments between accounting basis and funding basis under regulations	26,731	(26,731)	0
<b>Net Increase / Decrease before Transfers to reserves</b>	<b>17,848</b>	<b>(65,220)</b>	<b>(47,372)</b>
Transfers to / from Earmarked Reserves			0
<b>Increase / Decrease in 2012/13</b>	<b>17,848</b>	<b>(65,220)</b>	<b>(47,372)</b>
<b>Balance at 31 March 2013</b>	<b>83,007</b>	<b>184,146</b>	<b>267,153</b>
<b>Movement in Reserves during 2013/14</b>			
Surplus (Deficit) on the Provision of Services	9,953		9,953
Other Comprehensive Income and Expenditure		71,191	71,191
<b>Total Comprehensive Income and Expenditure</b>	<b>9,953</b>	<b>71,191</b>	<b>81,144</b>
Adjustments between accounting basis and funding basis under regulations	13,565	(13,572)	(7)
<b>Net Increase / Decrease before Transfers to reserves</b>	<b>23,518</b>	<b>57,619</b>	<b>81,137</b>
Transfers to / from Earmarked Reserves			0
<b>Increase / Decrease in 2013/14</b>	<b>23,518</b>	<b>57,619</b>	<b>81,137</b>
<b>Balance at 31 March 2014</b>	<b>106,525</b>	<b>241,765</b>	<b>348,290</b>

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2012/13			2013/14			
Gross Expenditure £000 Restated	Gross Income £000 Restated	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
18,919	(16,247)	2,672	Central Services to the Public	3,927	(1,851)	2,076
17,485	(3,810)	13,675	Cultural Services	21,599	(3,123)	18,476
			Environmental and Regulatory			
20,173	(4,668)	15,505	Services	19,909	(3,740)	16,169
2,205	(522)	1,683	Planning Services	2,123	(674)	1,449
139,340	(103,223)	36,117	Education and Children's Services	134,013	(103,913)	30,100
			Exceptional cost of Education and			
31,487	0	31,487	Children's Impairment	0	0	0
19,675	(8,635)	11,040	Highways and Transport Services	22,910	(10,994)	11,916
22,341	(27,568)	(5,227)	Local Authority Housing (HRA)	23,104	(28,389)	(5,285)
105,538	(100,424)	5,114	Other Housing Services	109,413	(103,247)	6,166
62,055	(16,860)	45,195	Adult Social Care	59,781	(21,768)	38,013
7,896	(339)	7,557	Corporate and Democratic Core	6,080	(24)	6,056
(6,874)	0	(6,874)	Non Distributed Costs	(589)	0	(589)
<b>440,240</b>	<b>(282,296)</b>	<b>157,944</b>	<b>Cost of Services - Existing Services</b>	<b>402,270</b>	<b>(277,723)</b>	<b>124,547</b>
1,441	(1,413)	28	Transferred Operations - Public Health	7,183	(8,081)	(898)
<b>441,681</b>	<b>(283,709)</b>	<b>157,972</b>	<b>Cost of Services</b>	<b>409,453</b>	<b>(285,804)</b>	<b>123,649</b>
		1,649	Other Operating Expenditure			5,481
		18,515	Financing and Investment Income and Expenditure			20,032
		(169,268)	Taxation and Non-Specific Grant Income			(159,115)
		<b>8,868</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(9,953)</b>
		15	Tax Expenses of Subsidiary			0
		<b>8,883</b>	<b>Group (Surplus)/Deficit</b>			<b>(9,953)</b>
		30,108	Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets			(33,484)
		2	Surplus or Deficit on Revaluation of Available for Sale Financial Assets			0
		8,379	Actuarial gains / losses on Pension Assets / Liabilities			(37,707)
		<b>38,489</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(71,191)</b>
		<b>47,372</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(81,144)</b>

