

Statement of Accounts

2011/2012



**SOUTHEND-ON-SEA BOROUGH COUNCIL
STATEMENT OF ACCOUNTS
2011/12**

Mayor

Councillor Sally Carr

Leader of the Council

Councillor Nigel Holdcroft

Chief Executive and Town Clerk

Rob Tinlin

Head of Finance and Resources

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EXPLANATORY FOREWORD

INTRODUCTION

The information provided in this publication presents the financial position of Southend-on-Sea Borough Council as at 31 March 2012, and the financial results for the financial year 2011/12. As a large and diverse organisation, these accounts will by their nature be both technical and complex and the purpose of this foreword is to provide a guide to the accounting information and statements that follow and summarise the Council's performance for the year.

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

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

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

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

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

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

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

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

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

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

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

Group Accounts consolidate the Council's main accounts with those of its subsidiary, South Essex Homes Limited.

FINANCIAL REVIEW 2011/12

REVENUE EXPENDITURE AND SERVICES PROVIDED

Revenue spending covers the day to day running costs of the Council's services, such as schools, social services and leisure. This spending is financed primarily from government grants, Council tax and other income. The Council agreed a net budget, including Leigh-on-Sea Town Council precept, of £133.8m for 2011/12 (£130.7m for 2010/11).

In setting this budget, the Southend-on-Sea Borough Council element of Council tax for Band D amounted to £1,117.89, the same level as 2010/11.

The following table shows the final outturn position for 2011/12 on a net expenditure basis. The analysis of the actual costs reflects the way the Council's finances are managed, as opposed to the statutory required analysis used in the Statement of Accounts itself. The Comprehensive Income and Expenditure Statement on page 28 shows gross expenditure on services as £508.3m

	Budget £000	Actual £000	Variance £000
Portfolios			
Leader Policy & Finance	3,744	3,154	(590)
Deputy Leader	1,970	1,735	(235)
Adult Social Care, Health & Housing	55,658	54,564	(1,094)
Children & Learning	42,108	43,004	896
Corporate Support Services	3,522	11,063	7,541
Culture & Tourism	12,304	26,064	13,760
Public Protection, Waste & Transport	25,898	32,339	6,441
Planning	1,540	1,873	333
Contingencies etc	2,558	(855)	(3,413)
Net Cost Of Services	149,302	172,941	23,639
Capital Financing Removed	(14,522)	(60,912)	(46,390)
Other Statutory Adjustments	0	15,560	15,560
Adjusted Net Cost Of Services	134,780	127,589	(7,191)
Levies	359	409	50
Leigh Parish Precept	200	200	0
Financing Costs, Interest etc	10,930	9,670	(1,260)
Net Operating Expenditure	146,269	137,868	(8,401)
Revenue Contribution to Capital	0	4,507	4,507
Contribution to / (from) Earmarked Reserves	1,856	6,352	4,496
Contribution to / (from) General Reserves	0	(65)	(65)
Total to be Funded from Council Tax and Formula Grant	148,125	148,662	537
Funding from Council Tax and Formula Grant			
General Government Grants	(29,484)	(30,021)	(537)
Distribution From Non Domestic Rates Pool	(48,899)	(48,899)	0
Demand on Collection Fund	(68,837)	(68,837)	0
Collection Fund Surplus	(905)	(905)	0
Total	0	0	0

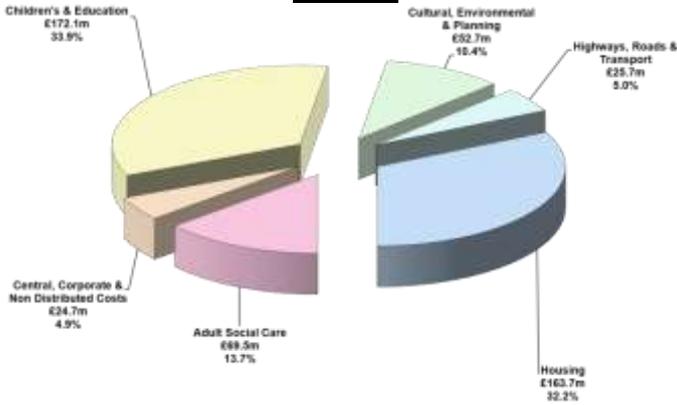
The table below reconciles the analysis on the Comprehensive Income and Expenditure Statement to the outturn summary on the previous page.

Reconciliation of Gross Expenditure to Transfer to General Fund		2011/12 £000
Gross Expenditure on Services	<i>page 28</i>	508,269
Gross Income on Services	<i>page 28</i>	(306,218)
Net Expenditure on Services	<i>page 28</i>	202,051
Other Operating Expenditure	<i>page 28</i>	33,375
Financing and Investment Income and Expenditure	<i>page 28</i>	14,033
Taxation and Non-Specific Grant Income	<i>page 28</i>	(155,141)
Adjustments between accounting basis and funding basis under regulation		(101,239)
Transfers to Earmarked Reserves and HRA		6,986
Transfer from the General Reserve		65

The “Transfer from the General Reserve” of £65,000 is common throughout, regardless of the format of the information.

Gross expenditure on services amounted to £508.3m. 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
£508.3m

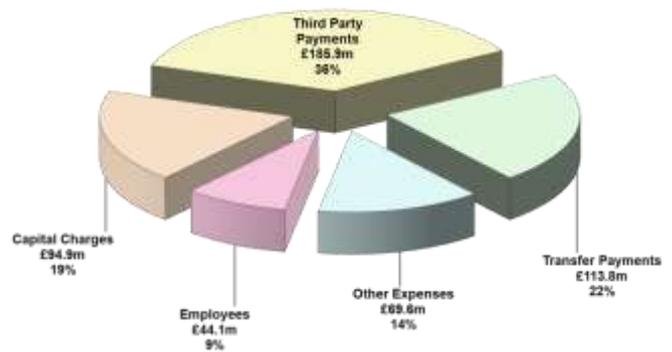


Central Services to the Public include Council tax benefit and administration, all central support services, registration of births, deaths and marriages, elections and emergency planning.

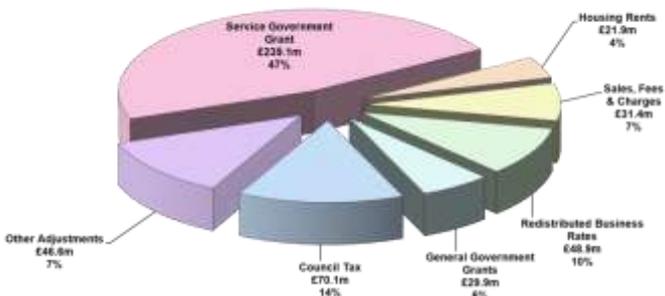
Corporate and Democratic Core includes mayoral costs, members' allowances as well as all the cost of members' activities in the capacity of democratic representation and the core costs for the provision of the management infrastructure to support the delivery of services.

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

Gross Revenue Expenditure
£508.3m



Revenue Funding Sources
£508.3m



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

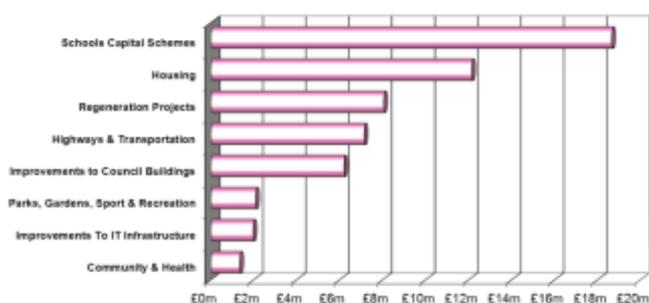
Other income includes receipts for investment income, lottery grants and reimbursements.

CAPITAL EXPENDITURE

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

In 2011/12 the Council spent £57.6m 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.

	2011/12 £000
Investment in Housing Stock	10,799
Belfairs School	9,692
Accommodation Strategy	5,712
Investment in Highways Infrastructure	5,654
Hinguar Primary School	4,302
Pier Infrastructure and Development	3,697
Chase High School	1,458
New Library at Elmer Square	1,406
Prittlewell Priory Museum	1,126
Enterprise Resource Planning System	1,085

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 government approved borrowing. The following diagram shows how the £57.6m capital expenditure was funded for the 2011/12 year.

Financing of Capital Expenditure



Borrowing is kept within affordable levels, with the total accumulated loans owed to external lenders amounting to £241.8m at 31 March 2012 (£195.3m at 31 March 2011).

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 £15.7m at 31 March 2012 (£16.5m at 31 March 2010).

The Council's operational upper limit for borrowing has been set at £300.0m. Taking into account the borrowing outlined above, this leaves headroom of £42.5m.

This level of debt should also be viewed in relation to the Council's long term assets which have a net book value of £776.2m at 31 March 2012.

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 £183.3m as at 31 March 2012 (£126.3m as at 31 March 2011). All disclosures as required by IAS 19 are included in Note 48 to the Accounts.

HOUSING

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

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

For the 2011/12 year the Housing Revenue Account Statement of Movement has a surplus carried forward of £3.5m (*surplus for 2010/11 was £3.7m*) after charging an overall deficit on the Income and Expenditure Account of £0.2m (*2010/11 surplus of £0.2m*). Council rents were increased on average by 7.16% in 2011/12 (3.10% in 2010/11) in line with government guidelines.

In 2011/12 average rents per property (excluding service charges) were £69.43 per week.

The full financial performance of the HRA is reported on pages 100 to 106 of this document.

GROUP PERFORMANCE

Local Authorities with subsidiary companies, associated companies and joint ventures are required to prepare group accounts. As a subsidiary, South Essex Homes Limited prepares and publishes its own accounts, which are then consolidated with Southend-on-Sea Borough Council. The single entity accounts for South Essex Homes Limited reports an after tax profit of £163k.

OUTLOOK FOR 2012/13

The Budget Requirement for 2012/13 has been set at £130.3m for Southend-on-Sea Borough Council and £0.2m for Leigh-on-Sea Town Council. The Council tax for a Band D property for 2011/12 has again been set at £1,117.89 for Southend-on-Sea Borough Council plus an additional £23.19 for the Leigh-on-Sea Town Council area. Additional charges are made in respect of Essex Police Authority and Essex Fire Authority.

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

LOOKING FORWARD

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

Southend-on-Sea Borough Council has had an outstanding year of achievement - despite facing enormous challenges.

The Council met the £15.5m savings required by the Government for 2011/12 while minimising the impact on front line services, improved performance across services and delivered several major projects to transform the

town. These achievements have not gone unnoticed with the Council winning a string of honours culminating in the prestigious Local Government Chronicle (LGC) 'Council of the Year' award.

Achieving in difficult times

It is testimony to the hard work of the Council's staff that despite the increasing challenges of providing services with reduced resources and working in a climate of job insecurity that they have responded positively and continued to deliver for the people of Southend.

Winning 'Council of the Year', along with accolades such as Purple Flag, winning Children's Services team of the year and being rated as one of the top 10 Councils by Stonewall is all the more significant in the midst of these very difficult economic conditions. The LGC judges noted the strength of our workforce, partnership work and leadership and these qualities are reflected in the many other awards and accolades that we have won this year.

The Council has identified £12m more savings for 2012/13, meaning further targeting of services for those that need them most. But once again no leisure centres, arts or cultural facilities have had to be closed and the Council Tax – already one of the lowest in the country – has been frozen, along with car parking costs and many other fees and charges. Almost £4 million of efficiencies have been achieved by renegotiating existing contracts, rationalising systems and sharing service delivery with other local partners.

Unfortunately, these savings have led to some job losses. Around 120 posts have been identified as at risk, although all efforts are being made to minimise redundancies by operating a 'talent pool' system which has enabled nearly 80 staff to find new roles in the organisation.

Regenerating the borough

The new terminal and station at London Southend Airport, the new City Beach, a revitalised Warrior Square Gardens, the improved Victoria Gateway and a restored and refurbished North Road Chapel, are just some of the projects that helping to promote economic growth and attract inward investment to the borough.

2012/13

The big challenges will continue into the coming year, but there will also be some great opportunities.

The Olympics and the Queen's Diamond Jubilee have provided welcome chances for local people and organisations to get involved in a host of associated events and leave a lasting legacy of sports participation and community engagement.

Work will continue on important projects including the provisional creation of a new primary school and the redevelopment of seven existing primaries; the opening of the new cultural centre and other improvements on the pier and the stabilisation of the cliff slip on the seafront which will eventually provide a site for the town's proposed new museum.

The financial pressures on the Council will keep growing. This year we will need to find a further £13m savings to be delivered in 2013/14 and £8.5m in 2014/15. An important part of our challenge will be managing the impact of new responsibilities for Council Tax benefits, delivering public health services, building relationships with the new elected Police Commissioner and the health bodies established by the Health and Social Care Act. However, these challenges will also give the Council more flexibility in the way it operates and provide new opportunities for engaging local people and organisations in meeting the needs of local people.

We are determined to maintain the level of success achieved so far for the people of Southend. And we are confident that, working together, our Councillors, staff and local communities will take Southend from strength to strength.

Corporate priorities for 2012/13

The Council's Corporate Priorities are produced following consultation with local residents and informed by the vision and priorities of Southend Together Partnership. The priorities, while very similar to 2011/12 have been

amended to reflect the challenging financial position faced by the Council.

Aims	Priorities
Safe	Continue to reduce crime, disorder and anti-social behaviour. Create a well-maintained and attractive street scene, parks and open spaces.
Clean	Minimise our impact on the natural environment
Healthy	Continue to improve outcomes for vulnerable adults and older people Make Southend active and alive with sport and culture Continue to improve outcomes for vulnerable children
Prosperous	Enhance the prosperity of Southend and its residents Enable well-planned quality housing and developments that meet the needs of Southend's residents and businesses Reduce inequalities and increase the life chances of people living in Southend
Excellent	Deliver strong, relevant and targeted services that meet the needs of our community

Councillor Sally Carr
The Worshipful The Mayor

INTRODUCTORY STATEMENTS

STATEMENT OF RESPONSIBILITY FOR THE STATEMENT OF ACCOUNTS

THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

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

THE HEAD OF FINANCE AND RESOURCES' RESPONSIBILITIES

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

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

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

The Head of Finance and Resources has also:

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

HEAD OF FINANCE & RESOURCES' CERTIFICATE

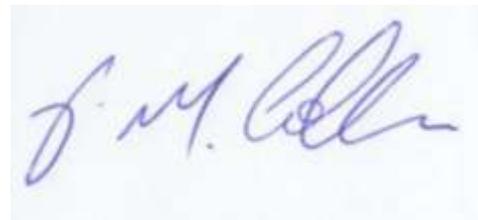
I certify that these accounts present a true and fair view of the financial position of the Council at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.



Joe Chesterton, CPFA
Head of Finance and Resources
26 September 2012

APPROVAL OF THE STATEMENT OF ACCOUNTS

In accordance with the requirements of Regulation 8 of the Accounts and Audit Regulations 2011, I confirm that the Statement of Accounts was approved by resolution of the Audit Committee of Southend on Sea Borough Council on 26 September 2012.



Councillor Paul Collins
Chair of Audit Committee
26 September 2012

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

Southend on Sea Borough Council has approved and adopted a Local Code of Governance (the Code), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in local government. This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4 of the Accounts and Audit (England) Regulations 2011 in relation to the production and publication of an Annual Governance Statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The main governance framework has been in place at Southend on Sea Borough Council for the year ended 31

March 2012 although on a risk assessed basis and to facilitate transition to a new Corporate system elements were operated for part of the year only.

