



# Statement of Accounts

2017/2018

Department of the Chief Executive

## **Photo Credits**

Front cover: Beach Huts, Southend-on-Sea. Clodagh Duffy  
Back cover: Southend-on-Sea Borough Council Civic Offices. Clodagh Duffy

**SOUTHEND-ON-SEA BOROUGH COUNCIL  
STATEMENT OF ACCOUNTS  
2017/18**

**Mayor**

Councillor Derek Jarvis

**Leader of the Council**

Councillor John Lamb

**Chief Executive and Town Clerk**

Alison Griffin

**Director of Finance and Resources**

Joe Chesterton

**Southend-on-Sea Borough Council**

**Department of the Chief Executive – Finance and Resources**

**PO Box 2**

**Civic Centre**

**Victoria Avenue**

**Southend-on-Sea**

**Essex**

**SS2 6ER**



# CONTENTS

<b>STRATEGIC REPORT</b>	<b>7</b>
Introduction from the Leader and Chief Executive	8
Council's Performance	9
Financial Review 2017/18	12
Principal Risks and Uncertainties	17
The Financial Statements	18
<b>INTRODUCTORY STATEMENTS</b>	<b>19</b>
Statement of Responsibility for the Statement of Accounts	20
Approval of the Statement of Accounts	20
Director of Finance & Resources' Certificate	20
Annual Governance Statement	21
Independent Auditor's Report to the Members of Southend-on-Sea Borough Council	31
<b>MAIN FINANCIAL STATEMENTS</b>	<b>35</b>
Comprehensive Income and Expenditure Statement	36
Movement in Reserves Statement	37
Balance Sheet	38
Cash Flow Statement	39
<b>NOTES TO THE ACCOUNTS</b>	<b>41</b>
Notes Contents List	43
Notes Supporting the Comprehensive Income and Expenditure Statement	57
Notes Supporting the Movement in Reserves Statement	69
Notes Supporting the Balance Sheet	75
Notes Supporting the Cash flow Statement	103
Other Notes	105
<b>HOUSING REVENUE ACCOUNT</b>	<b>107</b>
HRA Income And Expenditure Statement	108
Movement on the HRA Balance	109
Calculation of Movement on the HRA Balance	109
Notes to the HRA	110
<b>THE COLLECTION FUND</b>	<b>115</b>
The Collection Fund	116
Notes to The Collection Fund	117
<b>THE GROUP ACCOUNTS</b>	<b>121</b>
Introduction	122
Group Comprehensive Income and Expenditure Statement	124
Group Movement in Reserves	125
Group Balance Sheet	126
Group Cash Flow Statement	127
Notes to the Group Accounts	128
<b>ADDITIONAL FINANCIAL INFORMATION</b>	<b>137</b>
Members' Allowances (unaudited)	138
<b>ABBREVIATIONS AND GLOSSARY</b>	<b>139</b>
Abbreviations	140
Glossary	141



# **STRATEGIC REPORT**

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

Well, what a year it has been – packed full of numerous achievements and also challenges.

2017/18 was a year of successes across our 400 services – from becoming a Gigabit City to seeing 53 more local children take and pass the 11 plus. From securing £15m for our Better Queensway project (that we also launched in March 2018), to working with our community and voluntary partners to provide more spaces at our church winter night shelters. From our adoption team being consistently recognised nationally for their performance, to our parks and beaches receiving their green and blue flags yet again.

Southend-on-Sea is a place like no other. And what a place to live, work and play. A lively and vibrant place, with a burgeoning cultural and food scene and also blessed with many of the things you would expect from a traditional seaside town. And the council continues to deliver a vast range of good services to local people.

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

It is also right that we recognise the issues and challenges that we face. We are the size of a small city (and still growing), combined with many of the demographic issues commonly found in a seaside town. We face issues with health and wealth inequality, the rise of online shopping and the impact on our High Street and social issues too such as rising homelessness. As a council we face reducing budgets versus additional demand and pressure on our services. But, we are tackling these issues head on and together with our partners, businesses and local community and look forward to a positive future.

As we look forward to that future, and developing a shared community vision for Southend 2050, we will be working closely with our local community and partners to map out our journey over the next five and ten years, and further ahead to 2050.

**Alison Griffin**  
**Chief Executive**

## Council's Performance

### CORPORATE PRIORITY PERFORMANCE MEASURES FOR 2017/18

The Council monitors a basket of key performance indicators throughout the year to assess performance against the Corporate Priorities. Further details that give a fuller understanding of the Council's performance can be found on the Council's website, <http://democracy.southend.gov.uk/documents/s22680/Report%20of%20Chief%20Executive.pdf>.

Aim / Corporate Priority	Performance Measure	Target for 2017/18	Outturn for 2017/18	Outturn for 2016/17
<b>Safe</b> Create a safe environment across the town for residents, workers and visitors Work in partnership with Essex Police and other agencies to tackle crime Look after and safeguard our children and vulnerable adults	Number of children subject to a Child Protection Plan per 10,000 population under the age of 18. [Monthly Snapshot]	50.4-55.7	30	58.9
	Number of Looked After Children per 10,000 population under the age of 18. [Monthly Snapshot]	66	76.7	71.9
	Percentage of children who have been Looked after Children for at least 5 working days, who have had a visit in the 6 weeks (30 working days), prior to the last day of the month	90%	84.4%	n/a
	Percentage of children who have had their Child Protection Plan for at least 20 working days and who have had a visit in the 20 working day days prior to the last day of the month. [Cumulative]	90%	87.2%	n/a
	Rate of Children in Need per 10,000 (including CiN, CPP and LAC and Care Leavers). [Monthly Snapshot]	296.6	340.6	n/a
	The proportion of concluded section 42 enquiries (safeguarding investigations) with an action and a result of either Risk Reduced or Risk Removed. [Cumulative]	74%	91.3%	n/a
<b>Clean</b> Continue to promote the use of green technology and initiatives to benefit the local economy and environment Encourage and enforce high standards of environmental stewardship	Percentage acceptable standard of cleanliness: litter [Cumulative]	93%	97%	94%
	Number of reported missed refuse collections per 100,000 [Monthly Snapshot]	45	50	42
<b>Healthy</b> Actively promote healthy and active lifestyles for all Work with the public and private rented sectors to provide good quality housing Improve the life chances of our residents, especially our vulnerable children and adults, by working to reduce inequalities and social deprivation across our communities	Proportion of adults in contact with secondary mental health services who live independently with or without support. (ASCOF 1H) [YTD Snapshot]	70%	78.9%	79%
	Proportion of older people (65 and over) who are still at home 91 days after discharge from hospital into reablement/ rehabilitation services. [ASCOF 2B(1) [Rolling Quarter]	88.6%	81.8%	75.3%
	Delayed transfers of care (people) from hospital which are attributable to social care only, per 100,000 population. [ASCOF 2C(2)] [YTD average]	1.43	0.83	1.97

Aim / Corporate Priority	Performance Measure	Target for 2017/18	Outturn for 2017/18	Outturn for 2016/17
	Proportion of service users accessing long-term support at end of reporting period who were receiving a direct payment. (ASCOF 1C(2A)) [YTD Snapshot]	33.5%	29%	30.0%
	Proportion of adults with learning disabilities in paid employment [Quarterly Snapshot]	10%	11%	10.3%
	Number of attendances at Council run or affiliated arts and sports events and facilities [Cumulative]	4,350,000	6,303,463	4,368,438
	Public Health Responsibility Deal. [Cumulative]	40 new organisations	42	48
	Number of people successfully completing 4 week stop smoking course [Cumulative]	1,100	758	950
	Take up of the NHS Health Check programme – for those eligible [Cumulative]	5,740	4,553	4,633
	Percentage of Initial Child Protection Conferences that took place with 15 working days of the initial strategy discussion. [Cumulative]	90%	55.5%	n/a
	The percentage of Early Help Assessments closed with successful outcomes for the clients (excluding TACAF). [Cumulative]	n/a	225	n/a
<b>Prosperous</b>	Percentage of Children in good or outstanding schools. [Monthly Snapshot]	80%	86.1%	84.71%
Maximise opportunities to enable planning and development of quality, affordable housing	Major planning applications determined in 13 weeks [Cumulative]	79%	94.87%	93.54%
Ensure residents have access to high quality education to enable them to be lifelong learners and have fulfilling employment	Minor planning applications determined in 8 weeks [Cumulative]	84%	93.20%	90.00%
Ensure the town is 'open for businesses' and that new, developing and existing enterprise is nurtured and supported	Other planning applications determined in 8 weeks [Cumulative]	90%	94.65%	94.71%
Ensure continued regeneration of the town through a culture led agenda	Current Rent Arrears as percentage of rent due [Monthly Snapshot]	1.77%	1.43%	1.35%
	Percentage of Council Tax for 2017/18 collected in year [Cumulative]	97.3%	97.5%	97.5%
	Percentage of Non-Domestic Rates for 2017/18 collected in year [Cumulative]	97.9%	98.6%	98.0%
	Total number of households in temporary accommodation. [Monthly Snapshot]	100	140	n/a
	GovMetric measurements of satisfaction (3 channels – Phones, Face 2 Face & Web) [Cumulative]	80%	86.1%	85.84%

Aim / Corporate Priority	Performance Measure	Target for 2017/18	Outturn for 2017/18	Outturn for 2016/17
<b>Excellent</b> Work with and listen to our communities and partners to achieve better outcomes for all	Number of hours delivered through volunteering within Culture, Tourism and Property, including Pier and Foreshore and Events. [Cumulative]	19,000	26,741	17,277
Enable communities to be self-sufficient and foster pride in the town	Working days lost per FTE due to sickness – excluding school staff [Cumulative]	7.2	7.14	7.30
Promote and lead an entrepreneurial, creative and innovative approach to the development of our town	Increase the number of people signed up to MySouthend to 35,000. [Cumulative]	35,000	36,705	n/a
	Percentage of new Education Health and Care (EHC) plans issued within 20 weeks including exception case. [Cumulative]	56%	58.7	n/a

## FINANCIAL REVIEW 2017/18

### REVENUE EXPENDITURE AND SERVICES PROVIDED

Revenue spending covers the day to day running costs of the Council's services, such as schools, social services and leisure. This spending is financed by government grants, Council Tax, retained Business Rates and other income such as fees and charges. The Council agreed a council tax requirement, including Leigh-on-Sea Town Council precept, of £72.5m for 2017/18 (£67.6m for 2016/17).

In setting this budget, the Southend-on-Sea Borough Council element of Council tax for Band D amounted to £1,265.94, (£1,205.82 in 2016/17).

The following table shows the final outturn position for 2017/18 on a net expenditure basis. The analysis of the actual costs reflects the way the Council's finances are managed, as opposed to the statutory required analysis used in the Statement of Accounts itself.

	Budget £000	Actual £000	Variance £000
<b>Portfolios</b>			
Leader	3,135	1,708	(1,427)
Corporate & Community Support Services	3,048	814	(2,234)
Culture, Tourism & the Economy	15,375	15,089	(286)
Transport, Waste & Regulation	23,664	26,313	2,649
Housing, Planning & Sustainability	6,262	4,307	(1,955)
Children & Learning	31,213	39,466	8,253
Health & Adult Social Care	41,422	39,150	(2,272)
Technology	1	(34)	(35)
Housing Revenue Account	(7,020)	(9,170)	(2,150)
Contingencies etc	5,228	(99)	(5,327)
<b>Net Cost Of Services</b>	<b>122,328</b>	<b>117,544</b>	<b>(4,784)</b>
Capital Financing Removed	(18,831)	(19,283)	(452)
Other Statutory Adjustments	7,467	7,467	0
<b>Adjusted Net Cost Of Services</b>	<b>110,964</b>	<b>105,728</b>	<b>(5,236)</b>
Levies	590	589	(1)
Leigh Town Council Precept	401	401	0
Financing Costs, Interest etc	19,872	9,693	(10,179)
<b>Net Operating Expenditure</b>	<b>131,827</b>	<b>116,411</b>	<b>(15,416)</b>
Revenue Contribution to Capital	4,154	5,255	1,101
General Government Grants	(3,537)	(3,582)	(45)
Contribution to / (from) Earmarked Reserves	(8,890)	6,773	15,663
<b>Total to be Funded from Council Tax and Formula Grant</b>	<b>123,554</b>	<b>124,857</b>	<b>1,303</b>
<b>Funded from</b>			
Revenue Support Grant	(14,759)	(14,759)	0
Retained Business Rates	(32,060)	(33,363)	(1,303)
Collection Fund Surplus and Reserves	(4,281)	(4,281)	0
Council Tax (Southend on Sea Borough Council and Leigh Town Council)	(72,454)	(72,454)	0
<b>Total Funding</b>	<b>(123,554)</b>	<b>(124,857)</b>	<b>(1,303)</b>
<b>Contribution (to) / from General Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>

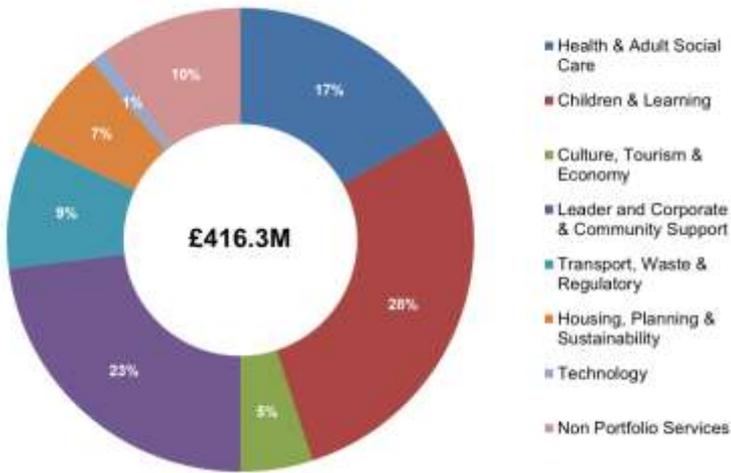
The table below reconciles the analysis on the Comprehensive Income and Expenditure Statement (page 36) to the outturn summary on the previous page.

<b>Reconciliation of Gross Expenditure to Transfer to General Fund</b>	<b>2017/18 £000</b>
Gross Expenditure on Services	416,266
Gross Income on Services	(406,844)
<b>Net Expenditure on Services</b>	<b>9,422</b>
Adjustments between accounting basis and funding basis under regulation	(10,335)
Transfers to Earmarked Reserves and HRA	913
<b>Contribution (to) / from the General Reserve</b>	<b>0</b>

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

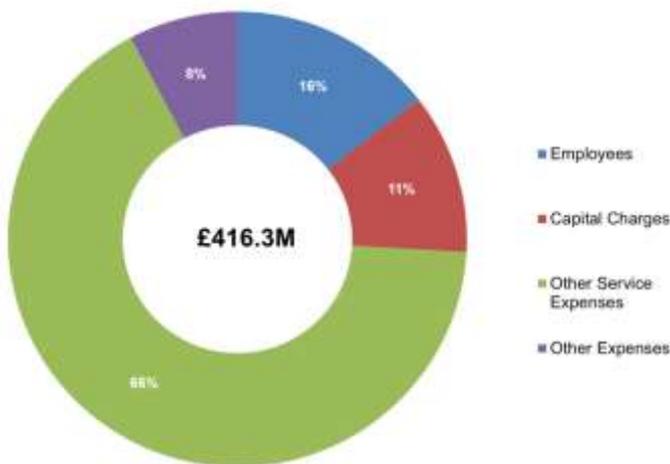
Gross expenditure on services amounted to £416.3m. The charts on the following page show in broad terms the services provided for this expenditure, how this money was spent, and the sources of income that funded it.

### Gross Expenditure by Service Area



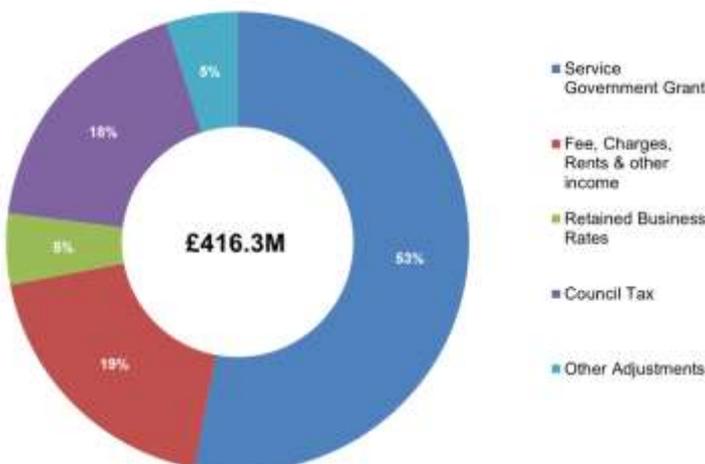
This diagram sets out how gross expenditure is split across the various portfolios of services the Council operates under. Corporate and Community Support includes the £83M cost of housing benefit payments made, and Children & Learning includes the passing onwards of dedicated schools grants and other payments to the Council's maintained schools. Non portfolio services include interest payable and the write out of the asset value of schools converted to academies in year.

### Gross Expenditure by Type



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

### Revenue Funding Sources



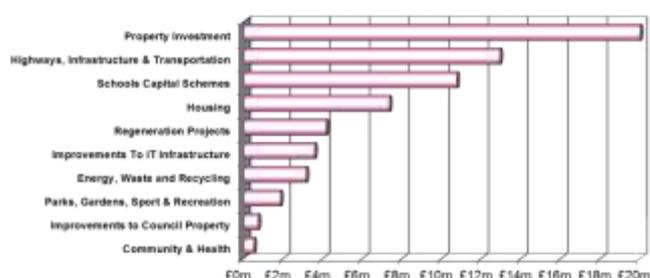
This diagram sets out how gross expenditure is funded. The largest source of income is still government grants (note 18 sets out a full description). Other adjustments includes the statutory reversals referred to above

## CAPITAL EXPENDITURE

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

In 2017/18 the Council spent £65.0m (£48.3m in 2016/17) on capital projects broadly categorised as follows:

### Capital Expenditure

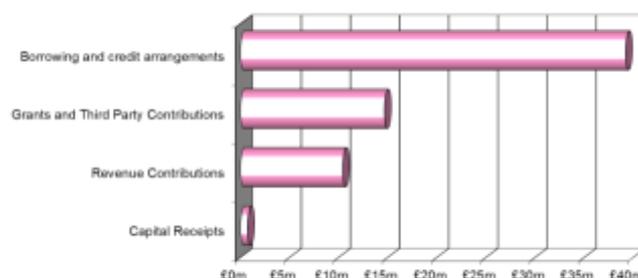


The table below describes some of the larger capital projects that the Council has undertaken this year.

	2017/18 £000
Property Investment	20,005
Investment in Highways Infrastructure	8,091
Investment in Housing Stock	6,217
Provision for Secondary School Places	5,777
Street Lighting Renewal	4,017
Airport Business Park	2,179
Liquid Logic Case Management System	1,465
Southend Pier	1,368
Disabled Facilities	1,131
Better Queensway	602

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 £65.0m capital expenditure was funded for the 2017/18 year.

### Financing of Capital Expenditure



Borrowing is kept within affordable levels, with the total accumulated loans owed to external lenders amounting to £248.3m at 31 March 2018 (£242.0m at 31 March 2017).

The Council also owes money to Essex County Council in respect of assets transferred to Southend-on-Sea Borough Council in 1998 as part of the Local Government Re-organisation. The amount is £11.9m at 31 March 2018 (£12.5m at 31 March 2017).

The Council's operational upper limit for borrowing has been set at £285m (excluding transferred debt) (£280m in 2016/17). Taking into account the borrowing outlined above, this leaves headroom of £36.7m (£38.0m in 2016/17).

This level of debt should also be viewed in relation to the Council's long term assets which have a net book value of £891.6m at 31 March 2018 (£813.0m at 31 March 2017).

### LONG TERM ASSETS

The Council's long term assets are those expected to provide benefits beyond 12 months and consist of Property, Plant & Equipment, Heritage Assets, Investment Property, Intangible Assets, Long Term Investments and Long Term Debtors. At 31 March 2018 the total net book value of these long term assets was £891.6m (£813.0m at 31 March 2017).

As a result of the Government's policy on the transfer of schools to academy status it is likely that most schools will transfer over the next few years, with six schools expected to do so in the forthcoming year. Although the total value of the schools transferring is not yet known, this would reduce the current net book value of the long term assets held of £85.3m for schools on the Council's Balance Sheet.

### PENSION SCHEME

Accounting Standard IAS 19 requires the full recognition of pension fund costs and liabilities to be disclosed in the accounts. Southend-on-Sea Borough Council is a

member of the Essex Pension Fund and the actuaries for this fund have estimated that the fund is currently in a net deficit position. The Council's share of this deficit, taking into account assets, investments and current and future liabilities has been estimated by the actuaries to be £168.9m as at 31 March 2018 (£222.6m as at 31 March 2017). All disclosures as required by IAS 19 are included in Note 36 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 2017/18 year the HRA has a balance carried forward of £3.5m (£3.5m 2016/17), having broken even again. Council rents for general needs and sheltered properties were decreased by 1% in 2017/18 (*decreased by 1% in 2016/17*) in line with legislation.