## GROUP BALANCE SHEET

1 April 2012 £000 Restated	31 March 2013 £000 Restated		31 March 2014 £000
658,582	627,974	Property, Plant & Equipment	660,567
10,295	10,070	Heritage Assets	11,536
26,145	26,580	Investment Property	25,576
6,014	3,514	Intangible Assets	3,507
0	271	Assets Held for Sale	0
67	61	Long Term Investments	56
45	81	Long Term Debtors	135
<b>701,148</b>	<b>668,551</b>	<b>Long Term Assets</b>	<b>701,377</b>
27,301	38,170	Short term Investments	39,876
1,946	1,518	Assets Held for Sale	0
293	212	Inventories	228
39,310	36,304	Short Term Debtors	22,738
40,540	34,869	Cash and Cash Equivalents	55,316
<b>109,390</b>	<b>111,073</b>	<b>Current Assets</b>	<b>118,158</b>
(330)	(79)	Cash and Cash Equivalents	(667)
(21,313)	(21,484)	Short Term Borrowings	(14,499)
(38,512)	(35,621)	Short Term Creditors	(31,674)
(3,462)	(4,813)	Provisions	(6,249)
<b>(63,617)</b>	<b>(61,997)</b>	<b>Current Liabilities</b>	<b>(53,089)</b>
(3,169)	(723)	Long Term Creditors	(393)
0	(77)	Provisions	0
(221,816)	(236,816)	Long Term Borrowing	(237,816)
(191,681)	(197,780)	Other Long Term Liabilities - Pensions	(165,491)
(15,730)	(15,078)	Other Long Term Liabilities - Other	(14,456)
<b>(432,396)</b>	<b>(450,474)</b>	<b>Long Term Liabilities</b>	<b>(418,156)</b>
<b>314,525</b>	<b>267,153</b>	<b>Net Assets</b>	<b>348,290</b>
65,159	83,007	Usable Reserves	106,525
249,366	184,146	Unusable Reserves	241,765
<b>314,525</b>	<b>267,153</b>	<b>Total Reserves</b>	<b>348,290</b>

## GROUP CASH FLOW STATEMENT

2012/13 £000 Restated	2013/14 £000
8,883 Net (Surplus) or Deficit on the Provision of Services	(9,953)
Adjustments to Net Surplus or Deficit on the Provision of Services for (29,592) non-cash Movements	(47,299)
Adjustments for items included in the Net Surplus or Deficit on the (1,338) Provision of Services that are Investing and Financing Activities	1,833
(22,047) Net cash flows from Operating Activities	(55,419)
40,714 Investing Activities	24,216
(13,247) Financing Activities	11,344
5,420 Net Increase or Decrease in Cash and Cash Equivalents	(19,859)
(40,210) Cash and Cash Equivalents at the beginning of the Reporting Period	(34,790)
<b>(34,790) Cash and Cash Equivalents at the end of the Reporting Period</b>	<b>(54,649)</b>

## NOTES TO THE GROUP ACCOUNTS

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

### Group Note 1 Details of Subsidiary Company

South Essex Homes Limited – Company registration number 05453601

### Group Note 2 Financial Performance

2013/14	Youth Commemoration Ground Trust £000	Palace Theatre Charity £000	Prittlewell Priory Museum Trust £000	The Shrubbery Trust £000	Beecroft Art Gallery £000	Jones Memorial Trust £000	Priory Park Trust £000	Total Trusts £000	South Essex Homes £000	Total £000
Income	(284)	(197)	(74)	(73)	(96)	(49)	(366)	(1,139)	(10,339)	(11,478)
Expenditure	277	311	156	5	221	49	380	1,399	10,662	12,061
Property, Plant & Equipment	5,725	4,047			250	30	317	10,369	2	10,371
Heritage Assets			1,802					1,802		1,802
Investment Property				239			86	325		325
Other Current Assets	2,552	1	13	342	8	125	1	3,042	6,540	9,582
Other Liabilities	(1)	(1)	(13)	(1)	(8)		(1)	(25)	(4,564)	(4,589)
Pension Liability								0	(6,568)	(6,568)
<b>Net Assets</b>	<b>8,276</b>	<b>4,047</b>	<b>1,802</b>	<b>580</b>	<b>250</b>	<b>155</b>	<b>403</b>	<b>15,513</b>	<b>(4,590)</b>	<b>10,923</b>
Usable Reserves	2,551			341		124		3,016	1,978	4,994
Unusable Reserves	5,725	4,047	1,802	239	250	31	403	12,497	(6,568)	5,929