OPERATION OF THE GOVERNANCE FRAMEWORK

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

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

These areas form the main sources of assurance to be considered in any review of the internal control environment.

The Corporate Director for Support Services has been given the responsibility for overseeing the implementation and monitoring of the Code, through a process which consists of:

- Regular reports to the Corporate Management Team and the Audit Committee which set out:
 - weaknesses identified in the governance arrangements; and
 - any corrective action necessary to resolve concerns identified:

- An annual review of the governance framework supported by officer assurance statements certified by Heads of Service and Corporate Directors
- An annual report to the Corporate Management Team and the Audit Committee on the adequacy of governance arrangements
- An annual refresh of the Code, with any significant amendments being reported to the Audit Committee.
- The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.
- The CFO in a local authority must be professionally qualified and suitably experienced.

The Council's key governance and business planning processes are also subject to audit on a risk basis. This work 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 systems of internal control.

The full Code and associated appendices are available on the Southend-on-Sea Borough Council website: www.southend.gov.uk

Role of the Chief Financial Officer

The Chief Financial Officer (CFO) occupies a key position in the Council, 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 2010 the Chartered Institute of Public Finance Accountants (CPIFA) issued a Statement on the Role of the Chief Financial Officer in Local Government. The statement:

- sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in the carrying out of their role
- 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 statements are set out below:

- 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 alignment 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 Council has the necessary arrangements and procedures in place which ensure that these principles are either directly complied with or, where not directly complied with, there are alternative procedures in place so that the necessary outcomes and objectives are still achieved and suitable controls are in place.

Review of Effectiveness

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

Reviewing the Effectiveness of the Framework

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 within a Cabinet and Leader model of governance. Cabinet is responsible for the majority of functions of the Council within the budget and policy framework set by Full Council. Executive decisions are taken by the Cabinet collectively or by officers acting under delegated powers, depending upon the significance of the decision being made. For urgent issues, the Chief Officer can take a decision in conjunction with the Portfolio Holder.

Decisions made by the Cabinet may be called in to a scrutiny committee in accordance with the provisions of the Scrutiny Procedure Rules. A decision made by Cabinet can be called in by any 2 Members with written notice given to the Chief Executive within 5 working days from the date of publication of the digest.

The Council has three scrutiny committees which review and scrutinise proposed decisions in their respective areas of responsibility. The committees will review and scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions. In accordance with the Health and Social Care Act 2001, the Community Services & Culture Scrutiny Committee also scrutinises health matters.

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-elected 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 detailed in the annual Corporate Plan, developed in consultation with key stakeholders. The plan has objectives that are outcome-focused. These are intended outcomes for Southend's communities – citizens and service users. The plan articulates the authority's vision, is subject to an annual progress review and updating, and is approved by the Corporate Management Team, Cabinet, and Council.

The Corporate Plan is underpinned by detailed service plans that are monitored monthly by Departmental Management Teams to ensure that improvement is being delivered. In addition, a Monthly Performance Report is produced detailing key performance indicators that underpin the Council's Corporate Priorities. This report is monitored by Corporate Management Team, Performance Improvement Task Group, Cabinet, and the Scrutiny Committees.

Financial monitoring reports are produced on a monthly basis and form part of the Council's Monthly Performance Report. Reports detail explanations of variance from budget and identify a projected outturn for the year and are considered by Cabinet and the Scrutiny Committees. A three year Medium Term Financial Strategy is refreshed annually and is driven by the priorities agreed by the Council and contained within the Corporate Plan.

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

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

Progress on actions to enhance our governance arrangements arising from the 2010/11 Annual

Governance Statement were reported to Audit Committee during the 2011/12 financial year, with relevant outcomes against the action.

INTERNAL AUDIT

The annual risk based audit plan was prepared in consultation with Corporate Directors and the Audit Committee. The audit plan was substantially delivered with reports issued to senior managers at the conclusion of each audit highlighting internal control weaknesses identified and the actions required to address them. Recommendations were also reviewed to ensure they were implemented properly, by the due date. A quarterly summary audit report was taken to Corporate Management Team and the Audit Committee. The Head of Internal Audit annual report and opinion will be considered by Corporate Management Team and the Audit Committee in September 2012.

Internal Audit has been subject to regular review by external audit in order that they can place reliance on the audit work. The statutory annual assessment of Internal Audit's performance was completed this year and reported to the Audit Committee. The service was found to be compliant.

EXTERNAL AUDIT

External Audit is undertaken by PKF (UK) LLP, who annually conclude whether:

- the financial statements give a true and fair view of the Council's financial affairs
- the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources
- the arrangements for preparing grant claims and other returns to Government departments are operating effectively
- grant claims reviews are accurate and prepared in accordance with the relevant terms and conditions.

Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Annual Governance Report or the Grant Claim Certification Report.

EXTERNAL INSPECTIONS

Assurance over the control environment is also obtained from external inspections of service areas. External assessments for Adult and Children's Services undertaken this year by the Care Quality Commission and Ofsted respectively covered:

- Delaware;
- Shared Lives;

- LA Adoption Service;
- the Renown Centre for Learning;
- Unannounced Inspection of Referral, Contact and Assessment (Children's Social Care);
- Annual Children's Assessment;
- Core Case Inspection (Youth Offending Service) by HMIP;

These along with other external assessments, such as for the Equality Framework, Investors in People and service specific assessments (eg for Customer Service Excellence) provide further independent assurance of governance arrangements and the quality of service provision.

KEY GOVERNANCE ISSUES

We conclude that the Council generally operated appropriate governance arrangements throughout the year, although it has been identified that they could be strengthened by taking action to ensure that:

- lessons from the introduction of the Agresso system, most particularly on pre-implementation design, have been recognised and will be used to the benefit of future projects
- proper processes are still in place to ensure that all business management policy owners and senior management get in year assurance that the governance framework is being consistently applied by all services
- all business continuity plans are up to date, tested and communicated to staff.

South Essex Homes Limited

Scope of responsibility

South Essex Homes (SEH), formed in October 2005, is the Arms Length Management Organisation of Southend-on-Sea Borough Council, responsible for the management and maintenance of the Council's homes. It is financed by a Management Fee in 2011/12, from the Council, of £9,587million, together with income from external organisations of £412k.

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

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

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

SEH exercises control through:

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

The Purpose of the Governance Framework

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

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

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

and to manage them efficiently, effectively and economically.

Review of Effectiveness

SEH is responsible for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Executive Directors, the Interim Director of Finance and Group Managers within the Company who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by external auditors and other review agencies and inspectorates.

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

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

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

- The SEH board receiving monthly performance reports across operational, human resources and value for money indicators;
- The Audit and Performance Committees considering Internal Audit reports throughout the year, as well as reviewing how well strategic risks are being identified and managed;
- The production and approval of annual Manager Assurance Statements by service managers and group manager to assess compliance with key governance processes throughout the year;
- Internal Audit challenging a sample of Manager Assurance Statements and giving a view as to whether they can be relied upon to accurately reflect the robustness of the company's arrangements throughout the year.

Internal Audit

Internal Audit is delivered through a Service Level Agreement with the Council's Internal Audit Services. The risk based audit plan is prepared in consultation with The Executive Management Team and approved by the Audit Committee.

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

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

Internal Audit performance is subject to annual review by the external auditor of the Council and the company in order that they can place reliance on its audit work. Internal Audit also share the results of the statutory annual assessment of compliance with the CIPFA: Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 with the company.

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

- Internal Audit reports;
- Summary results of Manager Assurance Statements;
- Head of Internal Audit annual report (including an opinion on the effectiveness of the company's systems of internal control); and
- Audit Committee Annual Report.

The main area highlighted by Internal Audit during the year, where further work is required to improve the arrangements relates to information management.

External Audit

External Audit is undertaken by Price Waterhouse Cooper (PWC) who review the design of controls in place within the core financial systems if relevant to their audit opinion on the Company's financial statements. Where the external auditor identifies any weaknesses these are reported to those charged with governance. The Audit Committee consider the external auditor's report and recommend adoption of the financial statements to the Board.

Key Governance Issues

The main areas for further work identified through the Governance Assurance Process in 2012/13, and which

should be disclosed in the Governance Statement Action Plan are;

- Business Continuity: South Essex Homes works in full partnership with Southend Borough Council in relation to the business continuity plans for the services it provides for Southend on Sea Borough Council. . These should be tested by the company where it can do so and the results reviewed as soon as possible. In additional, the Company has relocated to one office for the majority of its core office staff and a Disaster Recovery Plan needs to address this change and ensure that the Company is able to provide a continuous service to its customers.
- Risk Management: There needs to be more consistent application of the company's agreed approach to operational risks within the Organisation. Further training and development is required to ensure that an effective Risk Management culture is embedded throughout the Company at all levels
- Service Planning – The Company needs to ensure a consistent approach to service planning which links to the strategic aims of the organisation and develops clear actions for the Plan for Excellence and put in place a regular monitoring process.
- Information Management - The Company needs to develop its arrangements for managing its information and then ensure this is consistently applied throughout the organisation.

Further Actions to strengthen the Council's Governance Arrangements for 2012/13

No.	Governance Issues	Action 2012/13	Date of Implementation	Responsible Officer
1.	Lessons from the introduction of the Agresso system, most particularly on pre-implementation design, have been recognised and will be used to the benefit of future projects	That relevant Project Boards ensure that a full project plan, including business change and design, is in place to oversee efficient and effective development of any new systems, reporting regularly to the Corporate Delivery Board. To ensure the Agresso 'programme of change' is fully implemented following the methodology and approach adopted by the Agresso Programme Board in August; agreed with the Corporate Delivery Board in September.	April 2012 October 2012	Sally Holland Joanna Ruffle/ Joe Chesterton
3	Proper processes are still in place to ensure that all business management policy owners and senior management get in year assurance that the governance framework is being consistently applied by all services	To devise and implement a 'Policy Owners Assurance Statement' to gain annual assurance that policy frameworks are up-to-date and fit for purpose; To review the 'Managers Assurance Statement' to ensure that it is still fit for purpose	March 2013	Linda Everard

4	All business continuity plans are up to date, tested and communicated to staff	That the working group overseeing Business Continuity Planning has a full project plan in place and can give assurance that the framework has been reviewed and fully implemented across the Organisation	March 2013	Sally Holland
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Further Actions to strengthen South Essex Home's governance arrangements for 2012/13

1.	<p>Business Continuity:</p> <p>South Essex Homes works in full partnership with Southend Borough Council in relation to the business continuity plans for the services it provides for Southend on Sea Borough Council.</p> <p>These should be tested by the company where it can do so and the results reviewed as soon as possible. In addition, the Company has relocated to one office for the majority of its core office staff and a Disaster Recovery Plan needs to address this change and ensure that the Company is able to provide a continuous service to its customers.</p>	<p>The key areas of risk for South Essex Homes are :</p> <ul style="list-style-type: none"> • Contact Centre/Emergency Repairs • Careline/Sheltered Housing <p>The contact centre is at Nicholson House. Additional lines have been installed at Cheviot House and the new telephony system now enables the Company to run the service from Cheviot House.</p> <p>There is a disaster recovery plan for the Careline service which has been tested in September. Actions identified from this have been implemented and the plan will be retested in October.</p> <p>The Company will seek to become a member of the Council's working group overseeing Business Continuity Planning. This will enable the Company to be an integral part of the Council's overall Business Continuity Plan for the homes that it manages.</p>	March 2013	Beverley Gallacher
2.	<p>Risk Management:</p> <p>There needs to be more consistent application of the company's agreed approach to operational risks within the Organisation.</p> <p>Further training and development is required to ensure that an effective Risk Management culture is embedded throughout the Company at all levels</p>	<p>To review and implement the Risk Management Strategy with the Executive Management Team and the Performance Committee. Completed in July 2012</p> <p>To complete training via Staff & Team Briefings during 2012/13.</p>	October, 2012 March, 2013	David Lincoln
3.	<p>Service Planning</p> <p>The Company needs to ensure a consistent approach to service planning which links to the strategic aims of the</p>	<p>All service plans for 2012/13 have been completed and put on Covalent. These all link to the Plan for Excellence.</p> <p>The Personnel Development</p>	March 2013	Richard Gormley

	organisation and develops clear actions for the Plan for Excellence and put in place a regular monitoring process	Reviews (PDRs) have been completed for all staff for 2012/13 and these link through to the service plans.		
4.	Information Management The Company needs to develop its arrangements for managing its information and then ensure this is consistently applied throughout the organisation	The actions contained in the Audit Report are being actioned, although there are some IT issues to be resolved in conjunction with the Council. Data Protection training for all staff is being organised in partnership with SBC for October, 2012. The Company now has a representative on SBCs Information Management Working Group (IMWG) and are undertaking the actions coming out of this group.	March 2013	Mike Gatrell

Corporate Governance Action Plan 2011/12

No	Governance Issue	Action 2011/12	Responsible Officer	Comment on Progress
1	Business Continuity	Undertake a review to assess what further action is required to ensure that business continuity arrangements are fit for purpose throughout all Council services, including those relating to services that are provided by significant contractors and partners, and that actions resulting from the review are implemented.	Head of Legal & Democratic Services / Head of Internal Audit / Group Manager – Information Governance	<p>The review of the Council's BCP process has been completed with all Directorates having BCPs in place. Minor changes to reflect a common corporate standard have been agreed across all plans and once this has been applied the Corporate BCP will be refreshed to match these guidelines and complement the Council's Emergency Plan.</p> <p>The BCP leads group has clear terms of reference in place, meets on a routine basis and shares lessons learnt from any BCP incident.</p> <p>All outstanding work has a completion date for the end of August 2012.</p> <p>Corporate guidance produced and issued by Internal Audit Team on: 'Securing Business Continuity When Working With Contractors, Partners And Suppliers' – endorsed by Audit Committee Jan 2012;</p> <p>Business Continuity formed part of Business Planning framework in 2011/12 through Service Plans and was also reported to CMT through the Corporate Risk</p>

				Register.
2	Procurement	To raise staff awareness of the benefits available from better procurement arrangements by targeting areas where improved planning and challenge will quickly demonstrate the savings and efficiencies that can be achieved on spend below the EU threshold.	Head of Procurement	<p>7 workshops have been held to date covering:</p> <ul style="list-style-type: none"> • Better buying and Agresso • Corporate Procurement Procedures • Contract Management • Supplier Renegotiation • Tender Specification Writing • SME's and Third Sector <p>Demand management analysis and proposals developed for:</p> <ul style="list-style-type: none"> • Training and Conferences • Temporary Labour • Consultancy • Travel • Stationery • Print, Design and Media
3	Key partnership arrangements	To determine how the Council ensures that appropriate governance arrangements are established when working with partnerships, voluntary services and other non-statutory bodies and that they operate satisfactorily.	Group Manager Policy & Partnerships	<p>A Partnership Toolkit has been designed and is scheduled for publication in 2012; the toolkit has an identified method to evaluate existing partnership arrangements as well as providing a best practice approach to setting up new partners locally (using local examples)</p> <p>A revised, "light touch", governance structure has been agreed, with a Leaders Advisory Group of key partners is in place, reinforcing the Council's role as community lead across partners. The Shadow Health & Wellbeing Board is in place, has held its first development day and has adopted the Council's risk management process with a risk register in place.</p>

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

Signed on Behalf of the Council



Rob Tinlin

Chief Executive & Town Clerk

26 September 2012



Councillor Nigel Holdcroft

Leader of the Council

26 September 2012

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

OPINION ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Southend-on-Sea Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Southend-on-Sea Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

RESPECTIVE RESPONSIBILITIES OF THE HEAD OF FINANCE AND RESOURCES AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and Resources; and the overall presentation of the financial statements. In addition, we read all the

financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the financial position of Southend-on-Sea Borough Council as at 31 March 2012 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 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

OPINION ON OTHER MATTERS

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

MATTERS ON WHICH I REPORT BY EXCEPTION

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND THE AUDITOR

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission

in October 2011, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

CONCLUSION

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, Southend-on-Sea Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary in respect of a potential objection relating to the parking enforcement contract. We are satisfied that this work does not have a material impact on the financial statements or on our value for money conclusion.