In 2017/18 average rents for general needs properties (excluding service charges) were £89.00 per week, and £77.15 for sheltered accommodation.

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

## GROUP PERFORMANCE

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

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

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

## OUTLOOK FOR 2018/19 AND BEYOND

For 2018/19, the Council had to meet a total savings requirement of over £7.2m due to, among other matters, reduced government funding, increases in service demands and inflation (contractual and employee).

The Council Tax Budget Requirement for 2018/19 has been set at £76.2m for Southend-on-Sea Borough Council and £0.4m for Leigh-on-Sea Town Council. The

Council tax for a Band D property for 2018/19 has been set at £1,322.82 for Southend-on-Sea Borough Council plus an additional £46.89 for the Leigh-on-Sea Town Council area. Additional charges are made in respect of Essex Police Authority and Essex Fire Authority.

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

Alongside the wider community of Southend, the Council continues to face financial challenges arising from the ongoing Government fiscal consolidation. As part of our financial planning we continue to make 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 continues to manage the national budget, national resources for local government are likely to reduce over coming years.

In November 2017 the Government's Autumn Budget set out the strategic direction for public expenditure over the remainder of the current spending cycle. However a new spending review is due to be in place in time for 2020/21, so currently there is only a short period of relative certainty for local government. Additionally the government are consulting on a number of changes to the mechanics of local government finance which will have a significant impact on the Council's finances over time, namely:

- It is current government policy to move to a position where local government will retain 75% of business rate revenues to fund local services, in addition the Uniform Business Rate will be abolished and any local area will be able to cut business rates as at their discretion. As a consequence, a number of existing grants are likely to disappear;
- The government also intends to bring in "fair funding" reforms, which have the potential to switch resources between authorities based on perceived need.

The timing of these reforms remains uncertain.

The Council's medium term modelling has been updated to reflect the provisional two-year Funding Settlement announced in January 2018. This also takes into account inflation (both pay and contract), superannuation and increasing capital financing pressures as well as allowances for specific and general risks. Given the Government's intention to introduce their "fair funding" reforms, including a move to 75% business rate retention in 2020/21, and a spending review covering 2020/21 and beyond, there is currently a fair degree of uncertainty surrounding the latter years of the medium term financial plan. However the current estimated overall funding gap is £16.7m over the period 2019/20 to 2021/22.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Council's Corporate Risk Register sets out the key risks to the successful delivery of the Council's corporate aims and priorities and outlines the key controls and actions to mitigate and reduce risks, or maximise opportunities. The Corporate Management Team have identified the following areas to be included in, and then reviewed, as part of the Corporate Risk Register for 2018/19.

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

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

## THE FINANCIAL STATEMENTS

The information provided in this publication presents the financial position of Southend-on-Sea Borough Council as at 31 March 2018, and the financial results for the financial year 2017/18. As a large and diverse organisation, these accounts will by their nature be both technical and complex and the purpose of this foreword is to provide a guide to the accounting information and statements that follow and summarise the Council's performance for the year.

Since the introduction of IFRS (International Financial Reporting Standards) for local government accounting in 2010/11, the core financial statements comprise:

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

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

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

**The Balance Sheet** shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The

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

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

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

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

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

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

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

# **INTRODUCTORY STATEMENTS**

## STATEMENT OF RESPONSIBILITY FOR THE STATEMENT OF ACCOUNTS

### THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director 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 DIRECTOR OF FINANCE AND RESOURCES' RESPONSIBILITIES

The Director 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 Director 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 Director 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.

#### **DIRECTOR 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 2018 and its income and expenditure for the year ended 31 March 2018.



**Joe Chesterton, CPFA**  
Director of Finance and Resources  
25 July 2018

#### **APPROVAL OF THE STATEMENT OF ACCOUNTS**

In accordance with the requirements of Regulation 9 of the Accounts and Audit Regulations 2015, I confirm that the Statement of Accounts was approved by resolution of the Audit Committee of Southend on Sea Borough Council on 25 July 2018.



**Councillor Davidson**  
Chair of Audit Committee  
25 July 2018

# 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 there are robust governance arrangements between the Council and its subsidiaries.

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

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

## THE PURPOSE OF THE ANNUAL GOVERNANCE STATEMENT

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

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

realised and to manage them efficiently, effectively and economically.

The main governance framework has been in place at the Council for the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

## THE COUNCIL'S GOVERNANCE FRAMEWORK

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

- Community engagement
- Business strategy and planning
- Financial reporting including budgetary control and asset management
- Policy framework
- Risk management including fraud and corruption
- Health and safety
- Business continuity
- Asset management
- Performance management
- Data quality
- Information management and security
- Value for money
- Procurement
- Project management
- Complaints
- Ethical governance – including codes of conduct for members and staff
- Workforce management
- The operation of Cabinet, Scrutiny Committees, Audit Committee and the Standards Committee.

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

The Chief Executive has the responsibility for overseeing the implementation and monitoring of 'The Code', through a process which includes:

- Regular reports to the Corporate Management Team and the Audit Committee which set out:
  - weaknesses identified in the governance arrangements and
  - any corrective action necessary to resolve concerns identified;
- An annual review of the governance framework supported by officer assurance statements certified by Directors and Deputy Chief Executives;
- An annual report to the Corporate Management Team and the Audit Committee on the adequacy of governance arrangements; and
- An annual review of 'The Code', with any significant amendments being reported to the Audit Committee, endorsed by Cabinet and approved by Council.

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

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

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

The Council operates a Leader and Cabinet model of governance, with the Leader (who is appointed by Full Council for a four year term) appointing up to 9 other Councillors to form the Cabinet. Cabinet is responsible for the majority of functions of the Council within the budget and policy framework set by full Council. Executive decisions are taken by the Cabinet collectively or by officers acting under delegated powers, depending upon the significance of the decision being made. For urgent issues, a chief officer can take a decision in consultation with the relevant portfolio holder.

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

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

Since May 2012 the Council has operated a pre-Cabinet scrutiny system where scrutiny and opposition councillors are given opportunities to contribute to and offer advice on key decisions prior to consideration by Cabinet. This is achieved by reports to Scrutiny Committees and the outcomes of cross party working groups.

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

The Council operates a development and training programme for Members to help support them in their strategic roles.

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

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

Financial monitoring reports are produced on a monthly basis and form part of the Council's Monthly Performance Report. Reports outline explanations of variance from budget and identify a projected outturn for the year and are considered by Cabinet and the Scrutiny Committees. A three year Medium Term Financial Plan is refreshed annually and shaped by the priorities agreed by the Council and outlined in the Corporate Plan and Annual Report. The Council runs an annual budget process, which is subject to scrutiny by Scrutiny Committees, at the end of January, prior to consideration by Cabinet and decision by full Council in February. This enables costed, balanced, budgets to be set, which have consistently been within government limits, avoiding the need for a referendum to be held.

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

The Council engages with its communities and its arrangements are formulated within a consultation and engagement framework. Consultation and engagement activity and the results of this activity are integrated into service planning and delivery and recorded and co-ordinated on the Council's consultation portal.

The Council has a Health and Safety Policy, with an accompanying action plan that is reviewed each year and overseen by the Strategic Health and Safety Group, chaired by a Deputy Chief Executive, 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 compliments is submitted to Cabinet and Council annually.

### Role of the Chief Financial Officer

The Chief Financial Officer (CFO) occupies a key position in managing the Councils' finances and ensuring that resources are used wisely to secure positive results. In order to support the post holder in the fulfilment of their duties, and ensure that the Council has access to effective financial advice, in 2016 the Chartered Institute of Public Finance Accountants (CPIFA) issued an updated statement on the Role of the Chief Financial Officer in Local Government. The statement:

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

These principles are:

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

The Council has the necessary arrangements and procedures in place which ensure that these principles are complied with. This is through a combination of direct compliance by the CFO and, where not directly complied with, ensuring there are alternative procedures in place to make sure that the necessary outcomes and objectives are still achieved and suitable controls are in place. For example, this may include deputising arrangements and delegated authority for financial management in the clearance of relevant Member reports.

### Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by: the work of the Senior Leadership Team; the Head of Internal Audit's annual report; by comments made by external auditors and other external agencies and inspectorates; by manager assurance statements and by a self-assessment reviewed by the Good Governance Group of senior managers (which reviews the Council's governance arrangements on a regular basis).

Following a **change of administration**, in May 2016, to a minority Conservative administration, there were no Council elections in May 2017. However, changes in allegiances of councillors in May 2017 resulted in a majority Conservative administration, providing relative political stability in the run up to local elections in May 2018.

**Changes to Senior Management:** The Council successfully appointed a new Chief Executive in March 2017 (the first new Chief Executive in 12 years), who undertook the role from July 2017 following the retirement of her predecessor in March 2017. This enabled the two Deputy Chief Executives to act into the Chief Executive role for two months each.

The appointment followed the most significant changes to senior management structures and departmental arrangements since 2006, (along with departures of three Directors), with the new arrangements and appointments embedded during 2017-18.

The Council played a central role in developing a new association of south Essex councils, **the Association of South Essex Local Authorities (ASELA)**, made up of Southend-on-Sea, Basildon, Brentwood, Castle Point, Essex County, Rochford, and Thurrock Councils. The Councils have recognised the need to work across borders to influence and secure strategic infrastructure, planning and growth.

Leaders and Chief Executives agreed, in June 2017, to develop a joint 'place vision' for the region up to 2050 that will show how South Essex is a dynamic, modern place providing the conditions for people, communities and businesses to prosper. Reinforced by a Memorandum of Understanding in February 2018, the stated aims of the Association will be to 'transform transport connectivity, open up spaces for housing, business and leisure development through a spatial strategy and shape local labour & skill markets'.

Each member of ASELA, is developing their own vision for 2050, to complement the South Essex vision. The **Southend 2050 programme**, therefore, aims to develop a shared vision of the place that Southend could become - capturing how it could feel to live, work or visit here in the future. A programme of work was developed, during

the year, to engage the borough's stakeholders, in a way that leaves a legacy of systematic on-going engagement.

The Council signalled that the 2050 programme will be a precursor to putting in place a refreshed approach to the governance framework, including business planning and risk and performance. Resetting the vision for the borough and Council, along with aligning all **transformation** activity, is helping to redefine the Council's relationship with citizens, customers and stakeholders. To this end a 'transformation diagnostic' was undertaken to capture current transformation activity and help identify next steps. This, along with a leadership development programme (encompassing members and officers) will help the Council create the right conditions to deliver the Southend 2050 vision and the high level outcomes that will make this a reality.

The conditions will include a refreshed set of values and behaviours across the Council's workforce as well as a move to outcome based planning. It is also anticipated that a refreshed approach to service redesign based on user research and a more clearly defined project management methodology will be introduced in 2018/19. The appropriate and relevant governance processes will be reviewed and adapted as these new tools are rolled out across the organisation.

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

A Local Government Association and Association of Directors of Adult Social Services **peer review** of the Council's adult social care services provided positive feedback on efficiency, effectiveness and impact on desired outcomes. It also provided encouragement that the approach in adult social care should be scaled up across the Council and with partners.

In line with this approach, the Council revised a number of aspects of **officer governance processes**. This included: reducing the number of boards (removing the capital board, capital strategy and asset management Group and ICT boards), with key decisions taken by CMT; aligning corporate priority actions with major projects; holding more strategic discussions to help better align resources to priorities and introducing a quarterly 'health check' to provide focus on performance.

The Council's **capital programme** was given a four year focus, with the application of a new 'gateway review' process to enable items on a reserved list to be subject to further consideration before being included in the programme. This, among other things, enables consideration of levels of required resourcing to be

applied to projects in line with the capacity of the organisation and support for a more outcome focussed approach.

The Council established a cross party **Shareholder Board**, chaired by the Leader and reporting to Cabinet, to help provide more effective governance of its companies (currently six in number) and promote a unified structure and greater transparency and accountability. The Council also agreed that the Cabinet will receive an annual report on the operation of the Council's (three) joint ventures and (eight) charitable trusts.

Each actively trading company (South Essex Homes and Southend Care) has put in place their own governance arrangements which reflect the commercial environment within which they operate. These governance arrangements are similar to some of the Council's arrangements but do not replicate them exactly. The companies operate in accordance with business plans and progress against them is monitored internally and reported to the Council through the client management team and the shareholder function.

**Southend Care Ltd** began trading from 1 April 2017, as a Council owned company comprising adult social care services, to manage Delaware and Priory House adult care homes and Viking Day Centre. Further services were transferred during the year, meaning around 400 Council staff moved to the company in total.

Cabinet approved the establishment of a Council controlled, asset holding **Housing Investment Company** with a view to delivering significant homes for sale and rent over the next 10 years. This is designed, among other things, to help meet housing need, reduce cost pressures of temporary housing for the homeless and replace Right to Buy property, in a regeneration and income generation setting. The company has yet to trade. The work of the company will be part of a refreshed overarching housing strategy, the parameters for which were agreed by Cabinet in January 2018.

Changes to **management arrangements** saw a new grading structure at group management (4<sup>th</sup> tier) level, and an emphasis on **Group Managers** being part of the 'leadership' of the organisation.

Ofsted, the Care Quality Commission (CQC), HMI Constabulary and Fire & Rescue services (HMICFRS) and HMI Probation (HMIP) undertook a **joint targeted area inspection (JTAI)** of the multi-agency response to child sexual exploitation, children associated with gangs and at risk of exploitation and children missing from home, care or education in the borough. The inspection found that there are strong partnerships in the area and that the police and council work effectively together. It also found that the involvement of health agencies must be further developed to ensure that formal and robust processes are put in place. Work is already underway to make that happen, through the new Multi-

Agency Safeguarding Hub (MASH+) which has co located key professionals from across the agencies.

The **Children Services Improvement Plan** (developed as a result of the 2016 Ofsted Inspection of Children's Services) was refreshed to make it more outcome based in Autumn 2017. It continued to be overseen and progressed by an Improvement Board and Scrutiny Committee panel and also reviewed as part of the Corporate Risk Register. As part of the new Ofsted inspection regime, the Council undertook the required annual self-evaluation of social work practice along with the 'annual conversation' with Ofsted.

The **Transforming Care Partnership** was established. Chaired by the Deputy Chief Executive (People), it brings together all of the NHS Clinical Commissioning Groups across the County and the three top-tier local authorities (Essex, Southend and Thurrock). It leads locally on the national Transforming Care programme aimed at improving specialist care for people with a learning disability and/or autism who may suffer or have suffered serious mental health problems.

The **Local Safeguarding Children Board and Southend Safeguarding Adults Board** both revised their structure and processes to streamline and improve the level of challenge, with the recently appointed chair (the same person to enhance co-ordination) further establishing themselves in the role.

The Council continued to play an active part in the Mid and South Essex **Sustainability and Transformation Partnership (STP)**, working collaboratively with the five CCGs and Rochford and Castle Point Councils in relation to the proposed changes to local health services. A county wide overview and scrutiny committee was set up to scrutinise the implementation of the proposals for the reconfiguration of hospitals in Mid and South Essex, with Southend as lead authority. The Council, the Health and Wellbeing Board and the Joint Health Overview & Scrutiny Committee submitted responses to the STP consultation.

The **Health and Wellbeing Board (HWB)** continued to strengthen its arrangements. In particular:

- Southend's HWB Chair is an established member of regular meetings between Thurrock and Essex HWB Chairs and the Independent Chair of the STP, enabling the sharing of good practice and input into the STP programme.
- The HWB oversaw the development of the locality model, for the borough, which is aligned to the STP, and will create the infrastructure to enable the reconfiguration of acute and community based services.
- The Board refreshed the HWB Strategy, with a particular focus on increasing levels of physical activity, in view of the benefits of both physical and mental health.

- The Board continues to oversee the development of the early years 'A Better Start Southend', and has refreshed and strengthened the programme's governance arrangements

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

**The Community Safety Partnership** undertook a review of its governance arrangements and priority setting, aimed at providing a strengthened focus (particularly in relation to tackling issues of gangs, 'county lines', child sexual exploitation and modern slavery), broadening its membership and providing a clearer alignment with the Health and Wellbeing Board priorities.

**The Education Board**, established by the Council in 2016/17, to improve engagement between the Council, its schools and academies, became fully functioning, offering a high level of scrutiny on areas of performance, finance and provision for vulnerable groups.

Southend Adult Community College was inspected by Ofsted, in October 2017, and found to be rated as 'good'.

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

**Procurement** – New financial regulations, introduced in 16/17 were embedded and new contract procedure rules updated to reflect the new management structure, reflect updated EU thresholds and put more emphasis on supporting local suppliers and support a more rigorous approach to achieving value for money.

Progress on the **Better Queensway** regeneration development saw Cabinet approval for the launch of a competitive dialogue procurement process to seek a development partner. A 'sponsoring group' of senior Members and managers was introduced to streamline decision making between Cabinet meetings and provide further support to the project board. An Internal Audit found that the arrangements introduced to manage the Better Queensway project are sound and the assurance 'satisfactory'.

Management arrangements for the **Airport Business Park landmark project** (a 21 hectare site, that seeks to develop a high quality business community) were subject to further review, with governance arrangements in relation to procurement further developed.

The Council continued to pursue its agenda for economic growth through the South East Local Enterprise Partnership (SELEP), with the Leader sitting on the main (Strategic) Board and 'Accountable Board' of upper tier

local authorities as well as the South Essex sub-board. The Council supported the adoption by SELEP of recommendations from the 2017 Mary Ney review of LEPs to strengthen good governance and probity.

The Council acted as the accountable body for managing the £13m South East Business Boost European Regional Development Fund programme, for the SELEP area. An audit of the programme was undertaken by the Ministry of Housing, Communities and Local Government for which all of the audit standards were met, and the Council complimented on its robust approach.

22 member training sessions were held during the year on a range of subjects, including: Clinical model transformation; a briefing on school admission arrangements and catchment areas; pier workshop and equality & diversity training.

The Council put in place arrangements to prepare for the introduction of the General Data Protection Regulation. These included a cross Council officer GDPR Project Group reporting to a Corporate Information Governance Group of senior officers and monthly reports to CMT as one of the 27 key Council work streams. An external review of the Council's level of preparation, along with an Internal Audit review were undertaken, with issues identified as needing to be addressed incorporated into the work of the project group. Around 200 staff received training on the implications of GDPR.

The Council's approach to information management was also reviewed by completing the annual NHS Digital **Information Governance toolkit**, enabling organisational assessment against Department of Health information governance policies and standards. For 2017/18 the Council achieved level 3 (the highest possible) in 24/28 requirements and level 2 in the remaining four.

Regular reviews of Internal Audit review recommendations are undertaken by the relevant Directors and Departmental Management Teams.

Progress on actions to enhance governance arrangements arising from the 2016/17 Annual Governance Statement were reported to Audit Committee during the 2017/18 financial year, with relevant outcomes against the action.

#### **INTERNAL AUDIT**

The annual risk based Audit Plan was prepared in consultation with Directors, Deputy Chief Executives and the Chief Executive. It was approved (but not directed) by the Audit Committee. Terms of Reference and reports are discussed with relevant Directors, Deputy Chief Executives or the Chief Executive before being finalised. The recommended actions required to mitigate risks audited are summarised in an action plan.

Internal Audit revisits action plans where the original report's opinion was either Partial or Minimal assurance. These actions are retested and the result of this work is

reported to CMT and Audit Committee as part of the Quarterly Performance Report.

#### **The Head of Internal Audit Opinion for the year ended 31 March 2018**

The Head of Internal Audit Annual Report and opinion for 2017/18 states that:

*'Governance comprises of the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. Such arrangements can take many forms and still be effective. Appropriate assurance is then required that these processes are fit for purpose and being applied throughout the organisation. My 2016/17 Annual Report highlighted the need to review the Council's governance and assurance arrangements including the role of the Audit Committee.*

*Whilst some changes have been made to this framework in 2017/18, senior management will undertake a more substantial review of the risk management, control and governance arrangements once the new vision and strategic framework for the Council is in place. Therefore, the remainder of this report should be read within this context.*

*With regards to the assurance provided by audit work undertaken, in these areas, the design and operation of the Council's risk management, control and governance framework was satisfactory overall.*

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

#### **Compliance with Professional Standards, Head of Internal Audit Opinion.**

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

Good assessments were achieved in relation to:

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

Needs improvement assessments were given in relation to:

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

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

External audit has confirmed it can rely on Internal Audit's work where it was relevant to its audit of the Council's Statement of Accounts.

**ISSUES FOR THE ANNUAL GOVERNANCE STATEMENT**

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

**EXTERNAL INSPECTIONS AND ASSESSMENTS**

Assurance over the control environment is also obtained from external inspections and assessments of service areas. External assessments for 2017/18 included:

- **Joint Targeted Area Inspection (JTAI)** on safeguarding for Southend, with a focus on child sexual exploitation (CSE).
- 7 Ofsted primary school inspections (6 'good', 1 'requires improvement').
- 4 Ofsted secondary school inspections (2 'good', 1 'requires improvement', 1 'inadequate').
- 1 Special School Inspection (1 'Outstanding')
- LGA/ADASS Peer Review of adult social care services.