2012/13	Youth Commemoration Ground Trust £000	Palace Theatre Charity £000	Prittlewell Priory Museum Trust £000	The Shrubbery Trust £000	Beecroft Art Gallery £000	Jones Memorial Trust £000	Priory Park Trust £000	Total Trusts £000	South Essex Homes £000	Total £000
Income	(463)	(197)	(34)	(31)	(85)	(52)	(394)	(1,256)	(10,710)	(11,966)
Expenditure	451	310	116	6	210	52	409	1,554	9,659	11,213
Property, Plant & Equipment	5,837	4,161			375	31	332	10,736	4	10,740
Heritage Assets			1,883					1,883		1,883
Investment Property				239			86	325		325
Other Current Assets	2,434	3	28	273	2	124	1	2,865	4,683	7,548
Other Liabilities	(2)	(3)	(28)		(2)		(1)	(36)	(2,899)	(2,935)
Pension Liability								0	(7,995)	(7,995)
<b>Net Assets</b>	<b>8,269</b>	<b>4,161</b>	<b>1,883</b>	<b>512</b>	<b>375</b>	<b>155</b>	<b>418</b>	<b>15,773</b>	<b>(6,207)</b>	<b>9,566</b>
Usable Reserves	2,432			273		124		2,829	1,788	4,617
Unusable Reserves	5,837	4,161	1,883	239	375	31	418	12,944	(7,995)	4,949

On 31 March 2014 South Essex Homes had net liabilities valued at £4.590m. This comprises retained profits of £1.978m, set against a pension reserve of £6.568m. The Council provides a guarantee for the pension reserve, so that South Essex Homes can continue to be regarded as a going concern.

### Group Note 3 Intercompany transactions

#### South Essex Homes

The Council paid fees of £10.0m to South Essex Homes Limited for the management of its housing stock.

The Council provides several services for its subsidiary for which South Essex Homes Limited paid £0.6m. These transactions have been removed from the Group Comprehensive Income and Expenditure Statement.

#### Trust Accounts

The Trusts generate little or no income in their own right. As such the Council provides either free services or a direct operating subsidy, by way of a grant. In total the Council supported the operation of the consolidated Trusts by £0.995M. In addition the Council paid interest on cash balances held. These transactions have been removed from the Group Comprehensive Income and Expenditure Statement

All intra company debtor and creditor balances in the individual entities primary statements have been removed from the Group Balance Sheet.

### Group Note 4 Property, Plant and Equipment

The Property, Plant and Equipment line of the Group Balance Sheet is materially different from the single entity's Balance Sheet on page 30. The categories of asset affected are as follows:

	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total Property, Plant & Equipment £000
<b>Movements in 2013/14</b>			
<b>Cost or Valuation as at 1 April 2013</b>	<b>271,390</b>	<b>15,774</b>	<b>287,164</b>
Additions	20,612	541	21,153
Revaluations via Revaluation Reserve	17,221		17,221
Revaluations recognised in the CIES	(11,020)	(3,552)	(14,572)
Disposals	(5,013)	(21)	(5,034)
Transfers	18,430		18,430
<b>Gross Book Value as at 31 March 2014</b>	<b>311,620</b>	<b>12,742</b>	<b>324,362</b>
<b>Accumulated Depreciation as at 1 April 2013</b>	<b>(15,259)</b>	<b>(7,225)</b>	<b>(22,484)</b>
Depreciation	(6,097)	(710)	(6,807)
Written out to Revaluation Reserve	1,678		1,678
Written out to the CIES	1,693	1,564	3,257
On Impaired Assets			0
On Disposals	183	17	200
On Transfers	(49)		(49)
<b>Accumulated Depreciation as at 31 March 2014</b>	<b>(17,851)</b>	<b>(6,354)</b>	<b>(24,205)</b>
<b>Net Book Value as at 31 March 2013</b>	<b>256,131</b>	<b>8,549</b>	<b>264,680</b>
<b>Net Book Value as at 31 March 2014</b>	<b>293,769</b>	<b>6,388</b>	<b>300,157</b>