David Eagles MA FCA, Partner
for and on behalf of
PKF (UK) LLP
Ipswich, UK

Date: 28 September 2012

MAIN FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

	Note	General Fund Balance £000	Housing Revenue Account £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000
Balance at 31 March 2010		11,171	3,528	25,185	3,467	0	18,710	62,061
Movement in Reserves during 2010/11								
Surplus (Deficit) on the Provision of Services		28,105	(70,422)	0	0	0	0	(42,317)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0
Total Comprehensive Income and Expenditure		28,105	(70,422)	0	0	0	0	(42,317)
Adjustments between accounting basis and funding basis under regulations	7	(26,072)	70,989	0	274	2,485	(10,026)	37,650
Net Increase / Decrease before Transfers to reserves		2,033	567	0	274	2,485	(10,026)	(4,667)
Transfers to / from Earmarked Reserves	8	(1,649)	(353)	2,002	0	0	0	0
Increase / Decrease in 2010/11		384	214	2,002	274	2,485	(10,026)	(4,667)
Balance at 31 March 2011		11,555	3,742	27,187	3,741	2,485	8,684	57,394
Movement in Reserves during 2011/12								
Surplus (Deficit) on the Provision of Services		(56,472)	(37,846)	0	0	0	0	(94,318)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0
Total Comprehensive Income and Expenditure		(56,472)	(37,846)	0	0	0	0	(94,318)
Adjustments between accounting basis and funding basis under regulations	7	63,633	37,606		44	(760)	(2,072)	98,451
Net Increase / Decrease before Transfers to reserves		7,161	(240)	0	44	(760)	(2,072)	4,133
Transfers to / from Earmarked Reserves	8	(7,226)		7,226	0	0	0	0
Increase / Decrease in 2011/12		(65)	(240)	7,226	44	(760)	(2,072)	4,133
Balance at 31 March 2012		11,490	3,502	34,413	3,785	1,725	6,612	61,527

	Revaluation Reserve £000	Available for Sale Financial Instruments £000	Pensions Reserve £000	Capital Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	112,051	32	(144,279)	547,053	1,486	(3,382)	512,961	575,022
Movement in Reserves during 2010/11								
Surplus (Deficit) on the Provision of Services	0	0	0	0	0	0	0	(42,317)
Other Comprehensive Income and Expenditure	2,963	(13)	56	0	0	0	3,006	3,006
Total Comprehensive Income and Expenditure	2,963	(13)	56	0	0	0	3,006	(39,311)
Adjustments between accounting basis and funding basis under regulations	(481)		17,908	(56,215)	436	772	(37,580)	70
Net Increase / Decrease before Transfers to reserves	2,482	(13)	17,964	(56,215)	436	772	(34,574)	(39,241)
Transfers to / from Earmarked Reserves	0	0	0	0	0	0	0	0
Increase / Decrease in 2010/11	2,482	(13)	17,964	(56,215)	436	772	(34,574)	(39,241)
Balance at 31 March 2011	114,533	19	(126,315)	490,838	1,922	(2,610)	478,387	535,781
Movement in Reserves during 2011/12								
Surplus (Deficit) on the Provision of Services	0	0	0	0	0	0	0	(94,318)
Other Comprehensive Income and Expenditure	15,151	(15)	(62,561)	0	0	0	(47,425)	(47,425)
Total Comprehensive Income and Expenditure	15,151	(15)	(62,561)	0	0	0	(47,425)	(141,743)
Adjustments between accounting basis and funding basis under regulations	(460)	0	5,527	(103,750)	326	(94)	(98,451)	0
Net Increase / Decrease before Transfers to reserves	14,691	(15)	(57,034)	(103,750)	326	(94)	(145,876)	(141,743)
Transfers to / from Earmarked Reserves	0	0	0	0	0	0	0	0
Increase / Decrease in 2011/12	14,691	(15)	(57,034)	(103,750)	326	(94)	(145,876)	(141,743)
Balance at 31 March 2012	129,224	4	(183,349)	387,088	2,248	(2,704)	332,511	394,038

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2010/11			2011/12			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
21,616	(19,154)	2,462		19,080	(16,397)	2,683
17,707	(2,978)	14,729		28,962	(3,267)	25,695
18,367	(2,819)	15,548		20,954	(3,761)	17,193
3,552	(977)	2,575		2,764	(559)	2,205
231,578	(194,148)	37,430		172,062	(130,460)	41,602
20,216	(7,244)	12,972		25,659	(9,284)	16,375
48,556	(24,149)	24,407		26,328	(25,141)	1,187
44,135	0	44,135		0	0	0
0	0	0	HRA note 5	34,692	0	34,692
99,159	(91,660)	7,499		102,666	(95,501)	7,165
65,752	(20,360)	45,392		69,497	(21,059)	48,438
5,766	(171)	5,595		8,716	(789)	7,927
21	0	21		(3,111)	0	(3,111)
(22,887)	0	(22,887)	48	0	0	0
553,538	(363,660)	189,878		508,269	(306,218)	202,051
		752	9			33,375
		13,603	10			14,033
		(161,916)	11			(155,141)
		42,317				94,318
		(2,963)				(15,151)
		13				15
		(56)				62,561
		(3,006)				47,425
		39,311				141,743

BALANCE SHEET

Restated 1 April 2010 £000	Restated 31 March 2011 £000		Notes	31 March 2012 £000
778,868	759,992	Property, Plant & Equipment	12	735,905
13,484	13,753	Heritage Assets	13	8,330
26,466	25,754	Investment Property	14	25,820
3,709	5,131	Intangible Assets	15	6,014
1,904	1,347	Assets Held for Sale	21	0
53	73	Long Term Investments	16	67
51	56	Long Term Debtors	16	45
824,535	806,106	Long Term Assets		776,181
71,443	53,858	Short term Investments		24,178
100	1,677	Assets Held for Sale	21	1,946
370	329	Inventories	17	293
47,460	35,965	Short Term Debtors	19	41,593
48,747	47,793	Cash and Cash Equivalents	20	39,644
168,120	139,622	Current Assets		107,654
(57,394)	(39,968)	Short Term Borrowings	16	(21,313)
(47,081)	(46,392)	Short Term Creditors	22	(40,958)
(4,274)	(5,893)	Provisions	23	(3,462)
(108,749)	(92,253)	Current Liabilities		(65,733)
(2,091)	(2,753)	Long Term Creditors		(3,169)
(145,274)	(172,124)	Long Term Borrowing	16	(221,816)
(144,279)	(126,315)	Other Long Term Liabilities - Pensions	48	(183,349)
(17,240)	(16,502)	Other Long Term Liabilities - Other	16	(15,730)
(308,884)	(317,694)	Long Term Liabilities		(424,064)
575,022	535,781	Net Assets		394,038
62,061	57,394	Usable Reserves	24	61,527
512,961	478,387	Unusable Reserves	25	332,511
575,022	535,781	Total Reserves		394,038

CASH FLOW STATEMENT

2010/11 £000	Notes	2011/12 £000
42,317		94,318
Net (Surplus) or Deficit on the Provision of Services		
(26,132)		(71,425)
Adjustments to Net Surplus or Deficit on the Provision of Services for non-cash Movements		
6,599	26	9,351
Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities		
22,784		32,244
Net cash flows from Operating Activities		
28,188	27	6,295
Investing Activities		
(50,018)	28	(30,390)
Financing Activities		
954		8,149
Net Increase or Decrease in Cash and Cash Equivalents		
(48,747)		(47,793)
Cash and Cash Equivalents at the beginning of the Reporting Period		
(47,793)	20	(39,644)
Cash and Cash Equivalents at the end of the Reporting Period		

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Note 1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which requires the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

Accruals of Income and Expenditure

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

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

debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

Accruals are not made for items under £100.

Cash and Cash Equivalents

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

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

Exceptional Items

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

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

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

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

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

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

A new policy regarding Heritage Assets has been introduced for 2011/12, which has made it necessary

to restate the Balance Sheet for 2009/10 and 2010/11. The new policy can be found listed below. Notes 52 to 54 set out the impact of this change in accounting policy.

Charges to Revenue for Non-Current Assets

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

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

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the Essex Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.6% (based on the yield on the iBoxx AA rated over 15 year corporate bond index as at 31 March 2012).

- 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 seven components:

- 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 arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- 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 – debited to the Pensions Reserve

- contributions paid to the Essex Pension Fund – cash paid as employer's contributions to the pension

fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

Events after the Balance Sheet Date

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

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

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

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

Financial Instruments

Financial Liabilities

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

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument

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

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

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

Available-for-Sale Assets

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

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

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

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

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

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

Foreign Currency Translation

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

Government Grants and Contributions

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

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

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

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

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

Heritage Assets

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

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

Historic Seaside Assets

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

Heritage Land and Buildings

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

Antiques / Collectables

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

Museum Collections

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

Memorials and Statues

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

Heritage Assets – General

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

"Revenue Expenditure Funded from Capital under Statute" and "Property, Plant and Equipment" in this summary of significant accounting policies).

Intangible Assets

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

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

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

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

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

Interests in Companies and Other Entities

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

Inventories and Long Term Contracts

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

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

Investment Property

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

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

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

Leases

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

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for

payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis

over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be

capable of operating in the manner intended by management

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

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

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

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

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

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

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

- infrastructure – straight-line allocation over 25 years.

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A

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

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are

initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Contingent Liabilities

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

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

Contingent Assets

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

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against

the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

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

Revenue Expenditure Funded from Capital under Statute

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

VAT

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

Carbon Reduction Commitment Scheme

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

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

The amendments to IFRS 7-Financial Instruments: Disclosures (transfers of financial assets, issued October 2010), are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Council's financial position. The adoption of these amendments will not cause a change in accounting policy.

The transfers described by the Standard do not occur frequently in local authorities. Relevant circumstances would arise where an Council retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership. It is not anticipated that the adoption of these amendments will have any impact on the financial reporting of Southend-on-Sea Borough Council.

Note 3. Critical Judgements in applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council is the sole trustee of the Youth Commemoration Ground Trust, a charitable organisation that owns the Southend leisure and tennis centre, operated by the Council. It has been determined that the Council does not have control of the Trust and it is not a subsidiary of the Council.

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 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability are fully disclosed in note 48 to the Accounts.

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

Note 5. Material Items of Income and Expense

The performance of the Essex Pension Fund during 2011/12 was significantly worse than anticipated by the actuarial assumptions underpinning the scheme. This has led to an actuarial loss passing through the Comprehensive Income and Expenditure Account of £62.561m.

The Housing Revenue Account (HRA) Subsidy system has come to an end, with the HRA becoming “self-financing” from 1 April 2012. The ending of the subsidy system necessitated a settlement payment being made by the HRA to the Government of £34,692,000.

Note 6. Events after the Balance Sheet date

The need for any disclosure of post Balance Sheet events will continue up to the date of publication of the Accounts, scheduled for 26 September 2012.

The Statement of Accounts was authorised for issue by the Head of Finance and Resources on 26 September 2012. 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 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

It has not been necessary to adjust the financial statements and notes for any events which took place after 31 March 2012.

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

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

2011/12	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the comprehensive income and expenditure statement:						
Charges for depreciation and impairment of non-current assets	41,234					(41,234)
Revaluation losses on property, plant and equipment						0
Movements in the market value of investment properties	389					(389)
Amortisation of intangible assets	1,112					(1,112)
Capital grants and contributions applied	(9,080)					9,080
Revenue expenditure funded from capital under statute	18,427					(18,427)
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						0
Insertion of items not debited or credited to the comprehensive income and expenditure statement:						
Statutory provision for the financing of capital investment	(4,459)					4,459
Capital expenditure charged against the General Fund and HRA Balances	(4,508)					4,508
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	(6,178)	(84)			6,262	0
Application of grants to capital financing transferred to the capital adjustment account					(8,334)	8,334
Adjustments primarily involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA		37,379		4,928		(42,307)
Use of the major repairs reserve to finance new capital expenditure				(5,688)		5,688

2011/12	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the comprehensive income and expenditure statement	32,124	311	1,456			(33,891)
Use of the capital receipts reserve towards administrative costs of non-current asset disposals						0
Use of the capital receipts reserve to finance new capital expenditure			(1,081)			1,081
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	331		(331)			0
Adjustments primarily involving the Available for Sale Financial Instruments Adjustment Reserve						
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from the finance costs chargeable in the year in accordance with statutory requirements						0
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see note 48)	7,465					(7,465)
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,992)					12,992
Adjustments primarily involving the Collection Fund Adjustment Account						
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	(326)					326
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	94					(94)
Total Adjustments	63,633	37,606	44	(760)	(2,072)	(98,451)

2010/11 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the comprehensive income and expenditure statement:						
Charges for depreciation and impairment of non-current assets	11,956					(11,956)
Revaluation losses on property, plant and equipment						0
Movements in the market value of investment properties	339					(339)
Amortisation of intangible assets	901					(901)
Capital grants and contributions applied	(29,832)					29,832
Revenue expenditure funded from capital under statute	33,798					(33,798)
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						0
Insertion of items not debited or credited to the comprehensive income and expenditure statement:						
Statutory provision for the financing of capital investment	(4,331)					4,331
Capital expenditure charged against the General Fund and HRA Balances	(1,808)	(30)				1,838
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the comprehensive income and expenditure statement	(18,326)		6		7,134	11,186
Application of grants to capital financing transferred to the capital adjustment account					(17,160)	17,160
Adjustments primarily involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA		71,268		4,797		(76,065)
Use of the major repairs reserve to finance new capital expenditure				(2,312)		2,312

2010/11 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the comprehensive income and expenditure statement	(21)	(249)	637			(367)
Use of the capital receipts reserve towards administrative costs of non-current asset disposals						0
Use of the capital receipts reserve to finance new capital expenditure						0
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	369		(369)			0
Adjustments primarily involving the Available for Sale Financial Instruments Adjustment Reserve						
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from the finance costs chargeable in the year in accordance with statutory requirements	(1)					1
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement (see note 48)	(5,137)					5,137
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,771)					12,771
Adjustments primarily involving the Collection Fund Adjustment Account						
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	(436)					436
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(772)					772
Total Adjustments	(26,072)	70,989	274	2,485	(10,026)	(37,650)

Note 8. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

Earmarked Reserves	Balance at 31 March 2011 £000	Transfers To £000	Transfers From £000	Balance at 31 March 2012 £000
Schools Balances	9,480	873		10,353
General Fund Reserves				
Capital Investment Reserves	2,294	2,400	(3,067)	1,627
Insurance Reserves	1,770	1,999		3,769
Corporate Reserves	7,501	4,167	(683)	10,985
Service Reserves	5,731	2,972	(1,432)	7,271
Monies held in Trust	58		(3)	55
Total GF Reserves	17,354	11,538	(5,185)	23,707
HRA Service Reserves	353			353
Total Earmarked Reserves	27,187	12,411	(5,185)	34,413

Schools Balances

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

Capital Investment Reserves

Amounts set aside to fund future capital projects.