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

- The Council was highly commended in the MJ Achievement Awards, 2018 for Digital Transformation
- The Council was a finalist in the 2018 LGC Awards for its work to open a complex needs hostel in the Borough.

- The Council won the '30 Hours Team award', a programme to enable more parents to continue to work, at the national Childcare Works Awards 2018.
- Council and Metal Arts Organisations NetParks wellbeing project was highly commended at the 2017 Advancing Healthcare Awards and was also a finalist in the National Dementia Care Awards.
- The Council retained Purple Flag status in recognition of well managed night-time economies by the Association of Town and City Management.
- The Council's Education Board was highly commended in the Excellence in Governance and Scrutiny category at the Municipal Journal (MJ) Awards in June 2017.
- The Council was included in the Stonewall top 100 Workplace Equality Index (5<sup>th</sup> among local authorities) and was 7<sup>th</sup> in the Stonewall Education Equality Index 2017.
- The Council achieved the RSPCA Gold award for their 'Stray Dogs Footprint', which recognises the Council's level of service provided in terms of dog protection and silver award for Animal Establishments licensing.
- The Council was a finalist in the Public Finance Innovation Awards 2018.

**CONCLUSION**

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

Actions to be specifically addressed are outlined below.

**Further Actions to strengthen the Council's Governance Arrangements for 2018/19**

No.	Governance Issues	Action	Date of Implementation	Responsible Officer
1.	Governance Framework	In the context of the Southend 2050 programme, continue to review the Council's governance and assurance framework to ensure it will be fit for purpose and support the move to an outcome based approach, the delivery of appropriate and relevant services and organisational objectives and the best possible use of available resources.	March 2019	Alison Griffin Chief Executive

No.	Governance Issues	Action	Date of Implementation	Responsible Officer
2.	Business Continuity Planning	An increased resource in a new resilience team will ensure that BCP is aligned to emergency planning and that the Council is able to respond appropriately to extreme/extraordinary situations. This will take account of recent audit recommendations where it is relevant and appropriate. It will also reflect the fast moving nature of the environment in which the Council operates.	March 2019	John Williams Director of Legal & Democratic Services
3.	Data Protection / Management	Continue to embed the Council's arrangements for being compliant with Data Protection legislation and effective use of information, ensuring this encompasses its arrangements in this regard for its companies and partners.	March 2019	Joanna Ruffle Director of Transformation
4.	Council Companies	Undertake a post implementation review of governance arrangements for Southend Care Ltd to ensure fitness of purpose for a council owned commercial organisation and review new arrangements for Stakeholder Board.	March 2019	Joe Chesterton Director of Finance & Resources

**Council's Corporate Governance Action Plan 2016/17**

No	Governance Issue	Action	Responsible Officer	Comment on Progress
1	Further embedding risk management	Develop further and align work on risk across the Council so that the approach to risk management is better embedded across the organisation, supports the governance framework and the transformation agenda and is better integrated into decision making.	Alison Griffin Chief Executive	Review undertaken, with consideration of findings by Corporate Management Team, and some revisions made to approach. Agreed more significant changes will flow from Southend 2050 programme and associated review of Council's business planning processes.
2	Information Management, including General Data Protection Regulation (GDPR), data sharing, data quality, information Security	Ensure the Council's information management arrangements are developed so they are compliant with the General Data Protection Regulation, promote information and data sharing, ensure the quality of data used is sound and the Council has robust arrangements in relation to cyber security.	Joanna Ruffle Director of Transformation	Cross Council officer GDPR project group met fortnightly, reporting to senior officer Corporate Information Governance Group, with monthly reports to CMT. Two reviews of Council's preparation undertaken, with identified issues incorporated into project group work. Around 200 staff received training on the implications of GDPR by 31.3.18 with further 100 and members to follow, complemented by a corporate communications programme. Council's approach to cyber security incorporated into Council's Digital strategy, with Council's approach reviewed by Internal Audit.

No	Governance Issue	Action	Responsible Officer	Comment on Progress
3	Business Continuity Planning	To undertake actions in the BCP project plan, including recommendations and management actions arising from the Internal Audit review of the Council's BCP arrangements.	Joanna Ruffle Director of Transformation	All service areas have reviewed and refreshed business impact assessments and BCPs.  The majority of these were tested 'in anger' during the extended period of extreme weather in February/March 2018.
4.	Governance and assurance framework	Undertake a review of the Council's governance and assurance framework to ensure it remains fit for purpose and supports the delivery of service objectives across the Council'	Corporate Management Team	Review of Council's governance arrangements is being undertaken in the context of the Southend 2050 and Council's transformation programmes. Governance processes, including the performance, management, risk framework, business continuity planning, decision making processes, community engagement and information management were reviewed during the year and revisions made.

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

### Signed on Behalf of the Council



**Alison Griffin**  
Chief Executive &  
Town Clerk

31 May 2018



**Councillor John Lamb**  
Leader of the Council

31 May 2018



**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 (“the Council”) and its subsidiaries (“the Group”) for the year ended 31 March 2018 which comprise the Council and Group Comprehensive Income and Expenditure Statement, the Council and group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Balance Statement, the Collection Fund Statement and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

## **BASIS FOR OPINION ON THE FINANCIAL STATEMENTS**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 (“Code of Audit Practice”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **CONCLUSIONS RELATING TO GOING CONCERN**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Resources’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Director of Finance and Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council’s and the Group’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **OTHER INFORMATION**

The Director of Finance and Resources is responsible for the other information. The other information comprises the Strategic report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## **CONCLUSION ON THE COUNCIL’S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN ITS USE OF RESOURCES**

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

## **BASIS FOR CONCLUSION ON THE COUNCIL’S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN ITS USE OF RESOURCES**

We have undertaken our review of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in November 2017, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that 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 2018.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

#### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following other matters which the Code of Audit Practice (April 2015) requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

#### **RESPONSIBILITIES OF THE DIRECTOR OF FINANCE AND RESOURCES AND THE COUNCIL**

As explained more fully in the Statement of the Director of Finance and Resources' Responsibilities, the Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which comprises 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 the financial statements give a true and fair view.

In preparing the financial statements, the Director of Finance and Resources is responsible for assessing the Council's and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to cease operations of the Council or group or has no realistic alternative but to do so.

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.

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

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **AUDITOR'S RESPONSIBILITIES IN RESPECT OF THE COUNCIL'S USE OF RESOURCES**

We are required under Section 20 of the Local Audit and Accountability Act 2014 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 National Audit Office requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

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.

#### **CERTIFICATE OF COMPLETION OF THE AUDIT**

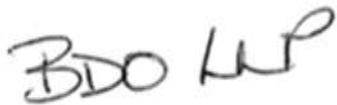
We certify that we have completed the audit of the accounts of Southend-on-Sea Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

#### **USE OF OUR REPORT**

This report is made solely to the members of Southend-on-Sea Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and

Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office in April 2015. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's

report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "BDO LLP". The letters are slightly slanted and connected, with a small mark above the 'P'.

**Lisa Clampin**

For and on behalf of BDO LLP, Appointed Auditor

Ipswich, UK

31 July 2018

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

# **MAIN FINANCIAL STATEMENTS**



## MOVEMENT IN RESERVES STATEMENT

Note	Revenue Reserves			Capital Reserves			£000 Total Usable Reserves	Unusable Reserves						£000 Unusable Reserves	£000 Total Authority Reserves	
	£000 General Fund Balance	£000 Housing Revenue Account	£000 Earmarked Reserves	£000 Capital Receipts Reserve	£000 Major Repairs Reserve	£000 Capital Grants Unapplied		£000 Revaluation Reserve	£000 Available for Sale Financial Instruments	£000 Pensions Reserve	£000 Capital Adjustment Account	£000 Deferred Capital Receipts	£000 Collection Fund Adjustment Account			£000 Accumulated Absences Account
<b>Balance at 31 March 2016</b>	11,000	3,502	85,129	7,498	4,534	8,848	120,511	191,525	6	(160,653)	283,234	225	3,430	(1,111)	316,656	437,167
<b>Movement in Reserves during 2016/17</b>																
Surplus (Deficit) on the Provision of Services	(43,393)	9,645	0	0	0	0	(33,748)	0	0	0	0	0	0	0	0	(33,748)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	47,753	(2)	(57,755)	0	0	0	0	(10,004)	(10,004)
<b>Total Comprehensive Income and Expenditure</b>	<b>(43,393)</b>	<b>9,645</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(33,748)</b>	<b>47,753</b>	<b>(2)</b>	<b>(57,755)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(10,004)</b>	<b>(43,752)</b>
Adjustments between accounting basis and funding basis under regulations	19 45,576	(3,956)	0	3,521	959	2,952	49,052	(13,382)	0	(4,209)	(31,252)	(225)	350	(334)	(49,052)	0
<b>Net Increase / Decrease before Transfers to earmarked reserves</b>	<b>2,183</b>	<b>5,689</b>	<b>0</b>	<b>3,521</b>	<b>959</b>	<b>2,952</b>	<b>15,304</b>	<b>34,371</b>	<b>(2)</b>	<b>(61,964)</b>	<b>(31,252)</b>	<b>(225)</b>	<b>350</b>	<b>(334)</b>	<b>(59,056)</b>	<b>(43,752)</b>
Transfers to / (from) Earmarked Reserves	20 (2,183)	(5,689)	7,872	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Increase / Decrease in 2016/17</b>	<b>0</b>	<b>0</b>	<b>7,872</b>	<b>3,521</b>	<b>959</b>	<b>2,952</b>	<b>15,304</b>	<b>34,371</b>	<b>(2)</b>	<b>(61,964)</b>	<b>(31,252)</b>	<b>(225)</b>	<b>350</b>	<b>(334)</b>	<b>(59,056)</b>	<b>(43,752)</b>
<b>Balance at 31 March 2017</b>	<b>11,000</b>	<b>3,502</b>	<b>93,001</b>	<b>11,019</b>	<b>5,493</b>	<b>11,800</b>	<b>135,815</b>	<b>225,896</b>	<b>4</b>	<b>(222,617)</b>	<b>251,982</b>	<b>0</b>	<b>3,780</b>	<b>(1,445)</b>	<b>257,600</b>	<b>393,415</b>
<b>Movement in Reserves during 2017/18</b>																
Surplus (Deficit) on the Provision of Services	(17,743)	8,302	0	0	0	0	(9,441)	0	0	0	0	0	0	0	0	(9,441)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	58,200	4	48,102	0	0	0	0	106,306	106,306
<b>Total Comprehensive Income and Expenditure</b>	<b>(17,743)</b>	<b>8,302</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,441)</b>	<b>58,200</b>	<b>4</b>	<b>48,102</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>106,306</b>	<b>96,865</b>
Adjustments between accounting basis and funding basis under regulations	19 13,228	(2,874)	0	2,346	1,496	186	14,382	(11,510)	0	5,593	(15,835)	3,500	3,765	105	(14,382)	0
<b>Net Increase / Decrease before Transfers to earmarked reserves</b>	<b>(4,515)</b>	<b>5,428</b>	<b>0</b>	<b>2,346</b>	<b>1,496</b>	<b>186</b>	<b>4,941</b>	<b>46,690</b>	<b>4</b>	<b>53,695</b>	<b>(15,835)</b>	<b>3,500</b>	<b>3,765</b>	<b>105</b>	<b>91,924</b>	<b>96,865</b>
Transfers to / (from) Earmarked Reserves	20 4,515	(5,428)	913	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Increase / Decrease in 2017/18</b>	<b>0</b>	<b>0</b>	<b>913</b>	<b>2,346</b>	<b>1,496</b>	<b>186</b>	<b>4,941</b>	<b>46,690</b>	<b>4</b>	<b>53,695</b>	<b>(15,835)</b>	<b>3,500</b>	<b>3,765</b>	<b>105</b>	<b>91,924</b>	<b>96,865</b>
<b>Balance at 31 March 2018</b>	<b>11,000</b>	<b>3,502</b>	<b>93,914</b>	<b>13,365</b>	<b>6,989</b>	<b>11,986</b>	<b>140,756</b>	<b>272,586</b>	<b>8</b>	<b>(168,922)</b>	<b>236,147</b>	<b>3,500</b>	<b>7,545</b>	<b>(1,340)</b>	<b>349,524</b>	<b>490,280</b>

## BALANCE SHEET

31 March 2017 £000	Notes	31 March 2018 £000
726,328 Property, Plant & Equipment	21	778,536
38,090 Heritage Assets	22	37,700
25,344 Investment Property	23	41,044
4,936 Intangible Assets		6,439
15,893 Long Term Investments	24	22,678
2,367 Long Term Debtors	24	5,206
<b>812,958 Long Term Assets</b>		<b>891,603</b>
30,231 Short term Investments	24	20,232
154 Assets Held for Sale		0
166 Inventories		117
33,118 Short Term Debtors	25	34,673
39,871 Cash and Cash Equivalents	24, 26	26,517
<b>103,540 Current Assets</b>		<b>81,539</b>
(6,356) Short Term Borrowings	24	(11,830)
(38,905) Short Term Creditors	27	(45,585)
(6,761) Provisions	28	(5,468)
<b>(52,022) Current Liabilities</b>		<b>(62,883)</b>
(327) Long Term Creditors		(2,698)
(235,620) Long Term Borrowing	24	(236,480)
(222,617) Other Long Term Liabilities - Pensions	36	(168,922)
(12,497) Other Long Term Liabilities - Other	24	(11,879)
<b>(471,061) Long Term Liabilities</b>		<b>(419,979)</b>
<b>393,415 Net Assets</b>		<b>490,280</b>
135,815 Usable Reserves	29	140,756
257,600 Unusable Reserves	30	349,524
<b>393,415 Total Reserves</b>		<b>490,280</b>

## CASH FLOW STATEMENT

2016/17 £000	Notes	2017/18 £000
33,748		9,441
Net (Surplus) or Deficit on the Provision of Services		
(72,162)	39	(31,616)
Adjustments to Net Surplus or Deficit on the Provision of Services for non-cash Movements		
18,604	40	5,749
Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities		
(19,810)		(16,426)
Net cash flows from Operating Activities		
18,889	41	40,408
Investing Activities		
4,646	42	(10,628)
Financing Activities		
3,725		13,354
Net Decrease in Cash and Cash Equivalents		
(43,596)		(39,871)
Cash and Cash Equivalents at the beginning of the Reporting Period		
<b>(39,871)</b>	<b>26</b>	<b>(26,517)</b>
<b>Cash and Cash Equivalents at the end of the Reporting Period</b>		



# **NOTES TO THE ACCOUNTS**



## NOTES CONTENTS LIST

Note 1.	Accounting Policies	44
Note 2.	Accounting Standards that have been Issued but have not yet been Adopted	55
Note 3.	Critical Judgements in applying Accounting Policies	55
Note 4.	Assumptions made about the future and other major sources of estimation uncertainty	55
Note 5.	Events after the Balance Sheet date	56
Note 6.	Expenditure and Funding Analysis	57
Note 7.	Expenditure and Income Analysed by Nature	59
Note 8.	Segmental Income	60
Note 9.	Material Items of Income and Expense	60
Note 10.	Other Operating Expenditure	61
Note 11.	Financing and Investment Income and Expenditure	61
Note 12.	Taxation and Non Specific Grant Incomes	62
Note 13.	Pooled Budgets	62
Note 14.	Members' Allowances	63
Note 15.	Officers' Remuneration	64
Note 16.	External Audit Costs	67
Note 17.	Dedicated Schools Grant	67
Note 18.	Grant Income	68
Note 19.	Adjustments between Accounting Basis and Funding Basis under Regulations	69
Note 20.	Transfers to / from Earmarked Reserves	74
Note 21.	Property, Plant and Equipment	75
Note 22.	Heritage Assets	79
Note 23.	Investment Properties	81
Note 24.	Financial Instruments	82
Note 25.	Debtors	86
Note 26.	Cash and Cash Equivalents	86
Note 27.	Creditors	87
Note 28.	Provisions	87
Note 29.	Usable Reserves	88
Note 30.	Unusable Reserves	88
Note 31.	Capital Expenditure and Capital Financing	90
Note 32.	Leases	92
Note 33.	Downward Revaluation and Impairment Losses	93
Note 34.	Termination Benefits	93
Note 35.	Pension Schemes Accounted for as Defined Contribution Schemes	93
Note 36.	Defined Benefit Pension Schemes	94
Note 37.	Nature and Extent of Risks Arising from Financial Instruments	99
Note 38.	Cash Flow Statement - Interest Paid and Received	103
Note 39.	Cash Flow Statement – Non-Cash Movements	103
Note 40.	Cash Flow Statement - Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	104
Note 41.	Cash Flow Statement - Investing Activities	104
Note 42.	Cash Flow Statement - Financing Activities	104
Note 43.	Related Parties	105
Note 44.	Contingent Liabilities	106

## Note 1. Accounting Policies

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which requires the Accounts to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, 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 Council 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 Director 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.

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

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

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

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

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

There is only one change to accounting policies in 2017/18 which relates to the capitalisation of borrowing costs and this does not require restatement of prior periods as the amounts are immaterial.

## Charges to Revenue for Non-Current Assets

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

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

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

## Council Tax and Non-Domestic Rates

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

### Accounting for Council Tax and NDR

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

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

## Employee Benefits

### Post Employment Benefits

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

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

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

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children and Learning line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year and the Health and Adult 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 2.55%. The discount rate is the annualised yield at the 19 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
  - net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- contributions paid to the Essex Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

#### Discretionary Benefits

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

#### Events after the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

## Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as investments in property funds, short dated bond funds, enhanced cash funds and money market funds at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

## Financial Instruments

### *Financial Liabilities*

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

### *Financial Assets*

Financial assets are classified into two types:

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

### *Loans and Receivables*

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive

Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

#### *Available-for-Sale Assets*

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

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

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

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

and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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

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

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

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

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

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

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

capital grants) in the Comprehensive Income and Expenditure Statement.

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

### **Heritage Assets**

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

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

#### **Historic Seaside Assets**

- The historic seaside assets comprise the pier, the cliff lift and the cliff bandstand. These assets are considered to be part of the fabric of the town as an historic seaside resort, and are treated in accordance with the Council's policies for PPE assets.

#### **Heritage Land and Buildings**

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

#### **Antiques / Collectables**

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

#### **Museum Collections**

- The Council considers that obtaining valuations for the items that are exhibited within the borough's museums would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values. The Council does not recognise these exhibits on the Balance Sheet.
- The Saxon King artefacts form part of the Council's heritage assets and have been valued by a specialist in archaeology. These items are reported in the Balance Sheet at this valuation which is based on sale prices of comparable material and museum valuations for loan purposes, where relevant. These assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

#### **Memorials and Statues**

- These are a statue of Queen Victoria and a War Memorial. The Council does not consider that reliable cost or valuation information can be obtained for the items due to the lack of comparable market values. Consequently, the Council does not recognise these assets on the Balance Sheet.

#### ***Heritage Assets – General***

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see "Property, Plant and Equipment" in this summary of significant accounting policies. The proceeds of any disposals are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds

are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see “Revenue Expenditure Funded from Capital under Statute” and “Property, Plant and Equipment” in this summary of significant accounting policies).

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

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

### **Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

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

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

### **Leases**

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

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

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

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

##### **Property, Plant and Equipment**

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

##### *Recognition*

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. For schools, capitalisation takes place for community and foundation schools only. Capital expenditure on voluntary aided schools, foundation trust schools or academies is treated as Revenue Expenditure Funded from Capital Under Statute.

##### *Measurement*

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not generally capitalise borrowing costs incurred whilst assets are under construction,

with the exception of major invest to save schemes where the financing is structured to allow the initial roll up of revenue costs prior to savings or income streams being realised.

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down

against that balance (up to the amount of the accumulated gains)

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

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

#### *Impairment*

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss.

#### *Depreciation*

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

Depreciation is calculated on the following bases:

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

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

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

#### *Disposals*

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

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

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

### **Provisions and Contingent Liabilities**

#### *Provisions*

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

making of a settlement or the payment of compensation.

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

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

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

#### *Contingent Liabilities*

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

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

### **Reserves**

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial

instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

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

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

#### **Schools**

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

#### **VAT**

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2018/19 Code:

- IFRS 9 Financial Instruments
- IFRS 15 *Revenue from Contracts with Customers* including amendments to IFRS 15 and Clarifications to IFRS 15 *Revenue from Contracts with Customers*
- Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*

The Code requires implementation from 1 April 2018. It is not anticipated that these accounting changes will have any material impact on the Council's Statement of Accounts.