	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total Property, Plant & Equipment £000
<b>Movements in 2012/13</b>			
<b>Cost or Valuation as at 1 April 2012</b>	<b>329,278</b>	<b>13,842</b>	<b>343,120</b>
Additions	15,927	2,025	17,952
Revaluations via Revaluation Reserve	(35,812)		(35,812)
Revaluations recognised in the CIES	(34,923)	(65)	(34,988)
Disposals	(889)	(28)	(917)
Transfers	(2,191)		(2,191)
<b>Gross Book Value as at 31 March 2013</b>	<b>271,390</b>	<b>15,774</b>	<b>287,164</b>
<b>Accumulated Depreciation as at 1 April 2012</b>	<b>(17,369)</b>	<b>(6,155)</b>	<b>(23,524)</b>
Depreciation	(5,525)	(1,102)	(6,627)
Written out to Revaluation Reserve	5,587		5,587
Written out to the CIES	1,925	18	1,943
On Impaired Assets			0
On Disposals	74	14	88
On Transfers	49		49
<b>Accumulated Depreciation as at 31 March 2013</b>	<b>(15,259)</b>	<b>(7,225)</b>	<b>(22,484)</b>
<b>Net Book Value as at 31 March 2012</b>	<b>311,909</b>	<b>7,687</b>	<b>319,596</b>
<b>Net Book Value as at 31 March 2013</b>	<b>256,131</b>	<b>8,549</b>	<b>264,680</b>

## Group Note 5 Defined Benefit Pension Schemes

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

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

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

Actuarial Gains/(Losses)	2013/14 £000	2012/13 £000
Present Value of the defined benefit obligation	493,306	487,566
Fair Value of Plan Assets	(327,815)	(289,786)
<b>Net Liability arising from defined benefit obligation</b>	<b>165,491</b>	<b>197,780</b>

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

	2013/14 £000	2012/13 £000
Opening Balance at 1 April	487,566	455,158
Current Service Cost	10,906	11,319
Interest Cost	21,231	19,755
Contributions by Scheme Participants	3,375	3,415
Remeasurement Gains and Losses		
Actuarial gains / losses arising from changes in demographic assumptions	(30,511)	0
Actuarial gains / losses arising from changes in financial assumptions	14,141	28,414
Other	2,153	(34)
Losses on Curtailments	520	462
Benefits Paid	(14,772)	(15,354)
Liabilities extinguished on Settlements	(1,303)	(15,569)
<b>Closing Balance at 31 March</b>	<b>493,306</b>	<b>487,566</b>

### Reconciliation of fair value of the scheme assets

	2013/14 £000	2012/13 £000
Opening Balance at 1 April	289,786	263,561
Interest Income	12,804	11,113
The return on plan assets, excluding the amount included in the net interest expense	12,732	19,907
Other Actuarial Gains	10,758	793
Employer Contributions	13,276	13,954
Contributions by Scheme Participants	3,375	3,415
Benefits Paid	(14,772)	(15,354)
Payment of Bulk Transfer Value	(97)	(7,541)
Administrative Expense	(47)	(62)
<b>Closing Balance at 31 March</b>	<b>327,815</b>	<b>289,786</b>

### Local Government Pension Scheme assets

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



	2013/14		2012/13	
	£000	%	£000	%
Equity Investments	218,640	67	185,462	64
Government Bonds	26,106	8	20,285	7
Other Bonds	26,106	8	23,183	8
Property	37,383	11	34,774	12
Cash / Liquidity	6,527	2	11,592	4
Alternative Assets	13,053	4	14,490	5
	<b>327,815</b>	<b>100</b>	<b>289,786</b>	<b>100</b>

### Impact on the Council's Cash Flows

The Group anticipates to pay £21.305M expected contribution to the scheme in 2014/15.