Insurance Reserve

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

Corporate Reserves

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

Service Reserves

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

Monies held in Trust

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

Note 9. Other Operating Expenditure

	2011/12 £000	2010/11 £000
Leigh Town Council Precept	200	200
Levies	409	453
Payments to the Government Housing Capital Receipts Pool	331	369
(Gains) / Losses on the Disposal of Non-current Assets	32,435	(270)
Total	33,375	752

Note 10. Financing and Investment Income and Expenditure

	2011/12 £000	2010/11 £000
Interest Payable and Similar Charges	8,585	8,374
Pensions Interest Cost and Expected Return on Pensions Assets	3,670	6,675
Interest Receivable and Similar Income	(1,008)	(2,573)
Income and Expenditure in relation to Investment Properties and changes in their Fair Value	2,050	834
Deficit on Traded Services	736	293
Total	14,033	13,603

Note 11. Taxation and Non Specific Grant Incomes

	2011/12 £000	2010/11 £000
Council Tax Income	70,068	69,627
Redistributed Non Domestic Rates	48,899	53,701
Non-Ringfenced Government Grants	29,912	20,262
Capital Grants and Contributions	6,262	18,326
Total	155,141	161,916

Note 12. Property, Plant and Equipment

Movements in 2011/12	Council Dwellings	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation as at 1 April 2011	261,333	434,416	8,914	89,700	2,619	1,648	3,344	801,974
Additions	10,798	16,035	3,598	5,795		0	97	36,323
Revaluations via Revaluation Reserve		14,028						14,028
Revaluations recognised in the CIES	51	(28,447)	1,165	(1,942)	3	(721)	(123)	(30,014)
Disposals	(292)	(34,286)	(21)			(114)		(34,713)
Transfers	86	1,529		50			(1,829)	(164)
Gross Book Value as at 31 March 2012	271,976	403,275	13,656	93,603	2,622	813	1,489	787,434
Accumulated Depreciation as at 1 April 2011	(4,956)	(14,438)	(5,231)	(17,259)	(39)	(60)	0	(41,983)
Depreciation	(5,476)	(6,303)	(977)	(4,059)	(8)	(9)	0	(16,832)
Written out to Revaluation Reserve		1,483						1,483
Written out to the CIES	(44)	3,236	220	307	34	40		3,793
On Impaired Assets								0
On Disposals	12	1,985	13					2,010
Accumulated Depreciation as at 31 March 2012	(10,464)	(14,037)	(5,975)	(21,011)	(13)	(29)	0	(51,529)
Net Book Value as at 31 March 2011	256,377	419,978	3,683	72,441	2,580	1,588	3,344	759,991
Net Book Value as at 31 March 2012	261,512	389,238	7,681	72,592	2,609	784	1,489	735,905

Comparative Movements in 2010/11	Council Dwellings	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation as at 1 April 2010	328,146	395,416	7,723	71,795	9,315	1,648	20,169	834,212
Restatement of Heritage Assets		(5,648)	(28)	(353)	(6,993)		(5)	(13,027)
Restated Cost or Valuation as at 1 April 2010	328,146	389,768	7,695	71,442	2,322	1,648	20,164	821,185
Additions	17,429	28,466	1,279	18,425	297	0	740	66,636
Revaluations via Revaluation Reserve	645	1,962						2,607
Revaluations recognised in the CIES	(84,545)	(2,836)	(60)	(92)				(87,533)
Disposals	(342)							(342)
Transfers		17,056		(75)			(17,560)	(579)
Gross Book Value as at 31 March 2011	261,333	434,416	8,914	89,700	2,619	1,648	3,344	801,974
Accumulated Depreciation as at 1 April 2010	(14,094)	(10,005)	(4,387)	(13,958)	(27)	(54)	0	(42,525)
Restatement of Heritage Assets		178	0	28				206
Restated Accumulated Depreciation as at 1 April 2010	(14,094)	(9,827)	(4,387)	(13,930)	(27)	(54)	0	(42,319)
Depreciation	(5,007)	(4,873)	(844)	(3,329)	(12)	(6)		(14,071)
Written out to Revaluation Reserve	329	28						357
Written out to the CIES	13,742	234						13,976
On Impaired Assets								0
On Disposals	74							74
Accumulated Depreciation as at 31 March 2011	(4,956)	(14,438)	(5,231)	(17,259)	(39)	(60)	0	(41,983)
Restated Net Book Value as at 31 March 2010	314,052	379,941	3,308	57,512	2,295	1,594	20,164	778,866
Net Book Value as at 31 March 2011	256,377	419,978	3,683	72,441	2,580	1,588	3,344	759,991

Depreciation

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

2010/11 Useful Economic Life Years	Fixed Asset Category	2011/12 Useful Economic Life Years
Between 10 and 60	Council Dwellings	Between 10 and 60
Between 2 and 90	Other Land & Buildings	Between 2 and 90
Between 3 and 20	Vehicles and Equipment	Between 3 and 30
Between 20 and 50	Infrastructure Assets	Between 5 and 50
Between 10 and 50	Community Assets	Between 25 and 60
Between 1 and 54	Surplus Assets	Between 10 and 50
Nil	Assets Under Construction	Nil

Capital Commitments

At 31 March 2012, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £31.2m. Similar commitments at 31 March 2011 amounted to £11.9m. The major commitments are:

	£000
Elmer Square Library Project	10,797
Accommodation Strategy	8,269
Pier Infrastructure and Development	2,086
Hinguar Primary School	1,753
Belfairs Woodland Centre Project	1,360
Airport Access Enhancement Contribution	815
Prittlewell Priory Museum	609
Lancaster School	481
Replace Ventilation System Belfairs Leisure	279
Prittlewell Prince Feasibility	277
Replacement Library Feasibility	272
Software Licencing	200
New Swimming Pool	165
Other commitments (each < £150k)	846
Total	28,209

Effects of Changes in Estimates

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

Revaluations

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

Various assets were revalued this year including council administrative buildings, car parks, libraries, community centres, Porters and Southchurch Hall. The significant assumptions applied in estimating their fair values were:

- The data provided by the Council was accurate at 1 April 2011
- Good title, free from onerous covenant and other encumbrances
- All properties have planning consent in line with their current use
- All properties conform to the Fire Precaution Regulations and any other statutory requirements
- There are no adverse ground conditions affecting the properties.

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

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Total £000
Valued at historical cost	28,227	17,564	13,656	813	60,260
Valued at fair value in:					
2007/2008					
Internal Valuer	-	44,133	-	-	44,133
External Valuer	-	199,774	-	-	199,774
2008/2009					
Internal Valuer	-	13,901	-	-	13,901
External Valuer	-	864	-	-	864
2009/2010					
Internal Valuer	-	5,423	-	-	5,423
External Valuer	-	18,772	-	-	18,772
2010/2011					
Internal Valuer	-	16,085	-	-	16,085
External Valuer	243,749	8,790	-	-	252,539
2011/2012					
Internal Valuer	-	65,758	-	-	65,758
External Valuer	-	12,211	-	-	12,211
Total	271,976	403,275	13,656	813	689,720

Internal valuations prior to 2007/08 were carried out by Graham Swan MRICS. From 2007/08, these were carried out by Alan Richards MRICS.

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

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

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

Note 13. Heritage Assets

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

Movements in 2011/12	Historic Seaside Assets £000	Heritage Land & Buildings £000	Antiques and Collectables £000	Total Heritage Assets £000
Cost or Valuation as at 1 April 2011	7,158	6,347	665	14,170
Additions	341			341
Revaluations via Revaluation Reserve		(360)		(360)
Revaluations recognised in the CIES	(120)	(5,297)		(5,417)
Disposals				0
Transfers				0
Gross Book Value as at 31 March 2012	7,379	690	665	8,734
Accumulated Depreciation as at 1 April 2011	(250)	(167)	0	(417)
Depreciation	(146)	(138)		(284)
Written out to Revaluation Reserve				0
Written out to the CIES	0	297		297
On Impaired Assets				0
On Disposals				0
Accumulated Depreciation as at 31 March 2012	(396)	(8)	0	(404)
Net Book Value as at 31 March 2011	6,908	6,180	665	13,753
Net Book Value as at 31 March 2012	6,983	682	665	8,330

Comparative Movements in 2010/11	Historic Seaside Assets £000	Heritage Land & Buildings £000	Antiques and Collectables £000	Total Heritage Assets £000
Cost or Valuation as at 1 April 2010	6,907	6,119	665	13,691
Additions	251	228		479
Revaluations via Revaluation Reserve				0
Revaluations recognised in the CIES				0
Disposals				0
Transfers				0
Gross Book Value as at 31 March 2011	7,158	6,347	665	14,170
Accumulated Depreciation as at 1 April 2010	(91)	(116)	0	(207)
Depreciation	(159)	(51)		(210)
Written out to Revaluation Reserve				0
Written out to the CIES				0
On Impaired Assets				0
On Disposals				0
Accumulated Depreciation as at 31 March 2011	(250)	(167)	0	(417)
Net Book Value as at 31 March 2010	6,816	6,003	665	13,484
Net Book Value as at 31 March 2011	6,908	6,180	665	13,753

Basis of valuation

Asset	Date of last valuation	Valuer	Qualification	Method of valuation
Cliff Lift	01/04/2011	David Heales - Internal Valuer	MRICS	Existing use value
Porters	01/04/2011	John Murray - VOA (external)	MRICS	Depreciated replacement cost
Porters contents	01/03/2005	Webb Valuations Fine Art Ltd	FRICS	Current replacement cost
Southchurch Hall	01/04/2011	John Murray - VOA (external)	MRICS	Depreciated replacement cost
Pier	01/04/2007	Graham Swan - Internal Valuer	MRICS	Depreciated replacement cost
Bandstand	01/04/2011	David Heales - Internal Valuer	MRICS	Existing use value

Note 14. Investment Properties

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

	2011/12 £000	2010/11 £000
Rental Income from Investment Property	(1,839)	(1,701)
Direct operating expenses arising from Investment Property	3,889	2,535
Net (Gain) / Loss	2,050	834

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:

	2011/12 £000	2010/11 £000
Balance at start of the year	25,754	26,466
Additions:		
Purchases	541	0
Construction	0	0
Subsequent Expenditure	0	348
Disposals	0	0
Net Gains / Losses from fair value adjustments	0	0
Transfers:		
to / from Inventories	0	
to / from Property, Plant and Equipment	(86)	
to / from Assets Held for Sale (< 1 yr)	0	(1,300)
to / from Assets Under Construction	0	504
to / from Infrastructure Assets	0	75
Revaluations and impairments	(389)	(339)
Balance at end of the year	25,820	25,754

Note 15. Intangible Assets

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. No amortisation is charged in the initial year when the intangible asset is first capitalised. The amortisation of £1,112k charged to revenue in 2011/12 was charged to both the ICT cost centre and then absorbed as an overhead across all

the service headings in the Net Expenditure of Services, and directly to some services as appropriate. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

Purchased Software Licences	2011/12 £000	2010/11 £000
Gross carrying amount at start of year	6,755	4,432
Accumulated amortisation	(1,624)	(723)
Net carrying amount at start of year	5,131	3,709
Additions	2,019	2,323
Impairment	(24)	
Transfers	0	0
<u>Amortisation</u>		
For Current Year	(1,112)	(901)
Gross carrying amount at end of year	8,750	6,755
Accumulated amortisation	(2,736)	(1,624)
Net carrying amount at end of year	6,014	5,131

Note 16. Financial Instruments

Categories of Financial Assets

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

	Long-term		Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Investments				
Loans and Receivables	67	73	33,830	50,952
Available for sale Financial Assets	0	0	29,991	50,699
Financial Assets at Fair Value through Profit and Loss	0	0	0	0
Total Investments	67	73	63,821	101,651
Debtors				
Loans and Receivables	45	56	18,545	13,199
Financial Assets carried at Contract Amounts	0	0	0	0
Total Debtors	45	56	18,545	13,199
Borrowings				
Financial Liabilities at Amortised Cost	237,546	188,626	21,313	39,968
Financial Liabilities at Fair Value through Profit and Loss	0	0	0	0
Total Borrowings	237,546	188,626	21,313	39,968
Creditors				
Financial Liabilities at Amortised Cost	2,998	2,472	35,361	36,477
Financial Liabilities carried at Contract Amounts	0	0	0	0
Total Creditors	2,998	2,472	35,361	36,477

Reclassifications

There were no reclassifications of financial instruments in 2011/12.

Income, Expense, Gains and Losses

2011/12	Financial Liabilities measured at Amortised Cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total
	£000	£000	£000	£000
Interest Expense	8,464	0	0	8,464
Losses on Derecognition	0	0	0	0
Reductions in Fair Value	0	0	0	0
Impairment Losses	0	0	0	0
Fee Expense	24	0	59	83
Total Expense in Surplus or Deficit on the Provision of Services	8,488	0	59	8,547
Interest Income	0	(275)	(454)	(729)
Gains on Derecognition	0	0	0	0
Increases in Fair Value	0	0	0	0
Interest Income accrued on Impaired Financial Assets	0	0	0	0
Fee Income	0	0	0	0
Total Income in Surplus or Deficit on the Provision of Services	0	(275)	(454)	(729)
Gains on Revaluation	0	0	4	4
Losses on Revaluation	0	0	0	0
Amounts Recycled to the Surplus or Deficit on the Provision of Services after Impairment	0	0	(19)	(19)
Surplus / Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure	0	0	(15)	(15)
Net Gain / (Loss) for the year	8,488	(275)	(410)	7,803

2010/11 Comparative Figures				
	Financial Liabilities measured at Amortised Cost	Financial Assets: Loans and Receivables	Financial Assets: Available for Sale	Total
	£000	£000	£000	£000
Interest Expense	8,289	0	0	8,289
Losses on Derecognition	0	0	0	0
Reductions in Fair Value	0	0	0	0
Impairment Losses	0	0	0	0
Fee Expense	28	5	91	124
Total Expense in Surplus or Deficit on the Provision of Services	8,317	5	91	8,413
Interest Income	0	(421)	(452)	(873)
Gains on Derecognition	0	0	0	0
Increases in Fair Value	0	0	0	0
Interest Income accrued on Impaired Financial Assets	0	0	0	0
Fee Income	0	0	0	0
Total Expense in Surplus or Deficit on the Provision of Services	0	(421)	(452)	(873)
Gains on Revaluation	0	0	19	19
Losses on Revaluation	0	0	0	0
Amounts Recycled to the Surplus or Deficit on the Provision of Services after Impairment	0	0	(32)	(32)
Surplus/ Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure	0	0	(13)	(13)
Net Gain / (Loss) for the year	8,317	(416)	(374)	7,527

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 2012 of 1.28% to 4.42% 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 as follows:

	31 March 2012		31 March 2011	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	294,220	345,646	265,071	285,937
Long Term Creditors	2,998	2,998	2,472	2,472

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 2012) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2012		31 March 2011	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables	82,433	82,433	64,224	64,224
Long Term Debtors	45	45	56	56

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

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

Note 17. Inventories

Consumable Stores	2011/12 £000	2010/11 £000
Balance outstanding at start of year	329	370
Purchases	440	393
Recognised as an expense in the year	(476)	(434)
Gross carrying amount at end of year	293	329

Note 18. Construction Contracts

Note not required

Note 19. Debtors

	31 March 2012		31 March 2011
	£000	£000	£000
Central Government	14,486		9,693
Local Authorities	3,011		1,933
Housing Rents	889		890
Taxation	6,050		7,785
General	18,260		16,800
Council Taxpayers	3,461		4,100
Non Domestic Rates Payers	382		18
Schools	183	46,722	310
Bad Debt Provision		(8,417)	(7,477)
Prepayments		3,288	1,913
Total Debtors		41,593	35,965

Note 20. Cash and Cash Equivalents

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

	31 March 2012	31 March 2011	31 March 2010
	£000	£000	£000
Cash and cash equivalents held by the Council	25,682	35,020	34,380
Bank Current Accounts	13,962	12,773	14,367
Total Cash and Cash Equivalents	39,644	47,793	48,747

Note 21. Assets Held for Sale

	Current		Non Current	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
Balance at start of year	1,677	100	1,347	1,904
Investment properties newly classified as held for sale		1,300		
Impairment Losses	(129)			(180)
Assets Sold	(1,199)	(100)		
Transfers from other Asset categories	250			
Transfers from non-current to current	1,347	377	(1,347)	(377)
Balance at end of year	1,946	1,677	0	1,347

Note 22. Creditors

	31 March 2012 £000	31 March 2011 £000
Central Government	9,462	8,633
Local Authorities	4,477	2,729
Taxation	3,252	3,411
General	20,227	24,015
General Receipts In Advance	1,692	4,372
Council Tax Paid In Advance	652	660
Schools	1,196	2,572
Total Creditors	40,958	46,392

Note 23. Provisions

	Insurance £000	Redundancy £000	Other Provisions £000	Total £000
Balance at 1 April 2011	3,723	1,470	700	5,893
Additional provisions made in year	255	1,000	227	1,482
Amounts used in year	(1,743)	(1,470)	(700)	(3,913)
Balance at 31 March 2012	2,235	1,000	227	3,462

Insurance Provision

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

Redundancy

Payments to be made in 2012/13 as a result of organisational management decisions taken during 2011/12, relating to redundancy, and therefore properly chargeable to 2011/12.