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

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

- There is a high degree of uncertainty about future levels of funding for local government, particularly in light of the Fair Funding review, the awaited Spending Review and the outcome of the Brexit negotiations. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- All community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet. For the foundation schools the control of the land and buildings is vested with the Governing Body and so they are included on the Councils' Balance Sheet. For the foundation trust schools the land and buildings are vested with the trust so they are not included on the Council's Balance Sheet. For the Voluntary Aided schools the two Dioceses own the title to the assets, the schools use the assets under "mere" licences which pass no interest to the school and the Dioceses have not ceded control of the assets to the school, so the land and buildings used by the schools are not included on the Council's Balance Sheet. Academies are not considered to be maintained schools in the Council's control so the land and building assets are not owned by the Council and not included on the Council's Balance Sheet.

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

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

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. As examples, an increase in life expectancy of retired employees of 1 year would increase the net pension liability by £23.5M, and an increase in the discount rate of 0.1% would decrease the net pension liability by £11.1M.  The full effects on the net pensions liability are fully disclosed in note 36 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 21 but different valuers could arrive at different results whilst still using the same basis for those estimations.	The actual value of the asset only becomes apparent when it is sold. The accounting treatment is set out in the disposals paragraph of the Property, Plant and Equipment section of Note 1.

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

The Statement of Accounts was authorised for issue by the Director of Finance and Resources on 31 May 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 1 May 2018 Our Lady of Lourdes Catholic Primary School and Sacred Heart Catholic Primary School changed to academy status with the long term assets transferring to an academy trust. For Our Lady of Lourdes Catholic Primary School the land value was owned by the Council and not the Diocese so £635,000 will be removed from the net book value of schools long term assets. For Sacred Heart Catholic Primary School this will have no impact on the net book value of schools long term assets as the Council used the assets under licence which passed no interest to the school and the Diocese had not ceded control of the assets to the school, so the land and buildings are not included on the Council's Balance Sheet.

On 1<sup>st</sup> July 2018 Southchurch High School (formerly Futures) changed to academy status with the long term assets transferring to an academy trust. This will have no impact on the net book value of schools long term assets as this was a Foundation Trust with the land and buildings vested with the trust so they were not included on the Council's Balance Sheet.

## NOTES SUPPORTING THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### Note 6. Expenditure and Funding Analysis

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

Net Expenditure Chargeable to the General Fund and HRA Balances	2016/17 Restated		Notes	2017/18		
	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
(2,041)	(5,143)	(7,184)	Leader	9,355	(9,827)	(472)
2,772	2,752	5,524	Corporate & Community Support Services	814	1,840	2,654
15,351	437	15,788	Culture, Tourism & the Economy	15,089	(79)	15,010
23,064	4,622	27,686	Transport, Waste & Regulation	26,313	295	26,608
5,625	339	5,964	Housing, Planning & Sustainability	4,247	(65)	4,182
33,040	2,744	35,784	Children & Learning	39,466	(4,889)	34,577
43,222	1,356	44,578	Health & Adult Social Care	39,150	(343)	38,807
(12)	12	0	Technology	(34)	34	0
<b>121,021</b>	<b>7,119</b>	<b>128,140</b>	<b>Net Cost of General Fund Services</b>	<b>134,400</b>	<b>(13,034)</b>	<b>121,366</b>
(6,065)	(5,604)	(11,669)	Local Authority Housing (HRA)	(5,388)	(4,717)	(10,105)
<b>(6,065)</b>	<b>(5,604)</b>	<b>(11,669)</b>	<b>Net Cost of Housing Revenue Account Services</b>	<b>(5,388)</b>	<b>(4,717)</b>	<b>(10,105)</b>
<b>114,956</b>	<b>1,515</b>	<b>116,471</b>	<b>Net Cost of Services</b>	<b>129,012</b>	<b>(17,751)</b>	<b>111,261</b>
9,333	49,648	58,981	Other Income and Expenditure	(8,337)	45,565	37,228
(124,289)	(17,415)	(141,704)	Taxation and non-specific Grant Income	(120,675)	(18,373)	(139,048)
<b>(114,956)</b>	<b>32,233</b>	<b>(82,723)</b>	<b>Other Income and Expenditure</b>	<b>(129,012)</b>	<b>27,192</b>	<b>(101,820)</b>
<b>0</b>	<b>33,748</b>	<b>33,748</b>	<b>(Surplus) or Deficit</b>	<b>7</b>	<b>0</b>	<b>9,441</b>
14,502			<b>Opening General Fund and HRA Balance</b>	14,502		
0			Surplus or (Deficit) on General Fund and HRA Balance in Year	0		
<b>14,502</b>			<b>Closing General Fund and HRA Balance</b>	<b>14,502</b>		

The 2016/17 comparative has been restated to reflect the changes made to portfolio structure of the Council in 2017/18. The adjustments required to convert the accounts from the funding basis to the comprehensive income and expenditure statement are set out below.

2016/17 Restated				2017/18			
IAS 19 Adjustments		Other Differences £000	Total Adjustments between the Funding and Accounting Basis £000	IAS 19 Adjustments		Other Differences £000	Total Adjustments between the Funding and Accounting Basis £000
Pension Adjustments £000	for Capital Purposes £000			Pension Adjustments £000	for Capital Purposes £000		
a	b	c	Notes	a	b	c	
(4,828)	(276)	(39)	(5,143) Leader	(9,797)	(6)	(24)	(9,827)
273	(1,562)	4,041	2,752 Corporate & Community Support Services	(115)	(3,284)	5,239	1,840
558	1,089	(1,210)	437 Culture, Tourism & the Economy	(227)	1,128	(980)	(79)
326	4,295	1	4,622 Transport, Waste & Regulation	(123)	419	(1)	295
212	38	89	339 Housing, Planning & Sustainability	(85)	0	20	(65)
972	(1,157)	2,929	2,744 Children & Learning	(427)	(5,745)	1,283	(4,889)
1,184	172	0	1,356 Health & Adult Social Care	(362)	17	2	(343)
0	13	(1)	12 Technology	0	36	(2)	34
<b>(1,303)</b>	<b>2,612</b>	<b>5,810</b>	<b>7,119</b> Net Cost of General Fund Services	<b>(11,136)</b>	<b>(7,435)</b>	<b>5,537</b>	<b>(13,034)</b>
0	(5,709)	105	(5,604) Local Authority Housing (HRA)	0	(4,749)	32	(4,717)
<b>0</b>	<b>(5,709)</b>	<b>105</b>	<b>(5,604)</b> Net Cost of Housing Revenue Account Services	<b>0</b>	<b>(4,749)</b>	<b>32</b>	<b>(4,717)</b>
<b>(1,303)</b>	<b>(3,097)</b>	<b>5,915</b>	<b>1,515</b> Net Cost of Services	<b>(11,136)</b>	<b>(12,184)</b>	<b>5,569</b>	<b>(17,751)</b>
5,513	60,922	(16,787)	49,648 Other Income and Expenditure	5,543	39,210	812	45,565
0	(12,616)	(4,799)	(17,415) Taxation and non-specific Grant Income	0	(10,624)	(7,749)	(18,373)
<b>4,210</b>	<b>45,209</b>	<b>(15,671)</b>	<b>33,748</b> (Surplus) or Deficit	<b>(5,593)</b>	<b>16,402</b>	<b>(1,368)</b>	<b>9,441</b>

#### a IAS19 Pension Adjustments

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

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

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

#### b Adjustments for Capital Purposes

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

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

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

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

**c Other Differences**

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

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

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

**Note 7. Expenditure and Income Analysed by Nature**

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

	Notes	2017/18 £000	2016/17 £000
<b>Income</b>			
Fees, Charges and other Service Income	8	(79,000)	(73,243)
Interest and Investment Income	11	(2,294)	(1,277)
Gains on Revaluation		(11,066)	(10,278)
Income from Council Tax	12	(75,043)	(69,574)
Income from Non-domestic Rates	12	(20,247)	(22,793)
Government Grants and Contributions	18	(219,194)	(241,537)
<b>Total Income</b>		<b>(406,844)</b>	<b>(418,702)</b>
<b>Expenditure</b>			
Employee Benefits Expenses		60,391	59,888
Other Service Expenses		276,465	291,557
Support Service Recharges (net)		(613)	(426)
Depreciation, Amortisation and Impairment		36,210	38,147
Interest Payments	11	11,173	11,143
Pensions Interest and Expected Return	11	5,543	5,513
Precepts and Levies	10	990	946
Payments to Housing Capital Receipts Pool	10	533	557
Losses on the disposal of Assets	10	25,593	45,125
<b>Total Expenditure</b>		<b>416,285</b>	<b>452,450</b>
<b>Surplus or Deficit on the Provsion of Services</b>		<b>9,441</b>	<b>33,748</b>

## Note 8. Segmental Income

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

	2017/18 £000	2016/17 £000 Restated
Leader	(33)	5
Corporate & Community Support Services	(8,017)	(8,711)
Culture, Tourism & the Economy	(3,942)	(2,701)
Transport, Waste & Regulation	(9,218)	(9,394)
Housing, Planning & Sustainability	(1,390)	(1,076)
Children & Learning	(8,521)	(5,213)
Health & Adult Social Care	(13,488)	(12,281)
Technology	(947)	(746)
<b>Total Income from General Fund Services</b>	<b>(45,556)</b>	<b>(40,117)</b>
Local Authority Housing (HRA)	(27,950)	(28,072)
<b>Total Income from Housing Revenue Account Services</b>	<b>(27,950)</b>	<b>(28,072)</b>
<b>Total Income from Services</b>	<b>(73,506)</b>	<b>(68,189)</b>
Other Income and Expenditure	(5,494)	(5,054)
<b>Total Income</b>	<b>(79,000)</b>	<b>(73,243)</b>

## Note 9. Material Items of Income and Expense

In relation to 2017/18:

- The Surplus on Revaluation of non-current assets of £58.200M consists of £59.822M of revaluation gains from the increase in the value of Property Plant and Equipment, £0.242M of revaluation gains from the increase in the value of Heritage Assets, and £1.864M of accumulated revaluation gains lost as a result of downwards revaluation and impairment losses.
- During the year six schools and the Renown Centre transferred to academy status. As a result the carrying amount of the assets of £27.214M has been written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal
- The performance of the Essex Pension Fund during 2017/18 was better than anticipated, with an increase in the underlying value of scheme assets and a positive change in actuarial assumptions underpinning the scheme. This has led to an actuarial gain passing through the Comprehensive Income and Expenditure Statement of £48.102M.

In relation to 2016/17:

- The Surplus on Revaluation of non-current assets of £47.753M consists of £57.231M of revaluation gains from the increase in the value of Property Plant and Equipment, £1.222M of revaluation gains from the increase in the value of Heritage Assets, and £10.700M of accumulated revaluation gains lost as a result of downwards revaluation and impairment losses.

- During the year ten schools transferred to academy status. As a result the carrying amount of the assets of £45.895M has been written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal
- Despite a large increase in the underlying value of scheme assets, the performance of the Essex Pension Fund during 2016/17 was worse than anticipated, following a change in actuarial assumptions underpinning the scheme. This has led to a net actuarial loss passing through the Comprehensive Income and Expenditure Statement of £57.755M.

#### Note 10. Other Operating Expenditure

	2017/18 £000	2016/17 £000
Leigh Town Council Precept and Grant	411	406
Levies	579	540
Payments to the Government Housing Capital Receipts Pool	533	557
Losses on the Disposal of Non-current Assets	25,593	45,125
<b>Total</b>	<b>27,116</b>	<b>46,628</b>

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

	2017/18 £000	2016/17 £000
Interest Payable and Similar Charges	11,093	11,143
Interest on net pension liability	5,543	5,513
Interest Receivable and Similar Income	(2,294)	(1,277)
Income and Expenditure in relation to Investment Properties and changes in their Fair Value	(5,271)	(4,147)
Deficit on Traded Services	961	1,121
Other	80	0
<b>Total</b>	<b>10,112</b>	<b>12,353</b>

See also note 23 for more information on Investment Properties.

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

	2017/18 £000	2016/17 £000
Council Tax Income	75,043	69,574
Retained Business Rates	20,247	22,793
Non-Ringfenced Government Grants	33,134	36,721
Capital Grants and Contributions	10,624	12,616
<b>Total</b>	<b>139,048</b>	<b>141,704</b>

**Note 13. Pooled Budgets**

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

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

	2017/18 £000	2016/17 £000
<b>Funding provided to the pooled budget</b>		
Southend-on-Sea Borough Council	(5,288)	(1,193)
NHS Southend Clinical Commissioning Group	(12,152)	(11,938)
<b>Total Funding</b>	<b>(17,440)</b>	<b>(13,131)</b>
<b>Expenditure met from the pooled budget</b>		
Southend-on-Sea Borough Council	11,039	6,842
NHS Southend Clinical Commissioning Group	6,401	6,289
<b>Total Expenditure</b>	<b>17,440</b>	<b>13,131</b>
<b>Net Pooled Budget</b>	<b>0</b>	<b>0</b>
<b>Southend-on-Sea Borough Council share</b>	<b>0</b>	<b>0</b>

**Note 14. Members' Allowances**

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

	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Basic Allowances	450	447
Special Allowances	184	187
Travel & Subsistence	3	1
<b>Total Members Allowances</b>	<b>637</b>	<b>635</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 15. Officers' Remuneration

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

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

2016/17						
Post holder information (Post title)	Salary (Including fees & Allowances) £	Compensation for loss of employment £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding pension contributions 2016/17 £	Pension contribution £	Total Remuneration including pension contributions 2016/17 £
<b>Chief Executive - Rob Tinlin</b> <i>annualised as reduced hours</i>	121,499	0	0	<b>121,499</b>	0	<b>121,499</b> <b>151,874</b>
<b>Deputy Chief Executives</b>						
People	126,520	0	0	<b>126,520</b>	18,219	<b>144,739</b>
Place	115,435	0	0	<b>115,435</b>	16,623	<b>132,058</b>
<b>Heads of Service</b>						
Legal & Democratic Services <i>annualised as reduced hours</i>	77,148	0	0	<b>77,148</b>	11,109	<b>88,257</b> <b>110,321</b>
Finance & Resources	93,695	0	1,395	<b>95,090</b>	12,361	<b>107,451</b>
Transformation	88,923	0	0	<b>88,923</b>	12,805	<b>101,728</b>
Public Health	121,368	0	0	<b>121,368</b>	10,866	<b>132,234</b>
Public Health Improvement	83,250	0	0	<b>83,250</b>	7,453	<b>90,703</b>
Strategy & Commissioning	93,749	0	212	<b>93,961</b>	13,500	<b>107,461</b>
Adult Services & Housing	85,850	0	0	<b>85,850</b>	12,362	<b>98,212</b>
Children's Services	76,384	0	0	<b>76,384</b>	10,999	<b>87,383</b>
Learning	77,124	0	0	<b>77,124</b>	11,105	<b>88,229</b>
Public Protection to 12 March 2017 <i>annualised</i>	84,935	0	0	<b>84,935</b>	12,134	<b>97,069</b> <b>102,696</b>
Planning & Transport	75,087	0	0	<b>75,087</b>	10,813	<b>85,900</b>
Culture, Tourism & Property	69,927	0	0	<b>69,927</b>	10,070	<b>79,997</b>
Regeneration & Business Development from <i>annualised</i>	28,227	0	0	<b>28,227</b>	4,065	<b>32,292</b> <b>77,500</b>
Digital Futures	88,749	0	0	<b>88,749</b>	12,780	<b>101,529</b>
<b>Posts declared redundant during the year</b>						
Corporate Director - Corporate Services to 29 September 2016	59,679	165,700	0	<b>225,379</b>	8,594	<b>233,973</b>
Head of Service - Culture to 30 September 2016	58,992	141,936	0	<b>200,928</b>	6,505	<b>207,433</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:

	2017/18			2016/17		
	Number of Staff			Number of Staff		
	Council	Schools	Total	Council	Schools	Total
£50,000 to £54,999	30	12	42	33	17	50
£55,000 to £59,999	15	7	22	24	12	36
£60,000 to £64,999	13	2	15	4	9	13
£65,000 to £69,999	7	7	14	6	8	14
£70,000 to £74,999	2	2	4	1	6	7
£75,000 to £79,999	1	2	3	1	3	4
£80,000 to £84,999	0	1	1	0	5	5
£85,000 to £89,999	0	3	3	0	2	2
£90,000 to £94,999	0	0	0	0	1	1
£95,000 to £99,999	0	0	0	0	1	1
£105,000 to £109,999	0	0	0	0	1	1
£165,000 to £169,999	1	0	1	0	0	0
<b>Total</b>	<b>69</b>	<b>36</b>	<b>105</b>	<b>69</b>	<b>65</b>	<b>134</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	
	2017/18			2016/17			2017/18	2016/17
	Compulsory	Other	Total	Compulsory	Other	Total	£	£
<b>Council Staff</b>								
£0 - £19,999	3	4	7	8	9	17	71,713	170,674
£20,000 - £39,999	0	0	0	2	4	6	0	173,561
£40,000 - £59,999	1	1	2	1	3	4	82,611	206,884
£60,000 - £79,999	0	0	0	2	0	2	0	146,417
£80,000 - £99,999	0	0	0	0	2	2	0	178,812
£100,000 - £149,999	0	1	1	0	1	1	135,759	141,936
£150,000 - £199,999	0	0	0	0	1	1	0	165,700
<b>Total</b>	<b>4</b>	<b>6</b>	<b>10</b>	<b>13</b>	<b>20</b>	<b>33</b>	<b>290,083</b>	<b>1,183,984</b>
<b>School Staff</b>								
£0 - £19,999	10	14	24	9	6	15	175,277	86,425
£20,000 - £39,999	1	1	2	0	0	0	51,813	0
£60,000 - £79,999	0	0	0	0	1	1	0	68,482
<b>Total</b>	<b>11</b>	<b>15</b>	<b>26</b>	<b>9</b>	<b>7</b>	<b>16</b>	<b>227,090</b>	<b>154,907</b>
<b>Total</b>	<b>15</b>	<b>21</b>	<b>36</b>	<b>22</b>	<b>27</b>	<b>49</b>	<b>517,173</b>	<b>1,338,891</b>

## Note 16. External Audit Costs

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

	2017/18 £000	2016/17 £000
Fees payable with regard to external audit services	143	144
Fees payable for the certification of grant claims and returns	33	34
Fees payable in respect of other services provided	4	0
<b>Total Audit Costs</b>	<b>180</b>	<b>178</b>

## Note 17. Dedicated Schools Grant

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

Details of the deployment of DSG receivable are as follows:

	2017/18 Central Expenditure £000	2017/18 Individual Schools Budget £000	2017/18 Total £000	2016/17 Total £000
Final DSG before academy recoupment			143,695	139,546
Expected Early Years funding Adjustment			0	200
Academy figure recouped			(87,090)	(73,464)
<b>Total DSG after academy recoupment</b>			<b>56,605</b>	<b>66,282</b>
Plus: Brought forward from prior year			326	1,594
Less: Carry forward to following year, agreed in advance			(326)	(788)
<b>Total DSG available</b>			<b>56,605</b>	<b>67,088</b>
Agreed initial budgeted distribution	2,508	60,645	63,153	80,268
In year adjustments (early years, academy recoupment and NNDR adjustments)	0	(6,970)	(6,970)	(13,391)
<b>Final budget distribution</b>	<b>2,508</b>	<b>53,675</b>	<b>56,183</b>	<b>66,877</b>
Less: Actual central expenditure	(2,428)		(2,428)	(1,982)
Less: Actual ISB deployed to Schools and providers		(54,146)	(54,146)	(65,357)
<b>Carry forward to following year</b>	<b>80</b>	<b>(471)</b>	<b>(391)</b>	<b>(462)</b>
Plus: Carry forward agreed in advance			326	788
<b>Total DSG Carried Forward</b>			<b>(65)</b>	<b>326</b>

## Note 18. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

	2017/18 £000	2016/17 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
<b>Non-Ringfenced Government Grants</b>		
Business Rates Top Up and S31 Grants	14,793	11,252
Revenue Support Grant	14,759	21,411
New Homes Bonus	2,033	2,634
Adult Social Care Grant	828	0
Education Support Grant	704	1,374
Other non-ringfenced government grants	17	50
	<b>33,134</b>	<b>36,721</b>
<b>Capital Grants and Contributions</b>		
Highways Infrastructure	4,343	5,789
Airport Business Park	1,898	3,205
Schools	1,787	1,033
Street Lighting Renewal	1,401	2,341
Housing	666	0
Southend Central Area Action Plan (non transport)	494	0
Other	35	248
	<b>10,624</b>	<b>12,616</b>
<b>Total</b>	<b>43,758</b>	<b>49,337</b>

	2017/18 £000	2016/17 £000
<b>Credited to Services</b>		
Housing Benefits	79,965	86,597
Dedicated Schools Grant	55,770	66,282
Public Health Grant	9,712	9,957
REFCUS	4,226	7,275
Funding from Clinical Commissioning Groups	6,502	5,884
Improved Better Care Fund	3,989	0
Pupil Premium	3,157	4,250
Education and Skills Funding Agency	2,886	5,549
Housing Benefit Administration	1,349	0
Universal Infant Free School Meals Grant	1,337	1,132
Other Service Grants and Contributions	6,543	5,274
<b>Total</b>	<b>175,436</b>	<b>192,200</b>

With the exception of a grant for £2,197,000 for schools relating to 2018/19 which has been recognised as a capital grant received in advance, the Council has recognised all of the grants and contributions received as income through the Comprehensive Income and Expenditure Statement, as any conditions attached to the grants and contributions that may have required the monies or property to be returned to the giver have been met.