### Group Note 6 Accounts

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

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

### Group Note 7 Restatement of Group Accounts

#### Inclusion of Trust Funds

Having reviewed the nature of the control the Council has over the Trust Funds for which it is sole trustee, it has been concluded that control does exist, and as such the related balances and transactions should be included within the Council's group accounts. In 2012/13 it was decided therefore to consolidate 4 of the major trusts into the group financial statements. In 2013/14 this has been extended to 7 of the Trusts. Therefore in addition to the restatement of the Council's own financial statements as set out on page 34, it has also been necessary to restate the group financial statements.

The following tables explain the material differences between the amounts presented in the 2012/13 financial statements and the equivalent amounts presented in the 2013/14 financial statements. Restatements in relation to the Council's own accounts are also reproduced for completeness, given their effect on the overall group account.

<b>2012/13 Group Movement in Reserves</b>	<b>2012/13 Statements £'000</b>	<b>Adjustments Made £'000</b>
Surplus or (deficit) on provision of services	(5,581)	(3,302)
Other Comprehensive Income and Expenditure	(41,636)	3,147
Adjustments between accounting basis and funding basis under regulations - Usable Reserves	23,659	3,072
Adjustments between accounting basis and funding basis under regulations - Unusable Reserves	(23,659)	(3,072)

<b>Opening 1 April 2012 Group Balance Sheet</b>	<b>2012/13 Statements £'000</b>	<b>Adjustments Made £'000</b>
Property Plant & Equipment	657,703	879
Investment Property	67	86
Short Term Investments	27,178	123
Cash and Cash Equivalents	40,521	19
Short Term Creditors	(38,493)	(19)
Usable Reserves	(65,036)	(123)
Unusable Reserves	(248,401)	(965)

<b>31 March 2013 Balance Sheet</b>	<b>2012/13 Statements £'000</b>	<b>Adjustments Made £'000</b>
Property Plant & Equipment	627,236	738
Investment Property	61	86
Short Term Investments	38,046	124
Cash and Cash Equivalents	34,841	28
Short Term Creditors	(35,578)	(43)
Usable Reserves	(83,114)	107
Unusable Reserves	(183,106)	(1,040)

<b>2012/13 Comprehensive Income and Expenditure Statement</b>	<b>2012/13 Statements £'000</b>	<b>Adjustments Made £'000</b>
Cultural Services	13,648	27
Housing Revenue Account	(5,242)	15
Non Distributed Costs	(6,936)	62
Financing and Investment Income and Expenditure	15,317	3,198
Actuarial (Gains) / Losses on Pensions Assets / Liabilities	11,525	(3,146)