Note 24. Usable Reserves

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

Note 25. Unusable Reserves

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

Revaluation Reserve

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

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

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

	2011/12	2010/11
	£000	Restated £000
Balance at 1 April	114,533	112,051
Upward revaluation of assets	25,747	4,046
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the provision of services	(10,596)	(1,083)
Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services	15,151	2,963
Difference between fair value and historical cost depreciation	(460)	(481)
Amount written off to the capital adjustment account	(460)	(481)
Balance at 31 March	129,224	114,533

Available for Sale Financial Instrument Reserve

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

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

	2011/12		2010/11
	£000	£000	£000
Balance at 1 April		19	32
Upward revaluation of investments	4		19
Downward revaluation of investments not charged to the Surplus / Deficit on the provision of services	0		0
	<hr/>	4	<hr/>
Accumulated gains on assets, sold and maturing assets written out to the comprehensive income and expenditure statement as part of other investment income		(19)	(32)
Balance at 31 March		4	19

Capital Adjustment Account

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

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

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

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

	2011/12		2010/11
	£000	£000	£000
Balance at 1 April		490,838	547,053
<i>Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement</i>	0		0
Charges for depreciation and impairment of non-current assets	(49,230)		(88,021)
Amortisation of intangible assets	(1,112)		(901)
HRA Self Financing Settlement	(34,692)		
Revenue expenditure funded from capital under statute	(18,427)		(33,798)
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	(33,895)		(367)
		(137,356)	(123,087)
Adjusting amounts written out of the revaluation reserve		460	481
Net written out amount of the cost of non-current assets consumed in the year		(136,896)	(122,606)
<i>Capital financing applied in the year</i>			
Use of the capital receipts reserve to finance new capital expenditure	1,081		0
Use of the major repairs reserve to finance new capital expenditure	5,688		2,312
Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	17,167		58,249
Statutory provision for the financing of capital investment charged against the general fund and HRA balances	4,459		4,331
Capital expenditure charged against the general fund and HRA balances	4,508		1,838
		32,903	66,730
Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement		243	(339)
Balance at 31 March		387,088	490,838

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.

	2011/12 £000	2010/11 £000
Balance at 1 April	(126,315)	(144,279)
Actuarial gains and losses on pensions, assets and liabilities	(62,561)	56
Reversal of items relating to retirement benefits, debited or credited to the surplus or deficit on the provision of services in the CIES	(7,465)	5,137
Employer's pensions contributions and direct payments to pensioners payable in the year	12,992	12,771
Balance at 31 March	(183,349)	(126,315)

Collection Fund Adjustment Account

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

	2011/12 £000	2010/11 £000
Balance at 1 April	1,922	1,486
Share of estimated surplus for prior year actually distributed in year	(905)	(582)
Adjusted share of carried forward surplus for the year	1,231	1,018
Balance at 31 March	2,248	1,922

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2011/12		2010/11
	£000	£000	£000
Balance at 1 April		(2,610)	(3,382)
Settlement or cancellation of accrual made at the end of the preceding year	2,610		3,382
Amounts accrued at the end of the current year	<u>(2,704)</u>		<u>(2,610)</u>
Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements		(94)	772
Balance at 31 March		(2,704)	(2,610)

Note 26. Cash Flow Statement - Operating Activities

The Cash flows for operating activities include the following items:

	2011/12	2010/11
	£000	£000
Interest Received	(1,041)	(1,364)
Interest Paid	8,621	7,963
Council Tax Agency Adjustment	1,771	0
Net Cash Flows from Operating Activities	9,351	6,599

Note 27. Cash Flow Statement - Investing Activities

	2011/12	2010/11
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	57,403	100,960
Other payments for investing activities	771	739
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,483)	(125)
Proceeds from short-term and long-term investments	(29,680)	(17,586)
Other receipts from investing activities	(20,716)	(55,800)
Net Cash Flow from Investing Activities	6,295	28,188

Note 28. Cash Flow Statement - Financing Activities

	2011/12 £000	2010/11 £000
Cash receipts of short and long-term borrowing	(69,692)	(58,850)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	179	157
Repayments of short and long-term borrowing	38,750	8,675
Other payments for financing activities	373	0
Net Cash Flow from Financing Activities	(30,390)	(50,018)

Note 29. Amounts Reported for Resource Allocation Decisions

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

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

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

Portfolio Income and Expenditure 2011/12	Adult, Health & Housing £000	Children & Learning £000	Corporate Support £000	Culture & Tourism £000	Leader £000	Deputy Leader £000	Public Protection, Waste & Transport £000	Planning £000	Total £000
Fees, Charges & Other Service Income	(10,828)	(1,599)	(9,349)	(3,087)	(139)	(1)	(7,456)	(1,025)	(33,484)
Grants	(7,100)	(122,897)	(105,561)	(905)	(8)	(75)	(1,542)	(999)	(239,087)
Total Income	(17,928)	(124,496)	(114,910)	(3,992)	(147)	(76)	(8,998)	(2,024)	(272,571)
Employee Expenses	15,739	16,969	15,176	5,661	2,937	469	5,101	1,655	63,707
Other Service Expense	50,668	127,996	113,482	7,712	(185)	1,043	21,371	1,127	323,214
Capital Financing	2,479	16,822	12,714	15,282	0	159	12,305	1	59,762
Net Support Recharges	2,905	4,839	(14,609)	1,400	543	140	2,480	1,114	(1,188)
Total Expenditure	71,791	166,626	126,763	30,055	3,295	1,811	41,257	3,897	445,495
Net Expenditure	53,863	42,130	11,853	26,063	3,148	1,735	32,259	1,873	172,924

**Portfolio Income and Expenditure 2010/11
Comparative Figures**

	Adult, Health & Housing £000	Children & Learning £000	Corporate Support £000	Culture £000	Enterprise, Tourism Environment £000	Leader £000	Public Protection & Waste £000	Transport & Planning £000	Total £000
Fees, Charges & Other Service Income	(10,199)	(1,315)	(8,760)	(3,897)	(1,648)	(109)	(584)	(7,105)	(33,617)
Grants	(12,624)	(192,591)	(101,533)	(622)	(479)	(1,181)	(74)	(1,179)	(310,283)
Total Income	(22,823)	(193,906)	(110,293)	(4,519)	(2,127)	(1,290)	(658)	(8,284)	(343,900)
Employee Expenses	17,513	20,611	16,216	5,051	2,680	3,647	2,986	4,179	72,883
Other Service Expense	53,244	172,012	108,750	7,536	3,168	2,276	10,817	11,744	369,547
Capital Financing	1,759	31,935	3,114	2,467	725	90	171	6,573	46,834
Net Support Recharges	2,646	4,373	(12,802)	1,236	(606)	379	1,768	2,051	(955)
Total Expenditure	75,162	228,931	115,278	16,290	5,967	6,392	15,742	24,547	488,309
Net Expenditure	52,339	35,025	4,985	11,771	3,840	5,102	15,084	16,263	144,409

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

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

	2011/12 £000	2010/11 £000
Net Expenditure in the Portfolio Analysis	172,924	144,409
Net Expenditure of Services not included in the Analysis	35,879	68,695
Net Expenditure of Services included in the Analysis, not included in the Comprehensive	(2,786)	(1,127)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(3,966)	(22,099)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	29,127	45,469
Cost of Services in the Comprehensive Income and Expenditure Statement	202,051	189,878

Reconciliation to Subjective Analysis

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

2011/12

	Portfolio Analysis £000	Services not included in the Analysis £000	Services in Analysis, not included in the I&E £000	Amounts not reported to management £000	Cost of Services in the Comprehensive I&E £000	Corporate Amounts £000	Total £000
Fees, Charges & Other							
Service Income	(33,484)	(25,142)	4,499	(855)	(54,982)	(4,499)	(59,481)
Grants	(239,087)	0	2	0	(239,085)	(85,075)	(324,160)
Interest and Investment							
Income	0	0	0	0	0	(1,008)	(1,008)
Income from Council Tax	0	0	0	0	0	(70,068)	(70,068)
Total Income	(272,571)	(25,142)	4,501	(855)	(294,067)	(160,650)	(454,717)
Employee Expenses	63,707	323	(2,164)	(4,600)	57,266	2,164	59,430
Other Service Expense	323,214	17,583	(1,601)	0	339,196	1,601	340,797
Capital Financing	59,762	42,307	(2,714)	1,489	100,844	2,714	103,558
Net Support Recharges	(1,188)	808	(808)	0	(1,188)	808	(380)
Interest Payments	0	0	0	0	0	8,585	8,585
Pensions Interest and							
Expected Return	0	0	0	0	0	3,670	3,670
Precepts and Levies	0	0	0	0	0	609	609
Payments to Housing							
Capital Receipts Pool	0	0	0	0	0	331	331
Gain or Loss on Disposal of							
Fixed Assets	0	0	0	0	0	32,435	32,435
Total Expenditure	445,495	61,021	(7,287)	(3,111)	496,118	52,917	549,035
Surplus or Deficit on the provision of services	172,924	35,879	(2,786)	(3,966)	202,051	(107,733)	94,318

2010/11 comparative figures

	Portfolio Analysis £000	Services not included in the Analysis £000	Services in Analysis, not included in the I&E £000	Amounts not reported to management £000	Cost of Services in the Comprehensive I&E £000	Corporate Amounts £000	Total £000
Fees, Charges & Other							
Service Income	(33,617)	(24,149)	4,342	51	(53,373)	(4,342)	(57,715)
Grants	(310,283)	0	8	(12)	(310,287)	(92,297)	(402,584)
Interest and Investment							
Income	0	0	0	0	0	(2,573)	(2,573)
Income from Council Tax	0	0	0	0	0	(69,627)	(69,627)
Total Income	(343,900)	(24,149)	4,350	39	(363,660)	(168,839)	(532,499)
Employee Expenses	72,883	268	(2,183)	(25,345)	45,623	2,183	47,806
Other Service Expense	369,547	15,831	(1,004)	2,906	387,280	1,004	388,284
Capital Financing	46,834	76,065	(1,757)	301	121,443	1,757	123,200
Net Support Recharges	(955)	680	(533)	0	(808)	533	(275)
Interest Payments	0	0	0	0	0	8,374	8,374
Pensions Interest and							
Expected Return	0	0	0	0	0	6,675	6,675
Precepts and Levies	0	0	0	0	0	653	653
Payments to Housing							
Capital Receipts Pool	0	0	0	0	0	369	369
Gain or Loss on Disposal of							
Fixed Assets	0	0	0	0	0	(270)	(270)
Total Expenditure	488,309	92,844	(5,477)	(22,138)	553,538	21,278	574,816
Surplus or Deficit on the provision of services	144,409	68,695	(1,127)	(22,099)	189,878	(147,561)	42,317

Note 30. Acquired and Discontinued Operations

Note not required.

Note 31. Trading Operations

The Council operates two trading activities. These are,

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

	2011/12 £000	2010/11 £000
<u>The Amenity Services Organisation</u>		
Turnover	(2,322)	(2,247)
Expenditure	2,950	2,527
Deficit	628	280
<u>Building Control</u>		
Turnover	(339)	(402)
Expenditure	447	415
Deficit	108	13
Total deficit on trading activities	736	293

Note 32. Agency Services

Note not required.

Note 33. Road Charging Schemes

Note not required.

Note 34. Pooled Budgets

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

The funding for the Learning Disability Service and the Equipment Service was held by Southend-on-Sea Borough Council. The funding for the Cumberlege Intermediate Care Centre and Nursing Care was held by South East Essex Primary Care Trust.

The following table shows the total funding to each pooled budget and Southend-on-Sea Borough Council's contribution. In each case the partner body is the South East Essex Primary Care Trust.

	2011/12 Pool Expenditure £000	2011/12 Southend Borough Council £000	2010/11 Net Expenditure £000	2010/11 Southend Borough Council £000
Equipment Service	895	597	963	642
Cumberlege Intermediate Care Centre (CICC)	1,184	511	1,184	553
Total	2,079	1,108	2,147	1,195

Note 35. Members' Allowances

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

	2011/12 £000	2010/11 £000
Basic Allowances	428	424
Special Allowances	211	242
Travel & Subsistence	2	4
Total Members Allowances	641	670

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>).