## NOTES SUPPORTING THE MOVEMENT IN RESERVES STATEMENT

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

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

#### **General Fund Balance**

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

#### **Housing Revenue Account Balance**

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

#### **Major Repairs Reserve**

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

#### **Capital Receipts Reserve**

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

#### **Capital Grants Unapplied**

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

2017/18	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the comprehensive income and expenditure statement:</b>						
Charges for depreciation of non-current assets	13,312	6,036	0	0	0	(19,348)
Revaluation and impairment losses on property, plant and equipment and intangible assets	(4,222)	(850)	0	0	0	5,072
Movements in the market value of investment properties	(3,212)	0	0	0	0	3,212
Amortisation of intangible assets	1,367	0	0	0	0	(1,367)
Capital grants and contributions applied	(3,906)	1,043	0	0	(1,338)	4,201
Revenue expenditure funded from capital under statute	12,276	439	0	0	0	(12,715)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the comprehensive income and expenditure statement	27,616	1,591	0	0	0	(29,207)
<b>Insertion of items not debited or credited to the comprehensive income and expenditure statement:</b>						
Statutory provision for the financing of capital investment	(1,197)	0	0	0	0	1,197
Capital expenditure charged against the General Fund and HRA Balances	(5,239)	(632)	0	0	0	5,871
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	(10,328)	(1,658)	0	0	11,986	0
Application of grants to capital financing transferred to the capital adjustment account	0	0	0	0	(10,462)	10,462
<b>Adjustments primarily involving the Major Repairs Reserve</b>						
Reverse MRA credited to HRA	0	(6,036)	0	0	0	6,036
Reversal of HRA Depreciation credited to the Major Repairs Reserve	0	0	0	6,036	0	(6,036)
Use of the major repairs reserve to finance new capital expenditure	0	0	0	(4,540)	0	4,540
<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	(3,500)	0	0	0	0	3,500

2017/18	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	(808)	(2,807)	3,615	0	0	0
Use of the capital receipts reserve towards administrative costs of non-current asset disposals	0	0	0	0	0	0
Use of the capital receipts reserve to repay borrowing	0	0	0	0	0	0
Use of the capital receipts reserve to finance new capital expenditure	0	0	(737)	0	0	737
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	532	0	(532)	0	0	0
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see note 36)	14,013	0	0	0	0	(14,013)
Employer's pensions contributions and direct payments to pensioners payable in the year	(19,606)	0	0	0	0	19,606
<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	(3,765)	0	0	0	0	3,765
<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	(105)	0	0	0	0	105
<b>Total Adjustments</b>	13,228	(2,874)	2,346	1,496	186	(14,382)

2016/17 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the comprehensive income and expenditure statement:</b>						
Charges for depreciation of non-current assets	13,513	5,600	0	0	0	(19,113)
Revaluation and impairment losses on property, plant and equipment and intangible assets	4,952	(531)	0	0	0	(4,421)
Movements in the market value of investment properties	(2,339)	(72)	0	0	0	2,411
Amortisation of intangible assets	892	0	0	0	0	(892)
Capital grants and contributions applied	(9,405)	1,314	0	0	3,650	4,441
Revenue expenditure funded from capital under statute	5,733	126	0	0	0	(5,859)
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	47,819	1,875	0	0	0	(49,694)
<b>Insertion of items not debited or credited to the comprehensive income and expenditure statement:</b>						
Statutory provision for the financing of capital investment	(6,484)	0	0	0	0	6,484
Capital expenditure charged against the General Fund and HRA Balances	(2,319)	(1,835)	0	0	0	4,154
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>						
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	(9,983)	(1,817)	0	0	11,800	0
Application of grants to capital financing transferred to the capital adjustment account	0	0	0	0	(12,498)	12,498
<b>Adjustments primarily involving the Major Repairs Reserve</b>						
Reverse MRA credited to HRA	0	(5,600)	0	0	0	5,600
Reversal of HRA Depreciation credited to the Major Repairs Reserve	0	0	0	5,600	0	(5,600)
Use of the major repairs reserve to finance new capital expenditure	0	0	0	(4,641)	0	4,641
<b>Adjustments primarily involving the Deferred Capital Receipts Account</b>						
Transfer of deferred capital receipt recognised as income in the Comprehensive Income and Expenditure Account	0	0	225	0	0	(225)

2016/17 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the comprehensive income and expenditure statement	(1,553)	(3,016)	4,569	0	0	0
Use of the capital receipts reserve towards administrative costs of non-current asset disposals	0	0	0	0	0	0
Use of the capital receipts reserve to repay borrowing	0	0	0	0	0	0
Use of the capital receipts reserve to finance new capital expenditure	0	0	(716)	0	0	716
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	557	0	(557)	0	0	0
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see note 36)	12,929	0	0	0	0	(12,929)
Employer's pensions contributions and direct payments to pensioners payable in the year	(8,720)	0	0	0	0	8,720
<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	(350)	0	0	0	0	350
<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	334	0	0	0	0	(334)
<b>Total Adjustments</b>	<b>45,576</b>	<b>(3,956)</b>	<b>3,521</b>	<b>959</b>	<b>2,952</b>	<b>(49,052)</b>

## Note 20. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2017/18.

Earmarked Reserves Prior year comparative restated	Balance at	Transfers		Balance at	Transfers		Balance at
	31 March 2016 £000	To £000	From £000	31 March 2017 £000	To £000	From £000	31 March 2018 £000
<b>Schools Balances</b>	<b>9,461</b>	<b>0</b>	<b>(3,304)</b>	<b>6,157</b>	<b>0</b>	<b>(2,079)</b>	<b>4,078</b>
<b>General Fund Reserves</b>							
Capital Investment Reserves	12,378	2,328	(2,870)	11,836	5,598	(4,520)	12,914
Insurance Reserves	4,933	1,300	0	6,233	567	0	6,800
Corporate Reserves	19,305	8,437	(1,243)	26,499	12,591	(15,409)	23,681
Service Reserves	16,059	5,699	(6,722)	15,036	2,794	(3,370)	14,460
Grants Reserves	5,799	1,035	(2,477)	4,357	1,085	(1,772)	3,670
Monies held in Trust	53	0	0	53	0	0	53
<b>Total GF Reserves</b>	<b>58,527</b>	<b>18,799</b>	<b>(13,312)</b>	<b>64,014</b>	<b>22,635</b>	<b>(25,071)</b>	<b>61,578</b>
<b>HRA Service Reserves</b>	<b>17,141</b>	<b>7,524</b>	<b>(1,835)</b>	<b>22,830</b>	<b>6,061</b>	<b>(633)</b>	<b>28,258</b>
<b>Total Earmarked Reserves</b>	<b>85,129</b>	<b>26,323</b>	<b>(18,451)</b>	<b>93,001</b>	<b>28,696</b>	<b>(27,783)</b>	<b>93,914</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 insurable risks retained by the Council.

### Corporate Reserves

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

### Service Reserves

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

### Grants Reserves

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

### Monies held in Trust

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

The reserves have been regrouped into more logical categories, but the total amounts remain unaltered.

## NOTES SUPPORTING THE BALANCE SHEET

### Note 21. Property, Plant and Equipment

Movements in 2017/18	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation as at 1 April 2017</b>	<b>353,728</b>	<b>287,821</b>	<b>15,877</b>	<b>135,843</b>	<b>738</b>	<b>1,078</b>	<b>4,728</b>	<b>799,813</b>
Additions	5,356	14,873	1,335	10,316	283	0	3,890	36,053
Revaluations via Revaluation Reserve	16,083	35,362	0	0	55	0	0	51,500
Revaluations recognised in the CIES	1,051	4,963	(84)	(325)	0	7	0	5,612
Disposals	(1,588)	(27,905)	(3,214)	0	0	0	0	(32,707)
<b>Gross Book Value as at 31 March 2018</b>	<b>374,630</b>	<b>315,114</b>	<b>13,914</b>	<b>145,834</b>	<b>1,076</b>	<b>1,085</b>	<b>8,618</b>	<b>860,271</b>
<b>Accumulated Depreciation as at 1 April 2017</b>	<b>(10,187)</b>	<b>(11,964)</b>	<b>(6,772)</b>	<b>(44,555)</b>	<b>0</b>	<b>(7)</b>	<b>0</b>	<b>(73,485)</b>
Depreciation	(5,823)	(5,305)	(1,341)	(6,232)	0	(7)	0	(18,708)
Written out to Revaluation Reserve	32	6,426	0	0	0	0	0	6,458
Written out to the CIES	2	284	21	39	0	0	0	346
On Disposals	66	623	2,965	0	0	0	0	3,654
<b>Accumulated Depreciation as at 31 March 2018</b>	<b>(15,910)</b>	<b>(9,936)</b>	<b>(5,127)</b>	<b>(50,748)</b>	<b>0</b>	<b>(14)</b>	<b>0</b>	<b>(81,735)</b>
<b>Net Book Value as at 31 March 2017</b>	<b>343,541</b>	<b>275,857</b>	<b>9,105</b>	<b>91,288</b>	<b>738</b>	<b>1,071</b>	<b>4,728</b>	<b>726,328</b>
<b>Net Book Value as at 31 March 2018</b>	<b>358,720</b>	<b>305,178</b>	<b>8,787</b>	<b>95,086</b>	<b>1,076</b>	<b>1,071</b>	<b>8,618</b>	<b>778,536</b>

<b>Movements in 2016/17</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 2016</b>	<b>329,954</b>	<b>313,838</b>	<b>14,565</b>	<b>121,880</b>	<b>1,411</b>	<b>640</b>	<b>2,630</b>	<b>784,918</b>
Additions	7,040	11,219	3,542	15,567	245	0	2,446	40,059
Revaluations via Revaluation Reserve	17,817	23,945	0	0	(384)	163	0	41,541
Revaluations recognised in the CIES	501	(9,176)	(1,871)	(1,604)	(534)	275	0	(12,409)
Disposals	(1,932)	(51,853)	(359)	0	0	0	0	(54,144)
Transfers	348	(152)	0	0	0	0	(348)	(152)
<b>Gross Book Value as at 31 March 2017</b>	<b>353,728</b>	<b>287,821</b>	<b>15,877</b>	<b>135,843</b>	<b>738</b>	<b>1,078</b>	<b>4,728</b>	<b>799,813</b>
<b>Accumulated Depreciation as at 1 April 2016</b>	<b>(4,873)</b>	<b>(20,778)</b>	<b>(7,637)</b>	<b>(39,861)</b>	<b>0</b>	<b>(5)</b>	<b>0</b>	<b>(73,154)</b>
Depreciation	(5,391)	(6,201)	(1,001)	(5,870)	0	(8)	0	(18,471)
Written out to Revaluation Reserve	15	4,970	0	0	0	5	0	4,990
Written out to the CIES	5	5,557	1,755	1,176	0	1	0	8,494
On Disposals	57	4,478	111	0	0	0	0	4,646
On Transfers	0	10	0	0	0	0	0	10
<b>Accumulated Depreciation as at 31 March 2017</b>	<b>(10,187)</b>	<b>(11,964)</b>	<b>(6,772)</b>	<b>(44,555)</b>	<b>0</b>	<b>(7)</b>	<b>0</b>	<b>(73,485)</b>
<b>Net Book Value as at 31 March 2016</b>	<b>325,081</b>	<b>293,060</b>	<b>6,928</b>	<b>82,019</b>	<b>1,411</b>	<b>635</b>	<b>2,630</b>	<b>711,764</b>
<b>Net Book Value as at 31 March 2017</b>	<b>343,541</b>	<b>275,857</b>	<b>9,105</b>	<b>91,288</b>	<b>738</b>	<b>1,071</b>	<b>4,728</b>	<b>726,328</b>

## Depreciation

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

<b>2016/17 Useful Economic Life Years</b>	<b>Fixed Asset Category</b>	<b>2017/18 Useful Economic Life Years</b>
Between 10 and 60	Council Dwellings	Between 18 and 60
Between 1 and 60	Other Land & Buildings	Between 1 and 60
Between 1 and 35	Vehicles, Plant, Furniture and Equipment	Between 1 and 34
Between 2 and 45	Infrastructure Assets	Between 1 and 44
Nil	Community Assets	Nil
Between 25 and 50	Surplus Assets	Between 34 and 59
Nil	Assets Under Construction	Nil

## Revaluations

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

A variety of assets were revalued this year, some as part of the 5 year rolling programme. The main assets were schools, sports pavilions, park conveniences, park mess rooms, day centres, the Beach Club and Lagoon conveniences. The significant assumptions applied in estimating their current values were:

- The data provided by the Council was accurate at 1 April 2017;
- The Council has good title to the asset, free from onerous covenant and other encumbrances;
- There are no planning proposals that are likely to have an effect on the value of the properties;
- All properties are at a suitable level of condition for service provision and that all internal and external repairs and maintenance have been carried out;
- No deleterious or hazardous material has been used in the construction of the properties or has since been incorporated;
- No contaminative or potentially contaminative uses have ever been carried out on the property;
- The use of relevant data from the Building Cost Information Service of RICS (BCIS).

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

<b>Year of Rolling Programme</b>	<b>Internal/ External Valuation</b>	<b>Valuer</b>	<b>Assets Revalued</b>
2013/2014	External	Wilks Head & Eve	Theatres, parks, pier assets (excluding structure), Southend Adult Community Centre and General Fund council dwellings
2014/2015	External	Wilks Head & Eve	Investment properties, foundation schools, pier structure and the Forum
2015/2016	External	Wilks Head & Eve	Housing Revenue Account council dwellings, investment properties, garages and hostels
2016/2017	External	Whybrow and Dodds	Car parks, clubs, bus station, community centres, depots, libraries, museum, shelters, leisure centres, theatres, public conveniences, investment properties, care homes, cemetery offices, crematorium, Porters, Southchurch Hall, the Cliff Lift and council administrative buildings
2017/18	External	Whybrow and Dodds	Schools, Sports Pavilions, Park WCs, Park Messrooms, Day Centres, The Beach Club and Lagoon WCs

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

## **Note 22. Heritage Assets**

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

### Historic Seaside Assets

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

### Heritage Land and Buildings

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

### Antiques / Collectables

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

### Museum Collections

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

The exception is the Saxon King artefacts which form part of the Council's heritage assets and have been valued by a specialist in archaeology. These items are reported in the Balance Sheet at this valuation which is based on sale prices of comparable material and museum valuations for loan purposes, where relevant. The valuations also take into account the condition of the objects, their rare or unique nature and their relationship to material from other high-status burial contexts such as Sutton Hoo and Taplow. These assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. Of these items, at 31 March 2018 £748,000 worth were in storage within the borough with the remainder on loan to a museum in London. On 2 May 2018 the rest of the collection was returned to the borough.

### Memorials and Statues

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

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

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

	Historic Seaside Assets £000	Heritage Land & Buildings £000	Antiques and Collectables £000	Museum Collections £000	Total Heritage Assets £000
<b>Movements in 2016/17</b>					
<b>Cost or Valuation as at 1 April 2016</b>	<b>35,663</b>	<b>914</b>	<b>665</b>	<b>1,501</b>	<b>38,743</b>
Additions	561	3	0	56	620
Revaluations via Revaluation Reserve	71	1,045	0	0	1,116
Revaluations recognised in the CIES	(568)	2	0	0	(566)
<b>Gross Book Value as at 31 March 2017</b>	<b>35,727</b>	<b>1,964</b>	<b>665</b>	<b>1,557</b>	<b>39,913</b>
<b>Accumulated Depreciation as at 1 April 2016</b>	<b>(1,274)</b>	<b>(86)</b>	<b>0</b>	<b>0</b>	<b>(1,360)</b>
Depreciation	(600)	(42)	0	0	(642)
Written out to Revaluation Reserve	22	84	0	0	106
Written out to the CIES	73	0	0	0	73
<b>Accumulated Depreciation as at 31 March 2017</b>	<b>(1,779)</b>	<b>(44)</b>	<b>0</b>	<b>0</b>	<b>(1,823)</b>
<b>Net Book Value as at 31 March 2016</b>	<b>34,389</b>	<b>828</b>	<b>665</b>	<b>1,501</b>	<b>37,383</b>
<b>Net Book Value as at 31 March 2017</b>	<b>33,948</b>	<b>1,920</b>	<b>665</b>	<b>1,557</b>	<b>38,090</b>

## Basis of valuation

Asset	Date of last valuation	Valuer	Qualification	Method of valuation
Cliff Lift	01/04/2016	Whybrow and Dodds	MRICS	Existing use value
Porters	01/04/2016	Whybrow and Dodds	MRICS	Depreciated replacement cost
Porters contents	16/08/2013	Webb Valuations Fine Art Ltd	FRICS	Current replacement cost
Southchurch Hall	01/04/2016	Whybrow and Dodds	MRICS	Depreciated replacement cost
Pier	01/04/2014	Wilks Head and Eve	MRICS	Depreciated replacement cost
Bandstand	01/04/2011	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 23. Investment Properties

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

	2017/18 £000	2016/17 £000
Balance at start of the year	25,344	23,087
Additions:		
Subsequent Expenditure	12,488	0
Transfers:		
(to) / from Assets Held for Sale (<1 yr)	0	(154)
Revaluations and impairments	3,212	2,411
<b>Balance at end of the year</b>	<b>41,044</b>	<b>25,344</b>

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

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

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

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

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

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

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

## Note 24. Financial Instruments

### Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
<b>Investments, Cash and Cash Equivalents</b>				
Loans and Receivables	53	34	13,510	26,948
Available for sale Financial Assets	22,625	15,859	33,239	43,154
<b>Total Investments</b>	<b>22,678</b>	<b>15,893</b>	<b>46,749</b>	<b>70,102</b>
<b>Debtors</b>				
Loans and Receivables	5,206	2,367	26,757	23,674
<b>Total Debtors</b>	<b>5,206</b>	<b>2,367</b>	<b>26,757</b>	<b>23,674</b>
<b>Borrowings</b>				
Financial Liabilities at Amortised Cost	248,359	248,117	11,830	6,356
<b>Total Borrowings</b>	<b>248,359</b>	<b>248,117</b>	<b>11,830</b>	<b>6,356</b>
<b>Creditors</b>				
Financial Liabilities at Amortised Cost	2	0	24,427	24,590
<b>Total Creditors</b>	<b>2</b>	<b>0</b>	<b>24,427</b>	<b>24,590</b>

### Reclassifications

There were no reclassifications of financial instruments in 2017/18.

## Income, Expense, Gains and Losses

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

The fee expense for financial liabilities measured at amortised cost is negative due to the change in accounting policy regarding the capitalisation of borrowing costs as set out in note 1.

2016/17 Comparative Figures	Financial Liabilities measured at Amortised Cost	Financial Assets: Loans and Receivables Restated	Financial Assets: Available for Sale Restated	Total
	£000	£000	£000	£000
Interest Expense	11,096	0	0	11,096
Fee Expense	29	0	127	156
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>11,125</b>	<b>0</b>	<b>127</b>	<b>11,252</b>
Interest Income	0	(60)	(1,217)	(1,277)
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(60)</b>	<b>(1,217)</b>	<b>(1,277)</b>
Gains on Revaluation	0	0	5	5
Amounts Recycled to the Surplus or Deficit on the Provision of Services after Impairment	0	0	(7)	(7)
<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>11,125</b>	<b>(60)</b>	<b>(1,092)</b>	<b>9,973</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 2018 of 1.67% to 2.77% 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:

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

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

	31 March 2018		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities	284,616	349,781	279,062	342,660
Long Term Creditors	2	0	0	0

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2018	31 March 2017
	Carrying Amount	Carrying Amount
	£000	£000
Financial Assets	96,184	109,669
Long Term Debtors	5,206	2,367

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

Available for sale assets are carried in the Balance Sheet at their fair value. The fair value of the property funds have been measured using the quoted price of units plus the distribution to be reinvested as notified by each fund. These assets have therefore been categorised as Level 2 in the fair value hierarchy as they have inputs other than quoted prices that are observable.