# **ADDITIONAL FINANCIAL INFORMATION**

## MEMBERS' ALLOWANCES (UNAUDITED)

Members' Allowances		Basic Allowances £	Special Allowances £	Travel & Subsistence £	Total £
<b>Elected Councillors</b>					
ASSENHEIM	M	8,486.04	1,280.31		9,766.35
AYLING	B	8,486.04			8,486.04
AYLEN	ST	8,486.04			8,486.04
BETSON	M	8,486.04			8,486.04
BORTON	M	8,486.04			8,486.04
BROWN	RAH	8,486.04			8,486.04
BURDETT	L	8,486.04	1,280.31		9,766.35
BYFORD	T	8,486.04			8,486.04
CAUNCE	M	8,486.04			8,486.04
CARR	SJ	8,486.04	1,334.50		9,820.54
CHALK	A	8,486.04			8,486.04
COLLINS	P	8,486.04	2,133.73		10,619.77
COURTENAY	J	8,486.04	10,612.62	120.50	19,219.16
COX	TM	8,486.04	10,612.62		19,098.66
CRYSTALL	A	8,486.04			8,486.04
DAY	E	8,486.04			8,486.04
EVANS	MF	8,486.04	5,121.00		13,607.04
FLEWITT	MA	8,486.04	1,280.31		9,766.35
GARSTON	J	8,486.04	10,612.62	24.20	19,122.86
GARSTON	D	8,486.04	1,066.93		9,552.97
GILBERT	I	8,486.04	5,091.60		13,577.64
GODWIN	B	8,486.04			8,486.04
GRIMWADE	M	8,486.04			8,486.04
HABERMEL	S	8,486.04	4,267.58		12,753.62
HADLEY	R	8,486.04	4,694.23		13,180.27
HOLDCROFT	TM	8,486.04	29,701.08		38,187.12
HOLLAND	AE	8,486.04	6,401.31	6.00	14,893.35
HORRIGAN MBE	GM	5,162.34			5,162.34
JARVIS	DJ	8,486.04	10,612.62	305.10	19,403.76
JONES	ADAM	8,486.04			8,486.04
JONES	ANNE	8,486.04			8,486.04
KAYE	A	8,486.04	6,401.31		14,887.35
KELLY	BT	8,486.04	11,789.52	72.00	20,347.56
LAMB	JL	8,486.04	15,274.80	533.70	24,294.54
LEWIN	G	8,486.04			8,486.04
LONGLEY	GE	8,486.04	8,508.63		16,994.67
McMAHON	J	8,486.04			8,486.04
MORGAN	R	8,486.04			8,486.04
MORING	AJ	8,486.04	10,612.62	80.52	19,179.18
NORMAN	DA	8,486.04	8,535.04		17,021.08
PHILLIPS	G	1,619.65			1,619.65
ROBERTSON	IT	8,486.04			8,486.04
RUSSELL	D	8,486.04			8,486.04
SALTER	L	8,486.04	10,612.62		19,098.66
STAFFORD	M	8,486.04	1,066.93		9,552.97
TERRY	MW	8,486.04	8,486.04		16,972.08
VAN LOOY	P	8,486.04			8,486.04
VELMURUGAN	M	8,486.04			8,486.04
WALKER	CW	8,486.04	2,678.97		11,165.01
WARE-LANE	J	8,486.04			8,486.04
WEXHAM	PA	8,486.04			8,486.04
WOODLEY	R	8,486.04	6,401.31		14,887.35
<b>Co- Opted Members</b>					
BARNARD	L		254.64		254.64
CAMP	E		28.70		28.70
CLARKE	A		254.64		254.64
COPELAND	V		254.64		254.64
EVERITT	R		1,060.44		1,060.44
GRUBB	I		28.70		28.70
KEAY	J		222.80		222.80
MORGAN	J		1,060.44		1,060.44
SPIBY	D		31.84		31.84
RICKETT	M		254.64		254.64
TETLEY	J		1,193.23		1,193.23
WILLIAMS	R		350.00		350.00
<b>Total</b>		<b>431,083.99</b>	<b>201,465.87</b>	<b>1,142.02</b>	<b>633,691.88</b>

# **ABBREVIATIONS and GLOSSARY**

## ABBREVIATIONS

ALMO	Arm's-Length Management Organisation
CIPFA	Chartered Institute of Public Finance and Accountancy
CIES	Comprehensive Income and Expenditure Statement
DCLG	Department for Communities and Local Government
DEFRA	Department for Environment, Food and Rural Affairs
DfE	Department for Education
DSG	Dedicated Schools Grant
EIR	Effective Interest Rate
FRS	Financial Reporting Standard
HRA	Housing Revenue Account
LAA	Local Area Agreement
LATS	Landfill Allowance Trading Scheme
LEA	Local Education Authority
LGPS	Local Government Pension Scheme
LSP	Local Strategic Partnership
MRA	Major Repairs Allowance
MRICS	Member of the Royal Institute of Chartered Surveyors
MRP	Minimum Revenue Provision
MRR	Major Repairs Reserve
NNDR	National Non-Domestic Rates (Business Rates)
NPV	Net Present Value
OMV	Open Market Value
PWLB	Public Works Loan Board
SEH	South Essex Homes Limited
SeRCOP	Service Reporting Code of Practice
SOLACE	Society of Local Authority Chief Executives
TPA	Teachers' Pension Agency
UEL	Useful Economic Life
VAT	Value Added Tax