2010/11		Performance Related Pay in respect of 2009/10							Total
		Salary	Consolidated into future salary	Un-consolidated	Pension Contribution	Local Elections Duties	Car Allowances etc	£	
Rob Timlin	Chief Executive	147,408	1,473	0	19,206	25	2,900	171,012	
	Corporate Directors								
Paul Greenhalgh	Children & Learning until 28/02/11	105,633	1,152	0	13,775	0	0	120,560	
								131,520	
Sue Cook	Children & Learning from 01/03/11	8,409	0	0	1,085	0	56	9,550	
								114,600	
Sally Holland	Corporate Support Services	115,341	1,152	0	15,028	224	4,077	135,822	
Simon Leftley	Adult & Community Services	115,341	1,152	0	15,028	0	0	131,521	
Andrew Lewis	Enterprise, Tourism & Environment	109,629	1,096	0	14,284	0	2,444	127,453	
	Heads of Service								
Shazia Ullah	Policy & Improvement	78,069	390	0	10,121	332	0	88,912	
Sue Cook	Children's Specialist Services until 28/02/11	83,889	861	0	10,933	0	612	96,295	
								105,049	
Sue Hadley	Children's Commissioning & Learning Infrastructure	86,139	861	0	11,223	0	0	98,223	
Jane Theadom	School Support & Preventative Services	86,139	431	0	11,168	0	0	97,738	
Joe Chesterton	Finance & Resources from 04/10/10	43,833	0	0	5,717	0	0	49,550	
								101,038	
Martin Hone	Finance & Resources until 04/07/10	23,681	0	4,478	3,185	0	0	31,344	
								107,700	
Joanna Ruffle	Human Resources	86,139	861	0	11,223	0	2,471	100,694	
John Williams	Legal & Democratic Services	100,614	0	0	13,067	2,814	679	117,174	
Nick Corrigan	Customer Services	85,128	851	0	11,091	0	2,606	99,676	
Nick Harris	Culture	85,290	861	0	11,223	0	0	97,374	
Jacqui Lansley	Community Strategy & Development	71,791	360	0	9,334	124	45	81,654	
Martin Elliott	Adult Commissioning until 13/06/10	16,497	0	0	2,014	0	0	18,511	
								91,304	
Anita Thornberry	Enterprise Tourism & Regeneration	86,139	0	0	0	0	0	86,139	
Dipti Patel	Public Protection	84,240	843	0	10,989	0	3,009	99,081	
Andrew Meddle	Planning & Transport	63,739	335	0	8,696	241	2,978	75,989	

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

	2011/12 Number of Staff			2010/11 Number of Staff		
	Council	Schools	Total	Council	Schools	Total
£50,000 to £54,999	29	19	48	28	21	49
£55,000 to £59,999	8	14	22	13	18	31
£60,000 to £64,999	9	6	15	3	14	17
£65,000 to £69,999	2	14	16	4	9	13
£70,000 to £74,999	3	4	7	3	7	10
£75,000 to £79,999	0	2	2	0	1	1
£80,000 to £84,999	0	1	1	0	0	0
£85,000 to £89,999	0	0	0	0	4	4
£90,000 to £94,999	0	1	1	0	0	0
£95,000 to £99,999	0	1	1	0	1	1
£100,000 to £104,999	0	0	0	0	0	0
£105,000 to £109,999	0	1	1	0	0	0
Total	51	63	114	51	75	126

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	
	2011/12			2010/11			2011/12	2010/11
	Compulsory	Other	Total	Compulsory	Other	Total		
Council Staff								
£0 - £19,999	22	54	76	5	2	7	£646,100	£47,592
£20,000 - £39,999	2	16	18	1	0	1	£539,288	£25,598
£40,000 - £59,999	2	2	4	0	0	0	£179,358	£0
Total	26	72	98	6	2	8	£1,364,746	£73,190
School Staff								
£0 - £19,999	17	3	20	13	1	14	£65,066	£56,233
Total	17	3	20	13	1	14	£65,066	£56,233
Total	43	75	118	19	3	22	£1,429,812	£129,423

Note 37. External Audit Costs

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

	2011/12 £000	2010/11 £000
Fees payable with regard to external audit services	316	322
Fees payable in respect of statutory inspection	0	2
Fees payable for the certification of grant claims and returns	85	83
Fees payable in respect of other services provided	2	0
Total Audit Costs	403	407

Note 38. 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). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an Council-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 for 2011/12 are as follows:

	2011/12 Central Expenditure £000	2011/12 Individual Schools Budget £000	2011/12 Total £000	2010/11 Total £000
Final DSG for 2011/12			102,882	105,189
Brought forward from 2010/11			1,516	822
Carry forward to 2012/13 agreed in advance			(967)	(924)
Agreed budgeted distribution in 2011/12	9,169	94,262	103,431	105,087
Less:				
Actual central expenditure	(8,709)	0	(8,709)	(7,033)
Actual ISB deployed to schools	0	(93,969)	(93,969)	(97,462)
Local authority contribution for 2011/12	0	0	0	0
Carry forward to 2012/13	460	293	753	592
Carry forward to 2012/13 agreed in advance			967	924
Total Carry Forward			1,720	1,516

Note 39. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12.

	2011/12 £000	2010/11 £000
Credited to Taxation and Non Specific Grant Income		
Non-Ringfenced Government Grants		
Formula Grant	15,115	7,798
Council Tax Freeze Grant	1,716	0
Early Intervention Grant	7,775	0
Learning Disabilities Transfer Grant	4,748	0
New Homes Bonus	262	0
Other non-ringfenced government grants	296	0
Area Based Grant	0	12,464
	29,912	20,262
Capital Grants and Contributions		
Highways Infrastructure	2,472	0
Hinguar Primary School	2,197	0
Barons Court - conversion to Primary School	458	1,504
Contribution to Civic Centre 2nd Main Feeder	119	0
Victoria Gateway - HCA funding	0	5,183
City Beach - HCA funding	0	4,000
Progress Road - HCA funding	0	2,377
Shoebury Youth Centre	0	1,564
Chase High 16+ Block	0	1,189
Shoeburyness Diploma Accommodation	0	1,134
Hamstel Infant Extension	0	1,107
Other	1,016	268
	6,262	18,326
Total	36,174	38,588

	2011/12 £000	2010/11 £000
Credited to Services		
Dedicated Schools Grant	102,882	105,189
Housing Benefits	88,382	83,817
Council Tax Benefits	14,865	14,903
Standards Fund	0	14,845
Young People's Learning Agency	5,471	13,370
Funding from PCT:	3,100	8,451
Additional Schools Grant	102	0
School Standards Grant	0	5,453
Early Years & Childcare	224	4,741
Skills Funding Agency	2,355	2,550
Positive Futures	131	0
Other Local Authorities Service Provision	817	1,932
Housing Benefit and Council Tax Administration	1,812	1,813
Youth Offending Grants	594	1,093
Other Social Services Grants	2,422	921
Other Education Grants	3,022	871
Local Area Agreement Grants	0	860
Surface Water Management Plan	147	0
Local Sustainable Transport Function	557	0
Children's Services Grants	309	859
Supporting People	150	671
Cycle England	39	637
Learning and Skills Council	0	16
Economic Participation Programme	7	322
Section 31 Grant	0	258
Other Service Grants and Contributions	2,619	17,079
REFCUS	9,080	29,636
Total	239,087	310,287

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

Note 40. 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 Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments used in 2011/12 and those received but not yet applied as at 31 March 2012 are set out in Note 39.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2011/12 is shown in Note 35. During 2011/12 services were commissioned from organisations, and grants awarded to voluntary organisations, in which certain members had an interest. In all cases contracts were entered into with full procurement rules compliance and awards made with proper consideration of declarations of interest.

- Five Members were on the board of South Essex Homes Limited, which is controlled by the Council (see below).

- A Member was Council Representative on the board of trustees of the Homeless Action Resource Project which received a grant of £105,000 from the Council.
- A Member was on the executive committee of Southend MENCAP which received a grant of £7,758 from the Council.
- One Member was a trustee of Southend Citizen's Advice Bureau, which received a grant of £190,000 from the Council.
- One Member formally held the position of Chairman of the board of trustees of Cory Environmental Trust in Southend on Sea during the year. However as she was the Mayor during the year, the Chairmanship was delegated to another Member as her substitute. The trust on occasion provides funds to the Council for various projects. In 2011/12 this amounted to £20,996.
- Three Members were Council Representatives on the board of trustees of SOS Domestic Abuse Projects which received a grant of £17,300 from the Council
- One Member was Council Representative on the board of DIAL Southend, which received a grant of £35,000 from the Council.
- One member was Council Representative on the board of trustees of Southend Advocacy for Older People which received a grant of £15,000 from the Council.
- One Member was the Treasurer of Southend Chess Club which organises the Southend Chess Congress held annually at the Council's Civic Centre. The room used is hired at a discount. During 2011/12 the discount received amounted to £3,000.

In all instances, the decisions were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

Entities Controlled or Significantly Influenced by the Council

Southend-on-Sea Borough Council has a dominant influence over South Essex Homes Limited, that manages the Council's housing stock. 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 2012 there was a net deficit of £8,332k in respect of South Essex Homes Limited's pension liabilities. As at 31 March 2012 South Essex Homes Limited also had a retained surplus of £953k 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.

Within the year the following voluntary organisations were also given financial assistance which funded at least 20% of their expenses:

	2011/12 £000	2010/11 £000
Housing Action Research Project (HARP)	0	135
DIAL Southend	35	26
Citizens' Advice Bureau	190	186
Age Concern	16	19
Total	241	366

Note 41. 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 2012 £000	31 March 2011 £000
Capital Investment		
Property, Plant and Equipment	33,708	66,637
Investment Assets	541	348
Intangible Assets	2,019	2,323
Heritage Assets	2,956	478
Revenue Expenditure Funded from Capital Under Statute	18,427	33,835
Total Capital Investment	57,651	103,621
Sources of Finance		
Usable Capital Receipts	1,080	0
Government Grants and other Contributions	17,167	58,224
Sums set aside from Revenue:		
Direct Revenue Contributions	4,508	1,838
Major Repairs Reserve	5,688	2,312
Total Financing from Internal Resources	28,443	62,374
Credit arrangements	34	150
Supported Capital Borrowing	6,813	16,580
Un-supported Capital Borrowing	22,361	24,517
Total Financing from Borrowing / Credit Arrangements	29,208	41,247
Total Capital Financing	57,651	103,621

	31 March 2012 £000	31 March 2011 £000
Opening Capital Financing Requirement	185,763	148,108
Explanation of Movements in Year		
Borrowing	29,174	41,097
Finance Leases	34	150
HRA Self Financing Settlement	34,692	0
MRP	(3,689)	(3,592)
Closing Capital Financing Requirement	245,974	185,763

Note 42. Leases

The Council as Lessee

Finance Leases

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

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

	31 March 2012 £000	31 March 2011 £000
Vehicles, Plant, Furniture and Equipment	290	435
	290	435

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

	31 March 2012 £000	31 March 2011 £000
Finance Lease Liabilities (net present value of minimum lease payments):		
Current	134	176
Non Current	171	281
Finance costs payable in future years	12	24
Minimum Lease Payments	317	481

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

Credit Risk	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Not later than one year	142	190	134	176
Later than one year and not later than five years	175	291	171	281
Later than five years	0	0	0	0
	317	481	305	457

Operating Leases

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

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

	31 March 2012 £000	31 March 2011 £000
Not later than one year	457	453
Later than one year and not later than five years	1,186	895
Later than five years	1,413	1,174
	3,056	2,522

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

	31 March 2012 £000	31 March 2011 £000
Minimum Lease Payments	457	484
	457	484

Council as Lessor

Operating Leases

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

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

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

	31 March 2012 £000	31 March 2011 £000
Not later than one year	1,316	1,271
Later than one year and not later than five years	3,730	3,633
Later than five years	42,277	42,371
	47,323	47,275

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 2011/12 £19,000 contingent rents were estimated to be receivable by the Council (2010/11 £36,000 estimated).

Note 43. PFI and Similar Contracts

Note not required.

Note 44. Impairment Losses

Various General fund assets were revalued at 1 April 2011 which led to an impairment, the most significant of which were the Central Library, Central Museum and Leigh Community Centre.

An impairment review of all material assets was carried out at the balance sheet date and this led to the impairment of the carrying value of a number of assets, the most significant of which were Warrior Square Swimming Pool and Blenheim Infants School.

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

Note 45. Capitalisation of Borrowing Costs

The Council has not capitalised any of its borrowing costs.

Note 46. Termination Benefits

The Council is undergoing a significant programme of cost reduction, involving amongst other things a reduction in the number of employees. This has given rise to a number of redundancy payments that, although not actually paid in 2011/12, have been fully provided for. (See note 23).

Note 47. Pension Schemes Accounted for as Defined Contribution Schemes

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

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

In 2011/12 the Council paid £5.9m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £7.7m and 14.1%. 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 and detailed in Note 48. Added years payments awarded in respect of the teachers' pension scheme were £21,302 (2010/11 £33,196).

**Note 48. 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 offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed 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:

	2011/12 £000	2010/11 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current Service Cost	8,395	11,060
Past Service Costs	0	(22,872)
Loss on Curtailments	(4,600)	0
Financing and Investment Income and Expenditure		
Interest Cost	20,232	21,349
Expected Return on Scheme Assets	(16,562)	(14,674)
Total post-employment benefit charged to the surplus or deficit on the provision of services	7,465	(5,137)
Other post-employment benefit charged to the comprehensive income and expenditure statement		
Actuarial gains and losses	62,561	(56)
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	70,026	(5,193)
Movement in Reserves Statement		
Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code	(70,026)	5,193
Actual amount charged against the General Fund Balance for Pensions in the year		
Employer's contributions payable to scheme	12,992	12,771

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement since 1 April 2002 to 31 March 2012 is a loss of £164.590m.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation).

	2011/12 £000	2010/11 £000
Opening Balance at 1 April	(371,991)	(380,073)
Current Service Cost	(8,395)	(11,060)
Interest Cost	(20,232)	(21,349)
Actuarial Gains and Losses	(48,744)	8,885
Losses on Curtailments	(919)	0
Liabilities extinguished on Settlements	10,322	0
Contributions by Scheme Participants	(3,515)	(3,961)
Benefits Paid	11,744	12,695
Past Service Costs	0	22,872
Closing Balance at 31 March	(431,730)	(371,991)

Reconciliation of fair value of the scheme assets

	2011/12 £000	2010/11 £000
Opening Balance at 1 April	245,676	235,794
Expected Rate of Return	16,562	14,674
Actuarial Gains and Losses	(13,817)	(8,829)
Employer Contributions	12,992	12,771
Contributions by Scheme Participants	3,515	3,961
Benefits Paid	(11,744)	(12,695)
Payment of Bulk Transfer Value	(4,803)	0
Closing Balance at 31 March	248,381	245,676

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £2.747m gain (2010/11 £22.830m gain).

Scheme History

Actuarial Gains/(Losses)	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present Value of Liabilities	(318,432)	(380,073)	(371,991)	(371,991)	(431,730)
Fair Value of Assets	210,821	235,794	245,676	245,676	248,381
Surplus / (Deficit) in the Scheme	(107,611)	(144,279)	(126,315)	(126,315)	(183,349)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £183.3m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, with the deficit on the local government scheme being made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £11.7m

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 2010.

The principal assumptions used by the actuary have been:

	2011/12	2010/11
Long-term expected rate of return on assets in the scheme:		
Equity Investments	6.4%	7.5%
Government Bonds	3.3%	4.4%
Other Bonds	4.6%	5.1%
Property	5.4%	6.5%
Cash / Liquidity	0.5%	0.5%
Mortality assumptions:		
Longevity at 65 for Current Pensioners		
Men	22.7	22.6
Women	25.3	25.2
Longevity at 65 for Future Pensioners		
Men	24.1	24.0
Women	26.8	26.8
Rate of Inflation (RPI)	3.3%	3.4%
Rate of Inflation (CPI)	2.5%	2.9%
Rate of increases in salaries	4.3%	4.4%
Rate of increase in pensions	2.5%	2.9%
Rate for discounting scheme liabilities	4.6%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

The Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2011/12	2010/11
	%	%
Equity Investments	70.0	69.5
Government Bonds	4.0	6.7
Other Bonds	10.0	9.5
Property	14.0	11.2
Cash / Liquidity	2.0	3.1
	100.0	100.0

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage as assets or liabilities at 31 March 2012:

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between the expected and actual return on assets	13.5	35.0	21.0	3.6	(5.6)
Experience gains and losses on liabilities	2.7	0.0	0.0	1.6	(0.3)

Actuarial sensitivities

	Sensitivity Analysis				
	Central	+ 0.1% p.a. discount rate as at 31 March 2012	- 0.1% p.a. discount rate at 31 March 2012	1 year addition to member's life expectancy as at 31 March 2012	1 year reduction to member's life expectancy as at 31 March 2012
	£000	£000	£000	£000	£000
Present Value of Total Obligation	431,730	422,079	441,620	416,422	447,184
Projected Current Service Cost for year commencing 1 April 2012	10,447	10,085	10,818	9,966	10,932

Note 49. Contingent Liabilities

Note not required

Note 50. Contingent Assets

Note not required

Note 51. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down 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 £0 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 2012 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. The accounts are prepared on an accruals basis and there is a further £34m of income that has been reflected in the 2011/12 accounts, but either the invoice has not been raised or the cash or cheque has not been received. These accruals form part of the debtors balance on the balance sheet but are not deemed to be at risk of default.