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

Recurring Fair Value Measurements	Input level in Fair Value Hierarchy	Valuation Technique used to Measure Fair Value	Source of Prices or Inputs	31 March 2018 £000	31 March 2017 £000
<b>Available for Sale:</b>					
Money Market Funds	Level 1	Unadjusted quoted prices in active markets for identical assets	Unit price of fund	13,007	23,007
Enhanced Cash Fund	Level 1	Unadjusted quoted prices in active markets for identical assets	Unit price of fund	5,039	5,022
Short Dated Bond Funds	Level 1	Unadjusted quoted prices in active markets for identical assets	Unit price of fund	15,193	15,125
Property Funds	Level 2	Inputs other than quoted prices that are observable	Unit price of fund, adjusted for fund manager's estimate of income distribution for quarter four	22,625	15,859
<b>Total Available for Sale</b>				<b>55,864</b>	<b>59,013</b>

#### Note 25. Debtors

	31 March 2018 £000	31 March 2017 £000
Central government bodies	12,525	12,897
Local authorities	1,595	2,486
NHS bodies	1,230	1,747
Public corporations and trading funds	1	0
Other entities and individuals	19,322	15,988
<b>Total Debtors</b>	<b>34,673</b>	<b>33,118</b>
Value of impairment included above	(11,848)	(11,715)

#### Note 26. Cash and Cash Equivalents

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

	31 March 2018 £000	31 March 2017 £000
Cash and cash equivalents held by the Council	19,462	30,216
Bank Current Accounts	7,055	9,655
<b>Total Cash and Cash Equivalents</b>	<b>26,517</b>	<b>39,871</b>

## Note 27. Creditors

	31 March 2018 £000	31 March 2017 £000
Central government bodies	10,063	6,611
Other local authorities	6,018	5,237
NHS bodies	1,269	695
Public corporations and trading funds	5	26
Other entities and individuals	28,230	26,336
<b>Total Creditors</b>	<b>45,585</b>	<b>38,905</b>

## Note 28. Provisions

	Insurance £000	Redundancy £000	Business Rate Appeals £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2016</b>	3,869	1,006	1,878	826	7,579
Additional provisions made in year	0	1,500	739	0	2,239
Amounts used in year	(1,195)	(1,257)	(367)	(238)	(3,057)
<b>Balance at 1 April 2017</b>	2,674	1,249	2,250	588	6,761
Additional provisions made in year	0	0	1,235	169	1,404
Amounts used in year	0	(291)	(1,978)	0	(2,269)
Unused amounts reversed in year	(269)	0	0	(159)	(428)
<b>Balance at 31 March 2018</b>	<b>2,405</b>	<b>958</b>	<b>1,507</b>	<b>598</b>	<b>5,468</b>

### Insurance Provision

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

### Redundancy

Estimated payments to be made in 2018/19 as a result of organisational management decisions taken during 2017/18, relating to redundancy, and therefore properly chargeable to 2017/18.

### 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 2017/18 and prior years. The overall liability is shared with Central Government and the Essex Fire Service.

**Note 29. Usable Reserves**

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

**Note 30. 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.

	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>225,896</b>	<b>191,525</b>
Upward revaluation of assets	60,064	58,453
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the provision of services	(1,864)	(10,700)
Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services	<u>58,200</u>	<u>47,753</u>
Difference between fair value and historical cost depreciation	(3,892)	(3,118)
Balance attributable to disposal/write offs	<u>(7,618)</u>	<u>(10,264)</u>
Amount written off to the capital adjustment account	(11,510)	(13,382)
<b>Balance at 31 March</b>	<b>272,586</b>	<b>225,896</b>

**Capital Adjustment Account**

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

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

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

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

	2017/18		2016/17
	£000	£000	£000
<b>Balance at 1 April</b>		<b>251,982</b>	<b>283,234</b>
<i>Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement</i>			
Charges for depreciation and revaluation gains and losses and impairment losses on non-current assets	(14,276)		(23,534)
Amortisation of intangible assets	(1,367)		(892)
Revenue expenditure funded from capital under statute	(12,715)		(5,859)
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	(29,207)		(49,694)
		(57,565)	(79,979)
Adjusting amounts written out of the revaluation reserve		11,510	13,382
Net written out amount of the cost of non-current assets consumed in the year		(46,055)	(66,597)
<i>Capital financing applied in the year</i>			
Use of the capital receipts reserve to finance new capital expenditure	737		716
Use of the major repairs reserve to finance new capital expenditure	4,540		4,641
Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	14,663		16,939
Statutory provision for the financing of capital investment charged against the general fund and HRA balances	1,197		6,484
Use of the capital receipts reserve to repay borrowing			0
Capital expenditure charged against the general fund and HRA balances	5,871		4,154
		27,008	32,934
Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement		3,212	2,411
<b>Balance at 31 March</b>		<b>236,147</b>	<b>251,982</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.

	2017/18 £000	2016/17 £000
<b>Balance at 1 April</b>	<b>(222,617)</b>	<b>(160,653)</b>
Remeasurements of the net defined benefit liability/(asset)	48,102	(57,755)
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	(14,013)	(12,929)
Employer's pensions contributions and direct payments to pensioners payable in the year	19,606	8,720
<b>Balance at 31 March</b>	<b>(168,922)</b>	<b>(222,617)</b>

## Note 31. 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 2018 £000	31 March 2017 £000
<b>Capital Investment</b>		
Property, Plant and Equipment	36,053	40,059
Investment Assets	12,488	
Intangible Assets	2,904	1,791
Heritage Assets	859	620
Revenue Expenditure Funded from Capital Under Statute	12,715	5,859
<b>Total Capital Investment</b>	<b>65,019</b>	<b>48,329</b>
<b>Sources of Finance</b>		
Usable Capital Receipts	737	716
Government Grants and other Contributions	14,663	16,939
Sums set aside from Revenue:		
Direct Revenue Contributions	5,871	4,154
Major Repairs Reserve	4,540	4,641
<b>Total Financing from Internal Resources</b>	<b>25,811</b>	<b>26,450</b>
Credit arrangements	2,937	476
Un-supported Capital Borrowing	36,271	21,403
<b>Total Financing from Borrowing / Credit Arrangements</b>	<b>39,208</b>	<b>21,879</b>
<b>Total Capital Financing</b>	<b>65,019</b>	<b>48,329</b>

	31 March 2018 £000	31 March 2017 £000
<b>Opening Capital Financing Requirement</b>	<b>304,559</b>	<b>288,516</b>
<b>Explanation of Movements in Year</b>		
Borrowing (unsupported by Government financial assistance)	36,271	21,403
Assets acquired under Finance Leases	2,937	476
Minimum Revenue Provision	(580)	(5,836)
<b>Closing Capital Financing Requirement</b>	<b>343,187</b>	<b>304,559</b>
<b>of which</b>		
General Fund CFR	244,447	205,819
Housing Revenue Account CFR	98,740	98,740
	<b>343,187</b>	<b>304,559</b>

## Note 32. Leases

### The Council as Lessee

#### Finance Leases

The Council has acquired a minibus for a school and grounds maintenance vehicles and equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet.

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

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

Following the renegotiation of the waste contract during 2017/18, a review of the contract for potential embedded leases was undertaken. This concluded that with effect from 2016/17 following the completion of the build of a Waste Transfer Station, the Council should recognise an embedded finance lease with a term of 14.67 years. This has therefore been included in the 2017/18 accounts. However no restatement of 2016/17 accounts has been undertaken on the grounds of materiality. It is not material as there was no premium paid and the minimum lease payments each year are £305,000.

#### Operating Leases

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

### Council as Lessor

#### Operating Leases

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

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

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

	<b>31 March 2018</b>	<b>31 March 2017</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	2,766	1,739
Later than one year and not later than five years	9,628	6,186
Later than five years	102,362	73,955
	<b>114,756</b>	<b>81,880</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 2017/18 £25,000 contingent rents were estimated to be receivable by the Council (2016/17 £30,000 estimated).

### Finance Leases

On 14 August 2013 the Council leased the Belfairs Woodland Centre to Essex Wildlife Trust Limited on a finance lease with a term of 25 years. There was no premium paid and the rent is a peppercorn so there are no minimum lease payments to disclose at 31 March 2018. The Council has a gross investment in the lease of £318,000, as there are no minimum lease payments and the residual value is anticipated to be half the net book value of the asset, as the lease term is half the estimated useful economic life. The gross investment is expected to be received at the end of the lease.

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

### **Note 33. Downward Revaluation and Impairment Losses**

Various assets were revalued at 1 April 2017 which led to a small downward valuation or impairment loss of £0.555M in total.

Further HRA garages were demolished resulting in impairments of £0.566M.

An impairment review was also undertaken of capital additions of which £1.971M was considered not to increase the asset value and therefore was impaired.

As a result of the regular review of the fixed asset register small downward revaluations and impairments were identified within the Council Dwellings (£1.053M), Other Land and Buildings (£0.386M), Vehicles, Plant, Furniture and Equipment (£0.014M) and Infrastructure (£0.100M) categories of assets.

### **Note 34. Termination Benefits**

The Council continues to undergo a significant programme of cost reduction involving, amongst other things, a reduction in the number of employees. This has given rise to a number of redundancy payment obligations that, although not actually paid in 2017/18, can be accommodated with the redundancy provision (see note 28).

### **Note 35. Pension Schemes Accounted for as Defined Contribution Schemes**

#### **Teachers' Pension Scheme**

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

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

In 2017/18 the Council paid £2.7M to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2016/17 were £3.5M and 16.48% respectively. There were no contributions remaining payable at the year end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis. There were added years payments of £2,608 awarded in respect of the teachers' pension scheme in 2017/18 (2016/17 £4,827).

It is estimated that the Council will pay £2.0m to the TPS in 2018/19. The payment is declining as more schools convert to academy status and therefore are no longer part of the Council.

### **NHS Staff Pension Scheme**

A number of NHS staff transferred to the Council as of 1 April 2013 as part of the transfer of Public Health from the NHS. These staff have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2017/18, the Council paid £81,000 (2016/17 £121,000 (*restated*)) 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 £80,000 to NHS Pensions in 2018/19.

### **Note 36. 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:

	2017/18 £000	2016/17 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
Current Service Cost	18,259	12,258
(Gain) / Loss from Settlement	(10,085)	(5,720)
Cost of Curtailments	128	725
Administration Expense	168	153
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	5,543	5,513
<b>Total post-employment benefit charged to the surplus or deficit on the provision of services</b>	<b>14,013</b>	<b>12,929</b>
<b>Other post-employment benefit charged to the comprehensive income and expenditure statement</b>		
Return on plan assets in excess of interest	(19,123)	(57,173)
Other actuarial gains on assets	0	(1,313)
Change in financial assumptions	(28,979)	126,441
Change in demographic assumptions	0	(9,957)
Experience gain on defined benefit obligation	0	(243)
<b>Remeasurements and Other Comprehensive Income</b>	<b>(48,102)</b>	<b>57,755</b>
<b>Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement</b>	<b>(34,089)</b>	<b>70,684</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	34,089	(70,684)
<b>Actual amount charged against the General Fund Balance for Pensions in the year</b>		
Employer's contributions payable to scheme	19,606	8,720

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

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

Actuarial Gains/(Losses)	2017/18 £000	2016/17 £000
Present Value of the defined benefit obligation	616,828	647,083
Fair Value of Plan Assets	(447,906)	(424,466)
<b>Net Liability arising from defined benefit obligation</b>	<b>168,922</b>	<b>222,617</b>

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

	2017/18 £000	2016/17 £000
Opening Balance at 1 April	647,083	524,060
Current Service Cost	18,259	12,258
Interest Cost	16,812	18,405
Contributions by Scheme Participants	3,132	3,299
Actuarial gains / losses arising from changes in demographic assumptions	0	(9,957)
Actuarial gains / losses arising from changes in financial assumptions	(28,979)	126,441
Other	0	(243)
Losses on Curtailments	128	725
Benefits Paid	(16,129)	(16,604)
Liabilities extinguished on Settlements	(23,478)	(11,301)
<b>Closing Balance at 31 March</b>	<b>616,828</b>	<b>647,083</b>

## Reconciliation of fair value of the scheme assets

	2017/18 £000	2016/17 £000
Opening Balance at 1 April	424,466	363,407
Interest Income	11,269	12,892
The return on plan assets, excluding the amount included in the net interest expense	19,123	57,173
Other Actuarial Gains	0	1,313
Employer Contributions	19,606	8,720
Contributions by Scheme Participants	3,132	3,299
Benefits Paid	(16,129)	(16,604)
Payment of Bulk Transfer Value	(13,393)	(5,581)
Administrative Expense	(168)	(153)
<b>Closing Balance at 31 March</b>	<b>447,906</b>	<b>424,466</b>

## Local Government Pension Scheme assets

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

	2017/18		2016/17	
	£000		£000	
Equity Investments	292,329	65.3%	289,920	68.3%
Government Bonds	29,797	6.7%	16,059	3.8%
Other Bonds	16,639	3.7%	17,251	4.1%
Property	42,486	9.5%	41,295	9.7%
Cash / Liquidity	15,403	3.4%	12,776	3.0%
Alternative Assets	33,085	7.4%	28,309	6.7%
Other Managed Funds	18,167	4.1%	18,856	4.4%
	<b>447,906</b>	<b>100%</b>	<b>424,466</b>	<b>100%</b>

Of the equities allocation, 100% are overseas investments. 100% of the equities are listed.

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

The Other Bonds allocation consists entirely of UK corporate bonds.

Of the Property allocation, 36% is listed.

The Alternative Assets allocation is made up of 42% in Private Equity, 42% in Infrastructure and 16% in Timber.

### Basis for Estimating Assets and Liabilities

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

The Pension Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates being based on the last full revaluation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

	2017/18	2016/17
<b>Mortality assumptions:</b>		
Longevity at 65 for Current Pensioners		
Men	22.2	22.1
Women	24.7	24.6
Longevity at 65 for Future Pensioners		
Men	24.4	24.3
Women	27.0	26.9
Rate of Inflation (RPI)	3.3%	3.6%
Rate of Inflation (CPI)	2.3%	2.7%
Rate of increases in salaries	3.8%	4.2%
Rate of increase in pensions	2.3%	2.7%
Rate for discounting scheme liabilities	2.55%	2.7%

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

Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	23,472	(22,585)
Rate of inflation (increase or decrease by 0.1%)	10,416	(10,227)
Rate of increase in salaries (increase or decrease by 0.1%)	953	(948)
Rate of increase in pensions (increase or decrease by 0.1%)	10,416	(10,227)
Rate of discounting scheme liabilities (increase or decrease by 0.1%)	(11,137)	11,352

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

One of the objectives of the scheme is to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 8 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2019.

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

The Council anticipates paying a £7.749M contribution to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 19 years (19 years 2016/17).

### **Note 37. Nature and Extent of Risks Arising from Financial Instruments**

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

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

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

#### Credit Risk

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £14M cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2018 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 2018	Estimated maximum exposure to default and uncollectability £000	31 March 2017
			Historical experience adjusted for market conditions %		Estimated maximum exposure to default and uncollectability £000
Deposits With Banks And Other Financial Institutions	13,563	0.00%	0.00%	0	0
Bonds And Other Securities	55,864	0.00%	0.00%	0	0
Customers	28,094	0.43%	0.92%	220	240

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 2018 £000	31 March 2017 £000
Less Than Three Months	4,567	4,735
Three To Six Months	722	649
Six Months To One Year	586	427
More Than One Year	2,581	2,667
<b>Total</b>	<b>8,456</b>	<b>8,478</b>

#### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from other Local Authorities and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy for long term borrowing is to ensure that not more than 40% of loans are due to mature between 2 and 5 years, through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	31 March 2018 £000	31 March 2017 £000
Less than 1 year	10,929	10,815
Between 1 and 2 years	18,021	10,929
Between 2 and 5 years	33,359	41,446
Between 5 and 10 years	87,357	78,335
Between 10 and 15 years	96,247	103,486
Between 15 and 20 years	83,702	72,993
More than 20 years	90,151	106,471
<b>Total Cost of Loans Over Their Life</b>	<b>419,766</b>	<b>424,475</b>
This total consists of:		
Principal Amount of Loans	236,557	235,718
Future Interest Element	183,209	188,757
<b>Total Cost of Loans Over Their Life</b>	<b>419,766</b>	<b>424,475</b>

These amounts are higher than those recognised in note 24 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 2018, 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	(824)
Increase in government grant receivable for financing costs	0
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(824)</b>
Share of overall impact debited to the HRA	(64)
Decrease in fair value of fixed rate investment assets	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	0

*Price Risk*

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

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

*Foreign Exchange Risk*

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

## NOTES SUPPORTING THE CASH FLOW STATEMENT

### Note 38. 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:

	2017/18 £000	2016/17 £000
Interest paid	11,108	10,896
Interest received	(202)	(337)
<b>Net Cash Flows from Interest Paid and Received</b>	<b>10,906</b>	<b>10,559</b>

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

### Note 39. Cash Flow Statement – Non-Cash Movements

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

	2017/18 £000	2016/17 £000
Depreciation of Non Current Assets	(19,348)	(19,113)
Downward Revaluation and Impairment Losses of Non Current Assets	5,072	(4,421)
Amortisations	(1,367)	(892)
(Increase)/Decrease in impairment for provision for bad debts	(235)	732
(Increase)/Decrease in Creditors	(6,527)	(210)
Increase/(Decrease) in Debtors	4,625	862
Increase/(Decrease) in Inventories	(49)	144
Net retirement benefits per IAS19	5,593	(4,209)
Carrying amount of assets disposed/sold	(29,207)	(49,694)
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	1,293	818
Movements in the value of investment properties	3,212	2,411
Removal of Council Tax and Business Rates Agency Adjustments from Comprehensive Income and Expenditure Statement	5,325	1,413
Other	(3)	(3)
<b>Net Cash Flows from Operating Activities</b>	<b>(31,616)</b>	<b>(72,162)</b>

**Note 40. Cash Flow Statement - Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities**

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

	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Capital Grants credited to Surplus or deficit on the provision of services	14,849	19,890
REFCUS	(12,715)	(5,859)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,615	4,569
Proceeds from short-term and long-term investments	0	4
<b>Net Cash Flow Adjustments</b>	<b>5,749</b>	<b>18,604</b>

**Note 41. Cash Flow Statement - Investing Activities**

	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Purchase of property, plant and equipment, investment property and intangible assets	62,082	47,852
Purchase of short-term and long-term investments	6,879	23,430
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,615)	(4,569)
Proceeds from short-term and long-term investments	(10,089)	(27,934)
Other receipts from investing activities	(14,849)	(19,890)
<b>Net Cash Flow from Investing Activities</b>	<b>40,408</b>	<b>18,889</b>

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

	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Cash receipts of short and long-term borrowing	(21,937)	(9,725)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	418	99
Repayments of short and long-term borrowing	15,592	15,035
Other payments for financing activities	(4,701)	(763)
<b>Net Cash Flow from Financing Activities</b>	<b>(10,628)</b>	<b>4,646</b>

## OTHER NOTES

### Note 43. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### Central UK Government

Central UK government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments, and other areas of the public sector, used in 2017/18 and those received but not yet applied as at 31 March 2018 are set out in Note 18.

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

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2017/18 is shown in Note 14.

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

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

#### Officers

Six officers act as Board members to five of the Council's wholly owned subsidiaries – Southend Trading Corporation Limited, Southend Independent Living Limited, Southend Business Services Limited, Southend Care Limited and Southend Housing Limited. Southend Trading Corporation Limited and Southend Independent Living Limited have ceased trading. Southend Business Services Limited and Southend Housing Limited had yet to trade as at the balance sheet date. The officers do not hold any pecuniary stake in the companies, nor take any director fee. The Council however is reimbursed for officer time spent on company business.

#### Entities Controlled or Significantly Influenced by the Council

Southend-on-Sea Borough Council has a dominant influence over South Essex Homes Limited, which manages the Council's housing stock. During the course of the financial year, five Members occupied the three reserved positions on the board of South Essex Homes Limited. All material transactions with the company are recorded in the notes to the consolidated group accounts.

Under IAS19 South Essex Homes Limited must account for the net surplus or deficit arising from its share of the pension assets and liabilities in respect of its employees who are members of the Essex County Council Pension Fund. As at 31 March 2018 there was a net deficit of £8.774M in respect of South Essex Homes Limited's pension liabilities. As at 31 March 2018 South Essex Homes Limited also had a retained surplus of £1.859M in respect of its Profit and Loss reserve. Southend-on-Sea Borough Council undertakes to provide continuing financial support to enable the financial statements of South Essex Homes Limited to be prepared on a going concern basis.

Southend-on-Sea Borough Council also has a dominant influence over Southend Care Ltd, which provides adult social care services to the Council. During the course of the financial year, one officer of the Council

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

Under IAS19 Southend Care Ltd must account for the net surplus or deficit arising from its share of the pension assets and liabilities in respect of its employees who are members of the Essex County Council Pension Fund. As at 31 March 2018 there was a net deficit of £5.498M in respect of Southend Care Limited's pension liabilities. As at 31 March 2018 Southend Care Ltd also had a retained deficit of £0.284M in respect of its Profit and Loss reserve. Southend-on-Sea Borough Council undertakes to provide continuing financial support to enable the financial statements of Southend Care Ltd to be prepared on a going concern basis.

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

#### **Note 44. Contingent Liabilities**

The Council has no contingent liabilities.