## GLOSSARY

<b>Accounting Period</b>	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local Council accounts. The end of the accounting period is the balance sheet date.
<b>Accounting Statements</b>	The Council's Core Financial Statements, Notes and Supplementary Financial Statements.
<b>Accrual</b>	A sum included in the final accounts attributable to the accounting period but for which payment has yet to be made or income received.
<b>Accumulating Absences Account</b>	Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. In local authorities, annual leave, flexitime and time in lieu would usually be accumulating. Accumulating absences are typically earned by employees as they provide services. The Government has issued regulations which mean that the Council is only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.
<b>Actuary</b>	A suitably qualified independent consultant employed to advise the Council upon the financial position of the Pension Fund
<b>Amortisation</b>	Amortisation is the writing down of costs to the Comprehensive Income and Expenditure Statement over a number of years.
<b>Appropriations</b>	Appropriations are the transfer of resources between, to and from the various reserves.
<b>Area Based Grant</b>	A general government grant that can be used for any purpose.
<b>Asset</b>	An item having value measurable in monetary terms. Assets can either be defined as non-current or current. A non-current asset has use and value for more than one year whereas a current asset (e.g. inventory or short-term debtors) can readily be converted into cash.
<b>Audit of Accounts</b>	An independent examination of the Council's accounts to ensure that the relevant legal obligations, accounting standards and codes of practice have been followed.
<b>Audit Commission</b>	An independent body, established under the Local Government Finance Act 1982. The Audit Commission is responsible for appointing external auditors to local authorities and setting standards for those auditors, carrying out national studies to promote economy, efficiency and effectiveness in the provision of Council services and defining comparative indicators of Council performance that are published annually.
<b>Balance Sheet</b>	A financial statement that summarises the Council's assets, liabilities and other balances at the end of the accounting period.
<b>Billing Authority</b>	A local authority such as Southend-on-Sea Borough Council charged by statute with responsibility for the collection of and accounting for Council Tax and non-domestic rates (NNDR; business rates).
<b>Budget</b>	A budget is a financial statement that expresses a Council's service delivery plans and capital programmes in monetary terms, covering the financial year.

<b>Budget Requirement</b>	The estimated revenue expenditure on general fund services that needs to be financed from the Council tax after deducting income from fees and charges, certain specific grants and any funding from reserves. It is referred to by the Minister for Local Government when deciding the criteria for capping Council revenue expenditure.
<b>Capital Charges</b>	A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services. Before 2006-07 this was made up of depreciation and a “Capital Financing Charge” – a notional amount of interest. From 2006-07 onwards the Capital Financing Charge has been removed.
<b>Capital Expenditure</b>	(or capital spending) – Section 40 of the Local Government and Housing Act 1989 defines ‘expenditure for capital purposes’. This includes spending on the acquisition of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. Expenditure that does not fall within this definition must be charged to a revenue account.
<b>Capital Financing</b>	The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.
<b>Capital Programme</b>	The capital schemes the Council intends to carry out over a specified time period.
<b>Capital Receipt</b>	The proceeds from the disposal of land and other assets, so long as the amount is £10,000 or more. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used for revenue purposes.
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance.
<b>Collection Fund</b>	A separate fund maintained by a billing authority that records the expenditure and income relating to Council Tax and non-domestic rates, along with payments to precepting authorities, the national pool of non-domestic rates and its own general fund.
<b>Community Assets</b>	Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions in their disposal. Examples of community assets are parks and historical buildings.
<b>Comprehensive Income and Expenditure Statement</b>	An account which summarises resources generated and consumed in the provision of services.
<b>Consistency</b>	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
<b>Contingent Liability</b>	A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council’s control. Alternatively, a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of that obligation cannot be measured with sufficient reliability.
<b>Council Tax</b>	The main source of local taxation to local authorities. Council Tax is levied on households within its area by the billing Council and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.
<b>Council Tax Benefit</b>	Assistance provided by billing authorities to adults on low incomes to help them pay their Council Tax bill. The cost to authorities of Council Tax benefit is largely met by government grant.