Credit Risk	Amounts £000	Historical experience of default %	31 March 2012	Estimated maximum exposure to default and uncollectability £000	31 March 2011
			Historical experience adjusted for market conditions %		Estimated maximum exposure to default and uncollectability £000
Deposits With Banks And Other Financial Institutions	33,897	0.00%	0.00%	0	0
Bonds And Other Securities	29,991	0.00%	0.00%	0	0
Customers	7,904	0.66%	1.25%	250	300

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 2012 £000	31 March 2011 £000
Less Than Three Months	4,826	4,126
Three To Six Months	437	221
Six Months To One Year	1,130	263
More Than One Year	1,511	1,361
Total	7,904	5,971

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the other Local Authorities and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy for long term borrowing is to ensure that not more than 60% of loans are due to mature between 1 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 2012 £000	31 March 2011 £000
Less than 1 year	21,313	39,968
Total Short Term Borrowing	21,313	39,968
Between 1 and 2 years	10,000	20,000
Between 2 and 5 years	23,000	33,000
Between 5 and 10 years	10,484	7,484
Between 10 and 15 years	29,615	11,000
Between 15 and 20 years	48,092	62,015
More than 20 years	100,625	38,625
Total Long Term Borrowing	221,816	172,124
Total Borrowing	243,129	212,092

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 risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

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 quarterly 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 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	100
Increase in interest receivable on variable rate investments	(701)
Increase in government grant receivable for financing costs	(47)
Impact on Surplus or Deficit on the Provision of Services	(648)
Share of overall impact debited to the HRA	(79)
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	0

Price Risk

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

Foreign Exchange Risk

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

Note 52. Heritage Assets: Five year summary of transactions

Heritage Assets: Five Year Summary of Transactions	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
Cost of Acquisitions of Heritage Assets					
Historic Seaside Assets	0	0	0	0	0
Heritage Land and Buildings	0	0	0	0	0
Antiques and Collectables	0	0	0	0	0
Total cost of Purchases	0	0	0	0	0
Value of Heritage Assets Acquired by Donation					
Historic Seaside Assets	0	0	0	0	0
Heritage Land and Buildings	0	0	0	0	0
Antiques and Collectables	0	0	0	0	0
Total Donations	0	0	0	0	0
Disposals of Historic Seaside Assets					
Carrying Value	0	0	0	0	0
Proceeds	0	0	0	0	0
Disposals of Heritage Land and Buildings					
Carrying Value	0	0	0	0	0
Proceeds	0	0	0	0	0
Disposals of Antiques and Collectables					
Carrying Value	0	0	0	0	0
Proceeds	0	0	0	0	0
Impairment recognised in the period					
Historic Seaside Assets	0	(653)	0	0	(119)
Heritage Land and Buildings	0	(706)	0	0	(1,738)
Antiques and Collectables	0	0	0	0	0

Note 53. Heritage Assets: Further information

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

Historic Seaside Assets

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

Heritage Land and Buildings

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

Antiques / Collectables

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

Museum Collections

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

Memorials and Statues

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

Note 54. Heritage Assets: Change in Accounting Policy required by the Code of Practice

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in our summary of significant accounting policies, the Council now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's summary of significant accounting policies

In applying the new accounting policy, the Council has identified that the assets that were previously held within property, plant and equipment at £12.8 million should now be recognised as heritage assets and measured at £13.5 million with a corresponding increase in the Revaluation Reserve. As part of the above, the Council recognised £0.7 million for the recognition of heritage assets that were not previously recognised in the Balance Sheet. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

Effect on Opening Balance Sheet 1 April 2010	Opening Balances as at 1 April 2010 £000	Restatement £000	Restatement required to opening balances as at 1 April 2010 £000
Property, Plant and Equipment	791,687	(12,819)	778,868
Heritage Assets	0	13,484	13,484
Long-term Assets	823,870	665	824,535
Total Net Assets	574,357	665	575,022
Unusable Reserves	512,296	665	512,961
Net Worth/Total Reserves	574,357	665	575,022

Movement in Reserves Statement – Unusable Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

	As Previously Stated 31 March 2011 £000	Restatement 2011 £000	As Restated 31 March 2011 £000
Balance as at the end of the previous reporting period - 31 March 2010	512,296	0	512,296
Surplus or Deficit on the Provision of Services	0		
Other Comprehensive Income and Expenditure	(3,006)	(665)	(3,671)
Adjustments between the accounting basis and the funding basis under regulations	37,580	0	37,580
Increase/(decrease) in the year	34,574	(665)	33,909
Balance at the end of the current reporting period 31 March 2011	477,722	665	478,387

The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

	As Previously Stated 31 March 2011 £000	Restatement 2011 £000	As Restated 31 March 2011 £000
Property, Plant and Equipment	773,080	(13,088)	759,992
Heritage Assets	0	13,753	13,753
Long-term Assets	805,441	665	806,106
Total Net Assets	535,116	665	535,781
Unusable Reserves	477,722	665	478,387
Net Worth/Total Reserves	535,116	665	535,781

Note 55. Trust Funds and Bequests

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

At the 31 March 2012, the Council was sole trustee of twelve trust funds.

	Income £000	Expenditure £000	Assets £000	Liabilities £000
Beecroft Art Trust	84	209	501	1
Jones Memorial Recreation Ground Trust	52	52	156	0
Palace Theatre Charity	168	282	4,276	1
Prittlewell Priory Museum Trust	13	95	2,109	2
Priory Park Trust	357	371	433	1
The Shrubbery Trust	30	5	486	0
Victory Sports Ground Trust	62	62	11	0
Youth Commemoration Ground Trust	273	260	8,264	7
The E.D.F. Garvie Memorial Fund	0	0	2	0
The E. Cecil Jones Primary Schools Trust Fund	0	0	21	0
R. A. Jones in Memoriam Fund	0	0	17	0
Arthur Henry & Mary Thatcher Memorial Prize	0	0	9	0
Total Trusts	1,039	1,336	16,285	12

The purpose of each trust fund is set out below:

Beecroft Art Trust

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

Jones Memorial Recreation Ground Trust

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

The Palace Theatre Charity

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

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

Prittlewell Priory Museum Trust

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

Priory Park Trust

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

The Shrubbery Trust

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

Victory Sports Ground Trust

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

Youth Commemoration Ground Trust

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

The E D F Garvie Memorial Fund

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

The E Cecil Jones Primary Schools Trust Fund

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

R A Jones in Memoriam Fund

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

The Arthur Henry and Mary Thatcher Memorial Prize Trust

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

The assets of these trusts were donated by individuals to provide facilities for the good of the local community. The Council is also responsible for two bequests both made for the acquisition of works of art. These balances are included in the specific reserves.

	2011/12 £000	2010/11 £000
S Thorpe Smith Bequest	33	33
Emily Briggs Bequest	17	17
Total Bequests	50	50

HOUSING REVENUE ACCOUNT

HRA INCOME AND EXPENDITURE STATEMENT

2010/11 £000		2011/12 £000
	Income	
(20,080)	Dwelling Rents (Gross)	(21,594)
(301)	Non Dwelling Rents (Gross)	(332)
(3,767)	Charges for Services and Facilities	(3,997)
(24,148)	Total Income	(25,923)
	Expenditure	
4,501	Repairs and Maintenance	5,097
9,302	Supervision and Management	9,896
666	Rents, Rates, Taxes and other Charges	637
1,870	Negative Housing Revenue Account Subsidy Payable	2,775
226	Provision for Bad and Doubtful Debts	249
75,810	Depreciation and impairment on Dwellings	5,469
-	Self Financing Settlement	34,692
255	Depreciation on Other Assets	2,146
61	Debt Management Expenses	61
92,691	Total Expenditure	61,022
68,543	Net cost of HRA services as included in the whole authority Income and Expenditure Account	35,099
153	HRA services share of Corporate and Democratic Core	153
68,696	Net Cost of HRA Services	35,252
(249)	Loss/(Profit) on Sale of HRA Fixed Assets	311
2,049	Interest Payable and Similar Charges	2,429
-	General Grants	(84)
(74)	Interest Receivable	(62)
70,422	Deficit for the year on HRA services	37,846

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.

2010/11 £000		2011/12 £000
70,422	Deficit for the year on the Housing Revenue Account Income And Expenditure Account	37,846
(70,636)	Net additional amount required by statute to be credited to the HRA Balance for the year	(37,606)
(214)	Decrease/(Increase) in the Housing Revenue Account Balance	240
(3,528)	Housing Revenue Account - Balance Brought Forward	(3,742)
(3,742)	Housing Revenue Account - Balance Carried Forward	(3,502)

CALCULATION OF MOVEMENT ON THE HRA BALANCE

2010/11 £000		2011/12 £000
	Amounts included in the HRA Income And Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year	
249	(Loss)/Profit on Sale of HRA Fixed Assets	(311)
0	General Grants	84
	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	
(71,268)	Transfer to / (from) Major Repairs Reserve	(37,379)
30	Revenue Contribution to Capital	0
353	Transfer to / (from) Earmarked Reserve	0
(70,636)	Net Additional Amount required to be credited to the Housing Revenue Account Balance for the year.	(37,606)

NOTES TO THE HRA

HRA Note 1. Analysis of Housing Stock

	2011/12 Number of Properties	2010/11 Number of Properties
Houses And Bungalows	2,152	2,155
Flats	3,951	3,978
Stock at 31 March 2012	6,103	6,133

HRA Note 2. Rent Arrears

Cumulative rent arrears in respect of HRA properties at 31 March 2012 including service charges and water were £0.9m (At 31 March 2011 service charges and water were £0.9m).

HRA Note 3. Government Subsidy

	2011/12 £000	2010/11 £000
Guideline Rent Income	21,724	20,609
Interest on Receipts	1	1
Management & Maintenance Allowance	(11,358)	(11,152)
Major Repairs Allowance	(4,928)	(4,797)
Charges for Capital Allowance	(2,885)	(2,757)
Negative Housing Revenue Account Subsidy Payable	2,554	1,904
Accrual for change in interest rate	(80)	0
Adjustment in respect of previous years	301	(34)
Government Subsidy Payable	2,775	1,870

HRA Note 4. Provision for Bad and Doubtful Debts

Additional provision for bad debts in 2011/12 was £0.2m (2010/11 was £0.2m). The provision stood at £0.7m at 31 March 2012 (£0.7m at 31 March 2011). Debts amounting to £0.2m were written off during 2011/12 (£0.2m were written off during 2010/11).

HRA Note 5. Depreciation

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

	2011/12 £000	2010/11 £000
Item 8 Debit		
<u>Depreciation and Impairment</u>		
Council Dwellings	5,469	75,810
Non-Council Dwellings	2146	255
Total Depreciation and Impairment	7,615	76,065
Self Financing Settlement	34,692	0
Debt Management Expenses	61	61
Loan Interest Payable	2,429	2,049
Item 8 Credit		
Interest Receivable	(62)	(74)
Appropriation From Major Repairs Reserve	(37,379)	(71,268)
Net Effect On HRA	7,356	6,833

HRA Note 6. Major Repairs Reserve

The Reserve consists of a Major Repairs Allowance (MRA) introduced in 2001/02 which represents the estimated long-term annual average amount of capital spending required to maintain the housing stock in its current condition.

The MRA is an element used within the HRA Subsidy calculation to determine the level of overall subsidy receivable or payable to the government, and is used to represent the annual depreciation of the housing stock.

	2011/12 £000	2010/11 £000
Balance at 1 April	2,485	0
Transfers In	42,307	76,065
Used To Fund Capital (Council Dwellings)	(5,688)	(2,312)
Capital Accounting Adjustment	(37,379)	(71,268)
Balance at 31 March	1,725	2,485

HRA Note 7. Property, Plant and Equipment

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

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

The Open Market Value (OMV) of Council dwellings at 1 April 2011 amounted to £634.4m. It should be noted that the difference between the vacant possession value, or the OMV above, and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing Council housing at less than market value.

	Council Dwellings	Other Land & Buildings	Infra-Structure	Non-Operational Investment Properties	For Sale in less than 1 Year	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000
Gross Book Value as at 31 March 2011	261,187	10,937	1,613	440	1,299	66	275,542
Accumulated Depreciation as at 31 March 2011	(4,887)	(247)	(155)	(61)	0	(1)	(5,351)
Net Book Value as at 31 March 2011	256,300	10,690	1,458	379	1,299	65	270,191
Additions	10,799	0	0	0	0	0	10,799
Disposals	(293)	0	0	0	(1,199)	0	(1,492)
Transfers	77	0	0	0	0	0	77
Impairment I&E	7	(1,880)	0	0	0	0	(1,873)
<u>Depreciation</u>							
For Current Year	(5,476)	(266)	0	0	0	0	(5,742)
On Disposals	12	0	0	0	0	0	12
Gross Book Value as at 31 March 2012	271,777	9,057	1,613	440	100	66	283,053
Accumulated Depreciation as at 31 March 2012	(10,351)	(513)	(155)	(61)	0	(1)	(11,081)
Net Book Value as at 31 March 2012	261,426	8,544	1,458	379	100	65	271,972

HRA Note 8. Capital Expenditure

	31 March 2012 £000	31 March 2011 £000
Purchase or enhancement of Council Dwellings	10,758	17,392
Expenditure on maintaining the value of Council Dwellings	41	37
Total HRA Capital Expenditure	10,799	17,429
<u>Financed by:-</u>		
Usable Capital Receipts	1,081	0
Total Financed By Capital Receipts	1,081	0
<u>Revenue contributions:-</u>		
General Reserves	0	30
Major Repairs Reserve	5,688	2,312
Third Party	59	55
Capital Grant	25	0
Total Revenue Contributions	5,772	2,397
<u>Borrowing:-</u>		
Supported Capital Expenditure	3,946	14,908
Unsupported Capital Expenditure	0	124
Total Capital Expenditure	10,799	17,429

HRA Note 9. Capital Receipts

	Council Dwellings 2011/12 £000	Council Dwellings 2010/11 £000
Capital Receipts from Disposals During the Year	1,210	517

THE COLLECTION FUND

THE COLLECTION FUND

2010/11 £000		2011/12 £000
	Income	
67,568	Income from Council Tax <i>(Collection Fund Note 1)</i>	67,760
39,982	Income Collectable from Business Ratepayers <i>(Collection Fund Note 2)</i>	42,692
14,757	Transfers from General Fund Council Tax Benefits	14,734
122,307	Total Income	125,186
	Expenditure	
	Precepts and Demands	
8,085	Essex Police Authority	8,112
4,065	Essex Fire Authority	4,078
68,609	Southend-on-Sea Borough Council	68,837
80,759	Total Precepts And Demands	81,027
	Business Rate	
39,731	Payment to National Pool	42,448
251	Costs of Collection	244
39,982	Total Business Rate	42,692
	Provisions	
890	Council Tax Appeals and Non-Collection	454
(522)	Council Tax Write-offs	(438)
121,109	Sub-Total	123,735
	Use of Council Tax Balance	
582	Council Tax - Southend-on-Sea Borough Council	905
69	Council Tax - Essex Police Authority	107
34	Council Tax - Essex Fire Authority	54
121,794	Total Expenditure	124,801
513	Increase/(Decrease) in Balance	385
1,750	Balance as at 1 April	2,263
2,263	Balance as at 31 March <i>(Collection Fund Note 4)</i>	2,648

The balance on the Collection Fund as at 31 March 2012 was £2,647,322. £1,198,000 of this balance is committed in support of the 2012/13 Council tax.