**HOUSING  
REVENUE  
ACCOUNT**

## HRA INCOME AND EXPENDITURE STATEMENT

2016/17 £000		2017/18 £000
	<b>Income</b>	
(26,229)	Dwelling Rents (Gross)	(25,962)
(1,419)	Non Dwelling Rents (Gross)	(1,419)
(1,083)	Charges for Services and Facilities	(1,022)
(1,779)	Revaluation Gains	(1,089)
<b>(30,510)</b>	<b>Total Income</b>	<b>(29,492)</b>
	<b>Expenditure</b>	
4,320	Repairs and Maintenance	5,463
6,848	Supervision and Management	6,651
744	Rents, Rates, Taxes and other Charges	766
(60)	Provision for Bad and Doubtful Debts	104
6,532	Depreciation and impairment on Dwellings	5,859
243	Depreciation and impairment on Other Assets	415
48	Debt Management Expenses	35
	<i>(HRA Note 3)</i>	
	<i>(HRA Note 3)</i>	
<b>18,675</b>	<b>Total Expenditure</b>	<b>19,293</b>
<b>(11,835)</b>	<b>Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Account</b>	<b>(10,199)</b>
176	HRA services share of Corporate and Democratic Core	180
<b>(11,659)</b>	<b>Net Cost of HRA Services</b>	<b>(10,019)</b>
(1,142)	Loss/(Profit) on Sale of HRA Long Term Assets	(1,217)
3,467	Interest Payable and Similar Charges	3,427
(116)	General Grants	(334)
(195)	Interest Receivable	(159)
<b>(9,645)</b>	<b>(Surplus) / Deficit for the year on HRA services</b>	<b>(8,302)</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.

2016/17 £000		2017/18 £000
(9,645)	Surplus for the year on the Housing Revenue Account Income And Expenditure Account	(8,302)
3,956	Net additional amount required by statute to be credited to the HRA Balance for the year	2,874
5,689	Transfer to / (from) Earmarked Reserves	5,428
<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

2016/17 £000		2017/18 £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>	
1,142	(Loss)/Profit on Sale of HRA Long Term Assets	1,217
242	General Grants / Service Grants	614
	<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>	
603	Transfer to / (from) Capital Adjustment Account - Impairment	850
134	Transfer to / (from) Capital Adjustment Account - REFCUS	(439)
1,835	Revenue Contribution to Capital	632
5,689	<b>Transfer to / (from) Earmarked Reserves</b>	<b>5,428</b>
<b>9,645</b>	<b>Net Additional Amount required to be credited to the Housing Revenue Account Balance for the year</b>	<b>8,302</b>

## NOTES TO THE HRA

### HRA Note 1. Analysis of Housing Stock

	Number of Properties 31 March 2018	Number of Properties 31 March 2017 Restated
Houses And Bungalows	2,089	2,104
Flats	3,816	3,815
<b>Total Houses and Flats</b>	<b>5,905</b>	<b>5,919</b>
Homelessness Hostel Bedsits - Room only	115	115
	<b>6,020</b>	<b>6,034</b>

### HRA Note 2. Major Repairs Reserve

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

	2017/18 £000	2016/17 £000
<b>Balance at 1 April</b>	<b>5,493</b>	<b>4,534</b>
Transfers In	6,036	5,600
Used To Fund Capital (Council Dwellings)	(4,540)	(4,641)
<b>Balance at 31 March</b>	<b>6,989</b>	<b>5,493</b>

### HRA Note 3. Depreciation

Depreciation – a charge for depreciation has also been made covering dwellings. The useful economic life for Dwellings, other buildings and non-operational assets are in accordance with the componentisation policy and in line with those shown in note 21. The Major Repairs Allowance (MRA) is matched against the cost of depreciation. Land is not depreciated due to having an indefinite life.

	2017/18 £000	2016/17 £000
<b>Item 8 Debit</b>		
<u>Depreciation</u>		
Council Dwellings	5,820	5,387
Non-Council Dwellings	216	213
<u>Impairment</u>		
Council Dwellings	39	1,145
Non-Council Dwellings	199	30
<b>Total Depreciation and Impairment</b>	<b>6,274</b>	<b>6,775</b>
Debt Management Expenses	35	48
Loan Interest Payable	3,427	3,467
<b>Item 8 Credit</b>		
Interest Receivable	(159)	(195)
<u>Revaluation Gains</u>		
Council Dwellings	(1,089)	(1,675)
Non-Council Dwellings	0	(104)
Appropriation From Capital Adjustment Account - Impairment	850	603
Appropriation From Capital Adjustment Account - REFCUS	(439)	134
<b>Net Effect On HRA</b>	<b>8,899</b>	<b>9,053</b>

#### HRA Note 4. Property, Plant and Equipment

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

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

The Open Market Value (OMV) of Council dwellings at 1 April 2017 amounted to £764.8m. It should be noted that the difference between the vacant possession value, or the OMV above, and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing Council housing at less than market value.

	Council Dwellings	Other Land & Buildings	Assets Under Construction	Non- Operational Investment Properties	Total
	£000	£000	£000	Restated £000	£000
<b>Gross Book Value as at 31 March 2017</b>	<b>353,520</b>	<b>10,432</b>	<b>0</b>	<b>1,042</b>	<b>364,994</b>
Accumulated Depreciation as at 31 March 2017	(10,182)	(439)	0	0	(10,621)
<b>Net Book Value as at 31 March 2017</b>	<b>343,338</b>	<b>9,993</b>	<b>0</b>	<b>1,042</b>	<b>354,373</b>
Additions	5,356	66	355	0	5,777
Disposals	(1,588)	(72)	0	0	(1,660)
Revaluations via Revaluation Reserve	16,076	(375)	0	0	15,701
Revaluations recognised in I&E	1,048	(211)	0	0	837
<u>Depreciation</u>					
For Current Year	(5,820)	(216)	0	0	(6,036)
On Disposals	66	3	0	0	69
Revaluations	32	9	0	0	41
Impairments	2	12	0	0	14
<b>Gross Book Value as at 31 March 2018</b>	<b>374,412</b>	<b>9,840</b>	<b>355</b>	<b>1,042</b>	<b>385,649</b>
Accumulated Depreciation as at 31 March 2018	(15,902)	(631)	0	0	(16,533)
<b>Net Book Value as at 31 March 2018</b>	<b>358,510</b>	<b>9,209</b>	<b>355</b>	<b>1,042</b>	<b>369,116</b>

HRA Note 5. Capital Expenditure

	31 March 2018 £000	31 March 2017 £000
Purchase or enhancement of Council Dwellings	5,777	7,152
REFCUS	439	126
<b>Total HRA Capital Expenditure</b>	<b>6,216</b>	<b>7,278</b>
<u>Financed by:-</u>		
Usable Capital Receipts	271	561
<b>Total Financed By Capital Receipts</b>	<b>271</b>	<b>561</b>
<u>Revenue contributions:-</u>		
General Reserves	632	1,835
Major Repairs Reserve	4,540	4,641
Third Party	773	133
Capital Grant	0	108
<b>Total Revenue Contributions</b>	<b>5,945</b>	<b>6,717</b>
<b>Total Capital Expenditure</b>	<b>6,216</b>	<b>7,278</b>



# **THE COLLECTION FUND**

## THE COLLECTION FUND

2016/17 £000 Council Tax	2016/17 £000 NNDR	2016/17 £000 Total		2017/18 £000 Council Tax	2017/18 £000 NNDR	2017/18 £000 Total	Collection Fund Note
<b>INCOME</b>							
83,000	0	83,000	Income from Council Tax	88,721	0	88,721	1
0	48,123	48,123	Income Collectable from Business Ratepayers	0	40,528	40,528	2
<b>83,000</b>	<b>48,123</b>	<b>131,123</b>	<b>Total Income</b>	<b>88,721</b>	<b>40,528</b>	<b>129,249</b>	
<b>EXPENDITURE</b>							
<b>Precepts and Demands</b>							
67,557	0	67,557	Southend-on-Sea Borough Council	72,455	0	72,455	
8,472	0	8,472	Essex Police Authority	8,939	0	8,939	
3,770	0	3,770	Essex Fire Authority	3,929	0	3,929	
<b>Business Rates</b>							
0	23,852	23,852	Payments to Government	0	21,108	21,108	
0	477	477	Payments to Fire Authority	0	422	422	
0	23,375	23,375	Payments to Southend-on-Sea Borough Council	0	20,685	20,685	
0	238	238	Costs of Collection	0	234	234	
<b>Doubtful Debt and Appeals Provisions</b>							
600	54	654	Provisions	91	73	164	
242	554	796	Write-offs	240	419	659	
0	1,508	1,508	NNDR Provision for Appeals	0	2,520	2,520	
0	(749)	(749)	NNDR Settlement of Appeals	0	(4,037)	(4,037)	
<b>80,641</b>	<b>49,309</b>	<b>129,950</b>	<b>Total Expenditure</b>	<b>85,654</b>	<b>41,424</b>	<b>127,078</b>	
<b>USE OF BALANCES</b>							
<b>Council Tax</b>							
1,000	0	1,000	Southend-on-Sea Borough Council	500	0	500	
			Government	0	0		
127	0	127	Council Tax - Essex Police Authority	63	0	63	
57	0	57	Council Tax - Essex Fire Authority	28	0	28	
<b>Business Rates</b>							
0	87	87	Government	0	(2,161)	(2,161)	
0	85	85	Southend-on-Sea Borough Council	0	(2,117)	(2,117)	
0	2	2	Essex Fire Authority	0	(43)	(43)	
<b>1,175</b>	<b>(1,360)</b>	<b>(185)</b>	<b>(Deficit) / Surplus for the year</b>	<b>2,476</b>	<b>3,425</b>	<b>5,901</b>	
<b>COLLECTION FUND BALANCE</b>							
6,230	(3,740)	2,490	Balance brought forward at 1 April	7,405	(5,100)	2,305	
1,175	(1,360)	(185)	(Deficit)/Surplus for the year (as above)	2,476	3,425	5,901	
<b>7,405</b>	<b>(5,100)</b>	<b>2,305</b>	<b>Balance Carried Forward at 31 March</b>	<b>9,881</b>	<b>(1,675)</b>	<b>8,206</b>	
<b>ALLOCATED TO:</b>							
0	(2,550)	(2,550)	Government	0	(837)	(837)	
775	0	775	Police Authority	1,057	0	1,057	
340	(51)	289	Fire Authority	447	(16)	431	
6,290	(2,499)	3,791	Southend-on-Sea Borough Council	8,377	(822)	7,555	
<b>7,405</b>	<b>(5,100)</b>	<b>2,305</b>	<b>Balance Carried Forward at 31 March</b>	<b>9,881</b>	<b>(1,675)</b>	<b>8,206</b>	

## NOTES TO THE COLLECTION FUND

### Collection Fund Note 1 Income from Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex Police Authority, Essex Fire Authority and Southend-on-Sea Borough Council for the forthcoming year and dividing this by the Council Tax Base. The basic amount for a Band D property (£1,538.01 for the Leigh-on-Sea Town Council area and £1,492.02 for all other parts of the Borough) is multiplied by the proportion specified for the particular band to give an individual amount due.

The amount per band is as follows:

Valuation Band	Range of Values	Council Tax 2017/18 Leigh-on-Sea Town Council Area	Council Tax 2017/18 All other parts of the Borough	Ratio to Band D
	£	£	£	
A	Up to and including 40,000	1,025.34	994.68	6/9
B	40,001 - 52,000	1,196.23	1,160.46	7/9
C	52,001 - 68,000	1,367.12	1,326.24	8/9
D	68,001 - 88,000	1,538.01	1,492.02	1
E	88,001 - 120,000	1,879.79	1,823.58	11/9
F	120,001 - 160,000	2,221.57	2,155.14	13/9
G	160,001 - 320,000	2,563.35	2,486.70	15/9
H	More than 320,000	3,076.02	2,984.04	18/9
<b>Band D</b>		<b>2016/17</b>	<b>2017/18</b>	<b>% increase</b>
		£	£	
	Southend-on-Sea Borough Council	1,205.82	1,265.94	4.99
	Essex Police Authority	152.10	157.05	3.25
	Essex Fire Authority	67.68	69.03	1.99
	Other than Leigh-on-Sea Town Council Area	1,425.60	1,492.02	4.66
	Leigh-on-Sea Town Council	45.27	45.99	1.59
	Leigh-on-Sea Town Council Area	1,470.87	1,538.01	4.56

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

	<b>Number of Dwellings</b>	<b>Ratio</b>	<b>Equivalent Number of Dwellings</b>
Valuation Band - A*	14.59	5/9	8.10
Valuation Band - A	10,023.94	6/9	6,682.63
Valuation Band - B	11,384.65	7/9	8,854.73
Valuation Band - C	19,343.88	8/9	17,194.56
Valuation Band - D	10,969.71	9/9	10,969.71
Valuation Band - E	6,063.82	11/9	7,411.33
Valuation Band - F	3,404.23	13/9	4,917.22
Valuation Band - G	1,472.20	15/9	2,453.67
Valuation Band - H	93.00	18/9	186.00
	<b>62,770.02</b>		<b>58,677.95</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.			1,760.34
* Reductions For Band A Disabled.			
	<b>Council Tax Base</b>		<b>56,917.61</b>

## Collection Fund Note 2 Non-Domestic Rates

Non Domestic Rates are organised on a national basis. The Government specified an amount of 47.9p in 2017/18 (49.7p in 2016/17) with a small business rate of 46.6p in 2017/18 (48.4p in 2016/17) and, subject to the effects of transitional arrangements, local businesses pay rates that are calculated by multiplying their rateable value by that amount. There was a national revaluation of business rateable values, for implementation from 1 April 2017. Nationally the revaluation resulted in a net increase of RV's, although some areas and some business types saw reductions. As the revaluation process was designed to be revenue neutral (apart from an inflationary increase), the rate in the £ was been reduced so as to raise (nationally) the same amount of money from businesses.

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

After relief and provisions, the Non Domestic Rates income collectable was £41,317,477 for 2017/18 (£46,516,666 for 2016/17). The year-end rateable value for the Council's area was £122,286,294 at 31 March 2018 (£120,438,606 at 31 March 2017).

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

Within the Collection Fund there are the following provisions;

- A provision of £2,912,000 as at 31 March 2018 for bad and doubtful debts for Council Tax (£2,821,000 as at 31 March 2017)
- A provision of £794,000 as at 31 March 2018 for bad and doubtful debts for NNDR (£721,000 as at 31 March 2017). Under business rate retention arrangements, 49% of this provision is attributable to the Council.
- A provision of £3,075,000 as at 31 March 2018 for the potential impact of successful appeals by businesses against their rateable values (£4,592,000 as at 31 March 2017). Under business rate retention arrangements, 49% of this provision is attributable to the Council.

### Collection Fund Note 4 Collection Fund Balance

The Community Charge Collection Fund was closed at 31 March 2007 and any income received after this date has been included in the Council Tax Collection Fund. The balance of £9.880M on the Council Tax Collection Fund is split between Essex Police Authority, Essex Fire Authority and this Council, in proportion to the value of the respective precept demands made by the three authorities on the Collection Fund and will be reflected in future year's Council Tax.

Under business rates retention, the deficit balance of £1.675M 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 2018 £000	31 March 2017 £000
Council Tax - Southend-on-Sea Borough Council	8,377	6,290
Council Tax - Essex Police Authority	1,057	775
Council Tax - Essex Fire Authority	447	340
NNDR - Southend-on-Sea Borough Council	(822)	(2,499)
NNDR - Government	(837)	(2,550)
NNDR - Essex Fire Authority	(16)	(51)
<b>Total</b>	<b>8,206</b>	<b>2,305</b>

Shown on Balance Sheet as:	31 March 2018 £000	31 March 2017 £000 Restated
Collection Fund Adjustment Account	7,555	3,791
Creditors Falling Due Within One Year	1,505	1,115
Debtors	(854)	(2,601)
<b>Total</b>	<b>8,206</b>	<b>2,305</b>



# **THE GROUP ACCOUNTS**

## **INTRODUCTION**

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

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

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

### **WHOLLY OWNED COMPANIES**

As at 31 March 2018, the Council had six wholly owned companies that it considers to fall within the legal definitions of group accounts. These are:

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

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

Southend Care Ltd is a company that has been established to deliver a range of adult social care services currently provided by the Council directly. The Council transferred a number of its provider services to the company as at 1 April 2017. The company did not trade prior to that date.

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

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

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

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

### **JOINT VENTURES**

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

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

PSP Asset LLP is a vehicle through which the Council is able to redevelop surplus assets. It is jointly controlled with a partner company BVSF on a 50:50 basis. Some assets have been formally transferred to the LLP, and it holds options on others.

Southend-on-Sea Forum Management Limited has been established as a vehicle through which The Forum Southend-on-Sea is managed. The Forum Southend-on-Sea is a partnership between Southend-on-Sea Borough Council, the University of Essex and South Essex College. The Forum Southend-on-Sea is also the home of the Focal Point Gallery. The Council has equal voting rights as the other two partners.

Sustainable Motion CIC is a not for profit charitable company established to promote sustainable transport options. It has been newly identified as being part of the Council's wider group given the control exercised.

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

## **Trust Funds**

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

At the 31 March 2018, the Council was sole trustee of eight trust funds. Although the Council would require the agreement of the Charity Commission to alter the aims and objectives of the Charities, or indeed to dispose of any charity assets, the Council does have significant control over the day to day operations.

The purpose of each trust fund is set out below:

### Beecroft Art Trust

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

### Jones Memorial Recreation Ground Trust

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

### The Palace Theatre Charity

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

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

### Prittlewell Priory Museum Trust

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

### Priory Park Trust

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

### The Shrubbery Trust

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

### Victory Sports Ground Trust

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

### Youth Commemoration Ground Trust

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

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

## **GROUP ACCOUNTING POLICIES**

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

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/17 Restated			2017/18			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
(6,853)	(331)	(7,184)	Leader	(433)	(39)	(472)
107,902	(102,378)	5,524	Corporate and Community Support Services	95,899	(93,308)	2,591
20,562	(5,481)	15,081	Culture, Tourism and the Economy	20,766	(5,609)	15,157
41,232	(13,546)	27,686	Transport, Waste and Regulatory Services	37,123	(10,515)	26,608
7,839	(1,875)	5,964	Housing, Planning and Sustainability	7,852	(3,670)	4,182
123,026	(87,242)	35,784	Children and Learning	116,651	(82,074)	34,577
73,252	(28,674)	44,578	Health and Adult Social Care	78,387	(33,605)	44,782
748	(748)	0	Technology	948	(948)	0
<b>367,708</b>	<b>(240,275)</b>	<b>127,433</b>	<b>Net Cost of General Fund Services</b>	<b>357,193</b>	<b>(229,768)</b>	<b>127,425</b>
21,304	(32,954)	(11,650)	Local Authority Housing (HRA)	23,010	(31,855)	(8,845)
<b>21,304</b>	<b>(32,954)</b>	<b>(11,650)</b>	<b>Net Cost of Housing Revenue Account Services</b>	<b>23,010</b>	<b>(31,855)</b>	<b>(8,845)</b>
<b>389,012</b>	<b>(273,229)</b>	<b>115,783</b>	<b>Cost of Services</b>	<b>380,203</b>	<b>(261,623)</b>	<b>118,580</b>
		46,628	Other Operating Expenditure			27,116
		12,376	Financing and Investment Income and Expenditure			10,463
		(141,704)	Taxation and Non-Specific Grant Income			(139,048)
		<b>33,083</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>17,111</b>
		0	Tax Expenses of Subsidiary			(1)
		<b>33,083</b>	<b>Group (Surplus)/Deficit</b>			<b>17,110</b>
		(49,581)	Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets			(58,344)
		2	Surplus or Deficit on Revaluation of Available for Sale Financial Assets			(4)
		61,231	Actuarial gains / losses on Pension Assets / Liabilities			(51,770)
		<b>11,652</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(110,118)</b>
		<b>44,735</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(93,008)</b>

## GROUP MOVEMENT IN RESERVES

	Usable Reserves £000	Unusable Reserves £000	Total Group Reserves £000
<b>Balance at 31 March 2016 Restated</b>	<b>125,718</b>	<b>323,268</b>	<b>448,986</b>
<b>Movement in Reserves during 2016/17</b>			
Surplus (Deficit) on the Provision of Services	(33,083)	0	(33,083)
Other Comprehensive Income and Expenditure	0	(11,652)	(11,652)
<b>Total Comprehensive Income and Expenditure</b>	<b>(33,083)</b>	<b>(11,652)</b>	<b>(44,735)</b>
Adjustments between accounting basis and funding basis under regulations	49,494	(49,494)	0
<b>Net Increase / Decrease before Transfers to reserves</b>	<b>16,411</b>	<b>(61,146)</b>	<b>(44,735)</b>
Transfers to / from Earmarked Reserves	0	0	0
<b>Increase / Decrease in 2016/17</b>	<b>16,411</b>	<b>(61,146)</b>	<b>(44,735)</b>
<b>Balance at 31 March 2017 Restated</b>	<b>142,129</b>	<b>262,122</b>	<b>404,251</b>
<b>Movement in Reserves during 2017/18</b>			
Surplus (Deficit) on the Provision of Services	(17,110)	0	(17,110)
Other Comprehensive Income and Expenditure	0	110,118	110,118
<b>Total Comprehensive Income and Expenditure</b>	<b>(17,110)</b>	<b>110,118</b>	<b>93,008</b>
Adjustments between accounting basis and funding basis under regulations	21,504	(21,504)	0
<b>Net Increase / Decrease before Transfers to reserves</b>	<b>4,394</b>	<b>88,614</b>	<b>93,008</b>
Transfers to / from Earmarked Reserves	0	0	0
<b>Increase / Decrease in 2017/18</b>	<b>4,394</b>	<b>88,614</b>	<b>93,008</b>
<b>Balance at 31 March 2018</b>	<b>146,523</b>	<b>350,736</b>	<b>497,259</b>