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

<b>HRA Subsidy</b>	HRA subsidy is paid to meet any shortfall between expenditure and income, based on a model of each Council's HRA. Where, according to this model, a Council's HRA income is greater than its HRA expenditure then the government collects the resulting 'negative subsidy' from the Council. The calculation makes assumptions about an Council's need to spend and about the income it can reasonably be expected to receive. The figures used are therefore mainly notional. They will differ from the actual income and expenditure that is included in the Council's actual HRA.
<b>Infrastructure Assets</b>	Non-current assets belonging to the Council which do not necessarily have a resale value (e.g. highways).
<b>Internal Audit</b>	An independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
<b>International Financial Reporting Standard (IFRS)</b>	International Financial Reporting Standards cover particular aspects of accounting practice, and set out the correct accounting treatment, for example, of depreciation. Compliance with these standards is mandatory and any departure from them must be disclosed and explained. The standards originated in the commercial sector and some are not directly relevant to local authority accounts.
<b>Inventory</b>	These comprise one or more of the following categories: goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.
<b>Minimum Revenue Provision (MRP)</b>	This is the amount to be set aside for the repayment of debt. Each local Council has a general duty to make an MRP charge to its revenue account each year, which it considers to be prudent.
<b>National Non-Domestic Rate (NDR)</b>	A standard rate in the pound set by the Government payable on the assessed rateable value of properties used for business purposes. Also known as Non-Domestic or Business rates.
<b>Net Expenditure</b>	Gross expenditure less specific service income.
<b>Non-Operational Assets</b>	Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties or assets surplus to requirements, pending sale or redevelopment.
<b>Operating Lease</b>	A type of lease, usually of computer equipment, office equipment, furniture, etc which is similar to renting and therefore represents a revenue cost. Ownership of the asset remains with the lessor.
<b>Operational Assets</b>	Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.
<b>Outturn</b>	Actual income and expenditure in a financial year.
<b>Pension Fund</b>	An employees' pension fund maintained by a Council, or group of authorities, in order to make pension payments on retirement of participants. It is financed from contributions from the employing Council, the employee and investment income.
<b>Precept</b>	The levy made by Precepting authorities on billing authorities, e.g. Southend-on-Sea Borough Council. The major precepting authorities are Essex Police Authority and Essex Fire Authority. The Leigh-on-Sea Town Council also raise money by means of a precept on the billing authority.

<b>Public Works Loan Board (PWLB)</b>	A central government agency which provides long- and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source, subject to them being able to afford the interest and principle repayments.
<b>Provision</b>	An amount set aside for liabilities or losses that are certain to arise but owing to their inherent nature cannot be quantified with absolute certainty.
<b>Prudential Code</b>	The Prudential Code, introduced in April 2004, sets out the arrangements for capital finance in local authorities. It constitutes 'proper accounting practice' and is recognised as such by statute.
<b>Rateable Value</b>	The annual assumed rental value of a property that is used for business purposes.
<b>Revenue Expenditure Financed from Capital under Statute (REFCUS)</b>	Capital expenditure which may be properly treated as such, but which does not result in, or remain matched with, tangible fixed assets. An example of REFCUS would be capital expenditure on improvement grants.
<b>Reserves</b>	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council.
<b>Revenue Support Grant</b>	A grant paid by the Government to Councils, contributing towards the costs of their services, as opposed to specific grants, which may only be used for a specific purpose.
<b>Specific Grants</b>	The term used to describe all government grants – including supplementary and special grants – to local authorities that are to be used for a particular purpose, as opposed to non service specific grants such as revenue support grant and area based grant.
<b>SeRCOP</b>	Service Reporting Code of Practice. The system of local authority accounting and reporting the provision of services. SeRCOP lays down the required content and presentation of costs of service activities.
<b>Subjective Analysis</b>	This is an analysis of income or expenditure according to type. Such expenditure headings are wages and salaries, capital charges, building maintenance, consumable materials. On the income side, the examples are government grant, fees and charges.
<b>Supplementary Financial Statements</b>	Additional financial statements comprising the Housing Revenue Account and Collection Fund. Together with the Core Financial Statements comprise the Council's Accounting Statements.
<b>Temporary Investment</b>	Money invested for a period of less than one year.
<b>Trust Funds</b>	Funds administered by the Council for such purposes as prizes charities and specific projects usually as a result of individual legacies and donations.
<b>Value for Money (VFM)</b>	A term that describes a service or product that demonstrates a good balance between its cost, quality and usefulness to the customer. A VFM audit takes into account the economy, efficiency and effectiveness (known as the 'three Es') of a Council service, function or activity.

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