NOTES TO THE COLLECTION FUND

Collection Fund Note 1. Income from Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Essex Police Authority, Essex Fire Authority and Southend-on-Sea Borough Council for the forthcoming year and dividing this by the Council Tax Base. The basic amount for a Band D property (£1,140.44 for the Leigh-on-Sea Town Council area and £1,117.89 for all other parts of the Borough) is multiplied by the proportion specified for the particular band to give an individual amount due.

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

	Number of Dwellings	Ratio	Equivalent Number of Dwellings
Valuation Band - A*	12	5/9	7
Valuation Band - A	13,191	6/9	8,794
Valuation Band - B	13,131	7/9	10,213
Valuation Band - C	20,435	8/9	18,164
Valuation Band - D	11,231	9/9	11,231
Valuation Band - E	5,993	11/9	7,325
Valuation Band - F	3,296	13/9	4,761
Valuation Band - G	1,389	15/9	2,314
Valuation Band - H	82	18/9	164
	68,760		62,973
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.			1,574
* Reductions For Band A Disabled.			
	Council Tax Base		61,399

Collection Fund Note 2. Non-Domestic Rates

Non Domestic Rates are organised on a national basis. The Government specified an amount of 43.3p in 2011/12 (*41.4p in 2010/11*) with a small business rate of 42.6p in 2011/12 (*40.7p in 2010/11*) and, subject to the effects of transitional arrangements, local businesses pay rates that are calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a Non Domestic Rates pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

After relief and provisions, the Non Domestic Rates income collectable was £42,692,171 for 2011/12 (*£39,982,440 for 2010/11*). The year-end rateable value for the Council's area was £119,631,327 at 31 March 2012 (*£120,511,387 at 31 March 2011*). The Valuation Office undertook a national revaluation of properties at 1 April 2010.

Collection Fund Note 3. Council Tax Appeals and Non-Collection

There was an increase of £284,399 in 2011/12 (a decrease of £172,257 in 2010/11) in the provision for bad and doubtful debts for Council Tax.

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 £2,648,000 on the 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.

	31 March 2012 £000	31 March 2011 £000
Council Tax - Southend-on-Sea Borough Council	2,249	1,923
Council Tax - Essex Police Authority	267	226
Council Tax - Essex Fire Authority	132	114
Total	2,648	2,263

Collection Fund Note 5. Council Tax Levels

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

Valuation Band	Range of Values	Council Tax 2011/12 Leigh-on-Sea Town Council Area	Council Tax 2011/12 All other parts of the Borough	Ratio to Band D
	£	£	£	
A	Up to and including 40,000	892.65	877.62	6/9
B	40,001 - 52,000	1,041.43	1,023.89	7/9
C	52,001 - 68,000	1,190.20	1,170.16	8/9
D	68,001 - 88,000	1,338.98	1,316.43	1
E	88,001 - 120,000	1,636.53	1,608.97	11/9
F	120,001 - 160,000	1,934.08	1,901.51	13/9
G	160,001 - 320,000	2,231.63	2,194.05	15/9
H	More than 320,000	2,677.96	2,632.86	18/9
Band D		2010/11	2011/12	% increase
		£	£	
Southend-on-Sea Borough Council		1,117.89	1,117.89	-
Essex Fire Authority		66.42	66.42	-
Essex Police Authority		132.12	132.12	-
Other than Leigh-on-Sea Town Council Area		1,316.43	1,316.43	-
Leigh-on-Sea Town Council		22.62	22.55	-0.31
Leigh-on-Sea Town Council Area		1,339.05	1,338.98	-0.01

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. As at 31 March 2012, the Council had two wholly owned companies that it considers to fall within the legal definitions of group accounts. These are South Essex Homes Limited and Southend Trading Corporation limited. Only South Essex Homes Limited traded during the year, and therefore is the only company subject to consolidation. Since the balance sheet date, the Council has acquired a third company, Southend Equipment Supplies Limited.

SOUTH ESSEX HOMES

Southend-on-Sea Borough Council established an Arms 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.

GROUP ACCOUNTING POLICIES

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

GROUP MOVEMENT IN RESERVES

	Usable Reserves £000	Unusable Reserves £000	Total Group Reserves £000
Balance at 31 March 2010	61,646	509,677	571,323
Movement in Reserves during 2010/11			
Surplus (Deficit) on the Provision of Services	(41,112)		(41,112)
Other Comprehensive Income and Expenditure		1,911	1,911
Total Comprehensive Income and Expenditure	(41,112)	1,911	(39,201)
Adjustments between accounting basis and funding basis under regulations	37,650	(37,580)	70
Net Increase / Decrease before Transfers to reserves	(3,462)	(35,669)	(39,131)
Transfers to / from Earmarked Reserves			0
Increase / Decrease in 2010/11	(3,462)	(35,669)	(39,131)
Balance at 31 March 2011	58,184	474,008	532,192
Movement in Reserves during 2011/12			
Surplus (Deficit) on the Provision of Services	(94,155)		(94,155)
Other Comprehensive Income and Expenditure		(51,152)	(51,152)
Total Comprehensive Income and Expenditure	(94,155)	(51,152)	(145,307)
Adjustments between accounting basis and funding basis under regulations	98,451	(98,451)	0
Net Increase / Decrease before Transfers to reserves	4,296	(149,603)	(145,307)
Transfers to / from Earmarked Reserves			0
Increase / Decrease in 2011/12	4,296	(149,603)	(145,307)
Balance at 31 March 2012	62,480	324,405	386,885

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2010/11			2011/12			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
21,616	(19,154)	2,462	Central Services to the Public	19,080	(16,397)	2,683
17,707	(2,978)	14,729	Cultural Services	28,962	(3,267)	25,695
			Environmental and Regulatory			
18,367	(2,819)	15,548	Services	20,954	(3,761)	17,193
3,552	(977)	2,575	Planning Services	2,764	(559)	2,205
231,578	(194,148)	37,430	Education and Children's Services	172,062	(130,460)	41,602
20,216	(7,244)	12,972	Highways and Transport Services	25,659	(9,284)	16,375
47,899	(23,693)	24,206	Local Authority Housing (HRA)	25,869	(24,872)	997
44,135	0	44,135	Exceptional cost of HRA impairment	0	0	0
			Exceptional cost of HRA Self			
0	0	0	Financing Settlement	34,692	0	34,692
99,159	(91,660)	7,499	Other Housing Services	102,666	(95,501)	7,165
65,752	(20,360)	45,392	Adult Social Care	69,497	(21,059)	48,438
5,766	(171)	5,595	Corporate and Democratic Core	8,716	(789)	7,927
21	0	21	Non Distributed Costs	(3,111)	0	(3,111)
(24,033)	0	(24,033)	Exceptional Gain on Pensions	0	0	0
551,735	(363,204)	188,531	Cost of Services	507,810	(305,949)	201,861
		752	Other Operating Expenditure			33,375
			Financing and Investment Income and			
		13,743	Expenditure			14,059
			Taxation and Non-Specific Grant			
		(161,916)	Income			(155,141)
			(Surplus) or Deficit on Provision of			
		41,110	Services			94,154
			2 Tax Expenses of Subsidiary			1
			41,112 Group (Surplus)/Deficit			94,155
			Surplus or Deficit on Revaluation of			
			Property, Plant and Equipment			
		(2,963)	Assets			(15,151)
			Surplus or Deficit on Revaluation of			
			13 Available for Sale Financial Assets			15
			Actuarial gains / losses on Pension			
		1,039	Assets / Liabilities			66,288
			Other Comprehensive Income and			
		(1,911)	Expenditure			51,152
			Total Comprehensive Income and			
		39,201	Expenditure			145,307

GROUP BALANCE SHEET

1 April 2010	31 March 2011		31 March 2012
£000	£000		£000
778,868	760,000	Property, Plant & Equipment	735,911
13,484	13,753	Heritage Assets	8,330
26,466	25,754	Investment Property	25,820
3,709	5,131	Intangible Assets	6,014
1,904	1,347	Assets Held for Sale	0
53	73	Long Term Investments	67
51	56	Long Term Debtors	45
824,535	806,114	Long Term Assets	776,187
71,443	55,358	Short term Investments	27,178
100	1,677	Assets Held for Sale	1,946
370	329	Inventories	293
46,408	34,406	Short Term Debtors	39,310
52,558	50,762	Cash and Cash Equivalents	40,521
170,879	142,532	Current Assets	109,248
(512)	(536)	Cash and Cash Equivalents	(330)
(57,394)	(39,968)	Short Term Borrowings	(21,313)
(48,647)	(47,781)	Short Term Creditors	(41,049)
(4,412)	(5,947)	Provisions	(3,462)
(110,965)	(94,232)	Current Liabilities	(66,154)
(2,091)	(2,753)	Long Term Creditors	(3,169)
(145,274)	(172,124)	Long Term Borrowing	(221,816)
(148,521)	(130,843)	Other Long Term Liabilities - Pensions	(191,681)
(17,240)	(16,502)	Other Long Term Liabilities - Other	(15,730)
0	0	Capital Grants Received in Advance	0
(313,126)	(322,222)	Long Term Liabilities	(432,396)
571,323	532,192	Net Assets	386,885
61,646	58,184	Usable Reserves	62,480
509,677	474,008	Unusable Reserves	324,405
571,323	532,192	Total Reserves	386,885

GROUP CASH FLOW STATEMENT

2010/11		2011/12
£000		£000
41,112	Net (Surplus) or Deficit on the Provision of Services	94,155
	Adjustments to Net Surplus or Deficit on the Provision of Services for	
(25,560)	non-cash Movements	(70,837)
	Adjustments for items included in the Net Surplus or Deficit on the	
8,098	Provision of Services that are Investing and Financing Activities	10,812
23,650	Net cash flows from Operating Activities	34,130
28,188	Investing Activities	6,295
(50,018)	Financing Activities	(30,390)
1,820	Net Increase or Decrease in Cash and Cash Equivalents	10,035
(52,046)	Cash and Cash Equivalents at the beginning of the Reporting Period	(50,226)
(50,226)	Cash and Cash Equivalents at the end of the Reporting Period	(40,191)

NOTES TO THE GROUP ACCOUNTS

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

Group Note 1. Details of Subsidiary Company:

South Essex Homes Limited – Company registration number 05453601

Group Note 2. Financial Performance:

In 2011/12 the turnover of South Essex Homes Limited amounted to £10.4m.

On 31 March 2012 the company had net liabilities valued at £7.153m. This comprises retained profits of £953,000, set against a pension reserve of £8,106,000. The Council provides a guarantee for the pension reserve, so that South Essex Homes can continue to be regarded as a going concern.

Group Note 3. Intercompany transactions:

The Council paid fees of £10.1m to South Essex Homes Limited for the management of its housing stock.

The Council provides several services for its subsidiary for which South Essex Homes Limited paid £0.5m. 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. Accounts:

The financial accounts of South Essex Homes Limited can be obtained from Philip Lyons, Chair of the Board, Cheviot House, 70 Baxter Avenue, Southend-on-Sea, SS2 6JA.

**ADDITIONAL
FINANCIAL
INFORMATION**

MEMBERS' ALLOWANCES

Members' Allowances		Basic Allowances £	Special Allowances £	Travel & Subsistence £	Total £
Elected Councillors					
ASHLEY	PW	8,402.12	5,875.54		14,277.66
ASSENHEIM	M	8,368.76	345.96		8,714.72
AYLEN	ST	8,368.76	-		8,368.76
BETSON	MA	8,402.12	-		8,402.12
BORTON	ML	8,368.76	-		8,368.76
BROWN	RAH	8,402.12	1,400.28		9,802.40
BURDETT	L	8,368.76	1,149.71		9,518.47
BYFORD	TK	7,589.00	-		7,589.00
CARR	SJ	8,402.04	4,859.01		13,261.05
CAUNCE	MT	8,368.76	-		8,368.76
CHALK	AM	7,589.00	-		7,589.00
CLINKSCALES	JR	813.12	-		813.12
COLLINS	PM	8,368.76	-		8,368.76
COURTENAY	JI	7,589.00	-	32.30	7,621.30
COX	T	8,402.12	10,502.84		18,904.96
CRYSTALL	A	8,368.76	-		8,368.76
DAY	EA	8,402.12	6,651.96		15,054.08
DELANEY	AJ	8,368.76	-		8,368.76
EVANS	MF	8,402.12	5,461.28		13,863.40
FLEWITT	MA	8,402.12	10,502.84		18,904.96
FOLKARD	NJ	8,402.12	1,715.34	205.31	10,322.77
GARSTON	JM	8,368.76	10,098.50	33.20	18,500.46
GEORGE	SG	813.12	-		813.12
GILBERT	ID	8,368.76	3,174.86		11,543.62
GODWIN	BA	8,368.76	345.96		8,714.72
GRIMWADE	MR	8,368.76	-		8,368.76
HABERMEL	SJ	8,368.76	5,814.99		14,183.75
HADLEY	RE	8,402.12	6,018.34	19.60	14,440.06
HOLDCROFT	N	8,368.76	30,674.28		39,043.04
HOLLAND	AE	8,402.12	7,120.62	74.00	15,596.74
HORRIGAN	GM	8,368.76	1,046.00		9,414.76
JARVIS	DJ	8,402.12	10,502.84	178.18	19,083.14
JONES	AJ	7,589.00	-		7,589.00
KAYE	A	8,368.76	203.67		8,572.43
KELLY	BT	8,402.12	8,825.64	148.00	17,375.76
LAMB	JL	8,402.24	15,275.72	889.10	24,567.06
LEWIN	G	8,402.12	350.12		8,752.24
LONGLEY	GE	8,368.76	8,195.80		16,564.56
LUTY	JS	813.12	-		813.12
McMAHON	J	7,580.67	-		7,580.67
MORGAN	RN	8,368.76	139.50		8,508.26
MORING	AJ	8,402.12	10,502.84		18,904.96
NORMAN	DA	8,368.76	12,863.28		21,232.04
RAYNER	PE	813.12	203.30		1,016.42
ROAST	C	803.44	-		803.44
ROBERTSON	IT	8,402.12	3,032.45	146.80	11,581.37
ROBIN	B	8,402.12	1,365.22		9,767.34
RUSSELL	DF	8,368.76	345.96		8,714.72
SALTER	LP	8,402.12	10,171.12		18,573.24
STAFFORD	M	8,368.76	-		8,368.76
TERRY	MV	8,368.76	7,067.69		15,436.45
VAN LOOY	PR	7,589.00	-		7,589.00
VELMURUGAN	M	8,402.12	-		8,402.12
WAITE	A	803.44	1,004.30		1,807.74
WALKER	CW	8,402.12	560.51		8,962.63
WEXHAM	PA	8,368.76	-		8,368.76
WOODLEY	RA	8,368.76	345.96		8,714.72
Co- Opted Members					
CLARKE	A	-	218.81		218.81
GRUBB	I	-	518.12		518.12
BARNARD	L	-	588.12		588.12
COPELAND	V	-	588.12		588.12
CAMP	E	-	518.12		518.12
MORGAN	J	-	1,050.12		1,050.12
TETLEY	J	-	2,100.84		2,100.84
ROBERTS	S	-	518.12		518.12
STROUDLEY	P	-	518.12		518.12
WILLIAMS	R	-	1,050.12		1,050.12
Total		427,679.83	211,382.84	1,726.49	640,789.16

ABBREVIATIONS and GLOSSARY

ABBREVIATIONS

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

GLOSSARY

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

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

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

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

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

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