## GROUP BALANCE SHEET

1 April 2016 £000 Restated	31 March 2017 £000 Restated		31 March 2018 £000
721,411	737,572	Property, Plant & Equipment	789,722
40,991	42,596	Heritage Assets	42,085
23,412	25,767	Investment Property	41,611
4,052	4,936	Intangible Assets	6,439
12,748	15,893	Long Term Investments	22,678
1,191	2,367	Long Term Debtors	4,641
<b>803,805</b>	<b>829,131</b>	<b>Long Term Assets</b>	<b>907,176</b>
40,532	32,237	Short term Investments	22,741
54	154	Assets Held for Sale	0
22	166	Inventories	117
30,706	29,026	Short Term Debtors	29,588
45,962	44,825	Cash and Cash Equivalents	32,041
<b>117,276</b>	<b>106,408</b>	<b>Current Assets</b>	<b>84,487</b>
(399)	0	Cash and Cash Equivalents	0
(16,298)	(6,356)	Short Term Borrowings	(11,830)
(36,020)	(36,140)	Short Term Creditors	(42,855)
(7,579)	(6,761)	Provisions	(5,468)
<b>(60,296)</b>	<b>(49,257)</b>	<b>Current Liabilities</b>	<b>(60,153)</b>
(40)	(327)	Long Term Creditors	(2,698)
(230,994)	(235,620)	Long Term Borrowing	(236,480)
(167,620)	(233,587)	Other Long Term Liabilities - Pensions	(183,194)
(13,145)	(12,497)	Other Long Term Liabilities - Other	(11,879)
<b>(411,799)</b>	<b>(482,031)</b>	<b>Long Term Liabilities</b>	<b>(434,251)</b>
<b>448,986</b>	<b>404,251</b>	<b>Net Assets</b>	<b>497,259</b>
125,718	142,129	Usable Reserves	146,523
323,268	262,122	Unusable Reserves	350,736
<b>448,986</b>	<b>404,251</b>	<b>Total Reserves</b>	<b>497,259</b>

## GROUP CASH FLOW STATEMENT

<b>2016/17</b> <b>£000</b> <b>Restated</b>	<b>2017/18</b> <b>£000</b>
33,083 Net (Surplus) or Deficit on the Provision of Services	17,110
Adjustments to Net Surplus or Deficit on the Provision of Services for (73,965) non-cash Movements	(40,376)
Adjustments for items included in the Net Surplus or Deficit on the 18,579 Provision of Services that are Investing and Financing Activities	5,767
(22,303) Net cash flows from Operating Activities	(17,499)
18,395 Investing Activities	40,911
4,646 Financing Activities	(10,628)
738 Net Increase or Decrease in Cash and Cash Equivalents	12,784
(45,563) Cash and Cash Equivalents at the beginning of the Reporting Period	(44,825)
<b>(44,825) Cash and Cash Equivalents at the end of the Reporting Period</b>	<b>(32,041)</b>

## NOTES TO THE GROUP ACCOUNTS

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

The group statements have been restated as a result of post audit changes to the 2016/17 accounts of South Essex Homes and the Trusts, and the recognition in the Trust accounts of a number of past additions to long term assets, funded by the Council. Victory Sports Ground Trust has also been consolidated for the first time.

### Group Note 1 Details of Subsidiary Company

South Essex Homes Limited – Company registration number 05453601

Southend Care Limited – Company registration number 10138562

### Group Note 2 Financial Performance

#### Subsidiary Companies

	2017/18			2016/17		
	South Essex Homes Ltd £000	Southend Care Ltd £000	Total £000	South Essex Homes Ltd £000	Southend Care Ltd £000	Total £000
Income	(10,456)	(5,736)	(16,192)	(10,063)		(10,063)
Expenditure	11,917	11,865	23,782	10,278		10,278
Current Assets	8,190	1,053	9,243	7,214		7,214
Current Liabilities	(6,331)	(772)	(7,103)	(5,020)		(5,020)
Long Term Liabilities	(8,774)	(6,063)	(14,837)	(10,970)		(10,970)
<b>Net Assets</b>	<b>(6,915)</b>	<b>(5,782)</b>	<b>(12,697)</b>	<b>(8,776)</b>	<b>0</b>	<b>(8,776)</b>
Usable Reserves	1,859	(284)	1,575	2,194		2,194
Unusable Reserves	(8,774)	(5,498)	(14,272)	(10,970)		(10,970)
<b>Total Reserves</b>	<b>(6,915)</b>	<b>(5,782)</b>	<b>(12,697)</b>	<b>(8,776)</b>	<b>0</b>	<b>(8,776)</b>

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

## Trust Funds

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

	Beecroft Art Gallery £000	Jones Memorial Trust £000	Palace Theatre Charity £000	Prittlevell Priory Museum Trust £000	Priory Park Trust £000	The Shrubbery Trust £000	Victory Sports Ground Trust £000	Youth Commemoration Ground Trust £000	Total Trusts £000
<b>2016/17 Restated</b>									
Income	(220)	(49)	(155)	(939)	(183)	(111)	(40)	(590)	(2,287)
Expenditure	220	49	283	379	180	51	40	206	1,408
Property, Plant & Equipment	375	26	3,834	681	486	0	10	5,832	11,244
Heritage Assets	1,969	0	0	2,537	0	0	0	0	4,506
Investment Property	0	0	0	0	112	311	0	0	423
Other Current Assets	6	128	1	13	2	389	1	2,923	3,463
Other Liabilities	(6)	(1)	(1)	(5)	(2)	(3)	(1)	(6)	(25)
<b>Net Assets</b>	<b>2,344</b>	<b>153</b>	<b>3,834</b>	<b>3,226</b>	<b>598</b>	<b>697</b>	<b>10</b>	<b>8,749</b>	<b>19,611</b>
Usable Reserves	0	127	0	689	0	386	0	2,916	4,118
Unusable Reserves	2,344	26	3,834	2,537	598	311	10	5,833	15,493
<b>Total Reserves</b>	<b>2,344</b>	<b>153</b>	<b>3,834</b>	<b>3,226</b>	<b>598</b>	<b>697</b>	<b>10</b>	<b>8,749</b>	<b>19,611</b>

### **Group Note 3      Intercompany transactions**

#### **South Essex Homes**

The Council paid fees of £5.827M to South Essex Homes Limited for the management of its housing stock, together with £0.944M in respect of other services.

The Council provides several services for its subsidiary for which South Essex Homes Limited paid £1.119M. These transactions have been removed from the Group Comprehensive Income and Expenditure Statement.

#### **Southend Care**

The Council paid fees of £5.713M to Southend Care Limited for the provision of adult social care services.

The Council provides several services for its subsidiary for which Southend Care Limited paid £0.090M. These transactions have been removed from the Group Comprehensive Income and Expenditure Statement.

#### **Trust Accounts**

The Trusts generate little or no income in their own right. As such the Council provides either free services or a direct operating subsidy, by way of a grant. In addition the Council paid interest on cash balances held. In total the Council supported the operation of the Trusts by £1.035M in 2017/18 (*£1.173M in 2016/17 restated*). These transactions have been removed from the Group Comprehensive Income and Expenditure Statement

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

## Group Note 4 Property, Plant and Equipment

The Property, Plant and Equipment line of the Group Balance Sheet is materially different from the single entity's Balance Sheet on page 38. The categories of asset affected are as follows:

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

	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000
<b>Movements in 2016/17 Restated</b>		
<b>Cost or Valuation as at 1 April 2016</b>	<b>328,283</b>	<b>14,751</b>
Additions	12,031	4,298
Revaluations via Revaluation Reserve	23,945	0
Revaluations recognised in the CIES	(9,176)	(1,871)
Disposals	(51,853)	(359)
Transfers	(152)	0
<b>Gross Book Value as at 31 March 2017</b>	<b>303,078</b>	<b>16,819</b>
<b>Accumulated Depreciation as at 1 April 2016</b>	<b>(25,576)</b>	<b>(7,823)</b>
Depreciation	(6,482)	(1,066)
Written out to Revaluation Reserve	4,970	0
Written out to the CIES	5,932	1,755
On Disposals	4,478	111
On Transfers	10	0
<b>Accumulated Depreciation as at 31 March 2017</b>	<b>(16,668)</b>	<b>(7,023)</b>
<b>Net Book Value as at 31 March 2016</b>	<b>302,707</b>	<b>6,928</b>
<b>Net Book Value as at 31 March 2017</b>	<b>286,410</b>	<b>9,796</b>

## Group Note 5 Heritage Assets

The Heritage Assets line of the Group Balance Sheet is significantly different from the single entity's Balance Sheet on page 38. The categories of asset affected are as follows:

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

	Historic Seaside Assets £000	Heritage Land & Buildings £000	Antiques & Collectables £000	Museum Collections £000	Total Heritage Assets £000
<b>Movements in 2016/17 Restated</b>					
<b>Cost or Valuation as at 1 April 2016</b>	<b>35,663</b>	<b>3,369</b>	<b>2,634</b>	<b>1,501</b>	<b>43,167</b>
Additions	561	1,161	0	56	1,778
Revaluations via Revaluation Reserve	71	1,045	0	0	1,116
Revaluations recognised in the CIES	(568)	2	0	0	(566)
<b>Gross Book Value as at 31 March 2017</b>	<b>35,727</b>	<b>5,577</b>	<b>2,634</b>	<b>1,557</b>	<b>45,495</b>
<b>Accumulated Depreciation as at 1 April 2016</b>	<b>(1,274)</b>	<b>(902)</b>	<b>0</b>	<b>0</b>	<b>(2,176)</b>
Depreciation	(600)	(302)	0	0	(902)
Written out to Revaluation Reserve	22	84	0	0	106
Written out to the CIES	73	0	0	0	73
<b>Accumulated Depreciation as at 31 March 2017</b>	<b>(1,779)</b>	<b>(1,120)</b>	<b>0</b>	<b>0</b>	<b>(2,899)</b>
<b>Net Book Value as at 31 March 2016</b>	<b>34,389</b>	<b>2,467</b>	<b>2,634</b>	<b>1,501</b>	<b>40,991</b>
<b>Net Book Value as at 31 March 2017</b>	<b>33,948</b>	<b>4,457</b>	<b>2,634</b>	<b>1,557</b>	<b>42,596</b>

## Group Note 6 Defined Benefit Pension Schemes

Alongside the Council, South Essex Homes and Southend Care participates in the Local Government Pension Scheme (LGPS) administered by Essex County Council. The nature of the scheme is set out in full in note 36 to the single entity accounts, and this note should be read in conjunction with that. The tables below set out where the Group Accounts are materially different from the single entity balance sheet.

### Transactions relating to post-employment benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The following transactions have been made in the Group Comprehensive Income and Expenditure Statement and the Statement of Funds / General Fund Balance via the Movement in Reserves Statement during the year:

	2017/18 £000	2016/17 £000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
Current Service Cost	20,680	13,229
(Gain) / Loss from Settlement	(4,775)	(5,815)
Cost of Curtailments	174	725
Administration Expense	181	164
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	5,944	5,733
<b>Total post-employment benefit charged to the surplus or deficit on the provision of services</b>	<b>22,204</b>	<b>14,036</b>
<b>Other post-employment benefit charged to the comprehensive income and expenditure statement</b>		
Return on plan assets in excess of interest	(20,874)	(61,201)
Other actuarial gains on assets	0	(1,923)
Change in financial assumptions	(30,896)	134,504
Change in demographic assumptions	0	(10,419)
Experience gain on defined benefit obligation	0	270
<b>Remeasurements and Other Comprehensive Income</b>	<b>(51,770)</b>	<b>61,231</b>
<b>Total post-employment benefit (credited) / charged to the Comprehensive Income and Expenditure Statement</b>	<b>(29,566)</b>	<b>75,267</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	29,566	(75,267)
<b>Actual amount charged against the General Fund Balance for Pensions in the year</b>		
Employer's contributions payable to scheme	20,827	9,300

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

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

<b>Actuarial Gains/(Losses)</b>	<b>2017/18 £000</b>	<b>2016/17 £000</b>
Present Value of the defined benefit obligation	674,909	688,952
Fair Value of Plan Assets	(491,715)	(455,365)
<b>Net Liability arising from defined benefit obligation</b>	<b>183,194</b>	<b>233,587</b>

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

	<b>2017/18 £000</b>	<b>2016/17 £000</b>
Opening Balance at 1 April	688,952	556,595
Current Service Cost	20,680	13,229
Interest Cost	18,270	19,524
Contributions by Scheme Participants	3,546	3,564
Remeasurement Gains and Losses		
Actuarial gains / losses arising from changes in demographic assumptions	0	(10,419)
Actuarial gains / losses arising from changes in financial assumptions	(30,896)	134,504
Other	0	270
Losses on Curtailments	174	725
Benefits Paid	(17,287)	(17,681)
Liabilities extinguished on Settlements	(8,530)	(11,359)
<b>Closing Balance at 31 March</b>	<b>674,909</b>	<b>688,952</b>

## Reconciliation of fair value of the scheme assets

### Local Government Pension Scheme assets

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

	2017/18 £000	2016/17 £000
Opening Balance at 1 April	455,365	388,975
Interest Income	12,326	13,791
The return on plan assets, excluding the amount included in the net interest expense	20,874	61,201
Other Actuarial Gains	0	1,923
Employer Contributions	20,827	9,300
Contributions by Scheme Participants	3,546	3,564
Benefits Paid	(17,287)	(17,681)
Payment of Bulk Transfer Value	(3,755)	(5,544)
Administrative Expense	(181)	(164)
<b>Closing Balance at 31 March</b>	<b>491,715</b>	<b>455,365</b>

### Impact on the Council's Cash Flows

The Group anticipates paying a £8.948M contribution to the scheme in 2018/19.

## Group Note 7

### Accounts

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

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

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



# **ADDITIONAL FINANCIAL INFORMATION**

## MEMBERS' ALLOWANCES (UNAUDITED)

Members' Allowances		Basic Allowances	Special Allowances	Travel & Subsistence	Total
		£	£	£	£
<b>Elected Councillors</b>					
Assenheim	M	73.00			73.00
Arscott	B	8,847.36			8,847.36
Aylen	S	8,847.36			8,847.36
Ayling	B	8,847.36	6,635.53		15,482.89
Borton	M	8,847.36			8,847.36
Boyd	H	8,847.36		126.00	8,973.36
Bright	A	8,847.36		18.10	8,865.46
Buckley	S	8,847.36			8,847.36
Burzotta	D	8,847.36			8,847.36
Butler	M	8,847.36			8,847.36
Byford	T	8,847.36	9,978.60		18,825.96
Callaghan	T	8,847.36			8,847.36
Courtenay	J	8,847.36	9,978.60	868.07	19,694.03
Chalk	A	7,539.28			7,539.28
Cox	T	8,847.36	9,978.60		18,825.96
Davidson	M	8,847.36	2,211.85	27.10	11,086.31
Davies	L	8,847.36	1,276.70		7,570.66
Endersby	C	8,847.36			8,847.36
Evans	M	8,847.36	12,122.31	113.40	21,083.07
Flewitt	M	8,847.36	9,978.60		18,825.96
Folkard	N	8,847.36	552.96	16.35	9,416.67
Garston	D	8,847.36	2,211.85		11,059.21
Garston	J	8,847.36			8,847.36
Gilbert	I	8,847.36	3,042.23		11,889.59
Habermel	S	8,847.36	552.96		9,400.32
Hadley	R	8,847.36	5,251.38		14,098.74
Holland	A	8,847.36	14,371.20	582.45	23,801.01
Jarvis	D	8,847.36	2,946.76		11,794.12
Jones	A	8,847.36			8,847.36
Kenyon	D	8,847.36	1,327.09		10,174.45
Lamb	J	8,847.36	27,940.56	589.37	37,377.29
Moring	A	8,847.36	9,978.60	188.90	19,014.86
Moyies	J	8,847.36	856.20		9,703.56
Mulrone	C	8,847.36			8,847.36
McDonald	H	8,847.36			8,847.36
McGlone	D	8,847.36	4,923.07		13,770.43
McMahon	J	8,847.36	1,498.34		10,345.70
Nevin	C	8,847.36	5,950.57		14,797.93
Norman MBE	D	8,847.36			8,847.36
Phillips	G	8,847.36	2,211.85		11,059.21
Robinson	K	8,847.36	6,635.53		15,482.89
Salter	L	8,847.36	9,978.60		18,825.96
Stafford	M	8,847.36			8,847.36
Terry	M	8,847.36			8,847.36
Walker	C	8,847.36	2,211.85		11,059.21
Ward	N	8,847.36			8,847.36
Ware-Lane	J	8,847.36			8,847.36
Waterworth	F	8,847.36	8,847.36		17,694.72
Wexham	P	8,847.36	1,327.09		10,174.45
Willis	C	8,847.36			8,847.36
Woodley	R	8,847.36	7,992.96	183.60	17,023.92
Van Looy	P	8,847.36			8,847.36
<b>Co-opted Members</b>					
Crabb	L		202.46		202.46
Lusty	E		265.20		265.20
Morgan	J		1,105.80		1,105.80
Pandya	K		1,108.99		1,108.99
Rickett	M		265.20		265.20
Tetley	J		1,105.80		1,105.80
Watts	T		185.37		185.37
<b>Total</b>		<b>449,980.28</b>	<b>184,455.22</b>	<b>2,713.34</b>	<b>637,148.84</b>

# **ABBREVIATIONS and GLOSSARY**

## **ABBREVIATIONS**

ALMO	Arm's-Length Management Organisation
CIPFA	Chartered Institute of Public Finance and Accountancy
DfE	Department for Education
DSG	Dedicated Schools Grant
EIR	Effective Interest Rate
HRA	Housing Revenue Account
IFRS	International Financial Reporting Standard
LGPS	Local Government Pension Scheme
MRA	Major Repairs Allowance
MRICS	Member of the Royal Institute of Chartered Surveyors
MRP	Minimum Revenue Provision
MRR	Major Repairs Reserve
NNDR	National Non-Domestic Rates (Business Rates)
NPV	Net Present Value
OMV	Open Market Value
PWLB	Public Works Loan Board
SEH	South Essex Homes Limited
SOLACE	Society of Local Authority Chief Executives
TPA	Teachers' Pension Agency
UEL	Useful Economic Life
VAT	Value Added Tax

## GLOSSARY

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

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

<b>Depreciation</b>	The measure of the cost of the benefits of a non-current asset which have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of the asset whether arising from use, passage of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
<b>Dedicated Schools Grant (DSG)</b>	Grant funding system for schools through specific grant.
<b>Events after the Balance Sheet Date</b>	Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue. Also referred to as Post Balance Sheet Events.
<b>Exceptional Items</b>	Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence so that the financial statements give a true and fair view.
<b>External Audit</b>	The independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
<b>Finance Lease</b>	A lease which transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee, which is treated in the Government's capital control system as a credit arrangement as if it were 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>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>Section 31 Grants</b>	A grant issued by a Minister of State under Section 31 of the Local Government Act 2003.
<b>Specific Grants</b>	The term used to describe all government grants – including supplementary and special grants – to local authorities that are to be used for a particular purpose, as opposed to non service specific grants such as revenue support grant.
<b>Subjective Analysis</b>	This is an analysis of income or expenditure according to type. Such expenditure headings are wages and salaries, capital charges, building maintenance, consumable materials. On the income side, the examples are government grant, fees and charges.
<b>Supplementary Financial Statements</b>	Additional financial statements comprising the Housing Revenue Account and Collection Fund. Together with the Core Financial Statements comprise the Council's Accounting Statements.
<b>Temporary Investment</b>	Money invested for a period of less than one year.
<b>Trust Funds</b>	Funds administered by the Council for such purposes as charities and specific projects usually 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 of a Council service, function or activity.

**This publication is issued by:**

Accountancy, Southend-on-Sea Borough Council

You can contact us in the following ways:

**By post:**

Southend-on-Sea Borough Council

PO Box 2, Civic Centre

Victoria Avenue, Southend-on-Sea

Essex, SS2 6ER

**By telephone:**

01702 215000

**By fax:**

01702 215162

**By email:**

[accountancyreturns@southend.gov.uk](mailto:accountancyreturns@southend.gov.uk)

**Visit our website**

[www.southend.gov.uk](http://www.southend.gov.uk)

